



**FRANKLIN
TEMPLETON**

**Unaudited
Semi-Annual Report**
for the six month period ended
January 31, 2019

Franklin Floating Rate Fund plc



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GENERAL INFORMATION

Board of Directors

Hans Wisser (German)
Francis Ennis* (Irish)
Gregory E. McGowan (U.S.)
David McGeough* (Irish)
Ken Lewis (U.S.)
(Alternate to Gregory E. McGowan)

* Independent Directors.

All Directors are non-executive.

Distributor

Franklin Templeton International Services S.à r.l.
8A, rue Albert Borschette
L-1246
Luxembourg

Legal Advisors

Matheson
70 Sir John Rogerson's Quay
Dublin 2
Ireland

Depository

J.P. Morgan Bank (Ireland) plc

Address until December 9, 2018:
JPMorgan House
International Financial Services Centre
Dublin 1, D01 W213
Ireland

Address from December 10, 2018:
200 Capital Dock
79 Sir John Rogerson's Quay
Dublin 2, D02 RK57
Ireland

Alternative Investment Fund Manager

Franklin Templeton International Services S.à r.l.
8A, rue Albert Borschette
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Paying and Distribution Agent

SG Constellation One
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Shareholder Services Agent

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Luxembourg

Investment Manager

Franklin Advisers, Inc.
One Franklin Parkway
San Mateo
CA 94403-1906
USA

Administrator/Secretary

J.P. Morgan Administration Services (Ireland)
Limited

Address until December 9, 2018:
JPMorgan House
International Financial Services Centre
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Ireland

Address from December 10, 2018:
200 Capital Dock
79 Sir John Rogerson's Quay
Dublin 2, D02 RK57
Ireland

Independent Auditors

PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
One Spencer Dock
North Wall Quay
Dublin 1
Ireland

Sponsoring Listing Agent

Matheson
70 Sir John Rogerson's Quay
Dublin 2
Ireland

Registered office

J.P. Morgan Bank (Ireland) plc

Address until December 9, 2018:
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International Financial Services Centre
Dublin 1, D01 W213
Ireland

Address from December 10, 2018:
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79 Sir John Rogerson's Quay
Dublin 2, D02 RK57
Ireland

Registered Number

316174

INVESTMENT MANAGER'S REPORT

Franklin Floating Rate Fund Plc (“the Company” or “the Fund”)

This commentary reflects the position of the Franklin Floating Rate Master Trust (the “Master Trust”), as this is the sole investment of the Company.

Syndicated Bank Loan Market Overview

Technical conditions in the loan market significantly weakened toward the end of 2018 as the asset class was impacted by broader volatility in the equity and credit markets. While flows into loan mutual funds had provided steady demand for most of the year, outflows accelerated later in the period, with record monthly outflows in December. Amid weakened demand, loan prices declined to the lowest levels in more than two years. However, improved investor sentiment early in January led to a sharp rebound, but levels remained lower than at the beginning of the six-month period.

Rising LIBOR and expectations for further rate hikes led to inflows at the beginning of the period, but uncertainty surrounding future rate hikes led to the largest monthly outflow by dollar amount, which had significantly deteriorated technical conditions. Although outflows from retail investors continued into January at a more manageable pace, comments by Federal Reserve Chairman Powell compounded that pessimism and investors shifted away from low duration assets. As a result, assets under management for loan mutual funds declined to the lowest level since December 2017 during the period.

While retail investor demand was weaker, Collateralized-Loan-Obligation (“CLO”) issuance started at a supportive pace, but the new issuance was not enough to offset the technical pressure from loan mutual funds. CLO liability spreads had also widened due to investors shifting away from floating rate asset classes, months after the spreads reached the tightest levels for vehicles launched after the financial crisis. Despite the moderate deceleration in issuance toward the end of the year, CLO volumes in 2018 still managed to outpace previous years, due in part to a record number of managers issuing at least one new vehicle during the year.

New issuance in the loan market decreased during the period, which had helped to balance technical conditions. A large portion of the new issuance was intended to finance mergers and acquisitions and M&A volume for 2018 was the highest on record. Furthermore, price declines in the loan market restrained refinancing and repricing activity, which was more common in previous periods. The new supply continued to be concentrated disproportionately among B-rated loans, while covenants and investor protections remained weaker.

Despite price declines in the loan market, the default rate by principal amount declined during the period and continued to be well below the historical average, after reaching a three year high earlier in 2018. While technical conditions had weakened later in the year, fundamental conditions remained generally supportive despite higher leverage levels, especially among first-lien loans.

Investment Strategy

During the period, the portfolio performed in line with expectations that our higher-rated credits would contribute to outperformance in a period of volatility. While the market has experienced a significant rebound since the end of the calendar year, we expect to maintain an overweight position in the upper tier due to expectations that future volatility caused by fundamental and technical conditions will lead to outperformance for these credits. Additionally, we expect to maintain an allocation to portions of our portfolio with greater liquidity in terms of settlement such as CLO tranches, which had provided a source of funds amid heightened redemptions. As the Federal Reserve has signaled more muted expectations for rate hikes during the year, we remain constructive on the asset class, given the relatively attractive spreads in the market, which could also benefit from a more balanced environment between supply and demand.

Manager's Discussion

During the six-month period under review, the Fund returned -0.43%, underperforming its benchmark, the CS Leveraged Loan Index (CSLLI), which returned 0.24%. Although the Fund benefited from its weighting in the upper tier, including its allocation to higher-rated CLOs, the

INVESTMENT MANAGER'S REPORT (CONTINUED)

Fund's loan selection detracted from performance. According to the loan index, upper tier loans returned 0.59%, middle tier returned 0.30%, and lower tier returned -2.84%.

The top contributors to performance included two issuers in the retail space where we had built up large positions and that had benefited from transactions that paid down discounted debt at par. A specialty retailer of nutritional supplements contributed to performance after an equity investment from a Chinese pharmaceutical company cleared regulatory hurdles, which was used to reduce leverage. Additionally, the term loan of a specialty fashion retailer with multiple core brands traded higher after the company reported better than expected earnings and continued to attract demand due to its relatively higher spread and ratings. However, the top detractors from performance included issuers that had emerged from bankruptcy earlier in the year and faced operating challenges. The equity shares of a manufacturer of firearms and ammunition that had filed for bankruptcy earlier in the year, declined after the CEO resigned during the quarter and the company posted weak results. Furthermore, a producer of oil and gas detracted from performance after oil prices declined and the company experienced downtime in deep-water production due to weather.

In addition to maintaining a significant overweight in higher-rated loans, the Fund was also invested in AAA to A rated CLO tranches. Other positions included two open end funds, Franklin Middle Tier Floating Rate Fund and Franklin Lower Tier Floating Rate Fund, and an exchange traded fund, the Franklin Liberty Senior Loan ETF. The investments allowed the Fund to have further exposure to credit, while providing a potential source of liquidity. The Fund also held protection in HYCDX, an index of high-yield bond credit default swaps providing synthetic exposure to the high-yield bond market to protect against volatility in the credit markets.

Franklin Advisers, Inc.
Investment Manager

February 2019

PORTFOLIO OF INVESTMENTS

as at January 31, 2019

Security name	Holding August 1, 2018	Purchases	Sales	Holding January 31, 2019	Fair Value USD'000	% Net Asset Value
Unit Trust Holdings						
Franklin Floating Rate Master Trust	206,205,796	23,757,303	(32,339,286)	197,623,813	1,645,799	100.05%
Total Unit Trust Holdings					1,645,799	100.05%

Forward Foreign Currency Contracts

Maturity Date	Currency	Amount Bought	Currency	Amount Sold	Counterparty	Unrealised Gain USD'000	% Net Asset Value
February 20, 2019	EUR	12,257,388	USD	(13,995,363)	Bank of America	51	0.01%
February 20, 2019	EUR	9,261,083	USD	(10,570,924)	BNP Paribas	42	0.01%
February 20, 2019	EUR	8,723,080	USD	(9,958,766)	J.P. Morgan	38	0.00%
February 20, 2019	SGD	5,187,658	USD	(3,826,833)	J.P. Morgan	28	0.00%
February 20, 2019	SGD	5,138,655	USD	(3,791,051)	Morgan Stanley	27	0.00%
February 20, 2019	SGD	4,977,336	USD	(3,671,685)	Citibank	27	0.00%
February 20, 2019	SGD	4,228,597	USD	(3,119,884)	Bank of America	22	0.00%
February 20, 2019	CNH	1,690,880	USD	(249,215)	J.P. Morgan	3	0.00%
February 20, 2019	EUR	1,613,329	USD	(1,841,970)	Morgan Stanley	7	0.00%
February 20, 2019	EUR	1,056,933	USD	(1,206,658)	UBS	4	0.00%
February 20, 2019	EUR	631,635	USD	(721,147)	HSBC	3	0.00%
February 20, 2019	SGD	599,239	USD	(442,145)	Goldman Sachs	3	0.00%
February 20, 2019	SGD	598,525	USD	(441,480)	UBS	3	0.00%
February 20, 2019	EUR	596,878	USD	(681,450)	Goldman Sachs	3	0.00%
February 20, 2019	SGD	532,003	USD	(392,477)	HSBC	3	0.00%
February 20, 2019	CNH*	130,581	USD	(19,244)	Citibank	–	0.00%
February 20, 2019	CNH*	123,352	USD	(18,179)	Morgan Stanley	–	0.00%
February 20, 2019	CNH*	67,463	USD	(9,945)	Bank of America	–	0.00%
February 20, 2019	CNH*	66,469	USD	(9,795)	UBS	–	0.00%
February 20, 2019	SGD*	11,017	USD	(8,127)	BNP Paribas	–	0.00%
						264	0.02%

PORTFOLIO OF INVESTMENTS (CONTINUED)

as at January 31, 2019

Forward Foreign Currency Contracts

Maturity Date	Currency	Amount Bought	Currency	Amount Sold	Counterparty	Unrealised Loss USD'000	% Net Asset Value
February 20, 2019	USD	4,894,020	EUR	(4,296,837)	Bank of America	(30)	(0.01)%
February 20, 2019	USD	4,779,802	EUR	(4,175,594)	BNP Paribas	(5)	0.00%
February 20, 2019	USD	2,044,669	SGD	(2,776,405)	J.P. Morgan	(19)	0.00%
February 20, 2019	USD	1,621,559	SGD	(2,206,063)	Morgan Stanley	(18)	0.00%
February 20, 2019	USD	1,234,523	SGD	(1,669,540)	Citibank	(6)	0.00%
February 20, 2019	USD	497,216	SGD	(672,093)	Bank of America	(2)	0.00%
February 20, 2019	USD	431,455	SGD	(583,488)	Citibank	(2)	0.00%
February 20, 2019	USD*	358,238	SGD	(482,521)	Bank of America	–	0.00%
						(82)	(0.01)%

*Investments which are less than USD 500 have been rounded down to zero.

	Fair Value USD'000	% Net Asset Value
Total financial assets at fair value through profit or loss	1,646,063	100.07%
Total financial liabilities at fair value through profit or loss	(82)	(0.01)%
Other net liabilities	(943)	(0.06)%
Net assets attributable to holders of Redeemable Shares	1,645,038	100.00%

The accompanying notes form an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

for the six month period ended January 31, 2019

	Notes	6 month period ended January 31, 2019 USD'000	6 month period ended January 31, 2018 USD'000
Income			
Net losses on financial assets and liabilities at fair value through profit or loss	3	(46,165)	(7,326)
Investment income		43,173	39,696
Total Net (expense)/income		(2,992)	32,370
Operating expenses	4	(7,422)	(7,691)
Operating (loss)/profit		(10,414)	24,679
Finance cost			
Distributions to holders of Redeemable Shares	5	(14,433)	(12,649)
Net (losses)/gains after Distributions and before tax		(24,847)	12,030
Withholding taxes		(29)	(74)
(Decrease)/increase in net assets attributable to holders of Redeemable Shares from operations		(24,876)	11,956

The net (expense)/income arose solely from continuing operations. There were no other recognised gains or losses for the period other than as set out in the above Statement of Comprehensive Income.

The accompanying notes form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

as at January 31, 2019

	Notes	As at January 31, 2019 USD'000	As at July 31, 2018 USD'000
Assets			
Cash and cash equivalents		173	123
Financial assets at fair value through profit or loss	2	1,646,063	1,760,730
Amounts receivable from subscription of shares		1,784	3,918
Investment income receivable		7,624	7,047
Other receivable		40	5
Total Assets		1,655,684	1,771,823
Current Liabilities			
Financial liabilities at fair value through profit or loss	2	82	4
Amounts payable for redemption of shares		9,054	8,599
Cash collateral payable		–	10
Administration fees	12	226	202
AIFM fees	12	402	417
Depositary fees	12	35	47
Distribution and shareholder maintenance fees	12	679	699
Legal fees		18	8
Other liabilities		150	99
Total Current Liabilities (excluding net assets attributable to holders of Redeemable Shares)		10,646	10,085
Net assets attributable to holders of Redeemable Shares		1,645,038	1,761,738
Number of Redeemable Shares	6		
Class A (acc)		39,875,358	46,384,785
Class A (dis)		52,871,169	46,323,604
Class B*		469,701	530,684
Class N (acc)		14,635,134	15,458,004
Class N (dis)		4,403,183	4,694,475
Class C (acc)		3,489,303	2,606,752
Class C (dis)		16,367,616	17,399,424
Class AX		6,884,469	8,084,446
Class Z (acc)		5,590,264	7,786,307
Class Z (dis)		1,719,562	2,047,916
Class A (dis) SGD-H1		1,405,030	1,962,921
Class A (dis) EUR-H1		2,980,754	1,875,359
Class A (dis) RMB-H1		20,146	26,436

The accompanying notes form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION (CONTINUED)

as at January 31, 2019

	Notes	As at January 31, 2019 USD'000	As at July 31, 2018 USD'000
Net Asset Value per Redeemable Shares			
Class A (acc)		USD 15.11	USD 15.17
Class A (dis)		USD 8.32	USD 8.52
Class B*		USD 8.31	USD 8.52
Class N (acc)		USD 13.62	USD 13.72
Class N (dis)		USD 8.46	USD 8.66
Class C (acc)		USD 10.07	USD 10.15
Class C (dis)		USD 8.31	USD 8.52
Class AX		USD 8.30	USD 8.51
Class Z (acc)		USD 13.83	USD 13.87
Class Z (dis)		USD 9.47	USD 9.71
Class A (dis) SGD-H1		SGD 9.42	SGD 9.70
Class A (dis) EUR-H1		EUR 8.86	EUR 9.23
Class A (dis) RMB-H1		RMB 105.99	RMB 108.08

*The Company discontinued the sale of Class B shares with effect from April 1, 2016.

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES

for the six month period ended January 31, 2019

	6 month period ended January 31, 2019 USD'000	6 month period ended January 31, 2018 USD'000
Net assets attributable to holders of Redeemable Shares at start of the period	1,761,738	2,095,520
Share transactions		
Issue of Redeemable Shares	410,399	280,943
Redemption of Redeemable Shares	(507,693)	(651,685)
Reinvestments	5,341	4,946
Income equalisation	129	(157)
Net decrease from share transactions	(91,824)	(365,953)
Changes in net assets attributable to holders of Redeemable Shares from operations	(24,876)	11,956
Net assets attributable to holders of Redeemable Shares at end of the period	1,645,038	1,741,523

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

for the six month period ended January 31, 2019

	6 month period ended January 31, 2019 USD'000	6 month period ended January 31, 2018 USD'000
Cash flows from operating activities		
Purchases of financial assets at fair value through profit or loss	(201,049)	(109,351)
Unrealised gains on forwards currency contracts	182	614
Proceeds from sale of investments	269,445	473,805
Net investment income received	42,597	39,428
Operating expenses paid	(7,447)	(8,018)
Net cash provided by operating activities	103,728	396,478
Cash flows from financing activities		
Issue of Redeemable Shares	418,003	268,628
Redemption of Redeemable Shares	(507,238)	(652,460)
Distributions to holders of Redeemable Shares	(14,433)	(12,649)
Net cash used in financing activities	(103,668)	(396,481)
Net increase/(decrease) in cash and cash equivalents	60	(3)
Cash, cash equivalents and cash collateral at start of the period	113	98
Cash and cash equivalents at end of the period	173	95

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended January 31, 2019

Introduction

The Company is an investment company with variable capital incorporated in the Republic of Ireland as a Public Limited Company on December 1, 1999, under the Companies Act 2014, with registered number 316174. Its Redeemable Shares (“RS”) are denominated in US dollars, other than the Class A (dis) SGD-H1 Shares, the Class A (dis) EUR-H1 Shares and the Class A (dis) RMB-H1 Shares. The Company is governed by the provisions of the European Union (Alternative Investment Fund Managers Directive) (“AIFMD”) Regulations 2013. The A (acc), A (dis), B*, N (acc), N (dis), C (dis), AX, Z (acc), Z (dis), A (dis) SGD-H1, A (dis) EUR-H1 and A (dis) RMB-H1 share classes are listed on the Irish Stock Exchange.

The Company’s investment objective is to provide a high level of current income and preservation of capital by investing up to 100% of its net assets in shares of the Franklin Floating Rate Master Series (the “Common Shares”) in the Franklin Floating Rate Master Trust (the “Master Trust”) (see note 14).

1. Accounting policies

The principal accounting policies and estimation techniques applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with the AIF Rulebook, the Companies Act 2014, Irish Stock Exchange Regulations and International Accounting Standard 34 (IAS 34), Interim Financial Reporting. The financial statements should be read in conjunction with the annual financial statements for the year ended July 31, 2018, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union.

The accounting policies applied are consistent with those of the annual financial statements for the year ended July 31, 2018, and corresponding interim financial statements for the period ended January 31, 2018, as described in those annual statements and interim statements respectively.

(b) Estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts in the financial statements and accompanying notes. Management believes that the estimates utilised in preparing its financial statements are reasonable and prudent; however, actual results could differ from these estimates.

(c) Events during the period

There have been no unusual events during the period that have impacted the Company’s performance.

*The Company discontinued the sale of Class B shares with effect from April 1, 2016.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Financial assets and liabilities at fair value through profit or loss

As at January 31, 2019 and July 31, 2018, the financial assets and liabilities at fair value through profit or loss comprised the following:

	As at January 31, 2019 USD '000	As at July 31, 2018 USD '000
Financial assets at fair value through profit or loss		
Investment in Master Trust	1,645,799	1,760,544
Forward foreign currency contracts	264	186
Total financial assets at fair value through profit or loss	1,646,063	1,760,730

	As at January 31, 2019 USD '000	As at July 31, 2018 USD '000
Financial liabilities at fair value through profit or loss		
Forward foreign currency contracts	(82)	(4)
Total financial liabilities at fair value through profit or loss	(82)	(4)

3. Net losses on financial assets and liabilities at fair value through profit or loss

An analysis of gains and losses on financial assets and liabilities at fair value through profit or loss for the period ended January 31, 2019 and January 31, 2018 is as follows:

	6 month period ended January 31, 2019 USD '000	6 month period ended January 31, 2018 USD '000
Total realised losses	(13,404)	(6,987)
Total movement in unrealised losses	(32,761)	(339)
Net losses on financial assets and liabilities at fair value through profit or loss	(46,165)	(7,326)

4. Operating expenses

	6 month period ended January 31, 2019 USD '000	6 month period ended January 31, 2018 USD '000
Administration fees (note 12)	651	671
AIFM fees (note 12)	2,334	2,436
Audit fees	12	12
Depositary fees (note 12)	68	82
Directors' fees (note 12)	25	25
Distribution fees (note 12)	2,421	2,514
Legal fees	22	21
Miscellaneous fees	96	113
Printing & publication fees	23	23
Shareholder maintenance fees (note 12)	1,772	1,795
VAT	(2)	(1)
	7,422	7,691

Audit fees solely relate to statutory audit fees. There were no other fees paid to PricewaterhouseCoopers in Ireland as the statutory auditor of the Company, as no other services were provided.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Distributions to holders of Redeemable Shares

The following distributions were made by the Company for the period ended January 31, 2019.

Ex-dividend date	Payment date	A (dis) USD per share	B USD per share	N (dis) USD per share	C (dis) USD per share	AX USD per share	Z (dis) USD per share	A (dis) SGD-H1 SGD per share	A (dis) EUR-H1 EUR per share	A (dis) RMB-H1 RMB per share
Aug 01, 2018	Aug 08, 2018	0.030180	0.022708	0.025380	0.024208	0.028642	0.036913	0.034429	0.032638	0.398281
Sep 04, 2018	Sep 11, 2018	0.028643	0.021404	0.023983	0.022858	0.027153	0.035081	0.032658	0.030784	0.368231
Oct 01, 2018	Oct 08, 2018	0.025557	0.019025	0.021344	0.020332	0.024216	0.031337	0.029011	0.027306	0.323555
Nov 01, 2018	Nov 08, 2018	0.030612	0.022901	0.025649	0.024449	0.029025	0.037483	0.035132	0.033974	0.393224
Dec 03, 2018	Dec 10, 2018	0.027876	0.020909	0.023394	0.022320	0.026439	0.034112	0.031619	0.030344	0.349467
Jan 02, 2019	Jan 9, 2019	0.030985	0.023922	0.026491	0.025340	0.029526	0.037689	0.034386	0.047191	0.385678

The following distributions were made by the Company for the period ended January 31, 2018.

Ex-dividend date	Payment date	A (dis) USD per share	B USD per share	N (dis) USD per share	C (dis) USD per share	AX USD per share	Z (dis) USD per share	A (dis) SGD-H1 SGD per share	A (dis) EUR-H1 EUR per share	A (dis) RMB-H1 RMB per share
Aug 01, 2017	Aug 08, 2017	0.022137	0.014775	0.017277	0.016256	0.020632	0.027716	0.026143	0.021968	0.301504
Sep 01, 2017	Sep 08, 2017	0.023136	0.015786	0.018301	0.017259	0.021630	0.028847	0.026010	0.024094	0.282655
Oct 02, 2017	Oct 09, 2017	0.022663	0.015821	0.018182	0.017194	0.021182	0.028390	0.025881	0.025020	0.280099
Nov 01, 2017	Nov 08, 2017	0.026205	0.018647	0.021340	0.020225	0.024718	0.032413	0.030328	0.029784	0.331029
Dec 01, 2017	Dec 08, 2017	0.026708	0.019623	0.022117	0.021038	0.025245	0.032825	0.030452	0.029134	0.332244
Jan 02, 2018	Jan 8, 2018	0.025022	0.018200	0.020601	0.019574	0.023626	0.030817	0.028211	0.027092	0.308284

6. Redeemable Shares and Share Capital

Authorised share capital

The minimum authorised share capital of the Company is 2 (two) shares of no par value designated as unclassified shares. The maximum authorised share capital of the Company is 500,000,000,002 (five hundred billion and two) shares of no par value designated as unclassified shares.

Subscriber shares

Subscriber shares issued amount to USD 2, being 2 subscriber shares of USD 1, fully paid. The subscriber shares do not form part of the Net Asset Value (“NAV”) of the Company and are thus disclosed in the financial statements by way of this note only. In the opinion of the Directors, this disclosure reflects the nature of the Company’s business as an Investment Company.

Redeemable Shares (“RS”)

The issued share capital is at all times equal to the NAV of the Company. Shareholders may redeem any or all of their Shares on any Dealing Day except when dealings have been temporarily suspended. Redemption request forms must be received by the Company at the address specified in the redemption request form not later than the Valuation Point on the Repurchase Request Deadline. If the Company, as an investor in the Master Trust, is asked to vote on a proposed change in a fundamental policy of the Master Trust or any other matter pertaining to the Master Trust (other than continuation of the business of the Master Trust after withdrawal of another investor in the Master Trust), the Company will solicit proxies from its shareholders and vote its interest in the Master Trust for and against such matters proportionately to the instructions to vote for and against such matters received from the Company’s shareholders.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Redeemable Shares and Share Capital (continued)

Redeemable Shares (“RS”) (continued)

For the Master Trust, redemptions are processed on any day the Master Trust is open for business and are effected at the Net Asset Value per share next calculated after the Master Trust receives a redemption request in proper form. Redemption payments will be made within seven days after receipt of the redemption request in proper form. Proceeds for redemption orders cannot be wired on those business days when the Federal Reserve Bank System and the custodian bank are closed. In unusual circumstances, the Master Trust may temporarily suspend redemptions or postpone the payment of proceeds as allowed by federal securities law.

The movement in RS during the period/year is shown below and overleaf:

	6 months period ended January 31, 2019	Year ended July 31, 2018
A (acc) shares opening balance at start of period/year	46,384,785	55,421,700
A (acc) shares subscriptions in the period/year	7,154,979	18,042,948
A (acc) shares redemptions in the period/year	(13,664,406)	(27,079,863)
Total A (acc) shares in issue at end of period/year	39,875,358	46,384,785
A (dis) shares opening balance at start of period/year	46,323,604	53,765,683
A (dis) shares subscriptions in the period/year	17,733,085	12,603,157
Reinvestments of shares in the period/year	244,864	515,187
A (dis) shares redemptions in the period/year	(11,430,384)	(20,560,423)
Total A (dis) shares in issue at end of period/year	52,871,169	46,323,604
B shares opening balance at start of period/year	530,684	1,004,368
B shares subscriptions in the period/year	4,941	1,745
Reinvestments of shares in the period/year	4,101	11,211
B shares redemptions in the period/year	(70,025)	(486,640)
Total B* shares in issue at end of period/year	469,701	530,684
N (acc) shares opening balance at start of period/year	15,458,004	18,008,003
N (acc) shares subscriptions in the period/year	2,109,190	3,956,725
N (acc) shares redemptions in the period/year	(2,932,060)	(6,506,724)
Total N (acc) shares in issue at end of period/year	14,635,134	15,458,004
N (dis) shares opening balance at start of period/year	4,694,475	5,374,457
N (dis) shares subscriptions in the period/year	292,863	1,377,041
Reinvestments of shares in the period/year	22,909	43,047
N (dis) shares redemptions in the period/year	(607,064)	(2,100,070)
Total N (dis) shares in issue at end of period/year	4,403,183	4,694,475

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Redeemable Shares and Share Capital (continued)

Redeemable Shares (“RS”) (continued)

	6 months period ended January 31, 2019	Year ended July 31, 2018
C (acc) shares opening balance at start of period/year	2,606,752	602,469
C (acc) shares subscriptions in the period/year	1,191,907	2,264,616
C (acc) shares redemptions in the period/year	(309,356)	(260,333)
Total C (acc) shares in issue at end of period/year	3,489,303	2,606,752
C (dis) shares opening balance at start of period/year	17,399,424	20,164,006
C (dis) shares subscriptions in the period/year	2,131,495	3,630,396
Reinvestments of shares in the period/year	155,298	284,421
C (dis) shares redemptions in the period/year	(3,318,601)	(6,679,399)
Total C (dis) shares in issue at end of period/year	16,367,616	17,399,424
AX shares opening balance at start of period/year	8,084,446	8,326,726
AX shares subscriptions in the period/year	237,706	1,676,386
Reinvestments of shares in the period/year	103,253	193,194
AX shares redemptions in the period/year	(1,540,936)	(2,111,860)
Total AX shares in issue at end of period/year	6,884,469	8,084,446
Z (acc) shares opening balance at start of period/year	7,786,307	12,683,026
Z (acc) shares subscriptions in the period/year	898,538	2,878,435
Z (acc) shares redemptions in the period/year	(3,094,581)	(7,775,154)
Total Z (acc) shares in issue at end of period/year	5,590,264	7,786,307
Z (dis) shares opening balance at start of period/year	2,047,916	2,478,857
Z (dis) shares subscriptions in the period/year	224,702	999,016
Reinvestments of shares in the period/year	12,995	28,550
Z (dis) shares redemptions in the period/year	(566,051)	(1,458,507)
Total Z (dis) shares in issue at end of period/year	1,719,562	2,047,916
A (dis) SGD-H1 shares opening balance at start of period/year	1,962,921	1,391,703
A (dis) SGD-H1 shares subscriptions in the period/year	1,526,600	1,684,993
Reinvestments of shares in the period/year	31,613	3,534
A (dis) SGD-H1 shares redemptions in the period/year	(2,116,104)	(1,117,309)
Total A (dis) SGD-H1 shares in issue at end of period/year	1,405,030	1,962,921

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Redeemable Shares and Share Capital (continued)

Redeemable Shares (“RS”) (continued)

	6 months period ended January 31, 2019	Year ended July 31, 2018
A (dis) EUR-H1 shares opening balance at start of period/year	1,875,359	4,005,632
A (dis) EUR-H1 shares subscriptions in the period/year	6,196,432	3,039,475
Reinvestments of shares in the period/year	50,898	106,745
A (dis) EUR-H1 shares redemptions in the period/year	(5,141,935)	(5,276,493)
Total A (dis) EUR-H1 shares in issue at end of period/year	2,980,754	1,875,359
A (dis) RMB-H1 shares opening balance at start of period/year	26,436	32,680
A (dis) RMB-H1 shares redemptions in the period/year	(6,290)	(6,244)
Total A (dis) RMB-H1 shares in issue at end of period/year	20,146	26,436

*The Company discontinued the sale of Class B shares with effect from April 1, 2016.

7. Taxation

Under current Irish law and practice, the Company qualifies as an investment undertaking as defined in Section 739B of the Taxes Consolidation Act, 1997, as amended. On that basis, it is not chargeable to Irish tax on its income or gains. However, Irish tax may arise on the occurrence of a “chargeable event”. A chargeable event includes any distribution payments to shareholders, any encashment, redemption, cancellation or transfer of shares and the holding of shares at the end of each eight year period beginning with the acquisition of such shares. No Irish tax will arise on the Company in respect of chargeable events in respect of:

- a shareholder who is neither Irish resident nor ordinarily resident in Ireland for tax purposes, at the time of the chargeable event, provided appropriate valid declarations in accordance with the provisions of the Taxes Consolidation Act, 1997, as amended are held by the Company or where the Company has been authorised by the Irish Revenue to make gross payments in the absence of appropriate declarations; and
- certain exempted Irish tax resident shareholders who have provided the Company with the necessary signed statutory declarations.

The Finance Act 2010 provides that the Revenue Commissioners may grant approval for investment funds marketed outside of Ireland to make payments to non-resident investors without deduction of Irish tax where no relevant declaration is in place, subject to meeting the “equivalent measures”. A fund wishing to receive approval must apply in writing to the Revenue Commissioners, confirming compliance with the relevant conditions.

Dividends, interest and capital gains (if any) received on investments made by the Company may be subject to withholding taxes imposed by the country from which the investment income/gains are received and such taxes may not be recoverable by the Company or its shareholders.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Exchange rates

The following USD exchange rates were used to convert the investments and other assets and liabilities denominated in currencies other than USD:

	January 31, 2019	July 31, 2018
Chinese Yuan Renminbi	6.7094	6.8087
Euro	0.8737	0.8552
Singapore Dollar	1.3462	1.3614

9. Financial risk management

The Company's investment goal is to provide a high level of current income and preservation of capital by investing up to 100% of its net assets in the Master Trust, which is registered in the USA under the US Investment Company Act of 1940, as amended, as an open-end investment company, and consists of one fund, the Franklin Floating Rate Master Series. The shares are exempt from registration under the US Securities Act of 1933. The investment objectives, policies and restrictions of the Master Trust are described in the Prospectus of the Company.

There can be no assurance that the Company will achieve its investment objective. Investors should carefully assess the risks associated with an investment in the Company and, through this, the risks associated with the Master Trust. The risks of the Master Trust and the policies to manage those risks are described in the Investment Considerations, Investment Techniques and Risk Factors sections of the Prospectus of the Company.

Concentration and liquidity risk

Through its investment in the Master Trust, the Company bears a high degree of concentration risk. However it should be noted that the underlying investments within the Master Trust are well diversified.

In certain circumstances the Directors can limit redemptions as follows:

- Maximum of 10% of the outstanding shares in issue on any one dealing date.

The Trustees of the Master Trust have no powers to limit or restrict redemptions.

The financial liabilities of the Company, including net assets attributable to redeemable participating shareholders, all have a contractual maturity date of within one month.

The Company is 100% owned by Templeton Global Advisors Limited, which is made up of a number of nominee accounts.

At January 31, 2019 and July 31, 2018 the Company invested 100.00% and 99.93% respectively of its net assets in shares of the Franklin Floating Rate Master Series (the "Common Shares") in the Master Trust. A fractional portion is invested in forward foreign currency contracts as a hedging measure. The notional amount of those contracts is displayed on page 5 of this report. The cost of hedging does not impact portfolio value per se and is allocated to respective hedge classes.

Market price risk

All investments present a risk of loss of capital. The Company's market price risk arises through its investment in the Master Trust. The Master Trust moderates this risk through a careful selection of securities and investments within specified limits. The maximum risk of the Company's investments is determined by the fair value of the investments as presented in the Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Financial risk management (continued)

Market price risk (continued)

Market price risk represents the potential loss the Company might suffer through price movements in the NAV of the Master Trust. If the price of the Master Trust had increased or decreased by 5% with all other variables held constant, this would have increased or decreased the net assets attributable to holders of RS by USD 82,289,971 (July 31, 2018: USD 88,027,191).

The market price risk information is a relative estimate of risk rather than a precise and accurate number as the models are based on historical data and cannot take account of the fact that future market price movements, correlations between markets and levels of market liquidity in conditions of market stress may bear no relation to historical patterns.

Interest rate risk

The Company holds cash balances which are subject to a floating rate of interest. These cash balances are placed with reputable financial institutions. The majority of the Company's assets are shares in the Master Trust which neither pay interest nor have a maturity date. At January 31, 2019 and July 31, 2018, any reasonably possible movement in interest rates would have an immaterial direct effect on the net assets attributable to holders of RS. However, any movement in interest rates may have an effect on the NAV of the Master Trust as well as the dividend income received by the Company from the Master Trust.

Interest rate risk sensitivity is monitored by the Investment Adviser through its incorporation in the VaR model.

Credit risk

The Company will be exposed to a credit risk on parties with whom it trades and will also bear the risk of settlement default. The Company's investment in the Master Trust is held by the Depositary in such a manner as to be separately identifiable from the Depositary's own investments, and will therefore be unavailable to the creditors of the Depositary.

The Company has an ongoing contract with its Depositary for the provision of custody services. Details of securities held in custody on behalf of the Company are received and reconciled monthly. To the extent that J.P. Morgan Bank (Ireland) Plc ("J.P. Morgan") carries out the above duties on the Company's behalf, the Company is exposed to counterparty risk. The current ratings of J.P. Morgan Chase Bank, N.A. are: S&P A+; Moody's Aa2; and Fitch AA.

Franklin Resources, Inc., which is the ultimate parent of both Franklin Advisers, Inc. ("Franklin Advisers" and "Investment Manager"), and Franklin Templeton International Services S.à r.l. as Alternative Investment Fund Manager (the "AIFM"), has a Counterparty Credit Committee which meets regularly to review and update a list of approved counterparties, change exposure limits and counterparty approval status. The committee has the authority to block trading with a particular counterparty. Total firm wide exposures to each counterparty along with each counterparty's credit rating and credit default swap spread are also monitored, and included in weekly reporting to the Trading and Portfolio Management teams, as contributory factors in determining the creditworthiness of counterparties.

With the exception of cash, the Company's assets held by J.P. Morgan or its sub-custodians are segregated in such a manner that they are not subject to creditor claims against J.P. Morgan. Securities received by J.P. Morgan in its capacity as Depositary (whether the securities are registered or bearer) do not form a part of J.P. Morgan's general assets. Assets are held on J.P. Morgan's system in accounts segregated from general assets of the firm. To the fullest extent permissible by law and local legislation, J.P. Morgan's sub-custodians hold assets in segregated accounts designated as holding assets belonging to clients of J.P. Morgan. Assets belonging to J.P. Morgan or to its sub-custodians cannot be deposited into these accounts. Cash held by J.P. Morgan is not segregated.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Financial risk management (continued)

Credit risk(continued)

The Master Trust invests in corporate loans. The Agent Banks are the lenders that administer the corporate loans and are responsible for collecting principal, interest and fee payments from the corporate borrowers. The corporate loans are not held by the Custodian of the Master Trust at the period end. The Investment Manager of the Master Trust performs a quarterly reconciliation to the Agent Banks books and records.

Foreign currency risk

SGD, EUR & RMB share classes are designated in a currency other than the base currency of the Company, being US dollars. In such circumstances, adverse exchange rate fluctuations between the base currency and the Class Currency may result in a decrease in return and/or a loss of capital for shareholders. The Investment Manager may try to mitigate this risk for holders of the Hedged Class Shares by using any of the efficient portfolio management techniques and instruments (including currency options and forward foreign currency contracts), within the conditions and limits imposed by the Central Bank, to hedge the foreign currency exposure of such classes into the base currency of the Company. A class may not be leveraged as a result of the use of such techniques and instruments however, subject to the below, hedging up to, but not exceeding 105% of the NAV attributable to the relevant class, is permitted. The Investment Manager will monitor hedging on at least a monthly basis and will increase or reduce the level of hedging to ensure that it neither exceeds nor remains below 100% of the NAV attributable to the relevant class at any month-end.

The Company invests in a number of non USD forward foreign currency contracts which amounted to USD 39,296,982 (July 31, 2018: USD 33,568,651). Non USD cash held at the Statement of Financial Position date amounted to USD 81,002 (July 31, 2018: USD 82,404).

Foreign currency risk sensitivity from portfolio cash balances or portfolio positions is monitored by the Investment Adviser through its incorporation in the VaR model.

Capital risk management

The capital of the Company is represented by the net assets attributable to holders of RS. The amount of net assets attributable to holders of RS can change significantly on a daily basis as the Company is subject to daily subscriptions and redemptions at the discretion of shareholders. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Company.

In order to maintain or adjust the capital structure, the Company's policy is to redeem and issue new shares in accordance with the constitutional documents of the Company, which include the ability to restrict redemptions and require certain minimum holdings and subscriptions.

The Board of Directors and the AIFM monitor capital on the basis of the value of net assets attributable to RS.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Fair value estimation

The Company is required to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; and
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These may include investment- grade corporate bonds and certain non-US sovereign obligations, listed equities, over-the-counter derivatives and investment funds. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. The Company holds 100% of the shares in issue of the Master Trust, and this investment has therefore been classified as Level 2.

There were no significant transfers between levels during the period.

The following table presents the investment in the Master Trust carried on the Statement of Financial Position by level within the valuation hierarchy as of January 31, 2019:

January 31, 2019	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
Assets				
Financial assets at fair value	–	1,645,799	–	1,645,799
Forward foreign currency contracts	–	264	–	264
Total Assets	–	1,646,063	–	1,646,063
Liabilities				
Forward foreign currency contracts	–	(82)	–	(82)
Total Liabilities	–	(82)	–	(82)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Fair value estimation (continued)

The following table presents the investment in the Master Trust carried on the Statement of Financial Position by level within the valuation hierarchy as of July 31, 2018:

July 31, 2018	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
Assets				
Financial assets at fair value	–	1,760,544	–	1,760,544
Forward foreign currency contracts	–	186	–	186
Total Assets	–	1,760,730	–	1,760,730
Liabilities				
Forward foreign currency contracts	–	(4)	–	(4)
Total Liabilities	–	(4)	–	(4)

For assets and liabilities carried at amortised cost, their carrying values are a reasonable approximation of fair value.

11. Efficient portfolio management

The Company may, for the purposes of efficient portfolio management and hedging of currency risks, enter into forward foreign currency contracts on the basis of “over the counter” (OTC) arrangements with highly rated financial institutions specialising in these types of transaction. Realised gains and losses on financial instruments held for efficient portfolio management purposes are included in the Statement of Comprehensive Income. Details of the open forward foreign currency contracts held as at January 31, 2019 are included in Portfolio of Investments on page 5.

12. Significant agreements and related party transactions

IAS 24 “Related Party Transactions” requires the disclosure of information relating to material transactions with parties who are deemed to be related to the reporting entity. The Master Trust has Franklin Advisers, Inc. as Investment manager, Franklin Templeton Services, LLC (“FT Services”) as the Administrative manager and Franklin Templeton Investor Services, LLC (“Investor Services”) as the Transfer agent.

Investment Adviser to the Master Trust

The Investment Adviser of the Master Trust has agreed to waive any preliminary or initial charge that it may otherwise be entitled to receive in respect of any investment made by the Company in the Master Trust. The Master Trust pays an investment management fee to Franklin Advisers based on the average daily net assets. For the period ended January 31, 2019, the effective investment management fee rate was 0.53% of the Fund’s average daily net assets (Up to and including USD 2.5 billion).

Under an agreement with Franklin Advisers, FT Services provides administrative services to the Master Trust. The fee is paid by Franklin Advisers based on the Master’s average daily net assets, and is not an additional expense of the Master Trust. Also, Investor Services, under terms of an agreement, performs shareholder servicing for the Master Trust and is not paid by the Master Trust for the services.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Significant agreements and related party transactions (continued)

AIFM, Distributor and shareholder maintenance

Franklin Templeton International Services S.à r.l. is the AIFM and principal distributor for the Company.

The Company will pay to Franklin Templeton International Services S.à r.l. a fee up to 0.26% per annum of the average daily NAV of the Company in respect of management company and principal distribution services. During the period the Company incurred AIFM fees of USD 2,334,392 (January 31, 2018: USD 2,435,607) of which USD 402,206 (July 31, 2018: USD 417,077) was payable at January 31, 2019.

The Distributor has an agreement with Societe Generale (“SG”) whereby SG finances the distribution fees payable on the B share class. In this regard, the principal distributor has authorised the Company to pay a portion of its distribution fees directly to SG on its behalf.

In addition, the Company will pay the Distributor a distribution fee of up to 0.5% per annum of the average daily NAV of the AX share class, a fee of up to 1% per annum of the average daily NAV of the N (acc) share class and N (dis) share class, a fee of up to 1.05% per annum of the average daily NAV of the B share class and a fee of up to 1.10% per annum of the average daily NAV of the C (dis) share class and C (acc) share class. These fees shall be accrued daily and paid monthly in arrears.

The Company will pay the Distributor a shareholder maintenance fee of up to 0.3% per annum of the average daily NAV of the A share classes and a shareholder maintenance fee of up to 0.25% per annum of the average daily NAV of the B share class. These fees shall be accrued daily and paid monthly in arrears.

There is an upfront sales charge of up to 6.5% of the total amount invested payable to the Distributor in respect of any investment in class A and class AX shares. There is an upfront sales charge of up to 3% of the total amount invested payable to the Distributor for the N share class.

During the period the Company incurred distribution fees of USD 2,421,100 (January 31, 2018: USD 2,514,148) of which USD 2,399,368 (January 31, 2018: USD 2,474,184) were earned by the Distributor and USD 21,732 (January 31, 2018: USD 39,964) were earned by SG. Fees payable were USD 388,774 (July 31, 2018: USD 405,584) and USD 3,494 (July 31, 2018: USD 4,284) at January 31, 2019 to the Distributor and SG, respectively.

The Distributor earned shareholder maintenance fees of USD 1,771,846 (January 31, 2018: USD 1,795,330) of which USD 286,518 (July 31, 2018: USD 289,322) was payable at January 31, 2019.

The following distribution fees were incurred by the Company for the periods ended January 31, 2019 and January 31, 2018:

Class	Annual Fee	6 month period ended January 31, 2019 USD'000	6 month period ended January 31, 2018 USD'000
AX	0.50%	161	169
B	1.05%	22	40
C (acc)	1.10%	171	75
C (dis)	1.10%	811	879
N (acc)	1.00%	1,058	1,130
N (dis)	1.00%	198	221
		<u>2,421</u>	<u>2,514</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Significant agreements and related party transactions (continued)

AIFM, Distributor and shareholder maintenance (continued)

The following shareholder maintenance fees were incurred by the Company for the period ended January 31, 2019 and January 31, 2018:

Class	Annual Fee	6 month period ended January 31, 2019 USD'000	6 month period ended January 31, 2018 USD'000
A (acc)	0.30%	1,046	1,059
A (dis)	0.30%	658	644
B	0.25%	5	10
A (dis) SGD-H1	0.30%	25	14
A (dis) EUR-H1	0.30%	37	67
A (dis) RMB-H1	0.30%	1	1
		<u>1,772</u>	<u>1,795</u>

Holders of B shares may be subject to a contingent deferred sales charge ("CDSC") payable to the Distributor, the amount of which is calculated by reference to the length of time the shares have been held by the relevant investor. The amount of CDSC payable is calculated as follows:

Period Held	CDSC for B Shares
Less than 1 year	4%
Equal or more than one year but less than two years	3%
Equal or more than two years but less than three years	2%
Equal or more than three years but less than four years	1%
Equal or more than four years	0%

Holders of Class C (dis) shares and Class C (acc) shares may be subject to a CDSC of 1% if the shares are held for less than twelve months, payable to the Distributor.

Holders of Class A and AX shares may be subject to a CDSC of 1% if the shares are held for less than eighteen months, payable to the Distributor.

Administrator

J.P. Morgan Administration Services (Ireland) Limited is the Administrator for the Company. The Administrator charges a fee of 0.0275% of the NAV of the Company up to USD 100 million, 0.0225% between USD 100 million and USD 250 million, 0.0175% between USD 250 million and USD 500 million, 0.0150% between USD 500 million and USD 1 billion and 0.0075% when the NAV is above USD 1 billion, subject to a minimum fee of USD 25,000.

During the period the Administrator earned fees of USD 650,794 (January 31, 2018: USD 671,151) of which USD 225,895 (July 31, 2018: USD 202,311) was payable at January 31, 2019.

Depository

The Depository, J.P. Morgan Bank (Ireland) plc charges trustee/depository fees on a tiered basis (0.010% on the first USD 1 billion, 0.005% on the remainder), subject to a minimum fee of USD 30,000. These fees are accrued daily and paid monthly in arrears.

During the period the Depository earned fees of USD 68,459 (January 31, 2018: USD 82,119) of which USD 34,692 (July 31, 2018: USD 47,197) was payable at January 31, 2019.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Significant agreements and related party transactions (continued)

Directors

Francis Ennis, David McGeough, Gregory E. McGowan and Hans Wisser are Directors of the Company*.

Francis Ennis receives a Director's fee of USD 20,000 per annum. David McGeough and Hans Wisser each receive a Director's fee of USD 15,000 per annum.

All transactions with affiliates were entered into in the ordinary course of business.

Connected Parties Compliance Statement

The Central Bank of Ireland AIF Rulebook section on 'Dealings by management company, depositary, AIFM, investment manager or by delegates or group companies of these' states that any transaction carried out with the Company by a management company, depositary, AIFM, investment manager or by delegates or group companies of these ("connected parties") must be carried out as if negotiated at arm's length. Transactions must be in the best interests of the shareholders.

The Board of Directors is satisfied that there are arrangements (evidenced by written procedures) in place, to ensure that the obligations set out above are applied to all transactions with connected parties; and the Board of Directors is satisfied that transactions with connected parties entered into during the period complied with the obligations set out in this paragraph.

13. Transaction costs

In order to achieve its investment objective, the Company may incur transactions costs in relation to trading activity on its portfolio.

There were no transaction costs which are separately identifiable incurred by the Company for the period ended January 31, 2019 and January 31, 2018.

14. Franklin Floating Rate Master Trust

The transactions between the Company and the Master Trust consist only of dealing in the units of the Master Trust and the receipt of dividends by the Company from the Master Trust.

The Master Trust is an open-ended investment company, which was incorporated in November 1999. At the period end the balances between the Company and the Master Trust are disclosed on the Statement of Financial Position of the Company and comprise the investments in securities, proceeds due from investments sold and dividends receivable. The total dividend received from the Master Trust is disclosed as Investment Income in the Statement of Comprehensive Income.

The registered office of the Master Trust, which is a US Investment Trust, is Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801, U.S.A. and the Company holds 100% (July 31, 2018: 100%) of the units of the Master Trust.

In accordance with the provisions of the Master Trust's Trust Deed and US GAAP, if market quotations are readily available for portfolio securities listed on a securities exchange, the Master Trust values those securities at the last quoted sale price or the official closing price of the day, or, if there is no reported sale, within the range of the most recent quoted bid and ask prices, for the purpose of determining NAV per unit for subscriptions and redemptions and for various fee calculations.

*Ken Lewis acts as alternate to Gregory E. McGowan.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Soft commissions

There have been no soft commission arrangements affecting this Company during the period (January 31, 2018: None).

16. Contingent liabilities

There are no contingent liabilities as of January 31, 2019 (July 31, 2018: None).

17. Significant events during the period

On August 6, 2018, an updated prospectus was issued for the Company.

18. Significant events since period end

There have been no significant events since period end.

19. Authorisation of the financial statements

The financial statements were authorised for issue by the Board of Directors on March 21, 2019.

APPENDIX A

Franklin Floating Rate Master Trust

Unaudited Semi-Annual Report
for the six month period ended January 31, 2019

APPENDIX A

Franklin Floating Rate Master Series

Your Fund's Expenses

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

- (1) transaction costs, including sales charges (loads) on Fund purchases and redemptions; and
- (2) ongoing Fund costs, including management fees, distribution and service (12b-1) fees, and other Fund expenses. All mutual funds have ongoing costs, sometimes referred to as operating expenses.

The table below shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other mutual funds. The table assumes a \$1,000 investment held for the six months indicated.

Actual Fund Expenses

The table below provides information about actual account values and actual expenses in the columns under the heading "Actual." In these columns the Fund's actual return, which includes the effect of Fund expenses, is used to calculate the "Ending Account Value."

You can estimate the expenses you paid during the period by following these steps (*of course, your account value and expenses will differ from those in this illustration*):

Divide your account value by \$1,000 (*if your account had an \$8,600 value, then $\$8,600 \div \$1,000 = 8.6$*).

Then multiply the result by the number in the row for your class of shares under the headings "Actual" and "Expenses Paid During Period" (*if Actual Expenses Paid During Period were \$7.50, then $8.6 \times \$7.50 = \64.50*).

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

Hypothetical Example for Comparison with Other Funds

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

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

Actual (actual return after expenses)			Hypothetical (5% annual return before expenses)		
Beginning Account Value 8/1/18	Ending Account Value 1/31/19	Paid During Period 8/1/18–1/31/19 ^{1,2}	Ending Account Value 1/31/19	Paid During Period 8/1/18–1/31/19 ^{1,2}	Net Annualized Expense Ratio ²
\$1,000	\$999.40	\$2.67	\$1,022.53	\$2.70	0.53%

¹ Expenses are equal to the annualized expense ratio for the six-month period as indicated above-in the far right column-multiplied by the simple average account value over the period indicated, and then multiplied by 184/365 to reflect the one-half year period.

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

APPENDIX A (CONTINUED)**Franklin Floating Rate Master Trust****Shareholder Information****Proxy Voting Policies and Procedures**

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

Quarterly Consolidated Statement of Investments

The Trust, on behalf of the Fund, files a complete consolidated 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. 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.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series
Financial Highlights

Franklin Floating Rate Master Series	Six Months Ended January 31, 2019 (unaudited)	2018	2017	Year Ended July 31, 2016	2015	2014
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$8.54	\$8.69	\$8.47	\$8.65	\$8.92	\$8.93
Income from investment operations^a:						
Net investment income	0.211	0.398	0.332	0.419	0.391	0.299
Net realized and unrealized gains (losses)	(0.215)	(0.156)	0.221	(0.184)	(0.270)	(0.010)
Total from investment operations	(0.004)	0.242	0.553	0.235	0.121	0.289
Less distributions from net investment income	(0.206)	(0.392)	(0.333)	(0.415)	(0.391)	(0.299)
Net asset value, end of period	\$ 8.33	\$ 8.54	\$ 8.69	\$ 8.47	\$ 8.65	\$ 8.92
Total return ^b	(0.06)%	2.73%	6.71%	3.07%	1.30%	3.28%
Ratios to average net assets^c						
Expenses before waiver and payments by affiliates	0.55%	0.55%	0.55%	0.55%	0.77%	0.92%
Expenses net of waiver and payments by affiliates ^d	0.53%	0.53%	0.53%	0.53%	0.67%	0.80%
Net investment income	4.90%	4.60%	3.78%	5.03%	4.43%	3.36%
Supplemental data						
Net assets, end of period (000's)	\$1,645,799	\$1,760,544	\$2,090,626	\$1,363,955	\$1,959,681	\$2,260,151
Portfolio turnover rate	16.11%	49.97%	67.00%	28.94%	62.43%	70.55%

^a The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

^b Total return does is not annualized for periods less than one year.

^c Ratios are annualized for periods less than one year.

^d Benefit of expense reduction rounds to less than 0.01%.

The accompanying notes are an integral part of these financial statements.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series
 Statement of Investments, January 31, 2019 (unaudited)

Franklin Floating Rate Master Series	Country	Shares/ Units	Value	% of Net Assets
Common Stocks and Other Equity Interests				
Diversified Support Services				
^{a,b,c,d} Remington Outdoor Co. Inc	United States	870,865	\$4,959,660	0.30
^{a,b,c,d} Remington Outdoor Co. Inc., Litigation Units	United States	81,987	–	0.00
			<u>4,959,660</u>	<u>0.30</u>
Forest Products				
^{a,b,c,d} Appvion Operations Inc	United States	519,107	5,289,741	0.32
Oil & Gas Exploration & Production				
^a Samson Resources II LLC	United States	155,501	3,537,648	0.22
Total Common Stocks and Other Equity Interests (Cost \$49,304,337)			<u>13,787,049</u>	<u>0.84</u>
Management Investment Companies				
Other Diversified Financial Services				
^e Franklin Liberty Senior Loan ETF	United States	1,093,000	27,188,375	1.65
^e Franklin Lower Tier Floating Rate Fund	United States	3,405,364	30,273,686	1.84
^e Franklin Middle Tier Floating Rate Fund	United States	3,457,562	31,083,478	1.89
Total Management Investment Companies (Cost \$96,789,637)			<u>88,545,539</u>	<u>5.38</u>
			<u>Principal Amount*</u>	
Corporate Bonds (Cost \$8,800,584)				
Industrial Machinery				
^f Onsite Rental Group Operations Pty. Ltd., secured note, PIK, 6.10%, 10/26/23	Australia	\$10,100,685	7,828,031	0.48
^{g,h}Senior Floating Rate Interests				
Aerospace & Defense				
Delos Finance S.A.R.L. (AerCap), New Loans, 4.553%, (3-month USD LIBOR + 1.75%), 10/06/23	Luxembourg	27,284,435	27,272,266	1.66
Doncasters U.S. Finance LLC, Second Lien Term Loan, 11.053%, (3-month USD LIBOR + 8.25%), 10/09/20	United States	6,096,324	4,816,096	0.29
Term B Loans, 6.303%, (3-month USD LIBOR + 3.50%), 4/09/20	United States	14,777,047	13,447,113	0.82
Flying Fortress Holdings LLC (ILFC), New Loan, 4.553%, (3-month USD LIBOR + 1.75%), 10/30/22	United States	18,210,912	18,172,979	1.10
			<u>63,708,454</u>	<u>3.87</u>
Agricultural Products				
Allflex Holdings III Inc., Second Lien Initial Term Loan, 9.506%, (1-month USD LIBOR + 7.00%), 7/19/21	United States	1,552,184	1,540,543	0.09
Air Freight & Logistics				
XPO Logistics Inc., Refinanced Term Loan, 4.50%, (1-month USD LIBOR + 2.00%), 2/24/25	United States	5,000,000	4,932,030	0.30
Airlines				
Air Canada, Term Loan, 4.50%, (1-month USD LIBOR + 2.00%), 10/06/23	Canada	12,761,713	12,729,656	0.78
^{i,j} Allegiant Travel Co., Term Loan B, TBD, 2/05/24	United States	3,700,000	3,672,250	0.22
American Airlines Inc., 2017 Replacement Term Loans, 4.516%, (1-month USD LIBOR + 2.00%), 10/10/21	United States	2,688,305	2,658,228	0.16
2018 Replacement Term Loans, 4.252%, (1-month USD LIBOR + 1.75%), 6/27/25	United States	9,556,691	9,190,851	0.56
			<u>28,250,985</u>	<u>1.72</u>

The accompanying notes are an integral part of these financial statements.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series
 Statement of Investments, January 31, 2019 (unaudited)

Franklin Floating Rate Master Series	Country	Principal Amount*	Value	% of Net Assets
Senior Floating Rate Interests (continued)				
Apparel Retail				
Ascena Retail Group Inc., Tranche B Term Loan, 7.00%, (1-month USD LIBOR + 4.50%), 8/21/22	United States	\$42,797,160	\$39,444,645	2.40
Application Software				
TIBCO Software Inc., Term B-1 Loans, 6.01%, (1-month USD LIBOR + 3.50%), 12/04/20	United States	7,051,598	7,014,577	0.43
Auto Parts & Equipment				
Allison Transmission Inc., New Term Loans, 4.26%, (1-month USD LIBOR + 1.75%), 9/23/22	United States	11,906,423	11,865,489	0.72
American Axle & Manufacturing Inc., Tranche B Term Loan, 4.76%, (1-month USD LIBOR + 2.25%), 4/06/24	United States	1,924,940	1,861,577	0.11
TI Group Automotive Systems LLC, Initial US Term Loan, 4.999%, (1-month USD LIBOR + 2.50%), 6/30/22	United States	16,310,481	15,807,580	0.96
			29,534,646	1.79
Automobile Manufacturers				
^{ij} Thor Industries Inc., Term Loan B, TBD, 2/01/26	United States	10,000,000	9,612,500	0.58
Broadcasting				
Gray Television Inc., Term B-2 Loan, 4.77%, (3-month USD LIBOR + 2.25%), 2/07/24	United States	15,704,652	15,478,898	0.94
Term C Loan, 5.02%, (3-month USD LIBOR + 2.50%), 1/02/26	United States	2,880,908	2,847,302	0.17
ⁱ Mission Broadcasting Inc., Term B-3 Loan, 4.756%, (1-month USD LIBOR + 2.25%), 1/17/24	United States	1,573,789	1,525,591	0.09
Nexstar Broadcasting Inc., Term A-4 Loan, 4.256%, (1-week USD LIBOR + 1.75%), 10/26/23	United States	6,801,811	6,733,793	0.41
ⁱ Term B-3 Loan, 4.752%, (1-month USD LIBOR + 2.25%), 7/17/24	United States	9,103,366	8,824,575	0.54
Sinclair Television Group Inc., Tranche B Term Loans, 4.75%, (1-month USD LIBOR + 2.25%), 1/03/24	United States	20,340,249	20,187,697	1.23
WXXA-TV LLC and WLAI-TV LLC, Term A-4 Loan, 4.256%, (1-week USD LIBOR + 1.75%), 10/26/23	United States	188,253	185,430	0.01
			55,783,286	3.39
Building Products				
Resideo Funding Inc., Tranche A Term Loan, 4.63%, (2-month USD LIBOR + 2.00%), 10/25/23	United States	8,600,000	8,605,160	0.52
Tranche B Term Loan, 4.63%, (2-month USD LIBOR + 2.00%), 10/25/25	United States	853,853	852,775	0.05
			9,457,935	0.57
Cable & Satellite				
Charter Communications Operating LLC, Term B Loan, 4.50%, (1-month USD LIBOR + 2.00%), 4/30/25	United States	13,869,737	13,708,155	0.83
CSC Holdings LLC, March 2017 Incremental Term Loans, 4.759%, (1-month USD LIBOR + 2.25%), 7/17/25	United States	20,619,446	20,032,946	1.22
Mediacom Illinois LLC, Tranche N Term Loan, 4.17%, (1-week USD LIBOR + 1.75%), 2/15/24	United States	4,740,968	4,689,609	0.29
			38,430,710	2.34
Casinos & Gaming				
Aristocrat Technologies Inc., Term B-3 Loans, 4.526%, (3-month USD LIBOR + 1.75%), 10/19/24	United States	8,663,213	8,526,499	0.52
Boyd Gaming Corp., Refinancing Term B Loans, 4.664%, (1-week USD LIBOR + 2.25%), 9/15/23	United States	7,972,084	7,889,876	0.48

The accompanying notes are an integral part of these financial statements.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series

Statement of Investments, January 31, 2019 (unaudited)

Franklin Floating Rate Master Series	Country	Principal Amount*	Value	% of Net Assets
Senior Floating Rate Interests (continued)				
Term A Loan, 4.664%, (1-week USD LIBOR + 2.25%), 9/15/21 .	United States	\$2,122,197	\$2,106,280	0.13
Caesars Resort Collection LLC, Term B Loans, 5.249%, (1-month USD LIBOR + 2.75%), 12/22/24	United States	6,302,256	6,234,733	0.38
CEOC LLC, Term B Loans, 4.499%, (1-month USD LIBOR + 2.00%), 10/06/24	United States	4,576,152	4,496,069	0.27
Eldorado Resorts Inc., Initial Term Loan, 4.813%, (1-month USD LIBOR + 2.25%), 4/17/24	United States	3,298,185	3,265,203	0.20
Initial Term Loan, 4.813%, (3-month USD LIBOR + 2.25%), 4/17/24	United States	2,901,301	2,872,288	0.17
Greektown Holdings LLC, Initial Term Loan, 5.249%, (1-month USD LIBOR + 2.75%), 4/25/24	United States	8,325,410	8,304,597	0.50
Kingpin Intermediate Holdings LLC, Amendment No. 2 Term Loans, 6.00%, (1-month USD LIBOR + 3.50%), 7/03/24	United States	1,580,040	1,572,140	0.10
Las Vegas Sands LLC, Term B Loans, 4.249%, (1-month USD LIBOR + 1.75%), 3/27/25	United States	10,018,116	9,858,898	0.60
Station Casinos LLC, Term B Facility Loans, 5.00%, (1-month USD LIBOR + 2.50%), 6/08/23	United States	5,958,812	5,899,969	0.36
			<u>61,026,552</u>	<u>3.71</u>
Coal & Consumable Fuels				
Bowie Resource Holdings LLC, First Lien Initial Term Loan, 8.457%, (3-month USD LIBOR + 5.75%), 8/14/20	United States	16,723,192	16,472,344	1.00
Second Lien Initial Term Loan, 13.457%, (3-month USD LIBOR + 10.75%), 2/16/21	United States	2,232,389	2,102,167	0.13
Foresight Energy LLC, Term Loans, 8.249%, (1-month USD LIBOR + 5.75%), 3/28/22	United States	26,556,008	26,331,929	1.60
			<u>44,906,440</u>	<u>2.73</u>
Commodity Chemicals				
Ineos U.S. Finance LLC, 2024 Dollar Term Loan, 4.499%, (1-month USD LIBOR + 2.00%), 3/31/24	United States	11,562,970	11,257,372	0.68
Communications Equipment				
Ciena Corp., 2018 Term Loan, 4.503%, (1-month USD LIBOR + 2.00%), 9/28/25	United States	4,671,986	4,657,386	0.28
CommScope Inc., Tranche 5 Term Loans, 4.499%, (1-month USD LIBOR + 2.00%), 12/29/22	United States	4,898,660	4,884,821	0.30
			<u>9,542,207</u>	<u>0.58</u>
Construction & Engineering				
AECOM, Term B Loans, 4.249%, (1-month USD LIBOR + 1.75%), 3/13/25	United States	7,801,314	7,655,078	0.47
Data Processing & Outsourced Services				
Iron Mountain Information Management LLC, Term B Loan, 4.249%, (1-month USD LIBOR + 1.75%), 1/26/26	United States	4,589,798	4,454,972	0.27
Wex Inc., Term B-2 Loan, 4.749%, (1-month USD LIBOR + 2.25%), 7/01/23	United States	11,599,673	11,459,515	0.70
			<u>15,914,487</u>	<u>0.97</u>
Diversified Chemicals				
Chemours Co., Tranche B-2 US\$ Term Loan, 4.25%, (1-month USD LIBOR + 1.75%), 4/03/25	United States	8,776,424	8,641,048	0.53
Univar USA Inc., Term B-3 Loans, 4.749%, (1-month USD LIBOR + 2.25%), 7/01/24	United States	4,040,334	3,967,103	0.24
			<u>12,608,151</u>	<u>0.77</u>

The accompanying notes are an integral part of these financial statements.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series
 Statement of Investments, January 31, 2019 (unaudited)

Franklin Floating Rate Master Series	Country	Principal Amount*	Value	% of Net Assets
Senior Floating Rate Interests (continued)				
Diversified Support Services				
United Rentals North America Inc., Initial Term Loans, 4.249%, (1-month USD LIBOR + 1.75%), 10/30/25	United States	\$1,355,394	\$1,350,029	0.08
Ventia Pty. Ltd., Term B Loans (USD), 6.303%, (3-month USD LIBOR + 3.50%), 5/21/22	Australia	4,904,843	4,831,270	0.30
			<u>6,181,299</u>	<u>0.38</u>
Electric Utilities				
EFS Cogen Holdings I LLC (Linden), Term B Advance, 5.75%, (1-month USD LIBOR + 3.25%), 6/28/23	United States	1,041,637	1,026,533	0.06
Term B Advance, 6.06%, (3-month USD LIBOR + 3.25%), 6/28/23	United States	3,005,718	2,962,135	0.18
			<u>3,988,668</u>	<u>0.24</u>
Food Distributors				
Aramark Corp., U.S. Term B-3 Loan, 4.249%, (1-month USD LIBOR + 1.75%), 3/11/25	United States	8,979,533	8,930,891	0.54
Nutraceutical International Corp., Term Loan B, 5.749%, (1-month USD LIBOR + 3.25%), 8/22/23	United States	2,889,617	2,824,601	0.17
U.S. Foods Inc., Initial Term Loans, 4.499%, (1-month USD LIBOR + 2.00%), 6/27/23	United States	4,343,701	4,282,889	0.26
			<u>16,038,381</u>	<u>0.97</u>
Food Retail				
BI-LO LLC (Southeastern Grocers), FILO Loan (ABL), 7.867%, (2-month USD LIBOR + 5.25%), 5/31/22	United States	4,625,000	4,578,750	0.28
Forest Products				
^b Appvion Operations Inc., Term Loan, 8.80%, (3-month USD LIBOR + 6.00%), 6/15/26	United States	9,486,988	9,422,950	0.57
General Merchandise Stores				
^f 99 Cents Only Stores, First Lien Term Loan, PIK, 9.207% - 9.303%, (3-month USD LIBOR + 6.50%), 1/13/22	United States	17,587,795	15,829,016	0.96
Evergreen AcqCo. 1 LP (Savers), Term Loan, 6.526%, (3-month USD LIBOR + 3.75%), 7/09/19	United States	24,070,603	22,897,161	1.39
			<u>38,726,177</u>	<u>2.35</u>
Health Care Distributors				
Mallinckrodt International Finance SA & Mallinckrodt CB LLC, 2017 Term B Loans, 5.553%, (3-month USD LIBOR + 2.75%), 9/24/24	Luxembourg	9,586,169	8,955,083	0.54
Health Care Facilities				
HCA Inc., Term Loan B10, 4.499%, (1-month USD LIBOR + 2.00%), 3/13/25	United States	4,449,869	4,443,612	0.27
Term Loan B11, 4.249%, (1-month USD LIBOR + 1.75%), 3/18/23	United States	2,560,650	2,554,889	0.16
			<u>6,998,501</u>	<u>0.43</u>
Health Care Services				
Air Medical Group Holdings Inc., 2018 New Term Loans, 6.769%, (1-month USD LIBOR + 4.25%), 3/14/25	United States	7,367,410	6,949,921	0.42
Catalent Pharma Solutions Inc., Dollar Term Loan, 4.749%, (1-month USD LIBOR + 2.25%), 5/20/24	United States	8,045,017	8,000,392	0.49
DaVita Healthcare Partners Inc., Tranche A Term Loan, 4.499%, (1-month USD LIBOR + 2.00%), 6/24/19	United States	5,585,941	5,585,242	0.34

The accompanying notes are an integral part of these financial statements.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series
 Statement of Investments, January 31, 2019 (unaudited)

Franklin Floating Rate Master Series	Country	Principal Amount*	Value	% of Net Assets
Senior Floating Rate Interests (continued)				
Health Care Services (continued)				
Tranche B Term Loan, 5.249%, (1-month USD LIBOR + 2.75%), 6/24/21	United States	\$7,240,125	\$7,240,081	0.44
U.S. Renal Care Inc., Initial Term Loan, 7.053%, (3-month USD LIBOR + 4.25%), 12/31/22	United States	8,890,110	8,753,052	0.53
			<u>36,528,688</u>	<u>2.22</u>
Health Care Technology				
IQVIA Inc.,				
Term B-1 Dollar Loans, 4.803%, (3-month USD LIBOR +2.00%), 3/07/24	United States	5,681,250	5,648,111	0.34
Term B-3 Dollar Loans, 4.249%, (1-month USD LIBOR +1.75%), 6/11/25	United States	2,985,000	2,939,294	0.18
			<u>8,587,405</u>	<u>0.52</u>
Hotels, Resorts & Cruise Lines				
Hilton Worldwide Finance LLC, Series B-2 Term Loans, 4.26%, (1-month USD LIBOR + 1.75%), 10/25/23				
	United States	7,871,325	7,802,490	0.47
Independent Power Producers & Energy Traders				
NRG Energy Inc., Term Loan B, 4.249%, (1-month USD LIBOR +1.75%), 6/30/23				
	United States	31,970,345	31,525,318	1.92
Industrial Machinery				
Altra Industrial Motion Corp., Term Loan, 4.499%, (1-month USD LIBOR + 2.00%), 10/01/25				
	United States	7,189,838	7,078,992	0.43
Harsco Corp., Term Loan B-2, 4.75%, (1-month USD LIBOR + 2.25%), 12/10/24				
	United States	9,234,069	9,187,899	0.56
Navistar Inc., Tranche B Term Loan, 6.02%, (1-month USD LIBOR + 3.50%), 11/06/24				
	United States	33,001,754	32,547,155	1.98
Onsite Rental Group Operations Pty. Ltd., Term Loan, 7.01%, (1-month USD LIBOR + 4.50%), 10/25/22				
	Australia	7,387,773	7,313,895	0.44
RBS Global Inc. (Rexnord), Term B Loan, 4.499%, (1-month USD LIBOR + 2.00%), 8/21/24				
	United States	3,896,875	3,864,866	0.24
			<u>59,992,807</u>	<u>3.65</u>
Integrated Telecommunication Services				
Global Tel*Link Corp.,				
First Lien Term Loan, 6.956%, (3-month USD LIBOR + 4.25%), 11/29/25	United States	4,886,245	4,828,221	0.29
Second Lien Term Loan, 10.956%, (3-month USD LIBOR + 8.25%), 11/29/26	United States	3,374,143	3,306,660	0.20
Securus Technologies Holdings Inc., Second Lien Initial Loan, 10.749%, (1-month USD LIBOR + 8.25%), 11/01/25				
	United States	817,114	795,665	0.05
Zayo Group LLC, 2017 Incremental Refinancing B-1 Term Loan, 4.499%, (1-month USD LIBOR + 2.00%), 1/19/21				
	United States	10,235,098	10,183,922	0.62
			<u>19,114,468</u>	<u>1.16</u>
Interactive Media & Services				
Ancestry.com Operations Inc., Term Loans, 5.75%, (1-month USD LIBOR + 3.25%), 10/19/23				
	United States	4,050,144	3,989,372	0.24
Go Daddy Operating Co. LLC, Tranche B-1 Term Loans, 4.749%, (1-month USD LIBOR + 2.25%), 2/15/24				
	United States	11,262,682	11,142,002	0.68
Rackspace Hosting Inc., Term B Loans, 5.582%, (3-month USD LIBOR + 3.00%), 11/03/23				
	United States	5,055,236	4,701,951	0.29
			<u>19,833,325</u>	<u>1.21</u>

The accompanying notes are an integral part of these financial statements.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series
 Statement of Investments, January 31, 2019 (unaudited)

Franklin Floating Rate Master Series	Country	Principal Amount*	Value	% of Net Assets
Senior Floating Rate Interests (continued)				
Internet Services & Infrastructure				
LegalZoom.com Inc., 2018 Term Loans, 7.019%, (1-month USD LIBOR + 4.50%), 11/21/24	United States	\$4,092,697	\$4,095,255	0.25
IT Consulting & Other Services				
Gartner Inc., Tranche A Term Loans, 3.999%, (1-month USD LIBOR + 1.50%), 3/21/22	United States	4,840,356	4,809,982	0.29
Leisure Facilities				
24 Hour Fitness Worldwide Inc., Term Loan, 5.999%, (1-month USD LIBOR + 3.50%), 5/30/25	United States	7,343,520	7,242,547	0.44
Equinox Holdings Inc., Term B-1 Loans, 5.499%, (1-month USD LIBOR + 3.00%), 3/08/24	United States	4,377,834	4,327,900	0.26
			11,570,447	0.70
Life Sciences Tools & Services				
Syneos Health Inc., Initial Term B Loans, 4.499%, (1-month USD LIBOR + 2.00%), 8/01/24	United States	6,899,385	6,801,621	0.41
Marine				
International Seaways Operating Corp., Initial Term Loans, 8.50%, (1-month USD LIBOR + 6.00%), 6/22/22	United States	3,046,835	3,031,601	0.18
Navios Maritime Partners LP, Initial Term Loan, 7.78%, (3-month USD LIBOR + 5.00%), 9/14/20	United States	8,076,136	8,035,755	0.49
			11,067,356	0.67
Metal & Glass Containers				
Berry Global Inc., Term Q Loan, 4.516%, (1-month USD LIBOR + 2.00%), 10/01/22	United States	6,883,881	6,795,685	0.41
Movies & Entertainment				
AMC Entertainment Holdings Inc., 2016 Incremental Term Loans, 4.759%, (1-month USD LIBOR + 2.25%), 12/15/23	United States	1,593,814	1,570,903	0.10
Initial Term Loans, 4.759%, (1-month USD LIBOR + 2.25%), 12/15/22	United States	2,717,182	2,678,122	0.16
Lions Gate Capital Holdings LLC, Term A Loan, 4.249%, (1-month USD LIBOR + 1.75%), 3/22/23	Canada	12,095,329	11,913,899	0.72
Live Nation Entertainment Inc., Term B-3 Loans, 4.25%, (1-month USD LIBOR + 1.75%), 10/31/23	United States	3,779,287	3,768,263	0.23
			19,931,187	1.21
Oil & Gas Exploration & Production				
Cantium LLC, Commitment, 8.82%, (3-month USD LIBOR + 6.00%), 6/13/20	United States	4,294,278	4,243,176	0.26
Fieldwood Energy LLC, Closing Date Loans, 7.749%, (1-month USD LIBOR + 5.25%), 4/11/22	United States	69,684,139	64,152,961	3.90
Utex Industries Inc., First Lien Initial Term Loan, 6.499%, (1-month USD LIBOR + 4.00%), 5/21/21	United States	15,758,939	14,892,197	0.90
			83,288,334	5.06
Oil & Gas Storage & Transportation				
Centurion Pipeline Co. LLC, Initial Term Loans, 6.053%, (3-month USD LIBOR + 3.25%), 9/28/25	United States	3,132,248	3,100,926	0.19
Strike LLC, Term Loan, 10.594%, (3-month USD LIBOR + 8.00%), 11/30/22	United States	3,366,000	3,370,207	0.20
			6,471,133	0.39

The accompanying notes are an integral part of these financial statements.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series
 Statement of Investments, January 31, 2019 (unaudited)

Franklin Floating Rate Master Series	Country	Principal Amount*	Value	% of Net Assets
Senior Floating Rate Interests (continued)				
Other Diversified Financial Services				
Asurion LLC,				
AM No. 14 Replacement B-4 Term Loans, 5.499%, (1-month USD LIBOR + 3.00%), 8/04/22	United States	\$3,905,673	\$3,853,598	0.24
Replacement B-6 Term Loans, 5.499%, (1-month USD LIBOR + 3.00%), 11/03/23	United States	1,736,447	1,712,137	0.10
			<u>5,565,735</u>	<u>0.34</u>
Packaged Foods & Meats				
CSM Bakery Supplies LLC,				
Second Lien Term Loan, 10.55%, (3-month USD LIBOR + 7.75%), 7/03/21	United States	5,971,086	5,448,616	0.33
Term Loans, 6.80%, (3-month USD LIBOR + 4.00%), 7/03/20	United States	3,860,482	3,609,551	0.22
JBS USA Lux S.A.,				
New Initial Term Loans, 4.999%, (1-month USD LIBOR + 2.50%), 10/30/22	United States	4,369,216	4,330,985	0.26
New Initial Term Loans, 5.301%, (3-month USD LIBOR + 2.50%), 10/30/22	United States	25,486,444	25,263,438	1.54
ⁱ Post Holdings Inc., Series A Incremental Term Loans, 4.52%, (1-month USD LIBOR + 2.00%), 5/24/24	United States	14,297,905	14,154,926	0.86
			<u>52,807,516</u>	<u>3.21</u>
Paper Packaging				
Caraustar Industries Inc., Refinancing Term Loans, 8.303%, (3-month USD LIBOR + 5.50%), 3/14/22				
Reynolds Group Holdings Inc., U.S. Term Loans, 5.249%, (1-month USD LIBOR + 2.75%), 2/05/23	United States	12,605,352	12,611,654	0.76
	United States	4,446,700	4,391,424	0.27
			<u>17,003,078</u>	<u>1.03</u>
Personal Products				
^c FGI Operating Co. LLC (Freedom Group),				
DDTL FILO, 9.707%, (3-month USD LIBOR + 7.00%), 5/15/21	United States	272,727	270,446	0.02
^f Term Loan, PIK, 12.616%, (3-month USD LIBOR + 10.00%), 5/15/22	United States	8,694,803	8,416,830	0.51
Term Loan FILO, 9.616%, (3-month USD LIBOR + 7.00%), 5/15/21	United States	2,727,273	2,704,460	0.16
			<u>11,391,736</u>	<u>0.69</u>
Pharmaceuticals				
Endo Luxembourg Finance Co. I S.A.R.L. and Endo LLC, Initial Term Loans, 6.75%, (1-month USD LIBOR + 4.25%), 4/29/24				
Grifols Worldwide Operations USA Inc., Tranche B Term Loan, 4.664%, (1-week USD LIBOR + 2.25%), 1/31/25	United States	14,145,739	14,039,646	0.85
Horizon Pharma Inc., Fourth Amendment Refinancing Term Loans, 5.563%, (1-month USD LIBOR + 3.00%), 3/29/24	United States	18,344,306	18,298,445	1.11
Innoviva Inc., Initial Term Loan, 7.146%, (3-month USD LIBOR + 4.50%), 8/18/22	United States	93,404	93,123	0.01
Valeant Pharmaceuticals International, Initial Term Loans, 5.513%, (1-month USD LIBOR + 3.00%), 6/02/25	United States	8,803,304	8,726,962	0.53
			<u>52,479,853</u>	<u>3.19</u>

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APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series
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Franklin Floating Rate Master Series	Country	Principal Amount*	Value	% of Net Assets
Senior Floating Rate Interests (continued)				
Research & Consulting Services				
ⁱ Nielsen Finance LLC, Class B-4 Term Loans, 4.51%, (1-month USD LIBOR + 2.00%), 10/04/23	United States	\$1,700,000	\$1,676,776	0.10
Restaurants				
1011778 B.C. ULC, Term B-3 Loan, 4.749%, (1-month USD LIBOR + 2.25%), 2/17/24	Canada	1,700,000	1,673,642	0.10
KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC (Yum Brands), Term Loan B, 4.263%, (1-month USD LIBOR + 1.75%), 4/03/25	United States	9,955,856	9,886,374	0.60
NPC International Inc., Second Lien Initial Term Loan, 10.134%, (2-month USD LIBOR + 7.50%), 4/20/25	United States	4,842,941	4,552,364	0.28
			<u>16,112,380</u>	<u>0.98</u>
Security & Alarm Services				
Prime Security Services Borrower LLC, Term B-1 Loans, 5.249%, (1-month USD LIBOR + 2.75%), 5/02/22	United States	4,468,501	4,413,445	0.27
Semiconductor Equipment				
^{ij} MKS Instruments Inc., Tranche B-5 Term Loans, TBD, 2/01/26	United States	2,729,502	2,726,516	0.17
Semiconductors				
ON Semiconductor Corp., 2018 New Replacement Term B-3 Loans, 4.249%, (1-month USD LIBOR + 1.75%), 3/31/23	United States	13,894,659	13,750,280	0.84
Specialized Consumer Services				
Avis Budget Car Rental LLC, Tranche B Term Loans, 4.50%, (1-month USD LIBOR + 2.00%), 2/13/25	United States	19,079,782	18,894,994	1.15
NVA Holdings Inc., Term B-3 Loan, 5.249%, (1-month USD LIBOR + 2.75%), 2/02/25	United States	7,759,601	7,449,217	0.45
Sabre GBLB Inc., 2017 Other Term A Loans, 4.499%, (1-month USD LIBOR + 2.00%), 7/01/22	United States	6,157,950	6,065,581	0.37
2018 Other Term B Loans, 4.499%, (1-month USD LIBOR + 2.00%), 2/22/24	United States	1,534,709	1,516,644	0.09
			<u>33,926,436</u>	<u>2.06</u>
Specialized Finance				
Trans Union LLC, 2017 Replacement Term A-2 Loans, 4.249%, (1-month USD LIBOR + 1.75%), 8/09/22	United States	6,666,935	6,591,932	0.40
Specialty Chemicals				
Ashland LLC, Term B Loan, 4.249% - 4.269%, (1-month USD LIBOR + 1.75%), 5/17/24	United States	6,238,996	6,196,758	0.38
Axalta Coating Systems U.S. Holdings Inc., Term B-3 Dollar Loan, 4.553%, (3-month USD LIBOR + 1.75%), 6/01/24	United States	18,197,559	17,898,482	1.09
Oxbow Carbon LLC, Second Lien Term Loan, 9.999%, (1-month USD LIBOR + 7.50%), 1/04/24	United States	7,556,614	7,575,505	0.46
Tranche A Term Loan, 4.749%, (1-month USD LIBOR + 2.25%), 1/04/22	United States	6,300,000	6,268,500	0.38
Tranche B Term Loan, 5.999%, (1-month USD LIBOR + 3.50%), 1/04/23	United States	4,674,000	4,668,158	0.28
W.R. Grace & Co., Term B-1 Loans, 4.553%, (3-month USD LIBOR + 1.75%), 4/03/25	United States	1,504,921	1,489,403	0.09
Term B-2 Loans, 4.553%, (3-month USD LIBOR + 1.75%), 4/03/25	United States	2,579,865	2,553,261	0.15
			<u>46,650,067</u>	<u>2.83</u>

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APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series
 Statement of Investments, January 31, 2019 (unaudited)

Franklin Floating Rate Master Series	Country	Principal Amount*	Value	% of Net Assets
Senior Floating Rate Interests (continued)				
Specialty Stores				
General Nutrition Centers Inc., FILO Term Loan (ABL), 9.50%, (1-month USD LIBOR + 7.00%), 12/31/22	United States	\$12,691,811	\$12,891,453	0.78
Tranche B-2 Term Loans, 11.75%, (1-month USD LIBOR + 9.25%), 3/04/21	United States	8,930,005	8,650,942	0.53
Tranche B-2 Term Loans, 12.00%, (3-month USD LIBOR + 9.25%), 3/04/21	United States	9,018,742	8,736,906	0.53
Tranche B-2 Term Loans, 13.75%, (Prime + 8.25%), 3/04/21	United States	4,762,669	4,613,836	0.28
Harbor Freight Tools USA Inc., Refinancing Loans, 4.999%, (1-month USD LIBOR + 2.50%), 8/19/23	United States	4,462,901	4,336,985	0.26
Jo-Ann Stores Inc., Initial Loans, 7.761%, (3-month USD LIBOR + 5.00%), 10/23/23	United States	4,110,161	4,069,060	0.25
Michaels Stores Inc., 2018 New Replacement Term B Loan, 5.002% - 5.003%, (1-month USD LIBOR + 2.50%), 1/28/23	United States	13,593,190	13,473,910	0.82
PETCO Animal Supplies Stores Inc., Second Amendment Term Loans, 5.994%, (3-month USD LIBOR + 3.25%), 1/26/23	United States	3,586,654	2,771,809	0.17
			<u>59,544,901</u>	<u>3.62</u>
Technology Distributors				
CDW LLC, Term B Loan, 4.25%, (1-month USD LIBOR + 1.75%), 8/17/23	United States	4,331,939	4,318,402	0.26
Technology Hardware, Storage & Peripherals				
Western Digital Corp., U.S. Term B-4 Loan, 4.26%, (1-month USD LIBOR + 1.75%), 4/29/23	United States	2,977,500	2,911,435	0.18
Trucking				
Hertz Corp., Tranche B-1 Term Loan, 5.249%, (1-month USD LIBOR + 2.75%), 6/30/23	United States	20,609,209	20,100,409	1.22
Total Senior Floating Rate Interests (Cost \$1,259,689,688)			<u>1,235,696,805</u>	<u>75.08</u>
Asset-Backed Securities				
Other Diversified Financial Services				
^{k,l} Alinea CLO Ltd., 2018-1A, C, 144A, FRN, 4.661%, (3-month USD LIBOR + 1.90%), 7/20/31	United States	2,600,000	2,481,648	0.15
^{k,l} Annisa CLO Ltd., 2016-2A, CR, 144A, FRN, 4.761%, (3-month USD LIBOR + 2.00%), 7/20/31	United States	1,800,000	1,735,398	0.11
^{k,m} ARES XLIX CLO Ltd., 2018-49A, C, 144A, FRN, 4.711%, 7/22/30	United States	3,100,000	2,961,647	0.18
^{k,l} ARES XLVIII CLO Ltd., 2018-48A, C, 144A, FRN, 4.561%, (3-month USD LIBOR + 1.80%), 7/20/30	United States	3,135,000	3,009,663	0.18
^{k,l} ARES XXXVII CLO Ltd., 2015-4A, BR, 144A, FRN, 4.587%, (3-month USD LIBOR + 1.80%), 10/15/30	United States	3,150,000	2,998,422	0.18
^{k,l} Atrium XII, 2012A, CR, 144A, FRN, 4.411%, (3-month USD LIBOR + 1.65%), 4/22/27	United States	2,240,000	2,209,021	0.13
^{k,m} Atrium XIV LLC, 14A, B, 144A, FRN, 4.479%, 8/23/30	United States	7,200,000	7,145,424	0.43
14A, C, 144A, FRN, 4.729%, 8/23/30	United States	4,000,000	3,838,160	0.23
^{k,l} Betony CLO 2 Ltd., 2018-1A, B, 144A, FRN, 4.601%, (3-month USD LIBOR + 1.85%), 4/30/31	United States	2,400,000	2,266,008	0.14
^{k,m} BlueMountain CLO Ltd., 2012-2A, CR2, 144A, FRN, 4.645%, 11/20/28	United States	4,000,000	3,905,600	0.24
^{k,m} BlueMountain CLO XXII Ltd., 2018-1A, B, 144A, FRN, 4.451%, 7/30/30	United States	\$5,400,000	\$5,351,454	0.33
2018-1A, C, 144A, FRN, 4.801%, 7/30/30	United States	2,750,000	2,654,987	0.16

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APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series
 Statement of Investments, January 31, 2019 (unaudited)

Franklin Floating Rate Master Series	Country	Principal Amount*	Value	% of Net Assets
Asset-Backed Securities (continued)				
Other Diversified Financial Services (continued)				
^{k,l} BlueMountain Fuji U.S. CLO I Ltd., 2017-1A, C, 144A, FRN, 5.111%, (3-month USD LIBOR + 2.35%), 7/20/29	United States	\$2,275,000	\$2,276,092	0.14
^{k,l} BlueMountain Fuji U.S. CLO III Ltd., 2017-3A, C, 144A, FRN, 4.487%, (3-month USD LIBOR + 1.70%), 1/15/30	United States	2,100,000	2,018,142	0.12
^{k,l} Bristol Park CLO Ltd., 2016-1A, A, 144A, FRN, 4.207%, (3-month USD LIBOR + 1.42%), 4/15/29	United States	22,000,000	21,981,960	1.34
^{k,l} Carlyle Global Market Strategies CLO Ltd., 2012-4A, C1R, 144A, FRN, 5.361%, (3-month USD LIBOR + 2.60%), 1/20/29	United States	3,675,000	3,677,095	0.22
2014-4RA, B, 144A, FRN, 4.687%, (3-month USD LIBOR + 1.90%), 7/15/30	United States	3,400,000	3,291,914	0.20
^{k,m} Cole Park CLO Ltd., 2015-1A, CR, 144A, FRN, 4.761%, 10/20/28	United States	2,000,000	1,955,020	0.12
^{k,m} Columbia Cent CLO, 2018-27A, B, 144A, FRN, 4.79%, 10/25/28	United States	2,600,000	2,585,518	0.16
^{k,l} Dryden 30 Senior Loan Fund, 2013-30A, A, 144A, FRN, 4.316%, (3-month USD LIBOR + 1.70%), 11/15/28	United States	2,100,000	2,008,251	0.12
^{k,m} Dryden 40 Senior Loan Fund, 2015-40A, CR, 144A, FRN, 4.716%, 8/15/31	United States	3,000,000	2,954,490	0.18
^{k,l} Dryden 55 CLO Ltd., 2018-55A, C, 144A, FRN, 4.687%, (3-month USD LIBOR + 1.90%), 4/15/31	United States	2,900,000	2,788,118	0.17
^{k,l} Dryden 58 CLO Ltd., 2018-58A, C, 144A, FRN, 4.573%, (3-month USD LIBOR + 1.80%), 7/17/31	United States	2,500,000	2,377,200	0.14
^{k,m} Dryden 70 CLO Ltd., 2018-70A, B, 144A, FRN, 4.54%, 1/16/32	United States	2,940,217	2,926,721	0.18
2018-70A, C, 144A, FRN, 4.99%, 1/16/32	United States	2,500,000	2,480,250	0.15
^{k,l} Dryden Senior Loan Fund, 2016-42A, CR, 144A, FRN, 4.837%, (3-month USD LIBOR + 2.05%), 7/15/30	United States	2,400,000	2,355,360	0.14
^k Eaton Vance CLO Ltd., 2014-1RA, C, 144A, FRN, 4.887%, 7/15/30	United States	2,900,000	2,800,443	0.17
^m 2015-1A, CR, 144A, FRN, 4.661%, (3-month USD LIBOR + 1.90%), 1/20/30	United States	1,400,000	1,336,286	0.08
^k Emerson Park CLO Ltd., 2013-1A, C2R, 144A, 4.055%, 7/15/25	United States	1,100,000	1,080,497	0.07
^{k,l} Flagship CLO VIII Ltd., 2014-8A, CRR, 144A, FRN, 4.579%, (3-month USD LIBOR + 1.80%), 1/16/26	United States	2,900,000	2,827,848	0.17
^{k,l} Galaxy XVIII CLO Ltd., 2018-28A, C, 144A, FRN, 4.737%, (3-month USD LIBOR + 1.95%), 7/15/31	United States	2,700,000	2,584,953	0.16
^{k,m} Galaxy XXV CLO Ltd., 2018-25A, B, 144A, FRN, 3.987%, 10/25/31	United States	3,750,000	3,703,575	0.22
2018-25A, C, 144A, FRN, 4.337%, 10/25/31	United States	2,500,000	2,402,525	0.15
^{k,m} Galaxy XXVI CLO Ltd., 2018-26A, C, 144A, FRN, 4.802%, 11/22/31	United States	2,100,000	2,030,301	0.12
^{k,m} LCM Loan Income Fund I Income Note Issuer Ltd., 2027A, C, 144A, FRN, 4.729%, 7/16/31	United States	2,700,000	2,594,403	0.16
^{k,m} LCM XVI LP, 2016A, BR2, 144A, FRN, 4.537%, 10/15/31	United States	2,500,000	2,497,825	0.15
2016A, CR2, 144A, FRN, 4.937%, 10/15/31	United States	4,500,000	4,397,760	0.27
^{k,l} LCM XVIII LP, 2018A, CR, 144A, FRN, 4.611%, (3-month USD LIBOR + 1.85%), 4/20/31	United States	2,625,000	2,517,979	0.15

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APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
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Franklin Floating Rate Master Series	Country	Principal Amount*	Value	% of Net Assets
Asset-Backed Securities (continued)				
Other Diversified Financial Services (continued)				
^{k,l} LCM XXIV Ltd., 24A, A, 144A, FRN, 4.071%, (3-month USD LIBOR + 1.31%), 3/20/30	United States	\$26,400,000	\$26,401,320	1.60
^{k,l} LCM XXV Ltd., 25A, B2, 144A, FRN, 4.411%, (3-month USD LIBOR + 1.65%), 7/20/30	United States	4,075,000	4,043,826	0.25
25A, C2, 144A, FRN, 5.061%, (3-month USD LIBOR + 2.30%), 7/20/30	United States	1,625,000	1,618,776	0.10
^{k,l} Madison Park Funding Ltd., 2016-21A, A1, 144A, FRN, 4.301%, (3-month USD LIBOR + 1.53%), 7/25/29	United States	7,100,000	7,148,493	0.43
2018-28A, C, 144A, FRN, 4.637%, (3-month USD LIBOR + 1.85%), 7/15/30	United States	4,200,000	4,080,678	0.25
^{k,l} Madison Park Funding XXIV Ltd., 2016-24A, C1, 144A, FRN, 5.361%, (3-month USD LIBOR + 2.60%), 1/20/28	United States	1,750,000	1,750,997	0.11
^{k,l} Magnetite IX Ltd., 2014-9A, BR, 144A, FRN, 4.771%, (3-month USD LIBOR + 2.00%), 7/25/26	United States	2,793,000	2,767,193	0.17
^{k,l} Magnetite XI Ltd., 2014-11A, BR, 144A, FRN, 4.88%, (3-month USD LIBOR + 2.10%), 1/18/27	United States	1,172,000	1,165,366	0.07
^{k,l} Neuberger Berman CLO Ltd., 2017-26A, C, 144A, FRN, 4.53%, (3-month USD LIBOR + 1.75%), 10/18/30	United States	2,100,000	1,991,703	0.12
^{k,l} NZCG Funding Ltd., 2015-1A, A2R, 144A, FRN, 4.239%, (3-month USD LIBOR + 1.55%), 2/26/31	United States	5,810,000	5,708,093	0.35
^{k,l} Octagon Investment Partners 26 Ltd., 2016-1A, CR, 144A, FRN, 4.587%, (3-month USD LIBOR + 1.80%), 7/15/30	United States	3,300,000	3,181,200	0.19
^{k,m} Octagon Investment Partners 27 Ltd., 2016-1A, CR, 144A, FRN, 4.887%, 7/15/30	United States	3,500,000	3,447,430	0.21
^{k,m} Octagon Investment Partners 28 Ltd., 2016-1A, BR, 144A, FRN, 4.579%, 10/24/30	United States	5,869,565	5,871,737	0.36
^{k,l} Octagon Investment Partners 31 LLC, 2017-1A, C, 144A, FRN, 5.161%, (3-month USD LIBOR + 2.40%), 7/20/30	United States	2,288,855	2,280,249	0.14
^{k,l} Octagon Investment Partners 37 Ltd., 2018-2A, B, 144A, FRN, 4.521%, (3-month USD LIBOR + 1.75%), 7/25/30	United States	3,250,000	3,086,005	0.19
^{k,m} Octagon Investment Partners 38, 2018-1A, A3A, 144A, FRN, 4.431%, 7/20/30	United States	4,500,000	4,469,715	0.27
2018-1A, B, 144A, FRN, 4.711%, 7/20/30	United States	3,900,000	3,748,446	0.23
^{k,l} Octagon Investment Partners XVI Ltd., 2013-1A, CR, 144A, FRN, 4.623%, (3-month USD LIBOR + 1.85%), 7/17/30	United States	3,000,000	2,892,120	0.18
^{k,l} Octagon Investment Partners XXII Ltd., 2014-1A, CRR, 144A, FRN, 4.661%, (3-month USD LIBOR + 1.90%), 1/22/30	United States	2,100,000	2,025,450	0.12
^{k,m} Race Point X CLO Ltd., 2016-10A, C1R, 144A, FRN, 4.771%, 7/25/31	United States	2,300,000	2,211,979	0.13
^{k,l} TCI-Cent CLO Income Note Issuer Ltd., 2017-1A, B, 144A, FRN, 5.121%, (3-month USD LIBOR + 2.35%), 7/25/30	United States	3,000,000	3,002,010	0.18
^k Voya CLO Ltd., 2016-3A, BR, 144A, FRN, 4.98%, 10/18/31	United States	3,500,000	3,475,360	0.21
^m 2017-3A, B, 144A, FRN, 5.111%, (3-month USD LIBOR + 2.35%), 7/20/30	United States	2,508,761	2,509,664	0.15
Total Asset-Backed Securities (Cost \$230,171,977)			<u>225,885,768</u>	<u>13.72</u>
Total Investments before Short Term Investments (Cost \$1,644,756,223)			<u>1,571,743,192</u>	<u>95.50</u>

The accompanying notes are an integral part of these financial statements.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series
 Statement of Investments, January 31, 2019 (unaudited)

Franklin Floating Rate Master Series	Country	Principal Amount*	Value	% of Net Assets
Short Term Investments (Cost \$97,457,859)				
Repurchase Agreements				
ⁿ Joint Repurchase Agreement, 2.57%, 2/01/19 (Maturity Value \$97,464,818) BNP Paribas Securities Corp. (Maturity Value \$66,458,336) Deutsche Bank Securities Inc. (Maturity Value \$22,699,556) HSBC Securities (USA) Inc. (Maturity Value \$8,306,926) Collateralized by U.S. Government Agency Securities, 4.00% - 4.50%, 6/20/42 - 7/20/43; ^o U.S. Treasury Bills, 2/12/19; U.S. Treasury Bonds, 8.50%, 2/15/20; and U.S. Treasury Notes, 1.625% - 2.021%, 6/30/20 - 7/31/22 (valued at \$99,471,653)	United States	\$97,457,859	\$97,457,859	5.92
Total Investments (Cost \$1,742,214,082)			<u>1,669,201,051</u>	<u>101.42</u>
Other Assets, less Liabilities			(23,401,628)	(1.42)
Net Assets			<u>\$1,645,799,423</u>	<u>100.00</u>

* The principal amount is stated in U.S. dollars unless otherwise indicated.

^a Non-income producing.

^b See Note 10 regarding holdings of 5% voting securities.

^c Fair valued using significant unobservable inputs. See Note 13 regarding fair value measurements.

^d See Note 8 regarding restricted securities.

^e See Note 3(d) regarding investments in affiliated management investment companies.

^f Income may be received in additional securities and/or cash.

^g The coupon rate shown represents the rate at period end.

^h See Note 1(e) regarding senior floating rate interests.

ⁱ A portion or all of the security purchased on a delayed delivery basis. See Note 1(c).

^j A portion or all of the security represents an unsettled loan commitment. The coupon rate is to-be determined (TBD) at the time of settlement and will be based upon a reference index/floor plus a spread.

^k Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. These securities have been deemed liquid under guidelines approved by the Trust's Board of Trustees. At January 31, 2019, the aggregate value of these securities was \$225,885,768, representing 13.7% of net assets.

^l The coupon rate shown represents the rate inclusive of any caps or floors, if applicable, in effect at period end.

^m Adjustable rate security with an interest rate that is not based on a published reference index and spread. The rate is based on the structure of the agreement and current market conditions. The coupon rate shown represents the rate at period end.

ⁿ See Note 1(b) regarding joint repurchase agreement.

^o The security was issued on a discount basis with no stated coupon rate.

The accompanying notes are an integral part of these financial statements.

APPENDIX A (CONTINUED)

FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
Franklin Floating Rate Master Series

At January 31, 2019, the Fund had the following credit default swap contracts outstanding. See Note 1(d).

Credit Default Swap Contracts

Description	Periodic Payment Rate Received (Paid)	Payment Frequency	Maturity Date	Notional Amount	Value	Unamortized Upfront Payments (Receipts)	Unrealized Appreciation (Depreciation) Rating
Centrally Cleared Swap Contracts Contracts to Buy Protection ^a Traded Index							
CDX.NA.HY.26	(5.00)%	Quarterly	6/20/21	\$25,824,000	\$(1,600,669)	\$(1,170,598)	\$(430,071)

^a Performance triggers for settlement of contract include failure to pay or bankruptcy of the underlying securities for traded index swaps.

See Note 9 regarding other derivative information.
See Abbreviations on page 56.

The accompanying notes are an integral part of these financial statements.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series

Statement of Assets and Liabilities January 31, 2019 (unaudited)

	For the Year ended January 31, 2019 USD
Assets:	
Investments in securities:	
Cost – Unaffiliated issuers	\$1,489,900,046
Cost – Controlled affiliates (Note 3d and 10)	27,581,167
Cost – Non-controlled affiliates (Note 3d and 10)	127,275,010
Cost – Unaffiliated repurchase agreements	97,457,859
Value – Unaffiliated issuers	\$1,463,525,302
Value – Controlled affiliates (Note 3d and 10)	27,188,375
Value – Non-controlled affiliates (Note 3d and 10)	81,029,515
Value – Unaffiliated repurchase agreements	97,457,859
Cash	2,707,732
Receivables:	
Investment securities sold	3,635,441
Dividends and interest	4,642,300
Deposits with brokers for:	
Centrally cleared swap contracts	537,747
Other assets	41
Total assets	<u>1,680,724,312</u>
Liabilities:	
Payables:	
Investment securities purchased	26,411,420
Management fees	732,235
Trustees' fees and expenses	2,478
Distributions to shareholders	7,627,167
Variation margin on centrally cleared swap contracts	84,408
Accrued expenses and other liabilities	67,181
Total liabilities	<u>34,924,889</u>
Net assets, at value	<u>\$1,645,799,423</u>
Net assets consist of:	
Paid-in capital	\$1,922,188,759
Total distributable earnings (loss)	<u>(276,389,336)</u>
Net assets, at value	<u>\$1,645,799,423</u>
Shares outstanding	<u>197,623,813</u>
Net asset value and maximum offering price per share (\$1,645,799,423 ÷ 197,623,813 shares outstanding)	<u>\$8.33</u>

The accompanying notes are an integral part of these financial statements.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series

Statement of Operations for the six months ended January 31, 2019 (unaudited)

	For the Year ended January 31, 2019 USD
Investment income:	
Dividends:	
Controlled affiliates (Note 3d and 10)	\$ 327,814
Non-controlled affiliates (Note 3d and 10)	2,723,023
Interest:	
Unaffiliated issuers	45,224,862
Non-controlled affiliates (Note 10)	406,518
Total investment income	<u>48,682,217</u>
Expenses:	
Management fees (Note 3a)	4,755,558
Custodian fees (Note 4)	8,354
Reports to shareholders	4,194
Registration and filing fees	118
Professional fees	96,962
Trustees' fees and expenses	42,275
Other	22,703
Total expenses	<u>4,930,164</u>
Expense reductions (Note 4)	(9,903)
Expenses waived/paid by affiliates (Note 3d and 3e)	<u>(197,466)</u>
Net expenses	4,722,795
Net investment income	<u>43,959,422</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	(1,387,316)
Swap contracts	<u>(202,192)</u>
Net realized gain (loss)	<u>(1,589,508)</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	(29,741,894)
Controlled affiliates (Note 3d and 10)	(382,599)
Non-controlled affiliates (Note 3d and 10)	(14,616,580)
Swap contracts	214,536
Net change in unrealized appreciation (depreciation)	<u>(44,526,537)</u>
Net realized and unrealized gain (loss)	<u>(46,116,045)</u>
Net increase (decrease) in net assets resulting from operations	<u>\$ (2,156,623)</u>

The accompanying notes are an integral part of these financial statements.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series

Statements of Changes in Net Assets

	Six Months Ended January 31, 2019 (unaudited)	Year Ended July 31, 2018
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$ 43,959,422	\$ 82,584,552
Net realized gain (loss)	(1,589,508)	(19,588,559)
Net change in unrealized appreciation (depreciation)	<u>(44,526,537)</u>	<u>(15,624,862)</u>
Net increase (decrease) in net assets resulting from operations	<u>(2,156,623)</u>	<u>47,371,131</u>
Distributions to shareholders (Note 1g)	(43,174,932)	(81,458,861)
Capital share transactions (Note 2)	<u>(69,412,838)</u>	<u>(295,994,793)</u>
Net increase (decrease) in net assets	(114,744,393)	(330,082,523)
Net assets:		
Beginning of period	<u>1,760,543,816</u>	<u>2,090,626,339</u>
End of period (Note 1g)	<u>\$ 1,645,799,423</u>	<u>\$ 1,760,543,816</u>

The accompanying notes are an integral part of these financial statements.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Franklin Floating Rate Master Trust (Trust) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company, consisting of three separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Franklin Floating Rate Master Series (Fund) is included in this report. The Fund's shares are exempt from registration under the Securities Act of 1933.

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

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

Equity securities listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Over-the-counter (OTC) securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

Debt securities generally trade in the OTC market rather than on a securities exchange. The Fund's pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value.

Investments in repurchase agreements are valued at cost, which approximates fair value.

Certain derivative financial instruments are centrally cleared or trade in the OTC market. The Fund's pricing services use various techniques including industry standard option pricing models and proprietary discounted cash flow models to determine the fair value of those instruments. The Fund's net benefit or obligation under the derivative contract, as measured by the fair value of the contract, is included in net assets.

The Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the Fund primarily employs a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine the fair value of the investment. An income-based valuation approach may also be used in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed.

b. Joint Repurchase Agreement

The Fund enters into a joint repurchase agreement whereby its uninvested cash balance is deposited into a joint cash account with other funds managed by the investment manager or an affiliate of the investment manager and is used to invest in one or more repurchase agreements. The value and face amount of the joint repurchase agreement are allocated to the funds based on their pro-rata interest. A repurchase agreement is accounted for as a loan by the Fund to the seller, collateralized by securities which are delivered to the Fund's custodian. The fair value, including accrued interest, of the initial collateralization is required to be at least 102% of the dollar amount invested by the funds, with the value of the underlying securities marked to market daily to maintain coverage of at least 100%. Repurchase agreements are subject to the terms of Master Repurchase Agreements (MRAs) with approved counterparties (sellers).

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Joint Repurchase Agreement (continued)

The MRAs contain various provisions, including but not limited to events of default and maintenance of collateral for repurchase agreements. In the event of default by either the seller or the Fund, certain MRAs may permit the non-defaulting party to net and close-out all transactions, if any, traded under such agreements. The Fund may sell securities it holds as collateral and apply the proceeds towards the repurchase price and any other amounts owed by the seller to the Fund in the event of default by the seller. This could involve costs or delays in addition to a loss on the securities if their value falls below the repurchase price owed by the seller. The joint repurchase agreement held by the Fund at period end, as indicated in the Statement of Investments, had been entered into on January 31, 2019.

c. Securities Purchased on a Delayed Delivery Basis

The Fund purchases securities on a delayed delivery basis, with payment and delivery scheduled for a future date. These transactions are subject to market fluctuations and are subject to the risk that the value at delivery may be more or less than the trade date purchase price. Although the Fund will generally purchase these securities with the intention of holding the securities, it may sell the securities before the settlement date. Sufficient assets have been segregated for these securities.

d. Derivative Financial Instruments

The Fund invested in derivative financial instruments in order to manage risk or gain exposure to various other investments or markets. Derivatives are financial contracts based on an underlying or notional amount, require no initial investment or an initial net investment that is smaller than would normally be required to have a similar response to changes in market factors, and require or permit net settlement. Derivatives contain various risks including the potential inability of the counterparty to fulfill their obligations under the terms of the contract, the potential for an illiquid secondary market, and/or the potential for market movements which expose the Fund to gains or losses in excess of the amounts shown in the Statement of Assets and Liabilities. Realized gain and loss and unrealized appreciation and depreciation on these contracts for the period are included in the Statement of Operations.

Collateral requirements differ by type of derivative. Collateral or initial margin requirements are set by the broker or exchange clearing house for exchange traded and centrally cleared derivatives. Initial margin deposited is held at the exchange and can be in the form of cash and/or securities.

The Fund entered into credit default swap contracts primarily to manage and/or gain exposure to credit risk. A credit default swap is an agreement between the Fund and a counterparty whereby the buyer of the contract receives credit protection and the seller of the contract guarantees the credit worthiness of a referenced debt obligation. These agreements may be privately negotiated in the over-the-counter market (OTC credit default swaps) or may be executed in a multilateral trade facility platform, such as a registered exchange (centrally cleared credit default swaps). The underlying referenced debt obligation may be a single issuer of corporate or sovereign debt, a credit index, a basket of issuers or indices, or a tranche of a credit index or basket of issuers or indices. In the event of a default of the underlying referenced debt obligation, the buyer is entitled to receive the notional amount of the credit default swap contract from the seller in exchange for the referenced debt obligation, a net settlement amount equal to the notional amount of the credit default swap less the recovery value of the referenced debt obligation, or other agreed upon amount. For centrally cleared credit default swaps, required initial margins are pledged by the Fund, and the daily change in fair value is accounted for as a variation margin payable or receivable in the Statement of Assets and Liabilities. Over the term of the contract, the buyer pays the seller a periodic stream of payments, provided that no event of default has occurred. Such periodic payments are accrued daily as an unrealized appreciation or depreciation until the payments are made, at which time they are realized. Upfront payments and receipts are reflected in the Statement of Assets and Liabilities and represent compensating factors between stated terms of the credit default swap agreement and prevailing market conditions (credit spreads and other relevant factors). These upfront payments and receipts are amortized over the term of the contract as a realized gain or loss in the Statement of Operations.

See Note 9 regarding other derivative information.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Senior Floating Rate Interests

The Fund invests in senior secured corporate loans that pay interest at rates which are periodically reset by reference to a base lending rate plus a spread. These base lending rates are generally the prime rate offered by a designated U.S. bank or the London InterBank Offered Rate (LIBOR). Senior secured corporate loans often require prepayment of principal from excess cash flows or at the discretion of the borrower. As a result, actual maturity may be substantially less than the stated maturity. Senior secured corporate loans in which the Fund invests are generally readily marketable, but may be subject to certain restrictions on resale.

f. Income Taxes

The Fund is a disregarded entity for U.S. income tax purposes. As such, no provision has been made for income taxes because all income, expenses, gains and losses are allocated to a non-U.S. beneficial owner for inclusion in its individual income tax return, as applicable.

g. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Facility fees are recognized as income over the expected term of the loan. Dividend income is recorded on the ex-dividend date. The Fund's net investment income is allocated to the owner daily and paid monthly. Net capital gains (or losses) realized by the Fund will not be distributed. Distributions to shareholders are recorded on the ex-dividend date. Distributable earnings are determined according to income tax regulations (tax basis) and may differ from earnings recorded in accordance with U.S. GAAP. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.*

Common expenses incurred by the Trust are allocated among the Funds based on the ratio of net assets of each Fund to the combined net assets of the Trust or based on the ratio of number of shareholders of each Fund to the combined number of shareholders of the Trust. Fund specific expenses are charged directly to the Fund that incurred the expense.

h. 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.

i. 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 Fund, 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.

For the year ended July 31, 2018, distributions to shareholders were as follows:

Net investment income	\$(81,458,861)
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For the year ended July 31, 2018, undistributed net investment income included in net assets was \$2,349,039.

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

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

2. SHARES OF BENEFICIAL INTEREST

At January 31, 2019, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Six Months Ended January 31, 2019		Year Ended July 31, 2018	
	Shares	Amount	Shares	Amount
Shares sold	23,757,303	\$ 201,049,497	31,816,088	\$ 273,788,383
Shares redeemed	(32,339,286)	(270,462,335)	(66,050,697)	(569,783,176)
Net increase (decrease)	(8,581,983)	\$ (69,412,838)	(34,234,609)	\$(295,994,793)

3. TRANSACTIONS WITH AFFILIATES

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

Subsidiary	Affiliation
Franklin Advisers, Inc. (Advisers)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

a. Management Fees

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

Annualized Fee Rate	Net Assets
0.530%	Up to and including \$2.5 billion
0.450%	Over \$2.5 billion, up to and including \$6.5 billion
0.430%	Over \$6.5 billion, up to and including \$11.5 billion
0.400%	Over \$11.5 billion, up to and including \$16.5 billion
0.390%	Over \$16.5 billion, up to and including \$19 billion
0.380%	Over \$19 billion, up to and including \$21.5 billion
0.370%	In excess of \$21.5 billion

b. Administrative Fees

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

c. Transfer Agent Fees

Investor Services, under terms of an agreement, performs shareholder servicing for the Fund and is not paid by the Fund for the services.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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

The Fund invests in one or more affiliated management investment companies for purposes other than exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the period ended January 31, 2019, the Fund held investments in affiliated management investment companies as follows:

	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	Dividend Income	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)
Controlled Affiliates								
Franklin Liberty Senior Loan ETF	248,000	845,000	–	1,093,000	\$27,188,375	\$ 327,814	\$ –	\$(382,599)
Non-Controlled Affiliates								
Franklin Lower Tier Floating Rate Fund	3,405,364	–	–	3,405,364	30,273,686	1,500,032	–	(3,030,774)
Franklin Middle Tier Floating Rate Fund	3,457,562	–	–	3,457,562	31,083,478	1,222,991	–	(1,590,478)
Total Non-Controlled Affiliates					\$61,357,164	\$2,723,023	\$ –	\$(4,621,252)
Total Affiliated Securities					\$88,545,539	\$3,050,837	\$ –	\$(5,003,851)

e. **Waiver and Expense Reimbursements**

Advisers has voluntarily agreed in advance to waive or limit its fees and to assume as its own expense certain expenses otherwise payable by the Fund so that the expenses (excluding acquired fund fees and expenses) do not exceed 0.53% based on the average net assets of the Fund (other than certain non-routine expenses or costs, including those relating to litigation, indemnification, reorganizations, and liquidations). Total expenses waived or paid are not subject to recapture subsequent to the Fund's fiscal year end. Advisers may discontinue this waiver at any time upon notice to the Board.

f. **Other Affiliated Transactions**

At January 31, 2019, Franklin Floating Rate Fund, PLC owned 100% of the Fund's outstanding shares. Investment activities of this shareholder could have a material impact on the Fund.

4. **EXPENSE OFFSET ARRANGEMENT**

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the period ended January 31, 2019, the custodian fees were reduced as noted in the Statement of Operations.

5. **INCOME TAXES**

At January 31, 2019, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	\$1,740,710,655
Unrealized appreciation	\$ 5,525,606
Unrealized depreciation	(79,303,186)
Net unrealized appreciation (depreciation)	\$ (73,777,580)

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatment of bond discounts and premiums.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

6. INVESTMENT TRANSACTIONS

Purchases and sales of investments (excluding short term securities) for the period ended January 31, 2019, aggregated \$279,672,057 and \$260,417,688, respectively.

7. CREDIT RISK

At January 31, 2019, the Fund had 65.6% of its portfolio invested in high yield securities, senior secured floating rate loans, or other securities rated below investment grade and unrated securities, if any. These securities may be more sensitive to economic conditions causing greater price volatility and are potentially subject to a greater risk of loss due to default than higher rated securities.

8. RESTRICTED SECURITIES

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

At January 31, 2019, investments in restricted securities, excluding securities exempt from registration under the 1933 Act deemed to be liquid, were as follows:

Shares/Units	Issuer	Acquisition Date	Cost	Value
519,107	^a Appvion Operations Inc.	6/14/18	\$ 5,320,516	\$ 5,289,741
870,865	Remington Outdoor Co. Inc.	4/13/12 - 5/08/17	43,284,066	4,959,660
81,987	Remington Outdoor Co. Inc., Litigation Units	5/16/18	-	-
	Total Restricted Securities (Value is 0.62% of Net Assets)		\$48,604,582	\$10,249,401

^aThe Fund also invests in unrestricted securities of the issuer, valued at \$9,422,950 as of January 31, 2019.

9. OTHER DERIVATIVE INFORMATION

At January 31, 2019, the Fund's investments in derivative contracts are reflected in the Statement of Assets and Liabilities as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Asset Derivatives		Liability Derivatives	
	Statement of Assets and Liabilities Location	Fair Value	Statement of Assets and Liabilities Location	Fair Value
Credit contracts	Variation margin on centrally cleared swap contracts	\$ -	Variation margin on centrally cleared swap contracts	\$430,071 ^a

^aThis amount reflects the cumulative appreciation (depreciation) of centrally cleared swap contracts as reported in the Statement of Investments. Only the variation margin receivable/payable at period end is separately reported within the Statement of Assets and Liabilities. Prior variation margin movements were recorded to cash upon receipt or payment.

For the period ended January 31, 2019, the effect of derivative contracts in the Fund's Statement of Operations was as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Statement of Operations Location	Net Realized Gain (Loss) for the Period	Statement of Operations Location	Net Change in Unrealized Appreciation (Depreciation) for the Period
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
Credit contracts	Swap contracts	\$(202,192)	Swap contracts	\$214,536

For the period ended January 31, 2019, the average month end notional amount of swap contracts represented \$26,285,143.

See Note 1(d) regarding derivative financial instruments.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

10. HOLDINGS OF 5% VOTING SECURITIES OF PORTFOLIO COMPANIES

The 1940 Act defines “affiliated companies” to include investments in portfolio companies in which a fund owns 5% or more of the outstanding voting securities. During the period ended January 31, 2019, investments in “affiliated companies” were as follows:

Name of Issuer	Number of Shares/ Units/ Principal Amount Held at Beginning of Period	Gross Additions	Gross Reductions	Number of Shares/ Units/ Principal Amount Held at End of Period	Value at End of Period	Investment Income	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)
Non-Controlled Affiliates								
						<u>Dividends</u>		
Appvion Operations Inc.	519,107	–	–	519,107	\$ 5,289,741	\$ –	\$ –	\$ 149,261
Remington Outdoor Co. Inc.	870,865	–	–	870,865	4,959,660	–	–	(10,079,119)
Remington Outdoor Co. Inc., Litigation Units	81,987	–	–	81,987	–	–	–	–
					<u>\$10,249,401</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ (9,929,858)</u>
						<u>Interest</u>		
Appvion Operations Inc., Term Loan, 8.80%, (3-month USD LIBOR + 6.00%), 6/15/26	9,539,138	–	(52,150) ^a	9,486,988	9,422,950	406,518	–	(65,470)
Total Affiliated Securities (Value is 1.2% of Net Assets)					<u>\$19,672,351</u>	<u>\$406,518</u>	<u>\$ –</u>	<u>\$ (9,995,328)</u>

^aGross reduction was the result of various corporate actions.

11. SHAREHOLDER DISTRIBUTIONS

For the period ended January 31, 2019, the Fund made the following distributions:

Payment Date	Amount Per Share
8/31/2018	\$0.033718
9/28/2018	0.032148
10/31/2018	0.033878
11/30/2018	0.032564
12/31/2018	0.035705
1/31/2019	0.037520
Total	<u>\$0.205533</u>

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

12. CREDIT FACILITY

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2 billion (Global Credit Facility) which matured on February 8, 2019. 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. Effective February 8, 2019, the Borrowers renewed the Global Credit Facility for a one year term, maturing February 7, 2020, for a total of \$2 billion.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the period ended January 31, 2019, the Fund did not use the Global Credit Facility.

13. FAIR VALUE MEASUREMENTS

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

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

A summary of inputs used as of January 31, 2019, in valuing the Fund's assets and liabilities carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments in Securities: ^a				
Equity Investments: ^b				
Diversified Support Services	\$ –	\$ –	\$ 4,959,660 ^c	\$ 4,959,660
Forest Products	–	–	5,289,741	5,289,741
Oil & Gas Exploration & Production	–	3,537,648	–	3,537,648
All Other Equity Investments	88,545,539	–	–	88,545,539
Corporate Bonds	–	7,828,031	–	7,828,031
Senior Floating Rate Interests:				
Personal Products	–	–	11,391,736	11,391,736
All Other Senior Floating Rate Interests	–	1,224,305,069	–	1,224,305,069
Asset-Backed Securities	–	225,885,768	–	225,885,768
Short Term Investments	–	97,457,859	–	97,457,859
Total Investments in Securities	\$ 88,545,539	\$ 1,559,014,375	\$ 21,641,137	\$ 1,669,201,051
Liabilities:				
Other Financial Instruments:				
Swap Contracts	\$ –	\$ 430,071	\$ –	\$ 430,071

^aFor detailed categories, see the accompanying Statement of Investments.

^bIncludes common stocks and management investment companies as well as other equity interests.

^cIncludes securities determined to have no value at January 31, 2019.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

13. FAIR VALUE MEASUREMENTS (continued)

A reconciliation of assets in which Level 3 inputs are used in determining fair value is presented when there are significant Level 3 financial instruments at the beginning and/or end of the period. At January 31, 2019, the reconciliation of assets and liabilities, is as follows:

	Balance at Beginning of Period	Purchases	Sales	Transfer Into (Out of) Level 3	Cost Basis Adjustments ^a	Net Realized Gain (Loss)	Net Unrealized Appreciation (Depreciation)	Balance at End of Period	Net Change in Unrealized Appreciation (Depreciation) on Assets Held at Period End
Assets:									
Investments in Securities:									
Equity Investments: ^b									
Diversified Support Services	\$15,038,779 ^c	\$ -	\$ -	\$ -	\$ -	\$ -	\$(10,079,119)	\$ 4,959,660 ^c	\$(10,079,119)
Forest Products	5,140,480	-	-	-	-	-	149,261	5,289,741	149,261
Senior Floating Rate Interests:									
Personal Products	11,181,182	263,375	-	-	147,988	-	(200,809)	11,391,736	(200,809)
Total Investments in Securities	\$31,360,441	\$263,375	-	-	\$147,988	-	\$(10,130,667)	\$21,641,137	\$(10,130,667)
Liabilities:									
Other Financial Instruments:									
Unfunded Loan Commitments	\$ (710)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 710	\$ -	\$ -

^a May include accretion, amortization, partnership adjustments, and/or other cost basis adjustments.

^b Includes common stocks as well as other equity interests.

^c Includes securities determined to have no value.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
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NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

13. FAIR VALUE MEASUREMENTS (continued)

Significant unobservable valuation inputs for material Level 3 financial instruments and impact to fair value as a result of changes in unobservable valuation inputs as of January 31, 2019, are as follows:

Description	Fair Value at End of Period	Valuation Technique	Unobservable Inputs	Amount/Range (Weighted Average ^a)	Impact to Fair Value if Input Increases ^b
Assets:					
Investments in Securities:					
Equity Investments:					
Diversified Support Services	\$ 4,959,660	Discounted cash flow	Discount for lack of marketability	20.0%	Decrease
			Long-term revenue growth rate	1.0%	Increase
			Weighted average cost of capital	13.1%	Decrease ^c
		Consensus Pricing	Offered/Bid quotes	\$3.50	Increase ^d
Forest Products	5,289,741	Market Comparables	Discount for lack of marketability	20.0%	Decrease ^d
			EV/EBITDA multiple	6.2X	Increase ^d
Senior Floating Rate Interests:	11,121,290	Discounted cash flow	Discount rate	11.8% - 12.6% (12.4%)	Decrease ^d
Personal Products			Free cash flow	\$15.6 (mil)	Increase ^e
All other investments ^e	270,446 ^f				
Total	\$21,641,137				

^a Weighted based on the relative fair value of the financial instruments.

^b Represents the directional change in the fair value of the Level 3 financial instruments that would result from a significant and reasonable increase in the corresponding input. A significant and reasonable decrease in the input would have the opposite effect. Significant impacts, if any, to fair value and/or net assets have been indicated.

^c Represents a significant impact to fair value and net assets.

^d Represents a significant impact to fair value but not net assets.

^e Includes fair value of immaterial financial instruments developed using various valuation techniques and unobservable inputs. May also include financial instruments with values derived using private transaction prices or non-public third party pricing information which is unobservable.

^f Includes securities determined to have no value at January 31, 2019.

ABBREVIATIONS LIST

EBITDA Earnings before interest, taxes, depreciation and amortization

EV Enterprise value

14. SUBSEQUENT EVENTS

The Fund has evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure other than those already disclosed in the financial statements.

ABBREVIATIONS

Currency	Selected Portfolio	Index
USD United States Dollar	CLO Collateralized Loan Obligation	CDX.NA.HY.Series number CDX North America High Yield Index
	ETF Exchange Traded Fund	
	FRN Floating Rate Note	
	LIBOR London InterBank Offered Rate	
	PIK Payment-In-Kind	
	TBD To Be Determined	



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