FRANKLIN TEMPLETON INVESTMENTS

Purpose-Driven Investing

Actively Managed Portfolios for Real-Investor Solutions

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People Invest to Achieve Personal Goals

When people are asked why they invest, their answers typically are focused on family and future goals in life—buying a house, saving for emergencies, retirement, taking care of loved ones. Those are the big picture answers. But as in life, it's often as much about the journey as the destination. Investors have specific expectations about the investment experience, as well as the outcomes.

For example, some investors want long-term growth to build their retirement nest egg, but they don't want to feel the volatility that can occur in the broader stock market. Others want regular income distributions after they reach retirement. Still others want investments that can help them manage through changes in the economic environment, or more personal economic challenges.

In a recent survey sponsored by Franklin Templeton Investments, U.S. investors were asked to identify their top three investment goals.[1] Here are their top three answers:

Top Three Investment Goals of U.S. Investors

Benchmarks Don't Take It Personally

Not surprisingly, outpacing a prominent measure of the market is typically not among investor goals. People seek to achieve real-life objectives. While performing in line with an index is typically the only goal of an index fund, many actively managed funds have goals or outcome objectives beyond returns. Indeed, while investment funds are required to have benchmarks to serve as measuring sticks of their performance, true actively managed funds are not typically managed to be like the index. There may be many characteristics of an index that the purpose-built fund will not seek to emulate, such as inflexibility, acceptance of unwanted risks and more extreme returns.

1. The Franklin Templeton Global Investor Sentiment Survey, conducted in partnership with ORC International between February 12, 2015 and March 2, 2015, included 500 U.S. adult respondents.

Portfolios That Seek to Meet Real Investor Needs

If the major indexes are not designed with investors' practical goals in mind, are they the best benchmarks against which to measure? Looking at funds through the lens of investors' actual goals and strategies provides a different view of success metrics.

A Closer Look at Five Investor Needs That Have Little to Do with Benchmarks

"I need a portfolio that produces an **income stream.**"

"I want to **reduce volatility** and market losses."

"I want **broader diversification.**"

"I expect my investments to work across **difficult market cycles.**"

"I expect my investments to perform in **changing economic conditions.**"

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“I need a portfolio that produces an **income stream.**”

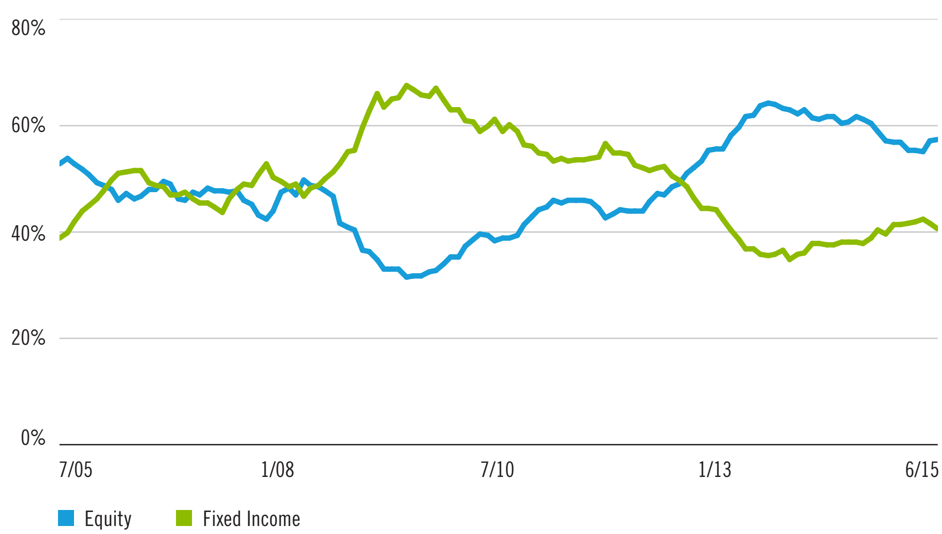
Creating a 65-Year History of Uninterrupted Dividends

As people get closer to retirement, one of their main concerns is generating income from their investments. This has become an even bigger challenge in recent years, as interest rates on many traditional savings vehicles have dropped to zero.

Generating an income stream is not as simple as plugging into a preset allocation of securities or buying whatever offers the highest yield. Markets shift, and any given investment strategy won't behave equally well in all market conditions. An active approach to asset allocation and underlying security selection allows for the tactical capability required to create more consistent income and returns over time.

A good example of this approach is Franklin Income Fund, whose specific investment goal is to maximize income while maintaining prospects for capital appreciation. While it is benchmarked against both the S&P 500 Index and the Barclays U.S. Aggregate Index because of the fund's ability to invest in a mix of stocks and bonds, those indices provide very limited insight on the ability of the fund to deliver on its main objective. Nor does a static blend of those indices reflect how the fund has adjusted over time to effectively deliver against its objective. For instance, consider how its portfolio tactically shifted between stocks and bonds to generate income during periods of rising and falling interest rates.

Franklin Income Fund—Asset Allocation over Time



Holdings are subject to change.

The Income Challenge

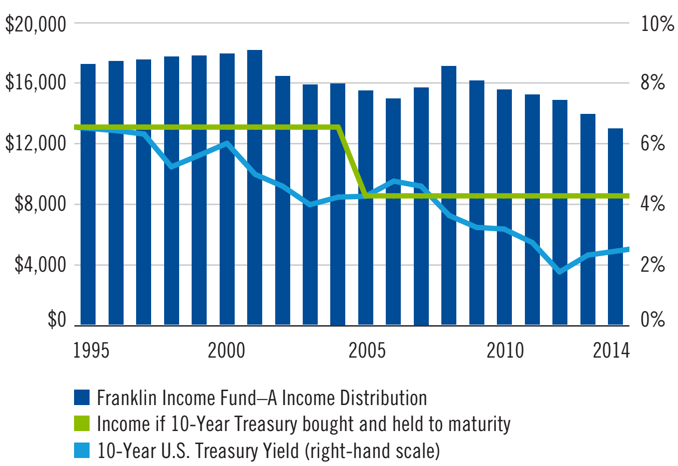
Over the last 20 years, it has become increasingly difficult to find income producing investments as bond yields have declined. This is a major issue for those in or near retirement. Traditional "savers" garner 0.20% or less from their banks.[2] The 10-year Treasury yield has fallen by more than two thirds, from 7.81% at the end of 1994 to 2.35% on June 30, 2015.[3]

Those static investment approaches no longer work. But Franklin Income Fund's dynamic, active approach has continued to work across this new market environment. Consider, for example, a hypothetical $200,000 investment in Franklin Income Fund–Class A, without sales charge, over the past 20 years. Taking dividends as an income stream and reinvesting capital gains, this investment would have produced both a stronger income stream than the 10-year Treasury could have provided, while still increasing the principal balance.

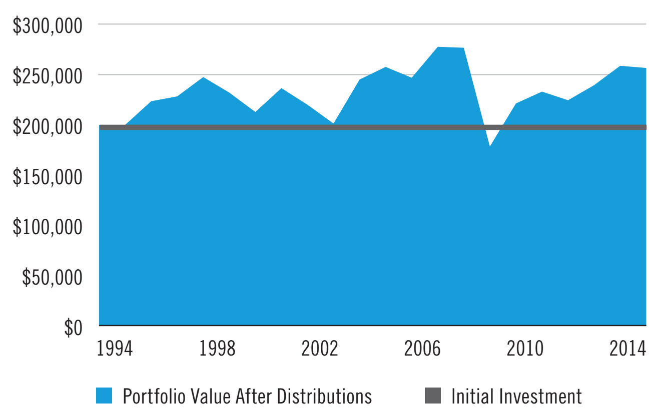
"When you are focused on generating consistent income, you approach your security selection and portfolio construction very differently than if you're just trying to match an index. We look across corporate capital structures to identify investments which offer attractive income and long-term growth potential. Employing this time-tested, research-driven approach allows us to adjust as the market changes."

ED PERKS, CFA
Portfolio Manager, Franklin Income Fund

Annual Dividends vs. 10-Year U.S. Treasury Yield[3]



Hypothetical Portfolio Value



Hypothetical assumes no sales charge. Treasuries, if held to maturity, offer a fixed rate of return and fixed principal value; their interest payments and principal are guaranteed.

Performance data represents past performance, which does not guarantee future results. Current performance may differ from figures shown. Investment return and principal value will fluctuate with market conditions, and your clients may have a gain or loss when they sell their shares. For performance data current to the most recent month end, please visit ***franklintempleton.com****.*

The tactical flexibility of the fund helped to increase its value while still distributing a strong income stream. The higher principal balance helped to keep up the income-producing potential, despite the dramatically lower interest-rate environment. Even at the lows of the financial crisis, the investment's value did not fall far below the initial investment, and it continued to generate strong annual income. Such real-life metrics are not captured by index return comparisons. Franklin Income Fund has navigated both rising and falling interest rate environments over the last seven decades and delivered a steady stream of income to investors.

2. Source: FDIC, June 30, 2015. Based upon the savings, checking, money market, and CD rates of 12 months or less on regular and jumbo (>$100,000) accounts.
3. Source: Federal Reserve, June 30, 2015.

"I want to reduce volatility and market losses."

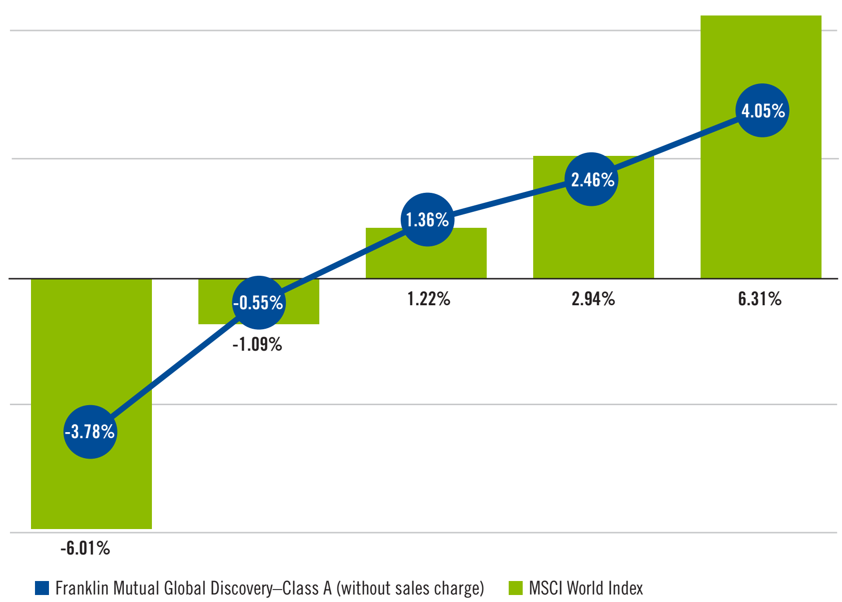
Keeping Focused on Finding the Best Values

There is an old saying about value investing that goes, "It is a lot easier falling off the porch than falling off the roof." The idea is that if you invest in stocks that are undervalued, they may be less likely to decline as much as stocks with higher valuations during a market pullback. Many investors want to invest in equities, but want to do so with a greater focus on downside risk. This is particularly important for investors nearing retirement.

One example of a fund that has helped in this regard is Franklin Mutual Global Discovery Fund. Its managers are opportunistic value investors who strive to reduce risk. The fund's goal is capital appreciation, but the manager's global, value-oriented strategy is to buy stocks for less than intrinsic value and to potentially hedge currency risk. While the fund has historically had success delivering strong returns to investors, a more relevant metric for risk-averse investors may be looking at how much the fund was able to reduce downside risk.

The chart below shows the average monthly return of the MSCI World Index over a 10-year period as broken out by performance quintile. When Franklin Mutual Global Discovery Fund's performance in those months is compared to it, you can see how much better the fund fared versus the index in protecting on the downside.

Average Performance of Fund vs. Index by Quintile[4]
10-Year Period Ended June 30, 2015



Past performance does not guarantee future results.

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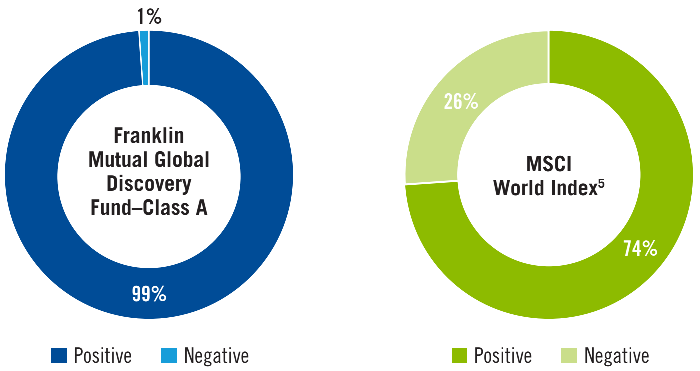
Discipline Has Its Rewards

The chart below shows the net results of seeking stocks with lower risk—the fund has had positive performance in 99% of the 211 rolling five-year periods dating back to its inception. By comparison, its benchmark had negative five-year returns more than once out of every four periods.

Frequency of Negative Five-Year Returns

Five-Year Rolling Periods from December 31, 1992–June 30, 2015



Fund returns do not include sales charges.

Less downside in down markets and fewer negative return periods are not metrics that you'll see when indexes have their performance touted—the greater frequency of negative return periods are simply part and parcel of an investment whose goal is to replicate the market, without consideration of risk. For clients looking to avoid dramatic volatility, is such an approach really the outcome they seek? We think not.

> *"At Mutual Series, our investment analysis and selection process follows three basic principles: we look for stocks that offer solid fundamentals, attractive valuation and, most of all, lower risk. This disciplined approach has enabled our funds to produce, over the years, strong risk-adjusted performance. We believe that return and risk are important in their own right but even more so when looked at in relation to each other."*

PHILIPPE BRUGERE-TRELAT
Portfolio Manager
Franklin Mutual Global Discovery Fund

4. Source: Bloomberg. MSCI makes no warranties and shall have no liability with respect to any MSCI data rerproduced herein. No further redistribution is permitted. This report is not prepared or endorsed by MSCI.
5. Source: Morningstar.

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> "I expect my investments to perform in changing economic conditions."

Flexibility to Act on Anticipated Economic Changes

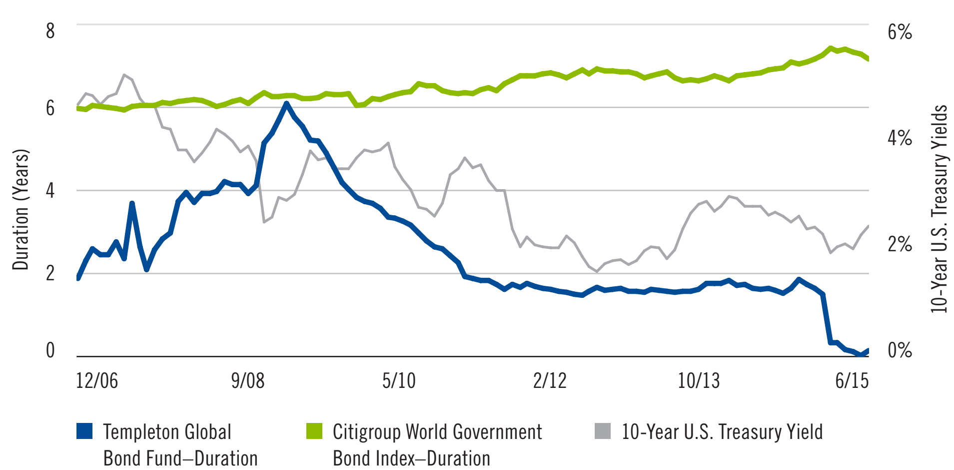
At its heart, an index is backward-looking. It may be diversified, but it is not typically able to change with market conditions, let alone in anticipation of them. Adjustments to the index are made on a scheduled, systematic basis. As such, an index-tracking fund is equally inflexible. For a stock index fund, the unexpected, rapid demise of a company and its stock (e.g. Enron, Lehman Brothers) is part of the price paid for taking this approach.

Similarly, for bond index funds, a sector problem or a rapid change in interest rates is also simply part of the process. Unless the fund's "committee" determines that they want to change the allocations or characteristics of the portfolio—a non-passive behavior—the investor in a fund based on the index is left to experience whatever fallout occurs as a result of the change in economic or market environment. In such a case, the index-based bond portfolio can carry unexpected risk. An unconstrained, actively managed fund may provide the truest ability to reduce the risk of a bond portfolio.

Take, for example, Templeton Global Bond Fund. The fund has an active, unconstrained approach that gives it the flexibility to adapt to changing conditions. Viewing the likelihood of rising rates, it has been reducing its exposure to this risk by lowering its duration. As the 10-year Treasury yield has fallen and the Fed has increasingly indicated its desire to begin to normalize the Fed funds rate, the fund has taken a path of lowering the average maturity and duration of the portfolio. The Citigroup World Government Bond Index, its benchmark, has conversely seen its duration rise in recent years due to its increased exposure to low-yielding sovereign debt, making any index-tracking investments more vulnerable to a rise in interest rates.

Duration of Templeton Global Bond Fund and Its Benchmark in a Declining Rate Environment

December 31, 2006–June 30, 2015



Holdings are subject to change.

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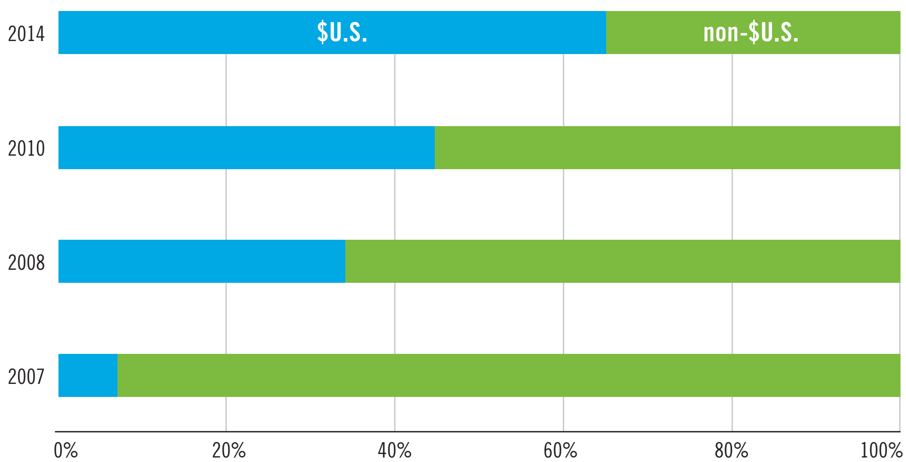
Flexibility to Play Defense and Offense

But diversification can also be viewed for the opportunity it provides. The strengthening of the US economy since the financial crisis, while other major developed markets have struggled to regain their footing, has led to a strengthening US dollar. As you can see below, the fund's manager has observed this divergence and increasingly moved over recent years to have greater exposure to the US dollar. This has been rewarded as the dollar's rise has been a tailwind for the fund.

Templeton Global Bond Fund
US Dollar Exposure (year end)



Holdings are subject to change.

Adjusting duration, or interest rate risk, and managing currency exposure through hedging requires the expertise of a seasoned and savvy active manager to oversee the process. There may be periods of time when all the world's economies are in relative stasis, but when markets are undergoing sea change—as the shift from austerity in Europe and massive liquidity injection by the Federal Reserve in 2012, to the opening of the liquidity spigot in Japan and Europe as the U.S. began to prepare for monetary tightening in 2014—the need for active management is more critical. Passive investments are just not built to adapt, and investors who want investments that navigate changing tides could benefit from the right active manager.

"We are continually looking forward to potential sources of investment return and risk. We believe investors currently face asymmetric risks; there is significant downside risk if rates rise, but very little incremental reward because yields are extraordinarily low. Our positioning seeks to actively address this asymmetry."

MICHAEL HASENSTAB, PH.D.
Portfolio Manager
Templeton Global Bond Fund

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“I expect my investments to work across difficult market cycles.”

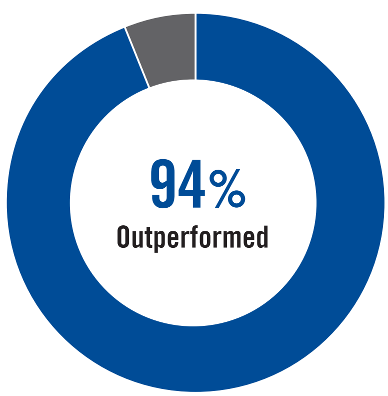
Ability to Generate Returns in Difficult Environments

Almost all investors are likely to have “not losing money” among their unspoken, if not stated, goals. Most understand short-term market fluctuations, even if they don’t particularly like them. Long-term, major market dislocations, however, are usually more unsettling, especially since they produce long-term dislocations of market-index-based investments.

Given the bull market of the last six years, investors have begun to forget the pain that preceded it. During the first 10 years of the 21st century, often referred to as the “Lost Decade,” the U.S. stock market was volatile. By the end of that decade, the market had not only failed to move higher, it had in fact declined. The S&P 500 Index for the 10 years ending December 31, 2009, earned a -9.1% cumulative total return[6]. For those with investments tracking the index, and with the intent of retiring near the turn of the decade, it was a lost decade indeed.

Although it went mostly unreported, in contrast, many actively managed equity funds generated positive returns during the Lost Decade. At Franklin Templeton, of the 35 equity and mixed-asset funds with 10-year records for Class A shares, 31 had positive returns and all but two outperformed the S&P 500 Index.

94% of Franklin Templeton Equity and Mixed Asset Funds (Class A)
Outperformed the S&P 500 Index 12/31/99–12/31/09[6]



6. Source: Morningstar. All rights reserved. Indexes are unmanaged and one cannot invest in an index. **Past performance does not guarantee future results.** Results do not include sales charges. If included, results would have differed.

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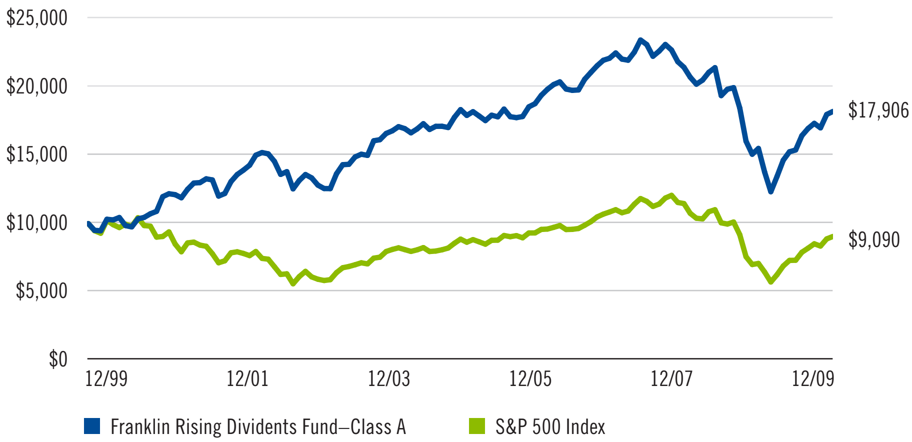
Franklin Rising Dividends Fund—Criteria of Quality Has Helped in Soft Markets

Examining one fund that performed exceptionally well through that turbulent period—Franklin Rising Dividends Fund—you can see it was able to deliver cumulative total returns of 79% during the Lost Decade. How? By actively managing a portfolio of high-quality stocks that meet its strict criteria. Notably, falling short of our expectations for dividend growth is one factor that can lead to a stock's removal from our portfolio.

POSITIVE RETURNS IN THE LOST DECADE[6]

Growth of $10,000 Franklin Rising Dividends Fund–Class A vs. S&P 500 Index
12/31/99–12/31/09



The results, as you can see at right, were obtained by generally performing well during up years and avoiding the severity of losses that the index incurred during down years.

Markets have historically gone through long periods of treading water. Such markets are when truly active managers can demonstrate their ability to outperform. When rising tides aren't lifting all boats, an evaluation of quality may make all the difference between flat to negative returns and positive results.

"We have a very rigorous screening process that helps us to identify strong companies by looking at their history of dividend growth, consistency and magnitude. Beyond our quantitative metrics, we also assess a company's capacity and management's willingness to pay a rising dividend over a long horizon."

DON TAYLOR
Portfolio Manager
Franklin Rising Dividends Fund

Annual Returns During the Lost Decade%

	Franklin Rising Dividends Fund Class A	S&P 500 Index[6]
2000	18.98	-9.10
2001	13.11	-11.89
2002	-1.76	-22.10
2003	23.70	28.68
2004	10.28	10.88
2005	2.32	4.91
2006	17.36	15.79
2007	-2.95	5.49
2008	-27.22	-37.00
2009	17.05	26.46
Cumulative	**+79.06**	**-9.10**

Fund returns do not include the maximum 5.75% initial sales charge. If included, results would have been lower. Indexes are unmanaged and one cannot invest in an index. See page 12 for standardized returns.

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"I want broader diversification."

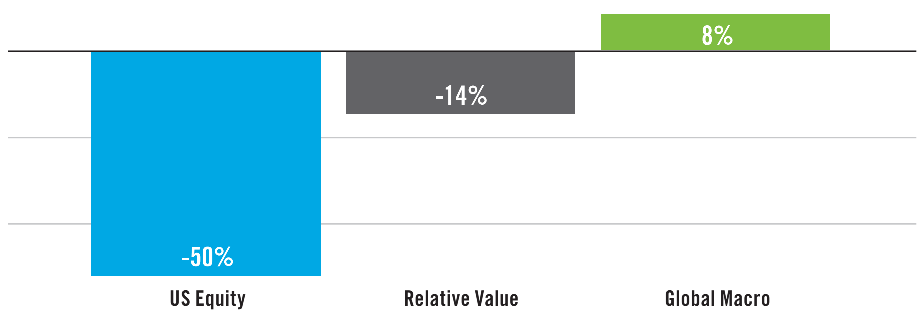
Diversification 2.0

Diversification has historically helped to reduce volatility. That's why a wide selection of stocks within an asset class would be expected to produce returns with less stock-specific and sector risk than a narrow collection of securities.

At the portfolio level, investors usually seek uncorrelated asset classes to diversify their returns from market risk. If the stock market tanks, bonds often have provided a good alternative. Unfortunately, in the 2008 financial crisis, we saw high levels of correlation among most asset classes (except US Treasuries and cash). Just about everything went down together. Some strategies, however—in particular certain hedge fund strategies—fared better than the broader markets.

Global Macro and Relative Value Hedge Strategies Fared Relatively Well During Financial Crisis

Cumulative Returns October 2007–February 2009



For illustrative purposes only; not representative of any Franklin Templeton products' performance or portfolio composition. Past performance is no guarantee of future results. Sources: FactSet, S&P, HFRI. US Equity represented by S&P 500 (TR) Index. Relative Value represented by the HFRI Relative Value Index. Global Macro represented by the HFRI Macro Index. An index is unmanaged and one cannot invest directly in an index.

A Liquid Alternative to Traditional Hedge Strategies—Franklin K2 Alternative Strategies Fund

Diversification among asset classes is an important tool for investors to protect against risk and generate more consistent returns. Franklin K2 Alternative Strategies Fund offers just that sort of diversification, with targeted allocations to global macro, event-driven, long-short and relative value hedge strategies.

As a group, such hedge strategies have provided a less volatile ride to solid long-term returns, historically delivering near-equity-like returns with bond-like risk.

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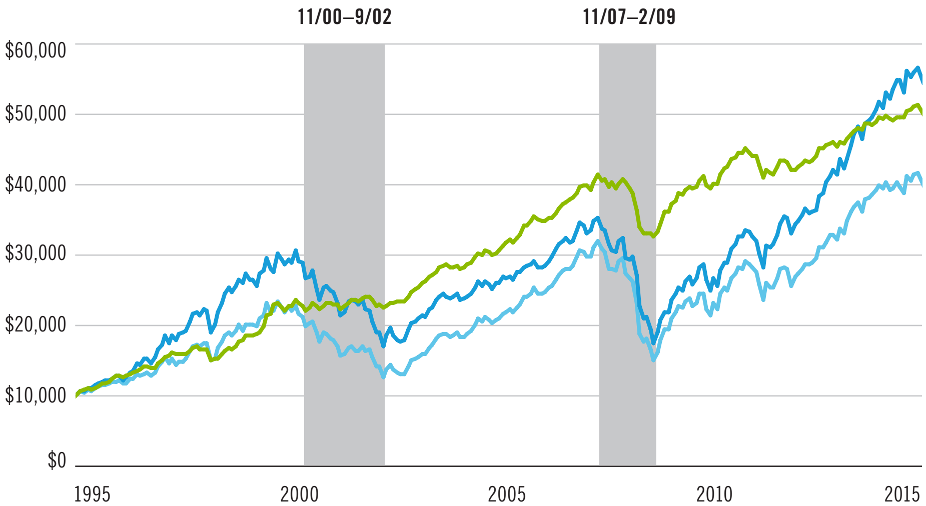
Reducing Negative Market Impact Has Helped Long-Term Performance
Growth of a $10,000 Investment
20-Year Period Ending June 30, 2015



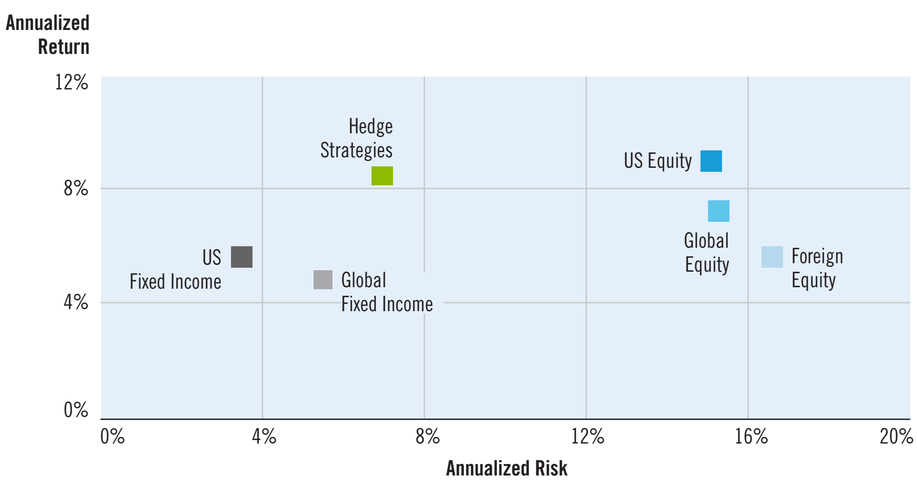
	11/00–9/02	11/07–2/09
Hedge Strategies	-0.92%	-21.42%
US Equity	-41.41%	-50.95%
Global Equity	-40.49%	-53.65%

For illustrative purposes only; not representative of Franklin K2 Alternative Strategies Fund or any Franklin Templeton products' performance. Past performance is no guarantee of future results. Sources: FactSet, HFR, S&P. Hedge Strategies represented by the HFRI Fund Weighted Composite Index. US Equity represented by S&P 500 Index. Global Equity represented by MSCI World Index. An index is unmanaged and one cannot invest directly in an index.

"Today's financial markets are presenting a unique set of challenges. Concerned about the future of interest rates and the direction of equity markets, investors are looking to diversify away from both stocks and bonds. Hedge strategies have historically shown a low correlation with bonds and the ability to deliver attractive risk/return characteristics."

DAVID SAUNDERS
Portfolio Manager
Franklin K2 Alternative Strategies Fund

Hedge Strategies Have Shown Equity-Like Returns with Bond-Like Risk
20-Year Period Ending June 30, 2015



For illustrative purposes only; not representative of Franklin K2 Alternative Strategies Fund or any Franklin Templeton products' performance or portfolio composition. Past performance is no guarantee of future results. An index is unmanaged and one cannot invest directly in an index. Sources: FactSet, HFR, S&P, MSCI, Barclays. Hedge Strategies represented by the HFRI Fund Weighted Composite Index. US Equity represented by S&P 500 Index. Global Equity represented by the MSCI World Index. US Fixed Income represented by the Barclays US Aggregate Index. Global Fixed Income represented by the Barclays Global Aggregate Index.

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Franklin Templeton:
The Answer for Purpose-Driven Investing

At Franklin Templeton, we have funds to match investors' needs, and our active management seeks to achieve more than chasing index returns. We understand that the goals of investors in our funds reach more deeply than the simple numbers of a benchmark. They represent hopes, dreams, expectations and fears, and the real-life needs of the clients who depend on us to be stewards of their assets.

Average Annual Total Returns
As of 6/30/15

Fund Name	Share Class		1-Yr.	5-Yr.	10-Yr.	Since Inception	Expense Ratio
Franklin Income Fund Inception: 8/31/48	Class A	w/ 4.25% sales charge	-9.03%	8.47%	5.78%	10.28%	0.61%[7]
		w/o sales charge	-5.15%	9.43%	6.23%	10.35%	
	Advisor Class[11]		-5.05%	9.56%	6.38%	10.41%	0.46%[7]
	Barclays US Aggregate Index[8]		1.86%	3.35%	4.44%	N/A	N/A
	S&P 500 Index[8]		7.42%	17.34%	7.89%	11.31%	N/A
Franklin Rising Dividends Fund Inception: 7/14/87	Class A	w/ 5.75% sales charge	-1.46%	13.63%	6.73%	9.06%	0.91%[7]
		w/o sales charge	4.55%	14.98%	7.36%	9.29%	
	Advisor Class[11]		4.79%	15.26%	7.63%	9.39%	0.66%[7]
	S&P 500 Index[8]		7.42%	17.34%	7.89%	10.08%	N/A
Franklin Mutual Global Discovery Fund Inception: 12/31/92	Class A[12]	w/ 5.75% sales charge	-4.27%	10.06%	7.57%	11.54%	1.29%[7]
		w/o sales charge	1.56%	11.38%	8.20%	11.84%	
	Class Z		1.86%	11.71%	8.53%	12.22%	0.99%
	MSCI World Index[8]		1.97%	13.72%	6.96%	8.09%	N/A
Templeton Global Bond Fund Inception: 9/18/86	Class A	w/ 4.25% sales charge	-6.08%	4.04%	7.29%	7.68%	Gross: 0.91%[7] Net: 0.90%
		w/o sales charge	-1.93%	4.94%	7.76%	7.84%	
	Advisor Class[11]		-1.62%	5.21%	8.03%	8.04%	Gross: 0.66%[7] Net: 0.65%
	Citi World Government Bond Index[8]		-9.02%	1.05%	3.07%	6.19%	N/A
Franklin K2 Alternative Strategies Fund Inception: 10/11/13	Class A	w/ 5.75% sales charge	-3.17%	N/A	N/A	2.78%	Gross: 3.71%[9] Net: 2.82% Capped: 1.95%[10]
		w/o sales charge	2.76%	N/A	N/A	6.38%	
	Advisor Class		3.19%	N/A	N/A	6.70%	Gross: 3.41%[9] Net: 2.52% Capped: 1.95%[10]
	HFRX Global Hedge Fund Index[8]		-1.06%	1.54%	1.00%	N/A	N/A

Maximum Class A initial sales charge: 5.75%: Franklin Rising Dividends Fund, Franklin Mutual Global Discovery Fund, Franklin K2 Alternative Strategies Fund; **4.25%:** Franklin Income Fund, Templeton Global Bond Fund. Class Z and Advisor Class shares are only offered to certain eligible investors as stated in the fund's prospectus. They are offered without sales charge or Rule 12b-1 fees.

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WHAT ARE THE RISKS?

All investments involve risks, including possible loss of principal.

Franklin Income Fund: Bond prices generally move in the opposite direction of interest rates. Thus, as the prices of bonds in the fund adjust to a rise in interest rates, the fund's share price may decline. Changes in the financial strength of a bond issuer or in a bond's credit rating may affect its value. The fund's portfolio includes a substantial portion of higher-yielding, lower-rated corporate bonds because of the relatively higher yields they offer. Floating-rate loans are lower-rated, higher-yielding instruments, which are subject to increased risk of default and can potentially result in loss of principal. These securities carry a greater degree of credit risk relative to investment-grade securities. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions.

Franklin Rising Dividends Fund: Value securities may not increase in price as anticipated or may decline further in value. While smaller and midsize companies may offer substantial opportunities for capital growth, they also involve heightened risks and should be considered speculative. Historically, smaller- and midsize-company securities have been more volatile in price than larger company securities, especially over the short term.

Franklin Mutual Global Discovery Fund: Value securities may not increase in price as anticipated or may decline further in value. The fund's investments in foreign securities involve certain risks including currency fluctuations, and economic and political uncertainties. Smaller-company stocks have exhibited greater price volatility than larger-company stocks, particularly over the short term. The fund's investments in companies engaged in mergers, reorganizations or liquidations also involve special risks as pending deals may not be completed on time or on favorable terms. The fund may invest in lower-rated bonds, which entail higher credit risk.

Templeton Global Bond Fund: Currency rates may fluctuate significantly over short periods of time, and can reduce returns. Derivatives, including currency management strategies, involve costs and can create economic leverage in the portfolio which may result in significant volatility and cause the fund to participate in losses (as well as enable gains) on an amount that exceeds the fund's initial investment. The fund may not achieve the anticipated benefits, and may realize losses when a counterparty fails to perform as promised. The markets for particular securities or types of securities are or may become relatively illiquid. Reduced liquidity will have an adverse impact on the security's value and on the fund's ability to sell such securities when necessary to meet the fund's liquidity needs or in response to a specific market event. Foreign securities involve special risks, including currency fluctuations and economic and political uncertainties. Investments in emerging markets involve heightened risks related to the same factors, in addition to those associated with these markets' smaller size and lesser liquidity. Investments in lower-rated bonds include higher risk of default and loss of principal. Changes in interest rates will affect the value of the fund's portfolio and its share price and yield. Bond prices generally move in the opposite direction of interest rates. As the prices of bonds in the fund adjust to a rise in interest rates, the fund's share price may decline. The fund is also non-diversified, which involves the risk of greater price fluctuation than a more diversified portfolio. Changes in the financial strength of a bond issuer or in a bond's credit rating may affect its value.

Franklin K2 Alternative Strategies Fund: The market values of securities owned by the fund will go up or down, sometimes rapidly or unpredictably. The fund's performance depends on the manager's skill in selecting, overseeing, and allocating fund assets to the sub-advisors. The fund is actively managed and could experience losses if the investment manager's and sub-advisors' judgment about particular investments made for the fund's portfolio prove to be incorrect. Some sub-advisors may have little or no experience managing the assets of a registered investment company. Foreign investments are subject to greater investment risk such as political, economic, credit and information risks as well as risk of currency fluctuations. Investments in derivatives involve costs and create economic leverage, which may result in significant volatility and cause the fund to participate in losses (as well as gains) that significantly exceed the fund's initial investment. Lower-rated or high yield debt securities involve greater credit risk, including the possibility of default or bankruptcy. Currency management strategies could result in losses to the fund if currencies do not perform as the investment manager or sub-advisor expects. The fund may make short sales of securities, which involves the risk that losses may exceed the original amount invested. Merger arbitrage investments risk loss if a proposed reorganization in which the fund invests is renegotiated or terminated. Liquidity risk exists when securities have become more difficult to sell, or are unable to be sold, at the price at which they have been valued.

These and other risk considerations are discussed in each fund's prospectus.

7. The Gross Expense Ratio does not include a fee reduction related to the fund's investment in a Franklin Templeton money fund, as applicable. The fee reduction is contractually guaranteed for at least the next 12-month period. Please see the prospectus for additional information.

8. Source: Morningstar.

9. The fund has an expense reduction contractually guaranteed through at least September 30, 2015. The fund may also have a fee waiver associated with any investments it makes in a Franklin Templeton money fund, an arrangement that is contractually guaranteed through at least its current fiscal year end. Fund investment results reflect any expense reduction and fee waiver ("Total Annual Operating Expenses with Waiver"). Without these reductions, the results would have been lower.

10. The investment manager has contractually agreed to waive or assume certain expenses so that total annual fund operating expenses (excluding Rule 12b-1 fees; acquired fund fees and expenses; expenses related to securities sold short; and certain non-routine expenses) for each class of the fund do not exceed (and could be less than) 1.95% until September 30, 2015.

11. Performance quotations for this class reflect the following methods of calculation: a) For periods prior to the fund's Advisor Class inception date, a restated figure is used based on the fund's oldest share class, Class A performance, excluding the effect of Class A's maximum initial sales charge but reflecting the effect of the Class A Rule 12b-1 fees; and b) for periods after the fund's Advisor Class inception date, actual Advisor Class performance is used, reflecting all charges and fees applicable to that class.

12. Prior to November 1, 1996, the fund offered only a single class of shares without a sales charge and Rule 12b-1 expenses, Class Z shares. Figures reflect a restatement of the original share class to include both the Rule 12b-1 fees and maximum initial sales charges (when quoting figures with sales charges) applicable to each share class as though in effect from the fund's inception. For periods after November 1, 1996, actual performance is used, reflecting all charges and fees applicable to that class.

FRANKLIN TEMPLETON INVESTMENTS

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Your clients should carefully consider a fund's investment goals, risks, charges and expenses before investing. To obtain a summary prospectus and/or prospectus, which contains this and other information, please call Franklin Templeton Sales and Marketing Services at (800) DIAL BEN/342-5236 or visit franklintempleton.com. Your clients should carefully read the prospectus before they invest or send money.

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