



FRANKLIN TEMPLETON  
INVESTMENTS

Semiannual Report  
and Shareholder Letter  
June 30, 2014

# Franklin Fund Allocator Series

*(formerly, Franklin Templeton Fund Allocator Series)*

Franklin LifeSmart™

2015 Retirement Target Fund  
2020 Retirement Target Fund  
2025 Retirement Target Fund  
2030 Retirement Target Fund  
2035 Retirement Target Fund  
2040 Retirement Target Fund  
2045 Retirement Target Fund  
2050 Retirement Target Fund



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# Franklin Templeton Investments

Gain From Our Perspective\*

At Franklin Templeton Investments, we're dedicated to one goal: delivering exceptional asset management for our clients. By bringing together multiple, world-class investment teams in a single firm, we're able to offer specialized expertise across styles and asset classes, all supported by the strength and resources of one of the world's largest asset managers. This has helped us to become a trusted partner to individual and institutional investors across the globe.

## Focus on Investment Excellence

At the core of our firm, you'll find multiple independent investment teams—each with a focused area of expertise — from traditional to alternative strategies and multi-asset solutions. And because our portfolio groups operate autonomously, their strategies can be combined to deliver true style and asset class diversification.

All of our investment teams share a common commitment to excellence grounded in rigorous, fundamental research and robust, disciplined risk management. Decade after decade, our consistent, research-driven processes have helped Franklin Templeton earn an impressive record of strong, long-term results.

## Global Perspective Shaped by Local Expertise

In today's complex and interconnected world, smart investing demands a global perspective. Franklin Templeton pioneered international investing over 60 years ago, and our expertise in emerging markets spans more than a quarter of a century. Today, our investment professionals are on the ground across the globe, spotting investment ideas and potential risks firsthand. These locally based teams bring in-depth understanding of local companies, economies and cultural nuances, and share their best thinking across our global research network.

## Strength and Experience

Franklin Templeton is a global leader in asset management serving clients in over 150 countries.<sup>1</sup> We run our business with the same prudence we apply to asset management, staying focused on delivering relevant investment solutions, strong long-term results and reliable, personal service. This approach, focused on putting clients first, has helped us to become one of the most trusted names in financial services.

1. As of 12/31/13. Clients are represented by the total number of shareholder accounts.

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# Shareholder Letter

Dear Shareholder:

During the six months ended June 30, 2014, the U.S. economy grew modestly despite severe weather that slowed business activity and contributed to a first-quarter contraction. Accommodative monetary policy supported encouraging trends in consumer spending, personal income, manufacturing and employment that bolstered investor confidence. In January, the Federal Reserve Board (Fed) initiated gradual reductions in its monthly asset purchases and pledged to maintain low interest rates given stable inflation and employment data. Although geopolitical crises arose in Ukraine and the Middle East, U.S. stocks, as measured by the Standard & Poor's® 500 Index rose 7.14%,<sup>1,2</sup> and investment-grade fixed income markets, as measured by the Barclays U.S. Aggregate Index, gained 3.93% for the six-month period.<sup>1,3</sup>

We remain encouraged as the U.S. showed signs of continued economic growth during the six-month period. With this economic environment, we believe companies generally should continue to deliver healthy earnings and cash flow, which have historically been favorable for equity markets. Additionally, continued low interest rates should support many fixed income markets. Keep in mind in all economic environments we remain committed to our long-term perspective and disciplined investment approach. First and foremost for us, this means conducting diligent, fundamental analysis of securities with a continual emphasis on investment risk management.

Franklin LifeSmart Retirement Target Funds' semiannual report goes into greater detail about prevailing conditions during the period under review. In addition, you will find Fund performance data, financial information and a discussion about our investments. Please remember all securities markets fluctuate, as do mutual fund share prices.

If you would like more frequent updates, [franklintempleton.com](http://franklintempleton.com) provides daily prices, monthly performance figures, portfolio holdings and other information. You can also access your account, buy and sell shares, and find helpful financial planning tools. We hope you will take advantage of these online services.

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3. Source: Barclays Global Family of Indices. © 2014 Barclays Capital Inc. Used with permission.

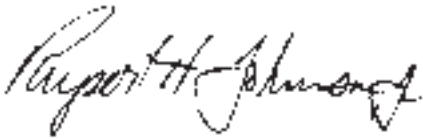
Not FDIC Insured | May Lose Value | No Bank Guarantee

FRANKLIN FUND ALLOCATOR SERIES  
SHAREHOLDER LETTER

We believe active management serves investors well. We also see the important role financial advisors serve in markets like the se and encourage investors to continue to seek their counsel. While headwinds remain and the global recovery will continue to be uneven, we are confident investors with a well-diversified portfolio and a patient, long-term outlook should be well positioned for the years ahead.

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

Sincerely,

A handwritten signature in black ink, reading "Rupert H. Johnson, Jr." in a cursive script.

Rupert H. Johnson, Jr.  
Chairman  
Franklin Fund Allocator Series  
*(formerly, Franklin Templeton Fund Allocator Series)*

*This letter reflects our analysis and opinions as of June 30, 2014. 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.*

# Semiannual Report

## Economic and Market Overview

The U.S. economy showed some signs of recovery during the six-month period ended June 30, 2014, despite a first-quarter contraction in gross domestic product. Manufacturing activity expanded, and the unemployment rate declined to 6.1% in June 2014 from 6.7% in December 2013.<sup>1</sup> Except for a sharp increase in March, retail sales rose at a modest pace that missed consensus expectations. The housing market had some weather-related weakness early in 2014, but home sales picked up in the spring and home prices were higher than a year ago.

The Federal Reserve Board (Fed) began reducing bond purchases by \$10 billion a month in January 2014, based on earlier largely positive economic and employment data. Although economic data in early 2014 were soft, Fed Chair Janet Yellen kept the pace of asset-purchase tapering intact while adopting a more qualitative approach to rate-hike guidance. However, the Fed pledged to keep interest rates low for a considerable time after the asset-purchase program ends, depending on inflation and employment trends. In June, the Fed lowered projections for near- and long-term economic growth even as it maintained the pace of tapering.

The global economy grew moderately during the six months under review as many developed markets continued to recover and many emerging markets recorded continued growth. Major developed market central banks reaffirmed their accommodative monetary policies in an effort to support the ongoing recovery. In emerging markets, some central banks cut interest rates to boost economic growth, while others raised rates to control inflation and currency depreciation.

The U.K. economy grew relatively well in the first half of 2014, supported by the services and manufacturing sectors. In the second quarter, a preliminary estimate registered expansion at precrisis levels. The Japanese economy grew strongly during the first quarter of 2014 as consumption rose ahead of a sales tax increase in April. The Bank of Japan kept its monetary policy unchanged as it maintained an upbeat inflation forecast and reiterated that the economy continued to recover moderately, despite challenges resulting from the sales tax increase. Japan's growth weakened, however, in the second quarter. Although out of recession, the eurozone experienced deflationary risks and weak employment trends. The region's first-quarter economic growth was softer than many observers had expected. In the second quarter, concerns arose about the potential negative impacts to growth from the crisis in Ukraine and tension in the Middle East. Toward period-end, the European Central Bank reduced its main interest rate and, for the first time, set a negative deposit rate.

Stocks in developed markets advanced overall during the period amid a generally accommodative monetary policy environment, continued strength in corporate earnings and signs of an economic recovery. Global government and corporate bonds delivered solid performance as interest rates in many developed market countries remained low. Gold prices rose during the period, and oil prices increased amid supply concerns related to geopolitical tensions. The U.S. dollar was relatively flat compared to most currencies.

*The foregoing information reflects our analysis and opinions as of June 30, 2014. 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. Source: Bureau of Labor Statistics.

# Franklin LifeSmart 2015 Retirement Target Fund

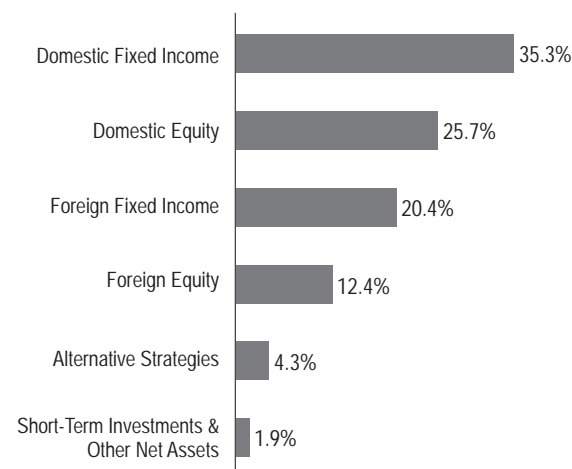
This semiannual report for Franklin LifeSmart 2015 Retirement Target Fund covers the period ended June 30, 2014.

## Your Fund's Goal and Main Investments

Franklin LifeSmart 2015 Retirement Target Fund seeks the highest level of long-term total return, which consists of capital appreciation and income, consistent with the Fund's asset allocation. The Fund allocates among the broad asset classes of equity and fixed income by investing in a distinctly weighted combination of underlying funds, predominantly other Franklin Templeton mutual funds, with an increasing emphasis on income as the target date of 2015 approaches. The target date is the approximate retirement year of the investor.

### Asset Allocation\*

Based on Total Net Assets as of 6/30/14



\*The asset allocation is based on the Statement of Investments (SOI), which classifies each underlying fund and other fund investments into a broad asset class based on their predominant investments under normal market conditions.

## Performance Overview

Franklin LifeSmart 2015 Retirement Target Fund – Class A delivered a +3.57% cumulative total return for the six months ended June 30, 2014. By comparison, the Fund's equity benchmarks, the Standard & Poor's® 500 Index (S&P 500®), a broad measure of U.S. stock performance, returned +7.14%,<sup>1, 2</sup> and the MSCI Europe, Australasia, Far East (EAFE) Index, which measures global stock performance for developed markets excluding the U.S. and Canada, generated a +5.14% total return.<sup>1, 3</sup> The Fund's fixed income benchmark, the Barclays U.S. Aggregate Index, which tracks U.S. investment-grade bonds, posted a +3.93% total return.<sup>1, 4</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. Please visit [franklintempleton.com](http://franklintempleton.com) or call (800) 342-5236 for most recent month-end performance.*

## Investment Strategy

When selecting equity funds, we consider the foreign and domestic exposure, market capitalization ranges, and investment style (growth vs. value) of the underlying Franklin Templeton funds and other fund investments (collectively, "fund investments"). When selecting fixed income funds, we focus primarily on maximizing income appropriate to the Fund's specific risk profile. In evaluating the risk level of the fund investments, we analyze such factors as: (a) relative and absolute performance, including correlations with other fund investments as well as corresponding benchmarks, and (b) their volatility (the variability of returns from one period to the next). We attempt to invest the assets of each Target Fund in the same fund investments and will vary the fund investments' allocation percentages based upon each Fund's risk/return

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The indexes are unmanaged and include reinvested dividends. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

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3. Source: MSCI.

4. Source: Barclays Global Family of Indices. © 2014 Barclays Capital Inc. Used with permission.

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's SOI, which begins on page 65.

level. We change the Fund's target asset allocation over time, and it becomes increasingly conservative as the stated target date draws near. At the "landing point" (reached at the target date), the Fund reaches its most conservative asset allocation and thereafter, such strategic asset allocation will generally become fixed.

### Top 10 Fund Holdings

6/30/14

	% of Total Net Assets
Templeton Global Total Return Fund – Class R6	17.1%
Franklin U.S. Government Securities Fund – Class R6	12.7%
Franklin Low Duration Total Return Fund – Class R6	10.7%
Franklin Strategic Income Fund – Class R6	6.2%
Franklin Rising Dividends Fund – Class R6	6.2%
iShares Intermediate Credit Bond, ETF	5.6%
Franklin DynaTech Fund – Class R6	4.4%
Franklin International Small Cap Growth Fund – Class R6	4.2%
Franklin Emerging Market Debt Opportunities Fund	3.3%
Franklin K2 Alternative Strategies Fund – Class R6	3.3%

### Manager's Discussion

The Fund's performance can be attributed largely to its allocation among equities and fixed income securities and to the actual performance of the fund investments. This allocation shifts every year, in accordance with the retirement date associated with the portfolio.

At period-end, Franklin LifeSmart 2015 Retirement Target Fund allocated 38.1% of total net assets to equity, 55.7% to fixed income and 4.3% to alternative strategies. Domestic equity exposure was 67.5% of the total equity weighting, and foreign equity made up the balance. The portfolio was diversified across capitalization sizes and investment styles, and on June 30, 2014, we held shares in large-, mid- and small-capitalization equity funds, representing both growth and value styles. Franklin Rising Dividends Fund – Class R6, at 6.2% of the Fund's total net assets, was our largest equity fund weighting at period-end. On the fixed income side, domestic exposure was 63.4% of the Fund's total fixed income weighting, with the balance in foreign fixed income. Templeton Global Total Return Fund – Class R6 was our largest fixed income fund weighting at 17.1% of total net assets.

Our largest domestic growth fund holding, Franklin DynaTech Fund – Class R6, and our largest domestic value fund holding, Franklin Rising Dividends Fund – Class R6, underperformed the S&P 500. Our largest foreign equity fund holding, Franklin International Small Cap Growth Fund – Class R6, underperformed the MSCI EAFE Index. On the fixed income side, Templeton Global Total Return Fund – Class R6 and Franklin U.S. Government Securities Fund – Class R6 underperformed the Barclays U.S. Aggregate Index.

Thank you for your continued participation in Franklin LifeSmart 2015 Retirement Target Fund. We look forward to serving your future investment needs.



T. Anthony Coffey, CFA



Thomas A. Nelson, CFA

### Portfolio Managers

*The foregoing information reflects our analysis, opinions and portfolio holdings as of June 30, 2014, 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 June 30, 2014

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. The performance table does 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.

### Net Asset Value

Share Class (Symbol)	6/30/14	12/31/13	Change
<b>A</b> (FTRAX)	\$12.48	\$12.28	+\$0.20
<b>C</b> (FRTCX)	\$12.36	\$12.16	+\$0.20
<b>R</b> (n/a)	\$12.44	\$12.25	+\$0.19
<b>R6</b> (FLMTX)	\$12.53	\$12.32	+\$0.21
<b>Advisor</b> (n/a)	\$12.52	\$12.31	+\$0.21

### Distributions (1/1/14–6/30/14)

Share Class	Dividend Income	Long-Term Capital Gain	Total
<b>A</b>	\$0.0947	\$0.1420	\$0.2367
<b>C</b>	\$0.0545	\$0.1420	\$0.1965
<b>R</b>	\$0.0850	\$0.1420	\$0.2270
<b>R6</b>	\$0.1156	\$0.1420	\$0.2576
<b>Advisor</b>	\$0.1125	\$0.1420	\$0.2545



## Performance as of 6/30/14<sup>1</sup>

Cumulative total return excludes sales charges. Average annual total returns and value of \$10,000 investment include maximum sales charges. **Class A:** 5.75% maximum initial sales charge; **Class C:** 1% contingent deferred sales charge in first year only; **Class R/R6/Advisor Class:** no sales charges.

Share Class	Cumulative Total Return <sup>2</sup>	Average Annual Total Return <sup>3</sup>	Value of \$10,000 Investment <sup>4</sup>	Total Annual Operating Expenses <sup>5</sup>	
				(with waiver)	(without waiver)
<b>A</b>				0.94%	1.45%
6-Month	+3.57%	-2.39%	\$9,761		
1-Year	+13.38%	+6.85%	\$10,685		
5-Year	+66.27%	+9.39%	\$15,666		
Since Inception (8/1/06)	+62.02%	+5.50%	\$15,271		
<b>C</b>				1.64%	2.15%
6-Month	+3.27%	+2.27%	\$10,227		
1-Year	+12.57%	+11.57%	\$11,157		
5-Year	+60.59%	+9.94%	\$16,059		
Since Inception (8/1/06)	+53.36%	+5.55%	\$15,336		
<b>R</b>				1.14%	1.65%
6-Month	+3.42%	+3.42%	\$10,342		
1-Year	+13.11%	+13.11%	\$11,311		
5-Year	+64.45%	+10.46%	\$16,445		
Since Inception (8/1/06)	+59.29%	+6.06%	\$15,929		
<b>R6</b>				0.59%	1.22%
6-Month	+3.81%	+3.81%	\$10,381		
1-Year	+13.80%	+13.80%	\$11,380		
Since Inception (5/1/13)	+11.89%	+10.13%	\$11,189		
<b>Advisor</b>				0.64%	1.15%
6-Month	+3.79%	+3.79%	\$10,379		
1-Year	+13.75%	+13.75%	\$11,375		
5-Year	+68.76%	+11.03%	\$16,876		
Since Inception (8/1/06)	+66.02%	+6.62%	\$16,602		

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.

FRANKLIN LIFESMART 2015 RETIREMENT TARGET FUND  
PERFORMANCE SUMMARY

The Fund's investment risk changes over time as its asset allocation changes. Since the Fund invests in underlying funds, which may engage in a variety of investment strategies involving certain risks, the Fund is subject to those same risks. All investments involve risks, including possible loss of principal. Principal invested is not guaranteed at any time, including at or after the Fund's retirement target date, nor is there any guarantee that the Fund will provide sufficient income at or through the investor's retirement. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Bond prices generally move in the opposite direction of interest rates. Thus, as prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. Foreign investing carries additional risks such as currency and market volatility and political or social instability, risks that are heightened in developing countries. These risks are described more fully in the Fund's prospectus. Investors should consult their financial advisors for help selecting the appropriate fund of funds, or fund combination, based on an evaluation of their investment objectives, retirement time horizons and risk tolerance. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results.

**Class C:** These shares have higher annual fees and expenses than Class A shares.

**Class R:** Shares are available to certain eligible investors as described in the prospectus. These shares have higher annual fees and expenses than Class A shares.

**Class R6:** Shares are available to certain eligible investors as described in the prospectus.

**Advisor Class:** Shares are available to certain eligible investors as described in the prospectus.

1. The Fund has an expense reduction contractually guaranteed through at least 4/30/15 and 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 fee waiver, to the extent applicable; without these reductions, the results would have been lower. 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.
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. Six-month return has not been annualized.
4. These figures represent the value of a hypothetical \$10,000 investment in the Fund over the periods indicated.
5. Figures are as stated in the Fund's current prospectus and include the effect of acquired fund fees and expenses. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.

## Your Fund's Expenses

As a Fund shareholder, you can incur two types of costs:

- Transaction costs, including sales charges (loads) on Fund purchases; and
- 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 following table 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 first line (Actual) for each share class listed in the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of Fund expenses.

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:*

1. Divide your account value by \$1,000.

*If an account had an \$8,600 value,  
then  $\$8,600 \div \$1,000 = 8.6$ .*

2. Multiply the result by the number under the heading "Expenses Paid During Period."

*If Expenses Paid During Period were \$7.50,  
then  $8.6 \times \$7.50 = \$64.50$ .*

In this illustration, the estimated expenses paid this period are \$64.50.

### Hypothetical Example for Comparison with Other Funds

Information in the second line (Hypothetical) for each class in the table can help you compare ongoing costs of investing in the Fund with those of other mutual funds. This information may not be used to estimate the actual ending account balance or expenses you paid during the period. The hypothetical "Ending Account Value" is based on the actual expense ratio for each class and an assumed 5% annual rate of return before expenses, which does not represent the Fund's actual return. The figure under the heading "Expenses Paid During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds.

*Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transaction costs, such as sales charges. Therefore, the second line for each class is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transaction costs were included, your total costs would have been higher. Please refer to the Fund prospectus for additional information on operating expenses.*

FRANKLIN LIFESMART 2015 RETIREMENT TARGET FUND  
YOUR FUND'S EXPENSES

Share Class	Beginning Account Value 1/1/14	Ending Account Value 6/30/14	Expenses Paid During Period* 1/1/14–6/30/14	Expenses Paid During Period** 1/1/14–6/30/14
<b>A</b>				
Actual	\$1,000	\$1,035.70	\$1.77	\$5.00
Hypothetical (5% return before expenses)	\$1,000	\$1,023.06	\$1.76	\$4.96
<b>C</b>				
Actual	\$1,000	\$1,032.70	\$5.24	\$8.47
Hypothetical (5% return before expenses)	\$1,000	\$1,019.64	\$5.21	\$8.40
<b>R</b>				
Actual	\$1,000	\$1,034.20	\$2.77	\$6.00
Hypothetical (5% return before expenses)	\$1,000	\$1,022.07	\$2.76	\$5.96
<b>R6</b>				
Actual	\$1,000	\$1,038.10	\$0.00	\$3.23
Hypothetical (5% return before expenses)	\$1,000	\$1,024.79	\$0.00	\$3.21
<b>Advisor</b>				
Actual	\$1,000	\$1,037.90	\$0.25	\$3.49
Hypothetical (5% return before expenses)	\$1,000	\$1,024.55	\$0.25	\$3.46

\*Expenses are calculated using the most recent six-month expense ratio excluding expenses of the fund investments, net of expense waivers, annualized for each class (A: 0.35%; C: 1.04%; R: 0.55%; R6: 0.00%; and Advisor: 0.05%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

\*\*Expenses are calculated using the most recent six-month expense ratio including expenses of the fund investments, net of expense waivers, annualized for each class (A: 0.99%; C: 1.68%; R: 1.19%; R6: 0.64%; and Advisor: 0.69%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

# Franklin LifeSmart 2020 Retirement Target Fund

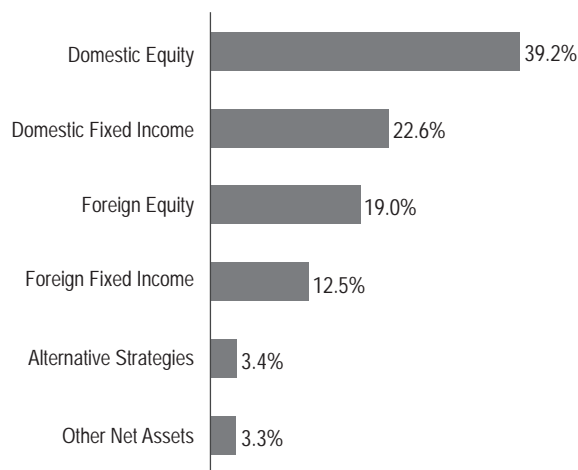
This semiannual report for Franklin LifeSmart 2020 Retirement Target Fund covers the period ended June 30, 2014.

## Your Fund's Goal and Main Investments

Franklin LifeSmart 2020 Retirement Target Fund seeks the highest level of long-term total return, which consists of capital appreciation and income, consistent with the Fund's asset allocation. The Fund allocates among the broad asset classes of equity and fixed income by investing in a distinctly weighted combination of underlying funds, predominantly other Franklin Templeton mutual funds, with an increasing emphasis on income as the target date of 2020 approaches. The target date is the approximate retirement year of the investor.

### Asset Allocation\*

Based on Total Net Assets as of 6/30/14



\*The asset allocation is based on the Statement of Investments (SOI), which classifies each underlying fund and other fund investments into a broad asset class based on their predominant investments under normal market conditions.

## Performance Overview

Franklin LifeSmart 2020 Retirement Target Fund – Class A delivered a +4.45% cumulative total return for the six months ended June 30, 2014. By comparison, the Fund's equity benchmarks, the Standard & Poor's 500 Index (S&P 500), a broad measure of U.S. stock performance, returned +7.14%,<sup>1, 2</sup> and the MSCI Europe, Australasia, Far East (EAFE) Index, which measures global stock performance for developed markets excluding the U.S. and Canada, generated a +5.14% total return.<sup>1, 3</sup> The Fund's fixed income benchmark, the Barclays U.S. Aggregate Index, which tracks U.S. investment-grade bonds, posted a +3.93% total return.<sup>1, 4</sup> You can find more of the Fund's performance data in the Performance Summary beginning on page 13.

*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. Please visit [franklintempleton.com](http://franklintempleton.com) or call (800) 342-5236 for most recent month-end performance.*

## Investment Strategy

When selecting equity funds, we consider the foreign and domestic exposure, market capitalization ranges, and investment style (growth vs. value) of the underlying Franklin Templeton funds and other fund investments (collectively, "fund investments"). When selecting fixed income funds, we focus primarily on maximizing income appropriate to the Fund's specific risk profile. In evaluating the risk level of the fund investments, we analyze such factors as: (a) relative and absolute performance, including correlations with other fund investments as well as corresponding benchmarks, and (b) their volatility (the variability of returns from one period to the next). We attempt to invest the assets of each Target Fund in the same fund investments and will vary the fund investments' allocation percentages based upon each Fund's risk/return

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The indexes are unmanaged and include reinvested dividends. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

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3. Source: MSCI.

4. Source: Barclays Global Family of Indices. © 2014 Barclays Capital Inc. Used with permission.

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's SOI, which begins on page 72.

level. We change the Fund's target asset allocation over time, and it becomes increasingly conservative as the stated target date draws near. At the "landing point" (reached at the target date), the Fund reaches its most conservative asset allocation and thereafter, such strategic asset allocation will generally become fixed.

### Top 10 Fund Holdings

6/30/14

	% of Total Net Assets
Templeton Global Total Return Fund – Class R6	10.8%
Franklin Rising Dividends Fund – Class R6	9.1%
Franklin U.S. Government Securities Fund – Class R6	8.2%
Franklin DynaTech Fund – Class R6	7.5%
Franklin International Small Cap Growth Fund – Class R6	7.1%
Franklin Low Duration Total Return Fund – Class R6	6.9%
Franklin Growth Fund – Class R6	4.9%
Franklin Mutual European Fund – Class R6	4.4%
iShares Core S&P 500, ETF	4.1%
Franklin Strategic Income Fund – Class R6	4.0%

### Manager's Discussion

The Fund's performance can be attributed largely to its allocation among equities and fixed income securities and to the actual performance of the fund investments. This allocation shifts every year, in accordance with the retirement date associated with the portfolio.

At period-end, Franklin LifeSmart 2020 Retirement Target Fund allocated 58.2% of total net assets to equity, 35.1% to fixed income and 3.4% to alternative strategies. Domestic equity exposure was 67.4% of the total equity weighting, and foreign equity made up the balance. The portfolio was diversified across capitalization sizes and investment styles, and on June 30, 2014, we held shares in large-, mid- and small-capitalization equity funds, representing both growth and value styles. Franklin Rising Dividends Fund – Class R6, at 9.1% of the Fund's total net assets, was our largest equity fund weighting at period-end. On the fixed income side, domestic exposure was 64.4% of the Fund's total fixed income weighting, with the balance in foreign fixed income. Templeton Global Total Return Fund – Class R6 was our largest fixed income fund weighting at 10.8% of total net assets.

Our largest domestic growth fund holding, Franklin DynaTech Fund – Class R6, and our largest domestic value fund holding, Franklin Rising Dividends Fund – Class R6, underperformed the S&P 500. Our largest foreign equity fund holding, Franklin International Small Cap Growth Fund – Class R6 underperformed the MSCI EAFE Index. On the fixed income side, Templeton Global Total Return Fund – Class R6 and Franklin U.S. Government Securities Fund – Class R6 underperformed the Barclays U.S. Aggregate Index.

Thank you for your participation in Franklin LifeSmart 2020 Retirement Target Fund. We look forward to serving your future investment needs.



T. Anthony Coffey, CFA



Thomas A. Nelson, CFA

#### Portfolio Managers

*The foregoing information reflects our analysis, opinions and portfolio holdings as of June 30, 2014, 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 June 30, 2014

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. The performance table does 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.

### Net Asset Value

Share Class (Symbol)	6/30/14	12/31/13	Change
A (n/a)	\$11.32	\$10.94	+\$0.38
C (n/a)	\$11.27	\$10.90	+\$0.37
R (n/a)	\$11.31	\$10.93	+\$0.38
R6 (FRTSX)	\$11.33	\$10.95	+\$0.38
Advisor (n/a)	\$11.33	\$10.95	+\$0.38

### Distributions (1/1/14–6/30/14)

Share Class	Dividend Income	Short-Term Capital Gain	Long-Term Capital Gain	Total
A	\$0.0471	\$0.0021	\$0.0566	\$0.1058
C	\$0.0257	\$0.0021	\$0.0566	\$0.0844
R	\$0.0402	\$0.0021	\$0.0566	\$0.0989
R6	\$0.0652	\$0.0021	\$0.0566	\$0.1239
Advisor	\$0.0602	\$0.0021	\$0.0566	\$0.1189

## Performance as of 6/30/14<sup>1</sup>

Cumulative total return excludes sales charges. Average annual total returns and value of \$10,000 investment include maximum sales charges. **Class A:** 5.75% maximum initial sales charge; **Class C:** 1% contingent deferred sales charge in first year only; **Class R/R6/Advisor Class:** no sales charges.

Share Class	Cumulative Total Return <sup>2</sup>	Average Annual Total Return <sup>3</sup>	Value of \$10,000 Investment <sup>4</sup>	Total Annual Operating Expenses <sup>5</sup>	
				(with waiver)	(without waiver)
<b>A</b>				1.00%	11.90%
6-Month	+4.45%	-1.58%	\$9,842		
Since Inception (7/1/13)	+15.61%	+8.97%	\$10,897		
<b>C</b>				1.70%	12.60%
6-Month	+4.18%	+3.18%	\$10,318		
Since Inception (7/1/13)	+14.76%	+13.76%	\$11,376		
<b>R</b>				1.20%	12.10%
6-Month	+4.39%	+4.39%	\$10,439		
Since Inception (7/1/13)	+15.33%	+15.33%	\$11,533		
<b>R6</b>				0.65%	12.16%
6-Month	+4.61%	+4.61%	\$10,461		
Since Inception (7/1/13)	+15.96%	+15.96%	\$11,596		
<b>Advisor</b>				0.70%	11.60%
6-Month	+4.57%	+4.57%	\$10,457		
Since Inception (7/1/13)	+15.89%	+15.89%	\$11,589		

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.



The Fund's investment risk changes over time as its asset allocation changes. Since the Fund invests in underlying funds, which may engage in a variety of investment strategies involving certain risks, the Fund is subject to those same risks. All investments involve risks, including possible loss of principal. Principal invested is not guaranteed at any time, including at or after the Fund's retirement target date, nor is there any guarantee that the Fund will provide sufficient income at or through the investor's retirement. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Bond prices generally move in the opposite direction of interest rates. Thus, as prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. Foreign investing carries additional risks such as currency and market volatility and political or social instability, risks that are heightened in developing countries. These risks are described more fully in the Fund's prospectus. Investors should consult their financial advisors for help selecting the appropriate fund of funds, or fund combination, based on an evaluation of their investment objectives, retirement time horizons and risk tolerance. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results.

**Class C:** These shares have higher annual fees and expenses than Class A shares.

**Class R:** Shares are available to certain eligible investors as described in the prospectus. These shares have higher annual fees and expenses than Class A shares.

**Class R6:** Shares are available to certain eligible investors as described in the prospectus.

**Advisor Class:** Shares are available to certain eligible investors as described in the prospectus.

1. The Fund has an expense reduction contractually guaranteed through at least 4/30/15 and 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 fee waiver, to the extent applicable; 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. Performance shown is not annualized.
4. These figures represent the value of a hypothetical \$10,000 investment in the Fund over the periods indicated.
5. Figures are as stated in the Fund's current prospectus and include the effect of acquired fund fees and expenses. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.

## Your Fund's Expenses

As a Fund shareholder, you can incur two types of costs:

- Transaction costs, including sales charges (loads) on Fund purchases; and
- 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 following table 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 first line (Actual) for each share class listed in the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of Fund expenses.

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:*

1. Divide your account value by \$1,000.

*If an account had an \$8,600 value,  
then  $\$8,600 \div \$1,000 = 8.6$ .*

2. Multiply the result by the number under the heading "Expenses Paid During Period."

*If Expenses Paid During Period were \$7.50,  
then  $8.6 \times \$7.50 = \$64.50$ .*

In this illustration, the estimated expenses paid this period are \$64.50.

### Hypothetical Example for Comparison with Other Funds

Information in the second line (Hypothetical) for each class in the table can help you compare ongoing costs of investing in the Fund with those of other mutual funds. This information may not be used to estimate the actual ending account balance or expenses you paid during the period. The hypothetical "Ending Account Value" is based on the actual expense ratio for each class and an assumed 5% annual rate of return before expenses, which does not represent the Fund's actual return. The figure under the heading "Expenses Paid During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds.

*Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transaction costs, such as sales charges. Therefore, the second line for each class is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transaction costs were included, your total costs would have been higher. Please refer to the Fund prospectus for additional information on operating expenses.*

FRANKLIN LIFESMART 2020 RETIREMENT TARGET FUND  
YOUR FUND'S EXPENSES

Share Class	Beginning Account Value 1/1/14	Ending Account Value 6/30/14	Expenses Paid During Period* 1/1/14–6/30/14	Expenses Paid During Period** 1/1/14–6/30/14
<b>A</b>				
Actual	\$1,000	\$1,044.50	\$1.77	\$5.12
Hypothetical (5% return before expenses)	\$1,000	\$1,023.06	\$1.76	\$5.06
<b>C</b>				
Actual	\$1,000	\$1,041.80	\$5.32	\$8.66
Hypothetical (5% return before expenses)	\$1,000	\$1,019.59	\$5.26	\$8.55
<b>R</b>				
Actual	\$1,000	\$1,043.90	\$2.79	\$6.13
Hypothetical (5% return before expenses)	\$1,000	\$1,022.07	\$2.76	\$6.06
<b>R6</b>				
Actual	\$1,000	\$1,046.10	\$0.00	\$3.35
Hypothetical (5% return before expenses)	\$1,000	\$1,024.79	\$0.00	\$3.31
<b>Advisor</b>				
Actual	\$1,000	\$1,045.70	\$0.27	\$3.60
Hypothetical (5% return before expenses)	\$1,000	\$1,024.50	\$0.27	\$3.56

\*Expenses are calculated using the most recent six-month expense ratio excluding expenses of the fund investments, net of expense waivers, annualized for each class (A: 0.35%; C: 1.05%; R: 0.55%; R6: 0.00%; and Advisor: 0.05%), multiplied by the average account value over the period, multiplied 181/365 to reflect the one-half year period.

\*\*Expenses are calculated using the most recent six-month expense ratio including expenses of the fund investments, net of expense waivers, annualized for each class (A: 1.01%; C: 1.71%; R: 1.21%; R6: 0.66%; and Advisor: 0.71%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

# Franklin LifeSmart 2025 Retirement Target Fund

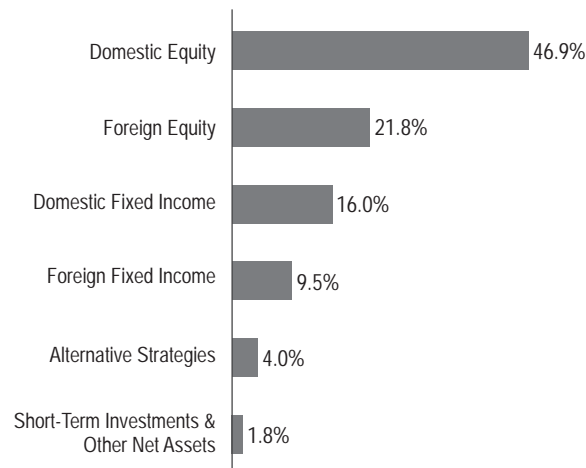
This semiannual report for Franklin LifeSmart 2025 Retirement Target Fund covers the period ended June 30, 2014.

## Your Fund's Goal and Main Investments

Franklin LifeSmart 2025 Retirement Target Fund seeks the highest level of long-term total return, which consists of capital appreciation and income, consistent with the Fund's asset allocation. The Fund allocates among the broad asset classes of equity and fixed income by investing in a distinctly weighted combination of underlying funds, predominantly other Franklin Templeton mutual funds, with an increasing emphasis on income as the target date of 2025 approaches.<sup>1</sup> The target date is the approximate retirement year of the investor.

### Asset Allocation\*

Based on Total Net Assets as of 6/30/14



\*The asset allocation is based on the Statement of Investments (SOI), which classifies each underlying fund and other fund investments into a broad asset class based on their predominant investments under normal market conditions.

## Performance Overview

Franklin LifeSmart 2025 Retirement Target Fund – Class A delivered a +4.02% cumulative total return for the six months ended June 30, 2014. By comparison, the Fund's equity benchmarks, the Standard & Poor's 500 Index (S&P 500), a broad measure of U.S. stock performance, returned +7.14%,<sup>1, 2</sup> and the MSCI Europe, Australasia, Far East (EAFE) Index, which measures global stock performance for developed markets excluding the U.S. and Canada, generated a +5.14% total return.<sup>1, 3</sup> The Fund's fixed income benchmark, the Barclays U.S. Aggregate Index, which tracks U.S. investment-grade bonds, posted a +3.93% total return.<sup>1, 4</sup> You can find the Fund's long-term performance data in the Performance Summary beginning on page 20.

*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. Please visit [franklintempleton.com](http://franklintempleton.com) or call (800) 342-5236 for most recent month-end performance.*

## Investment Strategy

When selecting equity funds, we consider the foreign and domestic exposure, market capitalization ranges, and investment style (growth vs. value) of the underlying Franklin Templeton funds and other fund investments (collectively, "fund investments"). When selecting fixed income funds, we focus primarily on maximizing income appropriate to the Fund's specific risk profile. In evaluating the risk level of the fund investments, we analyze such factors as: (a) relative and absolute performance, including correlations with other fund investments as well as corresponding benchmarks, and (b) their volatility (the variability of returns from one period to the next). We attempt to invest the assets of each Target Fund in the same fund investments and will vary the fund investments' allocation percentages based upon each Fund's risk/return

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The indexes are unmanaged and include reinvested dividends. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

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3. Source: MSCI.

4. Source: Barclays Global Family of Indices. © 2014 Barclays Capital Inc. Used with permission.

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's SOI, which begins on page 78.

level. We change the Fund's target asset allocation over time, and it becomes increasingly conservative as the stated target date draws near. At the "landing point" (reached at the target date), the Fund reaches its most conservative asset allocation and thereafter, such strategic asset allocation will generally become fixed.

### Top 10 Fund Holdings

6/30/14

	% of Total Net Assets
Franklin Rising Dividends Fund – Class R6	11.8%
Franklin DynaTech Fund – Class R6	9.0%
Franklin International Small Cap Growth Fund – Class R6	8.0%
Templeton Global Total Return Fund – Class R6	8.0%
Franklin U.S. Government Securities Fund – Class R6	6.0%
Franklin Mutual European Fund – Class R6	5.0%
iShares Core S&P 500, ETF	5.0%
Franklin Low Duration Total Return Fund – Class R6	4.7%
Franklin Growth Fund – Class R6	4.2%
Franklin Utilities Fund – Class R6	3.9%

### Manager's Discussion

The Fund's performance can be attributed largely to its allocation among equities and fixed income securities and to the actual performance of the fund investments. This allocation shifts every year, in accordance with the retirement date associated with the portfolio.

At period-end, Franklin LifeSmart 2025 Retirement Target Fund allocated 68.7% of total net assets to equity, 25.5% to fixed income and 4.0% to alternative strategies. Domestic equity exposure was 68.3% of the total equity weighting, and foreign equity made up the balance. The portfolio was diversified across capitalization sizes and investment styles, and on June 30, 2014, we held shares in large-, mid- and small-capitalization equity funds, representing both growth and value styles. Franklin Rising Dividends Fund – Class R6, at 11.8% of the Fund's total net assets, was our largest equity fund weighting at period-end. On the fixed income side, domestic exposure was 62.7% of the Fund's total fixed income weighting, with the balance in foreign fixed income. Templeton Global Total Return Fund – Class R6 was our largest fixed income fund weighting at 8.0% of total net assets.

Our largest domestic growth fund holding, Franklin DynaTech Fund – Class R6, and our largest domestic value fund holding, Franklin Rising Dividends Fund – Class R6, underperformed the S&P 500. Our largest foreign equity fund holding, Franklin International Small Cap Growth Fund – Class R6, underperformed the MSCI EAFE Index. On the fixed income side, Templeton Global Total Return Fund – Class R6 and Franklin U.S. Government Securities Fund – Class R6 underperformed the Barclays U.S. Aggregate Index.

Thank you for your continued participation in Franklin LifeSmart 2025 Retirement Target Fund. We look forward to serving your future investment needs.



T. Anthony Coffey, CFA



Thomas A. Nelson, CFA

### Portfolio Managers

*The foregoing information reflects our analysis, opinions and portfolio holdings as of June 30, 2014, 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 June 30, 2014

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. The performance table does 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.

### Net Asset Value

Share Class (Symbol)	6/30/14	12/31/13	Change
<b>A</b> (FTRTX)	\$13.01	\$12.76	+\$0.25
<b>C</b> (FTTCX)	\$12.83	\$12.60	+\$0.23
<b>R</b> (n/a)	\$12.97	\$12.72	+\$0.25
<b>R6</b> (FTLMX)	\$13.04	\$12.79	+\$0.25
<b>Advisor</b> (n/a)	\$13.04	\$12.79	+\$0.25

### Distributions (1/1/14–6/30/14)

Share Class	Dividend Income	Long-Term Capital Gain	Total
<b>A</b>	\$0.0529	\$0.2082	\$0.2611
<b>C</b>	\$0.0110	\$0.2082	\$0.2192
<b>R</b>	\$0.0408	\$0.2082	\$0.2490
<b>R6</b>	\$0.0742	\$0.2082	\$0.2824
<b>Advisor</b>	\$0.0712	\$0.2082	\$0.2794

## Performance as of 6/30/14<sup>1</sup>

Cumulative total return excludes sales charges. Average annual total return and value of \$10,000 investment include maximum sales charges. **Class A:** 5.75% maximum initial sales charge; **Class C:** 1% contingent deferred sales charge in first year only; **Class R/R6/Advisor Class:** no sales charges.

Share Class	Cumulative Total Return <sup>2</sup>	Average Annual Total Return <sup>3</sup>	Value of \$10,000 Investment <sup>4</sup>	Total Annual Operating Expenses <sup>5</sup>	
				(with waiver)	(without waiver)
<b>A</b>				0.98%	1.51%
6-Month	+4.02%	-1.97%	\$9,803		
1-Year	+19.09%	+12.27%	\$11,227		
5-Year	+82.79%	+11.50%	\$17,235		
Since Inception (8/1/06)	+65.22%	+5.76%	\$15,572		
<b>C</b>				1.68%	2.21%
6-Month	+3.57%	+2.57%	\$10,257		
1-Year	+18.26%	+17.26%	\$11,726		
5-Year	+76.39%	+12.02%	\$17,639		
Since Inception (8/1/06)	+56.36%	+5.81%	\$15,636		
<b>R</b>				1.18%	1.71%
6-Month	+3.94%	+3.94%	\$10,394		
1-Year	+18.90%	+18.90%	\$11,890		
5-Year	+80.95%	+12.59%	\$18,095		
Since Inception (8/1/06)	+62.71%	+6.35%	\$16,271		
<b>R6</b>				0.63%	1.11%
6-Month	+4.18%	+4.18%	\$10,418		
1-Year	+19.51%	+19.51%	\$11,951		
Since Inception (5/1/13)	+18.66%	+15.83%	\$11,866		
<b>Advisor</b>				0.68%	1.21%
6-Month	+4.16%	+4.16%	\$10,416		
1-Year	+19.45%	+19.45%	\$11,945		
5-Year	+85.70%	+13.18%	\$18,570		
Since Inception (8/1/06)	+69.11%	+6.87%	\$16,911		

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.

FRANKLIN LIFESMART 2025 RETIREMENT TARGET FUND  
PERFORMANCE SUMMARY

The Fund's investment risk changes over time as its asset allocation changes. Since the Fund invests in underlying funds, which may engage in a variety of investment strategies involving certain risks, the Fund is subject to those same risks. All investments involve risks, including possible loss of principal. Principal invested is not guaranteed at any time, including at or after the Fund's retirement target date, nor is there any guarantee that the Fund will provide sufficient income at or through the investor's retirement. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Bond prices generally move in the opposite direction of interest rates. Thus, as prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. Foreign investing carries additional risks such as currency and market volatility and political or social instability, risks that are heightened in developing countries. These risks are described more fully in the Fund's prospectus. Investors should consult their financial advisors for help selecting the appropriate fund of funds, or fund combination, based on an evaluation of their investment objectives, retirement time horizons and risk tolerance. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results.

**Class C:** These shares have higher annual fees and expenses than Class A shares.

**Class R:** Shares are available to certain eligible investors as described in the prospectus. These shares have higher annual fees and expenses than Class A shares.

**Class R6:** Shares are available to certain eligible investors as described in the prospectus.

**Advisor Class:** Shares are available to certain eligible investors as described in the prospectus.

1. The Fund has an expense reduction contractually guaranteed through at least 4/30/15 and 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 fee waiver, to the extent applicable; without these reductions, the results would have been lower. 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.
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. Six-month return has not been annualized.
4. These figures represent the value of a hypothetical \$10,000 investment in the Fund over the periods indicated.
5. Figures are as stated in the Fund's current prospectus and include the effect of acquired fund fees and expenses. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.



## Your Fund's Expenses

As a Fund shareholder, you can incur two types of costs:

- Transaction costs, including sales charges (loads) on Fund purchases; and
- 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 following table 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 first line (Actual) for each share class listed in the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of Fund expenses.

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:*

1. Divide your account value by \$1,000.  
*If an account had an \$8,600 value,  
then  $\$8,600 \div \$1,000 = 8.6$ .*
2. Multiply the result by the number under the heading "Expenses Paid During Period."  
*If Expenses Paid During Period were \$7.50,  
then  $8.6 \times \$7.50 = \$64.50$ .*

In this illustration, the estimated expenses paid this period are \$64.50.

### Hypothetical Example for Comparison with Other Funds

Information in the second line (Hypothetical) for each class in the table can help you compare ongoing costs of investing in the Fund with those of other mutual funds. This information may not be used to estimate the actual ending account balance or expenses you paid during the period. The hypothetical "Ending Account Value" is based on the actual expense ratio for each class and an assumed 5% annual rate of return before expenses, which does not represent the Fund's actual return. The figure under the heading "Expenses Paid During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds.

*Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transaction costs, such as sales charges. Therefore, the second line for each class is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transaction costs were included, your total costs would have been higher. Please refer to the Fund prospectus for additional information on operating expenses.*

FRANKLIN LIFESMART 2025 RETIREMENT TARGET FUND  
YOUR FUND'S EXPENSES

Share Class	Beginning Account Value 1/1/14	Ending Account Value 6/30/14	Expenses Paid During Period* 1/1/14–6/30/14	Expenses Paid During Period** 1/1/14–6/30/14
<b>A</b>				
Actual	\$1,000	\$1,040.20	\$1.77	\$5.21
Hypothetical (5% return before expenses)	\$1,000	\$1,023.06	\$1.76	\$5.16
<b>C</b>				
Actual	\$1,000	\$1,035.70	\$5.30	\$8.74
Hypothetical (5% return before expenses)	\$1,000	\$1,019.54	\$5.26	\$8.65
<b>R</b>				
Actual	\$1,000	\$1,039.40	\$2.79	\$6.22
Hypothetical (5% return before expenses)	\$1,000	\$1,022.02	\$2.76	\$6.16
<b>R6</b>				
Actual	\$1,000	\$1,041.80	\$0.00	\$3.44
Hypothetical (5% return before expenses)	\$1,000	\$1,024.79	\$0.00	\$3.41
<b>Advisor</b>				
Actual	\$1,000	\$1,041.60	\$0.26	\$3.70
Hypothetical (5% return before expenses)	\$1,000	\$1,024.50	\$0.26	\$3.66

\*Expenses are calculated using the most recent six-month expense ratio excluding expenses of the fund investments, net of expense waivers, annualized for each class (A: 0.35%; C: 1.05%; R: 0.55%; R6: 0.00%; and Advisor: 0.05%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

\*\*Expenses are calculated using the most recent six-month expense ratio including expenses of the fund investments, net of expense waivers, annualized for each class (A: 1.03%; C: 1.73%; R: 1.23%; R6: 0.68%; and Advisor: 0.73%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

# Franklin LifeSmart 2030 Retirement Target Fund

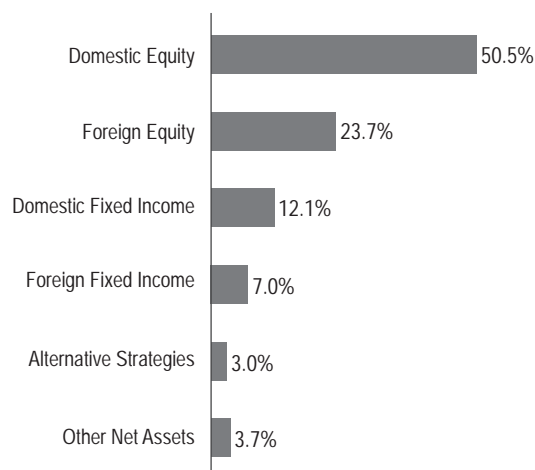
This semiannual report for Franklin LifeSmart 2030 Retirement Target Fund covers the period ended June 30, 2014.

## Your Fund's Goal and Main Investments

Franklin LifeSmart 2030 Retirement Target Fund seeks the highest level of long-term total return, which consists of capital appreciation and income, consistent with the Fund's asset allocation. The Fund allocates among the broad asset classes of equity and fixed income by investing in a distinctly weighted combination of underlying funds, predominantly other Franklin Templeton mutual funds, with an increasing emphasis on income as the target date of 2030 approaches. The target date is the approximate retirement year of the investor.

### Asset Allocation\*

Based on Total Net Assets as of 6/30/14



\*The asset allocation is based on the Statement of Investments (SOI), which classifies each underlying fund and other fund investments into a broad asset class based on their predominant investments under normal market conditions.

## Performance Overview

Franklin LifeSmart 2030 Retirement Target Fund – Class A delivered a +3.94% cumulative total return for the six months ended June 30, 2014. By comparison, the Fund's equity benchmarks, the Standard & Poor's 500 Index (S&P 500), a broad measure of U.S. stock performance, returned +7.14%,<sup>1, 2</sup> and the MSCI Europe, Australasia, Far East (EAFE) Index, which measures global stock performance for developed markets excluding the U.S. and Canada, generated a +5.14% total return.<sup>1, 3</sup> The Fund's fixed income benchmark, the Barclays U.S. Aggregate Index, which tracks U.S. investment-grade bonds, posted a +3.93% total return.<sup>1, 4</sup> You can find more of the Fund's performance data in the Performance Summary beginning on page 27.

*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. Please visit [franklintempleton.com](http://franklintempleton.com) or call (800) 342-5236 for most recent month-end performance.*

## Investment Strategy

When selecting equity funds, we consider the foreign and domestic exposure, market capitalization ranges, and investment style (growth vs. value) of the underlying Franklin Templeton funds and other fund investments (collectively, "fund investments"). When selecting fixed income funds, we focus primarily on maximizing income appropriate to the Fund's specific risk profile. In evaluating the risk level of the fund investments, we analyze such factors as: (a) relative and absolute performance, including correlations with other fund investments as well as corresponding benchmarks, and (b) their volatility (the variability of returns from one period to the next). We attempt to invest the assets of each Target Fund in the same fund investments and will vary the fund investments' allocation percentages based upon each Fund's risk/return

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The indexes are unmanaged and include reinvested dividends. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

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3. Source: MSCI.

4. Source: Barclays Global Family of Indices. © 2014 Barclays Capital Inc. Used with permission.

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's SOI, which begins on page 85.

level. We change the Fund's target asset allocation over time, and it becomes increasingly conservative as the stated target date draws near. At the "landing point" (reached at the target date), the Fund reaches its most conservative asset allocation and thereafter, such strategic asset allocation will generally become fixed.

### Top 10 Fund Holdings

6/30/14

	% of Total Net Assets
Franklin Rising Dividends Fund – Class R6	12.0%
Franklin DynaTech Fund – Class R6	9.9%
Franklin International Small Cap Growth Fund – Class R6	9.0%
Templeton Global Total Return Fund – Class R6	5.9%
Franklin Growth Fund – Class R6	5.8%
Franklin Mutual European Fund – Class R6	5.1%
iShares Core S&P 500, ETF	4.6%
Franklin U.S. Government Securities Fund – Class R6	4.4%
Franklin Utilities Fund – Class R6	4.2%
Franklin Small Cap Growth Fund – Class R6	3.8%

### Manager's Discussion

The Fund's performance can be attributed largely to its allocation among equities and fixed income securities and to the actual performance of the fund investments. This allocation shifts every year, in accordance with the retirement date associated with the portfolio.

At period-end, Franklin LifeSmart 2030 Retirement Target Fund allocated 74.2% of total net assets to equity, 19.1% to fixed income and 3.0% to alternative strategies. Domestic equity exposure was 68.1% of the total equity weighting, and foreign equity made up the balance. The portfolio was diversified across capitalization sizes and investment styles, and on June 30, 2014, we held shares in large-, mid- and small-capitalization equity funds, representing both growth and value styles. Franklin Rising Dividends Fund – Class R6, at 12.0% of the Fund's total net assets, was our largest equity fund weighting at period-end. On the fixed income side, domestic exposure was 63.4% of the Fund's total fixed income weighting, with the balance in foreign fixed income. Templeton Global Total Return Fund – Class R6 was our largest fixed income fund weighting at 5.9% of total net assets.

Our largest domestic growth fund holding, Franklin DynaTech Fund – Class R6, and our largest domestic value fund holding, Franklin Rising Dividends Fund – Class R6, underperformed the S&P 500. Our largest foreign equity fund holding, Franklin International Small Cap Growth Fund – Class R6, underperformed the MSCI EAFE Index. On the fixed income side, Templeton Global Total Return Fund – Class R6 and Franklin U.S. Government Securities Fund – Class R6 underperformed the Barclays U.S. Aggregate Index.

Thank you for your participation in Franklin LifeSmart 2030 Retirement Target Fund. We look forward to serving your future investment needs.



T. Anthony Coffey, CFA



Thomas A. Nelson, CFA

### Portfolio Managers

*The foregoing information reflects our analysis, opinions and portfolio holdings as of June 30, 2014, 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 June 30, 2014

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. The performance table does 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.

### Net Asset Value

Share Class (Symbol)	6/30/14	12/31/13	Change
A (n/a)	\$11.49	\$11.11	+\$0.38
C (n/a)	\$11.43	\$11.09	+\$0.34
R (n/a)	\$11.47	\$11.10	+\$0.37
R6 (FLERX)	\$11.52	\$11.12	+\$0.40
Advisor (n/a)	\$11.52	\$11.12	+\$0.40

### Distributions (1/1/14–6/30/14)

Share Class	Dividend Income	Short-Term Capital Gain	Long-Term Capital Gain	Total
A	\$0.0011	\$0.0004	\$0.0555	\$0.0570
C	\$0.0011	\$0.0004	\$0.0555	\$0.0570
R	\$0.0011	\$0.0004	\$0.0555	\$0.0570
R6	\$0.0011	\$0.0004	\$0.0555	\$0.0570
Advisor	\$0.0011	\$0.0004	\$0.0555	\$0.0570

## Performance as of 6/30/14<sup>1</sup>

Cumulative total return excludes sales charges. Average annual total returns and value of \$10,000 investment include maximum sales charges. **Class A:** 5.75% maximum initial sales charge; **Class C:** 1% contingent deferred sales charge in first year only; **Class R/R6/Advisor Class:** no sales charges.

Share Class	Cumulative Total Return <sup>2</sup>	Average Annual Total Return <sup>3</sup>	Value of \$10,000 Investment <sup>4</sup>	Total Annual Operating Expenses <sup>5</sup>	
				(with waiver)	(without waiver)
<b>A</b>				1.02%	21.56%
6-Month	+3.94%	-2.06%	\$9,794		
Since Inception (7/1/13)	+16.61%	+9.90%	\$10,990		
<b>C</b>				1.72%	22.26%
6-Month	+3.68%	+2.68%	\$10,268		
Since Inception (7/1/13)	+15.84%	+14.84%	\$11,484		
<b>R</b>				1.22%	21.76%
6-Month	+3.85%	+3.85%	\$10,385		
Since Inception (7/1/13)	+16.29%	+16.29%	\$11,629		
<b>R6</b>				0.67%	21.67%
6-Month	+4.11%	+4.11%	\$10,411		
Since Inception (7/1/13)	+16.95%	+16.95%	\$11,695		
<b>Advisor</b>				0.72%	21.26%
6-Month	+4.02%	+4.02%	\$10,402		
Since Inception (7/1/13)	+16.83%	+16.83%	\$11,683		

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.

The Fund's investment risk changes over time as its asset allocation changes. Since the Fund invests in underlying funds, which may engage in a variety of investment strategies involving certain risks, the Fund is subject to those same risks. All investments involve risks, including possible loss of principal. Principal invested is not guaranteed at any time, including at or after the Fund's retirement target date, nor is there any guarantee that the Fund will provide sufficient income at or through the investor's retirement. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Bond prices generally move in the opposite direction of interest rates. Thus, as prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. Foreign investing carries additional risks such as currency and market volatility and political or social instability, risks that are heightened in developing countries. These risks are described more fully in the Fund's prospectus. Investors should consult their financial advisors for help selecting the appropriate fund of funds, or fund combination, based on an evaluation of their investment objectives, retirement time horizons and risk tolerance. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results.

**Class C:** These shares have higher annual fees and expenses than Class A shares.

**Class R:** Shares are available to certain eligible investors as described in the prospectus. These shares have higher annual fees and expenses than Class A shares.

**Class R6:** Shares are available to certain eligible investors as described in the prospectus.

**Advisor Class:** Shares are available to certain eligible investors as described in the prospectus.

1. The Fund has an expense reduction contractually guaranteed through at least 4/30/15 and 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 fee waiver, to the extent applicable; 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. Performance shown is not annualized.
4. These figures represent the value of a hypothetical \$10,000 investment in the Fund over the periods indicated.
5. Figures are as stated in the Fund's current prospectus and include the effect of acquired fund fees and expenses. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.

## Your Fund's Expenses

As a Fund shareholder, you can incur two types of costs:

- Transaction costs, including sales charges (loads) on Fund purchases; and
- 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 following table 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 first line (Actual) for each share class listed in the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of Fund expenses.

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:*

1. Divide your account value by \$1,000.

*If an account had an \$8,600 value,  
then  $\$8,600 \div \$1,000 = 8.6$ .*

2. Multiply the result by the number under the heading "Expenses Paid During Period."

*If Expenses Paid During Period were \$7.50,  
then  $8.6 \times \$7.50 = \$64.50$ .*

In this illustration, the estimated expenses paid this period are \$64.50.

### Hypothetical Example for Comparison with Other Funds

Information in the second line (Hypothetical) for each class in the table can help you compare ongoing costs of investing in the Fund with those of other mutual funds. This information may not be used to estimate the actual ending account balance or expenses you paid during the period. The hypothetical "Ending Account Value" is based on the actual expense ratio for each class and an assumed 5% annual rate of return before expenses, which does not represent the Fund's actual return. The figure under the heading "Expenses Paid During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds.

*Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transaction costs, such as sales charges. Therefore, the second line for each class is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transaction costs were included, your total costs would have been higher. Please refer to the Fund prospectus for additional information on operating expenses.*



FRANKLIN LIFESMART 2030 RETIREMENT TARGET FUND  
YOUR FUND'S EXPENSES

Share Class	Beginning Account Value 1/1/14	Ending Account Value 6/30/14	Expenses Paid During Period* 1/1/14–6/30/14	Expenses Paid During Period** 1/1/14–6/30/14
<b>A</b>				
Actual	\$1,000	\$1,039.40	\$1.77	\$5.26
Hypothetical (5% return before expenses)	\$1,000	\$1,023.06	\$1.76	\$5.21
<b>C</b>				
Actual	\$1,000	\$1,036.80	\$5.30	\$8.79
Hypothetical (5% return before expenses)	\$1,000	\$1,019.59	\$5.26	\$8.70
<b>R</b>				
Actual	\$1,000	\$1,038.50	\$2.78	\$6.27
Hypothetical (5% return before expenses)	\$1,000	\$1,022.07	\$2.76	\$6.21
<b>R6</b>				
Actual	\$1,000	\$1,041.10	\$0.00	\$3.49
Hypothetical (5% return before expenses)	\$1,000	\$1,024.79	\$0.00	\$3.46
<b>Advisor</b>				
Actual	\$1,000	\$1,040.20	\$0.25	\$3.74
Hypothetical (5% return before expenses)	\$1,000	\$1,024.55	\$0.25	\$3.71

\*Expenses are calculated using the most recent six-month expense ratio excluding expenses of the fund investments, net of expense waivers, annualized for each class (A: 0.35%; C: 1.05%; R: 0.55%; R6: 0.00%; and Advisor: 0.05%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

\*\*Expenses are calculated using the most recent six-month expense ratio including expenses of the fund investments, net of expense waivers, annualized for each class (A: 1.04%; C: 1.74%; R: 1.24%; R6: 0.69%; and Advisor: 0.74%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

# Franklin LifeSmart 2035 Retirement Target Fund

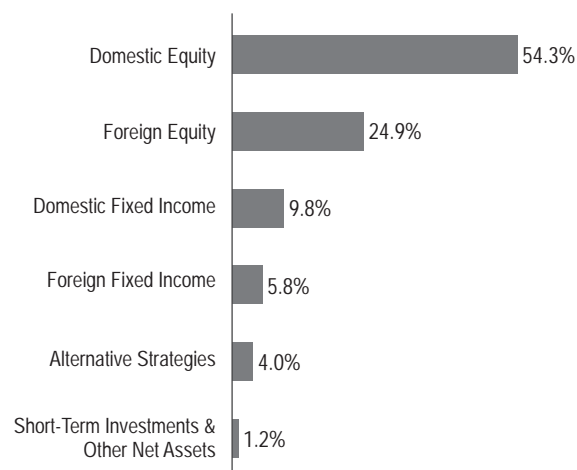
This semiannual report for Franklin LifeSmart 2035 Retirement Target Fund covers the period ended June 30, 2014.

## Your Fund's Goal and Main Investments

Franklin LifeSmart 2035 Retirement Target Fund seeks the highest level of long-term total return, which consists of capital appreciation and income, consistent with the Fund's asset allocation. The Fund allocates among the broad asset classes of equity and fixed income by investing in a distinctly weighted combination of underlying funds, predominantly other Franklin Templeton mutual funds, with an increasing emphasis on income as the target date of 2035 approaches. The target date is the approximate retirement year of the investor.

### Asset Allocation\*

Based on Total Net Assets as of 6/30/14



\*The asset allocation is based on the Statement of Investments (SOI), which classifies each underlying fund and other fund investments into a broad asset class based on their predominant investments under normal market conditions.

## Performance Overview

Franklin LifeSmart 2035 Retirement Target Fund – Class A delivered a +4.34% cumulative total return for the six months ended June 30, 2014. By comparison, the Fund's equity benchmarks, the Standard & Poor's 500 Index (S&P 500), a broad measure of U.S. stock performance, returned +7.14%,<sup>1, 2</sup> and the MSCI Europe, Australasia, Far East (EAFE) Index, which measures global stock performance for developed markets excluding the U.S. and Canada, generated a +5.14% total return.<sup>1, 3</sup> The Fund's fixed income benchmark, the Barclays U.S. Aggregate Index, which tracks U.S. investment-grade bonds, posted a +3.93% total return.<sup>1, 4</sup> You can find the Fund's long-term performance data in the Performance Summary beginning on page 34.

*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. Please visit [franklintempleton.com](http://franklintempleton.com) or call (800) 342-5236 for most recent month-end performance.*

## Investment Strategy

When selecting equity funds, we consider the foreign and domestic exposure, market capitalization ranges, and investment style (growth vs. value) of the underlying Franklin Templeton funds and other fund investments (collectively, "fund investments"). When selecting fixed income funds, we focus primarily on maximizing income appropriate to the Fund's specific risk profile. In evaluating the risk level of the fund investments, we analyze such factors as: (a) relative and absolute performance, including correlations with other fund investments as well as corresponding benchmarks, and (b) their volatility (the variability of returns from one period to the next). We attempt to invest the assets of each Target Fund in the same fund investments and will vary the fund investments' allocation percentages based upon each Fund's risk/return

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The indexes are unmanaged and include reinvested dividends. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

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3. Source: MSCI.

4. Source: Barclays Global Family of Indices. © 2014 Barclays Capital Inc. Used with permission.

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's SOI, which begins on page 91.

level. We change the Fund's target asset allocation over time, and it becomes increasingly conservative as the stated target date draws near. At the "landing point" (reached at the target date), the Fund reaches its most conservative asset allocation and thereafter, such strategic asset allocation will generally become fixed.

### Top 10 Fund Holdings

6/30/14

	% of Total Net Assets
Franklin Rising Dividends Fund – Class R6	13.7%
Franklin DynaTech Fund – Class R6	10.0%
Franklin International Small Cap Growth Fund – Class R6	8.9%
Franklin Mutual European Fund – Class R6	5.7%
iShares Core S&P 500, ETF	5.6%
Franklin Growth Fund – Class R6	5.3%
Templeton Global Total Return Fund – Class R6	4.8%
Franklin Utilities Fund – Class R6	4.8%
Franklin Small Cap Growth Fund – Class R6	3.9%
Franklin U.S. Government Securities Fund – Class R6	3.4%

### Manager's Discussion

The Fund's performance can be attributed largely to its allocation among equities and fixed income securities and to the actual performance of the fund investments. This allocation shifts every year, in accordance with the retirement date associated with the portfolio.

At period-end, Franklin LifeSmart 2035 Retirement Target Fund allocated 79.2% of total net assets to equity, 15.6% to fixed income and 4.0% to alternative strategies. Domestic equity exposure was 68.6% of the total equity weighting, and foreign equity made up the balance. The portfolio was diversified across capitalization sizes and investment styles, and on June 30, 2014, we held shares in large-, mid- and small-capitalization equity funds, representing both growth and value styles. Franklin Rising Dividends Fund – Class R6, at 13.7% of the Fund's total net assets, was our largest equity fund weighting at period-end. On the fixed income side, domestic exposure was 62.8% of the Fund's total fixed income weighting, with the balance in foreign fixed income. Templeton Global Total Return Fund – Class R6 was our largest fixed income fund weighting at 4.8% of total net assets.

Our largest domestic growth fund holding, Franklin DynaTech Fund – Class R6, and our largest domestic value fund holding, Franklin Rising Dividends Fund – Class R6, underperformed the S&P 500. Our largest foreign equity fund holding, Franklin International Small Cap Growth Fund – Class R6, underperformed the MSCI EAFE Index. On the fixed income side, Templeton Global Total Return Fund – Class R6 and Franklin U.S. Government Securities Fund – Class R6 underperformed the Barclays U.S. Aggregate Index.

Thank you for your continued participation in Franklin LifeSmart 2035 Retirement Target Fund. We look forward to serving your future investment needs.



T. Anthony Coffey, CFA



Thomas A. Nelson, CFA

### Portfolio Managers

*The foregoing information reflects our analysis, opinions and portfolio holdings as of June 30, 2014, 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 June 30, 2014

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. The performance table does 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.

### Net Asset Value

Share Class (Symbol)	6/30/14	12/31/13	Change
<b>A</b> (FRTAX)	\$13.18	\$12.85	+\$0.33
<b>C</b> (FTRCX)	\$12.90	\$12.63	+\$0.27
<b>R</b> (n/a)	\$13.15	\$12.84	+\$0.31
<b>R6</b> (FMTLX)	\$13.27	\$12.92	+\$0.35
<b>Advisor</b> (n/a)	\$13.27	\$12.93	+\$0.34

### Distributions (1/1/14–6/30/14)

Share Class	Dividend Income	Long-Term Capital Gain	Total
<b>A</b>	\$0.0036	\$0.2228	\$0.2264
<b>C</b>	\$0.0036	\$0.2228	\$0.2264
<b>R</b>	\$0.0036	\$0.2228	\$0.2264
<b>R6</b>	\$0.0036	\$0.2228	\$0.2264
<b>Advisor</b>	\$0.0036	\$0.2228	\$0.2264

## Performance as of 6/30/14<sup>1</sup>

Cumulative total return excludes sales charges. Average annual total returns and value of \$10,000 investment include maximum sales charges. **Class A:** 5.75% maximum initial sales charge; **Class C:** 1% contingent deferred sales charge in first year only; **Class R/R6/Advisor Class:** no sales charges.

Share Class	Cumulative Total Return <sup>2</sup>	Average Annual Total Return <sup>3</sup>	Value of \$10,000 Investment <sup>4</sup>	Total Annual Operating Expenses <sup>5</sup>	
				(with waiver)	(without waiver)
<b>A</b>				0.99%	1.62%
6-Month	+4.34%	-1.63%	\$9,837		
1-Year	+20.43%	+13.52%	\$11,352		
5-Year	+90.83%	+12.47%	\$17,994		
Since Inception (8/1/06)	+65.95%	+5.82%	\$15,641		
<b>C</b>				1.69%	2.32%
6-Month	+3.94%	+2.94%	\$10,294		
1-Year	+19.62%	+18.62%	\$11,862		
5-Year	+84.38%	+13.02%	\$18,438		
Since Inception (8/1/06)	+56.98%	+5.87%	\$15,698		
<b>R</b>				1.19%	1.82%
6-Month	+4.19%	+4.19%	\$10,419		
1-Year	+20.17%	+20.17%	\$12,017		
5-Year	+88.98%	+13.57%	\$18,898		
Since Inception (8/1/06)	+63.42%	+6.40%	\$16,342		
<b>R6</b>				0.64%	1.17%
6-Month	+4.47%	+4.47%	\$10,447		
1-Year	+20.82%	+20.82%	\$12,082		
Since Inception (5/1/13)	+20.23%	+17.15%	\$12,023		
<b>Advisor</b>				0.69%	1.32%
6-Month	+4.39%	+4.39%	\$10,439		
1-Year	+20.79%	+20.79%	\$12,079		
5-Year	+93.72%	+14.14%	\$19,372		
Since Inception (8/1/06)	+70.00%	+6.94%	\$17,000		

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.

FRANKLIN LIFESMART 2035 RETIREMENT TARGET FUND  
PERFORMANCE SUMMARY

The Fund's investment risk changes over time as its asset allocation changes. Since the Fund invests in underlying funds, which may engage in a variety of investment strategies involving certain risks, the Fund is subject to those same risks. All investments involve risks, including possible loss of principal. Principal invested is not guaranteed at any time, including at or after the Fund's retirement target date, nor is there any guarantee that the Fund will provide sufficient income at or through the investor's retirement. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Bond prices generally move in the opposite direction of interest rates. Thus, as prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. Foreign investing carries additional risks such as currency and market volatility and political or social instability, risks that are heightened in developing countries. These risks are described more fully in the Fund's prospectus. Investors should consult their financial advisors for help selecting the appropriate fund of funds, or fund combination, based on an evaluation of their investment objectives, retirement time horizons and risk tolerance. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results.

**Class C:** These shares have higher annual fees and expenses than Class A shares.

**Class R:** Shares are available to certain eligible investors as described in the prospectus. These shares have higher annual fees and expenses than Class A shares.

**Class R6:** Shares are available to certain eligible investors as described in the prospectus.

**Advisor Class:** Shares are available to certain eligible investors as described in the prospectus.

1. The Fund has an expense reduction contractually guaranteed through at least 4/30/15 and 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 fee waiver, to the extent applicable; without these reductions, the results would have been lower. 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.
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. Six-month return has not been annualized.
4. These figures represent the value of a hypothetical \$10,000 investment in the Fund over the periods indicated.
5. Figures are as stated in the Fund's current prospectus. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.

## Your Fund's Expenses

As a Fund shareholder, you can incur two types of costs:

- Transaction costs, including sales charges (loads) on Fund purchases; and
- 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 following table 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 first line (Actual) for each share class listed in the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of Fund expenses.

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:*

1. Divide your account value by \$1,000.  
*If an account had an \$8,600 value,  
then  $\$8,600 \div \$1,000 = 8.6$ .*
2. Multiply the result by the number under the heading "Expenses Paid During Period."  
*If Expenses Paid During Period were \$7.50,  
then  $8.6 \times \$7.50 = \$64.50$ .*

In this illustration, the estimated expenses paid this period are \$64.50.

### Hypothetical Example for Comparison with Other Funds

Information in the second line (Hypothetical) for each class in the table can help you compare ongoing costs of investing in the Fund with those of other mutual funds. This information may not be used to estimate the actual ending account balance or expenses you paid during the period. The hypothetical "Ending Account Value" is based on the actual expense ratio for each class and an assumed 5% annual rate of return before expenses, which does not represent the Fund's actual return. The figure under the heading "Expenses Paid During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds.

*Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transaction costs, such as sales charges. Therefore, the second line for each class is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transaction costs were included, your total costs would have been higher. Please refer to the Fund prospectus for additional information on operating expenses.*

FRANKLIN LIFESMART 2035 RETIREMENT TARGET FUND  
YOUR FUND'S EXPENSES

Share Class	Beginning Account Value 1/1/14	Ending Account Value 6/30/14	Expenses Paid During Period* 1/1/14–6/30/14	Expenses Paid During Period** 1/1/14–6/30/14
<b>A</b>				
Actual	\$1,000	\$1,043.40	\$1.77	\$5.22
Hypothetical (5% return before expenses)	\$1,000	\$1,023.06	\$1.76	\$5.16
<b>C</b>				
Actual	\$1,000	\$1,039.40	\$5.31	\$8.75
Hypothetical (5% return before expenses)	\$1,000	\$1,019.59	\$5.26	\$8.65
<b>R</b>				
Actual	\$1,000	\$1,041.90	\$2.78	\$6.23
Hypothetical (5% return before expenses)	\$1,000	\$1,022.07	\$2.76	\$6.16
<b>R6</b>				
Actual	\$1,000	\$1,044.70	\$0.00	\$3.45
Hypothetical (5% return before expenses)	\$1,000	\$1,024.79	\$0.00	\$3.41
<b>Advisor</b>				
Actual	\$1,000	\$1,043.90	\$0.25	\$3.70
Hypothetical (5% return before expenses)	\$1,000	\$1,024.55	\$0.25	\$3.66

\*Expenses are calculated using the most recent six-month expense ratio excluding expenses of the fund investments, net of expense waivers, annualized for each class (A: 0.35%; C: 1.05%; R: 0.55%; R6: 0.00%; and Advisor: 0.05%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

\*\*Expenses are calculated using the most recent six-month expense ratio including expenses of the fund investments, net of expense waivers, annualized for each class (A: 1.03%; C: 1.73%; R: 1.23%; R6: 0.68%; and Advisor: 0.73%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.



# Franklin LifeSmart 2040 Retirement Target Fund

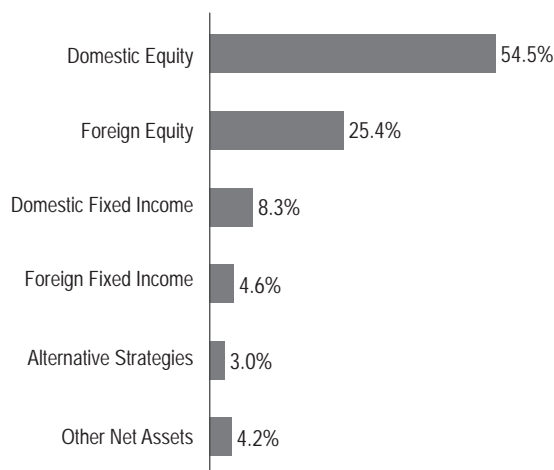
This semiannual report for Franklin LifeSmart 2040 Retirement Target Fund covers the period ended June 30, 2014.

## Your Fund's Goal and Main Investments

Franklin LifeSmart 2040 Retirement Target Fund seeks the highest level of long-term total return, which consists of capital appreciation and income, consistent with the Fund's asset allocation. The Fund allocates among the broad asset classes of equity and fixed income by investing in a distinctly weighted combination of underlying funds, predominantly other Franklin Templeton mutual funds, with an increasing emphasis on income as the target date of 2040 approaches. The target date is the approximate retirement year of the investor.

### Asset Allocation\*

Based on Total Net Assets as of 6/30/14



\*The asset allocation is based on the Statement of Investments (SOI), which classifies each underlying fund and other fund investments into a broad asset class based on their predominant investments under normal market conditions.

## Performance Overview

Franklin LifeSmart 2040 Retirement Target Fund – Class A delivered a +3.92% cumulative total return for the six months ended June 30, 2014. By comparison, the Fund's equity benchmarks, the Standard & Poor's 500 Index (S&P 500), a broad measure of U.S. stock performance, returned +7.14%,<sup>1, 2</sup> and the MSCI Europe, Australasia, Far East (EAFE) Index, which measures global stock performance for developed markets excluding the U.S. and Canada, generated a +5.14% total return.<sup>1, 3</sup> The Fund's fixed income benchmark, the Barclays U.S. Aggregate Index, which tracks U.S. investment-grade bonds, posted a +3.93% total return.<sup>1, 4</sup> You can find more of the Fund's performance data in the Performance Summary beginning on page 41.

*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. Please visit [franklintempleton.com](http://franklintempleton.com) or call (800) 342-5236 for most recent month-end performance.*

## Investment Strategy

When selecting equity funds, we consider the foreign and domestic exposure, market capitalization ranges, and investment style (growth vs. value) of the underlying Franklin Templeton funds and other fund investments (collectively, "fund investments"). When selecting fixed income funds, we focus primarily on maximizing income appropriate to the Fund's specific risk profile. In evaluating the risk level of the fund investments, we analyze such factors as: (a) relative and absolute performance, including correlations with other fund investments as well as corresponding benchmarks, and (b) their volatility (the variability of returns from one period to the next). We attempt to invest the assets of each Target Fund in the same fund investments and will vary the fund investments' allocation percentages based upon each Fund's risk/return

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The indexes are unmanaged and include reinvested dividends. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

2. S&P 500: Copyright © 2014, S&P Dow Jones Indices LLC. All rights reserved. Reproduction of S&P U.S. Index data in any form is prohibited except with the prior written permission of S&P. S&P does not guarantee the accuracy, adequacy, completeness or availability of any information and is not responsible for any errors or omissions, regardless of the cause or for the results obtained from the use of such information. S&P DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall S&P be liable for any direct, indirect, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with subscriber's or others' use of S&P U.S. Index data.

3. Source: MSCI.

4. Source: Barclays Global Family of Indices. © 2014 Barclays Capital Inc. Used with permission.

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's SOI, which begins on page 98.

level. We change the Fund's target asset allocation over time, and it becomes increasingly conservative as the stated target date draws near. At the "landing point" (reached at the target date), the Fund reaches its most conservative asset allocation and thereafter, such strategic asset allocation will generally become fixed.

### Top 10 Fund Holdings

6/30/14

	% of Total Net Assets
Franklin Rising Dividends Fund – Class R6	13.1%
Franklin DynaTech Fund – Class R6	11.0%
Franklin International Small Cap Growth Fund – Class R6	9.4%
Franklin Growth Fund – Class R6	6.9%
Franklin Mutual European Fund – Class R6	5.9%
Franklin Utilities Fund – Class R6	4.8%
iShares Core S&P 500, ETF	4.0%
Franklin Small Cap Growth Fund – R6	3.9%
Templeton Global Total Return Fund – R6	3.9%
Franklin U.S. Government Securities Fund – Class R6	3.4%

### Manager's Discussion

The Fund's performance can be attributed largely to its allocation among equities and fixed income securities and to the actual performance of the fund investments. This allocation shifts every year, in accordance with the retirement date associated with the portfolio.

At period-end, Franklin LifeSmart 2040 Retirement Target Fund allocated 79.9% of total net assets to equity, 12.9% to fixed income and 3.0% to alternative strategies. Domestic equity exposure was 68.2% of the total equity weighting, and foreign equity made up the balance. The portfolio was diversified across capitalization sizes and investment styles, and on June 30, 2014, we held shares in large-, mid- and small-capitalization equity funds, representing both growth and value styles. Franklin Rising Dividends Fund – Class R6, at 13.1% of the Fund's total net assets, was our largest equity fund weighting at period-end. On the fixed income side, domestic exposure was 64.3% of the Fund's total fixed income weighting, with the balance in foreign fixed income. Templeton Global Total Return Fund – Class R6 was our largest fixed income fund weighting at 3.9% of total net assets.

Our largest domestic growth fund holding, Franklin DynaTech Fund – Class R6, and our largest domestic value fund holding, Franklin Rising Dividends Fund – Class R6, underperformed the S&P 500. Our largest foreign equity fund holding, Franklin International Small Cap Growth Fund – Class R6 underperformed the MSCI EAFE Index. On the fixed income side, Templeton Global Total Return Fund – Class R6 and Franklin U.S. Government Securities Fund – Class R6 underperformed the Barclays U.S. Aggregate Index.

Thank you for your participation in Franklin LifeSmart 2040 Retirement Target Fund. We look forward to serving your future investment needs.



T. Anthony Coffey, CFA



Thomas A. Nelson, CFA

#### Portfolio Managers

*The foregoing information reflects our analysis, opinions and portfolio holdings as of June 30, 2014, 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 June 30, 2014

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. The performance table does 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.

### Net Asset Value

Share Class (Symbol)	6/30/14	12/31/13	Change
A (n/a)	\$11.55	\$11.19	+\$0.36
C (n/a)	\$11.49	\$11.15	+\$0.34
R (n/a)	\$11.54	\$11.19	+\$0.35
R6 (FLREX)	\$11.57	\$11.20	+\$0.37
Advisor (n/a)	\$11.57	\$11.20	+\$0.37

### Distributions (1/1/14–6/30/14)

Share Class	Dividend Income	Long-Term Capital Gain	Total
A	\$0.0199	\$0.0581	\$0.0780
C	\$0.0044	\$0.0581	\$0.0625
R	\$0.0122	\$0.0581	\$0.0703
R6	\$0.0372	\$0.0581	\$0.0953
Advisor	\$0.0342	\$0.0581	\$0.0923

## Performance as of 6/30/14<sup>1</sup>

Cumulative total return excludes sales charges. Average annual total returns and value of \$10,000 investment include maximum sales charges. **Class A:** 5.75% maximum initial sales charge; **Class C:** 1% contingent deferred sales charge in first year only; **Class R/R6/Advisor Class:** no sales charges.

Share Class	Cumulative Total Return <sup>2</sup>	Average Annual Total Return <sup>3</sup>	Value of \$10,000 Investment <sup>4</sup>	Total Annual Operating Expenses <sup>5</sup>	
				(with waiver)	(without waiver)
<b>A</b>				1.01%	34.24%
6-Month	+3.92%	-2.03%	\$9,797		
Since Inception (7/1/13)	+17.34%	+10.59%	\$11,059		
<b>C</b>				1.71%	34.94%
6-Month	+3.61%	+2.61%	\$10,261		
Since Inception (7/1/13)	+16.53%	+15.53%	\$11,553		
<b>R</b>				1.21%	34.44%
6-Month	+3.76%	+3.76%	\$10,376		
Since Inception (7/1/13)	+17.05%	+17.05%	\$11,705		
<b>R6</b>				0.66%	34.34%
6-Month	+4.16%	+4.16%	\$10,416		
Since Inception (7/1/13)	+17.78%	+17.78%	\$11,778		
<b>Advisor</b>				0.71%	33.94%
6-Month	+4.05%	+4.05%	\$10,405		
Since Inception (7/1/13)	+17.62%	+17.62%	\$11,762		

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.

The Fund's investment risk changes over time as its asset allocation changes. Since the Fund invests in underlying funds, which may engage in a variety of investment strategies involving certain risks, the Fund is subject to those same risks. All investments involve risks, including possible loss of principal. Principal invested is not guaranteed at any time, including at or after the Fund's retirement target date, nor is there any guarantee that the Fund will provide sufficient income at or through the investor's retirement. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Bond prices generally move in the opposite direction of interest rates. Thus, as prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. Foreign investing carries additional risks such as currency and market volatility and political or social instability, risks that are heightened in developing countries. These risks are described more fully in the Fund's prospectus. Investors should consult their financial advisors for help selecting the appropriate fund of funds, or fund combination, based on an evaluation of their investment objectives, retirement time horizons and risk tolerance. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results.

**Class C:** These shares have higher annual fees and expenses than Class A shares.

**Class R:** Shares are available to certain eligible investors as described in the prospectus. These shares have higher annual fees and expenses than Class A shares.

**Class R6:** Shares are available to certain eligible investors as described in the prospectus.

**Advisor Class:** Shares are available to certain eligible investors as described in the prospectus.

1. The Fund has an expense reduction contractually guaranteed through at least 4/30/15 and 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 fee waiver, to the extent applicable; 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. Performance shown is not annualized.
4. These figures represent the value of a hypothetical \$10,000 investment in the Fund over the periods indicated.
5. Figures are as stated in the Fund's current prospectus and include the effect of acquired fund fees and expenses. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.

## Your Fund's Expenses

As a Fund shareholder, you can incur two types of costs:

- Transaction costs, including sales charges (loads) on Fund purchases; and
- 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 following table 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 first line (Actual) for each share class listed in the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of Fund expenses.

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:*

1. Divide your account value by \$1,000.

*If an account had an \$8,600 value,  
then  $\$8,600 \div \$1,000 = 8.6$ .*

2. Multiply the result by the number under the heading "Expenses Paid During Period."

*If Expenses Paid During Period were \$7.50,  
then  $8.6 \times \$7.50 = \$64.50$ .*

In this illustration, the estimated expenses paid this period are \$64.50.

### Hypothetical Example for Comparison with Other Funds

Information in the second line (Hypothetical) for each class in the table can help you compare ongoing costs of investing in the Fund with those of other mutual funds. This information may not be used to estimate the actual ending account balance or expenses you paid during the period. The hypothetical "Ending Account Value" is based on the actual expense ratio for each class and an assumed 5% annual rate of return before expenses, which does not represent the Fund's actual return. The figure under the heading "Expenses Paid During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds.

*Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transaction costs, such as sales charges. Therefore, the second line for each class is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transaction costs were included, your total costs would have been higher. Please refer to the Fund prospectus for additional information on operating expenses.*

FRANKLIN LIFESMART 2040 RETIREMENT TARGET FUND  
YOUR FUND'S EXPENSES

Share Class	Beginning Account Value 1/1/14	Ending Account Value 6/30/14	Expenses Paid During Period* 1/1/14–6/30/14	Expenses Paid During Period** 1/1/14–6/30/14
<b>A</b>				
Actual	\$1,000	\$1,039.20	\$1.77	\$5.31
Hypothetical (5% return before expenses)	\$1,000	\$1,023.06	\$1.76	\$5.26
<b>C</b>				
Actual	\$1,000	\$1,036.10	\$5.30	\$8.83
Hypothetical (5% return before expenses)	\$1,000	\$1,019.59	\$5.26	\$8.75
<b>R</b>				
Actual	\$1,000	\$1,037.60	\$2.78	\$6.32
Hypothetical (5% return before expenses)	\$1,000	\$1,022.07	\$2.76	\$6.26
<b>R6</b>				
Actual	\$1,000	\$1,041.60	\$0.00	\$3.54
Hypothetical (5% return before expenses)	\$1,000	\$1,024.79	\$0.00	\$3.51
<b>Advisor</b>				
Actual	\$1,000	\$1,040.50	\$0.25	\$3.79
Hypothetical (5% return before expenses)	\$1,000	\$1,024.55	\$0.25	\$3.76

\*Expenses are calculated using the most recent six-month expense ratio excluding expenses of the fund investments, net of expense waivers, annualized for each class (A: 0.35%; C: 1.05%; R: 0.55%; R6: 0.00%; and Advisor: 0.05%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

\*\*Expenses are calculated using the most recent six-month expense ratio including expenses of the fund investments, net of expense waivers, annualized for each class (A: 1.05%; C: 1.75%; R: 1.25%; R6: 0.70%; and Advisor: 0.75%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

# Franklin LifeSmart 2045 Retirement Target Fund

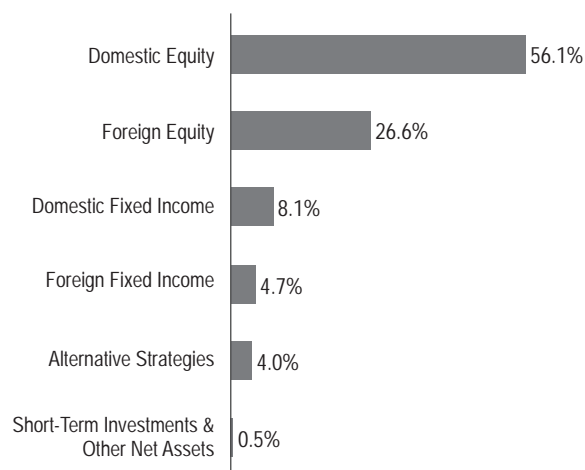
This semiannual report for Franklin LifeSmart 2045 Retirement Target Fund covers the period ended June 30, 2014.

## Your Fund's Goal and Main Investments

Franklin LifeSmart 2045 Retirement Target Fund seeks the highest level of long-term total return, which consists of capital appreciation and income, consistent with the Fund's asset allocation. The Fund allocates among the broad asset classes of equity and fixed income by investing in a distinctly weighted combination of underlying funds, predominantly other Franklin Templeton mutual funds, with an increasing emphasis on income as the target date of 2045 approaches. The target date is the approximate retirement year of the investor.

### Asset Allocation\*

Based on Total Net Assets as of 6/30/14



\*The asset allocation is based on the Statement of Investments (SOI), which classifies each underlying fund and other fund investment into a broad asset class based on their predominant investments under normal market conditions.

## Performance Overview

Franklin LifeSmart 2045 Retirement Target Fund – Class A delivered a +4.18% cumulative total return for the six months ended June 30, 2014. By comparison, the Fund's equity benchmarks, the Standard & Poor's 500 Index (S&P 500), a broad measure of U.S. stock performance, returned +7.14%,<sup>1, 2</sup> and the MSCI Europe, Australasia, Far East (EAFE) Index, which measures global stock performance for developed markets excluding the U.S. and Canada, generated a +5.14% total return.<sup>1, 3</sup> The Fund's fixed income benchmark, the Barclays U.S. Aggregate Index, which tracks U.S. investment-grade bonds, posted a +3.93% total return.<sup>1, 4</sup> You can find the Fund's long-term performance data in the Performance Summary beginning on page 48.

*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. Please visit [franklintempleton.com](http://franklintempleton.com) or call (800) 342-5236 for most recent month-end performance.*

## Investment Strategy

When selecting equity funds, we consider the foreign and domestic exposure, market capitalization ranges, and investment style (growth vs. value) of the underlying Franklin Templeton funds and other fund investments (collectively, "fund investments"). When selecting fixed income funds, we focus primarily on maximizing income appropriate to the Fund's specific risk profile. In evaluating the risk level of the fund investments, we analyze such factors as: (a) relative and absolute performance, including correlations with other fund investments as well as corresponding benchmarks, and (b) their volatility (the variability of returns from one period to the next). We attempt to invest the assets of each Target Fund in the same fund investments and will vary the fund investments' allocation percentages based upon each Fund's risk/return

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The indexes are unmanaged and include reinvested dividends. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

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3. Source: MSCI.

4. Source: Barclays Global Family of Indices. © 2014 Barclays Capital Inc. Used with permission.

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's SOI, which begins on page 104.



level. We change the Fund's target asset allocation over time, and it becomes increasingly conservative as the stated target date draws near. At the "landing point" (reached at the target date), the Fund reaches its most conservative asset allocation and thereafter, such strategic asset allocation will generally become fixed.

### Top 10 Fund Holdings

6/30/14

	% of Total Net Assets
Franklin Rising Dividends Fund – Class R6	14.8%
Franklin DynaTech Fund –Class R6	10.9%
Franklin International Small Cap Growth Fund – Class R6	9.4%
Franklin Mutual European Fund – Class R6	5.8%
Franklin Growth Fund –Class R6	5.8%
iShares Core S&P 500, ETF	5.8%
Franklin Utilities Fund – Class R6	5.0%
Franklin Small Cap Growth Fund – Class R6	4.0%
Templeton Global Total Return Fund – Class R6	3.9%
Templeton Foreign Fund – Class R6	3.7%

### Manager's Discussion

The Fund's performance can be attributed largely to its allocation among equities and fixed income securities and to the actual performance of the fund investments. This allocation shifts every year, in accordance with the retirement date associated with the portfolio.

At period-end, Franklin LifeSmart 2045 Retirement Target Fund allocated 82.7% of total net assets to equity, 12.8% to fixed income and 4.0% to alternative strategies. Domestic equity exposure was 67.8% of the total equity weighting, and foreign equity made up the balance. The portfolio was diversified across capitalization sizes and investment styles, and on June 30, 2014, we held shares in large-, mid- and small-capitalization equity funds, representing both growth and value styles. Franklin Rising Dividends Fund – Class R6, at 14.8% of the Fund's total net assets, was our largest equity fund weighting at period-end. On the fixed income side, domestic exposure was 63.3% of the Fund's total fixed income weighting, with the balance in foreign fixed income. Templeton Global Total Return Fund – Class R6 was our largest fixed income fund weighting at 3.9% of total net assets.

Our largest domestic growth fund holding, Franklin DynaTech Fund – Class R6, and our largest domestic value fund holding, Franklin Rising Dividends Fund – Class R6, underperformed the S&P 500. Our largest foreign equity fund holding, Franklin International Small Cap Growth Fund – Class R6, underperformed the MSCI EAFE Index. On the fixed income side, Templeton Global Total Return Fund – Class R6 underperformed the Barclays U.S. Aggregate Index.

Thank you for your continued participation in Franklin LifeSmart 2045 Retirement Target Fund. We look forward to serving your future investment needs.



T. Anthony Coffey, CFA



Thomas A. Nelson, CFA

#### Portfolio Managers

*The foregoing information reflects our analysis, opinions and portfolio holdings as of June 30, 2014, 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 June 30, 2014

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. The performance table does 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.

### Net Asset Value

Share Class (Symbol)	6/30/14	12/31/13	Change
A (FTTAX)	\$13.20	\$12.88	+\$0.32
C (n/a)	\$12.89	\$12.63	+\$0.26
R (n/a)	\$13.13	\$12.82	+\$0.31
R6 (FMLTX)	\$13.30	\$12.95	+\$0.35
Advisor (n/a)	\$13.29	\$12.94	+\$0.35

### Distributions (1/1/14–6/30/14)

Share Class	Dividend Income	Long-Term Capital Gain	Total
A	\$0.0036	\$0.2143	\$0.2179
C	\$0.0036	\$0.2143	\$0.2179
R	\$0.0036	\$0.2143	\$0.2179
R6	\$0.0036	\$0.2143	\$0.2179
Advisor	\$0.0036	\$0.2143	\$0.2179

## Performance as of 6/30/14<sup>1</sup>

*Cumulative total return excludes sales charges. Average annual total return and value of \$10,000 investment include maximum sales charges. **Class A:** 5.75% maximum initial sales charge; **Class C:** 1% contingent deferred sales charge in first year only; **Class R/R6/Advisor Class:** no sales charges.*

Share Class	Cumulative Total Return <sup>2</sup>	Average Annual Total Return <sup>3</sup>	Value of \$10,000 Investment <sup>4</sup>	Total Annual Operating Expenses <sup>5</sup>	
				(with waiver)	(without waiver)
<b>A</b>				1.00%	1.86%
6-Month	+4.18%	-1.84%	\$9,816		
1-Year	+21.13%	+14.12%	\$11,412		
5-Year	+96.53%	+13.11%	\$18,518		
Since Inception (8/1/06)	+67.91%	+5.97%	\$15,826		
<b>C</b>				1.70%	2.56%
6-Month	+3.79%	+2.79%	\$10,279		
1-Year	+20.34%	+19.34%	\$11,934		
5-Year	+89.78%	+13.67%	\$18,978		
Since Inception (8/1/06)	+58.86%	+6.02%	\$15,886		
<b>R</b>				1.20%	2.06%
6-Month	+4.13%	+4.13%	\$10,413		
1-Year	+20.95%	+20.95%	\$12,095		
5-Year	+94.50%	+14.23%	\$19,450		
Since Inception (8/1/06)	+65.27%	+6.56%	\$16,527		
<b>R6</b>				0.65%	1.32%
6-Month	+4.39%	+4.39%	\$10,439		
1-Year	+21.72%	+21.72%	\$12,172		
Since Inception (5/1/13)	+21.18%	+17.94%	\$12,118		
<b>Advisor</b>				0.70%	1.56%
6-Month	+4.40%	+4.40%	\$10,440		
1-Year	+21.60%	+21.60%	\$12,160		
5-Year	+99.45%	+14.81%	\$19,945		
Since Inception (8/1/06)	+72.03%	+7.10%	\$17,203		

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FRANKLIN LIFESMART 2045 RETIREMENT TARGET FUND  
PERFORMANCE SUMMARY

The Fund's investment risk changes over time as its asset allocation changes. Since the Fund invests in underlying funds, which may engage in a variety of investment strategies involving certain risks, the Fund is subject to those same risks. All investments involve risks, including possible loss of principal. Principal invested is not guaranteed at any time, including at or after the Fund's retirement target date, nor is there any guarantee that the Fund will provide sufficient income at or through the investor's retirement. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Bond prices generally move in the opposite direction of interest rates. Thus, as prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. Foreign investing carries additional risks such as currency and market volatility and political or social instability, risks that are heightened in developing countries. These risks are described more fully in the Fund's prospectus. Investors should consult their financial advisors for help selecting the appropriate fund of funds, or fund combination, based on an evaluation of their investment objectives, retirement time horizons and risk tolerance. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results.

**Class C:** These shares have higher annual fees and expenses than Class A shares.

**Class R:** Shares are available to certain eligible investors as described in the prospectus. These shares have higher annual fees and expenses than Class A shares.

**Class R6:** Shares are available to certain eligible investors as described in the prospectus.

**Advisor Class:** Shares are available to certain eligible investors as described in the prospectus.

1. The Fund has an expense reduction contractually guaranteed through at least 4/30/15 and 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 fee waiver, to the extent applicable; without these reductions, the results would have been lower. 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.
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. Six-month return has not been annualized.
4. These figures represent the value of a hypothetical \$10,000 investment in the Fund over the periods indicated.
5. Figures are as stated in the Fund's current prospectus. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.

## Your Fund's Expenses

As a Fund shareholder, you can incur two types of costs:

- Transaction costs, including sales charges (loads) on Fund purchases; and
- 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 following table 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 first line (Actual) for each share class listed in the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of Fund expenses.

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:*

1. Divide your account value by \$1,000.

*If an account had an \$8,600 value,  
then  $\$8,600 \div \$1,000 = 8.6$ .*

2. Multiply the result by the number under the heading "Expenses Paid During Period."

*If Expenses Paid During Period were \$7.50,  
then  $8.6 \times \$7.50 = \$64.50$ .*

In this illustration, the estimated expenses paid this period are \$64.50.

### Hypothetical Example for Comparison with Other Funds

Information in the second line (Hypothetical) for each class in the table can help you compare ongoing costs of investing in the Fund with those of other mutual funds. This information may not be used to estimate the actual ending account balance or expenses you paid during the period. The hypothetical "Ending Account Value" is based on the actual expense ratio for each class and an assumed 5% annual rate of return before expenses, which does not represent the Fund's actual return. The figure under the heading "Expenses Paid During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds.

*Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transaction costs, such as sales charges. Therefore, the second line for each class is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transaction costs were included, your total costs would have been higher. Please refer to the Fund prospectus for additional information on operating expenses.*

FRANKLIN LIFESMART 2045 RETIREMENT TARGET FUND  
YOUR FUND'S EXPENSES

Share Class	Beginning Account Value 1/1/14	Ending Account Value 6/30/14	Expenses Paid During Period* 1/1/14–6/30/14	Expenses Paid During Period** 1/1/14–6/30/14
<b>A</b>				
Actual	\$1,000	\$1,041.80	\$1.77	\$5.21
Hypothetical (5% return before expenses)	\$1,000	\$1,023.06	\$1.76	\$5.16
<b>C</b>				
Actual	\$1,000	\$1,037.90	\$5.31	\$8.74
Hypothetical (5% return before expenses)	\$1,000	\$1,019.59	\$5.26	\$8.65
<b>R</b>				
Actual	\$1,000	\$1,041.30	\$2.78	\$6.23
Hypothetical (5% return before expenses)	\$1,000	\$1,022.07	\$2.76	\$6.16
<b>R6</b>				
Actual	\$1,000	\$1,043.90	\$0.00	\$3.45
Hypothetical (5% return before expenses)	\$1,000	\$1,024.79	\$0.00	\$3.41
<b>Advisor</b>				
Actual	\$1,000	\$1,044.00	\$0.25	\$3.70
Hypothetical (5% return before expenses)	\$1,000	\$1,024.55	\$0.25	\$3.66

\*Expenses are calculated using the most recent six-month expense ratio excluding expenses of the fund investments, net of expense waivers, annualized for each class (A: 0.35%; C: 1.05%; R: 0.55%; R6: 0.00%; and Advisor: 0.05%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

\*\*Expenses are calculated using the most recent six-month expense ratio including expenses of the fund investments, net of expense waivers, annualized for each class (A: 1.03%; C: 1.73%; R: 1.23%; R6: 0.68%; and Advisor: 0.73%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

# Franklin LifeSmart 2050 Retirement Target Fund

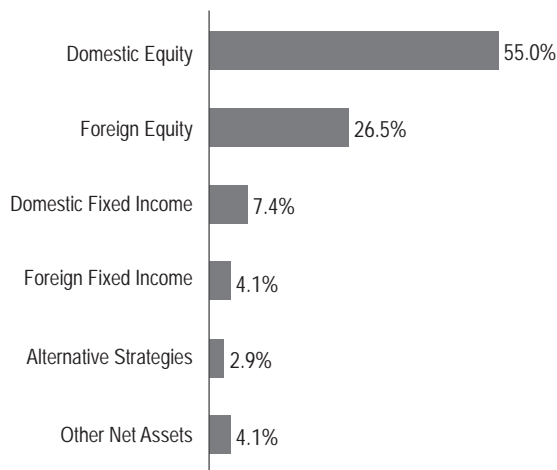
This semiannual report for Franklin LifeSmart 2050 Retirement Target Fund covers the period ended June 30, 2014.

## Your Fund's Goal and Main Investments

Franklin LifeSmart 2050 Retirement Target Fund seeks the highest level of long-term total return, which consists of capital appreciation and income, consistent with the Fund's asset allocation. The Fund allocates among the broad asset classes of equity and fixed income by investing in a distinctly weighted combination of underlying funds, predominantly other Franklin Templeton mutual funds, with an increasing emphasis on income as the target date of 2050 approaches. The target date is the approximate retirement year of the investor.

### Asset Allocation\*

Based on Total Net Assets as of 6/30/14



\*The asset allocation is based on the Statement of Investments (SOI), which classifies each underlying fund and other fund investments into a broad asset class based on their predominant investments under normal market conditions.

## Performance Overview

Franklin LifeSmart 2050 Retirement Target Fund – Class A delivered a +4.01% cumulative total return for the six months ended June 30, 2014. By comparison, the Fund's equity benchmarks, the Standard & Poor's 500 Index (S&P 500), a broad measure of U.S. stock performance, returned +7.14%,<sup>1, 2</sup> and the MSCI Europe, Australasia, Far East (EAFE) Index, which measures global stock performance for developed markets excluding the U.S. and Canada, generated a +5.14% total return.<sup>1, 3</sup> The Fund's fixed income benchmark, the Barclays U.S. Aggregate Index, which tracks U.S. investment-grade bonds, posted a +3.93% total return.<sup>1, 4</sup> You can find more of the Fund's performance data in the Performance Summary beginning on page 55.

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## Investment Strategy

When selecting equity funds, we consider the foreign and domestic exposure, market capitalization ranges, and investment style (growth vs. value) of the underlying Franklin Templeton funds and other fund investments (collectively, "fund investments"). When selecting fixed income funds, we focus primarily on maximizing income appropriate to the Fund's specific risk profile. In evaluating the risk level of the fund investments, we analyze such factors as: (a) relative and absolute performance, including correlations with other fund investments as well as corresponding benchmarks, and (b) their volatility (the variability of returns from one period to the next). We attempt to invest the assets of each Target Fund in the same fund investments and will vary the fund investments' allocation percentages based upon each Fund's risk/return

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3. Source: MSCI.

4. Source: Barclays Global Family of Indices. © 2014 Barclays Capital Inc. Used with permission.

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's SOI, which begins on page 111.

level. We change the Fund's target asset allocation over time, and it becomes increasingly conservative as the stated target date draws near. At the "landing point" (reached at the target date), the Fund reaches its most conservative asset allocation and thereafter, such strategic asset allocation will generally become fixed.

### Top 10 Fund Holdings

6/30/14

	% of Total Net Assets
Franklin Rising Dividends Fund – Class R6	14.0%
Franklin DynaTech Fund – Class R6	11.5%
Franklin International Small Cap Growth Fund – Class R6	9.7%
Franklin Growth Fund – Class R6	7.7%
Franklin Mutual European Fund – Class R6	6.1%
Franklin Utilities Fund – Class R6	5.0%
iShares Core S&P 500, ETF	4.2%
Templeton Foreign Fund – Class R6	4.0%
Templeton Global Total Return Fund – Class R6	3.4%
Franklin Small Cap Growth Fund – Class R6	3.1%

### Manager's Discussion

The Fund's performance can be attributed largely to its allocation among equities and fixed income securities and to the actual performance of the fund investments. This allocation shifts every year, in accordance with the retirement date associated with the portfolio.

At period-end, Franklin LifeSmart 2050 Retirement Target Fund allocated 81.5% of total net assets to equity, 11.5% to fixed income and 2.9% to alternative strategies. Domestic equity exposure was 67.5% of the total equity weighting, and foreign equity made up the balance. The portfolio was diversified across capitalization sizes and investment styles, and on June 30, 2014, we held shares in large-, mid- and small-capitalization equity funds, representing both growth and value styles. Franklin Rising Dividends Fund – Class R6, at 14.0% of the Fund's total net assets, was our largest equity fund weighting at period-end. On the fixed income side, domestic exposure was 64.3% of the Fund's total fixed income weighting, with the balance in foreign fixed income. Templeton Global Total Return Fund – Class R6 was our largest fixed income fund weighting at 3.4% of total net assets.

Our largest domestic growth fund holding, Franklin DynaTech Fund – Class R6, and our largest domestic value fund holding, Franklin Rising Dividends Fund – Class R6, underperformed the S&P 500. Our largest foreign equity fund holding, Franklin International Small Cap Growth Fund – Class R6, underperformed the MSCI EAFE Index. On the fixed income side, Templeton Global Total Return Fund – Class R6 underperformed the Barclays U.S. Aggregate Index.

Thank you for your participation in Franklin LifeSmart 2050 Retirement Target Fund. We look forward to serving your future investment needs.



T. Anthony Coffey, CFA



Thomas A. Nelson, CFA

### Portfolio Managers

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## Performance Summary as of June 30, 2014

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. The performance table does 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.

### Net Asset Value

Share Class (Symbol)	6/30/14	12/31/13	Change
A (n/a)	\$11.60	\$11.21	+\$0.39
C (n/a)	\$11.56	\$11.18	+\$0.38
R (n/a)	\$11.61	\$11.21	+\$0.40
R6 (FRLEX)	\$11.63	\$11.23	+\$0.40
Advisor (n/a)	\$11.63	\$11.22	+\$0.41

### Distributions (1/1/14–6/30/14)

Share Class	Dividend Income	Long-Term Capital Gain	Total
A	\$0.0156	\$0.0442	\$0.0598
C	\$0.0040	\$0.0442	\$0.0482
R	\$0.0039	\$0.0442	\$0.0481
R6	\$0.0305	\$0.0442	\$0.0747
Advisor	\$0.0293	\$0.0442	\$0.0735

## Performance as of 6/30/14<sup>1</sup>

Cumulative total return excludes sales charges. Average annual total returns and value of \$10,000 investment include maximum sales charges. **Class A:** 5.75% maximum initial sales charge; **Class C:** 1% contingent deferred sales charge in first year only; **Class R/R6/Advisor Class:** no sales charges.

Share Class	Cumulative Total Return <sup>2</sup>	Average Annual Total Return <sup>3</sup>	Value of \$10,000 Investment <sup>4</sup>	Total Annual Operating Expenses <sup>5</sup>	
				(with waiver)	(without waiver)
<b>A</b>				1.01%	35.00%
6-Month	+4.01%	-1.93%	\$9,807		
Since Inception (7/1/13)	+17.68%	+10.91%	\$11,091		
<b>C</b>				1.71%	35.70%
6-Month	+3.74%	+2.74%	\$10,274		
Since Inception (7/1/13)	+17.04%	+16.04%	\$11,604		
<b>R</b>				1.21%	35.20%
6-Month	+4.00%	+4.00%	\$10,400		
Since Inception (7/1/13)	+17.54%	+17.54%	\$11,754		
<b>R6</b>				0.66%	35.02%
6-Month	+4.23%	+4.23%	\$10,423		
Since Inception (7/1/13)	+18.18%	+18.18%	\$11,818		
<b>Advisor</b>				0.71%	34.70%
6-Month	+4.31%	+4.31%	\$10,431		
Since Inception (7/1/13)	+18.15%	+18.15%	\$11,815		

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The Fund's investment risk changes over time as its asset allocation changes. Since the Fund invests in underlying funds, which may engage in a variety of investment strategies involving certain risks, the Fund is subject to those same risks. All investments involve risks, including possible loss of principal. Principal invested is not guaranteed at any time, including at or after the Fund's retirement target date, nor is there any guarantee that the Fund will provide sufficient income at or through the investor's retirement. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Bond prices generally move in the opposite direction of interest rates. Thus, as prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. Foreign investing carries additional risks such as currency and market volatility and political or social instability, risks that are heightened in developing countries. These risks are described more fully in the Fund's prospectus. Investors should consult their financial advisors for help selecting the appropriate fund of funds, or fund combination, based on an evaluation of their investment objectives, retirement time horizons and risk tolerance. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results.

**Class C:** These shares have higher annual fees and expenses than Class A shares.

**Class R:** Shares are available to certain eligible investors as described in the prospectus. These shares have higher annual fees and expenses than Class A shares.

**Class R6:** Shares are available to certain eligible investors as described in the prospectus.

**Advisor Class:** Shares are available to certain eligible investors as described in the prospectus.

1. The Fund has an expense reduction contractually guaranteed through at least 4/30/15 and 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 fee waiver, to the extent applicable; 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. Performance shown is not annualized.
4. These figures represent the value of a hypothetical \$10,000 investment in the Fund over the periods indicated.
5. Figures are as stated in the Fund's current prospectus and include the effect of acquired fund fees and expenses. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.

## Your Fund's Expenses

As a Fund shareholder, you can incur two types of costs:

- Transaction costs, including sales charges (loads) on Fund purchases; and
- 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 following table 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 first line (Actual) for each share class listed in the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of Fund expenses.

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:*

1. Divide your account value by \$1,000.

*If an account had an \$8,600 value,  
then  $\$8,600 \div \$1,000 = 8.6$ .*

2. Multiply the result by the number under the heading "Expenses Paid During Period."

*If Expenses Paid During Period were \$7.50,  
then  $8.6 \times \$7.50 = \$64.50$ .*

In this illustration, the estimated expenses paid this period are \$64.50.

### Hypothetical Example for Comparison with Other Funds

Information in the second line (Hypothetical) for each class in the table can help you compare ongoing costs of investing in the Fund with those of other mutual funds. This information may not be used to estimate the actual ending account balance or expenses you paid during the period. The hypothetical "Ending Account Value" is based on the actual expense ratio for each class and an assumed 5% annual rate of return before expenses, which does not represent the Fund's actual return. The figure under the heading "Expenses Paid During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds.

*Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transaction costs, such as sales charges. Therefore, the second line for each class is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transaction costs were included, your total costs would have been higher. Please refer to the Fund prospectus for additional information on operating expenses.*

FRANKLIN LIFESMART 2050 RETIREMENT TARGET FUND  
YOUR FUND'S EXPENSES

Share Class	Beginning Account Value 1/1/14	Ending Account Value 6/30/14	Expenses Paid During Period* 1/1/14–6/30/14	Expenses Paid During Period** 1/1/14–6/30/14
<b>A</b>				
Actual	\$1,000	\$1,040.10	\$1.77	\$5.26
Hypothetical (5% return before expenses)	\$1,000	\$1,023.06	\$1.76	\$5.21
<b>C</b>				
Actual	\$1,000	\$1,037.40	\$5.30	\$8.79
Hypothetical (5% return before expenses)	\$1,000	\$1,019.59	\$5.26	\$8.70
<b>R</b>				
Actual	\$1,000	\$1,040.00	\$2.78	\$6.27
Hypothetical (5% return before expenses)	\$1,000	\$1,022.07	\$2.76	\$6.21
<b>R6</b>				
Actual	\$1,000	\$1,042.30	\$0.00	\$3.49
Hypothetical (5% return before expenses)	\$1,000	\$1,024.79	\$0.00	\$3.46
<b>Advisor</b>				
Actual	\$1,000	\$1,043.10	\$0.25	\$3.75
Hypothetical (5% return before expenses)	\$1,000	\$1,024.55	\$0.25	\$3.71

\*Expenses are calculated using the most recent six-month expense ratio excluding expenses of the fund investments, net of expense waivers, annualized for each class (A: 0.35%; C: 1.05%; R: 0.55%; R6: 0.00%; and Advisor: 0.05%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

\*\*Expenses are calculated using the most recent six-month expense ratio including expenses of the fund investments, net of expense waivers, annualized for each class (A: 1.04%; C: 1.74%; R: 1.24%; R6: 0.69%; and Advisor: 0.74%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

## Financial Highlights

### Franklin LifeSmart 2015 Retirement Target Fund

	Six Months Ended June 30, 2014 (unaudited)	2013	2012	Year Ended December 31,		
				2011	2010	2009
<b>Class A</b>						
<b>Per share operating performance</b> (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$12.28	\$11.67	\$10.92	\$11.25	\$10.17	\$ 8.14
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b,c</sup>	0.10	0.25	0.24	0.24	0.24	0.19
Net realized and unrealized gains (losses)	0.33	1.16	0.76	(0.33)	1.05	2.09
Total from investment operations	0.43	1.41	1.00	(0.09)	1.29	2.28
Less distributions from:						
Net investment income	(0.09)	(0.27)	(0.25)	(0.24)	(0.21)	(0.20)
Net realized gains	(0.14)	(0.53)	—	—	—	(0.05)
Total distributions	(0.23)	(0.80)	(0.25)	(0.24)	(0.21)	(0.25)
Net asset value, end of period	\$12.48	\$12.28	\$11.67	\$10.92	\$11.25	\$10.17
Total return <sup>d</sup>	3.57%	12.27%	9.20%	(0.82)%	12.77%	28.50%
<b>Ratios to average net assets<sup>e</sup></b>						
Expenses before waiver and payments by affiliates <sup>f</sup>	0.85%	0.83%	0.71%	0.80%	0.80%	1.00%
Expenses net of waiver and payments by affiliates <sup>f</sup>	0.35%	0.38%	0.45%	0.45%	0.45%	0.46%
Net investment income <sup>c</sup>	1.61%	2.04%	2.13%	2.09%	2.30%	2.11%
<b>Supplemental data</b>						
Net assets, end of period (000's)	\$47,073	\$44,347	\$37,507	\$31,073	\$27,230	\$17,108
Portfolio turnover rate	25.21%	73.66%	25.12%	31.55%	17.27%	12.19%

<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 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>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>d</sup>Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

<sup>e</sup>Ratios are annualized for periods less than one year.

<sup>f</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.64% for the period ended June 30, 2014.

**Franklin LifeSmart 2015 Retirement Target Fund** (continued)

	<b>Six Months Ended June 30, 2014 (unaudited)</b>	<b>2013</b>	<b>Year Ended December 31,</b>			
			<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Class C</b>						
<b>Per share operating performance</b> (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$12.16	\$11.57	\$10.83	\$11.16	\$10.10	\$ 8.08
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b,c</sup>	0.06	0.16	0.16	0.16	0.16	0.13
Net realized and unrealized gains (losses)	0.33	1.15	0.75	(0.33)	1.04	2.09
Total from investment operations	0.39	1.31	0.91	(0.17)	1.20	2.22
Less distributions from:						
Net investment income	(0.05)	(0.19)	(0.17)	(0.16)	(0.14)	(0.15)
Net realized gains	(0.14)	(0.53)	—	—	—	(0.05)
Total distributions	(0.19)	(0.72)	(0.17)	(0.16)	(0.14)	(0.20)
Net asset value, end of period	\$12.36	\$12.16	\$11.57	\$10.83	\$11.16	\$10.10
Total return <sup>d</sup>	3.27%	11.46%	8.44%	(1.51)%	11.91%	27.75%
<b>Ratios to average net assets<sup>e</sup></b>						
Expenses before waiver and payments by affiliates <sup>f</sup>	1.54%	1.53%	1.41%	1.50%	1.50%	1.70%
Expenses net of waiver and payments by affiliates <sup>f</sup>	1.04%	1.08%	1.15%	1.15%	1.15%	1.16%
Net investment income <sup>c</sup>	0.92%	1.34%	1.43%	1.39%	1.60%	1.41%
<b>Supplemental data</b>						
Net assets, end of period (000's)	\$21,471	\$20,395	\$16,912	\$14,217	\$12,133	\$8,357
Portfolio turnover rate	25.21%	73.66%	25.12%	31.55%	17.27%	12.19%

<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 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>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>d</sup>Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

<sup>e</sup>Ratios are annualized for periods less than one year.

<sup>f</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.64% for the period ended June 30, 2014.

**Franklin LifeSmart 2015 Retirement Target Fund** (continued)

	Six Months Ended June 30, 2014 (unaudited)	2013	2012	Year Ended December 31,		2009
				2011	2010	
<b>Class R</b>						
<b>Per share operating performance</b> (for a share outstanding throughout the period)						
Net asset value, beginning of period . . . . .	\$12.25	\$11.64	\$10.89	\$11.22	\$10.15	\$ 8.12
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b,c</sup> . . . . .	0.09	0.22	0.22	0.21	0.20	0.16
Net realized and unrealized gains (losses) . . .	0.33	1.16	0.75	(0.32)	1.06	2.11
Total from investment operations . . . . .	0.42	1.38	0.97	(0.11)	1.26	2.27
Less distributions from:						
Net investment income . . . . .	(0.09)	(0.24)	(0.22)	(0.22)	(0.19)	(0.19)
Net realized gains . . . . .	(0.14)	(0.53)	—	—	—	(0.05)
Total distributions . . . . .	(0.23)	(0.77)	(0.22)	(0.22)	(0.19)	(0.24)
Net asset value, end of period . . . . .	\$12.44	\$12.25	\$11.64	\$10.89	\$11.22	\$10.15
Total return <sup>d</sup> . . . . .	3.42%	12.04%	8.96%	(1.02)%	12.46%	28.32%
<b>Ratios to average net assets<sup>e</sup></b>						
Expenses before waiver and payments by affiliates <sup>f</sup> . . . . .	1.05%	1.03%	0.91%	1.00%	1.00%	1.20%
Expenses net of waiver and payments by affiliates <sup>f</sup> . . . . .	0.55%	0.58%	0.65%	0.65%	0.65%	0.66%
Net investment income <sup>c</sup> . . . . .	1.41%	1.84%	1.93%	1.89%	2.10%	1.91%
<b>Supplemental data</b>						
Net assets, end of period (000's) . . . . .	\$3,299	\$2,279	\$1,862	\$1,815	\$1,401	\$1,365
Portfolio turnover rate . . . . .	25.21%	73.66%	25.12%	31.55%	17.27%	12.19%

<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 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>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>d</sup>Total return is not annualized for periods less than one year.

<sup>e</sup>Ratios are annualized for periods less than one year.

<sup>f</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.64% for the period ended June 30, 2014.



**Franklin LifeSmart 2015 Retirement Target Fund** (continued)

	Six Months Ended June 30, 2014 (unaudited)	Period Ended December 31, 2013 <sup>a</sup>
<b>Class R6</b>		
<b>Per share operating performance</b> (for a share outstanding throughout the period)		
Net asset value, beginning of period	\$12.32	\$12.17
Income from investment operations <sup>b</sup> :		
Net investment income <sup>c,d</sup>	0.12	0.49
Net realized and unrealized gains (losses)	0.35	0.44
Total from investment operations	0.47	0.93
Less distributions from:		
Net investment income	(0.12)	(0.25)
Net realized gains	(0.14)	(0.53)
Total distributions	(0.26)	(0.78)
Net asset value, end of period	\$12.53	\$12.32
Total return <sup>e</sup>	3.81%	7.78%
<b>Ratios to average net assets<sup>f</sup></b>		
Expenses before waiver and payments by affiliates <sup>g</sup>	0.45%	0.60%
Expenses net of waiver and payments by affiliates <sup>g</sup>	0.00%	0.00%
Net investment income <sup>d</sup>	1.96%	2.42%
<b>Supplemental data</b>		
Net assets, end of period (000's)	\$1,011	\$763
Portfolio turnover rate	25.21%	73.66%

<sup>a</sup>For the period May 1, 2013 (effective date) to December 31, 2013.

<sup>b</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 shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

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

<sup>d</sup>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>e</sup>Total return is not annualized for periods less than one year.

<sup>f</sup>Ratios are annualized for periods less than one year.

<sup>g</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.64% for the period ended June 30, 2014.

**Franklin LifeSmart 2015 Retirement Target Fund** (continued)

	Six Months Ended June 30, 2014 (unaudited)	2013	2012	Year Ended December 31,		2009
				2011	2010	
<b>Advisor Class</b>						
<b>Per share operating performance</b> (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$12.31	\$11.70	\$10.94	\$11.28	\$10.19	\$ 8.15
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b,c</sup>	0.12	0.29	0.28	0.26	0.39	0.20
Net realized and unrealized gains (losses)	0.34	1.16	0.76	(0.33)	0.94	2.12
Total from investment operations	0.46	1.45	1.04	(0.07)	1.33	2.32
Less distributions from:						
Net investment income	(0.11)	(0.31)	(0.28)	(0.27)	(0.24)	(0.23)
Net realized gains	(0.14)	(0.53)	—	—	—	(0.05)
Total distributions	(0.25)	(0.84)	(0.28)	(0.27)	(0.24)	(0.28)
Net asset value, end of period	\$12.52	\$12.31	\$11.70	\$10.94	\$11.28	\$10.19
Total return <sup>d</sup>	3.79%	12.55%	9.59%	(0.61)%	13.16%	28.94%
<b>Ratios to average net assets<sup>e</sup></b>						
Expenses before waiver and payments by affiliates <sup>f</sup>	0.55%	0.53%	0.41%	0.50%	0.50%	0.70%
Expenses net of waiver and payments by affiliates <sup>f</sup>	0.05%	0.08%	0.15%	0.15%	0.15%	0.16%
Net investment income <sup>c</sup>	1.91%	2.34%	2.43%	2.39%	2.60%	2.41%
<b>Supplemental data</b>						
Net assets, end of period (000's)	\$2,104	\$2,494	\$1,840	\$1,501	\$1,571	\$199
Portfolio turnover rate	25.21%	73.66%	25.12%	31.55%	17.27%	12.19%

<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 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>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>d</sup>Total return is not annualized for periods less than one year.

<sup>e</sup>Ratios are annualized for periods less than one year.

<sup>f</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.64% for the period ended June 30, 2014.

## Statement of Investments, June 30, 2014 (unaudited)

## Franklin LifeSmart 2015 Retirement Target Fund

	Shares/Units	Value
<b>Investments in Underlying Funds and Exchange Traded Funds</b>		
<b>Alternative Strategies 4.3%</b>		
<sup>a</sup> Franklin K2 Alternative Strategies Fund, Class R6 .....	227,281	\$ 2,454,593
<sup>a,b</sup> Franklin Pelagos Commodities Strategy Fund, Class R6 .....	82,238	782,903
		<u>3,237,496</u>
<b>Domestic Equity 25.7%</b>		
<sup>a,b</sup> Franklin Biotechnology Discovery Fund, Class R6 .....	5,972	872,461
<sup>a,b</sup> Franklin DynaTech Fund, Class R6 .....	70,962	3,281,999
<sup>a,b</sup> Franklin Flex Cap Growth Fund, Class R6 .....	11,624	693,696
<sup>a</sup> Franklin Growth Fund, Class R6 .....	24,736	1,730,299
<sup>a,b</sup> Franklin Growth Opportunities Fund, Class R6 .....	27,871	895,503
<sup>a</sup> Franklin MicroCap Value Fund, Class R6 .....	24,486	985,058
<sup>a</sup> Franklin Real Estate Securities Fund, Class R6 .....	45,927	919,002
<sup>a</sup> Franklin Rising Dividends Fund, Class R6 .....	92,166	4,650,710
<sup>a,b</sup> Franklin Small Cap Growth Fund, Class R6 .....	61,833	1,285,514
<sup>a</sup> Franklin Utilities Fund, Class R6 .....	93,169	1,632,322
iShares Core S&P 500, ETF .....	11,915	2,347,255
		<u>19,293,819</u>
<b>Domestic Fixed Income 35.3%</b>		
<sup>a</sup> Franklin Low Duration Total Return Fund, Class R6 .....	791,025	8,044,721
<sup>a</sup> Franklin Strategic Income Fund, Class R6 .....	435,261	4,652,937
<sup>a</sup> Franklin U.S. Government Securities Fund, Class R6 .....	1,450,478	9,500,634
iShares Intermediate Credit Bond, ETF .....	38,315	4,221,547
		<u>26,419,839</u>
<b>Foreign Equity 12.4%</b>		
<sup>a</sup> Franklin International Growth Fund, Class R6 .....	13,883	163,121
<sup>a</sup> Franklin International Small Cap Growth Fund, Class R6 .....	135,635	3,158,947
<sup>a</sup> Franklin Mutual European Fund, Class R6 .....	88,049	2,191,547
<sup>a</sup> Templeton China World Fund, Class R6 .....	14,855	537,585
<sup>a</sup> Templeton Foreign Fund, Class R6 .....	136,384	1,166,085
<sup>a</sup> Templeton Frontier Markets Fund, Class R6 .....	55,713	1,062,445
WisdomTree Japan Hedged Equity Fund, ETF (Japan) .....	20,535	1,013,608
		<u>9,293,338</u>
<b>Foreign Fixed Income 20.4%</b>		
<sup>a</sup> Franklin Emerging Market Debt Opportunities Fund .....	199,795	2,471,458
<sup>a</sup> Templeton Global Total Return Fund, Class R6 .....	937,191	12,783,284
		<u>15,254,742</u>
<b>Total Investments in Underlying Funds and Exchange Traded Funds before Short Term Investments (Cost \$65,343,432) 98.1%</b> .....		
		<u>73,499,234</u>

FRANKLIN FUND ALLOCATOR SERIES  
STATEMENT OF INVESTMENTS (UNAUDITED)

**Franklin LifeSmart 2015 Retirement Target Fund** (continued)

	Shares/Units	Value
<b>Short Term Investments (Cost \$1,292,425) 1.7%</b>		
<b>Money Market Funds 1.7%</b>		
<sup>a,b</sup> Institutional Fiduciary Trust Money Market Portfolio .....	1,292,425	\$ 1,292,425
<b>Total Investments in Underlying Funds and Exchange Traded Funds (Cost \$66,635,857) 99.8%</b> .....		74,791,659
<b>Other Assets, less Liabilities 0.2%</b> .....		167,407
<b>Net Assets 100.0%</b> .....		<u>\$74,959,066</u>

See Abbreviations on page 141.

<sup>a</sup>See Note 3(f) regarding investments in Underlying Funds.

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

## Financial Highlights

### Franklin LifeSmart 2020 Retirement Target Fund

	Six Months Ended June 30, 2014 (unaudited)	Period Ended December 31, 2013 <sup>a</sup>
<b>Class A</b>		
<b>Per share operating performance</b> (for a share outstanding throughout the period)		
Net asset value, beginning of period	\$10.94	\$10.00
Income from investment operations <sup>b</sup> :		
Net investment income <sup>c,d</sup>	0.06	0.16
Net realized and unrealized gains (losses)	0.43	0.91
Total from investment operations	0.49	1.07
Less distributions from:		
Net investment income	(0.05)	(0.13)
Net realized gains	(0.06)	(—) <sup>e</sup>
Total distributions	(0.11)	(0.13)
Net asset value, end of period	\$11.32	\$10.94
Total return <sup>f</sup>	4.45%	10.69%
<b>Ratios to average net assets<sup>g</sup></b>		
Expenses before waiver and payments by affiliates <sup>h</sup>	6.24%	11.14%
Expenses net of waiver and payments by affiliates <sup>h</sup>	0.35%	0.24%
Net investment income <sup>d</sup>	1.19%	3.12%
<b>Supplemental data</b>		
Net assets, end of period (000's)	\$4,533	\$2,189
Portfolio turnover rate	15.01%	33.36%

<sup>a</sup>For the period July 1, 2013 (commencement of operations) to December 31, 2013.

<sup>b</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 shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

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

<sup>d</sup>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>e</sup>Amount rounds to less than \$0.01 per share.

<sup>f</sup>Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

<sup>g</sup>Ratios are annualized for periods less than one year.

<sup>h</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.66% for the period ended June 30, 2014.

FRANKLIN FUND ALLOCATOR SERIES  
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**Franklin LifeSmart 2020 Retirement Target Fund** (continued)

	Six Months Ended June 30, 2014 (unaudited)	Period Ended December 31, 2013 <sup>a</sup>
<b>Class C</b>		
<b>Per share operating performance</b> (for a share outstanding throughout the period)		
Net asset value, beginning of period	\$10.90	\$10.00
Income from investment operations <sup>b</sup> :		
Net investment income <sup>c,d</sup>	0.03	0.18
Net realized and unrealized gains (losses)	0.43	0.83
Total from investment operations	0.46	1.01
Less distributions from:		
Net investment income	(0.03)	(0.11)
Net realized gains	(0.06)	(—) <sup>e</sup>
Total distributions	(0.09)	(0.11)
Net asset value, end of period	\$11.27	\$10.90
Total return <sup>f</sup>	4.18%	10.16%
<b>Ratios to average net assets<sup>g</sup></b>		
Expenses before waiver and payments by affiliates <sup>h</sup>	6.94%	11.95%
Expenses net of waiver and payments by affiliates <sup>h</sup>	1.05%	1.05%
Net investment income <sup>d</sup>	0.49%	2.31%
<b>Supplemental data</b>		
Net assets, end of period (000's)	\$1,802	\$250
Portfolio turnover rate	15.01%	33.36%

<sup>a</sup>For the period July 1, 2013 (commencement of operations) to December 31, 2013.

<sup>b</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 shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

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

<sup>d</sup>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>e</sup>Amount rounds to less than \$0.01 per share.

<sup>f</sup>Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

<sup>g</sup>Ratios are annualized for periods less than one year.

<sup>h</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.66% for the period ended June 30, 2014.

**Franklin LifeSmart 2020 Retirement Target Fund** (continued)

	Six Months Ended June 30, 2014 (unaudited)	Period Ended December 31, 2013 <sup>a</sup>
<b>Class R</b>		
<b>Per share operating performance</b> (for a share outstanding throughout the period)		
Net asset value, beginning of period	\$10.93	\$10.00
Income from investment operations <sup>b</sup> :		
Net investment income <sup>c,d</sup>	0.05	0.11
Net realized and unrealized gains (losses)	0.43	0.93
Total from investment operations	0.48	1.04
Less distributions from:		
Net investment income	(0.04)	(0.11)
Net realized gains	(0.06)	(—) <sup>e</sup>
Total distributions	(0.10)	(0.11)
Net asset value, end of period	\$11.31	\$10.93
Total return <sup>f</sup>	4.39%	10.48%
<b>Ratios to average net assets<sup>g</sup></b>		
Expenses before waiver and payments by affiliates <sup>h</sup>	6.44%	11.45%
Expenses net of waiver and payments by affiliates <sup>h</sup>	0.55%	0.55%
Net investment income <sup>d</sup>	0.99%	2.81%
<b>Supplemental data</b>		
Net assets, end of period (000's)	\$19	\$11
Portfolio turnover rate	15.01%	33.36%

<sup>a</sup>For the period July 1, 2013 (commencement of operations) to December 31, 2013.

<sup>b</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 shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

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

<sup>d</sup>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>e</sup>Amount rounds to less than \$0.01 per share.

<sup>f</sup>Total return is not annualized for periods less than one year.

<sup>g</sup>Ratios are annualized for periods less than one year.

<sup>h</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.66% for the period ended June 30, 2014.

**Franklin LifeSmart 2020 Retirement Target Fund** (continued)

	Six Months Ended June 30, 2014 (unaudited)	Period Ended December 31, 2013 <sup>a</sup>
<b>Class R6</b>		
<b>Per share operating performance</b> (for a share outstanding throughout the period)		
Net asset value, beginning of period	\$10.95	\$10.00
Income from investment operations <sup>b</sup> :		
Net investment income <sup>c,d</sup>	0.08	0.14
Net realized and unrealized gains (losses)	0.43	0.94
Total from investment operations	0.51	1.08
Less distributions from:		
Net investment income	(0.07)	(0.13)
Net realized gains	(0.06)	(—) <sup>e</sup>
Total distributions	(0.13)	(0.13)
Net asset value, end of period	\$11.33	\$10.95
Total return <sup>f</sup>	4.61%	10.84%
<b>Ratios to average net assets<sup>g</sup></b>		
Expenses before waiver and payments by affiliates <sup>h</sup>	7.96%	11.51%
Expenses net of waiver and payments by affiliates <sup>h</sup>	0.00%	0.00%
Net investment income <sup>d</sup>	1.54%	3.36%
<b>Supplemental data</b>		
Net assets, end of period (000's)	\$17	\$11
Portfolio turnover rate	15.01%	33.36%

<sup>a</sup>For the period July 1, 2013 (commencement of operations) to December 31, 2013.

<sup>b</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 shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

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

<sup>d</sup>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>e</sup>Amount rounds to less than \$0.01 per share.

<sup>f</sup>Total return is not annualized for periods less than one year.

<sup>g</sup>Ratios are annualized for periods less than one year.

<sup>h</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.66% for the period ended June 30, 2014.



**Franklin LifeSmart 2020 Retirement Target Fund** (continued)

	Six Months Ended June 30, 2014 (unaudited)	Period Ended December 31, 2013 <sup>a</sup>
<b>Advisor Class</b>		
<b>Per share operating performance</b> (for a share outstanding throughout the period)		
Net asset value, beginning of period	\$10.95	\$10.00
Income from investment operations <sup>b</sup> :		
Net investment income <sup>c,d</sup>	0.08	0.17
Net realized and unrealized gains (losses)	0.42	0.91
Total from investment operations	0.50	1.08
Less distributions from:		
Net investment income	(0.06)	(0.13)
Net realized gains	(0.06)	(—) <sup>e</sup>
Total distributions	(0.12)	(0.13)
Net asset value, end of period	\$11.33	\$10.95
Total return <sup>f</sup>	4.57%	10.83%
<b>Ratios to average net assets<sup>g</sup></b>		
Expenses before waiver and payments by affiliates <sup>h</sup>	5.94%	10.95%
Expenses net of waiver and payments by affiliates <sup>h</sup>	0.05%	0.05%
Net investment income <sup>d</sup>	1.49%	3.31%
<b>Supplemental data</b>		
Net assets, end of period (000's)	\$19	\$44
Portfolio turnover rate	15.01%	33.36%

<sup>a</sup>For the period July 1, 2013 (commencement of operations) to December 31, 2013.

<sup>b</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 shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

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

<sup>d</sup>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>e</sup>Amount rounds to less than \$0.01 per share.

<sup>f</sup>Total return is not annualized for periods less than one year.

<sup>g</sup>Ratios are annualized for periods less than one year.

<sup>h</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.66% for the period ended June 30, 2014.

## Statement of Investments, June 30, 2014 (unaudited)

## Franklin LifeSmart 2020 Retirement Target Fund

	Shares/Units	Value
<b>Investments in Underlying Funds and Exchange Traded Funds</b>		
<b>Alternative Strategies 3.4%</b>		
<sup>a</sup> Franklin K2 Alternative Strategies Fund, Class R6 .....	14,363	\$ 155,114
<sup>a,b</sup> Franklin Pelagos Commodities Strategy Fund, Class R6 .....	6,784	64,587
		<u>219,701</u>
<b>Domestic Equity 39.2%</b>		
<sup>a,b</sup> Franklin Biotechnology Discovery Fund, Class R6 .....	568	83,056
<sup>a,b</sup> Franklin DynaTech Fund, Class R6 .....	10,420	481,943
<sup>a,b</sup> Franklin Flex Cap Growth Fund, Class R6 .....	1,532	91,410
<sup>a</sup> Franklin Growth Fund, Class R6 .....	4,471	312,728
<sup>a,b</sup> Franklin Growth Opportunities Fund, Class R6 .....	3,491	112,165
<sup>a</sup> Franklin MicroCap Value Fund, Class R6 .....	2,563	103,092
<sup>a</sup> Franklin Real Estate Securities Fund, Class R6 .....	5,427	108,598
<sup>a</sup> Franklin Rising Dividends Fund, Class R6 .....	11,511	580,835
<sup>a,b</sup> Franklin Small Cap Growth Fund, Class R6 .....	7,468	155,262
<sup>a</sup> Franklin Utilities Fund, Class R6 .....	12,198	213,714
iShares Core S&P 500, ETF .....	1,328	261,616
		<u>2,504,419</u>
<b>Domestic Fixed Income 22.6%</b>		
<sup>a</sup> Franklin Low Duration Total Return Fund, Class R6 .....	43,429	441,674
<sup>a</sup> Franklin Strategic Income Fund, Class R6 .....	24,170	258,378
<sup>a</sup> Franklin U.S. Government Securities Fund, Class R6 .....	80,072	524,472
iShares Intermediate Credit Bond, ETF .....	1,990	219,259
		<u>1,443,783</u>
<b>Foreign Equity 19.0%</b>		
<sup>a</sup> Franklin International Growth Fund, Class R6 .....	1,866	21,922
<sup>a</sup> Franklin International Small Cap Growth Fund, Class R6 .....	19,537	455,026
<sup>a</sup> Franklin Mutual European Fund, Class R6 .....	11,199	278,740
<sup>a</sup> Templeton China World Fund, Class R6 .....	1,776	64,286
<sup>a</sup> Templeton Foreign Fund, Class R6 .....	17,581	150,321
<sup>a</sup> Templeton Frontier Markets Fund, Class R6 .....	6,864	130,905
WisdomTree Japan Hedged Equity Fund, ETF (Japan) .....	2,296	113,331
		<u>1,214,531</u>
<b>Foreign Fixed Income 12.5%</b>		
<sup>a</sup> Franklin Emerging Market Debt Opportunities Fund .....	8,947	110,669
<sup>a</sup> Templeton Global Total Return Fund, Class R6 .....	50,425	687,795
		<u>798,464</u>
<b>Total Investments in Underlying Funds and Exchange Traded Funds</b>		
<b>(Cost \$5,871,479) 96.7%</b> .....		6,180,898
<b>Other Assets, less Liabilities 3.3%</b> .....		<u>208,480</u>
<b>Net Assets 100.0%</b> .....		<u>\$6,389,378</u>

See Abbreviations on page 141.

<sup>a</sup>See Note 3(f) regarding investments in Underlying Funds.<sup>b</sup>Non-income producing.

## Financial Highlights

### Franklin LifeSmart 2025 Retirement Target Fund

	Six Months Ended June 30, 2014 (unaudited)	2013	2012	Year Ended December 31,		2009
				2011	2010	
<b>Class A</b>						
<b>Per share operating performance</b> (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$12.76	\$11.11	\$10.22	\$10.70	\$ 9.54	\$7.47
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b,c</sup>	0.05	0.16	0.17	0.17	0.22	0.16
Net realized and unrealized gains (losses)	0.46	2.06	0.88	(0.48)	1.13	2.15
Total from investment operations	0.51	2.22	1.05	(0.31)	1.35	2.31
Less distributions from:						
Net investment income and short term gains received from Underlying Funds	(0.05)	(0.19)	(0.16)	(0.17)	(0.19)	(0.14)
Net realized gains	(0.21)	(0.38)	—	—	—	(0.10)
Total distributions	(0.26)	(0.57)	(0.16)	(0.17)	(0.19)	(0.24)
Net asset value, end of period	\$13.01	\$12.76	\$11.11	\$10.22	\$10.70	\$9.54
Total return <sup>d</sup>	4.02%	20.18%	10.30%	(2.86)%	14.14%	31.34%
<b>Ratios to average net assets<sup>e</sup></b>						
Expenses before waiver and payments by affiliates <sup>f</sup>	0.83%	0.84%	0.71%	0.80%	0.85%	1.09%
Expenses net of waiver and payments by affiliates <sup>f</sup>	0.35%	0.38%	0.45%	0.45%	0.45%	0.46%
Net investment income <sup>c</sup>	0.84%	1.31%	1.55%	1.64%	2.25%	1.88%
<b>Supplemental data</b>						
Net assets, end of period (000's)	\$66,157	\$58,811	\$45,299	\$36,506	\$30,983	\$19,725
Portfolio turnover rate	20.19%	47.39%	25.67%	20.06%	19.11%	13.43%

<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 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>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>d</sup>Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

<sup>e</sup>Ratios are annualized for periods less than one year.

<sup>f</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.68% for the period ended June 30, 2014.

FRANKLIN FUND ALLOCATOR SERIES  
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**Franklin LifeSmart 2025 Retirement Target Fund** (continued)

	<b>Six Months Ended June 30, 2014 (unaudited)</b>	<b>2013</b>	<b>2012</b>	<b>Year Ended December 31,</b>		<b>2009</b>
				<b>2011</b>	<b>2010</b>	
<b>Class C</b>						
<b>Per share operating performance</b> (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$12.60	\$10.97	\$10.11	\$10.59	\$ 9.45	\$7.43
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b,c</sup>	0.01	0.07	0.09	0.10	0.16	0.10
Net realized and unrealized gains (losses)	0.44	2.05	0.86	(0.48)	1.11	2.12
Total from investment operations	0.45	2.12	0.95	(0.38)	1.27	2.22
Less distributions from:						
Net investment income and short term gains received from Underlying Funds	(0.01)	(0.11)	(0.09)	(0.10)	(0.13)	(0.10)
Net realized gains	(0.21)	(0.38)	—	—	—	(0.10)
Total distributions	(0.22)	(0.49)	(0.09)	(0.10)	(0.13)	(0.20)
Net asset value, end of period	\$12.83	\$12.60	\$10.97	\$10.11	\$10.59	\$9.45
Total return <sup>d</sup>	3.57%	19.52%	9.42%	(3.54)%	13.41%	30.18%
<b>Ratios to average net assets<sup>e</sup></b>						
Expenses before waiver and payments by affiliates <sup>f</sup>	1.53%	1.54%	1.41%	1.50%	1.55%	1.79%
Expenses net of waiver and payments by affiliates <sup>f</sup>	1.05%	1.08%	1.15%	1.15%	1.15%	1.16%
Net investment income <sup>c</sup>	0.14%	0.61%	0.85%	0.94%	1.55%	1.18%
<b>Supplemental data</b>						
Net assets, end of period (000's)	\$28,457	\$25,248	\$18,312	\$14,309	\$11,194	\$6,308
Portfolio turnover rate	20.19%	47.39%	25.67%	20.06%	19.11%	13.43%

<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 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>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>d</sup>Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

<sup>e</sup>Ratios are annualized for periods less than one year.

<sup>f</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.68% for the period ended June 30, 2014.

**Franklin LifeSmart 2025 Retirement Target Fund** (continued)

	<b>Six Months Ended June 30, 2014 (unaudited)</b>	<b>2013</b>	<b>Year Ended December 31,</b>			
			<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Class R</b>						
<b>Per share operating performance</b> (for a share outstanding throughout the period)						
Net asset value, beginning of period . . . . .	\$12.72	\$11.07	\$10.19	\$10.68	\$ 9.53	\$7.47
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b,c</sup> . . . . .	0.04	0.13	0.15	0.16	0.22	0.17
Net realized and unrealized gains (losses) . . . . .	0.46	2.07	0.87	(0.50)	1.10	2.12
Total from investment operations . . . . .	0.50	2.20	1.02	(0.34)	1.32	2.29
Less distributions from:						
Net investment income and short term gains received from Underlying Funds . . . . .	(0.04)	(0.17)	(0.14)	(0.15)	(0.17)	(0.13)
Net realized gains . . . . .	(0.21)	(0.38)	—	—	—	(0.10)
Total distributions . . . . .	(0.25)	(0.55)	(0.14)	(0.15)	(0.17)	(0.23)
Net asset value, end of period . . . . .	\$12.97	\$12.72	\$11.07	\$10.19	\$10.68	\$9.53
Total return <sup>d</sup> . . . . .	3.94%	20.05%	10.05%	(3.14)%	13.92%	31.03%
<b>Ratios to average net assets<sup>e</sup></b>						
Expenses before waiver and payments by affiliates <sup>f</sup> . . . . .	1.03%	1.04%	0.91%	1.00%	1.05%	1.29%
Expenses net of waiver and payments by affiliates <sup>f</sup> . . . . .	0.55%	0.58%	0.65%	0.65%	0.65%	0.66%
Net investment income <sup>c</sup> . . . . .	0.64%	1.11%	1.35%	1.44%	2.05%	1.68%
<b>Supplemental data</b>						
Net assets, end of period (000's) . . . . .	\$5,448	\$4,835	\$3,442	\$1,780	\$995	\$460
Portfolio turnover rate . . . . .	20.19%	47.39%	25.67%	20.06%	19.11%	13.43%

<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 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>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>d</sup>Total return is not annualized for periods less than one year.

<sup>e</sup>Ratios are annualized for periods less than one year.

<sup>f</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.68% for the period ended June 30, 2014.

**Franklin LifeSmart 2025 Retirement Target Fund** (continued)

	Six Months Ended June 30, 2014 (unaudited)	Period Ended December 31, 2013 <sup>a</sup>
<b>Class R6</b>		
<b>Per share operating performance</b> (for a share outstanding throughout the period)		
Net asset value, beginning of period	\$12.79	\$11.74
Income from investment operations <sup>b</sup> :		
Net investment income <sup>c,d</sup>	0.07	0.55
Net realized and unrealized gains (losses)	0.46	1.06
Total from investment operations	0.53	1.61
Less distributions from:		
Net investment income and short term gains received from Underlying Funds	(0.07)	(0.18)
Net realized gains	(0.21)	(0.38)
Total distributions	(0.28)	(0.56)
Net asset value, end of period	\$13.04	\$12.79
Total return <sup>e</sup>	4.18%	13.90%
<b>Ratios to average net assets<sup>f</sup></b>		
Expenses before waiver and payments by affiliates <sup>g</sup>	0.40%	0.45%
Expenses net of waiver and payments by affiliates <sup>g</sup>	0.00%	0.00%
Net investment income <sup>d</sup>	1.19%	1.69%
<b>Supplemental data</b>		
Net assets, end of period (000's)	\$2,266	\$2,339
Portfolio turnover rate	20.19%	47.39%

<sup>a</sup>For the period May 1, 2013 (effective date) to December 31, 2013.

<sup>b</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 shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

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

<sup>d</sup>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>e</sup>Total return is not annualized for periods less than one year.

<sup>f</sup>Ratios are annualized for periods less than one year.

<sup>g</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.68% for the period ended June 30, 2014.

**Franklin LifeSmart 2025 Retirement Target Fund** (continued)

	<b>Six Months Ended June 30, 2014 (unaudited)</b>	<b>2013</b>	<b>Year Ended December 31,</b>			
			<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Advisor Class</b>						
<b>Per share operating performance</b> (for a share outstanding throughout the period)						
Net asset value, beginning of period . . . . .	\$12.79	\$11.12	\$10.23	\$10.72	\$ 9.55	\$7.48
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b,c</sup> . . . . .	0.07	0.19	0.20	0.21	0.31	0.17
Net realized and unrealized gains (losses) . . . . .	0.46	2.08	0.88	(0.50)	1.07	2.17
Total from investment operations . . . . .	0.53	2.27	1.08	(0.29)	1.38	2.34
Less distributions from:						
Net investment income and short term gains received from Underlying Funds . . . . .	(0.07)	(0.22)	(0.19)	(0.20)	(0.21)	(0.17)
Net realized gains . . . . .	(0.21)	(0.38)	—	—	—	(0.10)
Total distributions . . . . .	(0.28)	(0.60)	(0.19)	(0.20)	(0.21)	(0.27)
Net asset value, end of period . . . . .	\$13.04	\$12.79	\$11.12	\$10.23	\$10.72	\$9.55
Total return <sup>d</sup> . . . . .	4.16%	20.66%	10.59%	(2.65)%	14.53%	31.61%
<b>Ratios to average net assets<sup>e</sup></b>						
Expenses before waiver and payments by affiliates <sup>f</sup> . . . . .	0.53%	0.54%	0.41%	0.50%	0.55%	0.79%
Expenses net of waiver and payments by affiliates <sup>f</sup> . . . . .	0.05%	0.08%	0.15%	0.15%	0.15%	0.16%
Net investment income <sup>c</sup> . . . . .	1.14%	1.61%	1.85%	1.94%	2.55%	2.18%
<b>Supplemental data</b>						
Net assets, end of period (000's) . . . . .	\$2,883	\$2,487	\$1,873	\$1,847	\$1,530	\$463
Portfolio turnover rate . . . . .	20.19%	47.39%	25.67%	20.06%	19.11%	13.43%

<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 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>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>d</sup>Total return is not annualized for periods less than one year.

<sup>e</sup>Ratios are annualized for periods less than one year.

<sup>f</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.68% for the period ended June 30, 2014.

## Statement of Investments, June 30, 2014 (unaudited)

## Franklin LifeSmart 2025 Retirement Target Fund

	Shares/Units	Value
<b>Investments in Underlying Funds and Exchange Traded Funds</b>		
<b>Alternative Strategies 4.0%</b>		
<sup>a</sup> Franklin K2 Alternative Strategies Fund, Class R6 .....	294,487	\$ 3,180,397
<sup>a,b</sup> Franklin Pelagos Commodities Strategy Fund, Class R6 .....	106,500	1,013,877
		<u>4,194,274</u>
<b>Domestic Equity 46.9%</b>		
<sup>a,b</sup> Franklin Biotechnology Discovery Fund, Class R6 .....	14,431	2,108,350
<sup>a,b</sup> Franklin DynaTech Fund, Class R6 .....	203,867	9,428,848
<sup>a,b</sup> Franklin Flex Cap Growth Fund, Class R6 .....	27,336	1,631,384
<sup>a</sup> Franklin Growth Fund, Class R6 .....	62,479	4,370,398
<sup>a,b</sup> Franklin Growth Opportunities Fund, Class R6 .....	63,040	2,025,471
<sup>a</sup> Franklin MicroCap Value Fund, Class R6 .....	52,917	2,128,863
<sup>a</sup> Franklin Real Estate Securities Fund, Class R6 .....	107,537	2,151,821
<sup>a</sup> Franklin Rising Dividends Fund, Class R6 .....	246,754	12,451,211
<sup>a,b</sup> Franklin Small Cap Growth Fund, Class R6 .....	179,017	3,721,758
<sup>a</sup> Franklin Utilities Fund, Class R6 .....	232,339	4,070,588
iShares Core S&P 500, ETF .....	26,660	5,252,020
		<u>49,340,712</u>
<b>Domestic Fixed Income 16.0%</b>		
<sup>a</sup> Franklin Low Duration Total Return Fund, Class R6 .....	481,065	4,892,432
<sup>a</sup> Franklin Strategic Income Fund, Class R6 .....	273,105	2,919,495
<sup>a</sup> Franklin U.S. Government Securities Fund, Class R6 .....	958,437	6,277,764
iShares Intermediate Credit Bond, ETF .....	25,300	2,787,554
		<u>16,877,245</u>
<b>Foreign Equity 21.8%</b>		
<sup>a</sup> Franklin International Growth Fund, Class R6 .....	42,147	495,229
<sup>a</sup> Franklin International Small Cap Growth Fund, Class R6 .....	361,767	8,425,552
<sup>a</sup> Franklin Mutual European Fund, Class R6 .....	212,294	5,283,992
<sup>a</sup> Templeton China World Fund, Class R6 .....	38,432	1,390,855
<sup>a</sup> Templeton Foreign Fund, Class R6 .....	296,832	2,537,910
<sup>a</sup> Templeton Frontier Markets Fund, Class R6 .....	128,809	2,456,385
WisdomTree Japan Hedged Equity Fund, ETF (Japan) .....	47,265	2,333,001
		<u>22,922,924</u>
<b>Foreign Fixed Income 9.5%</b>		
<sup>a</sup> Franklin Emerging Market Debt Opportunities Fund .....	127,219	1,573,698
<sup>a</sup> Templeton Global Total Return Fund, Class R6 .....	616,627	8,410,793
		<u>9,984,491</u>
<b>Total Investments in Underlying Funds and Exchange Traded Funds before Short Term Investments (Cost \$84,722,267) 98.2%</b> .....		
		<u>103,319,646</u>



FRANKLIN FUND ALLOCATOR SERIES  
STATEMENT OF INVESTMENTS (UNAUDITED)

**Franklin LifeSmart 2025 Retirement Target Fund** (continued)

	<b>Shares/Units</b>	<b>Value</b>
<b>Short Term Investments (Cost \$1,888,520) 1.8%</b>		
<b>Money Market Funds 1.8%</b>		
<sup>a,b</sup> Institutional Fiduciary Trust Money Market Portfolio .....	1,888,520	\$ 1,888,520
<b>Total Investments in Underlying Funds and Exchange Traded Funds (Cost \$86,610,787) 100.0%</b> .....		105,208,166
<b>Other Assets, less Liabilities 0.0%<sup>†</sup></b> .....		3,179
<b>Net Assets 100.0%</b> .....		<u>\$105,211,345</u>

See Abbreviations on page 141.

<sup>†</sup>Rounds to less than 0.1% of net assets.

<sup>a</sup>See Note 3(f) regarding investments in Underlying Funds.

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

## Financial Highlights

### Franklin LifeSmart 2030 Retirement Target Fund

Six Months Ended  
June 30, 2014  
(unaudited)

Period Ended  
December 31,  
2013<sup>a</sup>

#### Class A

##### Per share operating performance

(for a share outstanding throughout the period)

Net asset value, beginning of period	\$11.11	\$10.00
Income from investment operations <sup>b</sup> :		
Net investment income <sup>c,d</sup>	0.04	0.15
Net realized and unrealized gains (losses)	0.40	1.07
Total from investment operations	0.44	1.22
Less distributions from:		
Net investment income and short term gains received from Underlying Funds	(—) <sup>e</sup>	(0.11)
Net realized gains	(0.06)	(—) <sup>e</sup>
Total distributions	(0.06)	(0.11)
Net asset value, end of period	\$11.49	\$11.11

Total return <sup>f</sup>	3.94%	12.19%
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##### Ratios to average net assets<sup>g</sup>

Expenses before waiver and payments by affiliates <sup>h</sup>	10.46%	20.77%
Expenses net of waiver and payments by affiliates <sup>h</sup>	0.35%	0.23%
Net investment income <sup>d</sup>	0.79%	2.72%

##### Supplemental data

Net assets, end of period (000's)	\$3,271	\$1,260
Portfolio turnover rate	12.73%	12.08%

<sup>a</sup>For the period July 1, 2013 (commencement of operations) to December 31, 2013.

<sup>b</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 shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

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

<sup>d</sup>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>e</sup>Amount rounds to less than \$0.01 per share.

<sup>f</sup>Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

<sup>g</sup>Ratios are annualized for periods less than one year.

<sup>h</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.69% for the period ended June 30, 2014.

**Franklin LifeSmart 2030 Retirement Target Fund** (continued)

	Six Months Ended June 30, 2014 (unaudited)	Period Ended December 31, 2013 <sup>a</sup>
<b>Class C</b>		
<b>Per share operating performance</b> (for a share outstanding throughout the period)		
Net asset value, beginning of period	\$11.09	\$10.00
Income from investment operations <sup>b</sup> :		
Net investment income <sup>c,d</sup>	0.01	0.13
Net realized and unrealized gains (losses)	0.39	1.05
Total from investment operations	0.40	1.18
Less distributions from:		
Net investment income and short term gains received from Underlying Funds	(—) <sup>e</sup>	(0.09)
Net realized gains	(0.06)	(—) <sup>e</sup>
Total distributions	(0.06)	(0.09)
Net asset value, end of period	\$11.43	\$11.09
Total return <sup>f</sup>	3.68%	11.73%
<b>Ratios to average net assets<sup>g</sup></b>		
Expenses before waiver and payments by affiliates <sup>h</sup>	11.16%	21.59%
Expenses net of waiver and payments by affiliates <sup>h</sup>	1.05%	1.05%
Net investment income <sup>d</sup>	0.09%	1.90%
<b>Supplemental data</b>		
Net assets, end of period (000's)	\$830	\$132
Portfolio turnover rate	12.73%	12.08%

<sup>a</sup>For the period July 1, 2013 (commencement of operations) to December 31, 2013.

<sup>b</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 shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

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

<sup>d</sup>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>e</sup>Amount rounds to less than \$0.01 per share.

<sup>f</sup>Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

<sup>g</sup>Ratios are annualized for periods less than one year.

<sup>h</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.69% for the period ended June 30, 2014.

**Franklin LifeSmart 2030 Retirement Target Fund** (continued)

	Six Months Ended June 30, 2014 (unaudited)	Period Ended December 31, 2013 <sup>a</sup>
<b>Class R</b>		
<b>Per share operating performance</b> (for a share outstanding throughout the period)		
Net asset value, beginning of period	\$11.10	\$10.00
Income from investment operations <sup>b</sup> :		
Net investment income <sup>c,d</sup>	0.02	0.13
Net realized and unrealized gains (losses)	0.41	1.07
Total from investment operations	0.43	1.20
Less distributions from:		
Net investment income and short term gains received from Underlying Funds	(—) <sup>e</sup>	(0.10)
Net realized gains	(0.06)	(—) <sup>e</sup>
Total distributions	(0.06)	(0.10)
Net asset value, end of period	\$11.47	\$11.10
Total return <sup>f</sup>	3.85%	11.98%
<b>Ratios to average net assets<sup>g</sup></b>		
Expenses before waiver and payments by affiliates <sup>h</sup>	10.66%	21.09%
Expenses net of waiver and payments by affiliates <sup>h</sup>	0.55%	0.55%
Net investment income <sup>d</sup>	0.59%	2.40%
<b>Supplemental data</b>		
Net assets, end of period (000's)	\$26	\$47
Portfolio turnover rate	12.73%	12.08%

<sup>a</sup>For the period July 1, 2013 (commencement of operations) to December 31, 2013.

<sup>b</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 shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

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

<sup>d</sup>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>e</sup>Amount rounds to less than \$0.01 per share.

<sup>f</sup>Total return is not annualized for periods less than one year.

<sup>g</sup>Ratios are annualized for periods less than one year.

<sup>h</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.69% for the period ended June 30, 2014.

**Franklin LifeSmart 2030 Retirement Target Fund** (continued)

	Six Months Ended June 30, 2014 (unaudited)	Period Ended December 31, 2013 <sup>a</sup>
<b>Class R6</b>		
<b>Per share operating performance</b> (for a share outstanding throughout the period)		
Net asset value, beginning of period	\$11.12	\$10.00
Income from investment operations <sup>b</sup> :		
Net investment income <sup>c,d</sup>	0.06	0.11
Net realized and unrealized gains (losses)	0.40	1.12
Total from investment operations	0.46	1.23
Less distributions from:		
Net investment income and short term gains received from Underlying Funds	(—) <sup>e</sup>	(0.11)
Net realized gains	(0.06)	(—) <sup>e</sup>
Total distributions	(0.06)	(0.11)
Net asset value, end of period	\$11.52	\$11.12
Total return <sup>f</sup>	4.11%	12.34%
<b>Ratios to average net assets<sup>g</sup></b>		
Expenses before waiver and payments by affiliates <sup>h</sup>	12.42%	21.00%
Expenses net of waiver and payments by affiliates <sup>h</sup>	0.00%	0.00%
Net investment income <sup>d</sup>	1.14%	2.95%
<b>Supplemental data</b>		
Net assets, end of period (000's)	\$12	\$11
Portfolio turnover rate	12.73%	12.08%

<sup>a</sup>For the period July 1, 2013 (commencement of operations) to December 31, 2013.

<sup>b</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 shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

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

<sup>d</sup>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>e</sup>Amount rounds to less than \$0.01 per share.

<sup>f</sup>Total return is not annualized for periods less than one year.

<sup>g</sup>Ratios are annualized for periods less than one year.

<sup>h</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.69% for the period ended June 30, 2014.

**Franklin LifeSmart 2030 Retirement Target Fund** (continued)

	Six Months Ended June 30, 2014 (unaudited)	Period Ended December 31, 2013 <sup>a</sup>
<b>Advisor Class</b>		
<b>Per share operating performance</b> (for a share outstanding throughout the period)		
Net asset value, beginning of period	\$11.12	\$10.00
Income from investment operations <sup>b</sup> :		
Net investment income <sup>c,d</sup>	0.05	0.13
Net realized and unrealized gains (losses)	0.41	1.10
Total from investment operations	0.46	1.23
Less distributions from:		
Net investment income and short term gains received from Underlying Funds	(—) <sup>e</sup>	(0.11)
Net realized gains	(0.06)	(—) <sup>e</sup>
Total distributions	(0.06)	(0.11)
Net asset value, end of period	\$11.52	\$11.12
Total return <sup>f</sup>	4.02%	12.32%
<b>Ratios to average net assets<sup>g</sup></b>		
Expenses before waiver and payments by affiliates <sup>h</sup>	10.16%	20.59%
Expenses net of waiver and payments by affiliates <sup>h</sup>	0.05%	0.05%
Net investment income <sup>d</sup>	1.09%	2.90%
<b>Supplemental data</b>		
Net assets, end of period (000's)	\$89	\$82
Portfolio turnover rate	12.73%	12.08%

<sup>a</sup>For the period July 1, 2013 (commencement of operations) to December 31, 2013.

<sup>b</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 shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

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

<sup>d</sup>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>e</sup>Amount rounds to less than \$0.01 per share.

<sup>f</sup>Total return is not annualized for periods less than one year.

<sup>g</sup>Ratios are annualized for periods less than one year.

<sup>h</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.69% for the period ended June 30, 2014.

## Statement of Investments, June 30, 2014 (unaudited)

## Franklin LifeSmart 2030 Retirement Target Fund

	Shares/Units	Value
<b>Investments in Underlying Funds and Exchange Traded Funds</b>		
<b>Alternative Strategies 3.0%</b>		
<sup>a</sup> Franklin K2 Alternative Strategies Fund, Class R6 .....	7,895	\$ 85,266
<sup>a,b</sup> Franklin Pelagos Commodities Strategy Fund, Class R6 .....	4,303	40,968
		<u>126,234</u>
<b>Domestic Equity 50.5%</b>		
<sup>a,b</sup> Franklin Biotechnology Discovery Fund, Class R6 .....	515	75,231
<sup>a,b</sup> Franklin DynaTech Fund, Class R6 .....	9,082	420,043
<sup>a,b</sup> Franklin Flex Cap Growth Fund, Class R6 .....	1,272	75,927
<sup>a</sup> Franklin Growth Fund, Class R6 .....	3,509	245,487
<sup>a,b</sup> Franklin Growth Opportunities Fund, Class R6 .....	2,704	86,866
<sup>a</sup> Franklin MicroCap Value Fund, Class R6 .....	2,357	94,802
<sup>a</sup> Franklin Real Estate Securities Fund, Class R6 .....	4,780	95,652
<sup>a</sup> Franklin Rising Dividends Fund, Class R6 .....	10,064	507,851
<sup>a,b</sup> Franklin Small Cap Growth Fund, Class R6 .....	7,775	161,646
<sup>a</sup> Franklin Utilities Fund, Class R6 .....	10,160	178,010
iShares Core S&P 500, ETF .....	988	194,636
		<u>2,136,151</u>
<b>Domestic Fixed Income 12.1%</b>		
<sup>a</sup> Franklin Low Duration Total Return Fund, Class R6 .....	15,274	155,338
<sup>a</sup> Franklin Strategic Income Fund, Class R6 .....	8,814	94,223
<sup>a</sup> Franklin U.S. Government Securities Fund, Class R6 .....	28,092	184,003
iShares Intermediate Credit Bond, ETF .....	700	77,126
		<u>510,690</u>
<b>Foreign Equity 23.7%</b>		
<sup>a</sup> Franklin International Growth Fund, Class R6 .....	1,825	21,443
<sup>a</sup> Franklin International Small Cap Growth Fund, Class R6 .....	16,278	379,125
<sup>a</sup> Franklin Mutual European Fund, Class R6 .....	8,649	215,283
<sup>a</sup> Templeton China World Fund, Class R6 .....	1,812	65,592
<sup>a</sup> Templeton Foreign Fund, Class R6 .....	13,826	118,211
<sup>a</sup> Templeton Frontier Markets Fund, Class R6 .....	6,080	115,939
WisdomTree Japan Hedged Equity Fund, ETF (Japan) .....	1,733	85,541
		<u>1,001,134</u>
<b>Foreign Fixed Income 7.0%</b>		
<sup>a</sup> Franklin Emerging Market Debt Opportunities Fund .....	4,087	50,558
<sup>a</sup> Templeton Global Total Return Fund, Class R6 .....	18,152	247,588
		<u>298,146</u>
<b>Total Investments in Underlying Funds and Exchange Traded Funds</b>		
<b>(Cost \$3,874,864) 96.3%</b> .....		4,072,355
<b>Other Assets, less Liabilities 3.7%</b> .....		<u>155,381</u>
<b>Net Assets 100.0%</b> .....		<u>\$4,227,736</u>

See Abbreviations on page 141.

<sup>a</sup>See Note 3(f) regarding investments in Underlying Funds.<sup>b</sup>Non-income producing.

## Financial Highlights

### Franklin LifeSmart 2035 Retirement Target Fund

	Six Months Ended June 30, 2014 (unaudited)	2013	2012	Year Ended December 31,		
				2011	2010	2009
<b>Class A</b>						
<b>Per share operating performance</b> (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$12.85	\$11.01	\$10.13	\$10.59	\$ 9.36	\$7.12
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b,c</sup>	0.04	0.14	0.15	0.15	0.20	0.13
Net realized and unrealized gains (losses)	0.51	2.26	0.89	(0.46)	1.18	2.34
Total from investment operations	0.55	2.40	1.04	(0.31)	1.38	2.47
Less distributions from:						
Net investment income and short term gains received from Underlying Funds	(—) <sup>d</sup>	(0.15)	(0.16)	(0.15)	(0.15)	(0.13)
Net realized gains	(0.22)	(0.41)	(—) <sup>d</sup>	—	—	(0.10)
Total distributions	(0.22)	(0.56)	(0.16)	(0.15)	(0.15)	(0.23)
Net asset value, end of period	\$13.18	\$12.85	\$11.01	\$10.13	\$10.59	\$9.36
Total return <sup>e</sup>	4.34%	22.06%	10.33%	(2.97)%	14.78%	35.04%
<b>Ratios to average net assets<sup>f</sup></b>						
Expenses before waiver and payments by affiliates <sup>g</sup>	0.92%	0.94%	0.83%	0.97%	1.12%	1.51%
Expenses net of waiver and payments by affiliates <sup>g</sup>	0.35%	0.38%	0.45%	0.45%	0.45%	0.45%
Net investment income <sup>c</sup>	0.62%	1.17%	1.45%	1.44%	2.06%	1.65%
<b>Supplemental data</b>						
Net assets, end of period (000's)	\$46,890	\$42,510	\$32,095	\$24,328	\$19,677	\$10,391
Portfolio turnover rate	17.09%	49.84%	27.30%	29.19%	23.28%	19.76%

<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 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>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>d</sup>Amount rounds to less than \$0.01 per share.

<sup>e</sup>Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

<sup>f</sup>Ratios are annualized for periods less than one year.

<sup>g</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.68% for the period ended June 30, 2014.



**Franklin LifeSmart 2035 Retirement Target Fund** (continued)

	Six Months Ended June 30, 2014 (unaudited)	2013	Year Ended December 31,			
			2012	2011	2010	2009
<b>Class C</b>						
<b>Per share operating performance</b> (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$12.63	\$10.85	\$ 9.98	\$10.45	\$ 9.25	\$7.06
Income from investment operations <sup>a</sup> :						
Net investment income (loss) <sup>b,c</sup>	(—) <sup>d</sup>	0.06	0.08	0.08	0.12	0.09
Net realized and unrealized gains (losses)	0.49	2.21	0.89	(0.47)	1.18	2.28
Total from investment operations	0.49	2.27	0.97	(0.39)	1.30	2.37
Less distributions from:						
Net investment income and short term gains received from Underlying Funds	(—) <sup>d</sup>	(0.08)	(0.10)	(0.08)	(0.10)	(0.08)
Net realized gains	(0.22)	(0.41)	(—) <sup>d</sup>	—	—	(0.10)
Total distributions	(0.22)	(0.49)	(0.10)	(0.08)	(0.10)	(0.18)
Net asset value, end of period	\$12.90	\$12.63	\$10.85	\$ 9.98	\$10.45	\$9.25
Total return <sup>e</sup>	3.94%	21.17%	9.72%	(3.70)%	14.04%	34.00%
<b>Ratios to average net assets<sup>f</sup></b>						
Expenses before waiver and payments by affiliates <sup>g</sup>	1.62%	1.64%	1.53%	1.67%	1.82%	2.21%
Expenses net of waiver and payments by affiliates <sup>g</sup>	1.05%	1.08%	1.15%	1.15%	1.15%	1.15%
Net investment income (loss) <sup>c</sup>	(0.08)%	0.47%	0.75%	0.74%	1.36%	0.95%
<b>Supplemental data</b>						
Net assets, end of period (000's)	\$18,913	\$16,873	\$11,124	\$8,300	\$6,669	\$3,980
Portfolio turnover rate	17.09%	49.84%	27.30%	29.19%	23.28%	19.76%

<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 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>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>d</sup>Amount rounds to less than \$0.01 per share.

<sup>e</sup>Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

<sup>f</sup>Ratios are annualized for periods less than one year.

<sup>g</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.68% for the period ended June 30, 2014.

FRANKLIN FUND ALLOCATOR SERIES  
FINANCIAL HIGHLIGHTS

**Franklin LifeSmart 2035 Retirement Target Fund** (continued)

	Six Months Ended June 30, 2014 (unaudited)	2013	2012	Year Ended December 31,		2009
				2011	2010	
<b>Class R</b>						
<b>Per share operating performance</b> (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$12.84	\$11.01	\$10.12	\$10.59	\$ 9.37	\$7.13
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b,c</sup>	0.03	0.11	0.14	0.14	0.21	0.12
Net realized and unrealized gains (losses)	0.50	2.26	0.89	(0.48)	1.15	2.33
Total from investment operations	0.53	2.37	1.03	(0.34)	1.36	2.45
Less distributions from:						
Net investment income and short term gains received from Underlying Funds	(—) <sup>d</sup>	(0.13)	(0.14)	(0.13)	(0.14)	(0.11)
Net realized gains	(0.22)	(0.41)	(—) <sup>d</sup>	—	—	(0.10)
Total distributions	(0.22)	(0.54)	(0.14)	(0.13)	(0.14)	(0.21)
Net asset value, end of period	\$13.15	\$12.84	\$11.01	\$10.12	\$10.59	\$9.37
Total return <sup>e</sup>	4.19%	21.77%	10.24%	(3.21)%	14.55%	34.79%
<b>Ratios to average net assets<sup>f</sup></b>						
Expenses before waiver and payments by affiliates <sup>g</sup>	1.12%	1.14%	1.03%	1.17%	1.32%	1.71%
Expenses net of waiver and payments by affiliates <sup>g</sup>	0.55%	0.58%	0.65%	0.65%	0.65%	0.65%
Net investment income <sup>c</sup>	0.42%	0.97%	1.25%	1.24%	1.86%	1.45%
<b>Supplemental data</b>						
Net assets, end of period (000's)	\$4,600	\$4,093	\$3,035	\$1,724	\$1,038	\$368
Portfolio turnover rate	17.09%	49.84%	27.30%	29.19%	23.28%	19.76%

<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 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>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>d</sup>Amount rounds to less than \$0.01 per share.

<sup>e</sup>Total return is not annualized for periods less than one year.

<sup>f</sup>Ratios are annualized for periods less than one year.

<sup>g</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.68% for the period ended June 30, 2014.

**Franklin LifeSmart 2035 Retirement Target Fund** (continued)

	Six Months Ended June 30, 2014 (unaudited)	Period Ended December 31, 2013 <sup>a</sup>
<b>Class R6</b>		
<b>Per share operating performance</b> (for a share outstanding throughout the period)		
Net asset value, beginning of period	\$12.92	\$11.77
Income from investment operations <sup>b</sup> :		
Net investment income <sup>c,d</sup>	0.06	0.58
Net realized and unrealized gains (losses)	0.51	1.17
Total from investment operations	0.57	1.75
Less distributions from:		
Net investment income and short term gains received from Underlying Funds	(—) <sup>e</sup>	(0.19)
Net realized gains	(0.22)	(0.41)
Total distributions	(0.22)	(0.60)
Net asset value, end of period	\$13.27	\$12.92
Total return <sup>f</sup>	4.47%	15.09%
<b>Ratios to average net assets<sup>g</sup></b>		
Expenses before waiver and payments by affiliates <sup>h</sup>	0.45%	0.49%
Expenses net of waiver and payments by affiliates <sup>h</sup>	0.00%	0.00%
Net investment income <sup>d</sup>	0.97%	1.55%
<b>Supplemental data</b>		
Net assets, end of period (000's)	\$2,753	\$2,532
Portfolio turnover rate	17.09%	49.84%

<sup>a</sup>For the period May 1, 2013 (effective date) to December 31, 2013.

<sup>b</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 shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

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

<sup>d</sup>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>e</sup>Amount rounds to less than \$0.01 per share.

<sup>f</sup>Total return is not annualized for periods less than one year.

<sup>g</sup>Ratios are annualized for periods less than one year.

<sup>h</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.68% for the period ended June 30, 2014.

**Franklin LifeSmart 2035 Retirement Target Fund** (continued)

	Six Months Ended June 30, 2014 (unaudited)	2013	2012	Year Ended December 31,		2009
				2011	2010	
<b>Advisor Class</b>						
<b>Per share operating performance</b> (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$12.93	\$11.07	\$10.17	\$10.63	\$ 9.39	\$7.14
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b,c</sup>	0.06	0.18	0.18	0.17	0.23	0.16
Net realized and unrealized gains (losses)	0.50	2.28	0.91	(0.46)	1.19	2.34
Total from investment operations	0.56	2.46	1.09	(0.29)	1.42	2.50
Less distributions from:						
Net investment income and short term gains received from Underlying Funds	(—) <sup>d</sup>	(0.19)	(0.19)	(0.17)	(0.18)	(0.15)
Net realized gains	(0.22)	(0.41)	(—) <sup>d</sup>	—	—	(0.10)
Total distributions	(0.22)	(0.60)	(0.19)	(0.17)	(0.18)	(0.25)
Net asset value, end of period	\$13.27	\$12.93	\$11.07	\$10.17	\$10.63	\$9.39
Total return <sup>e</sup>	4.39%	22.43%	10.79%	(2.69)%	15.09%	35.42%
<b>Ratios to average net assets<sup>f</sup></b>						
Expenses before waiver and payments by affiliates <sup>g</sup>	0.62%	0.64%	0.53%	0.67%	0.82%	1.21%
Expenses net of waiver and payments by affiliates <sup>g</sup>	0.05%	0.08%	0.15%	0.15%	0.15%	0.15%
Net investment income <sup>c</sup>	0.92%	1.47%	1.75%	1.74%	2.36%	1.95%
<b>Supplemental data</b>						
Net assets, end of period (000's)	\$2,112	\$1,815	\$1,077	\$817	\$840	\$493
Portfolio turnover rate	17.09%	49.84%	27.30%	29.19%	23.28%	19.76%

<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 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>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>d</sup>Amount rounds to less than \$0.01 per share.

<sup>e</sup>Total return is not annualized for periods less than one year.

<sup>f</sup>Ratios are annualized for periods less than one year.

<sup>g</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.68% for the period ended June 30, 2014.

## Statement of Investments, June 30, 2014 (unaudited)

## Franklin LifeSmart 2035 Retirement Target Fund

	Shares/Units	Value
<b>Investments in Underlying Funds and Exchange Traded Funds</b>		
<b>Alternative Strategies 4.0%</b>		
<sup>a</sup> Franklin K2 Alternative Strategies Fund, Class R6 .....	213,783	\$ 2,308,817
<sup>a,b</sup> Franklin Pelagos Commodities Strategy Fund, Class R6 .....	74,114	705,563
		<u>3,014,380</u>
<b>Domestic Equity 54.3%</b>		
<sup>a,b</sup> Franklin Biotechnology Discovery Fund, Class R6 .....	12,838	1,875,640
<sup>a,b</sup> Franklin DynaTech Fund, Class R6 .....	162,507	7,515,962
<sup>a,b</sup> Franklin Flex Cap Growth Fund, Class R6 .....	24,780	1,478,877
<sup>a</sup> Franklin Growth Fund, Class R6 .....	57,424	4,016,832
<sup>a,b</sup> Franklin Growth Opportunities Fund, Class R6 .....	45,554	1,463,651
<sup>a</sup> Franklin MicroCap Value Fund, Class R6 .....	42,264	1,700,278
<sup>a</sup> Franklin Real Estate Securities Fund, Class R6 .....	91,499	1,830,888
<sup>a</sup> Franklin Rising Dividends Fund, Class R6 .....	204,903	10,339,429
<sup>a,b</sup> Franklin Small Cap Growth Fund, Class R6 .....	139,776	2,905,937
<sup>a</sup> Franklin Utilities Fund, Class R6 .....	204,614	3,584,837
iShares Core S&P 500, ETF .....	21,270	4,190,190
		<u>40,902,521</u>
<b>Domestic Fixed Income 9.8%</b>		
<sup>a</sup> Franklin Low Duration Total Return Fund, Class R6 .....	209,447	2,130,072
<sup>a</sup> Franklin Strategic Income Fund, Class R6 .....	118,193	1,263,487
<sup>a</sup> Franklin U.S. Government Securities Fund, Class R6 .....	392,570	2,571,336
iShares Intermediate Credit Bond, ETF .....	12,930	1,424,627
		<u>7,389,522</u>
<b>Foreign Equity 24.9%</b>		
<sup>a</sup> Franklin International Growth Fund, Class R6 .....	32,419	380,922
<sup>a</sup> Franklin International Small Cap Growth Fund, Class R6 .....	288,663	6,722,967
<sup>a</sup> Franklin Mutual European Fund, Class R6 .....	172,573	4,295,347
<sup>a</sup> Templeton China World Fund, Class R6 .....	32,559	1,178,316
<sup>a</sup> Templeton Foreign Fund, Class R6 .....	262,011	2,240,192
<sup>a</sup> Templeton Frontier Markets Fund, Class R6 .....	109,119	2,080,898
WisdomTree Japan Hedged Equity Fund, ETF (Japan) .....	37,515	1,851,742
		<u>18,750,384</u>
<b>Foreign Fixed Income 5.8%</b>		
<sup>a</sup> Franklin Emerging Market Debt Opportunities Fund .....	58,797	727,325
<sup>a</sup> Templeton Global Total Return Fund, Class R6 .....	263,629	3,595,902
		<u>4,323,227</u>
<b>Total Investments in Underlying Funds and Exchange Traded Funds before Short Term Investments (Cost \$59,786,855) 98.8%</b> .....		
		<u>74,380,034</u>

FRANKLIN FUND ALLOCATOR SERIES  
STATEMENT OF INVESTMENTS (UNAUDITED)

**Franklin LifeSmart 2035 Retirement Target Fund** (continued)

	Shares/Units	Value
<b>Short Term Investments (Cost \$760,640) 1.0%</b>		
<b>Money Market Funds 1.0%</b>		
<sup>a,b</sup> Institutional Fiduciary Trust Money Market Portfolio .....	760,640	\$ 760,640
<b>Total Investments in Underlying Funds and Exchange Traded Funds (Cost \$60,547,495) 99.8%</b> .....		75,140,674
<b>Other Assets, less Liabilities 0.2%</b> .....		127,443
<b>Net Assets 100.0%</b> .....		<u>\$75,268,117</u>

See Abbreviations on page 141.

<sup>a</sup>See Note 3(f) regarding investments in Underlying Funds.

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

## Financial Highlights

### Franklin LifeSmart 2040 Retirement Target Fund

	Six Months Ended June 30, 2014 (unaudited)	Period Ended December 31, 2013 <sup>a</sup>
<b>Class A</b>		
<b>Per share operating performance</b> (for a share outstanding throughout the period)		
Net asset value, beginning of period	\$11.19	\$10.00
Income from investment operations <sup>b</sup> :		
Net investment income <sup>c,d</sup>	0.03	0.11
Net realized and unrealized gains (losses)	0.41	1.18
Total from investment operations	0.44	1.29
Less distributions from:		
Net investment income and short term gains received from Underlying Funds	(0.02)	(0.10)
Net realized gains	(0.06)	(—) <sup>e</sup>
Total distributions	(0.08)	(0.10)
Net asset value, end of period	\$11.55	\$11.19
Total return <sup>f</sup>	3.92%	12.91%
<b>Ratios to average net assets<sup>g</sup></b>		
Expenses before waiver and payments by affiliates <sup>h</sup>	22.22%	33.48%
Expenses net of waiver and payments by affiliates <sup>h</sup>	0.35%	0.25%
Net investment income <sup>d</sup>	0.54%	1.98%
<b>Supplemental data</b>		
Net assets, end of period (000's)	\$1,445	\$672
Portfolio turnover rate	25.27%	16.27%

<sup>a</sup>For the period July 1, 2013 (commencement of operations) to December 31, 2013.

<sup>b</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 shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

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

<sup>d</sup>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>e</sup>Amount rounds to less than \$0.01 per share.

<sup>f</sup>Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

<sup>g</sup>Ratios are annualized for periods less than one year.

<sup>h</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.70% for the period ended June 30, 2014.

**Franklin LifeSmart 2040 Retirement Target Fund** (continued)

	Six Months Ended June 30, 2014 (unaudited)	Period Ended December 31, 2013 <sup>a</sup>
<b>Class C</b>		
<b>Per share operating performance</b> (for a share outstanding throughout the period)		
Net asset value, beginning of period	\$11.15	\$10.00
Income from investment operations <sup>b</sup> :		
Net investment income (loss) <sup>c,d</sup>	(—) <sup>e</sup>	0.08
Net realized and unrealized gains (losses)	0.40	1.16
Total from investment operations	0.40	1.24
Less distributions from:		
Net investment income and short term gains received from Underlying Funds	(—) <sup>e</sup>	(0.09)
Net realized gains	(0.06)	(—) <sup>e</sup>
Total distributions	(0.06)	(0.09)
Net asset value, end of period	\$11.49	\$11.15
Total return <sup>f</sup>	3.61%	12.46%
<b>Ratios to average net assets<sup>g</sup></b>		
Expenses before waiver and payments by affiliates <sup>h</sup>	22.92%	34.28%
Expenses net of waiver and payments by affiliates <sup>h</sup>	1.05%	1.05%
Net investment income (loss) <sup>d</sup>	(0.16)%	1.18%
<b>Supplemental data</b>		
Net assets, end of period (000's)	\$495	\$60
Portfolio turnover rate	25.27%	16.27%

<sup>a</sup>For the period July 1, 2013 (commencement of operations) to December 31, 2013.

<sup>b</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 shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

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

<sup>d</sup>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>e</sup>Amount rounds to less than \$0.01 per share.

<sup>f</sup>Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

<sup>g</sup>Ratios are annualized for periods less than one year.

<sup>h</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.70% for the period ended June 30, 2014.



**Franklin LifeSmart 2040 Retirement Target Fund** (continued)

	Six Months Ended June 30, 2014 (unaudited)	Period Ended December 31, 2013 <sup>a</sup>
<b>Class R</b>		
<b>Per share operating performance</b> (for a share outstanding throughout the period)		
Net asset value, beginning of period	\$11.19	\$10.00
Income from investment operations <sup>b</sup> :		
Net investment income <sup>c,d</sup>	0.02	0.07
Net realized and unrealized gains (losses)	0.40	1.21
Total from investment operations	0.42	1.28
Less distributions from:		
Net investment income and short term gains received from Underlying Funds	(0.01)	(0.09)
Net realized gains	(0.06)	(—) <sup>e</sup>
Total distributions	(0.07)	(0.09)
Net asset value, end of period	\$11.54	\$11.19
Total return <sup>f</sup>	3.76%	12.81%
<b>Ratios to average net assets<sup>g</sup></b>		
Expenses before waiver and payments by affiliates <sup>h</sup>	22.42%	33.78%
Expenses net of waiver and payments by affiliates <sup>h</sup>	0.55%	0.55%
Net investment income <sup>d</sup>	0.34%	1.68%
<b>Supplemental data</b>		
Net assets, end of period (000's)	\$22	\$11
Portfolio turnover rate	25.27%	16.27%

<sup>a</sup>For the period July 1, 2013 (commencement of operations) to December 31, 2013.

<sup>b</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 shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

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

<sup>d</sup>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>e</sup>Amount rounds to less than \$0.01 per share.

<sup>f</sup>Total return is not annualized for periods less than one year.

<sup>g</sup>Ratios are annualized for periods less than one year.

<sup>h</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.70% for the period ended June 30, 2014.

**Franklin LifeSmart 2040 Retirement Target Fund** (continued)

	Six Months Ended June 30, 2014 (unaudited)	Period Ended December 31, 2013 <sup>a</sup>
<b>Class R6</b>		
<b>Per share operating performance</b> (for a share outstanding throughout the period)		
Net asset value, beginning of period	\$11.20	\$10.00
Income from investment operations <sup>b</sup> :		
Net investment income <sup>c,d</sup>	0.04	0.10
Net realized and unrealized gains (losses)	0.43	1.20
Total from investment operations	0.47	1.30
Less distributions from:		
Net investment income and short term gains received from Underlying Funds	(0.04)	(0.10)
Net realized gains	(0.06)	(—) <sup>e</sup>
Total distributions	(0.10)	(0.10)
Net asset value, end of period	\$11.57	\$11.20
Total return <sup>f</sup>	4.16%	13.07%
<b>Ratios to average net assets<sup>g</sup></b>		
Expenses before waiver and payments by affiliates <sup>h</sup>	23.70%	33.68%
Expenses net of waiver and payments by affiliates <sup>h</sup>	0.00%	0.00%
Net investment income <sup>d</sup>	0.89%	2.23%
<b>Supplemental data</b>		
Net assets, end of period (000's)	\$12	\$11
Portfolio turnover rate	25.27%	16.27%

<sup>a</sup>For the period July 1, 2013 (commencement of operations) to December 31, 2013.

<sup>b</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 shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

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

<sup>d</sup>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>e</sup>Amount rounds to less than \$0.01 per share.

<sup>f</sup>Total return is not annualized for periods less than one year.

<sup>g</sup>Ratios are annualized for periods less than one year.

<sup>h</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.70% for the period ended June 30, 2014.

**Franklin LifeSmart 2040 Retirement Target Fund** (continued)

	Six Months Ended June 30, 2014 (unaudited)	Period Ended December 31, 2013 <sup>a</sup>
<b>Advisor Class</b>		
<b>Per share operating performance</b> (for a share outstanding throughout the period)		
Net asset value, beginning of period	\$11.20	\$10.00
Income from investment operations <sup>b</sup> :		
Net investment income <sup>c,d</sup>	0.04	0.10
Net realized and unrealized gains (losses)	0.42	1.20
Total from investment operations	0.46	1.30
Less distributions from:		
Net investment income and short term gains received from Underlying Funds	(0.03)	(0.10)
Net realized gains	(0.06)	(—) <sup>e</sup>
Total distributions	(0.09)	(0.10)
Net asset value, end of period	\$11.57	\$11.20
Total return <sup>f</sup>	4.05%	13.04%
<b>Ratios to average net assets<sup>g</sup></b>		
Expenses before waiver and payments by affiliates <sup>h</sup>	21.92%	33.28%
Expenses net of waiver and payments by affiliates <sup>h</sup>	0.05%	0.05%
Net investment income <sup>d</sup>	0.84%	2.18%
<b>Supplemental data</b>		
Net assets, end of period (000's)	\$22	\$23
Portfolio turnover rate	25.27%	16.27%

<sup>a</sup>For the period July 1, 2013 (commencement of operations) to December 31, 2013.

<sup>b</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 shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

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

<sup>d</sup>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>e</sup>Amount rounds to less than \$0.01 per share.

<sup>f</sup>Total return is not annualized for periods less than one year.

<sup>g</sup>Ratios are annualized for periods less than one year.

<sup>h</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.70% for the period ended June 30, 2014.

## Statement of Investments, June 30, 2014 (unaudited)

## Franklin LifeSmart 2040 Retirement Target Fund

	Shares/Units	Value
<b>Investments in Underlying Funds and Exchange Traded Funds</b>		
<b>Alternative Strategies 3.0%</b>		
<sup>a</sup> Franklin K2 Alternative Strategies Fund, Class R6 .....	3,614	\$ 39,030
<sup>a,b</sup> Franklin Pelagos Commodities Strategy Fund, Class R6 .....	2,116	20,148
		<u>59,178</u>
<b>Domestic Equity 54.5%</b>		
<sup>a,b</sup> Franklin Biotechnology Discovery Fund, Class R6 .....	292	42,637
<sup>a,b</sup> Franklin DynaTech Fund, Class R6 .....	4,766	220,425
<sup>a,b</sup> Franklin Flex Cap Growth Fund, Class R6 .....	681	40,661
<sup>a</sup> Franklin Growth Fund, Class R6 .....	1,980	138,477
<sup>a,b</sup> Franklin Growth Opportunities Fund, Class R6 .....	1,280	41,135
<sup>a</sup> Franklin MicroCap Value Fund, Class R6 .....	1,055	42,433
<sup>a</sup> Franklin Real Estate Securities Fund, Class R6 .....	2,336	46,739
<sup>a</sup> Franklin Rising Dividends Fund, Class R6 .....	5,200	262,377
<sup>a,b</sup> Franklin Small Cap Growth Fund, Class R6 .....	3,714	77,215
<sup>a</sup> Franklin Utilities Fund, Class R6 .....	5,439	95,293
iShares Core S&P 500, ETF .....	409	80,573
		<u>1,087,965</u>
<b>Domestic Fixed Income 8.3%</b>		
<sup>a</sup> Franklin Low Duration Total Return Fund, Class R6 .....	4,328	44,020
<sup>a</sup> Franklin Strategic Income Fund, Class R6 .....	2,636	28,179
<sup>a</sup> Franklin U.S. Government Securities Fund, Class R6 .....	10,348	67,781
iShares Intermediate Credit Bond, ETF .....	228	25,121
		<u>165,101</u>
<b>Foreign Equity 25.4%</b>		
<sup>a</sup> Franklin International Growth Fund, Class R6 .....	994	11,676
<sup>a</sup> Franklin International Small Cap Growth Fund, Class R6 .....	8,038	187,196
<sup>a</sup> Franklin Mutual European Fund, Class R6 .....	4,707	117,164
<sup>a</sup> Templeton China World Fund, Class R6 .....	906	32,783
<sup>a</sup> Templeton Foreign Fund, Class R6 .....	7,194	61,508
<sup>a</sup> Templeton Frontier Markets Fund, Class R6 .....	3,132	59,729
WisdomTree Japan Hedged Equity Fund, ETF (Japan) .....	753	37,168
		<u>507,224</u>
<b>Foreign Fixed Income 4.6%</b>		
<sup>a</sup> Franklin Emerging Market Debt Opportunities Fund .....	1,237	15,298
<sup>a</sup> Templeton Global Total Return Fund, Class R6 .....	5,645	77,005
		<u>92,303</u>
<b>Total Investments in Underlying Funds and Exchange Traded Funds</b>		
<b>(Cost \$1,810,751) 95.8%</b> .....		1,911,771
<b>Other Assets, less Liabilities 4.2%</b> .....		84,624
<b>Net Assets 100.0%</b> .....		<u>\$1,996,395</u>

See Abbreviations on page 141.

<sup>a</sup>See Note 3(f) regarding investments in Underlying Funds.<sup>b</sup>Non-income producing.

## Financial Highlights

### Franklin LifeSmart 2045 Retirement Target Fund

	Six Months Ended June 30, 2014 (unaudited)	2013	2012	2011	Year Ended December 31, 2010	2009
<b>Class A</b>						
<b>Per share operating performance</b> (for a share outstanding throughout the period)						
Net asset value, beginning of period . . . . .	\$12.88	\$10.92	\$10.01	\$10.44	\$ 9.13	\$6.89
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b,c</sup> . . . . .	0.04	0.13	0.15	0.15	0.16	0.12
Net realized and unrealized gains (losses) . . . . .	0.49	2.36	0.91	(0.44)	1.29	2.36
Total from investment operations . . . . .	0.53	2.49	1.06	(0.29)	1.45	2.48
Less distributions from:						
Net investment income and short term gains received from Underlying Funds . . . . .	(—) <sup>d</sup>	(0.15)	(0.15)	(0.14)	(0.14)	(0.10)
Net realized gains . . . . .	(0.21)	(0.38)	—	—	—	(0.14)
Total distributions . . . . .	(0.21)	(0.53)	(0.15)	(0.14)	(0.14)	(0.24)
Net asset value, end of period . . . . .	\$13.20	\$12.88	\$10.92	\$10.01	\$10.44	\$9.13
Total return <sup>e</sup> . . . . .	4.18%	23.07%	10.61%	(2.81)%	15.92%	36.53%
<b>Ratios to average net assets<sup>f</sup></b>						
Expenses before waiver and payments by affiliates <sup>g</sup> . . . . .	1.11%	1.16%	1.05%	1.30%	1.56%	2.03%
Expenses net of waiver and payments by affiliates <sup>g</sup> . . . . .	0.35%	0.38%	0.45%	0.45%	0.45%	0.45%
Net investment income <sup>c</sup> . . . . .	0.55%	1.08%	1.41%	1.43%	1.80%	1.53%
<b>Supplemental data</b>						
Net assets, end of period (000's) . . . . .	\$31,051	\$27,991	\$20,765	\$14,762	\$10,090	\$6,943
Portfolio turnover rate . . . . .	22.74%	44.44%	32.47%	34.66%	25.05%	14.30%

<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 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>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>d</sup>Amount rounds to less than \$0.01 per share.

<sup>e</sup>Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

<sup>f</sup>Ratios are annualized for periods less than one year.

<sup>g</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.68% for the period ended June 30, 2014.

FRANKLIN FUND ALLOCATOR SERIES  
FINANCIAL HIGHLIGHTS

**Franklin LifeSmart 2045 Retirement Target Fund** (continued)

	Six Months Ended June 30, 2014 (unaudited)	2013	2012	Year Ended December 31,		2009
				2011	2010	
<b>Class C</b>						
<b>Per share operating performance</b> (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$12.63	\$10.73	\$ 9.84	\$10.28	\$ 9.01	\$6.81
Income from investment operations <sup>a</sup> :						
Net investment income (loss) <sup>b,c</sup>	(0.01)	0.04	0.07	0.07	0.11	0.07
Net realized and unrealized gains (losses)	0.48	2.31	0.90	(0.43)	1.25	2.33
Total from investment operations	0.47	2.35	0.97	(0.36)	1.36	2.40
Less distributions from:						
Net investment income and short term gains received from Underlying Funds	(—) <sup>d</sup>	(0.07)	(0.08)	(0.08)	(0.09)	(0.06)
Net realized gains	(0.21)	(0.38)	—	—	—	(0.14)
Total distributions	(0.21)	(0.45)	(0.08)	(0.08)	(0.09)	(0.20)
Net asset value, end of period	\$12.89	\$12.63	\$10.73	\$ 9.84	\$10.28	\$9.01
Total return <sup>e</sup>	3.79%	22.20%	9.85%	(3.54)%	15.13%	35.77%
<b>Ratios to average net assets<sup>f</sup></b>						
Expenses before waiver and payments by affiliates <sup>g</sup>	1.81%	1.86%	1.74%	2.00%	2.26%	2.73%
Expenses net of waiver and payments by affiliates <sup>g</sup>	1.05%	1.08%	1.14%	1.15%	1.15%	1.15%
Net investment income (loss) <sup>c</sup>	(0.15)%	0.38%	0.72%	0.73%	1.10%	0.83%
<b>Supplemental data</b>						
Net assets, end of period (000's)	\$11,101	\$9,484	\$6,680	\$5,869	\$4,157	\$2,264
Portfolio turnover rate	22.74%	44.44%	32.47%	34.66%	25.05%	14.30%

<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 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>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>d</sup>Amount rounds to less than \$0.01 per share.

<sup>e</sup>Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

<sup>f</sup>Ratios are annualized for periods less than one year.

<sup>g</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.68% for the period ended June 30, 2014.

**Franklin LifeSmart 2045 Retirement Target Fund** (continued)

	<b>Six Months Ended June 30, 2014 (unaudited)</b>	<b>2013</b>	<b>Year Ended December 31,</b>			
			<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Class R</b>						
<b>Per share operating performance</b> (for a share outstanding throughout the period)						
Net asset value, beginning of period . . . . .	\$12.82	\$10.88	\$ 9.99	\$10.42	\$ 9.12	\$6.88
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b,c</sup> . . . . .	0.02	0.10	0.16	0.12	0.16	0.12
Net realized and unrealized gains (losses) . . . . .	0.50	2.35	0.87	(0.43)	1.27	2.35
Total from investment operations . . . . .	0.52	2.45	1.03	(0.31)	1.43	2.47
Less distributions from:						
Net investment income and short term gains received from Underlying Funds . . . . .	(—) <sup>d</sup>	(0.13)	(0.14)	(0.12)	(0.13)	(0.09)
Net realized gains . . . . .	(0.21)	(0.38)	—	—	—	(0.14)
Total distributions . . . . .	(0.21)	(0.51)	(0.14)	(0.12)	(0.13)	(0.23)
Net asset value, end of period . . . . .	\$13.13	\$12.82	\$10.88	\$ 9.99	\$10.42	\$9.12
Total return <sup>e</sup> . . . . .	4.13%	22.76%	10.35%	(3.01)%	15.66%	36.45%
<b>Ratios to average net assets<sup>f</sup></b>						
Expenses before waiver and payments by affiliates <sup>g</sup> . . . . .	1.31%	1.36%	1.25%	1.50%	1.76%	2.23%
Expenses net of waiver and payments by affiliates <sup>g</sup> . . . . .	0.55%	0.58%	0.65%	0.65%	0.65%	0.65%
Net investment income <sup>c</sup> . . . . .	0.35%	0.88%	1.21%	1.23%	1.60%	1.33%
<b>Supplemental data</b>						
Net assets, end of period (000's) . . . . .	\$4,995	\$4,564	\$3,336	\$860	\$663	\$394
Portfolio turnover rate . . . . .	22.74%	44.44%	32.47%	34.66%	25.05%	14.30%

<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 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>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>d</sup>Amount rounds to less than \$0.01 per share.

<sup>e</sup>Total return is not annualized for periods less than one year.

<sup>f</sup>Ratios are annualized for periods less than one year.

<sup>g</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.68% for the period ended June 30, 2014.

FRANKLIN FUND ALLOCATOR SERIES  
FINANCIAL HIGHLIGHTS

**Franklin LifeSmart 2045 Retirement Target Fund** (continued)

	Six Months Ended June 30, 2014 (unaudited)	Period Ended December 31, 2013 <sup>a</sup>
<b>Class R6</b>		
<b>Per share operating performance</b> (for a share outstanding throughout the period)		
Net asset value, beginning of period	\$12.95	\$11.67
Income from investment operations <sup>b</sup> :		
Net investment income <sup>c,d</sup>	0.06	0.60
Net realized and unrealized gains (losses)	0.50	1.24
Total from investment operations	0.56	1.84
Less distributions from:		
Net investment income and short term gains received from Underlying Funds	(—) <sup>e</sup>	(0.18)
Net realized gains	(0.21)	(0.38)
Total distributions	(0.21)	(0.56)
Net asset value, end of period	\$13.30	\$12.95
Total return <sup>f</sup>	4.39%	16.08%
<b>Ratios to average net assets<sup>g</sup></b>		
Expenses before waiver and payments by affiliates <sup>h</sup>	0.53%	0.60%
Expenses net of waiver and payments by affiliates <sup>h</sup>	0.00%	0.00%
Net investment income <sup>d</sup>	0.90%	1.46%
<b>Supplemental data</b>		
Net assets, end of period (000's)	\$1,801	\$1,718
Portfolio turnover rate	22.74%	44.44%

<sup>a</sup>For the period May 1, 2013 (effective date) to December 31, 2013.

<sup>b</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 shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

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

<sup>d</sup>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>e</sup>Amount rounds to less than \$0.01 per share.

<sup>f</sup>Total return is not annualized for periods less than one year.

<sup>g</sup>Ratios are annualized for periods less than one year.

<sup>h</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.68% for the period ended June 30, 2014.



**Franklin LifeSmart 2045 Retirement Target Fund** (continued)

	<b>Six Months Ended June 30, 2014 (unaudited)</b>	<b>2013</b>	<b>Year Ended December 31,</b>			
			<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Advisor Class</b>						
<b>Per share operating performance</b> (for a share outstanding throughout the period)						
Net asset value, beginning of period . . . . .	\$12.94	\$10.96	\$10.05	\$10.48	\$ 9.16	\$6.89
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b,c</sup> . . . . .	0.06	0.17	0.16	0.17	0.25	0.14
Net realized and unrealized gains (losses) . . . . .	0.50	2.37	0.93	(0.44)	1.24	2.39
Total from investment operations . . . . .	0.56	2.54	1.09	(0.27)	1.49	2.53
Less distributions from:						
Net investment income and short term gains received from Underlying Funds . . . . .	(—) <sup>d</sup>	(0.18)	(0.18)	(0.16)	(0.17)	(0.12)
Net realized gains . . . . .	(0.21)	(0.38)	—	—	—	(0.14)
Total distributions . . . . .	(0.21)	(0.56)	(0.18)	(0.16)	(0.17)	(0.26)
Net asset value, end of period . . . . .	\$13.29	\$12.94	\$10.96	\$10.05	\$10.48	\$9.16
Total return <sup>e</sup> . . . . .	4.40%	23.48%	10.86%	(2.55)%	16.26%	37.27%
<b>Ratios to average net assets<sup>f</sup></b>						
Expenses before waiver and payments by affiliates <sup>g</sup> . . . . .	0.81%	0.86%	0.75%	1.00%	1.26%	1.73%
Expenses net of waiver and payments by affiliates <sup>g</sup> . . . . .	0.05%	0.08%	0.15%	0.15%	0.15%	0.15%
Net investment income <sup>c</sup> . . . . .	0.85%	1.38%	1.71%	1.73%	2.10%	1.83%
<b>Supplemental data</b>						
Net assets, end of period (000's) . . . . .	\$1,591	\$1,188	\$709	\$642	\$499	\$205
Portfolio turnover rate . . . . .	22.74%	44.44%	32.47%	34.66%	25.05%	14.30%

<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 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>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>d</sup>Amount rounds to less than \$0.01 per share.

<sup>e</sup>Total return is not annualized for periods less than one year.

<sup>f</sup>Ratios are annualized for periods less than one year.

<sup>g</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.68% for the period ended June 30, 2014.

## Statement of Investments, June 30, 2014 (unaudited)

## Franklin LifeSmart 2045 Retirement Target Fund

	Shares/Units	Value
<b>Investments in Underlying Funds and Exchange Traded Funds</b>		
<b>Alternative Strategies 4.0%</b>		
<sup>a</sup> Franklin K2 Alternative Strategies Fund, Class R6	141,730	\$ 1,530,656
<sup>a,b</sup> Franklin Pelagos Commodities Strategy Fund, Class R6	50,175	477,669
		<u>2,008,325</u>
<b>Domestic Equity 56.1%</b>		
<sup>a,b</sup> Franklin Biotechnology Discovery Fund, Class R6	8,371	1,223,028
<sup>a,b</sup> Franklin DynaTech Fund, Class R6	119,408	5,522,631
<sup>a,b</sup> Franklin Flex Cap Growth Fund, Class R6	14,150	844,446
<sup>a</sup> Franklin Growth Fund, Class R6	41,976	2,936,244
<sup>a,b</sup> Franklin Growth Opportunities Fund, Class R6	25,399	816,076
<sup>a</sup> Franklin MicroCap Value Fund, Class R6	25,358	1,020,134
<sup>a</sup> Franklin Real Estate Securities Fund, Class R6	54,661	1,093,775
<sup>a</sup> Franklin Rising Dividends Fund, Class R6	147,861	7,461,042
<sup>a,b</sup> Franklin Small Cap Growth Fund, Class R6	96,033	1,996,521
<sup>a</sup> Franklin Utilities Fund, Class R6	144,135	2,525,243
iShares Core S&P 500, ETF	14,775	2,910,675
		<u>28,349,815</u>
<b>Domestic Fixed Income 8.1%</b>		
<sup>a</sup> Franklin Low Duration Total Return Fund, Class R6	122,174	1,242,510
<sup>a</sup> Franklin Strategic Income Fund, Class R6	63,293	676,606
<sup>a</sup> Franklin U.S. Government Securities Fund, Class R6	211,155	1,383,066
iShares Intermediate Credit Bond, ETF	7,395	814,781
		<u>4,116,963</u>
<b>Foreign Equity 26.6%</b>		
<sup>a</sup> Franklin International Growth Fund, Class R6	22,778	267,645
<sup>a</sup> Franklin International Small Cap Growth Fund, Class R6	204,662	4,766,566
<sup>a</sup> Franklin Mutual European Fund, Class R6	118,196	2,941,909
<sup>a</sup> Templeton China World Fund, Class R6	24,210	876,167
<sup>a</sup> Templeton Foreign Fund, Class R6	221,138	1,890,726
<sup>a</sup> Templeton Frontier Markets Fund, Class R6	74,200	1,414,999
WisdomTree Japan Hedged Equity Fund, ETF (Japan)	26,295	1,297,921
		<u>13,455,933</u>
<b>Foreign Fixed Income 4.7%</b>		
<sup>a</sup> Franklin Emerging Market Debt Opportunities Fund	31,158	385,420
<sup>a</sup> Templeton Global Total Return Fund, Class R6	144,727	1,974,073
		<u>2,359,493</u>
<b>Total Investments in Underlying Funds and Exchange Traded Funds before Short Term Investments (Cost \$40,257,314) 99.5%</b>		
		<u>50,290,529</u>

**Franklin LifeSmart 2045 Retirement Target Fund** (continued)

	<b>Shares/Units</b>	<b>Value</b>
<b>Short Term Investments (Cost \$238,880) 0.5%</b>		
<b>Money Market Funds 0.5%</b>		
<sup>a,b</sup> Institutional Fiduciary Trust Money Market Portfolio .....	238,880	\$ 238,880
<b>Total Investments in Underlying Funds and Exchange Traded Funds (Cost \$40,496,194) 100.0%</b> .....		50,529,409
<b>Other Assets, less Liabilities 0.0%<sup>†</sup></b> .....		10,273
<b>Net Assets 100.0%</b> .....		<u>\$50,539,682</u>

See Abbreviations on page 141.

<sup>†</sup>Rounds to less than 0.1% of net assets.

<sup>a</sup>See Note 3(f) regarding investments in Underlying Funds.

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

## Financial Highlights

### Franklin LifeSmart 2050 Retirement Target Fund

Six Months Ended  
June 30, 2014  
(unaudited)

Period Ended  
December 31,  
2013<sup>a</sup>

#### Class A

##### Per share operating performance

(for a share outstanding throughout the period)

Net asset value, beginning of period	\$11.21	\$10.00
Income from investment operations <sup>b</sup> :		
Net investment income <sup>c,d</sup>	0.03	0.10
Net realized and unrealized gains (losses)	0.42	1.21
Total from investment operations	0.45	1.31
Less distributions from:		
Net investment income and short term gains received from Underlying Funds	(0.02)	(0.10)
Net realized gains	(0.04)	—
Total distributions	(0.06)	(0.10)
Net asset value, end of period	\$11.60	\$11.21
 Total return <sup>e</sup>	 4.01%	 13.14%

##### Ratios to average net assets<sup>f</sup>

Expenses before waiver and payments by affiliates <sup>g</sup>	19.84%	34.22%
Expenses net of waiver and payments by affiliates <sup>g</sup>	0.35%	0.23%
Net investment income <sup>d</sup>	0.57%	1.88%

##### Supplemental data

Net assets, end of period (000's)	\$1,348	\$512
Portfolio turnover rate	24.49%	20.66%

<sup>a</sup>For the period July 1, 2013 (commencement of operations) to December 31, 2013.

<sup>b</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 shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

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

<sup>d</sup>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>e</sup>Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

<sup>f</sup>Ratios are annualized for periods less than one year.

<sup>g</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.69% for the period ended June 30, 2014.

**Franklin LifeSmart 2050 Retirement Target Fund** (continued)

	<b>Six Months Ended June 30, 2014 (unaudited)</b>	<b>Period Ended December 31, 2013<sup>a</sup></b>
<b>Class C</b>		
<b>Per share operating performance</b> (for a share outstanding throughout the period)		
Net asset value, beginning of period	\$11.18	\$10.00
Income from investment operations <sup>b</sup> :		
Net investment income (loss) <sup>c,d</sup>	(—) <sup>e</sup>	0.09
Net realized and unrealized gains (losses)	0.42	1.18
Total from investment operations	0.42	1.27
Less distributions from:		
Net investment income and short term gains received from Underlying Funds	(—) <sup>e</sup>	(0.09)
Net realized gains	(0.04)	—
Total distributions	(0.04)	(0.09)
Net asset value, end of period	\$11.56	\$11.18
Total return <sup>f</sup>	3.74%	12.82%
<b>Ratios to average net assets<sup>g</sup></b>		
Expenses before waiver and payments by affiliates <sup>h</sup>	20.54%	35.04%
Expenses net of waiver and payments by affiliates <sup>h</sup>	1.05%	1.05%
Net investment income (loss) <sup>d</sup>	(0.13)%	1.06%
<b>Supplemental data</b>		
Net assets, end of period (000's)	\$636	\$82
Portfolio turnover rate	24.49%	20.66%

<sup>a</sup>For the period July 1, 2013 (commencement of operations) to December 31, 2013.

<sup>b</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 shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

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

<sup>d</sup>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>e</sup>Amount rounds to less than \$0.01 per share.

<sup>f</sup>Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

<sup>g</sup>Ratios are annualized for periods less than one year.

<sup>h</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.69% for the period ended June 30, 2014.

**Franklin LifeSmart 2050 Retirement Target Fund** (continued)

	Six Months Ended June 30, 2014 (unaudited)	Period Ended December 31, 2013 <sup>a</sup>
<b>Class R</b>		
<b>Per share operating performance</b> (for a share outstanding throughout the period)		
Net asset value, beginning of period	\$11.21	\$10.00
Income from investment operations <sup>b</sup> :		
Net investment income <sup>c,d</sup>	0.02	0.06
Net realized and unrealized gains (losses)	0.42	1.24
Total from investment operations	0.44	1.30
Less distributions from:		
Net investment income and short term gains received from Underlying Funds	(—) <sup>e</sup>	(0.09)
Net realized gains	(0.04)	—
Total distributions	(0.04)	(0.09)
Net asset value, end of period	\$11.61	\$11.21
Total return <sup>f</sup>	4.00%	13.02%
<b>Ratios to average net assets<sup>g</sup></b>		
Expenses before waiver and payments by affiliates <sup>h</sup>	20.04%	34.54%
Expenses net of waiver and payments by affiliates <sup>h</sup>	0.55%	0.55%
Net investment income <sup>d</sup>	0.37%	1.56%
<b>Supplemental data</b>		
Net assets, end of period (000's)	\$15	\$11
Portfolio turnover rate	24.49%	20.66%

<sup>a</sup>For the period July 1, 2013 (commencement of operations) to December 31, 2013.

<sup>b</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 shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

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

<sup>d</sup>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>e</sup>Amount rounds to less than \$0.01 per share.

<sup>f</sup>Total return is not annualized for periods less than one year.

<sup>g</sup>Ratios are annualized for periods less than one year.

<sup>h</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.69% for the period ended June 30, 2014.

**Franklin LifeSmart 2050 Retirement Target Fund** (continued)

	Six Months Ended June 30, 2014 (unaudited)	Period Ended December 31, 2013 <sup>a</sup>
<b>Class R6</b>		
<b>Per share operating performance</b> (for a share outstanding throughout the period)		
Net asset value, beginning of period	\$11.23	\$10.00
Income from investment operations <sup>b</sup> :		
Net investment income <sup>c,d</sup>	0.05	0.09
Net realized and unrealized gains (losses)	0.42	1.25
Total from investment operations	0.47	1.34
Less distributions from:		
Net investment income and short term gains received from Underlying Funds	(0.03)	(0.11)
Net realized gains	(0.04)	—
Total distributions	(0.07)	(0.11)
Net asset value, end of period	\$11.63	\$11.23
Total return <sup>e</sup>	4.23%	13.39%
<b>Ratios to average net assets<sup>f</sup></b>		
Expenses before waiver and payments by affiliates <sup>g</sup>	21.23%	34.36%
Expenses net of waiver and payments by affiliates <sup>g</sup>	0.00%	0.00%
Net investment income <sup>d</sup>	0.92%	2.11%
<b>Supplemental data</b>		
Net assets, end of period (000's)	\$12	\$11
Portfolio turnover rate	24.49%	20.66%

<sup>a</sup>For the period July 1, 2013 (commencement of operations) to December 31, 2013.

<sup>b</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 shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

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

<sup>d</sup>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>e</sup>Total return is not annualized for periods less than one year.

<sup>f</sup>Ratios are annualized for periods less than one year.

<sup>g</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.69% for the period ended June 30, 2014.

**Franklin LifeSmart 2050 Retirement Target Fund** (continued)

	Six Months Ended June 30, 2014 (unaudited)	Period Ended December 31, 2013 <sup>a</sup>
<b>Advisor Class</b>		
<b>Per share operating performance</b> (for a share outstanding throughout the period)		
Net asset value, beginning of period	\$11.22	\$10.00
Income from investment operations <sup>b</sup> :		
Net investment income <sup>c,d</sup>	0.05	0.10
Net realized and unrealized gains (losses)	0.43	1.23
Total from investment operations	0.48	1.33
Less distributions from:		
Net investment income and short term gains received from Underlying Funds	(0.03)	(0.11)
Net realized gains	(0.04)	—
Total distributions	(0.07)	(0.11)
Net asset value, end of period	\$11.63	\$11.22
Total return <sup>e</sup>	4.31%	13.26%
<b>Ratios to average net assets<sup>f</sup></b>		
Expenses before waiver and payments by affiliates <sup>g</sup>	19.54%	34.04%
Expenses net of waiver and payments by affiliates <sup>g</sup>	0.05%	0.05%
Net investment income <sup>d</sup>	0.87%	2.06%
<b>Supplemental data</b>		
Net assets, end of period (000's)	\$311	\$75
Portfolio turnover rate	24.49%	20.66%

<sup>a</sup>For the period July 1, 2013 (commencement of operations) to December 31, 2013.

<sup>b</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 shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

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

<sup>d</sup>Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

<sup>e</sup>Total return is not annualized for periods less than one year.

<sup>f</sup>Ratios are annualized for periods less than one year.

<sup>g</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.69% for the period ended June 30, 2014.



Statement of Investments, June 30, 2014 (unaudited)  
**Franklin LifeSmart 2050 Retirement Target Fund**

	Shares/Units	Value
<b>Investments in Underlying Funds and Exchange Traded Funds</b>		
<b>Alternative Strategies 2.9%</b>		
<sup>a</sup> Franklin K2 Alternative Strategies Fund, Class R6 .....	4,186	\$ 45,209
<sup>a,b</sup> Franklin Pelagos Commodities Strategy Fund, Class R6 .....	2,357	22,435
		<u>67,644</u>
<b>Domestic Equity 55.0%</b>		
<sup>a,b</sup> Franklin Biotechnology Discovery Fund, Class R6 .....	321	46,887
<sup>a,b</sup> Franklin DynaTech Fund, Class R6 .....	5,768	266,771
<sup>a,b</sup> Franklin Flex Cap Growth Fund, Class R6 .....	671	40,025
<sup>a</sup> Franklin Growth Fund, Class R6 .....	2,552	178,522
<sup>a,b</sup> Franklin Growth Opportunities Fund, Class R6 .....	1,251	40,203
<sup>a</sup> Franklin MicroCap Value Fund, Class R6 .....	1,046	42,096
<sup>a</sup> Franklin Real Estate Securities Fund, Class R6 .....	2,483	49,675
<sup>a</sup> Franklin Rising Dividends Fund, Class R6 .....	6,463	326,147
<sup>a,b</sup> Franklin Small Cap Growth Fund, Class R6 .....	3,483	72,407
<sup>a</sup> Franklin Utilities Fund, Class R6 .....	6,633	116,209
iShares Core S&P 500, ETF .....	497	97,909
		<u>1,276,851</u>
<b>Domestic Fixed Income 7.4%</b>		
<sup>a</sup> Franklin Low Duration Total Return Fund, Class R6 .....	5,319	54,090
<sup>a</sup> Franklin Strategic Income Fund, Class R6 .....	3,052	32,622
<sup>a</sup> Franklin U.S. Government Securities Fund, Class R6 .....	8,928	58,481
iShares Intermediate Credit Bond, ETF .....	243	26,773
		<u>171,966</u>
<b>Foreign Equity 26.5%</b>		
<sup>a</sup> Franklin International Growth Fund, Class R6 .....	1,250	14,691
<sup>a</sup> Franklin International Small Cap Growth Fund, Class R6 .....	9,659	224,954
<sup>a</sup> Franklin Mutual European Fund, Class R6 .....	5,724	142,469
<sup>a</sup> Templeton China World Fund, Class R6 .....	804	29,091
<sup>a</sup> Templeton Foreign Fund, Class R6 .....	10,850	92,764
<sup>a</sup> Templeton Frontier Markets Fund, Class R6 .....	3,468	66,133
WisdomTree Japan Hedged Equity Fund, ETF (Japan) .....	931	45,954
		<u>616,056</u>
<b>Foreign Fixed Income 4.1%</b>		
<sup>a</sup> Franklin Emerging Market Debt Opportunities Fund .....	1,339	16,567
<sup>a</sup> Templeton Global Total Return Fund, Class R6 .....	5,708	77,856
		<u>94,423</u>
<b>Total Investments in Underlying Funds and Exchange Traded Funds</b>		
<b>(Cost \$2,108,031) 95.9%</b> .....		2,226,940
<b>Other Assets, less Liabilities 4.1%</b> .....		<u>94,824</u>
<b>Net Assets 100.0%</b> .....		<u>\$2,321,764</u>

See Abbreviations on page 141.

<sup>a</sup>See Note 3(f) regarding investments in Underlying Funds.

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

## Financial Statements

### Statements of Assets and Liabilities

June 30, 2014 (unaudited)

	Franklin LifeSmart 2015 Retirement Target Fund	Franklin LifeSmart 2020 Retirement Target Fund	Franklin LifeSmart 2025 Retirement Target Fund	Franklin LifeSmart 2030 Retirement Target Fund
<b>Assets:</b>				
Cost - Underlying Funds (Note 3f) . . . . .	\$59,412,221	\$5,300,662	\$ 77,263,428	\$3,533,966
Cost - Exchange traded funds . . . . .	7,223,636	570,817	9,347,359	340,898
Total cost of investments . . . . .	\$66,635,857	\$5,871,479	\$ 86,610,787	\$3,874,864
Value - Underlying Funds (Note 3f) . . . . .	\$67,209,249	\$5,586,692	\$ 94,835,591	\$3,715,052
Value - Exchange traded funds . . . . .	7,582,410	594,206	10,372,575	357,303
Total value of investments . . . . .	74,791,659	6,180,898	105,208,166	4,072,355
Cash . . . . .	—	156,060	—	130,547
<b>Receivables:</b>				
Capital shares sold . . . . .	348,929	64,904	183,000	46,367
Affiliates . . . . .	32,335	17,957	35,644	16,369
Other assets . . . . .	34	—	44	—
Total assets . . . . .	75,172,957	6,419,819	105,426,854	4,265,638
<b>Liabilities:</b>				
<b>Payables:</b>				
Capital shares redeemed . . . . .	128,258	504	99,863	9,391
Distribution fees . . . . .	60,666	4,906	82,975	2,518
Transfer agent fees . . . . .	9,222	—	16,844	—
Reports to shareholders . . . . .	2,378	10,709	1,982	11,920
Professional fees . . . . .	11,345	11,219	11,848	11,322
Accrued expenses and other liabilities . . . . .	2,022	3,103	1,997	2,751
Total liabilities . . . . .	213,891	30,441	215,509	37,902
Net assets, at value . . . . .	\$74,959,066	\$6,389,378	\$105,211,345	\$4,227,736
<b>Net assets consist of:</b>				
Paid-in capital . . . . .	\$65,537,637	\$6,104,380	\$ 86,050,274	\$4,039,295
Undistributed net investment income . . . . .	42,438	2,248	22,568	8,975
Net unrealized appreciation (depreciation) . . . . .	8,155,802	309,419	18,597,379	197,491
Accumulated net realized gain (loss) . . . . .	1,223,189	(26,669)	541,124	(18,025)
Net assets, at value . . . . .	\$74,959,066	\$6,389,378	\$105,211,345	\$4,227,736

**Statements of Assets and Liabilities** (continued)  
June 30, 2014 (unaudited)

	Franklin LifeSmart 2015 Retirement Target Fund	Franklin LifeSmart 2020 Retirement Target Fund	Franklin LifeSmart 2025 Retirement Target Fund	Franklin LifeSmart 2030 Retirement Target Fund
<b>Class A:</b>				
Net assets, at value .....	\$47,073,462	\$4,533,050	\$ 66,157,085	\$3,271,178
Shares outstanding .....	3,772,860	400,483	5,083,957	284,645
Net asset value per share <sup>a</sup> .....	\$12.48	\$11.32	\$13.01	\$11.49
Maximum offering price per share (net asset value per share ÷ 94.25%) .....	\$13.24	\$12.01	\$13.80	\$12.19
<b>Class C:</b>				
Net assets, at value .....	\$21,471,414	\$1,802,035	\$ 28,456,767	\$ 829,518
Shares outstanding .....	1,737,786	159,940	2,217,230	72,561
Net asset value and maximum offering price per share <sup>a</sup> .....	\$12.36	\$11.27	\$12.83	\$11.43
<b>Class R:</b>				
Net assets, at value .....	\$ 3,299,033	\$ 18,632	\$ 5,448,248	\$ 26,022
Shares outstanding .....	265,130	1,647	420,209	2,268
Net asset value and maximum offering price per share .....	\$12.44	\$11.31	\$12.97	\$11.47
<b>Class R6:</b>				
Net assets, at value .....	\$ 1,010,669	\$ 16,503	\$ 2,266,170	\$ 11,523
Shares outstanding .....	80,687	1,456	173,755	1,000
Net asset value and maximum offering price per share .....	\$12.53	\$11.33	\$13.04	\$11.52
<b>Advisor Class:</b>				
Net assets, at value .....	\$ 2,104,488	\$ 19,158	\$ 2,883,075	\$ 89,495
Shares outstanding .....	168,152	1,691	221,158	7,772
Net asset value and maximum offering price per share .....	\$12.52	\$11.33	\$13.04	\$11.52

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

FRANKLIN FUND ALLOCATOR SERIES  
FINANCIAL STATEMENTS

**Statements of Assets and Liabilities** (continued)  
June 30, 2014 (unaudited)

	Franklin LifeSmart 2035 Retirement Target Fund	Franklin LifeSmart 2040 Retirement Target Fund	Franklin LifeSmart 2045 Retirement Target Fund	Franklin LifeSmart 2050 Retirement Target Fund
<b>Assets:</b>				
Cost - Underlying Funds (Note 3f) . . . . .	\$53,862,001	\$1,675,704	\$36,005,299	\$1,946,435
Cost - Exchange traded funds . . . . .	6,685,494	135,047	4,490,895	161,596
Total cost of investments . . . . .	<u>\$60,547,495</u>	<u>\$1,810,751</u>	<u>\$40,496,194</u>	<u>\$2,108,031</u>
Value - Underlying Funds (Note 3f) . . . . .	\$67,674,115	\$1,768,909	\$45,506,032	\$2,056,304
Value - Exchange traded funds . . . . .	7,466,559	142,862	5,023,377	170,636
Total value of investments . . . . .	75,140,674	1,911,771	50,529,409	2,226,940
Cash . . . . .	—	85,950	—	97,081
<b>Receivables:</b>				
Capital shares sold . . . . .	206,554	18,876	141,382	5,248
Affiliates . . . . .	28,411	16,299	30,073	17,487
Other assets . . . . .	31	—	21	—
Total assets . . . . .	<u>75,375,670</u>	<u>2,032,896</u>	<u>50,700,885</u>	<u>2,346,756</u>
<b>Liabilities:</b>				
<b>Payables:</b>				
Capital shares redeemed . . . . .	28,527	10,753	101,922	—
Distribution fees . . . . .	57,156	1,202	37,312	1,431
Transfer agent fees . . . . .	6,165	—	6,261	—
Reports to shareholders . . . . .	2,234	10,728	2,151	9,959
Professional fees . . . . .	11,555	11,618	11,606	11,428
Accrued expenses and other liabilities . . . . .	1,916	2,200	1,951	2,174
Total liabilities . . . . .	<u>107,553</u>	<u>36,501</u>	<u>161,203</u>	<u>24,992</u>
Net assets, at value . . . . .	<u>\$75,268,117</u>	<u>\$1,996,395</u>	<u>\$50,539,682</u>	<u>\$2,321,764</u>
<b>Net assets consist of:</b>				
Paid-in capital . . . . .	\$60,504,681	\$1,902,501	\$40,434,709	\$2,212,288
Undistributed net investment income (distributions in excess of net investment income) . . . . .	159,333	186	93,926	(35)
Net unrealized appreciation (depreciation) . . . . .	14,593,179	101,020	10,033,215	118,909
Accumulated net realized gain (loss) . . . . .	10,924	(7,312)	(22,168)	(9,398)
Net assets, at value . . . . .	<u>\$75,268,117</u>	<u>\$1,996,395</u>	<u>\$50,539,682</u>	<u>\$2,321,764</u>

**Statements of Assets and Liabilities** (continued)  
June 30, 2014 (unaudited)

	Franklin LifeSmart 2035 Retirement Target Fund	Franklin LifeSmart 2040 Retirement Target Fund	Franklin LifeSmart 2045 Retirement Target Fund	Franklin LifeSmart 2050 Retirement Target Fund
<b>Class A:</b>				
Net assets, at value	\$46,890,268	\$1,445,006	\$31,050,564	\$1,348,236
Shares outstanding	3,558,642	125,107	2,351,654	116,180
Net asset value per share <sup>a</sup>	\$13.18	\$11.55	\$13.20	\$11.60
Maximum offering price per share (net asset value per share ÷ 94.25%)	\$13.98	\$12.25	\$14.01	\$12.31
<b>Class C:</b>				
Net assets, at value	\$18,912,995	\$ 495,300	\$11,101,053	\$ 636,323
Shares outstanding	1,466,363	43,109	860,898	55,054
Net asset value and maximum offering price per share <sup>a</sup>	\$12.90	\$11.49	\$12.89	\$11.56
<b>Class R:</b>				
Net assets, at value	\$ 4,599,716	\$ 22,290	\$ 4,995,468	\$ 14,983
Shares outstanding	349,824	1,931	380,361	1,290
Net asset value and maximum offering price per share	\$13.15	\$11.54	\$13.13	\$11.61
<b>Class R6:</b>				
Net assets, at value	\$ 2,753,006	\$ 11,565	\$ 1,801,161	\$ 11,632
Shares outstanding	207,441	1,000	135,469	1,000
Net asset value and maximum offering price per share	\$13.27	\$11.57	\$13.30	\$11.63
<b>Advisor Class:</b>				
Net assets, at value	\$ 2,112,132	\$ 22,234	\$ 1,591,436	\$ 310,590
Shares outstanding	159,125	1,922	119,790	26,699
Net asset value and maximum offering price per share	\$13.27	\$11.57	\$13.29	\$11.63

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

**Statements of Operations**

for the six months ended June 30, 2014 (unaudited)

	Franklin LifeSmart 2015 Retirement Target Fund	Franklin LifeSmart 2020 Retirement Target Fund	Franklin LifeSmart 2025 Retirement Target Fund	Franklin LifeSmart 2030 Retirement Target Fund
Investment income:				
Dividends:				
Underlying Funds (Note 3f) . . . . .	\$ 637,778	\$ 30,801	\$ 482,660	\$ 12,336
Exchange traded funds . . . . .	72,596	4,638	98,781	2,737
Total investment income . . . . .	710,374	35,439	581,441	15,073
Expenses:				
Asset allocation fees (Note 3a) . . . . .	90,666	5,710	122,159	3,298
Distribution fees: (Note 3c)				
Class A . . . . .	69,029	5,577	92,132	3,662
Class C . . . . .	101,206	6,112	132,789	1,661
Class R . . . . .	7,031	35	12,665	101
Transfer agent fees: (Note 3e)				
Class A . . . . .	26,414	2,538	42,810	2,702
Class C . . . . .	11,732	950	18,514	408
Class R . . . . .	1,610	11	3,533	49
Class R6 . . . . .	127	141	103	140
Advisor Class . . . . .	1,239	56	1,834	103
Custodian fees (Note 4) . . . . .	34	5	33	—
Reports to shareholders . . . . .	8,028	8,316	10,658	9,559
Registration and filing fees . . . . .	41,081	52,763	40,331	52,906
Professional fees . . . . .	14,177	15,400	14,413	15,413
Trustees' fees and expenses . . . . .	241	—	295	—
Amortization of offering costs (Note 1d) . . . . .	—	50,172	—	50,172
Other . . . . .	2,162	160	2,181	159
Total expenses . . . . .	374,777	147,946	494,450	140,333
Expenses waived/paid by affiliates				
(Notes 3f and 3g) . . . . .	(179,664)	(135,100)	(232,966)	(134,244)
Net expenses . . . . .	195,113	12,846	261,484	6,089
Net investment income . . . . .	515,261	22,593	319,957	8,984
Realized and unrealized gains (losses):				
Net realized gain (loss) from:				
Sale of investments:				
Underlying Funds (Note 3f) . . . . .	1,441,167	(21,300)	796,113	(17,692)
Exchange traded funds . . . . .	64,373	679	115,304	101
Net realized gain (loss) . . . . .	1,505,540	(20,621)	911,417	(17,591)
Net change in unrealized appreciation				
(depreciation) on investments . . . . .	489,435	211,705	2,653,803	143,616
Net realized and unrealized gain (loss) . . . . .	1,994,975	191,084	3,565,220	126,025
Net increase (decrease) in net assets resulting from operations . . . . .	\$2,510,236	\$ 213,677	\$3,885,177	\$ 135,009

**Statements of Operations** (continued)  
for the six months ended June 30, 2014 (unaudited)

	Franklin LifeSmart 2035 Retirement Target Fund	Franklin LifeSmart 2040 Retirement Target Fund	Franklin LifeSmart 2045 Retirement Target Fund	Franklin LifeSmart 2050 Retirement Target Fund
Investment income:				
Dividends:				
Underlying Funds (Note 3f) . . . . .	\$ 269,988	\$ 4,119	\$ 164,039	\$ 4,770
Exchange traded funds . . . . .	71,224	1,132	47,795	1,379
Total investment income . . . . .	341,212	5,251	211,834	6,149
Expenses:				
Asset allocation fees (Note 3a) . . . . .	87,809	1,474	58,804	1,664
Distribution fees: (Note 3c)				
Class A . . . . .	66,064	1,635	43,884	1,557
Class C . . . . .	87,833	939	50,648	1,473
Class R . . . . .	10,649	39	11,842	32
Transfer agent fees: (Note 3e)				
Class A . . . . .	40,285	1,811	42,932	2,595
Class C . . . . .	16,077	356	14,901	854
Class R . . . . .	3,897	29	6,958	37
Class R6 . . . . .	104	121	101	128
Advisor Class . . . . .	1,749	46	1,960	370
Custodian fees (Note 4) . . . . .	25	—	15	—
Reports to shareholders . . . . .	9,399	8,083	8,809	7,459
Registration and filing fees . . . . .	40,232	52,500	39,401	52,134
Professional fees . . . . .	14,274	15,363	14,200	15,430
Trustees' fees and expenses . . . . .	188	—	—	—
Amortization of offering costs (Note 1d) . . . . .	—	50,172	—	50,171
Other . . . . .	2,127	155	2,056	155
Total expenses . . . . .	380,712	132,723	296,511	134,059
Expenses waived/paid by affiliates				
(Notes 3f and 3g) . . . . .	(199,236)	(129,816)	(178,779)	(130,664)
Net expenses . . . . .	181,476	2,907	117,732	3,395
Net investment income . . . . .	159,736	2,344	94,102	2,754
Realized and unrealized gains (losses):				
Net realized gain (loss) from:				
Sale of investments:				
Underlying Funds (Note 3f) . . . . .	197,593	(6,926)	171,883	(9,161)
Exchange traded funds . . . . .	94,511	49	63,372	190
Net realized gain (loss) . . . . .	292,104	(6,877)	235,255	(8,971)
Net change in unrealized appreciation				
(depreciation) on investments . . . . .	2,511,022	63,959	1,657,948	80,143
Net realized and unrealized gain (loss) . . . . .	2,803,126	57,082	1,893,203	71,172
Net increase (decrease) in net assets resulting from operations . . . . .	\$2,962,862	\$ 59,426	\$1,987,305	\$ 73,926

FRANKLIN FUND ALLOCATOR SERIES  
FINANCIAL STATEMENTS

Statements of Changes in Net Assets

	Franklin LifeSmart 2015 Retirement Target Fund		Franklin LifeSmart 2020 Retirement Target Fund	
	Six Months Ended June 30, 2014 (unaudited)	Year Ended December 31, 2013	Six Months Ended June 30, 2014 (unaudited)	Period Ended December 31, 2013 <sup>a</sup>
Increase (decrease) in net assets:				
Operations:				
Net investment income	\$ 515,261	\$ 1,195,300	\$ 22,593	\$ 22,753
Net realized gain (loss) from Underlying Funds and exchange traded funds	1,505,540	3,177,416	(20,621)	32,358
Net change in unrealized appreciation (depreciation) on investments	489,435	3,033,258	211,705	97,714
Net increase (decrease) in net assets resulting from operations	2,510,236	7,405,974	213,677	152,825
Distributions to shareholders from:				
Net investment income:				
Class A	(354,903)	(949,775)	(16,305)	(24,272)
Class C	(92,244)	(303,187)	(3,931)	(2,828)
Class R	(20,600)	(42,834)	(61)	(115)
Class R6	(8,950)	(9,691)	(87)	(131)
Advisor Class	(18,802)	(58,208)	(590)	(511)
Net realized gains:				
Class A	(527,669)	(1,868,226)	(23,052)	(531)
Class C	(243,690)	(839,329)	(9,327)	(74)
Class R	(37,118)	(97,222)	(96)	(3)
Class R6	(11,279)	(22,736)	(82)	(3)
Advisor Class	(23,490)	(101,550)	(99)	(11)
Total distributions to shareholders	(1,338,745)	(4,292,758)	(53,630)	(28,479)
Capital share transactions: (Note 2)				
Class A	1,974,347	4,812,095	2,228,758	2,075,340
Class C	749,938	2,581,227	1,502,999	243,739
Class R	976,965	319,645	7,190	10,000
Class R6	235,779	782,456	5,083	10,000
Advisor Class	(427,847)	549,120	(19,537)	41,413
Total capital share transactions	3,509,182	9,044,543	3,724,493	2,380,492
Net increase (decrease) in net assets	4,680,673	12,157,759	3,884,540	2,504,838
Net assets:				
Beginning of period	70,278,393	58,120,634	2,504,838	—
End of period	\$74,959,066	\$70,278,393	\$6,389,378	\$2,504,838
Undistributed net investment income included in net assets:				
End of period	\$ 42,438	\$ 22,676	\$ 2,248	\$ 629

<sup>a</sup>For the period July 1, 2013 (commencement of operations) to December 31, 2013.



FRANKLIN FUND ALLOCATOR SERIES  
STATEMENTS OF CHANGES IN NET ASSETS

**Statements of Changes in Net Assets** (continued)

	Franklin LifeSmart 2025 Retirement Target Fund		Franklin LifeSmart 2030 Retirement Target Fund	
	Six Months Ended June 30, 2014 (unaudited)	Year Ended December 31, 2013	Six Months Ended June 30, 2014 (unaudited)	Period Ended December 31, 2013 <sup>a</sup>
Increase (decrease) in net assets:				
Operations:				
Net investment income .....	\$ 319,957	\$ 911,498	\$ 8,984	\$ 10,340
Net realized gain (loss) from Underlying Funds and exchange traded funds .....	911,417	4,141,928	(17,591)	23,320
Net change in unrealized appreciation (depreciation) on investments .....	2,653,803	9,871,133	143,616	53,875
Net increase (decrease) in net assets resulting from operations .....	3,885,177	14,924,559	135,009	87,535
Distributions to shareholders from:				
Net investment income and short term gains received from Underlying Funds:				
Class A .....	(258,146)	(871,930)	(212)	(11,335)
Class C .....	(23,263)	(209,139)	(21)	(1,005)
Class R .....	(16,509)	(59,888)	(5)	(381)
Class R6 .....	(12,247)	(32,182)	(1)	(111)
Advisor Class .....	(14,934)	(41,493)	(9)	(802)
Net realized gains:				
Class A .....	(1,041,058)	(1,782,321)	(15,695)	(198)
Class C .....	(454,061)	(721,153)	(3,998)	(21)
Class R .....	(85,961)	(136,382)	(127)	(8)
Class R6 .....	(35,513)	(48,820)	(56)	(2)
Advisor Class .....	(45,067)	(71,758)	(432)	(13)
Total distributions to shareholders .....	(1,986,759)	(3,975,066)	(20,556)	(13,876)
Capital share transactions: (Note 2)				
Class A .....	6,144,987	6,266,755	1,918,132	1,201,089
Class C .....	2,696,006	4,065,933	679,778	127,101
Class R .....	513,940	854,675	(21,884)	44,214
Class R6 .....	(108,207)	2,357,526	—	10,000
Advisor Class .....	345,659	299,945	4,301	76,893
Total capital share transactions .....	9,592,385	13,844,834	2,580,327	1,459,297
Net increase (decrease) in net assets .....	11,490,803	24,794,327	2,694,780	1,532,956
Net assets:				
Beginning of period .....	93,720,542	68,926,215	1,532,956	—
End of period .....	\$105,211,345	\$93,720,542	\$4,227,736	\$1,532,956
Undistributed net investment income included in net assets:				
End of period .....	\$ 22,568	\$ 27,710	\$ 8,975	\$ 239

<sup>a</sup>For the period July 1, 2013 (commencement of operations) to December 31, 2013.

**Statements of Changes in Net Assets** (continued)

	Franklin LifeSmart 2035 Retirement Target Fund		Franklin LifeSmart 2040 Retirement Target Fund	
	Six Months Ended June 30, 2014 (unaudited)	Year Ended December 31, 2013	Six Months Ended June 30, 2014 (unaudited)	Period Ended December 31, 2013 <sup>a</sup>
Increase (decrease) in net assets:				
Operations:				
Net investment income	\$ 159,736	\$ 567,972	\$ 2,344	\$ 4,652
Net realized gain (loss) from Underlying Funds and exchange traded funds	292,104	2,930,055	(6,877)	11,239
Net change in unrealized appreciation (depreciation) on investments	2,511,022	7,908,157	63,959	37,061
Net increase (decrease) in net assets resulting from operations	2,962,862	11,406,184	59,426	52,952
Distributions to shareholders from:				
Net investment income and short term gains received from Underlying Funds:				
Class A	(12,226)	(527,275)	(2,007)	(5,500)
Class C	(4,940)	(106,851)	(156)	(463)
Class R	(1,231)	(40,571)	(20)	(86)
Class R6	(701)	(36,070)	(37)	(103)
Advisor Class	(544)	(25,395)	(69)	(205)
Net realized gains:				
Class A	(778,744)	(1,360,230)	(7,059)	(220)
Class C	(320,555)	(504,539)	(2,487)	(20)
Class R	(76,617)	(121,054)	(112)	(4)
Class R6	(45,453)	(48,953)	(58)	(4)
Advisor Class	(34,769)	(54,723)	(111)	(8)
Total distributions to shareholders	(1,275,780)	(2,825,661)	(12,116)	(6,613)
Capital share transactions: (Note 2)				
Class A	3,280,470	4,638,237	736,478	631,703
Class C	1,658,961	3,687,561	426,108	58,573
Class R	411,069	534,079	10,547	10,000
Class R6	156,588	2,543,841	—	10,000
Advisor Class	250,730	507,603	(1,624)	20,961
Total capital share transactions	5,757,818	11,911,321	1,171,509	731,237
Net increase (decrease) in net assets	7,444,900	20,491,844	1,218,819	777,576
Net assets:				
Beginning of period	67,823,217	47,331,373	777,576	—
End of period	\$75,268,117	\$67,823,217	\$1,996,395	\$777,576
Undistributed net investment income included in net assets:				
End of period	\$ 159,333	\$ 19,239	\$ 186	\$ 131

<sup>a</sup>For the period July 1, 2013 (commencement of operations) to December 31, 2013.

Statements of Changes in Net Assets (continued)

	Franklin LifeSmart 2045 Retirement Target Fund		Franklin LifeSmart 2050 Retirement Target Fund	
	Six Months Ended June 30, 2014 (unaudited)	Year Ended December 31, 2013	Six Months Ended June 30, 2014 (unaudited)	Period Ended December 31, 2013 <sup>a</sup>
Increase (decrease) in net assets:				
Operations:				
Net investment income	\$ 94,102	\$ 351,038	\$ 2,754	\$ 4,280
Net realized gain (loss) from Underlying Funds and exchange traded funds	235,255	1,819,050	(8,971)	9,779
Net change in unrealized appreciation (depreciation) on investments	1,657,948	5,771,935	80,143	38,766
Net increase (decrease) in net assets resulting from operations	1,987,305	7,942,023	73,926	52,825
Distributions to shareholders from:				
Net investment income and short term gains received from Underlying Funds:				
Class A	(8,184)	(333,295)	(1,770)	(4,422)
Class C	(2,856)	(52,405)	(200)	(633)
Class R	(1,289)	(43,659)	(5)	(92)
Class R6	(430)	(23,741)	(31)	(108)
Advisor Class	(381)	(16,140)	(858)	(705)
Net realized gains:				
Class A	(496,584)	(837,141)	(5,092)	—
Class C	(181,344)	(273,377)	(2,423)	—
Class R	(80,114)	(128,736)	(57)	—
Class R6	(28,570)	(29,120)	(44)	—
Advisor Class	(25,144)	(31,888)	(1,078)	—
Total distributions to shareholders	(824,896)	(1,769,502)	(11,558)	(5,960)
Capital share transactions: (Note 2)				
Class A	2,309,965	3,128,951	795,692	476,308
Class C	1,394,568	1,499,244	540,055	79,396
Class R	320,063	605,398	3,296	10,000
Class R6	38,672	1,718,837	—	10,000
Advisor Class	369,479	329,576	227,903	69,881
Total capital share transactions	4,432,747	7,282,006	1,566,946	645,585
Net increase (decrease) in net assets	5,595,156	13,454,527	1,629,314	692,450
Net assets:				
Beginning of period	44,944,526	31,489,999	692,450	—
End of period	\$50,539,682	\$44,944,526	\$2,321,764	\$692,450
Undistributed net investment income (distributions in excess of net investment income) included in net assets:				
End of period	\$ 93,926	\$ 12,964	\$ (35)	\$ 75

<sup>a</sup>For the period July 1, 2013 (commencement of operations) to December 31, 2013.

## Notes to Financial Statements (unaudited)

### 1. Organization and Significant Accounting Policies

Franklin Fund Allocator Series (Trust) is registered under the Investment Company Act of 1940, as amended, (1940 Act) as an open-end management investment company, consisting of fourteen separate funds, eight 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 financial statements of the remaining funds in the Trust are presented separately. The Funds invest primarily in Franklin Templeton mutual funds (Underlying Funds). The Funds offer five classes of shares: Class A, Class C, Class R, Class R6, and Advisor Class. Each class of shares differs by its initial sales load, contingent deferred sales charges, voting rights on matters affecting a single class, its exchange privilege and fees primarily due to differing arrangements for distribution and transfer agent fees.

The accounting policies of the Underlying Funds are outlined in their respective shareholder reports. A copy of the Underlying Funds' shareholder reports, in which each fund invests, is available on the U.S. Securities and Exchange Commission (SEC) website at [sec.gov](http://sec.gov) or at the SEC's Public Reference Room in Washington, D.C. The Underlying Funds' shareholder reports are not covered by this report.

Effective June 30, 2014, the Franklin Templeton Fund Allocator Series was renamed the Franklin Fund Allocator Series.

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 per share at the close of the New York Stock Exchange (NYSE), generally at 4 p.m. Eastern time (NYSE close) on each day the NYSE is open for trading. 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 and Liquidity Oversight Committee (VLOC). The VLOC provides administration and oversight of the Funds' valuation policies and procedures, which are approved annually by the Board. Investments in the Underlying Funds are valued at their closing net asset value

each trading day. Exchange traded funds (ETFs) 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.

#### b. Income 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.

Each fund recognizes the tax benefits of uncertain tax positions only when the position is "more likely than not" to be sustained upon examination by the tax authorities based on the technical merits of the tax position. As of June 30, 2014, and for all open tax years, each fund has determined that no liability for unrecognized tax benefits is required in each fund's financial statements related to uncertain tax positions taken on a tax return (or expected to be taken on future tax returns). Open tax years are those that remain subject to examination and are based on each tax jurisdiction statute of limitation.

#### c. 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. Estimated expenses are accrued daily. Dividend income and realized gain distributions by Underlying Funds and ETFs are recorded on the ex-dividend date. Distributions to shareholders are recorded on the ex-dividend date and are determined according to income tax regulations (tax basis). Distributable earnings determined on a tax basis may differ from earnings recorded in accordance with accounting principles generally accepted in the United States of America. 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. Fund specific expenses are charged directly to the fund that incurred the expense.

The Funds indirectly bear their proportionate share of expenses from the Underlying Funds and ETFs. Since the Underlying Funds and ETFs have varied expense levels and the Funds may own different proportions of the Underlying Funds and ETFs at different times, the amount of expenses incurred indirectly by the Funds will vary.

Realized and unrealized gains and losses and net investment income, not including 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.

**d. Offering Costs**

Offering costs are amortized on a straight line basis over twelve months.

**e. 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.

**f. 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.

**2. Shares of Beneficial Interest**

At June 30, 2014, there were an unlimited number of shares authorized (without par value). Transactions in the Funds’ shares were as follows:

	Franklin LifeSmart 2015 Retirement Target Fund <sup>a</sup>		Franklin LifeSmart 2020 Retirement Target Fund <sup>b</sup>	
	Shares	Amount	Shares	Amount
<b>Class A Shares:</b>				
Six Months ended June 30, 2014				
Shares sold	527,549	\$ 6,526,314	241,974	\$2,684,272
Shares issued in reinvestment of distributions	69,546	863,805	3,300	37,134
Shares redeemed	(436,359)	(5,415,772)	(44,891)	(492,648)
Net increase (decrease)	160,736	\$ 1,974,347	200,383	\$2,228,758
Year ended December 31, 2013				
Shares sold	1,308,882	\$ 15,890,281	224,502	\$2,330,311
Shares issued in reinvestment of distributions	227,640	2,764,653	2,029	22,110
Shares redeemed	(1,138,122)	(13,842,839)	(26,431)	(277,081)
Net increase (decrease)	398,400	\$ 4,812,095	200,100	\$2,075,340
<b>Class C Shares:</b>				
Six Months ended June 30, 2014				
Shares sold	248,659	\$ 3,050,564	137,326	\$1,506,547
Shares issued in reinvestment of distributions	24,025	295,736	1,185	13,258
Shares redeemed	(211,768)	(2,596,362)	(1,528)	(16,806)
Net increase (decrease)	60,916	\$ 749,938	136,983	\$1,502,999
Year ended December 31, 2013				
Shares sold	460,937	\$ 5,565,468	27,481	\$ 292,945
Shares issued in reinvestment of distributions	81,653	981,251	256	2,786
Shares redeemed	(327,076)	(3,965,492)	(4,780)	(51,992)
Net increase (decrease)	215,514	\$ 2,581,227	22,957	\$ 243,739

**2. Shares of Beneficial Interest** (continued)

	Franklin LifeSmart 2015 Retirement Target Fund <sup>a</sup>		Franklin LifeSmart 2020 Retirement Target Fund <sup>b</sup>	
	Shares	Amount	Shares	Amount
<b>Class R Shares:</b>				
Six Months ended June 30, 2014				
Shares sold	90,074	\$ 1,113,752	642	\$ 7,132
Shares issued in reinvestment of distributions	3,578	44,354	5	58
Shares redeemed	(14,595)	(181,141)	—	—
Net increase (decrease)	79,057	\$ 976,965	647	\$ 7,190
Year ended December 31, 2013				
Shares sold	126,413	\$ 1,528,317	1,001	\$ 10,011
Shares issued in reinvestment of distributions	10,359	125,208	—	—
Shares redeemed	(110,588)	(1,333,880)	(1)	(11)
Net increase (decrease)	26,184	\$ 319,645	1,000	\$ 10,000
<b>Class R6 Shares:</b>				
Six Months ended June 30, 2014				
Shares sold	241,449	\$ 2,959,249	452	\$ 5,035
Shares issued on reinvestment of distributions	1,614	20,123	4	48
Shares redeemed	(224,365)	(2,743,593)	—	—
Net increase (decrease)	18,698	\$ 235,779	456	\$ 5,083
Year ended December 31, 2013				
Shares sold	59,379	\$ 750,348	1,001	\$ 10,010
Shares issued in reinvestment of distributions	2,610	32,108	—	—
Shares redeemed	—	—	(1)	(10)
Net increase (decrease)	61,989	\$ 782,456	1,000	\$ 10,000
<b>Advisor Class Shares:</b>				
Six Months ended June 30, 2014				
Shares sold	22,794	\$ 285,787	19,130	\$ 214,627
Shares issued in reinvestment of distributions	3,166	39,435	52	570
Shares redeemed	(60,344)	(753,069)	(21,478)	(234,734)
Net increase (decrease)	(34,384)	\$ (427,847)	(2,296)	\$ (19,537)
Year ended December 31, 2013				
Shares sold	42,196	\$ 511,810	3,952	\$ 41,034
Shares issued in reinvestment of distributions	12,801	156,058	36	389
Shares redeemed	(9,672)	(118,748)	(1)	(10)
Net increase (decrease)	45,325	\$ 549,120	3,987	\$ 41,413

<sup>a</sup>For the period May 1, 2013 (effective date) to December 31, 2013 for Class R6.

<sup>b</sup>For the period July 1, 2013 (commencement of operations) to December 31, 2013.

FRANKLIN FUND ALLOCATOR SERIES  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

	Franklin LifeSmart 2025 Retirement Target Fund <sup>a</sup>		Franklin LifeSmart 2030 Retirement Target Fund <sup>b,c</sup>	
	Shares	Amount	Shares	Amount
<b>Class A Shares:</b>				
Six Months ended June 30, 2014				
Shares sold	841,866	\$ 10,847,025	173,208	\$1,939,519
Shares issued in reinvestment of distributions	99,047	1,282,717	1,285	14,706
Shares redeemed	(464,329)	(5,984,755)	(3,214)	(36,093)
Net increase (decrease)	476,584	\$ 6,144,987	171,279	\$1,918,132
Year ended December 31, 2013				
Shares sold	1,456,494	\$ 17,514,233	112,584	\$1,192,416
Shares issued in reinvestment of distributions	211,824	2,630,432	835	9,253
Shares redeemed	(1,139,693)	(13,877,910)	(53)	(580)
Net increase (decrease)	528,625	\$ 6,266,755	113,366	\$1,201,089
<b>Class C Shares:</b>				
Six Months ended June 30, 2014				
Shares sold	332,148	\$ 4,214,856	66,658	\$ 746,639
Shares issued in reinvestment of distributions	32,889	420,411	353	4,018
Shares redeemed	(152,404)	(1,939,261)	(6,370)	(70,879)
Net increase (decrease)	212,633	\$ 2,696,006	60,641	\$ 679,778
Year ended December 31, 2013				
Shares sold	694,242	\$ 8,279,189	12,087	\$ 128,932
Shares issued in reinvestment of distributions	67,197	823,491	85	934
Shares redeemed	(425,455)	(5,036,747)	(252)	(2,765)
Net increase (decrease)	335,984	\$ 4,065,933	11,920	\$ 127,101
<b>Class R Shares:</b>				
Six Months ended June 30, 2014				
Shares sold	56,190	\$ 721,274	1,261	\$ 14,198
Shares issued in reinvestment of distributions	6,081	78,471	7	75
Shares redeemed	(22,217)	(285,805)	(3,257)	(36,157)
Net increase (decrease)	40,054	\$ 513,940	(1,989)	\$ (21,884)
Year ended December 31, 2013				
Shares sold	198,623	\$ 2,365,500	4,233	\$ 43,941
Shares issued in reinvestment of distributions	12,439	153,876	26	291
Shares redeemed	(141,744)	(1,664,701)	(2)	(18)
Net increase (decrease)	69,318	\$ 854,675	4,257	\$ 44,214
<b>Class R6 Shares:</b>				
Six Months ended June 30, 2014				
Shares sold	32,596	\$ 419,421		
Shares issued on reinvestment of distributions	3,672	47,640		
Shares redeemed	(45,374)	(575,268)		
Net increase (decrease)	(9,106)	\$ (108,207)		
Year ended December 31, 2013				
Shares sold	176,532	\$ 2,276,764	1,001	\$ 10,010
Shares issued in reinvestment of distributions	6,329	80,762	—	—
Shares redeemed	—	—	(1)	(10)
Net increase (decrease)	182,861	\$ 2,357,526	1,000	\$ 10,000

**2. Shares of Beneficial Interest** (continued)

	Franklin LifeSmart 2025 Retirement Target Fund <sup>a</sup>		Franklin LifeSmart 2030 Retirement Target Fund <sup>b</sup>	
	Shares	Amount	Shares	Amount
<b>Advisor Class Shares:</b>				
Six Months ended June 30, 2014				
Shares sold	40,155	\$ 521,868	1,324	\$ 15,000
Shares issued in reinvestment of distributions	4,411	57,201	38	441
Shares redeemed	(17,887)	(233,410)	(1,000)	(11,140)
Net increase (decrease)	26,679	\$ 345,659	362	\$ 4,301
Year ended December 31, 2013				
Shares sold	43,011	\$ 510,282	7,347	\$ 76,199
Shares issued in reinvestment of distributions	8,650	107,432	64	704
Shares redeemed	(25,638)	(317,769)	(1)	(10)
Net increase (decrease)	26,023	\$ 299,945	7,410	\$ 76,893

<sup>a</sup>For the period May 1, 2013 (effective date) to December 31, 2013 for Class R6.

<sup>b</sup>For the period July 1, 2013 (commencement of operations) to December 31, 2013.

<sup>c</sup>During the period ended June 30, 2014, Class R6 did not report any share transactions.

	Franklin LifeSmart 2035 Retirement Target Fund <sup>a</sup>		Franklin LifeSmart 2040 Retirement Target Fund <sup>b</sup>	
	Shares	Amount	Shares	Amount
<b>Class A Shares:</b>				
Six Months ended June 30, 2014				
Shares sold	444,098	\$ 5,770,186	78,907	\$ 895,091
Shares issued in reinvestment of distributions	59,407	779,795	647	7,428
Shares redeemed	(252,001)	(3,269,511)	(14,491)	(166,041)
Net increase (decrease)	251,504	\$ 3,280,470	65,063	\$ 736,478
Year ended December 31, 2013				
Shares sold	987,304	\$ 11,906,664	59,764	\$ 628,581
Shares issued in reinvestment of distributions	150,718	1,873,931	323	3,602
Shares redeemed	(745,082)	(9,142,358)	(43)	(480)
Net increase (decrease)	392,940	\$ 4,638,237	60,044	\$ 631,703
<b>Class C Shares:</b>				
Six Months ended June 30, 2014				
Shares sold	245,769	\$ 3,124,702	37,680	\$ 425,502
Shares issued in reinvestment of distributions	21,451	275,583	226	2,580
Shares redeemed	(136,699)	(1,741,324)	(175)	(1,974)
Net increase (decrease)	130,521	\$ 1,658,961	37,731	\$ 426,108
Year ended December 31, 2013				
Shares sold	474,238	\$ 5,598,631	5,355	\$ 58,311
Shares issued in reinvestment of distributions	43,059	524,390	35	388
Shares redeemed	(206,995)	(2,435,460)	(12)	(126)
Net increase (decrease)	310,302	\$ 3,687,561	5,378	\$ 58,573



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	Franklin LifeSmart 2035 Retirement Target Fund <sup>a</sup>		Franklin LifeSmart 2040 Retirement Target Fund <sup>b,c</sup>	
	Shares	Amount	Shares	Amount
<b>Class R Shares:</b>				
Six Months ended June 30, 2014				
Shares sold	63,965	\$ 836,383	927	\$ 10,495
Shares issued in reinvestment of distributions	4,104	53,743	5	62
Shares redeemed	(36,987)	(479,057)	(1)	(10)
Net increase (decrease)	31,082	\$ 411,069	931	\$ 10,547
Year ended December 31, 2013				
Shares sold	94,627	\$ 1,133,064	1,001	\$ 10,011
Shares issued in reinvestment of distributions	8,728	108,350	—	—
Shares redeemed	(60,404)	(707,335)	(1)	(11)
Net increase (decrease)	42,951	\$ 534,079	1,000	\$ 10,000
<b>Class R6 Shares:</b>				
Six Months ended June 30, 2014				
Shares sold	35,562	\$ 466,927		
Shares issued on reinvestment of distributions	3,485	46,058		
Shares redeemed	(27,527)	(356,397)		
Net increase (decrease)	11,520	\$ 156,588		
Year ended December 31, 2013				
Shares sold	189,345	\$ 2,459,073	1,001	\$ 10,010
Shares issued in reinvestment of distributions	6,576	84,768	—	—
Shares redeemed	—	—	(1)	(10)
Net increase (decrease)	195,921	\$ 2,543,841	1,000	\$ 10,000
<b>Advisor Class Shares:</b>				
Six Months ended June 30, 2014				
Shares sold	31,810	\$ 418,911	419	\$ 4,710
Shares issued in reinvestment of distributions	2,672	35,313	8	88
Shares redeemed	(15,749)	(203,494)	(565)	(6,422)
Net increase (decrease)	18,733	\$ 250,730	(138)	\$ (1,624)
Year ended December 31, 2013				
Shares sold	46,997	\$ 552,040	2,051	\$ 20,862
Shares issued in reinvestment of distributions	6,402	80,118	10	109
Shares redeemed	(10,258)	(124,555)	(1)	(10)
Net increase (decrease)	43,141	\$ 507,603	2,060	\$ 20,961

<sup>a</sup>For the period May 1, 2013 (effective date) to December 31, 2013 for Class R6.

<sup>b</sup>For the period July 1, 2013 (commencement of operations) to December 31, 2013.

<sup>c</sup>During the period ended June 30, 2014, Class R6 did not report any share transactions.

**2. Shares of Beneficial Interest** (continued)

	Franklin LifeSmart 2045 Retirement Target Fund <sup>a</sup>		Franklin LifeSmart 2050 Retirement Target Fund <sup>b</sup>	
	Shares	Amount	Shares	Amount
<b>Class A Shares:</b>				
Six Months ended June 30, 2014				
Shares sold	365,743	\$ 4,756,677	71,747	\$ 809,987
Shares issued in reinvestment of distributions	37,492	492,868	485	5,606
Shares redeemed	(224,884)	(2,939,580)	(1,773)	(19,901)
Net increase (decrease)	178,351	\$ 2,309,965	70,459	\$ 795,692
Year ended December 31, 2013				
Shares sold	747,089	\$ 8,876,144	45,783	\$ 476,936
Shares issued in reinvestment of distributions	92,952	1,149,783	202	2,257
Shares redeemed	(568,099)	(6,896,976)	(264)	(2,885)
Net increase (decrease)	271,942	\$ 3,128,951	45,721	\$ 476,308
<b>Class C Shares:</b>				
Six Months ended June 30, 2014				
Shares sold	182,256	\$ 2,316,021	47,782	\$ 540,739
Shares issued in reinvestment of distributions	11,716	150,506	224	2,574
Shares redeemed	(84,219)	(1,071,959)	(290)	(3,258)
Net increase (decrease)	109,753	\$ 1,394,568	47,716	\$ 540,055
Year ended December 31, 2013				
Shares sold	287,349	\$ 3,358,448	7,339	\$ 79,409
Shares issued in reinvestment of distributions	22,204	267,425	49	541
Shares redeemed	(181,124)	(2,126,629)	(50)	(554)
Net increase (decrease)	128,429	\$ 1,499,244	7,338	\$ 79,396
<b>Class R Shares:</b>				
Six Months ended June 30, 2014				
Shares sold	82,208	\$ 1,064,676	289	\$ 3,282
Shares issued in reinvestment of distributions	5,022	65,666	1	14
Shares redeemed	(62,747)	(810,279)	—	—
Net increase (decrease)	24,483	\$ 320,063	290	\$ 3,296
Year ended December 31, 2013				
Shares sold	111,053	\$ 1,317,814	1,001	\$ 10,011
Shares issued in reinvestment of distributions	12,108	149,021	—	—
Shares redeemed	(73,906)	(861,437)	(1)	(11)
Net increase (decrease)	49,255	\$ 605,398	1,000	\$ 10,000
<b>Class R6 Shares:</b>				
Six Months ended June 30, 2014				
Shares sold	25,714	\$ 336,416	70	\$ 805
Shares issued on reinvestment of distributions	2,184	28,907	—	—
Shares redeemed	(25,114)	(326,651)	(70)	(805)
Net increase (decrease)	2,784	\$ 38,672	—	\$ —
Year ended December 31, 2013				
Shares sold	128,609	\$ 1,666,219	1,001	\$ 10,010
Shares issued in reinvestment of distributions	4,076	52,618	—	—
Shares redeemed	—	—	(1)	(10)
Net increase (decrease)	132,685	\$ 1,718,837	1,000	\$ 10,000

	Franklin LifeSmart 2045 Retirement Target Fund <sup>a</sup>		Franklin LifeSmart 2050 Retirement Target Fund <sup>b</sup>	
	Shares	Amount	Shares	Amount
<b>Advisor Class Shares:</b>				
Six Months ended June 30, 2014				
Shares sold	28,742	\$ 379,605	20,808	\$ 237,227
Shares issued in reinvestment of distributions	1,930	25,525	167	1,936
Shares redeemed	(2,711)	(35,651)	(1,000)	(11,260)
Net increase (decrease)	27,961	\$ 369,479	19,975	\$ 227,903
Year ended December 31, 2013				
Shares sold	33,641	\$ 404,555	6,699	\$ 69,591
Shares issued in reinvestment of distributions	3,845	48,028	54	600
Shares redeemed	(10,292)	(123,007)	(29)	(310)
Net increase (decrease)	27,194	\$ 329,576	6,724	\$ 69,881

<sup>a</sup>For the period May 1, 2013 (effective date) to December 31, 2013 for Class R6.

<sup>b</sup>For the period July 1, 2013 (commencement of operations) to December 31, 2013.

### 3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton Investments. Certain officers and trustees of the Funds are also officers and/or directors/trustees of certain of the Underlying Funds and 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. Asset Allocation Fees

The Funds pay an asset allocation fee to Advisers of 0.25% per year of the average daily net assets of each of the Funds for investment advisory services, consisting principally of determining the allocation of assets of the Funds among the designated Underlying Funds and ETFs.

#### b. Administrative Fees

FT Services, under terms of an agreement, provides administrative services to the Funds and is not paid by the Funds for the services.

#### 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. Distribution fees are not charged on shares held by affiliates. 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

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

**c. Distribution Fees** (continued)

Funds' Class C and R compensation distribution plans, the Funds pay 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. 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:

Class A .....	0.35%
Class C .....	1.00%
Class R .....	0.50%

The Board has set the current rate at 0.30% 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 period:

	Franklin LifeSmart 2015 Retirement Target Fund	Franklin LifeSmart 2020 Retirement Target Fund	Franklin LifeSmart 2025 Retirement Target Fund	Franklin LifeSmart 2030 Retirement Target Fund
Sales charges retained net of commissions paid to unaffiliated broker/dealers .....	\$17,282	\$6,756	\$39,229	\$8,460
CDSC retained .....	\$ 1,239	\$ —	\$ 1,163	\$ 331

	Franklin LifeSmart 2035 Retirement Target Fund	Franklin LifeSmart 2040 Retirement Target Fund	Franklin LifeSmart 2045 Retirement Target Fund	Franklin LifeSmart 2050 Retirement Target Fund
Sales charges retained net of commissions paid to unaffiliated broker/dealers .....	\$24,968	\$4,632	\$23,823	\$4,174
CDSC retained .....	\$ 2,074	\$ 18	\$ 1,102	\$ 31

**e. Transfer Agent Fees**

Each class of shares, except for Class R6, pays transfer agent fees to Investor Services for its performance of shareholder servicing obligations and reimburses Investor Services for out of pocket expenses incurred, including shareholding 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 period ended June 30, 2014, the Funds paid transfer agent fees as noted in the Statements of Operations of which the following amounts were retained by Investor Services:

	Franklin LifeSmart 2015 Retirement Target Fund	Franklin LifeSmart 2020 Retirement Target Fund	Franklin LifeSmart 2025 Retirement Target Fund	Franklin LifeSmart 2030 Retirement Target Fund
Transfer agent fees .....	\$21,811	\$2,955	\$39,294	\$2,756

	Franklin LifeSmart 2035 Retirement Target Fund	Franklin LifeSmart 2040 Retirement Target Fund	Franklin LifeSmart 2045 Retirement Target Fund	Franklin LifeSmart 2050 Retirement Target Fund
Transfer agent fees .....	\$37,927	\$2,067	\$44,785	\$3,417

**f. Investment in Underlying Funds**

The Funds invest primarily in the Underlying Funds which are managed by Advisers (or an affiliate of Advisers). The Funds do not invest in the Underlying Funds for the purpose of exercising a controlling influence over the management or policies. Asset allocation fees paid by the Funds are waived on assets invested in the Institutional Fiduciary Trust Money Market Portfolio (Sweep Money Fund) in an amount not to exceed the management and administrative fees paid directly or indirectly by the Sweep Money Fund, as noted on the Statements of Operations. Prior to January 1, 2014, the waiver was accounted for as a reduction to asset allocation fees.

Investments in Underlying Funds for the period ended June 30, 2014, were as follows:

Underlying Funds	Number of Shares Held at Beginning of Period	Gross Additions	Gross Reductions	Number of Shares Held at End of Period	Value at End of Period	Investment Income	Realized Capital Gain (Loss)	% of Underlying Fund Shares Outstanding Held at End of Period
<b>Franklin LifeSmart 2015 Retirement Target Fund</b>								
Franklin Biotechnology Discovery Fund, Class R6 .....	15,954	1,022	11,004	5,972	\$ 872,461	\$ —	\$ 156,336	0.06%
Franklin DynaTech Fund, Class R6 .....	118,840	7,466	55,344	70,962	3,281,999	—	275,373	0.14%
Franklin Emerging Market Debt Opportunities Fund <sup>a</sup> .....	173,466	46,245	19,916	199,795	2,471,458	—	(10,671)	0.39%
Franklin Flex Cap Growth Fund, Class R6 ..	15,558	973	4,907	11,624	693,696	—	60,515	0.02%
Franklin Growth Fund, Class R6 .....	33,117	2,053	10,434	24,736	1,730,299	—	230,999	0.02%
Franklin Growth Opportunities Fund, Class R6 .....	37,269	2,335	11,733	27,871	895,503	—	122,904	0.09%
Franklin International Growth Fund, Class R6 .....	18,644	1,127	5,888	13,883	163,121	—	5,233	0.05%
Franklin International Small Cap Growth Fund, Class R6 .....	181,386	11,158	56,909	135,635	3,158,947	—	191,656	0.16%
Franklin K2 Alternative Strategies Fund, Class R6 .....	—	227,281	—	227,281	2,454,593	—	—	0.61%
Franklin Low Duration Total Return Fund, Class R6 .....	680,307	189,319	78,601	791,025	8,044,721	71,815	(2,344)	0.38%
Franklin MicroCap Value Fund, Class R6 ...	24,211	7,857	7,582	24,486	985,058	—	6,639	0.18%
Franklin Mutual European Fund, Class R6 <sup>b</sup> .....	117,920	7,263	37,134	88,049	2,191,547	—	12,382	0.07%
Franklin Pelagos Commodities Strategy Fund, Class R6 .....	171,060 <sup>c</sup>	—	88,822	82,238	782,903	—	(141,978)	1.13%
Franklin Pelagos Managed Futures Strategy Fund .....	16,782	—	16,782	— <sup>d</sup>	—	—	(4,804)	—

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

**f. Investment in Underlying Funds** (continued)

Underlying Funds	Number of Shares Held at Beginning of Period	Gross Additions	Gross Reductions	Number of Shares Held at End of Period	Value at End of Period	Investment Income	Realized Capital Gain (Loss)	% of Underlying Fund Shares Outstanding Held at End of Period
<b>Franklin LifeSmart 2015 Retirement Target Fund</b> (continued)								
Franklin Real Estate Securities Fund, Class R6	43,096	16,304	13,473	45,927	\$ 919,002	\$ 6,491	\$ 26,270	0.18%
Franklin Rising Dividends Fund, Class R6	101,772	22,431	32,037	92,166	4,650,710	26,140	289,888	0.03%
Franklin Small Cap Growth Fund, Class R6	55,765	23,676	17,608	61,833	1,285,514	—	55,648	0.06%
Franklin Strategic Income Fund, Class R6	369,572	108,661	42,972	435,261	4,652,937	96,115	821	0.05%
Franklin U.S. Government Securities Fund, Class R6	1,235,250	358,460	143,232	1,450,478	9,500,634	172,432	(34,756)	0.14%
Franklin Utilities Fund, Class R6	133,081	25,330	65,242	93,169	1,632,322	28,854	98,108	0.03%
Institutional Fiduciary Trust Money Market Portfolio	1,003,530	16,017,515	15,728,620	1,292,425	1,292,425	—	—	0.01%
Templeton China World Fund, Class R6	19,897	1,210	6,252	14,855	537,585	—	6,349	0.07%
Templeton Foreign Fund, Class R6	182,545	11,222	57,383	136,384	1,166,085	—	96,481	0.02%
Templeton Frontier Markets Fund, Class R6	74,546	4,543	23,376	55,713	1,062,445	—	47,339	0.07%
Templeton Global Total Return Fund, Class R6	797,598	232,448	92,855	937,191	12,783,284	235,931	(47,221)	0.14%
<b>Total</b>					<b>\$67,209,249</b>	<b>\$637,778</b>	<b>\$1,441,167</b>	
<b>Franklin LifeSmart 2020 Retirement Target Fund</b>								
Franklin Biotechnology Discovery Fund, Class R6	549	573	554	568	\$ 83,056	\$ —	\$ (9,595)	0.01%
Franklin DynaTech Fund, Class R6	5,830	6,594	2,004	10,420	481,943	—	(7,474)	0.02%
Franklin Emerging Market Debt Opportunities Fund <sup>a</sup>	3,702	6,801	1,556	8,947	110,669	—	(218)	0.02%
Franklin Flex Cap Growth Fund, Class R6	794	806	68	1,532	91,410	—	(489)	— <sup>e</sup>
Franklin Growth Fund, Class R6	2,185	2,484	198	4,471	312,728	—	(258)	— <sup>e</sup>
Franklin Growth Opportunities Fund, Class R6	1,717	1,942	168	3,491	112,165	—	(86)	0.01%
Franklin International Growth Fund, Class R6	872	1,029	35	1,866	21,922	—	(3)	0.01%
Franklin International Small Cap Growth Fund, Class R6	9,508	10,826	797	19,537	455,026	—	(421)	0.02%
Franklin K2 Alternative Strategies Fund, Class R6	—	14,363	—	14,363	155,114	—	—	0.04%
Franklin Low Duration Total Return Fund, Class R6	15,784	33,349	5,704	43,429	441,674	2,811	(141)	0.02%
Franklin MicroCap Value Fund, Class R6	968	1,686	91	2,563	103,092	—	(308)	0.02%
Franklin Mutual European Fund, Class R6 <sup>b</sup>	5,428	6,233	462	11,199	278,740	—	(746)	0.01%

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Underlying Funds	Number of Shares Held at Beginning of Period	Gross Additions	Gross Reductions	Number of Shares Held at End of Period	Value at End of Period	Investment Income	Realized Capital Gain (Loss)	% of Underlying Fund Shares Outstanding Held at End of Period
<b>Franklin LifeSmart 2020 Retirement Target Fund (continued)</b>								
Franklin Pelagos Commodities Strategy Fund, Class R6	3,415 <sup>c</sup>	3,507	138	6,784	\$ 64,587	\$ —	\$ (36)	0.09%
Franklin Pelagos Managed Futures Strategy Fund	320	12	332	— <sup>d</sup>	—	—	42	—
Franklin Real Estate Securities Fund, Class R6	2,037	3,584	194	5,427	108,598	702	(52)	0.02%
Franklin Rising Dividends Fund, Class R6	4,876	7,048	413	11,511	580,835	2,741	(585)	— <sup>e</sup>
Franklin Small Cap Growth Fund, Class R6	2,349	5,321	202	7,468	155,262	—	(109)	0.01%
Franklin Strategic Income Fund, Class R6	9,021	19,136	3,987	24,170	258,378	4,251	(38)	— <sup>e</sup>
Franklin U.S. Government Securities Fund, Class R6	30,072	63,351	13,351	80,072	524,472	7,631	(329)	0.01%
Franklin Utilities Fund, Class R6	6,669	9,064	3,535	12,198	213,714	2,929	736	— <sup>e</sup>
Templeton China World Fund, Class R6	879	993	96	1,776	64,286	—	(555)	0.01%
Templeton Foreign Fund, Class R6	8,832	9,488	739	17,581	150,321	—	(385)	— <sup>e</sup>
Templeton Frontier Markets Fund, Class R6	3,369	3,799	304	6,864	130,905	—	(68)	0.01%
Templeton Global Total Return Fund, Class R6	18,709	40,076	8,360	50,425	687,795	9,736	(182)	0.01%
<b>Total</b>					<b>\$ 5,586,692</b>	<b>\$ 30,801</b>	<b>\$ (21,300)</b>	
<b>Franklin LifeSmart 2025 Retirement Target Fund</b>								
Franklin Biotechnology Discovery Fund, Class R6	33,215	1,036	19,820	14,431	\$ 2,108,350	\$ —	\$ 168,379	0.14%
Franklin DynaTech Fund, Class R6	279,098	15,777	91,008	203,867	9,428,848	—	203,212	0.41%
Franklin Emerging Market Debt Opportunities Fund <sup>a</sup>	97,394	36,364	6,539	127,219	1,573,698	—	(5,152)	0.25%
Franklin Flex Cap Growth Fund, Class R6	31,387	1,084	5,135	27,336	1,631,384	—	5,840	0.04%
Franklin Growth Fund, Class R6	71,775	2,455	11,751	62,479	4,370,398	—	120,045	0.04%
Franklin Growth Opportunities Fund, Class R6	72,393	2,505	11,858	63,040	2,025,471	—	33,125	0.21%
Franklin International Growth Fund, Class R6	48,404	1,635	7,892	42,147	495,229	—	5,018	0.16%
Franklin International Small Cap Growth Fund, Class R6	415,470	14,020	67,723	361,767	8,425,552	—	127,648	0.43%
Franklin K2 Alternative Strategies Fund, Class R6	—	294,487	—	294,487	3,180,397	—	—	0.79%
Franklin Low Duration Total Return Fund, Class R6	354,640	150,501	24,076	481,065	4,892,432	38,225	(735)	0.23%
Franklin MicroCap Value Fund, Class R6	43,077	16,876	7,036	52,917	2,128,863	—	695	0.39%
Franklin Mutual European Fund, Class R6 <sup>b</sup>	243,881	8,261	39,848	212,294	5,283,992	—	(4,766)	0.17%
Franklin Pelagos Commodities Strategy Fund, Class R6	114,106 <sup>c</sup>	—	7,606	106,500	1,013,877	—	(12,152)	1.46%

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

**f. Investment in Underlying Funds** (continued)

Underlying Funds	Number of Shares Held at Beginning of Period	Gross Additions	Gross Reductions	Number of Shares Held at End of Period	Value at End of Period	Investment Income	Realized Capital Gain (Loss)	% of Underlying Fund Shares Outstanding Held at End of Period
<b>Franklin LifeSmart 2025 Retirement Target Fund</b> (continued)								
Franklin Pelagos Managed Futures Strategy Fund	11,101	—	11,101	— <sup>d</sup>	\$ —	\$ —	\$ (18,168)	—
Franklin Real Estate Securities Fund, Class R6	85,602	35,880	13,945	107,537	2,151,821	14,766	11,866	0.42%
Franklin Rising Dividends Fund, Class R6	236,182	51,399	40,827	246,754	12,451,211	67,480	82,027	0.08%
Franklin Small Cap Growth Fund, Class R6	147,850	55,427	24,260	179,017	3,721,758	—	42,612	0.18%
Franklin Strategic Income Fund, Class R6	204,580	82,325	13,800	273,105	2,919,495	54,072	(393)	0.03%
Franklin U.S. Government Securities Fund, Class R6	719,975	286,999	48,537	958,437	6,277,764	102,653	(11,458)	0.09%
Franklin Utilities Fund, Class R6	286,140	50,645	104,446	232,339	4,070,588	68,604	62,840	0.07%
Institutional Fiduciary Trust Money Market Portfolio	1,468,315	17,666,447	17,246,242	1,888,520	1,888,520	—	—	0.01%
Templeton China World Fund, Class R6	44,153	1,475	7,196	38,432	1,390,855	—	(25,836)	0.19%
Templeton Foreign Fund, Class R6	341,118	11,489	55,775	296,832	2,537,910	—	16,429	0.03%
Templeton Frontier Markets Fund, Class R6	147,872	4,969	24,032	128,809	2,456,385	—	18,019	0.16%
Templeton Global Total Return Fund, Class R6	455,148	192,460	30,981	616,627	8,410,793	136,860	(22,982)	0.09%
<b>Total</b>					<b>\$94,835,591</b>	<b>\$482,660</b>	<b>\$ 796,113</b>	
<b>Franklin LifeSmart 2030 Retirement Target Fund</b>								
Franklin Biotechnology Discovery Fund, Class R6	429	472	386	515	\$ 75,231	\$ —	\$ (7,644)	0.01%
Franklin DynaTech Fund, Class R6	4,368	6,240	1,526	9,082	420,043	—	(6,898)	0.02%
Franklin Emerging Market Debt Opportunities Fund <sup>a</sup>	1,395	2,908	216	4,087	50,558	—	(10)	0.01%
Franklin Flex Cap Growth Fund, Class R6	521	814	63	1,272	75,927	—	(480)	— <sup>e</sup>
Franklin Growth Fund, Class R6	1,443	2,243	177	3,509	245,487	—	(20)	— <sup>e</sup>
Franklin Growth Opportunities Fund, Class R6	1,111	1,729	136	2,704	86,866	—	(266)	0.01%
Franklin International Growth Fund, Class R6	772	1,145	92	1,825	21,443	—	(3)	0.01%
Franklin International Small Cap Growth Fund, Class R6	6,671	10,429	822	16,278	379,125	—	(473)	0.02%
Franklin K2 Alternative Strategies Fund, Class R6	—	7,895	—	7,895	85,266	—	—	0.02%
Franklin Low Duration Total Return Fund, Class R6	5,018	11,064	808	15,274	155,338	994	(16)	0.01%
Franklin MicroCap Value Fund, Class R6	735	1,741	119	2,357	94,802	—	(345)	0.02%



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<b>Franklin LifeSmart 2030 Retirement Target Fund (continued)</b>								
Franklin Mutual European Fund, Class R6 <sup>b</sup> .....	3,807	5,278	436	8,649	\$ 215,283	\$ —	\$ (568)	0.01%
Franklin Pelagos Commodities Strategy Fund, Class R6 .....	1,389 <sup>c</sup>	2,914	—	4,303	40,968	—	—	0.06%
Franklin Pelagos Managed Futures Strategy Fund .....	134	—	134	— <sup>d</sup>	—	—	18	—
Franklin Real Estate Securities Fund, Class R6 .....	1,462	3,559	241	4,780	95,652	583	(54)	0.02%
Franklin Rising Dividends Fund, Class R6 .....	3,552	7,018	506	10,064	507,851	2,050	(193)	— <sup>e</sup>
Franklin Small Cap Growth Fund, Class R6 .....	2,301	5,754	280	7,775	161,646	—	(486)	0.01%
Franklin Strategic Income Fund, Class R6 .....	2,848	6,429	463	8,814	94,223	1,317	5	— <sup>e</sup>
Franklin U.S. Government Securities Fund, Class R6 .....	9,112	20,459	1,479	28,092	184,003	2,269	(20)	— <sup>e</sup>
Franklin Utilities Fund, Class R6 .....	4,590	8,357	2,787	10,160	178,010	2,037	242	— <sup>e</sup>
Templeton China World Fund, Class R6 .....	737	1,165	90	1,812	65,592	—	(409)	0.01%
Templeton Foreign Fund, Class R6 .....	5,682	8,842	698	13,826	118,211	—	(52)	— <sup>e</sup>
Templeton Frontier Markets Fund, Class R6 .....	2,498	3,887	305	6,080	115,939	—	(20)	0.01%
Templeton Global Total Return Fund, Class R6 .....	6,325	12,783	956	18,152	247,588	3,086	— <sup>f</sup>	— <sup>e</sup>
<b>Total</b> .....					<b>\$ 3,715,052</b>	<b>\$ 12,336</b>	<b>\$ (17,692)</b>	
<b>Franklin LifeSmart 2035 Retirement Target Fund</b>								
Franklin Biotechnology Discovery Fund, Class R6 .....	28,135	169	15,466	12,838	\$ 1,875,640	\$ —	\$ 90,260	0.13%
Franklin DynaTech Fund, Class R6 .....	219,610	2,143	59,246	162,507	7,515,962	—	113,393	0.33%
Franklin Emerging Market Debt Opportunities Fund <sup>g</sup> .....	49,365	15,221	5,789	58,797	727,325	—	(4,937)	0.12%
Franklin Flex Cap Growth Fund, Class R6 .....	27,074	327	2,621	24,780	1,478,877	—	(3,350)	0.04%
Franklin Growth Fund, Class R6 .....	62,752	756	6,084	57,424	4,016,832	—	15,214	0.04%
Franklin Growth Opportunities Fund, Class R6 .....	49,762	601	4,809	45,554	1,463,651	—	6,117	0.15%
Franklin International Growth Fund, Class R6 .....	35,428	425	3,434	32,419	380,922	—	564	0.12%
Franklin International Small Cap Growth Fund, Class R6 .....	315,372	3,786	30,495	288,663	6,722,967	—	15,404	0.34%
Franklin K2 Alternative Strategies Fund, Class R6 .....	—	213,783	—	213,783	2,308,817	—	—	0.58%
Franklin Low Duration Total Return Fund, Class R6 .....	174,229	55,574	20,356	209,447	2,130,072	17,431	(625)	0.10%
Franklin MicroCap Value Fund, Class R6 .....	31,204	14,074	3,014	42,264	1,700,278	—	(2,091)	0.31%
Franklin Mutual European Fund, Class R6 <sup>b</sup> .....	188,555	2,264	18,246	172,573	4,295,347	—	(11,977)	0.14%

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

**f. Investment in Underlying Funds** (continued)

Underlying Funds	Number of Shares Held at Beginning of Period	Gross Additions	Gross Reductions	Number of Shares Held at End of Period	Value at End of Period	Investment Income	Realized Capital Gain (Loss)	% of Underlying Fund Shares Outstanding Held at End of Period
<b>Franklin LifeSmart 2035 Retirement Target Fund</b> (continued)								
Franklin Pelagos Commodities Strategy Fund, Class R6	60,010 <sup>c</sup>	19,933	5,829	74,114	\$ 705,563	\$ —	\$ (8,035)	1.02%
Franklin Pelagos Managed Futures Strategy Fund	5,589	—	5,589	— <sup>d</sup>	—	—	(5,727)	—
Franklin Real Estate Securities Fund, Class R6	67,993	30,077	6,571	91,499	1,830,888	12,315	(3,451)	0.36%
Franklin Rising Dividends Fund, Class R6	186,033	36,921	18,051	204,903	10,339,429	55,018	9,301	0.06%
Franklin Small Cap Growth Fund, Class R6	104,302	45,579	10,105	139,776	2,905,937	—	5,477	0.14%
Franklin Strategic Income Fund, Class R6	97,149	32,459	11,415	118,193	1,263,487	23,558	(403)	0.01%
Franklin U.S. Government Securities Fund, Class R6	323,629	106,871	37,930	392,570	2,571,336	42,162	(9,459)	0.04%
Franklin Utilities Fund, Class R6	239,377	38,933	73,696	204,614	3,584,837	58,672	27,716	0.06%
Institutional Fiduciary Trust Money Market Portfolio	962,275	11,264,346	11,465,981	760,640	760,640	—	—	— <sup>e</sup>
Templeton China World Fund, Class R6	35,578	429	3,448	32,559	1,178,316	—	(16,721)	0.16%
Templeton Foreign Fund, Class R6	286,395	3,430	27,814	262,011	2,240,192	—	(4,324)	0.03%
Templeton Frontier Markets Fund, Class R6	119,184	1,435	11,500	109,119	2,080,898	—	3,884	0.13%
Templeton Global Total Return Fund, Class R6	217,058	72,121	25,550	263,629	3,595,902	60,832	(18,637)	0.04%
<b>Total</b>					<b>\$67,674,115</b>	<b>\$269,988</b>	<b>\$ 197,593</b>	
<b>Franklin LifeSmart 2040 Retirement Target Fund</b>								
Franklin Biotechnology Discovery Fund, Class R6	236	253	197	292	\$ 42,637	\$ —	\$ (2,640)	— <sup>e</sup>
Franklin DynaTech Fund, Class R6	2,321	3,319	874	4,766	220,425	—	(2,344)	0.01%
Franklin Emerging Market Debt Opportunities Fund <sup>a</sup>	468	1,451	682	1,237	15,298	—	51	— <sup>e</sup>
Franklin Flex Cap Growth Fund, Class R6	284	450	53	681	40,661	—	(324)	— <sup>e</sup>
Franklin Growth Fund, Class R6	822	1,306	148	1,980	138,477	—	(66)	— <sup>e</sup>
Franklin Growth Opportunities Fund, Class R6	533	844	97	1,280	41,135	—	(78)	— <sup>e</sup>
Franklin International Growth Fund, Class R6	391	654	51	994	11,676	—	(1)	— <sup>e</sup>
Franklin International Small Cap Growth Fund, Class R6	3,365	5,312	639	8,038	187,196	—	(351)	0.01%
Franklin K2 Alternative Strategies Fund, Class R6	—	3,614	—	3,614	39,030	—	—	0.01%
Franklin Low Duration Total Return Fund, Class R6	1,711	5,099	2,482	4,328	44,020	223	(31)	— <sup>e</sup>

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<b>Franklin LifeSmart 2040 Retirement Target Fund (continued)</b>								
Franklin MicroCap Value Fund, Class R6	311	811	67	1,055	\$ 42,433	\$ —	\$ (158)	0.01%
Franklin Mutual European Fund, Class R6 <sup>b</sup>	1,922	3,105	320	4,707	117,164	—	(254)	— <sup>e</sup>
Franklin Pelagos Commodities Strategy Fund, Class R6	550 <sup>c</sup>	1,566	—	2,116	20,148	—	—	0.03%
Franklin Pelagos Managed Futures Strategy Fund	51	—	51	— <sup>d</sup>	—	—	5	—
Franklin Real Estate Securities Fund, Class R6	721	1,790	175	2,336	46,739	269	(56)	0.01%
Franklin Rising Dividends Fund, Class R6	1,849	3,724	373	5,200	262,377	892	(320)	— <sup>e</sup>
Franklin Small Cap Growth Fund, Class R6	1,050	2,845	181	3,714	77,215	—	(216)	— <sup>e</sup>
Franklin Strategic Income Fund, Class R6	973	3,101	1,438	2,636	28,179	360	34	— <sup>e</sup>
Franklin U.S. Government Securities Fund, Class R6	3,081	10,316	3,049	10,348	67,781	642	(53)	— <sup>e</sup>
Franklin Utilities Fund, Class R6	2,473	4,398	1,432	5,439	95,293	932	72	— <sup>e</sup>
Templeton China World Fund, Class R6	386	583	63	906	32,783	—	(311)	— <sup>e</sup>
Templeton Foreign Fund, Class R6	2,945	4,743	494	7,194	61,508	—	(85)	— <sup>e</sup>
Templeton Frontier Markets Fund, Class R6	1,281	2,066	215	3,132	59,729	—	(1)	— <sup>e</sup>
Templeton Global Total Return Fund, Class R6	2,158	6,654	3,167	5,645	77,005	801	201	— <sup>e</sup>
<b>Total</b>					<b>\$ 1,768,909</b>	<b>\$ 4,119</b>	<b>\$ (6,926)</b>	
<b>Franklin LifeSmart 2045 Retirement Target Fund</b>								
Franklin Biotechnology Discovery Fund, Class R6	18,169	1,496	11,294	8,371	\$ 1,223,028	\$ —	\$62,300	0.08%
Franklin DynaTech Fund, Class R6	156,359	13,561	50,512	119,408	5,522,631	—	76,506	0.24%
Franklin Emerging Market Debt Opportunities Fund <sup>a</sup>	23,016	11,501	3,359	31,158	385,420	—	(3,288)	0.06%
Franklin Flex Cap Growth Fund, Class R6	15,327	1,351	2,528	14,150	844,446	—	19	0.02%
Franklin Growth Fund, Class R6	45,518	3,970	7,512	41,976	2,936,244	—	20,769	0.03%
Franklin Growth Opportunities Fund, Class R6	27,492	2,434	4,527	25,399	816,076	—	5,181	0.08%
Franklin International Growth Fund, Class R6	24,601	2,243	4,066	22,778	267,645	—	606	0.08%
Franklin International Small Cap Growth Fund, Class R6	221,280	19,894	36,512	204,662	4,766,566	—	24,265	0.24%
Franklin K2 Alternative Strategies Fund, Class R6	—	141,730	—	141,730	1,530,656	—	—	0.38%
Franklin Low Duration Total Return Fund, Class R6	89,366	45,815	13,007	122,174	1,242,510	9,459	(447)	0.06%

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

**f. Investment in Underlying Funds** (continued)

Underlying Funds	Number of Shares Held at Beginning of Period	Gross Additions	Gross Reductions	Number of Shares Held at End of Period	Value at End of Period	Investment Income	Realized Capital Gain (Loss)	% of Underlying Fund Shares Outstanding Held at End of Period
<b>Franklin LifeSmart 2045 Retirement Target Fund</b> (continued)								
Franklin MicroCap Value Fund, Class R6	17,771	10,509	2,922	25,358	\$ 1,020,134	\$ —	\$ (1,288)	0.19%
Franklin Mutual European Fund, Class R6 <sup>b</sup>	128,117	11,257	21,178	118,196	2,941,909	—	(5,670)	0.09%
Franklin Pelagos Commodities Strategy Fund, Class R6	34,055 <sup>c</sup>	22,734	6,614	50,175	477,669	—	(8,641)	0.69%
Franklin Pelagos Managed Futures Strategy Fund	3,159	—	3,159	— <sup>d</sup>	—	—	(1,056)	—
Franklin Real Estate Securities Fund, Class R6	38,542	22,462	6,343	54,661	1,093,775	7,254	(1,832)	0.22%
Franklin Rising Dividends Fund, Class R6	135,441	34,798	22,378	147,861	7,461,042	39,907	15,052	0.05%
Franklin Small Cap Growth Fund, Class R6	70,051	37,556	11,574	96,033	1,996,521	—	5,612	0.10%
Franklin Strategic Income Fund, Class R6	45,777	24,196	6,680	63,293	676,606	12,269	(381)	0.01%
Franklin U.S. Government Securities Fund, Class R6	153,136	80,338	22,319	211,155	1,383,066	22,153	(5,820)	0.02%
Franklin Utilities Fund, Class R6	169,143	38,519	63,527	144,135	2,525,243	41,610	22,200	0.04%
Institutional Fiduciary Trust Money Market Portfolio	329,483	11,067,846	11,158,449	238,880	238,880	—	—	— <sup>e</sup>
Templeton China World Fund, Class R6	26,217	2,329	4,336	24,210	876,167	—	(22,241)	0.12%
Templeton Foreign Fund, Class R6	239,512	21,267	39,641	221,138	1,890,726	—	(2,441)	0.02%
Templeton Frontier Markets Fund, Class R6	80,335	7,115	13,250	74,200	1,414,999	—	3,316	0.09%
Templeton Global Total Return Fund, Class R6	104,863	55,200	15,336	144,727	1,974,073	31,387	(10,838)	0.02%
<b>Total</b>					<b>\$45,506,032</b>	<b>\$164,039</b>	<b>\$ 171,883</b>	
<b>Franklin LifeSmart 2050 Retirement Target Fund</b>								
Franklin Biotechnology Discovery Fund, Class R6	182	358	219	321	\$ 46,887	\$ —	\$ (3,852)	— <sup>e</sup>
Franklin DynaTech Fund, Class R6	1,922	4,800	954	5,768	266,771	—	(3,255)	0.01%
Franklin Emerging Market Debt Opportunities Fund <sup>a</sup>	315	1,652	628	1,339	16,567	—	(26)	— <sup>e</sup>
Franklin Flex Cap Growth Fund, Class R6	192	521	42	671	40,025	—	(231)	— <sup>e</sup>
Franklin Growth Fund, Class R6	731	1,982	161	2,552	178,522	—	(45)	— <sup>e</sup>
Franklin Growth Opportunities Fund, Class R6	359	971	79	1,251	40,203	—	(100)	— <sup>e</sup>
Franklin International Growth Fund, Class R6	358	971	79	1,250	14,691	—	(3)	— <sup>e</sup>
Franklin International Small Cap Growth Fund, Class R6	2,773	7,498	612	9,659	224,954	—	(249)	0.01%

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<b>Franklin LifeSmart 2050 Retirement Target Fund (continued)</b>								
Franklin K2 Alternative Strategies Fund, Class R6	—	4,186	—	4,186	\$ 45,209	\$ —	\$ —	0.01%
Franklin Low Duration Total Return Fund, Class R6	1,238	6,561	2,480	5,319	54,090	250	(34)	— <sup>e</sup>
Franklin MicroCap Value Fund, Class R6	204	901	59	1,046	42,096	—	(107)	0.01%
Franklin Mutual European Fund, Class R6 <sup>b</sup>	1,640	4,446	362	5,724	142,469	—	(196)	— <sup>e</sup>
Franklin Pelagos Commodities Strategy Fund, Class R6	451 <sup>c</sup>	1,906	—	2,357	22,435	—	—	0.03%
Franklin Pelagos Managed Futures Strategy Fund	44	6	50	— <sup>d</sup>	—	—	6	—
Franklin Real Estate Securities Fund, Class R6	509	2,117	143	2,483	49,675	286	(23)	0.01%
Franklin Rising Dividends Fund, Class R6	1,608	5,246	391	6,463	326,147	1,180	(130)	— <sup>e</sup>
Franklin Small Cap Growth Fund, Class R6	868	3,310	695	3,483	72,407	—	(172)	— <sup>e</sup>
Franklin Strategic Income Fund, Class R6	701	3,759	1,408	3,052	32,622	433	(28)	— <sup>e</sup>
Franklin U.S. Government Securities Fund, Class R6	2,050	10,997	4,119	8,928	58,481	701	(65)	— <sup>e</sup>
Franklin Utilities Fund, Class R6	2,113	6,280	1,760	6,633	116,209	1,195	57	— <sup>e</sup>
Templeton China World Fund, Class R6	337	732	265	804	29,091	—	(613)	— <sup>e</sup>
Templeton Foreign Fund, Class R6	3,115	8,422	687	10,850	92,764	—	(22)	— <sup>e</sup>
Templeton Frontier Markets Fund, Class R6	997	2,690	219	3,468	66,133	—	(10)	— <sup>e</sup>
Templeton Global Total Return Fund, Class R6	1,317	7,048	2,657	5,708	77,856	725	(63)	— <sup>e</sup>
<b>Total</b>					<u>\$ 2,056,304</u>	<u>\$ 4,770</u>	<u>\$ (9,161)</u>	

<sup>a</sup>Effective June 30, 2014, the Franklin Templeton Emerging Markets Debt Opportunities Fund was renamed the Franklin Emerging Market Debt Opportunities Fund.

<sup>b</sup>Effective June 30, 2014, the Mutual European Fund was renamed the Franklin Mutual European Fund.

<sup>c</sup>Effective January 10, 2014, the Underlying Fund's shares were exchanged to Class R6.

<sup>d</sup>As of June 30, 2014, no longer held by the fund.

<sup>e</sup>Rounds to less than 0.01%.

<sup>f</sup>Rounds to less than \$1.

**g. Waiver and Expense Reimbursements**

Advisers and Investor Services have contractually agreed in advance to waive or limit their respective fees and to assume as their own expense certain expenses otherwise payable by the funds so that the expenses (excluding distribution fees and acquired fund fees and expenses) for Class A, Class C, Class R and Advisor Class of the funds do not exceed 0.05%, and Class R6 does not exceed 0.00% based on the average net assets of each class (other than certain non-routine expenses or costs, including those relating to litigation, indemnification, reorganizations, and liquidations) until April 30, 2015.

#### 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 period ended June 30, 2014, there were no credits earned.

#### 5. Income Taxes

For tax purposes, the Funds may elect to defer any portion of a post-October capital loss to the first day of the following fiscal year. At December 31, 2013, the deferred post-October capital losses were as follows:

	Franklin LifeSmart 2015 Retirement Target Fund	Franklin LifeSmart 2025 Retirement Target Fund	Franklin LifeSmart 2035 Retirement Target Fund	Franklin LifeSmart 2040 Retirement Target Fund	Franklin LifeSmart 2045 Retirement Target Fund
Realized capital losses . . . . .	\$33,402	\$28,766	\$9,495	\$15	\$5,093

At June 30, 2014, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

	Franklin LifeSmart 2015 Retirement Target Fund	Franklin LifeSmart 2020 Retirement Target Fund	Franklin LifeSmart 2025 Retirement Target Fund	Franklin LifeSmart 2030 Retirement Target Fund
Cost of investments . . . . .	\$66,969,103	\$5,892,750	\$87,020,224	\$3,889,116
Unrealized appreciation . . . . .	\$ 8,006,306	\$ 288,148	\$18,353,118	\$ 183,355
Unrealized depreciation . . . . .	(183,750)	—	(165,176)	(116)
Net unrealized appreciation (depreciation) . . . . .	\$ 7,822,556	\$ 288,148	\$18,187,942	\$ 183,239

	Franklin LifeSmart 2035 Retirement Target Fund	Franklin LifeSmart 2040 Retirement Target Fund	Franklin LifeSmart 2045 Retirement Target Fund	Franklin LifeSmart 2050 Retirement Target Fund
Cost of investments . . . . .	\$60,888,752	\$1,816,239	\$40,821,439	\$2,116,087
Unrealized appreciation . . . . .	\$14,324,424	\$ 95,544	\$ 9,746,550	\$ 110,853
Unrealized depreciation . . . . .	(72,502)	(12)	(38,580)	—
Net unrealized appreciation (depreciation) . . . . .	\$14,251,922	\$ 95,532	\$ 9,707,970	\$ 110,853

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of short term capital gains distributions from Underlying Funds and ETFs and wash sales.

#### 6. Investment Transactions

Purchases and sales of Underlying Funds and ETFs (excluding short term securities) for the period ended June 30, 2014, were as follows:

	Franklin LifeSmart 2015 Retirement Target Fund	Franklin LifeSmart 2020 Retirement Target Fund	Franklin LifeSmart 2025 Retirement Target Fund	Franklin LifeSmart 2030 Retirement Target Fund
Purchases . . . . .	\$19,154,112	\$4,148,837	\$23,283,159	\$2,790,248
Sales . . . . .	\$18,194,254	\$ 671,999	\$19,777,122	\$ 322,798

	Franklin LifeSmart 2035 Retirement Target Fund	Franklin LifeSmart 2040 Retirement Target Fund	Franklin LifeSmart 2045 Retirement Target Fund	Franklin LifeSmart 2050 Retirement Target Fund
Purchases .....	\$13,811,313	\$1,414,985	\$12,667,270	\$1,876,729
Sales .....	\$12,026,548	\$ 282,798	\$10,756,202	\$ 312,866

## 7. Credit Facility

The Funds, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton Investments, are borrowers in a joint syndicated senior unsecured credit facility totaling \$1.5 billion (Global Credit Facility) which matures on February 13, 2015. 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 0.07% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses on the Statements of Operations. During the period ended June 30, 2014, the Funds did not use the Global Credit Facility.

## 8. 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.

For movements between the levels within the fair value hierarchy, the Funds have adopted a policy of recognizing the transfers as of the date of the underlying event which caused the movement.

At June 30, 2014, all of the Funds' investments in financial instruments carried at fair value were valued using Level 1 inputs. For detailed categories, see the accompanying Statements of Investments.

## 9. 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

ETF Exchange Traded Fund

## Shareholder Information

### Board Review of Investment Management Agreement

At a meeting held February 25, 2014, the Board of Trustees (Board), including a majority of non-interested or independent Trustees, approved renewal of the investment management agreement for each of the separate funds comprising Franklin Templeton Fund Allocator Series, other than the newly formed Franklin LifeSmart 2020 Retirement Target Fund, Franklin LifeSmart 2030 Retirement Target Fund, Franklin LifeSmart 2040 Retirement Target Fund and Franklin LifeSmart 2050 Retirement Target Fund (Fund(s)). In reaching its decision to approve renewal of the investment management agreements, the Board took into account information furnished throughout the year at regular Board meetings, as well as information prepared specifically in connection with the annual renewal review process. Information furnished and discussed throughout the year included investment performance reports and related financial information for each Fund, along with periodic reports on expenses, shareholder services, legal and compliance matters, pricing, brokerage commissions and execution and other services provided by the Investment Manager (Manager) and its affiliates. Information furnished specifically in connection with the renewal process included a report for each Fund prepared by Lipper, Inc. (Lipper), an independent organization, as well as additional material, including a Fund profitability analysis prepared by management. The Lipper reports compared each Fund's investment performance and expenses with those of other mutual funds deemed comparable to the Fund as selected by Lipper. The Fund profitability analysis discussed the profitability to Franklin Templeton Investments from its overall U.S. fund operations, as well as on an individual fund-by-fund basis. Additional material accompanying such profitability analysis included information on a fund-by-fund basis listing portfolio managers and other accounts they manage, as well as information on management fees charged by the Manager and its affiliates to U.S. mutual funds and other accounts, including management's explanation of differences where relevant. Such material also included a memorandum prepared by management describing project initiatives and capital investments relating to the services provided to the Funds by the Franklin Templeton Investments organization, as well as a memorandum relating to economies of scale and an analysis concerning transfer agent fees charged by an affiliate of the Manager.

In considering such materials, the independent Trustees received assistance and advice from and met separately with independent counsel. While the investment management agreements for all Funds were considered at the same Board

meeting, the Board dealt with each Fund separately. In approving continuance of the investment management agreement for each Fund, the Board, including a majority of independent Trustees, determined that the existing management fee structure was fair and reasonable and that continuance of the investment management agreement was in the best interests of each Fund and its shareholders. While attention was given to all information furnished, the following discusses some primary factors relevant to the Board's decision.

**NATURE, EXTENT AND QUALITY OF SERVICE.** The Board was satisfied with the nature and quality of the overall services provided by the Manager and its affiliates to the Funds and their shareholders. In addition to investment performance and expenses discussed later, the Board's opinion was based, in part, upon periodic reports furnished it showing that the investment policies and restrictions for each Fund were consistently complied with as well as other reports periodically furnished the Board covering matters such as the compliance of portfolio managers and other management personnel with the code of ethics adopted throughout the Franklin Templeton fund complex, the adherence to fair value pricing procedures established by the Board, and the accuracy of net asset value calculations. The Board also noted the extent of benefits provided Fund shareholders from being part of the Franklin Templeton family of funds, including the right to exchange investments between the same class of funds without a sales charge, the ability to reinvest Fund dividends into other funds and the right to combine holdings in other funds to obtain a reduced sales charge. Favorable consideration was given to management's continual efforts and expenditures in establishing back-up systems and recovery procedures to function in the event of a natural disaster, it being noted that such systems and procedures had functioned well during the Florida hurricanes and blackouts experienced in previous years, and that those operations in the New York/New Jersey area ran smoothly during the period of the 2012 Hurricane Sandy. Among other factors taken into account by the Board were the Manager's best execution trading policies, including a favorable report by an independent portfolio trading analytical firm, which also covered FOREX transactions. Consideration was also given to the experience of each Fund's portfolio management team, the number of accounts managed and general method of compensation. In this latter respect, the Board noted that a primary factor in management's determination of a portfolio manager's bonus compensation was the relative investment performance of the funds he or she managed and that a portion of such bonus was required to be invested in a predesignated list of funds within such person's fund management area so as to be aligned with



the interests of shareholders. The Board also took into account the quality of transfer agent and shareholder services provided Fund shareholders by an affiliate of the Manager and the continual enhancements to the Franklin Templeton website. Particular attention was given to management's conservative approach and diligent risk management procedures, including continual monitoring of counterparty credit risk and attention given to derivatives and other complex instruments including expanded collateralization requirements. The Board also took into account, among other things, management's efforts in establishing a global credit facility for the benefit of the Funds and other accounts managed by Franklin Templeton Investments to provide a source of cash for temporary and emergency purposes or to meet unusual redemption requests as well as the strong financial position of the Manager's parent company and its commitment to the mutual fund business as evidenced by its subsidization of money market funds.

**INVESTMENT PERFORMANCE.** The Board placed significant emphasis on the investment performance of each Fund in view of its importance to shareholders. While consideration was given to performance reports and discussions with portfolio managers at Board meetings throughout the year, particular attention in assessing performance was given to the Lipper reports furnished for the agreement renewals. The Lipper reports prepared for each individual Fund showed the investment performance of its Class A shares, in comparison to a performance universe selected by Lipper. Comparative performance for each Fund was shown for the one-year period ended December 31, 2013, and for additional periods ended that date depending on when a particular Fund commenced operations. The following summarizes the performance results for each of the Funds and the Board's view of such performance.

**Franklin LifeSmart 2015 Retirement Target Fund** – The performance universe for this Fund consisted of the Fund and all retail and institutional mixed-asset target 2015 funds as selected by Lipper. The Fund has been in operation for less than 10 years and the Lipper report showed its 2013 total return to be in the second-highest performing quintile of its performance universe, and its total return on an annualized basis to be in the middle performing quintile of such universe for the previous three-year period, and in the second-highest performing quintile of such universe for the previous five-year period. The Board was satisfied with the comparative performance of the Fund as shown in the Lipper report.

**Franklin LifeSmart 2025 Retirement Target Fund** – The performance universe for this Fund consisted of the Fund and all retail and institutional mixed-asset target 2025 funds as selected by Lipper. The Fund has been in operation for less than 10 years and the Lipper report showed its 2013 total return to be in the highest performing quintile of its performance universe, and on an annualized basis to be in the middle performing quintile of such universe for the previous three-year period, and in the second-highest performing quintile of such universe for the previous five-year period. The Board was satisfied with the comparative performance of the Fund as shown in the Lipper report.

**Franklin LifeSmart 2035 Retirement Target Fund** – The performance universe for this Fund consisted of the Fund and all retail and institutional mixed-asset target 2035 funds as selected by Lipper. The Fund has been in operation for less than 10 years and the Lipper report showed its 2013 total return to be in the second-highest performing quintile of its performance universe and its total return on an annualized basis to be in the second-lowest performing quintile of such performance universe during the previous three-year period, but to be in the second-highest performing quintile for the previous five-year period. The Board found the Fund's overall comparative performance as set forth in the Lipper report to be satisfactory.

**Franklin LifeSmart 2045 Retirement Target Fund** – The performance universe for this Fund consisted of the Fund and all retail and institutional mixed-asset target 2045 funds as selected by Lipper. The Fund has been in operation for less than 10 years and the Lipper report showed the Fund's 2013 total return to be in the middle performing quintile of its performance universe and its total return on an annualized basis to be in the lowest quintile of such universe for the previous three-year period, but to be in the second-highest performing quintile of such universe for the previous five-year period. The Board found the Fund's overall comparative performance as set forth in the Lipper report to be satisfactory and noted that the Fund's annualized three-year return as shown in such report exceeded 9.75%.

**COMPARATIVE EXPENSES.** Consideration was given to the management fee and total expense ratio of each Fund compared with those of a group of retail front-end load fund of funds selected by Lipper as its appropriate Lipper expense group. Lipper expense data is based upon information taken

from each such 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 generally increase as assets decline and decrease as assets grow, the Board believed the independent analysis conducted by Lipper to be an appropriate measure of comparative expenses. In reviewing comparative costs, Lipper provides information on each Fund's contractual investment management fee in comparison with the contractual investment management fee that would have been charged by other funds within its Lipper expense group assuming they were similar in size to the Fund, as well as the actual total expense ratios of the Funds including expenses of the underlying funds they invest in. The Board noted that the Funds pay an asset allocation advisory fee. The Lipper contractual investment management fee analysis includes the administrative fee and asset allocation advisory fee directly charged to the Funds as being part of the contractual investment management fee, with the investment management fees charged underlying funds being included within actual total expenses. Contractual investment management fees and total expenses, for comparative consistency, are shown by Lipper for Fund Class A shares. The Lipper reports for Franklin LifeSmart 2015 Retirement Target Fund, Franklin LifeSmart 2025 Retirement Target Fund, Franklin LifeSmart 2035 Retirement Target Fund and Franklin LifeSmart 2045 Retirement Target Fund showed in each case that their contractual management fee rates were five basis points above their respective Lipper expense group medians, but their actual total expense ratios were below their respective Lipper expense group medians. The Board found the comparative expenses of these Funds as shown in the Lipper report to be acceptable, noting that in each case such expenses were being subsidized by fee waivers.

**MANAGEMENT PROFITABILITY.** The Board also considered the level of profits realized by the Manager and its affiliates in connection with the operation of each Fund. In this respect, the Board reviewed the Fund profitability analysis that addresses the overall profitability of Franklin Templeton's U.S. fund business, as well as its profits in providing management and other services to each of the individual funds during the 12-month period ended September 30, 2013, being the most recent fiscal year-end for Franklin Resources, Inc., the Manager's parent. In reviewing the analysis, the Board recognized that allocation methodologies are inherently subjective

and various allocation methodologies may be reasonable while producing different results. In this respect, the Board noted that while management continually makes refinements to its methodologies in response to organizational and product related changes, the overall approach as defined by the primary drivers and activity measurements has remained consistent with that used in the Funds' profitability report presentations from prior years. Additionally, the Funds' independent registered public accounting firm had been engaged by the Manager to periodically review the reasonableness of the allocation methodologies to be used solely by the Funds' Board in reference to the profitability analysis. In reviewing and discussing such analysis, management discussed with the Board its 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 took into account management's expenditures in improving shareholder services provided the Funds, as well as the need to implement systems and meet additional regulatory and compliance requirements resulting from statutes such as the Sarbanes-Oxley and Dodd-Frank Acts and recent SEC and other regulatory requirements. In addition, the Board considered a third-party study comparing the profitability of the Manager's parent on an overall basis to other publicly held managers broken down to show profitability from management operations exclusive of distribution expenses, as well as profitability including distribution expenses. 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 and potential benefits resulting from allocation of fund brokerage and the use of commission dollars to pay for research. Based upon its consideration of all these factors, and taking into account the fact that Fund expenses were being subsidized through fee waivers, the Board determined 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, quality and extent of services provided.

**ECONOMIES OF SCALE.** The Board also considered whether economies of scale are realized by the Managers as the Funds grow larger and the extent to which this is reflected in

the level of management fees charged. While recognizing that any precise determination is inherently subjective, the Board noted that based upon the Fund profitability analysis, it appears that as some funds get larger, at some point economies of scale do result in the Managers realizing a larger profit margin on management services provided such a fund. The Board also noted that economies of scale are shared with a fund and its shareholders through management fee breakpoints so that as a fund grows in size, its effective management fee rate declines. The management fees charged by all or substantially all the underlying funds in which the Funds invest provide for such management fee breakpoints. Consequently, to the extent economies of scale may be realized by the investment managers of these funds, the benefits are shared with each Fund and its shareholders through a reduction in actual total expense ratios.

### 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 on Form N-Q. Shareholders may view the filed Form N-Q 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.

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**Semiannual Report and Shareholder Letter**  
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