

Franklin Templeton Funds

AN AUTHORISED OPEN-ENDED INVESTMENT COMPANY WITH VARIABLE CAPITAL



General Information

FRANKLIN TEMPLETON FUNDS

Head Office
Cannon Place
78 Cannon Street, London, EC4N 6HL

Authorised Corporate Director, Administrator and Registrar

Franklin Templeton Fund Management Limited
Cannon Place
78 Cannon Street, London, EC4N 6HL

Depository

The Bank of New York Mellon (International) Limited
One Canada Square, London, E14 5AL

Investment Advisers

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

Franklin Mutual Advisers, LLC
101 John F. Kennedy Parkway, Short Hills, NJ 07078, USA

Franklin Templeton Fund Management Limited
Cannon Place
78 Cannon Street, London, EC4N 6HL

Franklin Templeton Investment Management Limited
Cannon Place
78 Cannon Street, London, EC4N 6HL

Templeton Asset Management Ltd
7 Temasek Boulevard
38-03 Suntec Tower One, Singapore 038987

Franklin Templeton Investment Corp.
200 King Street West
Suite 1500, Toronto, Ontario, M5H 3T4, Canada

Franklin Templeton Institutional, LLC
280 Park Avenue, New York, NY 10017, USA

Independent Auditors

PricewaterhouseCoopers LLP
Atria One
144 Morrison Street, Edinburgh, EH3 8EX

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* Collectively these comprise the Authorised Corporate Director's Report as required by the Financial Conduct Authority's Collective Investment Schemes Sourcebook ("COLL").

FRANKLIN TEMPLETON FUNDS (the “Company”)

Report of the Authorised Corporate Director

The Company

The Company is registered in the United Kingdom and is an authorised open-ended investment company with variable capital. It has an umbrella structure and as at 30 September 2018 offered shares in 15 Funds: Franklin Absolute Return Bond Fund, Franklin European Opportunities Fund, Franklin Mutual Shares Fund, Franklin UK Corporate Bond Fund, Franklin UK Equity Income Fund, Franklin UK Gilt Fund, Franklin UK Managers’ Focus Fund, Franklin UK Mid Cap Fund, Franklin UK Opportunities Fund, Franklin UK Rising Dividends Fund, Franklin UK Smaller Companies Fund, Franklin US Opportunities Fund, Templeton Global Emerging Markets Fund, Templeton Global Total Return Bond Fund and Templeton Growth Fund.

The Company’s registered number is SI000002 and the address of its Head Office is Cannon Place, 78 Cannon Street, London, EC4N 6HL.

The Company’s Shareholders are not liable for its debts beyond the amount subscribed. The Funds are “ring-fenced”, thus each Fund is treated as a separate entity and only those assets can be used to meet the liabilities attributable to that Fund. Each Fund has investment powers equivalent to those of a securities company.

Franklin Templeton Fund Management Limited, the Authorised Corporate Director (“ACD”), is authorised and regulated by the Financial Conduct Authority (“FCA”). The ACD may authorise the creation of additional Funds in the future with different investment objectives, subject to amendment of the Prospectus and FCA approval. The ACD’s principal activity is investment management.

This Semi-Annual Report includes statements which show the financial positions of each Fund individually. Separate investment reviews are provided for each Fund.

Franklin Advisers, Inc. (“FAI”) is Investment Adviser to Franklin US Opportunities Fund and Templeton Global Total Return Bond Fund.

Franklin Mutual Advisers, LLC (“FMA”) is Investment Adviser to Franklin Mutual Shares Fund.

Franklin Templeton Fund Management Limited (“FTFML”) is Investment Adviser to Franklin UK Equity Income Fund, Franklin UK Managers’ Focus Fund, Franklin UK Mid Cap Fund, Franklin UK Opportunities Fund, Franklin UK Rising Dividends Fund and Franklin UK Smaller Companies Fund.

Franklin Templeton Investment Management Limited (“FTIML”) is Investment Adviser to Franklin European Opportunities Fund, Franklin UK Corporate Bond Fund and Franklin UK Gilt Fund.

Templeton Asset Management Limited (“TAML”) is Investment Adviser to Templeton Global Emerging Markets Fund, with effect from 31 March 2018.

FTIML and Franklin Templeton Investments Corp. (“FTIC”) are Co-Investment Advisers to Templeton Growth Fund.

FAI and Franklin Templeton Institutional, LLC (“FTI”) are Co-Investment Advisers to Franklin Absolute Return Bond Fund.

FAI, FMA and FTI are regulated by the United States Securities and Exchange Commission.

FTIML is authorised and regulated by the FCA.

TAML is regulated by the United States Securities and Exchange Commission, the Hong Kong Securities and Futures Commission and the Monetary Authority of Singapore.

FTIC is registered as (i) an investment fund manager with the securities regulatory authorities in Alberta, British Columbia, Manitoba, Newfoundland and Labrador, Nova Scotia, Ontario and Quebec, (ii) a portfolio manager, mutual fund dealer and exempt market dealer with the securities regulatory authorities in all Canadian provinces and one territory, (iii) a commodity trading manager with the Ontario Securities Commission and (iv) an investment adviser with the U.S. Securities and Exchange Commission.

The Investment Advisers’ principal activity is investment management, and TAML also markets and distributes collective investment schemes in Singapore. The agreements between the Company, the ACD and the Investment Advisers may be terminated at any time on the giving of three months’ notice. The Investment Advisers are associates of the ACD by virtue of being a body corporate in a group in which the ACD is a member.

Report of the Authorised Corporate Director (continued)

The investment objectives and policies of each Fund can be found in the further information section on pages 172 - 181.

SIGNIFICANT EVENTS

None.

ACD's AUTHORISATION

This Semi-Annual Report has been approved by the ACD for issue to Shareholders and has been signed in accordance with the requirements of the FCA's Collective Investment Schemes Sourcebook ("COLL").

Adrian White

Director, Franklin Templeton Fund Management Limited, Authorised Corporate Director
22 November 2018

Statement of Authorised Corporate Director's Responsibilities

The Open-Ended Investment Companies Regulations 2001 and COLL require the Authorised Corporate Director to prepare financial statements for each accounting period which give a true and fair view of the financial position of the Company and of net income/expenditure and the net gains/losses on the property of the Company for the period. In preparing the financial statements the Authorised Corporate Director is required to:

- > select suitable accounting policies and then apply them consistently;
- > make adjustments and estimates that are reasonable and prudent;
- > conform with the disclosure requirements of the Statement of Recommended Practice of Authorised Funds issued by the Investment Management Association in May 2014 and amended by the Investment Management Association from time to time;
- > comply with the disclosure requirements of the Prospectus and Instrument of Incorporation;
- > follow generally accepted accounting principles and applicable accounting standards;
- > prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business;
- > keep proper accounting records which enable it to demonstrate that the financial statements, as prepared, comply with the above requirements; and
- > take reasonable steps for the prevention and detection of fraud and non-compliance with law or regulations.

The Authorised Corporate Director is responsible for the management of the Company in accordance with its Prospectus.

Accounting Policies

The interim financial statements have been prepared in accordance with FRS102 as modified by the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in May 2014.

The Statement of Recommended Practice for Authorised Funds ("SORP") was updated by the Investment Management Association in May 2014 with limited scope amendments issued in June 2017. Therefore, this interim report has been prepared in the line with the latest SORP.

FRANKLIN ABSOLUTE RETURN BOND FUND

Investment Review

Performance

For the six-month period through 30 September 2018, Franklin Absolute Return Bond Fund (W(acc) shares) returned 0.54%*, while the benchmark LIBOR 90 Day Rate Index returned 0.37% (both returns in UK sterling).

Overview

The US economy grew during the six months under review. The economy grew faster in 2018's second quarter, driven by consumer spending, business investment, exports and government spending. The manufacturing and services sectors expanded during the period. The unemployment rate declined from 4.1% in March 2018, as reported at the beginning of the six-month period, to a nearly 49-year low of 3.7% at period-end.

In Europe, the UK's quarterly economic growth accelerated in 2018's second quarter amidst growth in the services sector. The Bank of England raised its key policy rate once during the review period. The eurozone's quarterly growth remained stable in 2018's second quarter. The bloc's annual inflation rate ended the period higher than in March 2018. The European Central Bank (ECB) kept its benchmark interest rate unchanged during the period.

In Asia, Japan's quarterly gross domestic product (GDP) expanded in 2018's second quarter, mainly due to growth in business spending and household consumption. The Bank of Japan left its benchmark interest rate unchanged during the period and continued its monetary stimulus measures. In emerging markets, Brazil's quarterly GDP growth accelerated in 2018's second quarter. Russia's annual GDP growth rate accelerated in 2018's second quarter. The Bank of Russia kept its key rate unchanged through most of the period but raised it near period-end. China's annual GDP moderated in 2018's second quarter. The People's Bank of China left its benchmark interest rate unchanged during the period, but it took measures to improve financial liquidity to mitigate the negative effects of the US-China trade dispute and support economic growth.

Significant Changes

The top five buys during the period were:

1. GALAXY XXVII CLO LTD FRN 05/16/2031 144A 2018-27A A
2. GALAXY XXVII CLO LTD FRN 05/16/2031 18-27A C 144A
3. TURKIYE VAKIFLAR BANKASI TAO 2.375% 11/04/2022 REG S
4. KOOKMIN BANK 2.25% 02/03/2022 144A
5. BCC MIDDLE MARKET CLO 2018-1A A2 FRN 10/20/2030 144A 1A A2

The top five sells during the period were:

1. SABINE PASS LIQUEFACTION LLC 5.625% 04/15/2023
2. PROTECTIVE LIFE GLOBAL FUNDING 2.615% 08/22/2022 144A
3. HSBC HOLDINGS PLC 4.30% 03/08/2026
4. TENCENT HOLDINGS LTD 2.985% 01/19/2023 144A
5. SPRINT SPECTRUM CO LLC / SPRINT SPECTRUM CO II L 5.152% 09/20/2029 144A

Positive/Negative Contributors

During the period under review, global fixed income spread sectors saw a meaningful dispersion in returns, with higher-yielding sectors able to better compensate for declines in price amidst rising US interest rates. The yield on the five-year US Treasury note rose by 38 basis points while the yield on the 10-year US Treasury note rose by 31 basis points compared to prior period-end levels. In comparison, longer-term euro government rates saw modest declines. The US dollar saw uniform strength during the period, with the Japanese yen, the euro and the British pound all posting declines.

Against the backdrop of a generally supportive macro environment and headwinds from rising rates, many fixed income spread sectors were able to perform better than duration-matched US Treasuries. From an excess return perspective, the higher-yielding, below-investment-grade corporate credit sectors saw notable gains as spread tightening and income returns more than offset declines in price. While finding the environment somewhat more difficult to negotiate, higher-rated agency mortgage-backed securities (MBS), agency debt

* Figure differs from comparative table performance due to alternative calculation methodology used.

FRANKLIN ABSOLUTE RETURN BOND FUND

Investment Review (continued)

Positive/Negative Contributors (continued)

and commercial MBS (CMBS) still posted positive excess returns, as did the longer-dated taxable municipal bond sector. Hard- and local-currency emerging-markets debt performed unevenly, underperforming at first amidst US dollar strength and fears of contagion but making up ground to finish the period with one of the stronger sector records.

In terms of drivers of performance over the period, the portfolio's yield-curve positioning was the primary contributor to the fund's absolute returns, driven primarily by duration exposure in the United States. In contrast, our Canada, Eurozone and Australia exposures detracted from our results. Our overall sector tilt also added value, driven by our positioning in corporate credit (both investment grade and high yield) and bank loans, as well as non-agency residential MBS. Our covered bond positioning detracted from results. Our foreign currency positioning was the primary detractor from absolute results, driven by our US and Canadian dollar positioning.

Outlook

The current widespread optimism about the US economy is largely justified, in our view, by its strong fundamentals, particularly the positive backdrop for consumers. If the fiscal stimulus that has likely contributed the most to the present elevated rate of expansion has also sparked some more secular growth-enhancing trends - for example, productivity gains through higher capital expenditure - then it could provide a further leg to the already prolonged economic cycle. However, we believe it is still too early to determine whether such developments are occurring.

Despite the economy's robust growth, we do not view the recent rise in US Treasury yields as heralding the start of a major sell-off across bond markets. Inflation shows little sign of breaking out of its pattern of sluggish and limited gains, as long-term constraints such as demographics and technology continue to exert downward pressure on prices, though the recent rise in energy prices could act as an offset if sustained. The Trump administration's trade policies and the upcoming midterm congressional elections create further uncertainty amongst investors about the outlook for 2019, which we believe could serve to cap any rise in yields over the coming months.

The impact of recent developments in emerging markets remains marginal, in our view, with little effect so far on the outlook for the G7 economies. In the absence of a major crisis - for example, a sovereign default - we believe the global economy's solid momentum should be maintained, underpinned by the strength of US demand. Consequently, we see little reason for the leading central banks to deviate significantly from the monetary policy trajectories they have currently laid out. Concerns amongst investors about trade tensions appear to have subsided somewhat for the time being, though the ongoing uncertainty around US policy means this issue could swiftly create further market volatility.

David Yuen & Michael Materasso

Fund Managers

30 September 2018

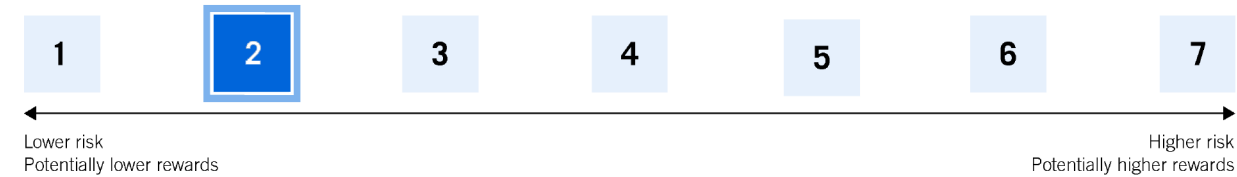
FRANKLIN ABSOLUTE RETURN BOND FUND

Comparative Table

	30 September 2018	31 March 2018
W – Accumulation shares¹		
Change in net assets per share		
Opening net asset value per share	99.66	100.00
Return before operating charges ²	1.19	0.36
Operating charges ³	(0.70)	(0.70)
Return after operating charges* ⁴	0.49	(0.34)
Distribution	(1.2684)	(0.1258)
Retained distributions on accumulation shares	1.2684	0.1258
Closing net asset value per share	100.15	99.66
*After direct transaction costs of: ⁵	-	-
Performance		
Return after charges ⁶	0.49%	(0.34%)
Other information		
Closing net asset value	25,037,064	24,915,849
Closing number of shares	25,000,000	25,000,000
Ongoing charges ratio ⁷	0.70%	0.70%
Direct transaction costs ⁵	-	-
Prices		
Highest share price	100.23	100.18
Lowest share price	99.53	99.58

- 1 This is from share class launch on 28 February 2018.
- 2 The "return before operating charges" is calculated as the "return after operating charges" plus the "operating charges".
- 3 The "operating charges" are calculated with reference to the total expenses for the year divided by the number of shares in issue at each valuation point.
- 4 The "return after operating charges" is calculated as the "closing net asset value per share" plus the "distributions" (for income share classes only) minus the "opening net asset value per share".
- 5 The direct transaction costs include all fees and expenses which relate directly to the sales and purchases of securities which include commissions, transfer taxes and duties. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The "direct transaction costs" ratio is calculated by dividing the total transaction costs by the average net assets.
- 6 The "return after charges" is calculated as the "return after operating charges" per share divided by the "opening net asset value per share". This figure will differ from "performance return" figure disclosed under "Investment Review" section due to alternative calculation methodology used.
- 7 The "ongoing charges ratio" represents all operating charges and expenses of the share class in the prior 12 months as a percentage of the share class's average net assets during the year.
- Where ex-post expense information is not a fair representation of future operating costs and where 12 months of information is not available, an estimate is disclosed.

Risk Profile (W(acc) shares)



This indicator, disclosed in the Key Investor Information Document (KIID), provides a measure of the price movement of the Fund based on historical behaviour. Historical data may not be a reliable indication of the future risk profile of the Fund. The category shown is not guaranteed to remain unchanged and may shift over time. The lowest category does not mean risk free.

For a full discussion of all the risks applicable to this Fund, please refer to the "Risk Factors" section of the current prospectus of Franklin Templeton Funds.

FRANKLIN ABSOLUTE RETURN BOND FUND

Portfolio Statement as at 30 September 2018

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	BONDS 82.80% (76.15)%		
	ASIA 10.07% (6.85%)		
	CHINA		
200,000	Bank of China Ltd., senior note, Reg S, FRN, 3.077%, 3/08/2021#•	153	0.61
200,000	CGNPC International Ltd., senior note, Reg S, 3.75%, 12/11/2027#	145	0.58
200,000	China Overseas Finance Cayman VII Ltd., senior note, Reg S, 4.25%, 4/26/2023#	152	0.61
200,000	CNAC HK Finbridge Co. Ltd., senior note, Reg S, 4.125%, 3/14/2021#	153	0.61
200,000	CNOOC Finance 2015 USA LLC, senior note, 3.50%, 5/05/2025#	147	0.59
200,000	The Export-Import Bank of China, senior note, 144A, 3.625%, 7/31/2024#	151	0.60
200,000	SF Holding Investment Ltd., senior note, Reg S, 4.125%, 7/26/2023#	153	0.61
200,000	Sinopec Group Overseas Development 2016 Ltd., senior note, 144A, 2.75%, 9/29/2026#	137	0.55
200,000	State Grid Overseas Investment 2016 Ltd., senior note, 144A, 3.50%, 5/04/2027#	146	0.58
200,000	Three Gorges Finance I Cayman Islands Ltd., senior note, 144A, 3.15%, 6/02/2026#	143	0.57
		<u>1,480</u>	<u>5.91</u>
	INDIA		
200,000	The Export-Import Bank of India, senior note, 144A, 3.875%, 2/01/2028#	142	0.56
		<u>142</u>	<u>0.56</u>
	SINGAPORE		
200,000	Bayfront Infrastructure Capital Pte Ltd., 2018, A, 3.939%, 1/11/2038#	153	0.61
		<u>153</u>	<u>0.61</u>
	SOUTH KOREA		
200,000	The Export-Import Bank of Korea, senior note, 2.875%, 1/21/2025#	144	0.58
100,000	Harvest Operations Corp., senior note, 144A, 4.20%, 6/01/2023#	78	0.31
300,000	Kookmin Bank, secured note, 144A, 2.25%, 2/03/2022#	222	0.89
200,000	The Korea Development Bank, senior note, 3.375%, 3/12/2023#	151	0.60
200,000	Korea East-West Power Co. Ltd., senior note, 144A, 3.875%, 7/19/2023#	153	0.61
		<u>748</u>	<u>2.99</u>
	TOTAL - ASIA	<u>2,523</u>	<u>10.07</u>
	EUROPE - NON EU 0.15% (0.14%)		
	SWITZERLAND		
50,000	Glencore Funding LLC, senior note, 144A, 3.00%, 10/27/2022#	37	0.15
		<u>37</u>	<u>0.15</u>
	EUROPE - OTHER EU 5.23% (4.91%)		
	BELGIUM		
100,000	Anheuser-Busch Inbev Finance Inc., senior bond, 3.65%, 2/01/2026#	74	0.30
		<u>74</u>	<u>0.30</u>
	FRANCE		
200,000	EDF SA, junior sub. bond, 144A#	151	0.60
		<u>151</u>	<u>0.60</u>
	GERMANY		
100,000	Bayer U.S. Finance II LLC, senior note, 144A, 3.875%, 12/15/2023#	76	0.30
		<u>76</u>	<u>0.30</u>

FRANKLIN ABSOLUTE RETURN BOND FUND

Portfolio Statement as at 30 September 2018 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
ITALY			
300,000	Banca Monte dei Paschi di Siena SpA, secured note, Reg S, 2.125%, 11/26/2063#	273	1.09
200,000	Banca Popolare di Milano Scarl, secured note, Reg S, 0.875%, 9/14/2023#	178	0.71
300,000	Banco BPM SpA, secured note, Reg S, 0.75%, 3/31/2023#	266	1.07
		<u>717</u>	<u>2.87</u>
PORTUGAL			
200,000	Caixa Geral de Depositos SA, secured note, 3.00%, 1/15/2020#	180	0.72
		<u>180</u>	<u>0.72</u>
SPAIN			
150,000	Telefonica Emisiones S.A.U., senior note, 4.103%, 3/08/2027#	111	0.44
		<u>111</u>	<u>0.44</u>
TOTAL - EUROPE - OTHER EU		<u>1,309</u>	<u>5.23</u>
MIDDLE EAST 2.38% (0.57%)			
ISRAEL			
200,000	Israel Electric Corp. Ltd., secured bond, 144A, 4.25%, 8/14/2028#	145	0.58
		<u>145</u>	<u>0.58</u>
SAUDIA ARABIA			
200,000	Saudi Electricity Co., senior bond, Reg S, 4.723%, 9/27/2028#	154	0.61
		<u>154</u>	<u>0.61</u>
TURKEY			
350,000	Turkiye Vakiflar Bankasi TAO, secured note, Reg S, 2.375%, 11/04/2022#	297	1.19
		<u>297</u>	<u>1.19</u>
TOTAL - MIDDLE EAST		<u>596</u>	<u>2.38</u>
NORTH AMERICA 63.16% (61.38%)			
BERMUDA			
150,000	Bellemeade Re Ltd., 2018-1A, M1B, 3.816%, 4/25/2028#•	116	0.46
		<u>116</u>	<u>0.46</u>
UNITED STATES			
100,000	Allergan Funding SCS, senior bond, 3.80%, 3/15/2025#	75	0.30
100,000	American Homes 4 Rent LP, senior bond, 4.25%, 2/15/2028#	73	0.29
93,291	American Homes 4 Rent, 2014-SFR3, A, 144A, 3.678%, 12/17/2036#	71	0.28
243,763	American Homes 4 Rent, 2015-SFR1, A, 144A, 3.467%, 4/17/2052#	184	0.73
225,224	American Homes 4 Rent, 2015-SFR2, A, 144A, 3.732%, 10/17/2045#	172	0.69
100,000	American Tower Corp., senior bond, 3.375%, 10/15/2026#	71	0.28
150,000	Amgen Inc., senior note, 2.60%, 8/19/2026#	104	0.42
100,000	Anadarko Petroleum Corp., senior bond, 3.45%, 7/15/2024#	74	0.30
250,000	Antares CLO Ltd., 2018-1A, B, 144A, FRN, 4.104%, 4/20/2031#	191	0.76
100,000	Anthem Inc., senior note, 2.95%, 12/01/2022#	75	0.30
100,000	Aptiv Corp., senior bond, 4.15%, 3/15/2024#	77	0.31
500,000	Ares XLVII CLO Ltd., 2018-47A, C, 144A, FRN, 4.098%, 4/15/2030#•	379	1.51
100,000	Athene Global Funding, secured note, 144A, 3.00%, 7/01/2022#	74	0.30
500,000	Bain Capital Credit CLO, 2018-1A, A2, 144A, FRN, 3.511%, 4/23/2031#•	384	1.53
500,000	Bain Capital Credit CLO, 2018-1A, C, 144A, FRN, 4.111%, 4/23/2031#•	376	1.50
200,000	BAMLL Commercial Mortgage Securities Trust, 2015-200P, A, 144A, 3.218%, 4/14/2033#	149	0.59
200,000	Bank of America Corp., senior note, 3.50%, 4/19/2026#	148	0.59
250,000	BBC Middle Market CLO LLC, 2018-1A, A2, 144A, FRN, 10/20/2030#	192	0.77

FRANKLIN ABSOLUTE RETURN BOND FUND

Portfolio Statement as at 30 September 2018 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	United States (continued)		
200,000	Capital One Financial Corp., senior note, 3.20%, 2/05/2025#	144	0.58
100,000	Capital One Financial Corp., senior note, 3.05%, 3/09/2022#	75	0.30
500,000	Carlyle Global Market Strategies CLO Ltd., 2014-1A, A1R2, 144A, FRN, 3.306%, 4/17/2031#•	381	1.52
500,000	Carlyle Global Market Strategies CLO Ltd., 2014-1A, A2R2, 144A, FRN, 3.466%, 4/17/2031#•	383	1.53
100,000	Celgene Corp., senior bond, 3.45%, 11/15/2027#	72	0.29
50,000	Centene Corp., senior note, 144A, 5.375%, 6/01/2026#	39	0.16
100,000	CIM Trust, 2018-INV1, A4, 144A, FRN, 4.00%, 8/25/2048#*•	76	0.30
200,000	Citigroup Inc., senior note, 3.40%, 5/01/2026#	146	0.58
275,000	COMM Mortgage Trust, 2014-277P, A, 144A, FRN, 3.732%, 8/10/2049#•	212	0.85
200,000	COMM Mortgage Trust, 2015-3BP, A, 144A, 3.178%, 2/10/2035#	149	0.60
500,000	Cook Park CLO Ltd., 2018-1A, A2, 144A, FRN, 3.468%, 4/17/2030#•	382	1.53
500,000	Cook Park CLO Ltd., 2018-1A, C, FRN, 144A, 4.098%, 4/17/2030#•	379	1.51
100,000	Crown Castle International Corp., senior note, 3.15%, 7/15/2023#	74	0.30
200,000	CSAIL Commercial Mortgage Trust, 2015-C1, A4, 3.505%, 4/15/2050#	152	0.61
50,000	CVS Health Corp., senior note, 3.70%, 3/09/2023#	38	0.15
200,000	Dominion Energy Inc., senior bond, 2.85%, 8/15/2026#	140	0.56
400,000	Dryden 64 CLO Ltd., 2018-64A, A, 144A, FRN, 3.189%, 4/18/2031#•	304	1.21
200,000	Dryden 64 CLO Ltd., 2018-64A, D, 144A, FRN, 4.869%, 4/18/2031#•	150	0.60
250,000	Ellington CLO III Ltd., 2018-3A, A1, 144A, FRN, 3.953%, 7/20/2030#	192	0.77
100,000	Enterprise Products Operating LLC, senior note, 3.35%, 3/15/2023#	76	0.30
100,000	FedEx Corp., senior bond, 3.20%, 2/01/2025#	75	0.30
250,000	FHLMC Structured Agency Credit Risk Debt Notes, 2014-HQ1, M3, FRN, 6.316%, 8/25/2024#•	211	0.84
250,000	FHLMC Structured Agency Credit Risk Debt Notes, 2014-HQ2, M3, FRN, 5.966%, 9/25/2024#•	220	0.88
215,255	FHLMC Structured Agency Credit Risk Debt Notes, 2014-HQ3, M3, FRN, 6.966%, 10/25/2024#•	183	0.73
250,000	FHLMC Structured Agency Credit Risk Debt Notes, 2015-DNA1, M3, FRN, 5.516%, 10/25/2027#•	215	0.86
275,000	FHLMC Structured Agency Credit Risk Debt Notes, 2015-DNA3, M3, FRN, 6.916%, 4/25/2028#•	252	1.01
250,000	FHLMC Structured Agency Credit Risk Debt Notes, 2015-HQ2, M3, FRN, 5.466%, 5/25/2025#•	215	0.86
275,000	FHLMC Structured Agency Credit Risk Debt Notes, 2016-DNA4, M2, FRN, 3.516%, 3/25/2029#•	213	0.85
244,215	FHLMC Structured Agency Credit Risk Debt Notes, 2016-HQA2, M2, FRN, 4.466%, 11/25/2028#•	191	0.76
250,000	FHLMC Structured Agency Credit Risk Debt Notes, 2016-HQA3, M2, FRN, 3.566%, 3/25/2029#•	195	0.78
100,000	Fiserv Inc., senior bond, 3.85%, 6/01/2025#	76	0.30
275,000	FNMA Connecticut Avenue Securities, 2014-C02, 1M2, FRN, 4.816%, 5/25/2024#•	224	0.89
237,197	FNMA Connecticut Avenue Securities, 2014-C02, 2M2, FRN, 4.816%, 5/25/2024#•	193	0.77
248,706	FNMA Connecticut Avenue Securities, 2014-C03, 1M2, FRN, 5.216%, 7/25/2024#•	205	0.82
226,327	FNMA Connecticut Avenue Securities, 2014-C03, 2M2, FRN, 5.116%, 7/25/2024#•	186	0.74
146,421	FNMA Connecticut Avenue Securities, 2014-C04, 1M1, FRN, 7.116%, 11/25/2024#•	129	0.52
182,514	FNMA Connecticut Avenue Securities, 2015-C03, 2M2, FRN, 7.216%, 7/25/2025#•	156	0.62
212,422	FNMA Connecticut Avenue Securities, 2018-C02, 2M1, FRN, 2.866%, 8/25/2030#•	163	0.65
91,292	FNMA Connecticut Avenue Securities, 2018-C04, 2M1, FRN, 2.966%, 12/25/2030#•	70	0.28
100,000	Freeport-McMoRan Inc., senior note, 4.00%, 11/14/2021#	76	0.30

FRANKLIN ABSOLUTE RETURN BOND FUND

Portfolio Statement as at 30 September 2018 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	United States (continued)		
500,000	Galaxy XXVII CLO Ltd., 2018-27A, A, 144A, FRN, 3.335%, 5/16/2031#	381	1.52
500,000	Galaxy XXVII CLO Ltd., 2018-27A, C, 144A, FRN, 4.115%, 5/16/2031#	383	1.53
150,000	The Goldman Sachs Group Inc., senior note, FRN, 3.534%, 9/15/2020#•	117	0.47
200,000	HayFin Kingsland IX Ltd., 2013-6A, BR, 144A, FRN, 4.139%, 4/28/2031#	154	0.61
149,861	Invitation Homes Trust, 2018-SFR3, A, 144A, FRN, 3.158%, 7/17/2037#•	116	0.46
100,000	J.P. Morgan Chase Commercial Mortgage Securities Trust, 2016-NINE, A, 144A, FRN, 2.949%, 10/06/2038#•	72	0.29
200,000	JP Morgan Chase Commercial Mortgage Securities Trust, 2015-JP1, A5, 3.914%, 1/15/2049#	155	0.62
200,000	JPMBB Commercial Mortgage Securities Trust, 2015-C30, A5, 3.822%, 7/15/2048#	155	0.62
100,000	JPMorgan Chase & Co., senior bond, 3.30%, 4/01/2026#	74	0.30
100,000	Kraft Heinz Foods Co., senior bond, 3.00%, 6/01/2026#	70	0.28
100,000	LYB International Finance BV, senior note, 4.00%, 7/15/2023#	77	0.31
100,000	Maxim Integrated Products Inc., senior note, 3.45%, 6/15/2027#	72	0.29
242,681	Mill City Mortgage Loan Trust, 2017-3, A1, 144A, FRN, 2.75%, 1/25/2061#•	182	0.73
100,000	Morgan Stanley, senior note, 3.70%, 10/23/2024#	75	0.30
200,000	Octagon Investment Partners 18-R Ltd., 2018-18A, C, 144A, FRN, 5.039%, 4/16/2031#•	152	0.61
500,000	Octagon Investment Partners 36 Ltd., 2018-1A, A2, 144A, FRN, 3.539%, 4/15/2031#•	380	1.52
500,000	Octagon Investment Partners 36 Ltd., 2018-1A, C, 144A, FRN, 4.039%, 4/15/2031#•	383	1.53
100,000	PetSmart Inc., senior note, 144A, 7.125%, 3/15/2023#	55	0.22
150,000	Radnor RE Ltd., 2018-1, M1, 144A, FRN, 3.616%, 3/25/2028#•	115	0.46
100,000	Sealed Air Corp., senior bond, 144A, 5.25%, 4/01/2023#	78	0.31
150,000	The Southern Co., senior bond, 3.25%, 7/01/2026#	107	0.43
185,011	Towd Point Mortgage Trust, 2015-2, 1A1, 144A, FRN, 3.25%, 11/25/2060#•	141	0.56
215,272	Towd Point Mortgage Trust, 2016-3, A1, 144A, FRN, 2.25%, 4/25/2056#•	161	0.64
232,262	Towd Point Mortgage Trust, 2016-5, A1, 144A, FRN, 2.50%, 10/25/2056#•	173	0.69
219,918	Towd Point Mortgage Trust, 2017-2, A1, 144A, FRN, 2.75%, 4/25/2057#•	166	0.66
223,132	Towd Point Mortgage Trust, 2017-5, A1, 144A, FRN, 2.816%, 2/25/2057#•	171	0.68
903,269	U.S. Treasury Note, Index Linked, 0.375%, 7/15/2025#	671	2.68
100,000	Verizon Communications Inc., senior note, 2.45%, 11/01/2022#	74	0.30
700,000	Voya CLO Ltd., 2013-2A, A1R, 144A, FRN, 3.305%, 4/25/2031#•	534	2.13
300,000	Voya CLO Ltd., 2013-2A, BR, 144A, FRN, 4.185%, 4/25/2031#•	228	0.91
200,000	Wells Fargo Commercial Mortgage Trust, 2016-NXS6, A4, 2.918%, 11/15/2049#	144	0.58
		15,697	62.70
	TOTAL - NORTH AMERICA	15,813	63.16
	UNITED KINGDOM 1.81% (2.30%)		
200,000	Imperial Brands Finance PLC, senior note, 144A, 4.25%, 7/21/2025#	152	0.61
200,000	HSBC Holdings PLC, senior note, 3.60%, 5/25/2023#	151	0.60
200,000	Standard Chartered PLC, senior note, 144A, 3/15/2024#	150	0.60
	TOTAL - UNITED KINGDOM	453	1.81
	TOTAL - BONDS	20,731	82.80
	COLLECTIVE INVESTMENT SCHEMES 9.98% (9.91%)		
	BOND FUNDS		
244,565	Franklin Flexible Alpha Bond Fund, Class V3#	2,499	9.98
	TOTAL COLLECTIVE INVESTMENT SCHEMES	2,499	9.98

FRANKLIN ABSOLUTE RETURN BOND FUND

Portfolio Statement as at 30 September 2018 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
DERIVATIVES 1.09% ((1.76)%) Ω			
DEBT FUTURES Ω			
4	Australian 3 Yr. Bond, December, 2018	(2)	(0.01)
4	Canada 10 Yr. Bond Future, December, 2018	(3)	(0.01)
(5)	Euro-Bund, December, 2018	4	0.01
(18)	U.S. Treasury 2 Yr. Note, December, 2018	7	0.03
(36)	U.S. Treasury 5 Yr. Note, December, 2018	14	0.05
(11)	U.S. Treasury 10 Yr. Note, December, 2018	12	0.05
1	Ultra 10 Yr. U.S. Treasury Note, December, 2018	(1)	(0.00)
		31	0.12
FORWARD CURRENCY CONTRACTS Ω			
	Buy GBP 22,500,000 & Sell USD 29,332,253, 12/05/2018	71	0.28
	Buy USD 127,387 & Sell AUD 164,000, 10/09/2018	7	0.03
	Buy MXN 1,210,000 & Sell USD 62,730, 11/28/2018	1	0.00
	Buy SEK 1,440,000 & Sell USD 163,265, 3/14/2019	1	0.00
	Buy USD 94,679 & Sell AUD 130,000, 11/21/2018	1	0.00
	Buy USD 98,805 & Sell JPY 11,000,000, 10/19/2018	1	0.00
	Buy EUR 37,000 & Sell USD 42,509, 11/21/2018	0	0.00
	Buy JPY 6,700,000 & Sell USD 60,149, 3/14/2019	0	0.00
	Buy NOK 100,000 & Sell USD 12,244, 3/14/2019	0	0.00
	Buy PLN 95,000 & Sell USD 25,850, 3/14/2019	0	0.00
	Buy USD 31,507 & Sell PHP 1,700,000, 11/29/2018	0	0.00
	Buy USD 66,007 & Sell PHP 3,600,000, 11/29/2018	0	0.00
	Buy USD 59,901 & Sell SEK 520,000, 3/14/2019	0	0.00
	Buy IDR 1,300,000,000 & Sell USD 87,660, 11/27/2018	(1)	(0.00)
	Buy JPY 11,000,000 & Sell USD 98,022, 10/19/2018	(1)	(0.00)
	Buy JPY 7,500,000 & Sell USD 67,355, 11/30/2018	(1)	(0.00)
	Buy USD 152,483 & Sell CAD 199,000, 12/06/2018	(1)	(0.00)
	Buy AUD 164,000 & Sell USD 121,213, 10/09/2018	(2)	(0.01)
	Buy INR 5,560,000 & Sell USD 80,350, 10/26/2018	(3)	(0.01)
FOREIGN EXCHANGE GAIN/LOSS ON OUTSTANDING FORWARD CURRENCY CONTRACTS		73	0.29
CREDIT DEFAULT SWAPS Ω			
47,751	CDX.EM.30, Index Swap, 1.00%, 12/20/2023#	(1)	(0.00)
200,000	Citibank Bespoke Bofota Tranche, Index Swap, 1.35%, 6/20/2020#	1	0.00
160,000	Citibank Bespoke Broker Index Tranche, 1.30%, 6/20/2019#	0	0.00
140,000	Citibank Bespoke Broker Index Tranche, 1.40%, 6/20/2019#	0	0.00
260,000	Citibank Bespoke Lima Mezzanine Tranche, Index Swap, 2.13%, 12/20/2019#	2	0.01
108,474	DISH DBS Corp., CDS, 5.00%, 6/20/2023#	1	0.01
(115,223)	DISH DBS Corp., CDS, 5.00%, 6/20/2021#	(6)	(0.02)
113,821	Government of Brazil, CDS, 1.00%, 12/20/2023#	(7)	(0.03)
356,414	Government of China, CDS, 1.00%, 12/20/2023#	6	0.02
234,543	Government of Indonesia, CDS, 1.00%, 12/20/2023#	(3)	(0.01)
(79,073)	Government of Italy, CDS, 1.00%, 6/20/2023#	1	0.00
76,178	Government of Italy, CDS, 1.00%, 6/20/2023#	(3)	(0.01)
1,126,832	MCDX.NA.30, Index Swap, 1.00%, 6/20/2023#	21	0.08
		12	0.05
CROSS CURRENCY SWAPS Ω			
1,230,000	Receiving floating rate 3-month USD LIBOR, Paying fixed rate, 0.75%, 9/14/2022#	57	0.23
307,500	Receiving floating rate 3-month USD LIBOR, Paying fixed rate, 1.50%, 5/04/2021#	15	0.06
116,200	Receiving floating rate 3-month USD LIBOR, Paying fixed rate, 2.50%, 5/04/2021#	0	0.00
		72	0.29

FRANKLIN ABSOLUTE RETURN BOND FUND

Portfolio Statement as at 30 September 2018 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
INTEREST RATE SWAPS (USD) Ω			
(2,164,928)	Receiving floating rate 3-month USD LIBOR, Paying fixed rate, 2.00%, 6/20/2025#	115	0.46
(1,150,000)	Receiving floating rate 3-month USD LIBOR, Paying fixed rate, 2.806%, 4/17/2023#	10	0.04
(850,000)	Receiving floating rate 3-month USD LIBOR, Paying fixed rate, 2.712%, 3/29/2023#	9	0.04
		<u>134</u>	<u>0.54</u>
OPTIONS Ω			
850,000	Buy Protection on CDX.NA.IG.30, Premium Rate 1.00%, Strike Price \$60, 12/19/2018#	1	(0.00)
1,650,000	Buy protection on CDX.NA.IG.30, Premium Rate 1.00%, Strike Price \$62.50, 11/21/2018#	1	0.01
1,150,000	Buy Protection on CDX.NA.IG.30, Premium Rate 1.00%, Strike Price \$65, 10/17/2018#	0	0.00
(850,000)	Buy Protection on CDX.NA.IG.30, Premium Rate 1.00%, Strike Price \$75, 12/19/2018#	0	0.00
(1,650,000)	Buy protection on CDX.NA.IG.30, Premium Rate 1.00%, Strike Price \$80, 11/21/2018#	0	0.00
(1,150,000)	Buy protection on CDX.NA.IG.30, Premium Rate 1.00%, Strike Price \$82.50, 10/17/2018#	0	0.00
1,100,000	Pay fixed 3.60%, Receive float 10 Yr. USD LIBOR, 1/24/2029#	5	0.02
500,000	Receive float 3 month USD LIBOR, Pay fixed 3.17%, 1/08/2019#	3	0.01
600,000	Receive float 3 month USD LIBOR, Pay fixed 3.26%, 9/28/2018#	0	0.00
		<u>10</u>	<u>0.04</u>
TOTAL RETURN SWAPS Ω			
1,750,000	Citi Bank, iBoxx USD Liquid Leveraged Loans, 12/20/2018#	38	0.15
170,000	Citi Bank, iBoxx USD Liquid Leveraged Loans, 3/20/2019#	3	0.01
175,000	JPMorgan Chase Bank NA, iBoxx USD Liquid Leveraged Loans, 3/ 20/2019#	4	0.02
650,000	JPMorgan Chase Bank NA, iBoxx USD Liquid Leveraged Loans, 6/ 20/2019#	6	0.02
		<u>51</u>	<u>0.20</u>
	TOTAL - DERIVATIVES	<u>383</u>	<u>1.53</u>
	TOTAL VALUE OF INVESTMENTS¥ Ω	<u>23,613</u>	<u>94.31</u>
	OTHER ASSETS	<u>1,424</u>	<u>5.69</u>
	TOTAL NET ASSETS	<u>25,037</u>	<u>100.00</u>

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2018.

* These securities are fair valued by the manager.

• Securities shown as FRNs represent Floating Rate Notes – debt instruments that pay a Floating Rate of interest, usually based on an accepted market benchmark rate such as LIBOR.

Ω Derivative Contract.

¥ Including derivative liabilities.

Traded on an alternative investment market.

Portfolio Statement by Credit Rating

Standard & Poor's Ratings		Market Value £000 30 September 2018	% of Net Assets 30 September 2018
Highest Quality	AAA	6,497	25.93
High Quality	AA	1,734	6.92
Upper Medium quality	A	6,410	25.61
Medium grade	BBB	4,802	19.20
Somewhat speculative	BB	1,002	4.00
Low grade, partial recovery possible	CC	55	0.22
Not Rated	Not Rated	231	0.92
TOTAL VALUE OF BONDS		<u>20,731</u>	<u>82.80</u>

FRANKLIN ABSOLUTE RETURN BOND FUND

Securities Financing Transactions Regulation (SFTR)

As defined in Article 3 of Regulation (EU) 2015/2365, securities financing transactions ("SFT") include repurchase transaction, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions or sell-buy back transactions and margin lending transactions. Whilst the Fund is not involved in such SFTs, it does engage in Total Return Swaps ("TRS") and therefore, in accordance with Article 13 of the Regulation, the Fund's involvement in and exposures related to TRS for the accounting period ended 30 September 2018 are detailed below.

	Value £000	% of AUM
TRS	51	0.20%

Ten largest collateral issuers

All collateral received or pledged in relation to TRS positions is in the form of cash. As a result there are no requirements for the Fund to show the top 10 non-cash collateral issuers.

Counterparties

The following table provides details of the top ten counterparties, their country of incorporation and the gross volume of outstanding transactions (underlying exposure per counterparty, on a gross absolute basis), in respect of TRS, as at the balance sheet date.

Counterparty	Country of incorporation	30 September 2018 Value £000
Citibank	UK	41
JP Morgan	UK	9

Type, quality of maturity tenor of collateral

All collateral received (£270,000) and provided (£64,968) by the fund in respect of OTC derivatives (including TRS) with the counterparties noted above as at the balance sheet date is in the form of cash and has therefore a maturity tenor of less than one day.

Currency of collateral

The following table provides an analysis of the currency profile of the collateral received and provided in respect of OTC derivatives (including TRS) with the counterparties noted above as at the balance sheet date.

	Collateral received Value £000	Collateral provided Value £000
AUD	–	11
CAD	–	2
EUR	–	17
USD	270	(60)

Maturity tenor of TRS

The following table provides an analysis of the maturity tenor of open TRS positions as at the balance sheet date.

Maturity	Value £000
0 - 1 month	–
1 - 3 months	38
4 - 12 months	13

The above maturity tenor analysis has been based on the contractual maturity date of the relevant TRS.

FRANKLIN ABSOLUTE RETURN BOND FUND

Statement of Total Return

For the period 1 April 2018 to 30 September 2018

	September 2018 £000*	September 2018 £000*
Income		
Net capital gains/(losses)		(196)
Revenue	476	
Expenses	(156)	
Interest payable and similar charges	(2)	
Net revenue before taxation	318	
Net revenue after taxation		318
Total return before distributions for the period		122
Distributions		(317)
Change in net assets attributable to shareholders		(195)

Statement of Change in Net Assets Attributable to Shareholders

For the period 1 April 2018 to 30 September 2018

	September 2018 £000*
Opening net assets attributable to shareholders	24,915
Change in net assets attributable to shareholders from investment activities (see above)	(195)
Retained distribution on accumulation shares	317
Closing net assets attributable to shareholders	25,037

Balance Sheet

As at 30 September 2018

	September 2018 £000	March 2018 £000
Assets		
Fixed assets		
Tangible assets:		
Investment assets	23,648	21,957
Current assets		
Debtors	163	193
Cash and bank balances	1,388	7,215
Total assets	25,199	29,365
Liabilities		
Investment liabilities	(35)	(77)
Creditors		
Other creditors	(127)	(4,373)
Total liabilities	(162)	(4,450)
Net assets attributable to shareholders	25,037	24,915

*This Fund was launched on 28 February 2018 so no prior period comparatives are available.

FRANKLIN ABSOLUTE RETURN BOND FUND

Distribution Statement

For the period 1 April 2018 to 30 September 2018

Group 1 – Shares purchased prior to 1 April 2018

Group 2 – Shares purchased in the period 1 April 2018 to 30 September 2018

	Net Income p	Equalisation p	30 September 2018 Pence per Share p	30 September 2017 Pence per Share p
W – Accumulation Shares				
Group 1	1.2684	-	1.2684	n/a
Group 2	1.2684	-	1.2684	n/a

Equalisation

All shareholders, within each share category, receive the same distribution per share, although the distribution to shareholders who purchased shares during the distribution period (Group 2 holdings) contains an element of equalisation which is a repayment, at an average rate per share, of the amount of accrued net income which was included in the purchase price of such shares. As the nature of this payment is capital it is not subject to income tax but must be deducted from the purchase price in any capital gains tax computation on the sale of the shares.

FRANKLIN EUROPEAN OPPORTUNITIES FUND

Investment Review

Performance

For the six-month period ended 30 September 2018, Franklin European Opportunities Fund (W(acc) shares) rose 4.26%*, underperforming the benchmark MSCI Europe ex UK Index, which returned 7.00% (both returns in UK sterling).

Overview

European markets rose over the six-month period ended 30 September 2018 as strong corporate earnings offset concerns about slower growth and the impact of a potential US-led trade war.

While corporate earnings have been relative robust in recent quarters, recent economic data have pointed to a slowdown in regional economic activity after a strong 2017. Nevertheless, the European Central Bank has indicated that it remains confident in the ongoing economic recovery and will move ahead with winding down its quantitative easing programme through the end of the year. In the United States, the Federal Reserve continued to raise interest rates as US economic growth has led the rest of the developed world in recent quarters, bolstered by fiscal stimulus in the form of tax cuts.

Trade tensions, largely between the United States and China, have created greater uncertainty for the global economy. Already, there are signs that US tariffs have begun to negatively affect China's economic growth rates. And that country has taken steps to bolster growth. Other emerging markets, including Turkey and Argentina, were also volatile during the reporting period. A stronger US dollar, coupled with rising oil prices, has put pressure on emerging markets assets thus far in 2018.

European financial markets also had to contend with political uncertainty in Italy following the election of a populist government. After some wrangling over the composition of the coalition government that united two of Italy's main populist parties, late in the reporting period, the government unveiled a new budget that hiked projected deficits and could bring it in violation with European Union rules. As a result, bond yields in Italy spiked in the third quarter and a number of bank stocks tumbled.

Significant Changes

The Fund's five main stock purchases over the six-month period through 30 September 2018 were Spain-based rice and pasta maker Ebro Foods, Portugal-based cork maker Corticeira Amorim, Germany-based wireless telecommunications operator 1&1 Drillisch, Ireland-based nutritional supplements maker Glanbia and Denmark-based facilities outsourcer ISS.

Ebro focuses on becoming the clear leader in a specific country, or becoming the specialist in certain market niches. Management has been diversifying the business into complementary, yet higher margin, premium and health-branded niche products. Meanwhile, Glanbia has built up a strong stable of brands in sports nutrition through a number of acquisitions and is one of the few players in the market with global reach. The company should continue to see strong growth, in our view, given the high demand for sports nutrition products, particularly in the United States. Corticeira Amorim is the market leader in providing cork, with a significant global distribution presence that sets it apart from its smaller competitors.

1&1 Drillisch is the only mobile virtual network operator (MVNO) that offers 4G wireless services in Germany and can thereby compete with the incumbent telecommunication services providers on a level playing field. An MVNO obtains bulk access to network services from the larger telecommunications companies at wholesale rates and then independently sets retail prices. 1&1 Drillisch has what we view as a favourable wholesale price contract that allows it to be the market leader in Germany. We believe ISS enjoys superior scale, a robust industry reputation and best-in-class capabilities, particularly when providing integrated facility management services to large multinational accounts, which sets it apart from competitors. We anticipate growth will come from increased outsourcing of services globally and greater demand from customers for bundled solutions.

The five largest stock sales were TGS-Nopec Geophysical, a Norway-based geosciences data provider, SAF-Holland, a Germany-based truck parts manufacturer, Cerved Group, an Italy-based risk analytics firm, Mediaset Espana Comunicacion, a Spain-based television broadcaster, and Schoeller-Bleckmann Oilfield Equipment, an Austria-based precision equipment provider. We took advantage of recent strength in the two energy stocks, TGS-Nopec Geophysical and Schoeller-Bleckmann, to dispose of our holdings. Other disposals are the result of both strong stock prices and portfolio repositioning.

FRANKLIN EUROPEAN OPPORTUNITIES FUND

Investment Review (continued)

Contributors and Detractors

The Fund underperformed its benchmark during the six-month period as security selection in the consumer discretionary sector weighed on relative performance, amid rising concerns about a potential slowdown in growth. Security selection in the financial sector contributed to relative returns. Amongst the individual detractors, Germany-based health care holding Draegerwerk, a maker of breathing and protection equipment, weighed on relative performance over the period. The company has leading positions in a number of niche consolidated markets, which discourages aggressive price competition and has led to relatively stable market share across the industry. Moreover, Draegerwerk has strong brand loyalty and a broad distribution network that makes it difficult for new entrants to compete. In terms of growth, we expect Draegerwerk to benefit from increased emerging-market health care spending and ever more stringent safety regulations globally.

In the industrials sector, Ireland-based budget airline Ryanair Holdings curbed relative returns, due to weaker earnings amidst a pilots' strike and higher fuel costs. Nonetheless, we believe the budget airline is well placed to take advantage of stronger leisure travel trends over the longer term.

Also in the industrials sector, Italy-based electric cable manufacturer Prysmian curbed relative returns after warning of additional costs related to a UK subsea project. Despite the weakness, Prysmian has continued to see solid demand for its undersea electrical and telecommunications cables. Furthermore, we believe Prysmian could benefit from long-term secular trends such as the growing use of alternative energy sources and smart grid adoption.

In the consumer discretionary sector, Germany-based business-to-business mail-order firm TAKKT dampened relative returns amidst a sluggish global economic environment in the first half of the year. However, the company expects the improvement it began to see in the second quarter to continue into year-end. It did caution that an escalation in global trade conflicts could impact its profitability for the year.

France-based stock Maisons du Monde, a furniture and housewares retailer, detracted from relative performance after the company reported a softer trading environment in the second quarter. We believe the company's omnichannel approach and strong brand and product mix should support strong sales growth over the longer term.

Conversely, Dutch insurer ASR Nederland contributed to relative performance in the financial sector. We believe that unlike many of its peers, ASR has a well-balanced product portfolio that insulates it against both financial market volatility and the potential for large natural disaster-related claims. Moreover, it has a strong capital ratio, which we believe could allow for higher dividends and stock buybacks over time.

Italian multi-channel lender FinecoBank was up sharply during the period, despite weakness in the country's major banks following a spike in bond yields after the populist government unveiled its new budget. We believe the structural weakness of the Italian banking sector actually helps FinecoBank, since it creates an opportunity for potential disruptors. As the country's only truly multi-channel bank that offers both a strong digital platform and personal investment advice, FinecoBank could benefit from the digitalisation of financial services and open-architecture fee-based investment advice.

Another disrupter, internet lender Sbanken, based in Norway, contributed to relative performance in the financial sector amidst solid loan growth and the launch of new products. The bank offers a wide range of banking services throughout Norway, and we believe its strong reputation as a bank that offers simple products at cheap prices with good customer service sets it apart from more traditional lenders.

With energy prices rising during the period, TGS-NOPEC Geophysical, a Norway-based provider of geosciences data, contributed to relative performance on growing optimism that higher crude oil prices would lead to a pickup in oil and gas exploration and production activity.

In industrials, Compania de Distribucion Integral Logista Holdings, a Spain-based tobacco distributor, supported relative performance after posting an increase in operating profits for its fiscal first-half. The company also raised its dividend.

FRANKLIN EUROPEAN OPPORTUNITIES FUND

Investment Review (continued)

Outlook

We utilise a bottom-up, long-term strategy and therefore try to take advantage of market volatility to gain exposure to companies that exhibit what we view as strong and sustainable competitive advantages, solid balance sheets, and substantial cash generation. We tend to be contrarian in our style, and our philosophy and process often lead us to segments of the market that are out of favour with other investors.

We remain constructive on European equity markets overall. The global financial system appears to be entering a late-cycle environment typically characterised by rising rates, rising inflation and rising volatility. We believe such a backdrop should ultimately support European markets that tend to benefit later in the cycle due to the region's high exposure to rate- and price-sensitive sectors, like financial, energy and commodities. Regional companies are trading at historic valuation discounts and materially under-earning their US peers, creating considerable scope for both earnings appreciation and multiple expansion as conditions improve and the cycle mean reverts. In our view, years of ultra-loose monetary policy and quantitative easing have distorted markets by excessively rewarding stocks with high expectations, while excessively punishing stocks with low expectations. The rise of indexing has perpetuated these trends by channelling money into stocks that are going up and funnelling money out of stocks that are going down. This unnatural process has little to do with price discovery, in our view, and more with momentum and trend following. Yet, as interest rates rise, geopolitical tensions increase and policymakers begin to wean markets from extraordinary stimulus, we continue to believe that stock prices will eventually reflect business fundamentals once again.

Dylan Ball & James Windsor, CFA
Fund Managers
 30 September 2018

FRANKLIN EUROPEAN OPPORTUNITIES FUND

Comparative Table

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
A – Income shares				
Change in net assets per share				
Opening net asset value per share	224.71	221.31	182.47	190.24
Return before operating charges ¹	12.80	13.14	45.35	(3.59)
Operating charges ²	(4.11)	(4.14)	(3.58)	(3.18)
Return after operating charges* ³	8.69	9.00	41.77	(6.77)
Distributions on income shares	(0.8607)	(5.5972)	(2.9255)	(0.9984)
Closing net asset value per share	232.54	224.71	221.31	182.47
*After direct transaction costs of: ⁴	0.0012	0.0024	0.0025	0.0031
Performance				
Return after charges ⁵	3.87%	4.07%	22.89%	(3.56%)
Other information				
Closing net asset value	36,093	34,476	35,811	21,927
Closing number of shares	15,521	15,343	16,181	12,018
Ongoing charges ratio ⁶	1.75%	1.75%	1.75%	1.75%
Direct transaction costs ⁴	0.05%	0.10%	0.12%	0.17%
Prices				
Highest share price	242.55	248.58	225.21	197.22
Lowest share price	220.98	217.77	176.61	159.90

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
A – Accumulation shares				
Change in net assets per share				
Opening net asset value per share	278.35	267.64	216.96	224.94
Return before operating charges ¹	15.86	15.74	54.86	(4.13)
Operating charges ²	(5.09)	(5.03)	(4.18)	(3.85)
Return after operating charges* ³	10.77	10.71	50.68	(7.98)
Closing net asset value per share	289.12	278.35	267.64	216.96
Retained distributions on accumulation shares	1.0712	6.7538	2.8696	1.2650
*After direct transaction costs of: ⁴	0.0015	0.0029	0.0029	0.0037
Performance				
Return after charges ⁵	3.87%	4.00%	23.36%	(3.55%)
Other information				
Closing net asset value	916,864	884,013	891,113	2,352,414
Closing number of shares	317,120	317,595	332,948	1,084,281
Ongoing charges ratio ⁶	1.75%	1.75%	1.75%	1.75%
Direct transaction costs ⁴	0.05%	0.10%	0.12%	0.17%
Prices				
Highest share price	300.45	304.52	270.42	233.25
Lowest share price	273.72	263.00	209.89	189.96

FRANKLIN EUROPEAN OPPORTUNITIES FUND

Comparative Table (continued)

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
W – Accumulation shares				
Change in net assets per share				
Opening net asset value per share	218.73	208.85	168.69	173.63
Return before operating charges ¹	11.67	12.25	42.13	(3.25)
Operating charges ²	(2.40)	(2.37)	(1.97)	(1.69)
Return after operating charges* ³	9.27	9.88	40.16	(4.94)
Closing net asset value per share	228.00	218.73	208.85	168.69
Retained distributions on accumulation shares	1.2432	6.9080	3.9819	2.2101
*After direct transaction costs of: ⁴	0.0011	0.0023	0.0023	0.0012
Performance				
Return after charges ⁵	4.24%	4.73%	23.81%	(2.85%)
Other information				
Closing net asset value	585,535	570,691	507,972	477,759
Closing number of shares	256,817	260,910	243,218	283,214
Ongoing charges ratio ⁶	1.05%	1.05%	1.05%	0.94%
Direct transaction costs ⁴	0.05%	0.10%	0.12%	0.07%
Prices				
Highest share price	236.78	239.02	211.02	180.28
Lowest share price	215.11	205.31	163.35	147.57

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
Y – Income shares				
Change in net assets per share				
Opening net asset value per share	122.48	120.66	99.39	103.69
Return before operating charges ¹	6.60	7.22	25.15	(2.08)
Operating charges ²	(1.49)	(1.43)	(1.03)	(0.21)
Return after operating charges* ³	5.11	5.79	24.12	(2.29)
Distributions on income shares	(0.6587)	(3.9741)	(2.8511)	(2.0085)
Closing net asset value per share	126.93	122.48	120.66	99.39
*After direct transaction costs of: ⁴	0.0006	0.0013	0.0013	0.0007
Performance				
Return after charges ⁵	4.17%	4.80%	24.27%	(2.21%)
Other information				
Closing net asset value	3,773	3,640	3,586	2,954
Closing number of shares	2,972	2,972	2,972	2,972
Ongoing charges ratio ⁶	1.16%	1.11%	0.93%	0.15%
Direct transaction costs ⁴	0.05%	0.10%	0.12%	0.07%
Prices				
Highest share price	132.55	135.97	123.46	107.79
Lowest share price	120.45	118.77	96.32	87.86

FRANKLIN EUROPEAN OPPORTUNITIES FUND

Comparative Table (continued)

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
Z – Accumulation shares				
Change in net assets per share				
Opening net asset value per share	216.17	206.77	167.35	172.60
Return before operating charges ¹	11.75	12.18	41.73	(3.24)
Operating charges ²	(2.82)	(2.78)	(2.31)	(2.01)
Return after operating charges* ³	8.93	9.40	39.42	(5.25)
Closing net asset value per share	225.10	216.17	206.77	167.35
Retained distributions on accumulation shares	1.0980	6.3475	3.4631	1.9221
*After direct transaction costs of: ⁴	0.0011	0.0022	0.0022	0.0012
Performance				
Return after charges ⁵	4.13%	4.55%	23.56%	(3.04%)
Other information				
Closing net asset value	24,822	27,839	28,476	31,229
Closing number of shares	11,027	12,878	13,772	18,661
Ongoing charges ratio ⁶	1.25%	1.25%	1.25%	1.14%
Direct transaction costs ⁴	0.05%	0.10%	0.12%	0.07%
Prices				
Highest share price	233.81	236.30	208.91	179.15
Lowest share price	212.59	203.23	162.01	146.43

1 The "return before operating charges" is calculated as the "return after operating charges" plus the "operating charges".

2 The "operating charges" are calculated with reference to the total expenses for the year divided by the number of shares in issue at each valuation point.

3 The "return after operating charges" is calculated as the "closing net asset value per share" plus the "distributions" (for income share classes only) minus the "opening net asset value per share".

4 The direct transaction costs include all fees and expenses which relate directly to the sales and purchases of securities which include commissions, transfer taxes and duties. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The "direct transaction costs" ratio is calculated by dividing the total transaction costs by the average net assets.

5 The "return after charges" is calculated as the "return after operating charges" per share divided by the "opening net asset value per share". This figure will differ from "performance return" figure disclosed under "Investment Review" section due to alternative calculation methodology used.

6 The "ongoing charges ratio" represents all operating charges and expenses of the share class in the prior 12 months as a percentage of the share class's average net assets during the year.

Where ex-post expense information is not a fair representation of future operating costs and where 12 months of information is not available, an estimate is disclosed.

Risk Profile (W(acc) shares)



This indicator, disclosed in the Key Investor Information Document (KIID), provides a measure of the price movement of the Fund based on historical behaviour. Historical data may not be a reliable indication of the future risk profile of the Fund. The category shown is not guaranteed to remain unchanged and may shift over time. The lowest category does not mean risk free.

For a full discussion of all the risks applicable to this Fund, please refer to the "Risk Factors" section of the current prospectus of Franklin Templeton Funds.

FRANKLIN EUROPEAN OPPORTUNITIES FUND

Portfolio Statement as at 30 September 2018

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	EQUITIES 95.66% (95.60%)		
	EUROPE - NON EU 13.59% (16.37%)		
	NORWAY		
4,830	Atea ASA	60	3.83
6,037	Sbanken ASA	50	3.19
		<u>110</u>	<u>7.02</u>
	SWITZERLAND		
606	Landis+Gyr Group AG	31	1.98
387	Roche Holding AG	72	4.59
		<u>103</u>	<u>6.57</u>
	TOTAL EUROPE - NON EU	<u>213</u>	<u>13.59</u>
	EUROPE - OTHER EU 80.66% (77.85%)		
	AUSTRIA		
478	Schoeller-Bleckmann Oilfield Equipment AG	40	2.55
	DENMARK		
1,822	ISS AS	49	3.13
3,612	Scandinavian Tobacco Group AS	43	2.74
		<u>92</u>	<u>5.87</u>
	FINLAND		
2,052	Tieto OYJ	49	3.13
	FRANCE		
628	Capgemini SE	61	3.89
1,542	Maisons du Monde SA	35	2.24
709	Sanofi	48	3.06
715	Schneider Electric SE	44	2.81
339	SEB SA	44	2.81
683	Vinci SA	50	3.19
		<u>282</u>	<u>18.00</u>
	GERMANY		
1,169	18&1 Drillisch AG	44	2.81
712	Draegerwerk AG & Co. KGaA, pfd.	34	2.17
2,622	Takkt AG	32	2.04
		<u>110</u>	<u>7.02</u>
	IRISH REPUBLIC		
3,846	Glanbia PLC	50	3.19
3,608	Ryanair Holdings PLC	43	2.74
		<u>93</u>	<u>5.93</u>
	ITALY		
2,215	Banca Generali SpA	44	2.81
6,869	FinecoBank Banca Fineco SpA	71	4.53
4,166	Italgas Reti SpA	17	1.08
2,587	Prysmian SpA	46	2.94
		<u>178</u>	<u>11.36</u>
	NETHERLANDS		
431	ASML Holding NV	62	3.95
1,912	ASR Nederland NV	70	4.47
		<u>132</u>	<u>8.42</u>
	PORTUGAL		
4,746	Corticeira Amorim SGPS SA	48	3.06

FRANKLIN EUROPEAN OPPORTUNITIES FUND

Portfolio Statement as at 30 September 2018 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	SPAIN		
4,917	Applus Services SA	54	3.44
2,248	Cia de Distribucion Integral Logista Holdings SA	44	2.81
2,941	Ebro Foods SA	49	3.13
4,068	Merlin Properties Socimi SA§	42	2.68
1,288	Tecnicas Reunidas SA	31	1.98
		<u>220</u>	<u>14.04</u>
	SWEDEN		
3,054	Dometic Group AB	20	1.28
	TOTAL - EUROPE - OTHER EU	<u>1,264</u>	<u>80.66</u>
	UNITED KINGDOM 1.41% (1.38%)		
1,375	RELX PLC	22	1.41
	TOTAL - UNITED KINGDOM	<u>22</u>	<u>1.41</u>
	TOTAL - EQUITIES	<u>1,499</u>	<u>95.66</u>
	TOTAL VALUE OF INVESTMENTS	<u>1,499</u>	<u>95.66</u>
	OTHER ASSETS	<u>68</u>	<u>4.34</u>
	TOTAL NET ASSETS	<u>1,567</u>	<u>100.00</u>

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2018.

Unless otherwise stated the above securities are ordinary shares or common stock and admitted to official stock exchange listings.

§ Real Estate Investment Trust (REIT).

FRANKLIN EUROPEAN OPPORTUNITIES FUND

Statement of Total Return

For the period 1 April 2018 to 30 September 2018

	September 2018 £000	September 2018 £000	September 2017 £000	September 2017 £000
Income				
Net capital gains/(losses)		48		92
Revenue	28		35	
Expenses	(12)		(12)	
Net revenue before taxation	16		23	
Taxation	(3)		18	
Net revenue after taxation		13		41
Total return before distributions for the period		61		133
Distributions		(7)		(22)
Change in net assets attributable to shareholders		54		111

Statement of Change in Net Assets Attributable to Shareholders

For the period 1 April 2018 to 30 September 2018

	September 2018 £000	September 2018 £000	September 2017 £000	September 2017 £000
Opening net assets attributable to shareholders		1,521		1,467
Amounts received on creation of shares	62		132	
Amounts paid on cancellation of shares	(77)		(171)	
		(15)		(39)
Change in net assets attributable to shareholders from investment activities (see above)		54		111
Retained distribution on accumulation shares		7		21
Closing net assets attributable to shareholders		1,567		1,560

Balance Sheet

As at 30 September 2018

	September 2018 £000	March 2018 £000
Assets		
Fixed assets		
Tangible assets:		
Investment assets	1,499	1,454
Current assets		
Debtors	14	9
Cash and bank balances	149	176
Total assets	1,662	1,639
Liabilities		
Creditors		
Other creditors	(95)	(118)
Total liabilities	(95)	(118)
Net assets attributable to shareholders	1,567	1,521

FRANKLIN EUROPEAN OPPORTUNITIES FUND

Distribution Statement

For the period 1 April 2018 to 30 September 2018

Group 1 – Shares purchased prior to 1 April 2018

Group 2 – Shares purchased in the period 1 April 2018 to 30 September 2018

	Net Income p	Equalisation p	30 September 2018 Pence per Share p	30 September 2017 Pence per Share p
A – Income Shares				
Group 1	0.8607	-	0.8607	3.0970
Group 2	-	0.8607	0.8607	3.0970
A – Accumulation Shares				
Group 1	1.0712	-	1.0712	3.7383
Group 2	-	1.0712	1.0712	3.7383
W – Accumulation Shares				
Group 1	1.2432	-	1.2432	3.3342
Group 2	-	1.2432	1.2432	3.3342
Y – Income Shares				
Group 1	0.6587	-	0.6587	1.9581
Group 2	0.6587	-	0.6587	1.9581
Z – Accumulation Shares				
Group 1	1.0980	-	1.0980	3.1757
Group 2	1.0980	-	1.0980	3.1757

Equalisation

All shareholders, within each share category, receive the same distribution per share, although the distribution to shareholders who purchased shares during the distribution period (Group 2 holdings) contains an element of equalisation which is a repayment, at an average rate per share, of the amount of accrued net income which was included in the purchase price of such shares. As the nature of this payment is capital it is not subject to income tax but must be deducted from the purchase price in any capital gains tax computation on the sale of the shares.

FRANKLIN MUTUAL SHARES FUND

Investment Review

Performance

For the six months ended 30 September 2018, Franklin Mutual Shares Fund (W(acc) shares) grew by 15.68%*, while the Standard & Poor's 500 Index increased by 19.92% (both returns in UK sterling).

Overview

The S&P 500 Index rose steadily (in US dollars) during the six-month period under review, aided by solid corporate earnings results, generally favourable US economic data and a rally in crude oil prices. The S&P 500 Index performance in UK sterling was further boosted by a 7.0% decline in the British currency against the US dollar.

The US economy grew at a faster pace in the second quarter of 2018, compared with the first quarter, due to growth in consumer spending, business investment, exports and federal government spending. Improvement in the US labour market continued at a modest pace, with an average monthly gain in nonfarm payrolls of 206,000. The unemployment rate continued to decline, and wage growth showed some improvement. The Institute for Supply Management's (ISM's) manufacturing and non-manufacturing indices remained solid. However, monthly housing data showed some weakening in demand, due in part to a general decline in affordability. In addition, annual inflation, as measured by the Consumer Price Index, increased from 2.4% in March 2018, as reported at the beginning of the period, to 2.7% for August.

The US Federal Reserve (Fed) raised its target range for the federal funds rate by 25 basis points (bps) at its June 2018 meeting and continued reducing its balance sheet as part of an ongoing plan to normalise monetary policy. During his congressional testimony in July 2018 and at a Fed symposium in August, Fed Chair Jerome Powell reiterated the central bank's intention to gradually raise interest rates. At its September 2018 meeting, the Fed raised its target range for the federal funds rate by 25 bps to 2.00%–2.25%, as expected. Furthermore, the Fed raised its forecast for US economic growth in 2018 and 2019 and projected one more rate increase in 2018.

Markets were pressured at certain times by fears of tighter regulation of technology-related companies, as well as concerns that strong economic growth and rising inflation would lead the Fed to increase the pace of its interest rate hikes. Other factors that curbed investor sentiment included tensions between the United States and North Korea early in the period, political uncertainties in the United States, and an escalation of trade tensions between the United States and China. Partially offsetting these concerns were an overall easing of tensions in the Korean peninsula in the latter part of the period, intermittent US-China trade negotiations, a US-EU agreement to try to reduce trade barriers, and a preliminary trade agreement between the United States, Mexico and Canada at period-end.

Significant Changes

Among the largest purchases made during the period were Newell Brands, T-Mobile, Lennar, Brighthouse Financial and Toll Brothers.

We began to accumulate a position in Newell Brands, a global consumer products company that owns a portfolio of brands. Many of the company's brands enjoy strong market positions, including Yankee Candle, Sharpie, Coleman, Oster and Graco. The shares have struggled since mid-2017 as Newell experienced integration missteps, staff turnover, and other challenges following its late-2015 acquisition of Jarden, another consumer products company. The challenges caused Newell to lower earnings guidance several times. With the recent involvement of activist investors, we saw a number of potential catalysts for improvement emerge, including the divestiture of approximately US\$10 billion of assets and businesses. Newell has stated that the proceeds of those sales will go towards debt reduction and share buybacks.

We also initiated a position in Lennar, among the largest homebuilders in the United States. The stock price had been pulled down by market concerns regarding higher interest rates and home affordability. Notwithstanding these fears, unemployment is low, labour participation is increasing and wages are rising. Millennials are also entering their prime home-buying years, which is adding to a supply-demand imbalance that may take several years to correct. In addition, Lennar has been focusing on financial fundamentals, as well as becoming a pure homebuilding company as it is in the process of exiting its Rialto commercial real-estate business. Overall, we believed the company was attractively priced given the compelling long-term opportunity.

Among the Fund's largest sales or reductions during the period were CA, Microsoft, General Electric, Symantec and Medtronic.

FRANKLIN MUTUAL SHARES FUND

Investment Review (continued)

Significant Changes (continued)

CA is a California-based technology company focused on security, storage and systems management solutions. In July, CA announced an agreement to be acquired by Broadcom. In our view, the all-cash offer included a healthy premium above the closing price of CA's stock just prior to the announcement.

The Fund also trimmed its position in Microsoft, a multinational software company, as a sustained period of strong operational performance pushed the stock price toward our estimate of fair value.

Positive/Negative Contributors

The managers evaluate each investment on a bottom-up basis, without set criteria for specific value parameters, asset size, earnings, geographic location or industry type. The paragraphs below focus on a few of the Fund's most significant contributors and detractors, rather than any broad discussion of sector, industry or geographic exposures.

Three of the largest contributors to performance for the six-month period included Eli Lilly and Company, Medtronic and Microsoft.

Shares of Eli Lilly and Company, a US-based pharmaceutical company, were boosted by strong quarterly results announced in July. Additional catalysts included attractive fundamentals and less concern among investors regarding the direct impact on the pharmaceutical industry of the Trump administration's efforts to lower prescription drug prices. We believe Eli Lilly has a strong product growth story with room for margin expansion.

Medtronic, a medical device maker, reported broadly upbeat quarterly results in August, particularly strong organic revenue growth. It also raised its guidance for revenues and earnings per share for the fiscal year ending in April 2019. In our view, Medtronic can close the valuation discount to its medical technology peers over time with a continued focus on innovation and improving operating performance, along with better communication with financial markets.

Microsoft continued to reap the rewards of its rapidly growing cloud computing business and its effort to move Microsoft Office software clients to its subscription-based services. In April and July 2018, Microsoft reported solid quarterly growth in revenues and earnings per share. In April, it also increased its operating margin estimate for the fiscal year ending 30 June 2018. We believe Microsoft's cloud computing and subscription-based services can continue to grow at a strong pace, which will likely further lift its operating margin.

Three investments that did not perform as well as we expected during the period were British American Tobacco, Symantec and General Electric.

Tobacco stocks, including British American Tobacco (BAT), faced downward pressure due to concerns regarding next-generation products. In August, shares of BAT and industry peers declined in part as monthly data showed a steeper drop in year-over-year US volume sales for tobacco products, as well as stronger growth by JUUL (not a Fund holding), an electronic cigarette company. However, we believe BAT is doing a good job developing its own next-generation products to compete against JUUL and its industry peers. Additional negative factors included emerging-market currency weakness and investors rotating out of higher dividend-yielding stocks due to the tightening of monetary policy by major central banks.

Symantec is a California-based technology company focused on security, storage and systems management solutions. The stock price dropped in May 2018 when the company disclosed an internal investigation resulting from concerns raised by a former employee that could have resulted in a restatement of prior financials, as well as lowered earnings guidance. The investigation was completed with a minor accounting reclassification and no change to cash flows. Despite recent challenges, we believe Symantec is well positioned in the market given the growth in cyber threats worldwide.

General Electric (GE) is a US-based industrials company with a wide range of business units. Investors remained discouraged about its poor cash flow generation, underfunded pension liability, bloated cost structure, and increased competition and overcapacity for the power market. In September 2018, GE's stock price dropped when it stated that fan blades in some of its power plant turbines were experiencing oxidation problems. However, we believe the turbine problem does not pose a serious risk as it appears to

FRANKLIN MUTUAL SHARES FUND

Investment Review (continued)

Positive/Negative Contributors (continued)

be easily resolvable. During the period, management began to take steps to break up the company. In May 2018, the company announced the merger of its transportation operations into Wabtec (not a Fund holding), and in June 2018 it announced a plan to spin off its health care division and divest its stake in oil-services firm Baker Hughes.

Outlook

Corporate fundamentals in the United States remain positive drivers for US equity markets. Lower corporate tax rates and the repatriation of foreign earnings appear to be providing a boost to corporate earnings, business investment and shareholder returns. The FactSet consensus estimate for year-over-year earnings growth among S&P 500 constituents was 19.3% at the end of September.

We believe a strong labour market, healthy consumer and capital spending, and progress on a trade agreement between the United States, Canada and Mexico should outweigh other factors such as a softening US housing market, tariffs imposed by the United States and China, and a flattening of the US Treasury yield curve. However, near-term financial market volatility could increase during the final months of 2018. Possible drivers include US midterm elections, a ratcheting up of trade tensions between the United States and China, Brexit, and price movements of global crude oil due to US sanctions against Iran.

Despite the negative impact of trade tariffs, we remain confident in our automaker and automotive supplier positions. Some automakers are in the middle of new product cycles, global vehicle demand remains solid, the level of technology within vehicles is rapidly increasing (e.g., advanced safety features, telematics and electric motors), and we have identified additional idiosyncratic catalysts.

Elsewhere, valuations for energy companies and banks have become generally less attractive to us. We believe some upside potential for energy companies still exists, as the demand for crude oil is likely to grow faster than supply, but for the fund, we are finding more compelling investments among infrastructure companies. In our view, the valuations of US regional lenders have become less attractive overall as competition for deposits has intensified and the US yield curve has flattened.

Value investing often requires an investor to be contrarian in nature. We continue to maintain a bottom-up stock-picking process that is disciplined and driven by rigorous fundamental analysis that attempts to limit downside risk. In our view, investing in underappreciated and misunderstood companies with identifiable catalysts for unlocking shareholder value can offer meaningful upside potential and a degree of downside protection in periods of financial market turbulence.

Peter Langerman & Deborah Turner, CFA

Fund Managers

30 September 2018

FRANKLIN MUTUAL SHARES FUND

Comparative Table

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
A – Income shares				
Change in net assets per share				
Opening net asset value per share	232.99	262.29	193.39	199.69
Return before operating charges ¹	37.46	(22.96)	73.95	(2.20)
Operating charges ²	(4.44)	(4.42)	(4.06)	(3.30)
Return after operating charges* ³	33.02	(27.38)	69.89	(5.50)
Distributions on income shares	(0.4539)	(1.9184)	(0.9894)	(0.8003)
Closing net asset value per share	265.56	232.99	262.29	193.39
*After direct transaction costs of: ⁴	0.0003	0.0003	0.0002	0.0004
Performance				
Return after charges ⁵	14.17%	(10.44%)	36.14%	(2.75%)
Other information				
Closing net asset value	739,366	711,923	1,048,042	931,805
Closing number of shares	278,420	305,557	399,570	481,828
Ongoing charges ratio ⁶	1.75%	1.75%	1.75%	1.75%
Direct transaction costs ⁴	0.01%	0.01%	0.01%	0.02%
Prices				
Highest share price	271.75	264.35	274.86	206.63
Lowest share price	228.28	226.04	190.99	169.76

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
A – Accumulation shares				
Change in net assets per share				
Opening net asset value per share	247.29	276.17	202.80	208.52
Return before operating charges ¹	39.74	(24.22)	77.62	(2.27)
Operating charges ²	(4.70)	(4.66)	(4.25)	(3.45)
Return after operating charges* ³	35.04	(28.88)	73.37	(5.72)
Closing net asset value per share	282.33	247.29	276.17	202.80
Retained distributions on accumulation shares	0.4749	2.0271	1.0338	0.8257
*After direct transaction costs of: ⁴	0.0003	0.0003	0.0002	0.0004
Performance				
Return after charges ⁵	14.17%	(10.46%)	36.18%	(2.74%)
Other information				
Closing net asset value	1,548,229	1,815,434	2,477,843	2,434,880
Closing number of shares	548,368	734,143	897,216	1,200,640
Ongoing charges ratio ⁶	1.75%	1.75%	1.75%	1.75%
Direct transaction costs ⁴	0.01%	0.01%	0.01%	0.02%
Prices				
Highest share price	288.42	278.13	288.91	215.94
Lowest share price	242.29	239.24	200.29	177.50

FRANKLIN MUTUAL SHARES FUND

Comparative Table (continued)

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
I – Accumulation shares				
Change in net assets per share				
Opening net asset value per share	274.10	303.99	221.66	226.31
Return before operating charges ¹	43.08	(26.80)	85.09	(2.40)
Operating charges ²	(3.14)	(3.09)	(2.76)	(2.25)
Return after operating charges* ³	39.94	(29.89)	82.33	(4.65)
Closing net asset value per share	314.04	274.10	303.99	221.66
Retained distributions on accumulation shares	1.5818	4.3608	3.0993	2.3954
*After direct transaction costs of: ⁴	0.0003	0.0003	0.0003	0.0004
Performance				
Return after charges ⁵	14.57%	(9.83%)	37.14%	(2.05%)
Other information				
Closing net asset value	73,911	64,510	95,901	128,719
Closing number of shares	23,535	23,535	31,548	58,069
Ongoing charges ratio ⁶	1.05%	1.05%	1.05%	1.05%
Direct transaction costs ⁴	0.01%	0.01%	0.01%	0.02%
Prices				
Highest share price	320.61	306.21	317.82	234.43
Lowest share price	268.58	265.15	219.13	193.83

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
W – Accumulation shares				
Change in net assets per share				
Opening net asset value per share	209.36	232.06	169.18	172.65
Return before operating charges ¹	32.88	(20.43)	65.01	(1.83)
Operating charges ²	(2.31)	(2.27)	(2.13)	(1.64)
Return after operating charges* ³	30.57	(22.70)	62.88	(3.47)
Closing net asset value per share	239.93	209.36	232.06	169.18
Retained distributions on accumulation shares	1.2638	3.4019	2.3540	1.9316
*After direct transaction costs of: ⁴	0.0002	0.0002	0.0002	0.0003
Performance				
Return after charges ⁵	14.60%	(9.78%)	37.17%	(2.01%)
Other information				
Closing net asset value	5,366,925	5,363,456	7,192,428	5,441,502
Closing number of shares	2,236,910	2,561,840	3,099,362	3,216,399
Ongoing charges ratio ⁶	1.01%	1.01%	1.04%	1.00%
Direct transaction costs ⁴	0.01%	0.01%	0.01%	0.02%
Prices				
Highest share price	244.92	233.76	242.63	178.84
Lowest share price	205.14	202.53	167.25	147.92

FRANKLIN MUTUAL SHARES FUND

Comparative Table (continued)

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
Y – Income shares				
Change in net assets per share				
Opening net asset value per share	139.08	156.69	115.42	119.25
Return before operating charges ¹	21.27	(13.78)	44.33	(1.39)
Operating charges ²	(0.33)	(0.33)	(0.34)	(0.23)
Return after operating charges* ³	20.94	(14.11)	43.99	(1.62)
Distributions on income shares	(1.4511)	(3.4971)	(2.7195)	(2.2101)
Closing net asset value per share	158.57	139.08	156.69	115.42
*After direct transaction costs of: ⁴	0.0002	0.0002	0.0001	0.0002
Performance				
Return after charges ⁵	15.06%	(9.01%)	38.11%	(1.36%)
Other information				
Closing net asset value	4,713	4,134	4,657	3,431
Closing number of shares	2,972	2,972	2,972	2,972
Ongoing charges ratio ⁶	0.22%	0.22%	0.24%	0.20%
Direct transaction costs ⁴	0.01%	0.01%	0.01%	0.02%
Prices				
Highest share price	163.25	158.00	165.21	123.45
Lowest share price	136.28	136.02	114.23	101.87

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
Z – Accumulation shares				
Change in net assets per share				
Opening net asset value per share	206.95	229.85	167.89	171.68
Return before operating charges ¹	32.71	(20.20)	64.62	(1.84)
Operating charges ²	(2.73)	(2.70)	(2.66)	(1.95)
Return after operating charges* ³	29.98	(22.90)	61.96	(3.79)
Closing net asset value per share	236.93	206.95	229.85	167.89
Retained distributions on accumulation shares	1.0223	2.9154	1.9519	1.5943
*After direct transaction costs of: ⁴	0.0002	0.0002	0.0002	0.0003
Performance				
Return after charges ⁵	14.49%	(9.96%)	36.91%	(2.21%)
Other information				
Closing net asset value	142,905	125,522	275,417	58,772
Closing number of shares	60,316	60,653	119,823	35,007
Ongoing charges ratio ⁶	1.21%	1.21%	1.24%	1.20%
Direct transaction costs ⁴	0.01%	0.01%	0.01%	0.02%
Prices				
Highest share price	241.90	231.53	240.36	177.82
Lowest share price	202.78	200.20	165.93	146.83

FRANKLIN MUTUAL SHARES FUND

Comparative Table (continued)

- 1 The "return before operating charges" is calculated as the "return after operating charges" plus the "operating charges".
- 2 The "operating charges" are calculated with reference to the total expenses for the year divided by the number of shares in issue at each valuation point.
- 3 The "return after operating charges" is calculated as the "closing net asset value per share" plus the "distributions" (for income share classes only) minus the "opening net asset value per share".
- 4 The direct transaction costs include all fees and expenses which relate directly to the sales and purchases of securities which include commissions, transfer taxes and duties. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The "direct transaction costs" ratio is calculated by dividing the total transaction costs by the average net assets.
- 5 The "return after charges" is calculated as the "return after operating charges" per share divided by the "opening net asset value per share". This figure will differ from "performance return" figure disclosed under "Investment Review" section due to alternative calculation methodology used.
- 6 The "ongoing charges ratio" represents all operating charges and expenses of the share class in the prior 12 months as a percentage of the share class's average net assets during the year.

Where ex-post expense information is not a fair representation of future operating costs and where 12 months of information is not available, an estimate is disclosed.

Risk Profile (W(acc) shares)



This indicator, disclosed in the Key Investor Information Document (KIID), provides a measure of the price movement of the Fund based on historical behaviour. Historical data may not be a reliable indication of the future risk profile of the Fund. The category shown is not guaranteed to remain unchanged and may shift over time. The lowest category does not mean risk free.

For a full discussion of all the risks applicable to this Fund, please refer to the "Risk Factors" section of the current prospectus of Franklin Templeton Funds.

FRANKLIN MUTUAL SHARES FUND

Portfolio Statement as at 30 September 2018

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	EQUITIES 92.03% (94.78%)		
	ASIA 1.22% (1.23%)		
	SOUTH KOREA		
3,000	Samsung Electronics Co. Ltd.	96	1.22
	TOTAL - ASIA	96	1.22
	EUROPE - NON EU 1.75% (1.48%)		
	SWITZERLAND		
2,077	Novartis AG, ADR†	138	1.75
	TOTAL EUROPE - NON EU	138	1.75
	NORTH AMERICA 85.20% (87.83%)		
	UNITED STATES		
276	Alexander's Inc.§	73	0.93
313	Alleghany Corp.	156	1.98
2,842	Ally Financial Inc.	58	0.74
2,046	Altria Group Inc.	95	1.21
4,694	American International Group Inc.	192	2.44
2,677	Anadarko Petroleum Corp.	138	1.75
3,980	AT&T Inc.	102	1.30
3,028	Baker Hughes a GE Co., A	79	1.00
1,362	Brighthouse Financial Inc.	46	0.58
1,449	Capital One Financial Corp.	105	1.33
728	Charter Communications Inc., A	182	2.31
1,035	Chubb Ltd.	106	1.35
6,039	Cisco Systems Inc.	225	2.86
2,253	CIT Group Inc.	89	1.13
2,752	Citigroup Inc.	151	1.92
5,603	Citizens Financial Group Inc.	166	2.11
2,271	Cognizant Technology Solutions Corp., A	134	1.70
3,970	Comcast Corp., A	108	1.37
2,569	CVS Health Corp.	155	1.97
648	Dell Technologies Inc., V	48	0.61
2,359	DISH Network Corp., A	65	0.83
3,844	Eli Lilly & Co.	316	4.01
1,146	Energizer Holdings Inc.	52	0.66
1,982	Fluor Corp.	88	1.12
4,250	General Electric Co.	37	0.47
3,745	General Motors Co.	97	1.23
1,258	Guaranty Bancorp	29	0.37
6,294	Hewlett Packard Enterprise Co.	79	1.00
140,360	International Automotive Components Group North America LLC#*	14	0.18
2,686	International Paper Co.	101	1.28
3,243	Johnson Controls International PLC	87	1.10
2,274	JPMorgan Chase & Co.	197	2.50
9,696	Kinder Morgan Inc.	132	1.68
1,520	Lennar Corp., A	54	0.69
6,585	Marathon Oil Corp.	118	1.50
2,289	McDermott International Inc.	32	0.41
4,798	Medtronic PLC	362	4.60
6,064	Merck & Co. Inc.	330	4.19
2,893	MetLife Inc.	104	1.32
1,880	Microsoft Corp.	165	2.09
5,051	Newell Brands Inc.	79	1.00
520	PepsiCo Inc.	45	0.57
1,563	PG&E Corp.	55	0.70
3,233	Plains GP Holdings LP, A	61	0.77
8,848	Rite Aid Corp.	9	0.11
3,325	Sensata Technologies Holding PLC	126	1.60
4,609	Symantec Corp.	75	0.95
1,990	The Goodyear Tire & Rubber Co.	36	0.46
2,334	The Hartford Financial Services Group Inc.	89	1.13
6,256	The Kroger Co.	140	1.78

FRANKLIN MUTUAL SHARES FUND

Portfolio Statement as at 30 September 2018 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	UNITED STATES (continued)		
2,250	The Walt Disney Co.	202	2.56
5,355	The Williams Cos. Inc.	112	1.42
1,740	T-Mobile U.S. Inc.	94	1.19
1,400	Toll Brothers Inc.	35	0.44
1,100	Twenty-First Century Fox Inc., B	39	0.50
4,300	Vistra Energy Corp.	82	1.04
1,726	Vornado Realty Trust§	97	1.23
2,791	Voya Financial Inc.	106	1.35
1,870	Walgreens Boots Alliance Inc.	105	1.33
4,328	Wells Fargo & Co.	174	2.21
800	Western Digital Corp.	36	0.46
1,131	WestRock Co.	46	0.58
	TOTAL - NORTH AMERICA	6,710	85.20
	UNITED KINGDOM 3.86% (4.24%)		
1,655	British American Tobacco PLC, ADR†	59	0.75
1,933	British American Tobacco PLC	69	0.88
971	Imperial Brands PLC	26	0.33
1,732	RELX PLC	28	0.35
3,628	Royal Dutch Shell PLC, A	96	1.22
15,783	Vodafone Group PLC	26	0.33
	TOTAL - UNITED KINGDOM	304	3.86
	TOTAL - EQUITIES	7,248	92.03
	WARRANTS 0.01% (0.01%)		
	NORTH AMERICA 0.01% (0.01%)		
	UNITED STATES		
391	Avaya Holdings Corp., wts., 12/15/2022#	1	0.01
	TOTAL - NORTH AMERICA	1	0.01
	TOTAL - WARRANTS	1	0.01
	BONDS 2.87% (2.64%)		
	NORTH AMERICA 2.87% (2.64%)		
	UNITED STATES		
85,000	Avaya Holdings Corp., Escrow Account#*‡	0	0.00
96,000	Avaya Holdings Corp., Escrow Account, 10.50%, 3/01/2021#*‡	0	0.00
70,000	Frontier Communications Corp., senior note, 10.50%, 9/15/2022#	48	0.61
78,000	Frontier Communications Corp., senior note, 11.00%, 9/15/2025#	47	0.60
228,000	iHeartCommunications Inc., senior secured note, first lien, 9.00%, 12/15/2019#□	131	1.66
	TOTAL - NORTH AMERICA	226	2.87
	TOTAL - BONDS	226	2.87
	TOTAL VALUE OF INVESTMENTS	7,475	94.91
	OTHER ASSETS	401	5.09
	TOTAL NET ASSETS	7,876	100.00

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2018.

Unless otherwise stated the above securities are ordinary shares or common stock and admitted to official stock exchange listings.

† American Depositary Receipt.

□ These corporate bonds are currently in default.

* These securities are fair valued by the manager.

§ Real Estate Investment Trust (REIT).

‡ These securities are currently in an escrow position. An escrow account is an account established to hold monies pledged and to be used solely for a designed purpose, typically to pay debt service or an outstanding issue in an advance refunding.

Traded on an alternative investment market.

FRANKLIN MUTUAL SHARES FUND

Statement of Total Return

For the period 1 April 2018 to 30 September 2018

	September 2018 £000	September 2018 £000	September 2017 £000	September 2017 £000
Income				
Net capital gains/(losses)		1,059		(114)
Revenue	95		167	
Expenses	(49)		(65)	
Net revenue before taxation	46		102	
Taxation	(11)		(22)	
Net revenue after taxation		35		80
Total return before distributions for the period		1,094		(34)
Distributions		(35)		(80)
Change in net assets attributable to shareholders		1,059		(114)

Statement of Change in Net Assets Attributable to Shareholders

For the period 1 April 2018 to 30 September 2018

	September 2018 £000	September 2018 £000	September 2017 £000	September 2017 £000
Opening net assets attributable to shareholders		8,085		11,094
Amounts received on creation of shares	67		602	
Amounts paid on cancellation of shares	(1,369)		(1,271)	
		(1,302)		(669)
Change in net assets attributable to shareholders from investment activities (see above)		1,059		(114)
Retained distribution on accumulation shares		34		73
Closing net assets attributable to shareholders		7,876		10,384

Balance Sheet

As at 30 September 2018

	September 2018 £000	March 2018 £000
Assets		
Fixed assets		
Tangible assets:		
Investment assets	7,475	7,877
Current assets		
Debtors	23	21
Cash and bank balances	434	361
Total assets	7,932	8,259
Liabilities		
Creditors		
Distribution payable	(1)	(2)
Other creditors	(55)	(172)
Total liabilities	(56)	(174)
Net assets attributable to shareholders	7,876	8,085

FRANKLIN MUTUAL SHARES FUND

Distribution Statement

For the period 1 April 2018 to 30 September 2018

Group 1 – Shares purchased prior to 1 April 2018

Group 2 – Shares purchased in the period 1 April 2018 to 30 September 2018

	Net Income p	Equalisation p	30 September 2018 Pence per Share p	30 September 2017 Pence per Share p
A – Income Shares				
Group 1	0.4539	-	0.4539	1.2759
Group 2	0.2761	0.1778	0.4539	1.2759
A – Accumulation Shares				
Group 1	0.4749	-	0.4749	1.3524
Group 2	0.1381	0.3368	0.4749	1.3524
I – Accumulation Shares				
Group 1	1.5818	-	1.5818	2.5968
Group 2	1.5818	-	1.5818	2.5968
W – Accumulation Shares				
Group 1	1.2638	-	1.2638	1.9937
Group 2	0.9212	0.3426	1.2638	1.9937
Y – Income Shares				
Group 1	1.4511	-	1.4511	1.9733
Group 2	1.4511	-	1.4511	1.9733
Z – Accumulation Shares				
Group 1	1.0223	-	1.0223	1.7543
Group 2	0.5299	0.4924	1.0223	1.7543

Equalisation

All shareholders, within each share category, receive the same distribution per share, although the distribution to shareholders who purchased shares during the distribution period (Group 2 holdings) contains an element of equalisation which is a repayment, at an average rate per share, of the amount of accrued net income which was included in the purchase price of such shares. As the nature of this payment is capital it is not subject to income tax but must be deducted from the purchase price in any capital gains tax computation on the sale of the shares.

FRANKLIN UK CORPORATE BOND FUND

Investment Review

Performance

For the six-month period ended 30 September 2018, Franklin UK Corporate Bond Fund (W(acc) shares) returned -0.49%*, compared to the Markit iBoxx GBP NonGilts Index, which returned -0.50% (both returns in UK sterling).

Overview

UK corporate bonds generally sustained modest losses over the review period, as a strong global backdrop for corporate earnings failed to offset a rise in government bond yields across leading markets. At the start of the period, UK yields fell as investors sought out perceived safe havens amidst an increase in risk aversion. However, towards the end of the third quarter, rising US Treasury yields helped to reverse sentiment, leaving benchmark Gilt yields around 20 basis points higher over the period as a whole.

The Bank of England (BoE) raised interest rates at its meeting at the start of August, and it stated that more increases would be required to ensure the UK economy's growth did not push inflation further above the central bank's target of 2%. Subsequent figures showing a jump in UK inflation in August—partly due to the weakness of sterling in prior months—appeared to vindicate the BoE's move.

Nevertheless, the BoE's predictions for future UK monetary policy contained some significant assumptions, not the least of which was a reasonably positive outcome to negotiations on the terms of the United Kingdom's (UK's) departure from the European Union (EU). With time running out ahead of the March 2019 deadline for the UK to leave the EU, and little sign of common ground on key issues emerging in the negotiations, the prospect of a failure to reach an agreement drew closer, an outcome widely anticipated as liable to hurt the economies of both sides. BoE Governor Mark Carney said he would be willing to remain in his post until 2020 to maintain stability during the UK's departure, but also stressed that the central bank's ability to mitigate the shock of a disorderly exit was limited.

Significant Changes

The top purchases made by the Fund during the period included Toyota Finance Australia 1.625% 07/11/2022, Total Capital International 1.75% 07/07/2025, AT&T 2.9% 12/04/2026, Telefonica 5.375% 02/02/2026, Prudential 5.625% 10/20/2051, AT&T 3.55% 09/14/2037 and Compass Group Plc 2.0% 09/05/2025.

Its top sales over the period included UK Treasury Bond 4.25% 06/07/2032, Glaxosmithkline 3.375% 12/20/2027, Metlife 5.375% 12/09/2024, Citigroup 5.15% 05/21/2026, Glencore 6.00% 04/03/2022, American International Group 5.00% 04/26/2023, Anheuser-Busch Inbev 4.00% 09/24/2025, Bazalgette Finance Plc 2.375% 11/29/2027, BP 1.177% 08/12/2023 and Deutsche Telekom 8.875% 11/27/2028.

Positive/Negative Contributors

The Fund's security selection was the main contributor to relative returns, boosted by selection across corporate financial, industrial and utility bonds as well as government-related issues.

In contrast, the Fund's short derivative position in long-dated Gilts held back relative performance.

The Fund's duration and yield-curve positioning also weighed slightly on relative results.

The Fund's sector allocation had a broadly neutral effect on relative performance, as the positive impact of an overweight exposure to corporate industrials was offset by the negative influence of an underweight allocation to government-related bonds.

Outlook

We think a failure to reach a negotiated deal on the terms of the UK's departure from the EU could become increasingly problematic for EU member states, as they see how much it could hurt them and not just the UK. Such a scenario would also potentially be seen as a failure for the EU's lead negotiator, Michel Barnier, whose mandate was not designed to inflict economic punishment on the UK. So in the near term, we believe there could be more pressure on EU negotiators to come up with a viable deal, probably accompanied by a lot of last-minute brinkmanship, not just between the negotiating parties but also within the main UK political parties.

* Figure differs from comparative table performance due to alternative calculation methodology used.

FRANKLIN UK CORPORATE BOND FUND

Investment Review (continued)

Outlook (continued)

The future performance of the UK economy and the BoE's monetary policy remain deeply dependent on the outcome of these negotiations. We maintain our preference for an underweight duration stance, as any disruption to the economy from the ongoing political uncertainty could increase pressure for a more expansionary fiscal stance.

David Zahn

Fund Manager

30 September 2018

FRANKLIN UK CORPORATE BOND FUND

Comparative Table

	30 September 2018	31 March 2018	31 March 2017
W – Income shares¹			
Change in net assets per share			
Opening net asset value per share	99.99	101.60	100.00
Return before operating charges ²	(0.12)	1.46	2.36
Operating charges ³	(0.45)	(0.46)	(0.45)
Return after operating charges* ⁴	(0.57)	1.00	1.91
Distribution on income shares	(1.3060)	(2.6082)	(0.3126)
Closing net asset value per share	98.11	99.99	101.60
*After direct transaction costs of: ⁵	-	-	-
Performance			
Return after charges ⁶	(0.57%)	0.98%	1.91%
Other information			
Closing net asset value	3,923	3,998	4,062
Closing number of shares	3,998	3,998	3,998
Ongoing charges ratio ⁷	0.45%	0.45%	0.45%
Direct transaction costs ⁵	-	-	-
Prices			
Highest share price	100.46	103.91	101.76
Lowest share price	98.10	99.62	99.81

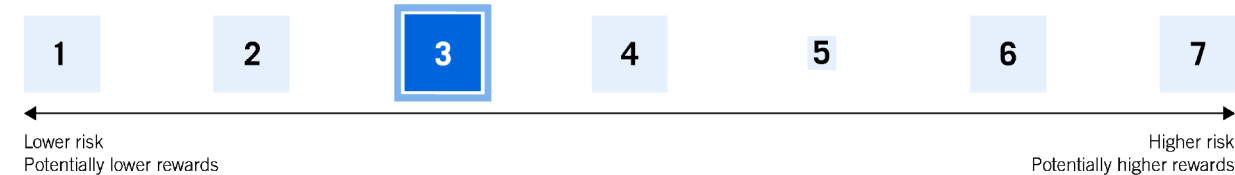
	30 September 2018	31 March 2018	31 March 2017
W – Accumulation shares¹			
Change in net assets per share			
Opening net asset value per share	102.98	101.93	100.00
Return before operating charges ²	(0.10)	1.52	2.38
Operating charges ³	(0.46)	(0.47)	(0.45)
Return after operating charges* ⁴	(0.56)	1.05	1.93
Distribution	(1.3480)	(2.6412)	(0.3128)
Retained distributions on accumulation shares	1.3480	2.6412	0.3128
Closing net asset value per share	102.42	102.98	101.93
*After direct transaction costs of: ⁵	-	-	-
Performance			
Return after charges ⁶	(0.54%)	1.03%	1.93%
Other information			
Closing net asset value	47,160,872	47,970,316	53,195,074
Closing number of shares	46,044,953	46,580,641	52,189,505
Ongoing charges ratio ⁷	0.45%	0.45%	0.45%
Direct transaction costs ⁵	-	-	-
Prices			
Highest share price	103.92	104.88	101.92
Lowest share price	102.30	101.92	99.81

FRANKLIN UK CORPORATE BOND FUND

Comparative Table (continued)

- 1 This is from share class launch on 13 February 2017.
 - 2 The "return before operating charges" is calculated as the "return after operating charges" plus the "operating charges".
 - 3 The "operating charges" are calculated with reference to the total expenses for the year divided by the number of shares in issue at each valuation point.
 - 4 The "return after operating charges" is calculated as the "closing net asset value per share" plus the "distributions" (for income share classes only) minus the "opening net asset value per share".
 - 5 The direct transaction costs include all fees and expenses which relate directly to the sales and purchases of securities which include commissions, transfer taxes and duties. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The "direct transaction costs" ratio is calculated by dividing the total transaction costs by the average net assets.
 - 6 The "return after charges" is calculated as the "return after operating charges" per share divided by the "opening net asset value per share". This figure will differ from "performance return" figure disclosed under "Investment Review" section due to alternative calculation methodology used.
 - 7 The "ongoing charges ratio" represents all operating charges and expenses of the share class in the prior 12 months as a percentage of the share class's average net assets during the year.
- Where ex-post expense information is not a fair representation of future operating costs and where 12 months of information is not available, an estimate is disclosed.

Risk Profile (W(acc) shares)



This indicator, disclosed in the Key Investor Information Document (KIID), provides a measure of the price movement of the Fund based on historical behaviour. Historical data may not be a reliable indication of the future risk profile of the Fund. The category shown is not guaranteed to remain unchanged and may shift over time. The lowest category does not mean risk free.

For a full discussion of all the risks applicable to this Fund, please refer to the "Risk Factors" section of the current prospectus of Franklin Templeton Funds.

FRANKLIN UK CORPORATE BOND FUND

Portfolio Statement as at 30 September 2018

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	BONDS 94.15% (97.98%)		
	ASIA 1.03% (1.04%)		
	HONG KONG		
400,000	Hutchison Whampoa Finance UK PLC, senior bond, Reg S, 5.625%, 11/24/2026#	487	1.03
	TOTAL - ASIA	487	1.03
	AUSTRALASIA 3.86% (3.20%)		
	AUSTRALIA		
500,000	APT Pipelines Ltd., senior bond, Reg S, 3.50%, 3/22/2030#	512	1.08
500,000	BHP Billiton Finance Ltd., senior bond, 4.30%, 9/25/2042#	612	1.30
700,000	Toyota Finance Australia Ltd., senior note, Reg S, 1.625%, 7/11/2022#	696	1.48
	TOTAL - AUSTRALASIA	1,820	3.86
	CENTRAL AMERICA 2.66% (2.68%)		
	MEXICO		
425,000	America Movil SAB de CV, senior bond, 5.75%, 6/28/2030#	534	1.13
700,000	Government of Mexico, senior bond, 5.625%, 3/19/2114#	719	1.53
	TOTAL - CENTRAL AMERICA	1,253	2.66
	EUROPE - NON EU 3.63% (4.09%)		
	SWITZERLAND		
400,000	Credit Suisse Group AG, senior note, Reg S, 2.125% to 9/12/24, FRN thereafter, 9/12/2025#	381	0.81
570,000	Glencore Finance Europe SA, senior note, Reg S, 6.00%, 4/03/2022#	635	1.35
700,000	UBS AG London, senior note, Reg S, 1.25%, 12/10/2020#	695	1.47
	TOTAL EUROPE - NON EU	1,711	3.63
	EUROPE - OTHER EU 22.59% (20.47%)		
	BELGIUM		
600,000	Anheuser-Busch InBev NV, senior bond, Reg S, 4.00%, 9/24/2025#	662	1.40
	FRANCE		
700,000	AXA SA, junior sub. bond, Reg S, 5.453% to 3/04/26, FRN thereafter, Perpetual#	741	1.57
300,000	EDF SA, junior sub. bond, Reg S, 5.87% to 1/22/29, FRN thereafter, Perpetual#	296	0.63
400,000	EDF SA, senior bond, 5.875%, 7/18/2031#	511	1.09
400,000	EDF SA, senior bond, Reg S, 5.50%, 10/17/2041#	501	1.06
700,000	Total Capital International SA, senior note, Reg S, 1.75%, 7/07/2025#	689	1.46
400,000	Westfield America Management Ltd., senior bond, Reg S, 2.625%, 3/30/2029#	388	0.82
		3,126	6.63
	GERMANY		
550,000	Aroundtown SA, senior bond, Reg S, 3.00%, 10/16/2029#	516	1.09
400,000	Deutsche Telekom International Finance BV, senior bond, 8.875%, 11/27/2028#	606	1.29
350,000	innogy Finance BV, senior bond, Reg S, 6.25%, 6/03/2030#	455	0.96
		1,577	3.34
	ITALY		
750,000	Assicurazioni Generali SpA, junior sub. bond, Reg S, 6.41% to 2/07/07, FRN thereafter, Perpetual#	771	1.63
400,000	Enel SpA, sub. bond, Reg S, 6.625% to 9/15/21, FRN thereafter, 9/15/2076#	432	0.92
500,000	Government of Italy, senior bond, Reg S, 6.00%, 8/04/2028#	582	1.23
		1,785	3.78

FRANKLIN UK CORPORATE BOND FUND

Portfolio Statement as at 30 September 2018 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
NETHERLANDS			
700,000	ABN AMRO Bank NV, senior note, Reg S, 1.375%, 6/07/2022#	689	1.46
600,000	Cooperatieve Rabobank UA, sub. bond, Reg S, 4.625%, 5/23/2029#	655	1.39
500,000	Rabobank Capital Funding Trust IV, junior sub. bond, Reg S, 5.556% to 10/29/49, FRN thereafter, Perpetual#	517	1.10
		<u>1,861</u>	<u>3.95</u>
SPAIN			
550,000	Iberdrola Finanzas SA, senior bond, 7.375%, 1/29/2024#	688	1.46
400,000	Telefonica Emisiones SAU, senior bond, Reg S, 5.375%, 2/02/2026#	462	0.98
		<u>1,150</u>	<u>2.44</u>
SWEDEN			
500,000	Swedbank AB, senior note, Reg S, 1.25%, 12/29/2021#	493	1.05
	TOTAL - EUROPE - OTHER EU	<u>10,654</u>	<u>22.59</u>
NORTH AMERICA 21.88% (24.00%)			
UNITED STATES			
600,000	American International Group Inc., senior bond, Reg S, 5.00%, 4/26/ 2023#	668	1.42
400,000	Amgen Inc., senior bond, Reg S, 5.50%, 12/07/2026#	483	1.02
610,000	Apple Inc., senior bond, 3.05%, 7/31/2029#	655	1.39
600,000	AT&T Inc., senior note, 2.90%, 12/04/2026#	592	1.26
600,000	Bank of America Corp., senior bond, Reg S, 6.125%, 9/15/2021#	672	1.43
600,000	Citigroup Inc., senior bond, Reg S, 5.15%, 5/21/2026#	696	1.48
620,000	Comcast Corp., senior bond, 5.50%, 11/23/2029#	766	1.62
560,000	General Electric Co., sub. bond, Reg S, 4.875%, 9/18/2037#	634	1.34
530,000	HJ Heinz Finance UK PLC, senior bond, 6.25%, 2/18/2030#	651	1.38
500,000	JPMorgan Chase & Co., senior bond, Reg S, 3.50%, 12/18/2026#	535	1.13
600,000	MetLife Inc., senior bond, Reg S, 5.375%, 12/09/2024#	710	1.51
500,000	Mondelez International Inc., senior bond, 4.50%, 12/03/2035#	548	1.16
500,000	The Goldman Sachs Group Inc., senior bond, Reg S, 4.25%, 1/29/ 2026#	542	1.15
225,000	Time Warner Cable LLC, first lien, senior secured bond, 5.75%, 6/02/ 2031#	256	0.54
600,000	Verizon Communications Inc., senior bond, 4.75%, 2/17/2034#	693	1.47
400,000	Wal-Mart Stores Inc., senior bond, Reg S, 4.875%, 1/19/2039#	539	1.14
650,000	Wells Fargo & Co., senior bond, Reg S, 3.50%, 9/12/2029#	679	1.44
	TOTAL - NORTH AMERICA	<u>10,319</u>	<u>21.88</u>
UNITED KINGDOM 38.50% (42.50%)			
700,000	Anglian Water Services Financing PLC, senior bond, second lien, Reg S, 2.625%, 6/15/2027#	659	1.40
600,000	Annington Funding PLC, senior bond, Reg S, 3.935%, 7/12/2047#	610	1.29
700,000	BAE Systems PLC, senior note, Reg S, 4.125%, 6/08/2022#	754	1.60
700,000	Barclays Bank PLC, sub. bond, Reg S, 10.00%, 5/21/2021#	827	1.75
700,000	Bazalgette Finance PLC, secured note, Reg S, 2.375%, 11/29/2027#	681	1.44
580,000	BP Capital Markets PLC, senior note, Reg S, 1.177%, 8/12/2023#	564	1.20
400,000	Bupa Finance PLC, sub. note, Reg S, 5.00%, 4/25/2023#	430	0.91
700,000	Cadent Finance PLC, senior bond, Reg S, 2.75%, 9/22/2046#	615	1.30
400,000	Chancellor masters and Scholars of The University Oxford, senior bond, Reg S, 2.544%, 12/08/2117#	359	0.76
200,000	Compass Group PLC, senior note, Reg S, 2.00%, 9/05/2025#	199	0.42
600,000	Dwr Cymru Financing Ltd., senior secured bond, Reg S, 2.50%, 3/31/ 2036#	578	1.23
500,000	Gatwick Funding Ltd., senior secured bond, first lien, Reg S, 4.625%, 3/27/2036#	584	1.24
400,000	GlaxoSmithKline Capital PLC, senior bond, Reg S, 3.375%, 12/20/ 2027#	435	0.92
500,000	Heathrow Funding Ltd., first lien, Reg S, 5.875%, 5/13/2043#	692	1.47
700,000	HSBC Holdings PLC, senior note, Reg S, 2.256% to 11/13/25, FRN thereafter, 11/13/2026#	666	1.41
600,000	Lloyds Bank PLC, sub. bond, Reg S, 7.625%, 4/22/2025#	757	1.60

FRANKLIN UK CORPORATE BOND FUND

Portfolio Statement as at 30 September 2018 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	UNITED KINGDOM (continued)		
600,000	London Power Networks PLC, senior bond, Reg S, 6.125%, 6/07/2027#	754	1.60
600,000	Motability Operations Group PLC, senior bond, Reg S, 2.375%, 3/14/2032#	578	1.23
800,000	National Westminster Bank PLC, sub. bond, 6.50%, 9/07/2021#	893	1.89
470,000	Northern Powergrid Holdings Co., senior bond, 7.25%, 12/15/2022#	571	1.21
100,000	Pinnacle Bidco PLC, first lien, senior secured note, Reg S, 6.375%, 2/15/2025#	103	0.22
650,000	Prudential PLC, sub. bond, 11.375% to 5/29/19, FRN thereafter, 5/29/2039#	691	1.47
400,000	Prudential PLC, sub. note, Reg S, 5.625% to 10/20/31, FRN thereafter, 10/20/2051#	404	0.86
400,000	Sky PLC, senior bond, Reg S, 4.00%, 11/26/2029#	440	0.93
500,000	SSE PLC, junior sub. bond, Reg S, 3.875% to 9/09/20, FRN thereafter, Perpetual#	505	1.07
300,000	United Kingdom Treasury Bond, Reg S, 3.75%, 7/22/2052#	441	0.93
800,000	United Kingdom Treasury Bond, Reg S, 4.25%, 6/07/2032#	1,046	2.22
450,000	United Kingdom Treasury Bond, Reg S, 4.50%, 12/07/2042#	675	1.43
400,000	Wellcome Trust Ltd/The, senior bond, Reg S, 2.517%, 2/07/2118#	357	0.76
600,000	Western Power Distribution East Midlands, senior bond, Reg S, 5.25%, 1/17/2023#	679	1.44
600,000	Yorkshire Building Society, senior note, Reg S, 3.50%, 4/21/2026#	614	1.30
	TOTAL - UNITED KINGDOM	18,161	38.50
	TOTAL - BONDS	44,405	94.15
	DERIVATIVES 0.13% ((0.17)%)		
	DEBT FUTURES Ω		
(48)	Long Gilt Futures, December, 12/27/2018	60	0.13
	TOTAL - DERIVATIVES	60	0.13
	TOTAL VALUE OF INVESTMENTS¥	44,465	94.28
	OTHER ASSETS	2,700	5.72
	TOTAL NET ASSETS	47,165	100.00

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2018.

Ω Derivative Contract.

¥ Including derivative liabilities.

Traded on an alternative investment market.

Portfolio Statement by Credit Rating

Standard & Poor's Ratings		Market Value £000 30 September 2018	% of Net Assets 30 September 2018
Highest Quality	AAA	716	1.52
High Quality	AA	4,545	9.65
Upper Medium quality	A	15,943	33.78
Medium grade	BBB	21,138	44.83
Somewhat speculative	BB	1,960	4.15
Low grade, speculative	B	103	0.22
TOTAL VALUE OF BONDS		44,405	94.15

FRANKLIN UK CORPORATE BOND FUND

Statement of Total Return

For the period 1 April 2018 to 30 September 2018

	September 2018 £000	September 2018 £000	September 2017 £000	September 2017 £000
Income				
Net capital gains/(losses)		(780)		(47)
Revenue	625		660	
Expenses	(108)		(118)	
Net revenue before taxation	517		542	
Taxation	-		(4)	
Net revenue after taxation		517		538
Total return before distributions for the period		(263)		491
Distributions		(625)		(656)
Change in net assets attributable to shareholders		(888)		(165)

Statement of Change in Net Assets Attributable to Shareholders

For the period 1 April 2018 to 30 September 2018

	September 2018 £000	September 2018 £000	September 2017 £000	September 2017 £000
Opening net assets attributable to shareholders		47,974		52,941
Amounts received on creation of shares	2,284		367	
Amounts paid on cancellation of shares	(2,830)		(3,557)	
		(546)		(3,190)
Change in net assets attributable to shareholders from investment activities (see above)		(888)		(165)
Retained distribution on accumulation shares		625		644
Closing net assets attributable to shareholders		47,165		50,230

Balance Sheet

As at 30 September 2018

	September 2018 £000	March 2018 £000
Assets		
Fixed assets		
Tangible assets:		
Investment assets	44,465	47,005
Current assets		
Debtors	785	827
Cash and bank balances	2,423	302
Total assets	47,673	48,134
Liabilities		
Investment liabilities	-	(81)
Creditors		
Other creditors	(508)	(79)
Total liabilities	(508)	(160)
Net assets attributable to shareholders	47,165	47,974

FRANKLIN UK CORPORATE BOND FUND

Distribution Statement

For the period 1 April 2018 to 30 June 2018

Group 1 – Shares purchased prior to 1 April 2018

Group 2 – Shares purchased in the period 1 April 2018 to 30 June 2018

	Net Income p	Equalisation p	30 June 2018 Pence per Share p	30 June 2017 Pence per Share p
W – Income Shares				
Group 1	0.6695	-	0.6695	0.6577
Group 2	0.6695	-	0.6695	0.6577
W – Accumulation Shares				
Group 1	0.6889	-	0.6889	0.6591
Group 2	0.0757	0.6132	0.6889	0.6591

For the period 1 July 2018 to 30 September 2018

Group 1 – Shares purchased prior to 1 July 2018

Group 2 – Shares purchased in the period 1 July 2018 to 30 September 2018

	Net Income p	Equalisation p	30 September 2018 Pence per Share p	30 September 2017 Pence per Share p
W – Income Shares				
Group 1	0.6365	-	0.6365	0.6280
Group 2	0.6365	-	0.6365	0.6280
W – Accumulation Shares				
Group 1	0.6591	-	0.6591	0.6340
Group 2	0.2723	0.3868	0.6591	0.6340

Equalisation

All shareholders, within each share category, receive the same distribution per share, although the distribution to shareholders who purchased shares during the distribution period (Group 2 holdings) contains an element of equalisation which is a repayment, at an average rate per share, of the amount of accrued net income which was included in the purchase price of such shares. As the nature of this payment is capital it is not subject to income tax but must be deducted from the purchase price in any capital gains tax computation on the sale of the shares.

FRANKLIN UK EQUITY INCOME FUND

Investment Review

Performance

In the six months ended 30 September 2018, Franklin UK Equity Income Fund recorded a return of 7.12%* (W (acc) shares) compared with the benchmark FTSE All-Share Index, which returned 8.31% (both returns in UK sterling).

Overview

The UK equity market made good progress in the six months to 30 September 2018, despite ongoing concerns regarding trade disputes and the lack of any real progress in Brexit negotiations.

Following a difficult end to the financial year, with the UK equity market down more than 5% in February/March, the FTSE All-Share Index rebounded strongly in the first two months of the new financial year. April saw the strongest monthly return in almost five years and the renewed optimism prevailed through the first three weeks of May, with the All-Share Index recording a new all-time high.

Investors had taken heart from a softening of the trade rhetoric and also from signals from the Bank of England that the widely expected May interest-rate increase would be deferred. The improved sentiment did not, however, last for long, and after a strong first quarter the UK equity market struggled for the remainder of the period.

The market faced a number of headwinds in the second quarter. Short-term interest rates increased on both sides of the Atlantic, with the Bank of England increasing rates for a second time at its August meeting, trade disputes have rumbled on, and, perhaps most pertinently, a workable agreement on Brexit has remained elusive.

The rising trajectory of US 10-year bond yields had been the initial catalyst for the equity market volatility earlier in the year, but longer term bond yields actually fell for much of the summer period, with the yield curve flattening as attention focused on the threat to the global economic upswing posed by increasing trade tariffs.

The relative strength of the US economy, together with the Federal Reserve's determination to press ahead with an expected four increases in US short-term rates in 2019, helped push the US dollar significantly higher over the period. The US dollar appreciated by around 7% against the British pound, which helped support US dollar earners in the UK equity market. The British pound was, by contrast, little changed against the euro.

The UK's economic performance has been broadly in line with expectations thus far in 2018, allowing for a one off weather impact in the early spring. The labour market has remained remarkably resilient and, as expected, real incomes have started to increase once again, with inflation having peaked and wages continuing to edge higher. Business investment understandably remains a weak spot as the lack of clarity on Brexit deters decision making.

In terms of the market internals, the dominant features of the period were the relative strength of the oil and gas sector and the relative weakness of the banking sector. The Brent crude oil price rose by almost 25% over the six month reporting period as the market continued to tighten. The banking sector, traditionally a beneficiary of higher rates, struggled with poor results from key constituents and the perception that trade and Brexit pose a threat to earnings.

From a market capitalisation perspective, it was a period of marked outperformance from the large-cap stocks, with the FTSE 100 Index's gain of 8.9% comfortably outpacing the FTSE 250 (Ex IT) Index, up 5.3%, and the FTSE Small Cap (ex IT) Index, up 4.8%.

Significant Changes

Amongst the significant stock purchases were housebuilder Bellway, soft furniture retailer Dunelm Group, asset manager Jupiter Fund Management, recruitment specialist Hays and wealth manager St. James's Place. Shares of Bellway, in line with other housebuilders, have fallen substantially so far this year on concerns over rising rates, sustainability of the 'help to buy' programme and Brexit uncertainty. We felt the

* Figure differs from comparative table performance due to alternative calculation methodology used.

FRANKLIN UK EQUITY INCOME FUND

Investment Review (continued)

Significant Changes (continued)

share price adequately reflected these issues and therefore established a position. Since reaching a high in April 2016, the share price of Dunelm fell sharply. With the outlook for the UK consumer starting to show signs of improvement, and with the shares trading on what is in our view an attractive valuation, we established a position. The share price of Jupiter was some 25% below where it started the year following what has been a difficult quarter of outflows for the company. We do, however, believe these concerns were adequately reflected in the valuation and with a yield of in excess of 6% we built up a holding. Hays offers the portfolio exposure to the structural changes occurring in the German recruitment market. The company has a net cash balance sheet and was attractively valued, in our view.

The Fund disposed of positions in biopharmaceutical company Shire, insurer Beazley, water utility Pennon Group, ad agency WPP and Greggs. Shire's share price had recovered strongly from its recent low following a bid approach from Japanese rival Takeda Pharmaceutical. We were concerned, however, that the bidder lacked credibility, and we decided to exit the position. With insurer Beazley trading on over 2.5 times book value and offering a yield below 2%, we sold the position purely on valuation grounds. Pennon recovered strongly early in the reporting period after the political concerns that beset the water utility at the beginning of the year eased. With these concerns likely to resurface, we decided to utilise this recent strength to sell our position. At WPP, the investment case has changed following the departure of the group's founder, Martin Sorrell, and we are concerned that the recent trading underperformance may continue. We also reduced exposure to food retailer Greggs.

Positive/Negative Contributors

The Fund underperformed its benchmark during the six-month reporting period. At the sector level, security selection in financial services and an underweight in oil and gas, given the run up in crude oil prices during the six-month period, detracted from relative performance. Stock selection and an underweight in banks, particularly not holding Barclays or Lloyds Banking Group, and positioning in basic resources bolstered relative performance.

Amongst stocks held in the Fund, the most notable detractor from performance was online trading company IG Group Holdings. The stock fell sharply in September, reversing the gains enjoyed over the previous few months, after a disappointing first-quarter trading update. Subsequently, the chief executive officer resigned. Brick manufacturer Istock was a detractor. Strong demand has led to production issues that will require extended maintenance programmes. Commercial property company, Land Securities Group hindered relative performance. We continue to see value in the holding as we believe Land Securities shares at period-end were trading at a significant discount to the net asset value of the property portfolio. Standard Life Aberdeen's share price has struggled after the company lost a large investment mandate earlier this year. Other financials including Schroders and emerging markets debt manager Ashmore Group dampened relative returns.

On the upside, recruitment firm Hays contributed to relative performance as the company reported strong earnings despite Brexit uncertainty. Although growth in the United Kingdom has been subdued, Hays saw stronger growth in other markets such as Germany. With the British pound dropping over the period on uncertainty about the ongoing Brexit negotiations, a number of US dollar-denominated revenue earners had a positive six-months. Information and analytics firm RELX and plumbing products supplier Ferguson were amongst the gainers on the weakness in the currency. Ferguson has also continued to report solid growth in its US operations, offsetting a more sluggish environment in the United Kingdom. Other contributors included HSBC Holdings in the banking sector. Retailer Next was up strongly on hopes of an improving environment for UK consumers.

Outlook

The volatility in equity markets that characterised the closing weeks of the interim period has continued in to the opening weeks of the second half, with the troika of Brexit, bond yields and trade still the dominant drivers of sentiment. A year ago there was a genuine belief that we were set to experience a synchronised upturn in global growth, but now the outlook is much more uncertain and investors are understandably cautious.

While the UK economy has continued to perform creditably, with growth picking up following a weak first quarter, attention is fixated on Brexit and the implications of the different scenarios that can arise from the current final frantic rounds of negotiation. It appears increasingly likely to us that the United Kingdom

FRANKLIN UK EQUITY INCOME FUND

Investment Review (continued)

Outlook (continued)

will be offered a deal, but the issue is whether it will be one that parliament can approve given the splits within the minority government. One thing that appears certain to us is that we are at or close to the point of maximum uncertainty, and, hopefully, in the near future we will have a much better idea of what a final agreement may look like.

The consensus for UK gross domestic product growth for 2018 is now 1.3%, increasing to 1.5% in 2019, although it has to be said that next year's consensus forecasts are somewhat meaningless at this point in time given the wide range of potential Brexit outcomes. The outlook for UK interest rates is also fairly binary. We believe the expectation in the market of a 25 basis point increase in each of the next two years is highly unlikely to be reflected in reality.

The positive case for the UK economy of growth in real wages, continuing strength in the labour market and an easing of austerity in government spending leading to further acceleration in 2019 is an appealing one, but one that can all too easily be derailed by political instability, in our view.

Elsewhere in the world, the outlook is very mixed with the International Monetary Fund signalling it is about to downgrade its expectation for global gross domestic product growth. The United States remains the bright spot, with signs the economy is continuing to strengthen on the back of the Trump administration's tax cuts. This, however, is causing issues for other parts of the world, emerging markets in particular, as dollar interest rates rise. Recently, US 10-year yields jumped to 3.25%, a level last seen back in 2011, as Federal Reserve Chief Jerome Powell signalled an "accommodative" policy stance is no longer required.

In other markets the outlook is not so rosy. There are clear signs of a slowdown in the Chinese industrial sector, partially as a result of trade tariffs, prompting talk of additional stimulus packages, while in the eurozone tensions are building once again as a result of the Italian budget proposals. The European Commission's own measure of economic sentiment has now fallen for nine months in a row with the industrial sector the weakest element.

From a UK equity market perspective this all makes for a difficult environment for stock selection. The simplistic view is that international stocks are expensive but relatively Brexit proof, while domestic stocks are cheap but vulnerable. The short-term performance will inevitably be dictated by the direction of the British pound on any Brexit deal or non-deal, but the medium-term outlook is likely to be more nuanced as the political ramifications play out.

The subdued equity market performance year to-date, at a time when earnings growth has remained reasonably robust has seen valuations improve, with the FTSE All-Share forward price earnings ratio of less than 13x the lowest for a number of years. UK small caps continue to trade at a valuation discount to this and the mid cap indices which looks increasingly attractive to us. However the likely catalyst for a narrowing of this discount is dependent on further clarity over the current Brexit negotiations and the resultant economic direction.

The recent UK equity market yield of over 4% continues to compare favourably with the UK 10-year yield of 1.7%, although as we have said many times in the past, it is arguably the US 10-year Treasury yield that determines the cost of capital for international earners.

The recent market volatility is definitely providing the Fund with a broader set of investment opportunities although we must caution that a no deal Brexit would potentially create headwinds.

Colin Morton, Ben Russon, CFA & Mark Hall
Fund Managers
 30 September 2018

FRANKLIN UK EQUITY INCOME FUND

Comparative Table

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
A – Income shares				
Change in net assets per share				
Opening net asset value per share	233.46	243.74	215.01	223.28
Return before operating charges ¹	20.21	4.27	42.04	4.67
Operating charges ²	(3.90)	(3.88)	(3.69)	(3.50)
Return after operating charges* ³	16.31	0.39	38.35	1.17
Distributions on income shares	(6.1393)	(10.6727)	(9.6178)	(9.4449)
Closing net asset value per share	243.63	233.46	243.74	215.01
*After direct transaction costs of: ⁴	0.0037	0.0091	0.0118	0.0048
Performance				
Return after charges ⁵	6.99%	0.16%	17.84%	0.52%
Other information				
Closing net asset value	35,993,512	33,086,153	38,001,237	31,186,970
Closing number of shares	14,774,073	14,171,891	15,590,829	14,504,708
Ongoing charges ratio ⁶	1.57%	1.57%	1.59%	1.59%
Direct transaction costs ⁴	0.15%	0.37%	0.51%	0.22%
Prices				
Highest share price	258.48	256.69	249.28	234.71
Lowest share price	231.57	230.77	208.37	198.47

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
A – Accumulation shares				
Change in net assets per share				
Opening net asset value per share	184.34	184.27	156.02	155.02
Return before operating charges ¹	15.97	3.07	30.97	3.45
Operating charges ²	(3.12)	(3.00)	(2.72)	(2.45)
Return after operating charges* ³	12.85	0.07	28.25	1.00
Closing net asset value per share	197.19	184.34	184.27	156.02
Retained distributions on accumulation shares	4.8772	8.1983	7.0490	6.6320
*After direct transaction costs of: ⁴	0.0030	0.0070	0.0087	0.0034
Performance				
Return after charges ⁵	6.97%	0.04%	18.11%	0.65%
Other information				
Closing net asset value	1,227,490	1,169,238	1,348,348	1,077,014
Closing number of shares	622,497	634,292	731,724	690,304
Ongoing charges ratio ⁶	1.58%	1.58%	1.59%	1.59%
Direct transaction costs ⁴	0.15%	0.37%	0.51%	0.22%
Prices				
Highest share price	204.09	199.10	186.37	162.96
Lowest share price	182.84	180.36	151.20	140.98

FRANKLIN UK EQUITY INCOME FUND

Comparative Table (continued)

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
W – Income shares				
Change in net assets per share				
Opening net asset value per share	153.11	158.17	138.13	142.36
Return before operating charges ¹	12.40	2.74	27.01	3.00
Operating charges ²	(0.85)	(0.84)	(0.81)	(1.18)
Return after operating charges* ³	11.55	1.90	26.20	1.82
Distributions on income shares	(4.0362)	(6.9599)	(6.1642)	(6.0453)
Closing net asset value per share	160.62	153.11	158.17	138.13
*After direct transaction costs of: ⁴	0.0025	0.0060	0.0077	0.0031
Performance				
Return after charges ⁵	7.54%	1.20%	18.97%	1.28%
Other information				
Closing net asset value	352,793,288	287,171,422	236,249,164	123,417,024
Closing number of shares	219,645,990	187,563,788	149,364,710	89,348,825
Ongoing charges ratio ⁶	0.52%	0.52%	0.54%	0.84%
Direct transaction costs ⁴	0.15%	0.37%	0.51%	0.22%
Prices				
Highest share price	169.76	166.87	161.69	149.84
Lowest share price	151.88	151.30	134.07	127.37

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
W – Accumulation shares				
Change in net assets per share				
Opening net asset value per share	192.38	190.30	159.57	157.37
Return before operating charges ¹	15.57	3.11	31.70	3.52
Operating charges ²	(1.07)	(1.03)	(0.97)	(1.32)
Return after operating charges* ³	14.50	2.08	30.73	2.20
Closing net asset value per share	206.88	192.38	190.30	159.57
Retained distributions on accumulation shares	5.1030	8.5086	7.2222	6.7595
*After direct transaction costs of: ⁴	0.0031	0.0073	0.0092	0.0035
Performance				
Return after charges ⁵	7.54%	1.09%	19.26%	1.40%
Other information				
Closing net asset value	185,908,729	147,140,717	93,559,370	13,707,944
Closing number of shares	89,863,268	76,483,292	49,162,992	8,590,453
Ongoing charges ratio ⁶	0.52%	0.52%	0.54%	0.84%
Direct transaction costs ⁴	0.15%	0.37%	0.51%	0.22%
Prices				
Highest share price	213.31	207.34	192.39	165.63
Lowest share price	190.84	188.19	154.88	144.05

FRANKLIN UK EQUITY INCOME FUND

Comparative Table (continued)

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
Y – Income shares				
Change in net assets per share				
Opening net asset value per share	115.50	118.26	102.49	104.84
Return before operating charges ¹	9.05	2.02	17.19	2.21
Operating charges ²	(0.02)	(0.05)	(0.04)	(0.04)
Return after operating charges* ³	9.03	1.97	17.15	2.17
Distributions on income shares	(3.0852)	(4.7281)	(1.3785)	(4.520)
Closing net asset value per share	121.44	115.50	118.26	102.49
*After direct transaction costs of: ⁴	0.0019	0.0045	0.0055	0.0023
Performance				
Return after charges ⁵	7.82%	1.67%	16.73%	2.07%
Other information				
Closing net asset value	3,744	3,561	6,413	4,503,429
Closing number of shares	3,083	3,083	5,423	4,394,092
Ongoing charges ratio ⁶	0.02%	0.04%	0.04%	0.04%
Direct transaction costs ⁴	0.15%	0.37%	0.51%	0.22%
Prices				
Highest share price	128.16	125.34	119.86	110.49
Lowest share price	114.58	113.88	99.65	94.42

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
Z – Income shares				
Change in net assets per share				
Opening net asset value per share	149.46	155.18	136.36	140.82
Return before operating charges ¹	12.51	2.70	26.69	2.95
Operating charges ²	(1.62)	(1.61)	(1.52)	(1.44)
Return after operating charges* ³	10.89	1.09	25.17	1.51
Distributions on income shares	(3.9356)	(6.8112)	(6.3527)	(5.9743)
Closing net asset value per share	156.41	149.46	155.18	136.36
*After direct transaction costs of: ⁴	0.0024	0.0058	0.0075	0.0030
Performance				
Return after charges ⁵	7.29%	0.70%	18.46%	1.07%
Other information				
Closing net asset value	2,107,838	2,257,911	2,510,690	2,325,647
Closing number of shares	1,347,678	1,510,667	1,617,873	1,705,566
Ongoing charges ratio ⁶	1.02%	1.02%	1.04%	1.04%
Direct transaction costs ⁴	0.15%	0.37%	0.51%	0.22%
Prices				
Highest share price	165.61	163.58	158.67	148.17
Lowest share price	148.26	147.72	132.30	125.77

FRANKLIN UK EQUITY INCOME FUND

Comparative Table (continued)

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
Z – Accumulation shares				
Change in net assets per share				
Opening net asset value per share	189.19	188.08	158.38	156.50
Return before operating charges ¹	15.81	3.10	31.54	3.50
Operating charges ²	(2.06)	(1.99)	(1.84)	(1.62)
Return after operating charges* ³	13.75	1.11	29.70	1.88
Closing net asset value per share	202.94	189.19	188.08	158.38
Retained distributions on accumulation shares	5.0114	8.3901	7.1568	6.7122
*After direct transaction costs of: ⁴	0.0030	0.0072	0.0090	0.0034
Performance				
Return after charges ⁵	7.27%	0.59%	18.75%	1.20%
Other information				
Closing net asset value	428,158	610,195	265,073	103,347
Closing number of shares	210,977	322,533	140,935	65,253
Ongoing charges ratio ⁶	1.02%	1.02%	1.04%	1.04%
Direct transaction costs ⁴	0.15%	0.37%	0.51%	0.22%
Prices				
Highest share price	209.63	204.10	190.18	164.67
Lowest share price	187.66	185.09	153.66	143.01

1 The "return before operating charges" is calculated as the "return after operating charges" plus the "operating charges".

2 The "operating charges" are calculated with reference to the total expenses for the year divided by the number of shares in issue at each valuation point.

3 The "return after operating charges" is calculated as the "closing net asset value per share" plus the "distributions" (for income share classes only) minus the "opening net asset value per share".

4 The direct transaction costs include all fees and expenses which relate directly to the sales and purchases of securities which include commissions, transfer taxes and duties. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The "direct transaction costs" ratio is calculated by dividing the total transaction costs by the average net assets.

5 The "return after charges" is calculated as the "return after operating charges" per share divided by the "opening net asset value per share". This figure will differ from "performance return" figure disclosed under "Investment Review" section due to alternative calculation methodology used.

6 The "ongoing charges ratio" represents all operating charges and expenses of the share class in the prior 12 months as a percentage of the share class's average net assets during the year.

Where ex-post expense information is not a fair representation of future operating costs and where 12 months of information is not available, an estimate is disclosed.

Risk Profile (W(acc) shares)



This indicator, disclosed in the Key Investor Information Document (KIID), provides a measure of the price movement of the Fund based on historical behaviour. Historical data may not be a reliable indication of the future risk profile of the Fund. The category shown is not guaranteed to remain unchanged and may shift over time. The lowest category does not mean risk free.

For a full discussion of all the risks applicable to this Fund, please refer to the "Risk Factors" section of the current prospectus of Franklin Templeton Funds.

FRANKLIN UK EQUITY INCOME FUND

Portfolio Statement as at 30 September 2018

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	EQUITIES 96.40% (96.12%)		
	AEROSPACE & DEFENCE 1.35% (1.39%)		
1,235,000	BAE Systems PLC	7,778	1.35
	BANKS 4.46% (4.63%)		
540,000	Close Brothers Group PLC	8,543	1.47
2,580,000	HSBC Holdings PLC	17,281	2.99
		25,824	4.46
	BEVERAGES 2.96% (2.74%)		
630,000	Diageo PLC	17,130	2.96
	CONSTRUCTION & MATERIALS 1.22% (1.49%)		
3,000,000	Ibstock PLC, Reg S	7,062	1.22
	ELECTRICITY 1.15% (1.14%)		
580,000	SSE PLC	6,647	1.15
	FINANCIAL SERVICES 6.26% (5.42%)		
2,125,000	Ashmore Group PLC	7,735	1.34
880,000	IG Group Holdings PLC	5,570	0.96
1,800,000	Jupiter Fund Management PLC	7,295	1.26
293,000	Schroders PLC	9,051	1.56
2,150,000	Standard Life Aberdeen PLC	6,577	1.14
		36,228	6.26
	FIXED LINE TELECOMMUNICATIONS 1.32% (1.38%)		
3,400,000	BT Group PLC	7,660	1.32
	FOOD & DRUG RETAILERS 1.28% (1.04%)		
700,000	Greggs PLC	7,385	1.28
	GAS, WATER & MULTI-UTILITIES 2.39% (3.40%)		
880,000	National Grid PLC	6,963	1.20
975,000	United Utilities Group PLC	6,864	1.19
		13,827	2.39
	GENERAL INDUSTRIALS 4.44% (4.35%)		
1,850,000	DS Smith PLC	8,847	1.53
1,100,000	RPC Group PLC	8,745	1.51
540,000	Smiths Group PLC	8,073	1.40
		25,665	4.44
	GENERAL RETAILERS 3.82% (2.57%)		
2,932,000	DFS Furniture PLC	6,319	1.09
1,375,000	Dunelm Group PLC	7,521	1.30
150,000	Next PLC	8,238	1.43
		22,078	3.82
	HEALTH CARE EQUIPMENT & SERVICES 0.00% (0.99%)		
	HOUSEHOLD GOODS & HOME CONSTRUCTION 6.16% (4.64%)		
300,000	Bellway PLC	9,039	1.56
735,000	Bovis Homes Group PLC	7,883	1.36
147,000	Reckitt Benckiser Group PLC	10,314	1.78
4,900,000	Taylor Wimpey PLC	8,418	1.46
		35,654	6.16
	INDUSTRIAL ENGINEERING 2.79% (2.68%)		
975,000	Bodycote PLC	8,829	1.53
665,000	IMI PLC	7,295	1.26
		16,124	2.79

FRANKLIN UK EQUITY INCOME FUND

Portfolio Statement as at 30 September 2018 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	LIFE INSURANCE 8.24% (7.92%)		
1,575,000	Aviva PLC	7,709	1.33
5,350,000	Legal & General Group PLC	14,028	2.42
1,430,000	Phoenix Group Holdings	9,667	1.67
490,000	Prudential PLC	8,621	1.49
670,000	St. James's Place Capital PLC	7,665	1.33
		<u>47,690</u>	<u>8.24</u>
	MEDIA 3.73% (5.50%)		
975,000	Informa PLC	7,431	1.29
875,000	RELX PLC	14,127	2.44
		<u>21,558</u>	<u>3.73</u>
	MINING 4.56% (4.09%)		
615,000	BHP Billiton PLC	10,278	1.78
415,000	Rio Tinto PLC	16,102	2.78
		<u>26,380</u>	<u>4.56</u>
	MOBILE TELECOMMUNICATIONS 2.03% (2.47%)		
7,150,000	Vodafone Group PLC	11,762	2.03
	NONLIFE INSURANCE 1.32% (1.37%)		
2,350,000	Direct Line Insurance Group PLC	7,609	1.32
	OIL & GAS PRODUCERS 10.32% (9.63%)		
5,080,000	BP PLC	29,936	5.17
1,130,000	Royal Dutch Shell PLC, A	29,787	5.15
		<u>59,723</u>	<u>10.32</u>
	PERSONAL GOODS 3.32% (3.78%)		
455,000	Unilever PLC	19,183	3.32
	PHARMACEUTICALS & BIOTECHNOLOGY 6.97% (8.91%)		
330,000	AstraZeneca PLC	19,674	3.40
1,345,000	GlaxoSmithKline PLC	20,670	3.57
		<u>40,344</u>	<u>6.97</u>
	REAL ESTATE INVESTMENT TRUSTS 2.41% (1.99%)		
1,575,000	Land Securities Group PLC§	13,913	2.41
	SUPPORT SERVICES 6.11% (4.48%)		
350,000	Bunzl PLC	8,446	1.46
160,000	Ferguson PLC	10,422	1.80
4,150,000	Hays PLC	8,458	1.46
1,400,000	PageGroup PLC	8,008	1.39
		<u>35,334</u>	<u>6.11</u>
	TOBACCO 6.29% (6.73%)		
542,000	British American Tobacco PLC	19,428	3.36
635,000	Imperial Brands PLC	16,961	2.93
		<u>36,389</u>	<u>6.29</u>
	TRAVEL & LEISURE 1.50% (1.39%)		
510,000	Compass Group PLC	8,701	1.50
	TOTAL - EQUITIES	<u>557,648</u>	<u>96.40</u>
	TOTAL VALUE OF INVESTMENTS	<u>557,648</u>	<u>96.40</u>
	OTHER ASSETS	<u>20,814</u>	<u>3.60</u>
	TOTAL NET ASSETS	<u>578,462</u>	<u>100.00</u>

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2018.

Unless otherwise stated the above securities are ordinary shares or common stock and admitted to official stock exchange listings.

§ Real Estate Investment Trust (REIT).

FRANKLIN UK EQUITY INCOME FUND

Statement of Total Return

For the period 1 April 2018 to 30 September 2018

	September 2018 £000	September 2018 £000	September 2017 £000	September 2017 £000
Income				
Net capital gains/(losses)		23,289		7,628
Revenue	13,692		10,370	
Expenses	(1,632)		(1,280)	
Net revenue before taxation	12,060		9,090	
Taxation	(94)		(59)	
Net revenue after taxation		11,966		9,031
Total return before distributions for the period		35,255		16,659
Distributions		(13,401)		(10,164)
Change in net assets attributable to shareholders		21,854		6,495

Statement of Change in Net Assets Attributable to Shareholders

For the period 1 April 2018 to 30 September 2018

	September 2018 £000	September 2018 £000	September 2017 £000	September 2017 £000
Opening net assets attributable to shareholders		471,439		371,940
Amounts received on creation of shares	147,036		137,895	
Amounts paid on cancellation of shares	(65,669)		(50,719)	
		81,367		87,176
Unclaimed Distributions		2		2
Change in net assets attributable to shareholders from investment activities (see above)		21,854		6,495
Retained distribution on accumulation shares		3,800		3,052
Closing net assets attributable to shareholders		578,462		468,665

Balance Sheet

As at 30 September 2018

	September 2018 £000	March 2018 £000
Assets		
Fixed assets		
Tangible assets:		
Investment assets	557,648	453,136
Current assets		
Debtors	4,232	7,296
Cash and bank balances	22,512	17,229
Total assets	584,392	477,661
Liabilities		
Creditors		
Distribution payable	(4,708)	(3,312)
Other creditors	(1,222)	(2,910)
Total liabilities	(5,930)	(6,222)
Net assets attributable to shareholders	578,462	471,439

FRANKLIN UK EQUITY INCOME FUND

Distribution Statement

For the period 1 April 2018 to 30 June 2018

Group 1 – Shares purchased prior to 1 April 2018

Group 2 – Shares purchased in the period 1 April 2018 to 30 June 2018

	Net Income p	Equalisation p	30 June 2018 Pence per Share p	30 June 2017 Pence per Share p
A – Income Shares				
Group 1	3.2020	-	3.2020	3.6495
Group 2	0.9996	2.2024	3.2020	3.6495
A – Accumulation Shares				
Group 1	2.5281	-	2.5281	2.7590
Group 2	0.8231	1.7050	2.5281	2.7590
W – Income Shares				
Group 1	2.1021	-	2.1021	2.3714
Group 2	0.6505	1.4516	2.1021	2.3714
W – Accumulation Shares				
Group 1	2.6415	-	2.6415	2.8532
Group 2	1.1520	1.4895	2.6415	2.8532
Y – Income Shares				
Group 1	1.6054	-	1.6054	2.4966
Group 2	1.6054	-	1.6054	2.4966
Z – Income Shares				
Group 1	2.0511	-	2.0511	2.3245
Group 2	0.6348	1.4163	2.0511	2.3245
Z – Accumulation Shares				
Group 1	2.5959	-	2.5959	2.8187
Group 2	0.9937	1.6022	2.5959	2.8187

For the period 1 July 2018 to 30 September 2018

Group 1 – Shares purchased prior to 1 July 2018

Group 2 – Shares purchased in the period 1 July 2018 to 30 September 2018

	Net Income p	Equalisation p	30 September 2018 Pence per Share p	30 September 2017 Pence per Share p
A – Income Shares				
Group 1	2.9373	-	2.9373	2.6474
Group 2	1.6770	1.2603	2.9373	2.6474
A – Accumulation Shares				
Group 1	2.3491	-	2.3491	2.0306
Group 2	1.9670	0.3821	2.3491	2.0306
W – Income Shares				
Group 1	1.9341	-	1.9341	1.7254
Group 2	0.9192	1.0149	1.9341	1.7254
W – Accumulation Shares				
Group 1	2.4615	-	2.4615	2.1068
Group 2	1.1471	1.3144	2.4615	2.1068
Y – Income Shares				
Group 1	1.4798	-	1.4798	1.2991
Group 2	1.4798	-	1.4798	1.2991
Z – Income Shares				
Group 1	1.8845	-	1.8845	1.6889
Group 2	0.4783	1.4062	1.8845	1.6889
Z – Accumulation Shares				
Group 1	2.4155	-	2.4155	2.0773
Group 2	2.3303	0.0852	2.4155	2.0773

FRANKLIN UK EQUITY INCOME FUND

Distribution Statement (continued)

Equalisation

All shareholders, within each share category, receive the same distribution per share, although the distribution to shareholders who purchased shares during the distribution period (Group 2 holdings) contains an element of equalisation which is a repayment, at an average rate per share, of the amount of accrued net income which was included in the purchase price of such shares. As the nature of this payment is capital it is not subject to income tax but must be deducted from the purchase price in any capital gains tax computation on the sale of the shares.

FRANKLIN UK GILT FUND

Investment Review

Performance

For the six-month period ended 30 September 2018, Franklin UK Gilt Fund (W(acc) shares) returned -1.27%*, compared to the FTSE UK Gilts (ALL) Government TR Index, which returned -1.57% (both returns in UK sterling).

Overview

Gilt yields fell over the initial part of the review period, in line with moves in other bond markets, as investors sought out perceived safe havens amidst an increase in risk aversion. However, towards the end of the third quarter, rising US Treasury yields helped to reverse sentiment, leaving benchmark Gilt yields around 20 basis points higher over the period as a whole.

The Bank of England (BoE) raised interest rates at its meeting at the start of August, and it stated that more increases would be required to ensure the UK economy's growth did not push inflation further above the central bank's target of 2%. Subsequent figures showing a jump in UK inflation in August—partly due to the weakness of sterling in prior months—appeared to vindicate the BoE's move.

Nevertheless, the BoE's predictions for future UK monetary policy contained some significant assumptions, not the least of which was a reasonably positive outcome to negotiations on the terms of the United Kingdom's (UK's) departure from the European Union (EU). With time running out ahead of the March 2019 deadline for the UK to leave the EU, and little sign of common ground on key issues emerging in the negotiations, the prospect of a failure to reach an agreement drew closer, an outcome widely anticipated as liable to hurt the economies of both sides. BoE Governor Mark Carney said he would be willing to remain in his post until 2020 to maintain stability during the UK's departure, but also stressed that the central bank's ability to mitigate the shock of a disorderly exit was limited.

Significant Changes

The top purchases made by the Fund during the period included UK Treasury 4.00% 03/07/2022, UK Treasury 3.75% 09/07/2021, UK Treasury 4.50% 03/07/2019, UK Treasury 2.00% 07/22/2020, UK Treasury 1.50% 01/22/2021, UK Treasury 1.75% 07/22/2019, UK Treasury 4.00% 01/22/2060, UK Treasury 4.25% 12/07/2049, UK Treasury 4.25% 12/07/2040 and UK Treasury 4.25% 03/07/2036.

Its top sales over the period included UK Treasury 4.25% 12/07/2027, UK Treasury 5.00% 03/07/2025, UK Treasury 4.25% 12/07/2049, UK Treasury 4.50% 03/07/2019, UK Treasury 4.00% 01/22/2060 and UK Treasury 3.50% 01/22/2045.

Positive/Negative Contributors

The Fund's duration and yield-curve positioning contributed to relative returns, due to its underweight duration stance relative to the benchmark.

In contrast, the Fund's sector allocation and security selection held back relative performance, largely owing to selection among longer-dated maturities.

Outlook

We think a failure to reach a negotiated deal on the terms of the UK's departure from the EU could become increasingly problematic for EU member states, as they see how much it could hurt them and not just the UK. Such a scenario would also potentially be seen as a failure for the EU's lead negotiator, Michel Barnier, whose mandate was not designed to inflict economic punishment on the UK. So in the near term, we believe there could be more pressure on EU negotiators to come up with a viable deal, probably accompanied by a lot of last-minute brinkmanship, not just between the negotiating parties but also within the main UK political parties.

* Figure differs from comparative table performance due to alternative calculation methodology used.

FRANKLIN UK GILT FUND

Investment Review (continued)

Outlook (continued)

The future performance of the UK economy and the BoE's monetary policy remain deeply dependent on the outcome of these negotiations. We maintain our preference for an underweight duration stance, as any disruption to the economy from the ongoing political uncertainty could increase pressure for a more expansionary fiscal stance.

David Zahn

Fund Manager

September 30, 2018

FRANKLIN UK GILT FUND

Comparative Table

	30 September 2018	31 March 2018	31 March 2017
W – Income shares¹			
Change in net assets per share			
Opening net asset value per share	101.58	102.26	100.00
Return before operating charges ²	(1.21)	0.71	2.76
Operating charges ³	(0.35)	(0.35)	(0.35)
Return after operating charges* ⁴	(1.56)	0.36	2.41
Distribution on income shares	(0.5244)	(1.0442)	(0.1495)
Closing net asset value per share	99.50	101.58	102.26
*After direct transaction costs of:	-	-	-
Performance			
Return after charges ⁵	(1.54%)	0.35%	2.41%
Other information			
Closing net asset value	45,514	4,062	4,089
Closing number of shares	45,740	3,998	3,998
Ongoing charges ratio ⁶	0.35%	0.35%	0.35%
Direct transaction costs ⁷	-	-	-
Prices			
Highest share price	102.13	103.20	102.26
Lowest share price	99.17	98.23	99.66

	30 September 2018	31 March 2018	31 March 2017
W – Accumulation shares¹			
Change in net assets per share			
Opening net asset value per share	102.86	102.42	100.00
Return before operating charges ²	(1.20)	0.80	2.76
Operating charges ³	(0.36)	(0.36)	(0.35)
Return after operating charges* ⁴	(1.56)	0.44	2.42
Distribution	(0.5302)	(1.0511)	(0.1499)
Retained distributions on accumulation shares	0.5302	1.0511	0.1499
Closing net asset value per share	101.30	102.86	102.42
*After direct transaction costs of:	-	-	-
Performance			
Return after charges ⁵	(1.52%)	0.43%	2.42%
Other information			
Closing net asset value	88,323,837	89,884,882	98,126,025
Closing number of shares	87,187,976	87,386,613	95,806,505
Ongoing charges ratio ⁶	0.35%	0.35%	0.35%
Direct transaction costs ⁷	-	-	-
Prices			
Highest share price	103.43	103.37	102.42
Lowest share price	100.57	99.21	99.66

FRANKLIN UK GILT FUND

Comparative Table (continued)

- 1 This is from share class launch on 13 February 2017.
- 2 The "return before operating charges" is calculated as the "return after operating charges" plus the "operating charges".
- 3 The "operating charges" are calculated with reference to the total expenses for the year divided by the number of shares in issue at each valuation point.
- 4 The "return after operating charges" is calculated as the "closing net asset value per share" plus the "distributions" (for income share classes only) minus the "opening net asset value per share".
- 5 The "return after charges" is calculated as the "return after operating charges" per share divided by the "opening net asset value per share". This figure will differ from "performance return" figure disclosed under "Investment Review" section due to alternative calculation methodology used.
- 6 The "ongoing charges ratio" represents all operating charges and expenses of the share class in the prior 12 months as a percentage of the share class's average net assets during the year.

Where ex-post expense information is not a fair representation of future operating costs and where 12 months of information is not available, an estimate is disclosed.
- 7 The direct transaction costs include all fees and expenses which relate directly to the sales and purchases of securities which include commissions, transfer taxes and duties. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The "direct transaction costs" ratio is calculated by dividing the total transaction costs by the average net assets.

Risk Profile (W(acc) shares)



This indicator, disclosed in the Key Investor Information Document (KIID), provides a measure of the price movement of the Fund based on historical behaviour. Historical data may not be a reliable indication of the future risk profile of the Fund. The category shown is not guaranteed to remain unchanged and may shift over time. The lowest category does not mean risk free.

For a full discussion of all the risks applicable to this Fund, please refer to the "Risk Factors" section of the current prospectus of Franklin Templeton Funds.

FRANKLIN UK GILT FUND

Portfolio Statement as at 30 September 2018

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
BONDS 88.45% (99.17%)			
UNITED KINGDOM 88.45% (99.17%)			
6,200,000	U.S. Treasury Note, Reg S, 1.50%, 1/22/2021#	6,290	7.12
5,200,000	United Kingdom Treasury Bond, 4.00%, 3/07/2022#	5,733	6.49
1,800,000	United Kingdom Treasury Bond, Reg S, 1.75%, 9/07/2022#	1,849	2.09
4,100,000	United Kingdom Treasury Bond, Reg S, 2.00%, 9/07/2025#	4,292	4.86
1,000,000	United Kingdom Treasury Bond, Reg S, 2.25%, 9/07/2023#	1,052	1.19
3,600,000	United Kingdom Treasury Bond, Reg S, 3.25%, 1/22/2044#	4,540	5.14
1,650,000	United Kingdom Treasury Bond, Reg S, 3.50%, 1/22/2045#	2,178	2.46
2,050,000	United Kingdom Treasury Bond, Reg S, 3.50%, 7/22/2068#	3,205	3.63
2,250,000	United Kingdom Treasury Bond, Reg S, 3.75%, 7/22/2052#	3,306	3.74
6,200,000	United Kingdom Treasury Bond, Reg S, 3.75%, 9/07/2021#	6,708	7.59
2,650,000	United Kingdom Treasury Bond, Reg S, 4.00%, 1/22/2060#	4,340	4.91
500,000	United Kingdom Treasury Bond, Reg S, 4.25%, 12/07/2027#	621	0.70
1,750,000	United Kingdom Treasury Bond, Reg S, 4.25%, 12/07/2055#	2,883	3.26
1,900,000	United Kingdom Treasury Bond, Reg S, 4.25%, 12/07/2049#	2,949	3.34
3,100,000	United Kingdom Treasury Bond, Reg S, 4.25%, 3/07/2036#	4,215	4.77
3,600,000	United Kingdom Treasury Bond, Reg S, 4.25%, 12/07/2040#	5,127	5.80
6,200,000	United Kingdom Treasury Bond, Reg S, 4.50%, 3/07/2019#	6,301	7.13
6,200,000	United Kingdom Treasury Note, Reg S, 1.75%, 7/22/2019#	6,247	7.07
6,200,000	United Kingdom Treasury Note, Reg S, 2.00%, 7/22/2020#	6,330	7.16
TOTAL - UNITED KINGDOM		78,166	88.45
TOTAL - BONDS		78,166	88.45
TOTAL VALUE OF INVESTMENTS		78,166	88.45
OTHER ASSETS		10,203	11.55
TOTAL NET ASSETS		88,369	100.00

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2018.

Traded on an alternative investment market.

Portfolio Statement by Credit Rating

Standard & Poor's Ratings		Market Value £000 30 September 2018	% of Net Assets 30 September 2018
High Quality	AA	78,166	88.45
TOTAL VALUE OF BONDS		78,166	88.45

FRANKLIN UK GILT FUND

Statement of Total Return

For the period 1 April 2018 to 30 September 2018

	September 2018 £000	September 2018 £000	September 2017 £000	September 2017 £000
Income				
Net capital gains/(losses)		(1,672)		(1,592)
Revenue	462		496	
Expenses	(155)		(167)	
Net revenue before taxation	307		329	
Net revenue after taxation		307		329
Total return before distributions for the period		(1,365)		(1,263)
Distributions		(463)		(496)
Change in net assets attributable to shareholders		(1,828)		(1,759)

Statement of Change in Net Assets Attributable to Shareholders

For the period 1 April 2018 to 30 September 2018

	September 2018 £000	September 2018 £000	September 2017 £000	September 2017 £000
Opening net assets attributable to shareholders		89,890		97,867
Amounts received on creation of shares	5,235		1,177	
Amounts paid on cancellation of shares	(5,390)		(5,219)	
		(155)		(4,042)
Change in net assets attributable to shareholders from investment activities (see above)		(1,828)		(1,759)
Retained distribution on accumulation shares		462		491
Closing net assets attributable to shareholders		88,369		92,557

Balance Sheet

As at 30 September 2018

	September 2018 £000	March 2018 £000
Assets		
Fixed assets		
Tangible assets:		
Investment assets	78,166	89,148
Current assets		
Debtors	312	435
Cash and bank balances	10,122	439
Total assets	88,600	90,022
Liabilities		
Creditors		
Other creditors	(231)	(132)
Total liabilities	(231)	(132)
Net assets attributable to shareholders	88,369	89,890

FRANKLIN UK GILT FUND

Distribution Statement

For the period 1 April 2018 to 30 June 2018

Group 1 – Shares purchased prior to 1 April 2018

Group 2 – Shares purchased in the period 1 April 2018 to 30 June 2018

	Net Income p	Equalisation p	30 June 2018 Pence per Share p	30 June 2017 Pence per Share p
W – Income Shares				
Group 1	0.2774	-	0.2774	0.2968
Group 2	0.0249	0.2525	0.2774	0.2968
W – Accumulation Shares				
Group 1	0.2793	-	0.2793	0.2991
Group 2	0.0585	0.2208	0.2793	0.2991

For the period 1 July 2018 to 30 September 2018

Group 1 – Shares purchased prior to 1 July 2018

Group 2 – Shares purchased in the period 1 July 2018 to 30 September 2018

	Net Income p	Equalisation p	30 September 2018 Pence per Share p	30 September 2017 Pence per Share p
W – Income Shares				
Group 1	0.2470	-	0.2470	0.2308
Group 2	0.1938	0.0532	0.2470	0.2308
W – Accumulation Shares				
Group 1	0.2509	-	0.2509	0.2295
Group 2	0.0848	0.1661	0.2509	0.2295

Equalisation

All shareholders, within each share category, receive the same distribution per share, although the distribution to shareholders who purchased shares during the distribution period (Group 2 holdings) contains an element of equalisation which is a repayment, at an average rate per share, of the amount of accrued net income which was included in the purchase price of such shares. As the nature of this payment is capital it is not subject to income tax but must be deducted from the purchase price in any capital gains tax computation on the sale of the shares.

FRANKLIN UK MANAGERS' FOCUS FUND

Investment Review

Performance

In the six months ended 30 September 2018, Franklin UK Managers' Focus Fund recorded a return of 6.27%* (W(acc) shares), compared with the benchmark FTSE All-Share Index, which returned 8.31% (both returns in UK sterling).

Overview

The UK equity market made good progress in the six months to 30 September 2018, despite ongoing concerns regarding trade disputes and the lack of any real progress in Brexit negotiations.

Following a difficult end to the financial year, with the UK equity market down more than 5% in February/March, the FTSE All-Share Index rebounded strongly in the first two months of the new financial year. April saw the strongest monthly return in almost five years and the renewed optimism prevailed through the first three weeks of May, with the All-Share Index recording a new all-time high.

Investors had taken heart from a softening of the trade rhetoric and also from signals from the Bank of England that the widely expected May interest-rate increase would be deferred. The improved sentiment did not, however, last for long, and after a strong first quarter the UK equity market struggled for the remainder of the period.

The market faced a number of headwinds in the second quarter. Short-term interest rates increased on both sides of the Atlantic, with the Bank of England increasing rates for a second time at its August meeting, trade disputes have rumbled on, and, perhaps most pertinently, a workable agreement on Brexit has remained elusive.

The rising trajectory of US 10-year bond yields had been the initial catalyst for the equity market volatility earlier in the year, but longer term bond yields actually fell for much of the summer period, with the yield curve flattening as attention focused on the threat to the global economic upswing posed by increasing trade tariffs.

The relative strength of the US economy, together with the Federal Reserve's determination to press ahead with an expected four increases in US short-term rates in 2019, helped push the US dollar significantly higher over the period. The US dollar appreciated by around 7% against the British pound, which helped support US dollar earners in the UK equity market. The British pound was, by contrast, little changed against the euro.

The UK's economic performance has been broadly in line with expectations thus far in 2018, allowing for a one off weather impact in the early spring. The labour market has remained remarkably resilient and, as expected, real income has started to increase once again, with inflation having peaked and wages continuing to edge higher. Business investment understandably remains a weak spot as the lack of clarity on Brexit deters decision making.

In terms of the market internals, the dominant features of the period were the relative strength of the oil and gas sector and the relative weakness of the banking sector. The Brent crude oil price rose by almost 25% over the six month reporting period as the market continued to tighten. The banking sector, traditionally a beneficiary of higher rates, struggled with poor results from key constituents and the perception that trade and Brexit pose a threat to earnings.

From a market capitalisation perspective, it was a period of marked outperformance from the large-cap stocks, with the FTSE 100 Index's gain of 8.9% comfortably outpacing the FTSE 250 (Ex IT) Index, up 5.3%, and the FTSE Small Cap (ex IT) Index, up 4.8%.

The underperformance of small- and mid-cap companies, to which the Fund has a natural inbuilt bias, provided a headwind over the period in terms of the relative performance versus the benchmark index.

Significant Changes

During the six-month period, the biggest stock purchases included food and fashion retailer Associated British Foods, asset manager Jupiter Fund Management, plastic packing manufacturer RPC Group, fashion

* Figure differs from comparative table performance due to alternative calculation methodology used.

FRANKLIN UK MANAGERS' FOCUS FUND

Investment Review (continued)

Significant Changes (continued)

firm Superdry and defence company Chemring. Exposure to retail, through Primark, and sugar had weighed on sentiment around Associated British Foods and provided what we viewed as an attractive buying opportunity. Jupiter's share price had fallen sharply since the start of the year as the group has begun to experience significant fund outflows from its Dynamic Bond strategy. We believe, however, that the valuation of the group had come to reflect an overly pessimistic view and that it represented an attractive buying opportunity for long-term investors. We added RPC Group on share-price weakness related to regulatory concerns around plastics. However, RPC is a quality operator and most of RPC's products are recyclable. We believe the modest rating on the Chemring share price failed to reflect the positive repositioning of the group and its growth prospects.

The most sizeable stock sales included biopharmaceuticals company Shire, ad agency WPP, Workspace Group, media firm Entertainment One and photonics technology company Gooch & Housego. Shire's share price recovered significantly from its recent low following a bid approach from Japanese rival Takeda Pharmaceutical. We were concerned, however, that the bidder lacked credibility and exited the position. At WPP, the investment case changed following the departure of the group's founder, Martin Sorrell, and we were concerned that the recent trading underperformance may continue. With Workspace's shares close to net asset value at a time when other London centric real estate companies traded at a big discount, we decided to dispose of the position. We used recent strength to trim positions in Entertainment One and Gooch & Housego.

Positive/Negative Contributors

The Fund underperformed its benchmark as an underweight in the oil and gas sector and security selection and an overweight in the insurance and food and beverage sectors detracted from relative performance. Security selection in media, and a lack of exposure to both banks, particularly not holding Barclays, HSBC Holdings and Lloyds Banking, and telecommunications, particularly not holding Vodafone, contributed to relative performance.

In terms of individual securities, retirement specialist Just Group curbed relative performance as the threat of higher capital requirements for lifetime mortgages unsettled investors. Brick manufacturer Ibstock was weak on profit downgrades. Strong demand has led to production issues that will require extended maintenance programmes. Associated British Foods shares fell following a reduction in earnings emanating from its sugar business. We would ascribe a low valuation multiple to this part of the company's operations and, as such, our assessment of the valuation of the entire business is little changed. Engineering firm Weir Group was a detractor amidst concerns about weaker demand for its equipment in the near term, given a slowdown in US shale production. Relocation and documentation management company Restore also hindered relative returns.

On the upside, entertainment producer and distributor Entertainment One rose as Merlin Entertainments (not a Fund holding) announced plans to build 50 Peppa Pig World theme parks, which has the potential to generate additional royalties. ZPG, which owns online real estate agency Zoopla, buoyed relative returns as a takeover was announced by US private equity firm Silver Lake. Similarly, plastic packaging manufacturer RPC Group rallied late in the reporting on news of a potential private-equity bidder. Photonics technology firm Gooch & Housego had a strong six-month period following a favourable interim earnings update in which it reaffirmed its financial guidance given strong underlying demand. Investment management firm JTC was also a contributor, as it has continued to see solid organic growth in its institutional and wealth management divisions. It is also making progress integrating recent acquisitions.

Outlook

The volatility in equity markets that characterised the closing weeks of the interim period has continued into the opening weeks of the second half, with the troika of Brexit, bond yields and trade still the dominant drivers of sentiment. A year ago there was a genuine belief that we were set to experience a synchronised upturn in global growth, but now the outlook is much more uncertain and investors are understandably cautious.

While the UK economy has continued to perform creditably, with growth picking up following a weak first quarter, attention is fixated on Brexit and the implications of the different scenarios that can arise from the current final frantic rounds of negotiation. It appears increasingly likely to us that the United Kingdom

FRANKLIN UK MANAGERS' FOCUS FUND

Investment Review (continued)

Outlook (continued)

will be offered a deal, but the issue is whether it will be one that parliament can approve given the splits within the minority government. One thing that appears certain to us is that we are at or close to the point of maximum uncertainty, and, hopefully, in the near future we will have a much better idea of what a final agreement may look like.

The consensus for UK gross domestic product growth for 2018 is now 1.3%, increasing to 1.5% in 2019, although it has to be said that next year's consensus forecasts are somewhat meaningless at this point in time given the wide range of potential Brexit outcomes. The outlook for UK interest rates is also fairly binary. We believe the expectation in the market of a 25 basis point increase in each of the next two years is highly unlikely to be reflected in reality.

The positive case for the UK economy of growth in real wages, continuing strength in the labour market and an easing of austerity in government spending leading to further acceleration in 2019 is an appealing one, but one that can all too easily be derailed by political instability, in our view.

Elsewhere in the world, the outlook is very mixed, with the International Monetary Fund signalling it is about to downgrade its expectation for global gross domestic product growth. The United States remains the bright spot, with signs the economy is continuing to strengthen on the back of the Trump administration's tax cuts. This, however, is causing issues for other parts of the world, emerging markets in particular, as US dollar interest rates rise. Recently, US 10-year yields jumped to 3.25%, a level last seen back in 2011, as Federal Reserve Chief Jerome Powell signalled an "accommodative" policy stance is no longer required.

In other markets the outlook is not so rosy. There are clear signs of a slowdown in the Chinese industrial sector, partially as a result of trade tariffs, prompting talk of additional stimulus packages, while in the eurozone tensions are building once again as a result of the Italian budget proposals. The European Commission's own measure of economic sentiment has now fallen for nine months in a row, with the industrial sector the weakest element.

From a UK equity market perspective, this all makes for a difficult environment for stock selection. The simplistic view is that international stocks are expensive but relatively Brexit proof, while domestic stocks are cheap but vulnerable. The short-term performance will inevitably be dictated by the direction of the British pound on any Brexit deal or non-deal, but the medium-term outlook is likely to be more nuanced as the political ramifications play out.

The subdued equity market performance year-to-date at a time when earnings growth has remained reasonably robust has seen valuations improve, with the forward price-to-earnings ratio of less than 13 times, the lowest in a number of years. The recent UK equity market yield of over 4% continues to compare favourably with the UK 10-year yield of 1.7%, although as we have said many times in the past, it is arguably the US 10-year Treasury yield that determines the cost of capital for international earners.

The recent market volatility is definitely providing the Fund with a broader set of investment opportunities although we must caution that a no deal Brexit would potentially create headwinds for a Fund structurally overweight to the mid- and small-cap areas of the market.

Colin Morton, Paul Spencer, Richard Bullas, Ben Russon, CFA & Mark Hall
Fund Managers
 30 September 2018

FRANKLIN UK MANAGERS' FOCUS FUND

Comparative Table

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
A – Accumulation shares				
Change in net assets per share				
Opening net asset value per share	251.48	238.16	207.81	202.19
Return before operating charges ¹	19.60	17.32	33.82	8.97
Operating charges ²	(4.24)	(4.00)	(3.47)	(3.35)
Return after operating charges* ³	15.36	13.32	30.35	5.62
Closing net asset value per share	266.84	251.48	238.16	207.81
Retained distributions on accumulation shares	2.7404	3.3343	3.8305	2.3048
*After direct transaction costs of: ⁴	0.0032	0.0063	0.0084	0.0160
Performance				
Return after charges ⁵	6.11%	5.59%	14.60%	2.78%
Other information				
Closing net asset value	23,485,669	26,606,761	29,243,845	30,528,406
Closing number of shares	8,801,298	10,579,930	12,278,855	14,690,838
Ongoing charges ratio ⁶	1.58%	1.58%	1.58%	1.59%
Direct transaction costs ⁴	0.12%	0.25%	0.38%	0.76%
Prices				
Highest share price	276.85	266.25	241.40	220.99
Lowest share price	250.14	239.15	193.93	190.62

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
S – Accumulation shares⁷				
Change in net assets per share				
Opening net asset value per share	123.24	115.61	99.94	100.00
Return before operating charges ¹	8.98	8.41	16.36	0.58
Operating charges ²	(0.83)	(0.78)	(0.69)	(0.64)
Return after operating charges* ³	8.15	7.63	15.67	(0.06)
Closing net asset value per share	131.39	123.24	115.61	99.94
Retained distributions on accumulation shares	1.9721	2.7984	2.8634	0.2090
*After direct transaction costs of: ⁴	0.0016	0.0031	0.0041	0.0076
Performance				
Return after charges ⁵	6.61%	6.60%	15.68%	(0.06%)
Other information				
Closing net asset value	50,557,723	41,478,623	5,744,965	131,519
Closing number of shares	38,478,807	33,656,677	4,969,050	131,596
Ongoing charges ratio ⁶	0.63%	0.63%	0.63%	0.64%
Direct transaction costs ⁴	0.12%	0.25%	0.38%	0.76%
Prices				
Highest share price	135.93	130.18	117.15	100.95
Lowest share price	122.59	116.10	93.47	98.58

FRANKLIN UK MANAGERS' FOCUS FUND

Comparative Table (continued)

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
W – Accumulation shares				
Change in net assets per share				
Opening net asset value per share	231.73	217.82	188.64	182.18
Return before operating charges ¹	17.13	15.84	30.85	8.05
Operating charges ²	(2.05)	(1.93)	(1.67)	(1.59)
Return after operating charges* ³	15.08	13.91	29.18	6.46
Closing net asset value per share	246.81	231.73	217.82	188.64
Retained distributions on accumulation shares	3.4588	4.7986	4.9930	3.5142
*After direct transaction costs of: ⁴	0.0030	0.0058	0.0076	0.0144
Performance				
Return after charges ⁵	6.51%	6.39%	15.47%	3.55%
Other information				
Closing net asset value	306,693,679	268,014,159	216,002,879.0	209,233,322
Closing number of shares	124,261,684	115,656,172	99,164,118	110,917,244
Ongoing charges ratio ⁶	0.83%	0.83%	0.83%	0.84%
Direct transaction costs ⁴	0.12%	0.25%	0.38%	0.76%
Prices				
Highest share price	255.50	244.91	220.74	199.37
Lowest share price	230.51	218.74	176.36	172.87

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
Y – Income shares				
Change in net assets per share				
Opening net asset value per share	132.82	127.48	113.02	111.25
Return before operating charges ¹	9.26	9.28	18.26	4.89
Operating charges ²	(0.04)	(0.04)	(0.03)	(0.05)
Return after operating charges* ³	9.22	9.24	18.23	4.84
Distributions on income shares	(2.5656)	(3.8986)	(3.7719)	(3.0670)
Closing net asset value per share	139.47	132.82	127.48	113.02
*After direct transaction costs of: ⁴	0.0017	0.0034	0.0043	0.0088
Performance				
Return after charges ⁵	6.94%	7.25%	16.13%	4.35%
Other information				
Closing net asset value	3,780	3,600	3,938	705,869
Closing number of shares	2,710	2,710	3,089	624,527
Ongoing charges ratio ⁶	0.03%	0.03%	0.03%	0.04%
Direct transaction costs ⁴	0.12%	0.25%	0.38%	0.76%
Prices				
Highest share price	146.67	141.61	130.90	121.90
Lowest share price	132.13	128.04	105.87	104.85

FRANKLIN UK MANAGERS' FOCUS FUND

Comparative Table (continued)

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
Z – Accumulation shares				
Change in net assets per share				
Opening net asset value per share	229.07	215.75	187.22	181.17
Return before operating charges ¹	17.17	15.66	30.59	8.01
Operating charges ²	(2.51)	(2.34)	(2.06)	(1.96)
Return after operating charges* ³	14.66	13.32	28.53	6.05
Closing net asset value per share	243.73	229.07	215.75	187.22
Retained distributions on accumulation shares	3.1708	4.2071	4.5533	3.1243
*After direct transaction costs of: ⁴	0.0029	0.0057	0.0076	0.0143
Performance				
Return after charges ⁵	6.40%	6.17%	15.24%	3.34%
Other information				
Closing net asset value	362,110	572,278	16,120,836	10,730,156
Closing number of shares	148,568	249,825	7,472,069	5,731,406
Ongoing charges ratio ⁶	1.03%	1.03%	1.03%	1.04%
Direct transaction costs ⁴	0.12%	0.25%	0.38%	0.76%
Prices				
Highest share price	252.46	242.21	218.64	198.19
Lowest share price	227.86	216.65	174.95	171.61

1 The "return before operating charges" is calculated as the "return after operating charges" plus the "operating charges".

2 The "operating charges" are calculated with reference to the total expenses for the year divided by the number of shares in issue at each valuation point.

3 The "return after operating charges" is calculated as the "closing net asset value per share" plus the "distributions" (for income share classes only) minus the "opening net asset value per share".

4 The direct transaction costs include all fees and expenses which relate directly to the sales and purchases of securities which include commissions, transfer taxes and duties. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The "direct transaction costs" ratio is calculated by dividing the total transaction costs by the average net assets.

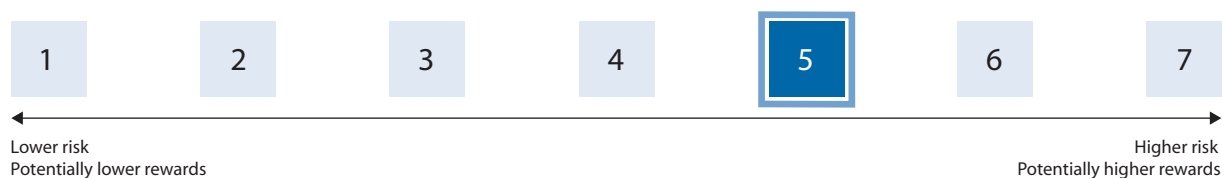
5 The "return after charges" is calculated as the "return after operating charges" per share divided by the "opening net asset value per share". This figure will differ from "performance return" figure disclosed under "Investment Review" section due to alternative calculation methodology used.

6 The "ongoing charges ratio" represents all operating charges and expenses of the share class in the prior 12 months as a percentage of the share class's average net assets during the year.

Where ex-post expense information is not a fair representation of future operating costs and where 12 months of information is not available, an estimate is disclosed.

7 This is from share class launch on 7 March 2016.

Risk Profile (W(acc) shares)



This indicator, disclosed in the Key Investor Information Document (KIID), provides a measure of the price movement of the Fund based on historical behaviour. Historical data may not be a reliable indication of the future risk profile of the Fund. The category shown is not guaranteed to remain unchanged and may shift over time. The lowest category does not mean risk free.

For a full discussion of all the risks applicable to this Fund, please refer to the "Risk Factors" section of the current prospectus of Franklin Templeton Funds.

FRANKLIN UK MANAGERS' FOCUS FUND

Portfolio Statement as at 30 September 2018

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	EQUITIES 96.43% (97.56%)		
	AEROSPACE & DEFENCE 2.33% (1.24%)		
325,000	Avon Rubber PLC	4,160	1.09
2,200,000	Chemring Group PLC	4,730	1.24
		<u>8,890</u>	<u>2.33</u>
	CHEMICALS 1.54% (1.75%)		
1,300,000	Scapa Group PLC	5,860	1.54
	CONSTRUCTION & MATERIALS 2.47% (2.64%)		
4,000,000	Ibstock PLC, Reg S	9,416	2.47
	ELECTRONIC & ELECTRICAL EQUIPMENT 3.19% (1.86%)		
360,000	Gooch & Housego PLC	6,318	1.66
2,250,000	TT Electronics PLC	5,850	1.53
		<u>12,168</u>	<u>3.19</u>
	FINANCIAL SERVICES 5.96% (4.00%)		
1,750,000	JTC PLC	6,860	1.80
2,225,000	Jupiter Fund Management PLC	9,018	2.37
4,147,721	XPS Pensions Group PLC	6,844	1.79
		<u>22,722</u>	<u>5.96</u>
	FOOD PRODUCERS 2.43% (0.00%)		
405,000	Associated British Foods PLC	9,270	2.43
	GAS, WATER & MULTI-UTILITIES 2.41% (2.61%)		
1,160,000	National Grid PLC	9,179	2.41
	GENERAL INDUSTRIALS 4.98% (2.34%)		
1,890,000	DS Smith PLC	9,038	2.37
1,250,000	RPC Group PLC	9,938	2.61
		<u>18,976</u>	<u>4.98</u>
	GENERAL RETAILERS 1.33% (1.04%)		
2,350,000	DFS Furniture PLC	5,064	1.33
	HEALTH CARE EQUIPMENT & SERVICES 2.39% (2.57%)		
650,000	Smith & Nephew PLC	9,097	2.39
	HOUSEHOLD GOODS & HOME CONSTRUCTION 2.65% (2.63%)		
144,000	Reckitt Benckiser Group PLC	10,103	2.65
	INDUSTRIAL ENGINEERING 6.93% (6.66%)		
1,050,000	Bodycote PLC	9,508	2.50
545,000	Vitec Group PLC	7,630	2.00
525,000	Weir Group PLC	9,256	2.43
		<u>26,394</u>	<u>6.93</u>
	LIFE INSURANCE 9.27% (9.38%)		
7,000,000	Just Group PLC	6,188	1.63
3,725,000	Legal & General Group PLC	9,767	2.56
555,000	Prudential PLC	9,765	2.56
840,000	St. James's Place Capital PLC	9,610	2.52
		<u>35,330</u>	<u>9.27</u>
	MEDIA 4.99% (9.20%)		
2,375,000	Entertainment One Ltd.	9,813	2.58
570,000	RELX PLC	9,203	2.41
		<u>19,016</u>	<u>4.99</u>
	MINING 2.65% (2.41%)		
260,000	Rio Tinto PLC	10,088	2.65

FRANKLIN UK MANAGERS' FOCUS FUND

Portfolio Statement as at 30 September 2018 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	OIL & GAS PRODUCERS 5.26% (4.91%)		
1,700,000	BP PLC	10,018	2.63
381,000	Royal Dutch Shell PLC, A	10,043	2.63
		<u>20,061</u>	<u>5.26</u>
	PERSONAL GOODS 4.54% (2.50%)		
750,000	Superdry PLC	8,137	2.14
217,000	Unilever PLC	9,149	2.40
		<u>17,286</u>	<u>4.54</u>
	PHARMACEUTICALS & BIOTECHNOLOGY 4.27% (6.90%)		
165,000	AstraZeneca PLC	9,837	2.58
760,000	Clinigen Group PLC	6,426	1.69
		<u>16,263</u>	<u>4.27</u>
	REAL ESTATE INVESTMENT & SERVICES 1.31% (1.49%)		
1,650,000	Urban & Civic PLC	4,983	1.31
	REAL ESTATE INVESTMENT TRUSTS 2.43% (4.16%)		
325,000	Derwent London PLC§	9,279	2.43
	SUPPORT SERVICES 13.63% (14.72%)		
390,000	Bunzl PLC	9,411	2.47
1,750,000	Clipper Logistics PLC	5,198	1.36
2,150,000	Equiniti Group PLC, Reg S	5,708	1.50
146,000	Ferguson PLC	9,510	2.50
1,900,000	Howden Joinery Group PLC	8,907	2.34
1,473,000	Restore PLC	7,026	1.84
1,250,000	RWS Holdings PLC	6,175	1.62
		<u>51,935</u>	<u>13.63</u>
	TECHNOLOGY HARDWARE & EQUIPMENT 0.00% (2.97%)		
	TOBACCO 4.82% (4.86%)		
250,000	British American Tobacco PLC	8,961	2.35
353,000	Imperial Brands PLC	9,429	2.47
		<u>18,390</u>	<u>4.82</u>
	TRAVEL & LEISURE 4.65% (4.72%)		
575,000	Compass Group PLC	9,810	2.58
860,000	GVC Holdings PLC	7,899	2.07
		<u>17,709</u>	<u>4.65</u>
	TOTAL - EQUITIES	<u>367,479</u>	<u>96.43</u>
	TOTAL VALUE OF INVESTMENTS	<u>367,479</u>	<u>96.43</u>
	OTHER ASSETS	<u>13,623</u>	<u>3.57</u>
	TOTAL NET ASSETS	<u>381,102</u>	<u>100.00</u>

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2018.

Unless otherwise stated the above securities are ordinary shares or common stock and admitted to official stock exchange listings.

§ Real Estate Investment Trust (REIT).

FRANKLIN UK MANAGERS' FOCUS FUND

Statement of Total Return

For the period 1 April 2018 to 30 September 2018

	September 2018 £000	September 2018 £000	September 2017 £000	September 2017 £000
Income				
Net capital gains/(losses)		16,292		12,563
Revenue	6,994		5,340	
Expenses	(1,654)		(1,313)	
Net revenue before taxation	5,340		4,027	
Taxation	(51)		(25)	
Net revenue after taxation		5,289		4,002
Total return before distributions for the period		21,581		16,565
Distributions		(5,294)		(4,027)
Change in net assets attributable to shareholders		16,287		12,538

Statement of Change in Net Assets Attributable to Shareholders

For the period 1 April 2018 to 30 September 2018

	September 2018 £000	September 2018 £000	September 2017 £000	September 2017 £000
Opening net assets attributable to shareholders		336,675		267,117
Amounts received on creation of shares	94,256		59,799	
Amounts paid on cancellation of shares	(71,410)		(46,827)	
		22,846		12,972
Change in net assets attributable to shareholders from investment activities (see above)		16,287		12,538
Retained distribution on accumulation shares		5,294		4,112
Closing net assets attributable to shareholders		381,102		296,739

Balance Sheet

As at 30 September 2018

	September 2018 £000	March 2018 £000
Assets		
Fixed assets		
Tangible assets:		
Investment assets	367,479	328,467
Current assets		
Debtors	1,642	2,155
Cash and bank balances	14,169	7,118
Total assets	383,290	337,740
Liabilities		
Creditors		
Other creditors	(2,188)	(1,065)
Total liabilities	(2,188)	(1,065)
Net assets attributable to shareholders	381,102	336,675

FRANKLIN UK MANAGERS' FOCUS FUND

Distribution Statement

For the period 1 April 2018 to 30 September 2018

Group 1 – Shares purchased prior to 1 April 2018

Group 2 – Shares purchased in the period 1 April 2018 to 30 September 2018

	Net Income p	Equalisation p	30 September 2018 Pence per Share p	30 September 2017 Pence per Share p
A – Accumulation Shares				
Group 1	2.7404	-	2.7404	2.6261
Group 2	2.0558	0.6846	2.7404	2.6261
S – Accumulation Shares				
Group 1	1.9721	-	1.9721	1.8577
Group 2	0.8958	1.0763	1.9721	1.8577
W – Accumulation Shares				
Group 1	3.4588	-	3.4588	3.2667
Group 2	1.6612	1.7976	3.4588	3.2667
Y – Income Shares				
Group 1	2.5656	-	2.5656	2.4635
Group 2	2.5656	-	2.5656	2.4635
Z – Accumulation Shares				
Group 1	3.1708	-	3.1708	2.9248
Group 2	1.8105	1.3603	3.1708	2.9248

Equalisation

All shareholders, within each share category, receive the same distribution per share, although the distribution to shareholders who purchased shares during the distribution period (Group 2 holdings) contains an element of equalisation which is a repayment, at an average rate per share, of the amount of accrued net income which was included in the purchase price of such shares. As the nature of this payment is capital it is not subject to income tax but must be deducted from the purchase price in any capital gains tax computation on the sale of the shares.

FRANKLIN UK MID CAP FUND

Investment Review

Performance

In the six months ended 30 September 2018, Franklin UK Mid Cap Fund recorded a return of 3.20%* (W (acc)) compared with the benchmark FTSE 250 (ex-Investment Trusts) Index, which returned 5.34% over the period (both returns in UK sterling).

Overview

The UK equity market made good progress in the six months to 30 September 2018, despite ongoing concerns regarding trade disputes and the lack of any real progress in Brexit negotiations.

Following a difficult end to the financial year, with the UK equity market down more than 5% in February/March, the FTSE All-Share Index rebounded strongly in the first two months of the new financial year. April saw the strongest monthly return in almost five years and the renewed optimism prevailed through the first three weeks of May, with the All-Share Index recording a new all-time high.

Investors had taken heart from a softening of the trade rhetoric and also from signals from the Bank of England that the widely expected May interest-rate increase would be deferred. The improved sentiment did not, however, last for long, and after a strong first quarter the UK equity market struggled for the remainder of the period.

The market faced a number of headwinds in the second quarter. Short-term interest rates increased on both sides of the Atlantic, with the Bank of England increasing rates for a second time at its August meeting, trade disputes have rumbled on, and, perhaps most pertinently, a workable agreement on Brexit has remained elusive.

The rising trajectory of US 10-year bond yields had been the initial catalyst for the equity market volatility earlier in the year, but longer term bond yields actually fell for much of the summer period, with the yield curve flattening as attention focused on the threat to the global economic upswing posed by increasing trade tariffs.

The relative strength of the US economy, together with the Federal Reserve's determination to press ahead with an expected four increases in US short-term rates in 2019, helped push the US dollar significantly higher over the period. The US dollar appreciated by around 7% against the British pound, which helped support US dollar earners in the UK equity market. The British pound was, by contrast, little changed against the euro.

The UK's economic performance has been broadly in line with expectations thus far in 2018, allowing for a one, off weather impact in the early spring. The labour market has remained remarkably resilient and, as expected, real incomes have started to increase once again, with inflation having peaked and wages continuing to edge higher. Business investment understandably remains a weak spot as the lack of clarity on Brexit deters decision making.

In terms of the market internals, the dominant features of the period were the relative strength of the oil and gas sector and the relative weakness of the banking sector. The Brent crude oil price rose by almost 25% over the six month reporting period as the market continued to tighten. The banking sector, traditionally a beneficiary of higher rates, struggled with poor results from key constituents and the perception that trade and Brexit pose a threat to earnings.

From a market capitalisation perspective, it was a period of marked outperformance from the large-cap stocks, with the FTSE 100 Index's gain of 8.9% comfortably outpacing the FTSE mid-cap 250 (Ex IT) index, up 5.3%, and the FTSE Small Cap (ex IT) Index, up 4.8%.

Significant Changes

The biggest stock purchases during the six-month period included TI Fluid Systems, an auto parts manufacturer, Meggitt, an aerospace firm, Spire Healthcare Group, a private hospital operator, asset manager Jupiter Fund Management, and Superdry, a fashion company. We are attracted to TI Fluid System's strong market position, wide international exposure, improving cash flow profile and modest rating. Jupiter's share price

* Figure differs from comparative table performance due to alternative calculation methodology used.

FRANKLIN UK MID CAP FUND

Investment Review (continued)

Significant Changes (continued)

had fallen sharply since the start of the year as the group has begun to experience significant fund outflows from its Dynamic Bond strategy. We believe, however, that the valuation of the group had come to reflect an overly pessimistic view and that it represented an attractive buying opportunity for long-term investors.

Amongst the biggest sales were GVC, Close Brothers Group, Dechra Pharmaceuticals, IG Group Holdings and Unite Group. We sold our long standing position in gambling company GVC after it was successfully promoted to the FTSE 100. We also exited positions in veterinary drug maker Dechra Pharmaceuticals and spread betting firm IG Group Holdings. During the period, we trimmed positions in bank Close Brothers and student accommodation builder Unite Group.

Positive/Negative Contributors

The Fund underperformed its benchmark over the six-month period. At the sector level, security selection in the insurance and personal and household goods sectors detracted from relative returns. In addition, a lack of exposure to the oil and gas sector, particularly not holding oilfield services John Wood Group, weighed on relative performance, given the run-up in crude oil prices over the period. Security selection and an overweight in media and security selection and an underweight in travel and leisure and technology buoyed relative returns during the six-month review period.

In terms of individual securities, retirement specialist Just Group curbed relative performance as the threat of higher capital requirements for lifetime mortgages unsettled investors. Other detractors included private hospital operator Spire Healthcare Group, which has seen pressure on its earnings from a significant near-term decline in patients. Fashion retailer Superdry also detracted, as the market reacted negatively to its trading statement. Superdry announced it had seen a drop in store sales over the first quarter; however, we note that the company saw an increase in online sales. Brick manufacturer Ibstock was weak on profit downgrades. Strong demand has led to production issues that will require extended maintenance programmes. Jupiter Fund Management was also a detractor over the six-month period.

On the upside, entertainment producer and distributor Entertainment One rose as Merlin Entertainments (not a Fund holding) announced plans to build 50 Peppa Pig Worlds theme parks, which has the potential to generate additional royalties. ZPG, which owns online real estate agency Zoopla, buoyed relative returns as a takeover was announced by US private equity firm Silver Lake. Also, engineering software provider, AVEVA Group, performed well over the period, as the company announced strong growth in the underlying business and upgraded its forecasts. HomeServe continued to gain support for its strategy to expand into the United States while developing its domestic home experts brand Checkatrade. Other contributors included DFS Furniture and plastic packaging manufacturer RPC Group. RPC rose late in the reporting period on news private equity firms could be interested in acquiring the company.

Outlook

The volatility in equity markets that characterised the closing weeks of the interim period has continued into the opening weeks of the second half, with the troika of Brexit, bond yields and trade still the dominant drivers of sentiment. A year ago there was a genuine belief that we were set to experience a synchronised upturn in global growth, but now the outlook is much more uncertain and investors are understandably cautious.

While the UK economy has continued to perform creditably, with growth picking up following a weak first quarter, attention is fixated on Brexit and the implications of the different scenarios that can arise from the current final frantic rounds of negotiation. It appears increasingly likely to us that the United Kingdom will be offered a deal, but the issue is whether it will be one that parliament can approve given the splits within the minority government. One thing that appears certain to us is that we are at or close to the point of maximum uncertainty, and, hopefully, in the near future we will have a much better idea of what a final agreement may look like.

The consensus for UK gross domestic product growth for 2018 is now 1.3%, increasing to 1.5% in 2019, although it has to be said that next year's consensus forecasts are somewhat meaningless at this point in time given the wide range of potential Brexit outcomes. The outlook for UK interest rates is also fairly binary. We believe the expectation in the market of a 25 basis point increase in each of the next two years is highly unlikely to be reflected in reality.

FRANKLIN UK MID CAP FUND

Investment Review (continued)

Outlook (continued)

The positive case for the UK economy of growth in real wages, continuing strength in the labour market and an easing of austerity in government spending leading to further acceleration in 2019 is an appealing one, but one that can all too easily be derailed by political instability, in our view.

Elsewhere in the world, the outlook is very mixed, with the International Monetary Fund signalling it is about to downgrade its expectation for global gross domestic product growth. The United States remains the bright spot, with signs the economy is continuing to strengthen on the back of the Trump administration's tax cuts. This, however, is causing issues for other parts of the world, emerging markets in particular, as US dollar interest rates rise. Recently, US 10-year yields jumped to 3.25%, a level last seen back in 2011, as Federal Reserve Chief Jerome Powell signalled an "accommodative" policy stance is no longer required.

In other markets the outlook is not so rosy. There are clear signs of a slowdown in the Chinese industrial sector, partially as a result of trade tariffs, prompting talk of additional stimulus packages, while in the eurozone tensions are building once again as a result of the Italian budget proposals. The European Commission's own measure of economic sentiment has now fallen for nine months in a row, with the industrial sector the weakest element.

From a UK equity market perspective, this all makes for a difficult environment for stock selection. The simplistic view is that international stocks are expensive but relatively Brexit proof, while domestic stocks are cheap but vulnerable. The short-term performance will inevitably be dictated by the direction of the British pound on any Brexit deal or non-deal, but the medium-term outlook is likely to be more nuanced as the political ramifications play out.

The subdued equity market performance year-to-date at a time when earnings growth has remained reasonably robust has seen valuations improve, with the forward price-to-earnings ratio of less than 13 times, the lowest in a number of years. The recent UK equity market yield of over 4% continues to compare favourably with the UK 10-year yield of 1.7%, although as we have said many times in the past, it is arguably the US 10-year Treasury yield that determines the cost of capital for international earners.

The recent market volatility is definitely providing the Fund with a broader set of investment opportunities, although we must caution that no deal Brexit would potentially create headwinds.

Paul Spencer, Richard Bullas & Mark Hall
Fund Managers
 30 September 2018

FRANKLIN UK MID CAP FUND

Comparative Table

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
A – Income shares				
Change in net assets per share				
Opening net asset value per share	614.55	542.46	511.06	508.46
Return before operating charges ¹	27.72	89.68	51.02	15.67
Operating charges ²	(10.15)	(9.42)	(8.00)	(8.21)
Return after operating charges* ³	17.57	80.26	43.02	7.46
Distributions on income shares	(3.8457)	(8.1652)	(11.6211)	(4.8677)
Closing net asset value per share	628.27	614.55	542.46	511.06
*After direct transaction costs of: ⁴	0.0078	0.0168	0.0153	0.0188
Performance				
Return after charges ⁵	2.86%	14.80%	8.42%	1.47%
Other information				
Closing net asset value	80,319,264	87,692,262	137,335,238	215,654,844
Closing number of shares	12,784,124	14,269,356	25,317,146	42,197,810
Ongoing charges ratio ⁶	1.57%	1.57%	1.57%	1.57%
Direct transaction costs ⁴	0.12%	(0.28%)	0.30%	0.36%
Prices				
Highest share price	675.15	647.40	562.90	558.71
Lowest share price	608.98	544.78	440.21	464.15

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
S – Income shares⁷				
Change in net assets per share				
Opening net asset value per share	103.98	100.00	n/a	n/a
Return before operating charges ¹	3.25	4.64	n/a	n/a
Operating charges ²	(0.68)	(0.66)	n/a	n/a
Return after operating charges* ³	2.57	3.98	n/a	n/a
Closing net asset value per share	106.55	103.98	n/a	n/a
*After direct transaction costs of: ⁴	0.0013	0.0030	n/a	n/a
Performance				
Return after charges ⁵	2.47%	3.98%	n/a	n/a
Other information				
Closing net asset value	227,300,028	231,027,073	n/a	n/a
Closing number of shares	213,326,846	222,185,905	n/a	n/a
Ongoing charges ratio ⁶	0.62%	0.62%	n/a	n/a
Direct transaction costs ⁴	0.12%	(0.28%)	n/a	n/a
Prices				
Highest share price	114.46	109.38	n/a	n/a
Lowest share price	103.04	99.07	n/a	n/a

FRANKLIN UK MID CAP FUND

Comparative Table (continued)

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
S – Accumulation shares^a				
Change in net assets per share				
Opening net asset value per share	128.47	110.84	101.21	100.00
Return before operating charges ¹	5.14	18.41	10.26	1.84
Operating charges ²	(0.84)	(0.78)	(0.63)	(0.63)
Return after operating charges* ³	4.30	17.63	9.63	1.21
Closing net asset value per share	132.77	128.47	110.84	101.21
Retained distributions on accumulation shares	1.1280	2.8542	3.2931	0.2268
*After direct transaction costs of: ⁴	0.0016	0.0035	0.0031	0.0036
Performance				
Return after charges ⁵	3.35%	15.91%	9.51%	1.21%
Other information				
Closing net asset value	125,089,908	96,611,627	46,469,386	247,826
Closing number of shares	94,214,413	75,201,919	41,926,234	244,872
Ongoing charges ratio ⁶	0.62%	0.62%	0.62%	0.62%
Direct transaction costs ⁴	0.12%	(0.28%)	0.30%	0.36%
Prices				
Highest share price	141.41	133.98	113.46	101.83
Lowest share price	127.31	111.32	87.39	97.49

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
W – Income shares				
Change in net assets per share				
Opening net asset value per share	182.83	161.36	151.96	151.21
Return before operating charges ¹	7.52	26.72	15.26	4.64
Operating charges ²	(1.58)	(1.47)	(1.25)	(1.27)
Return after operating charges* ³	5.94	25.25	14.01	3.37
Distributions on income shares	(1.5079)	(3.7813)	(4.6089)	(2.6167)
Closing net asset value per share	187.26	182.83	161.36	151.96
*After direct transaction costs of: ⁴	0.0023	0.0050	0.0046	0.0056
Performance				
Return after charges ⁵	3.25%	15.65%	9.22%	2.23%
Other information				
Closing net asset value	337,980,711	325,146,527	468,471,449	540,324,256
Closing number of shares	180,485,139	177,836,608	290,321,099	355,559,475
Ongoing charges ratio ⁶	0.82%	0.82%	0.82%	0.82%
Direct transaction costs ⁴	0.12%	(0.28%)	0.30%	0.36%
Prices				
Highest share price	201.17	193.34	168.29	166.37
Lowest share price	181.19	162.07	131.16	138.66

FRANKLIN UK MID CAP FUND

Comparative Table (continued)

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
W – Accumulation shares				
Change in net assets per share				
Opening net asset value per share	232.04	200.59	183.53	179.52
Return before operating charges ¹	9.55	33.29	18.57	5.52
Operating charges ²	(2.01)	(1.84)	(1.51)	(1.51)
Return after operating charges* ³	7.54	31.45	17.06	4.01
Closing net asset value per share	239.58	232.04	200.59	183.53
Retained distributions on accumulation shares	1.9138	4.7110	5.5848	3.1130
*After direct transaction costs of: ⁴	0.0029	0.0063	0.0055	0.0066
Performance				
Return after charges ⁵	3.25%	15.68%	9.30%	2.23%
Other information				
Closing net asset value	262,719,020	238,954,187	247,793,282	243,483,131
Closing number of shares	109,660,100	102,977,786	123,530,888	132,669,025
Ongoing charges ratio ⁶	0.82%	0.82%	0.82%	0.82%
Direct transaction costs ⁴	0.12%	(0.28%)	0.30%	0.36%
Prices				
Highest share price	255.32	242.12	205.36	197.52
Lowest share price	229.96	201.47	158.40	165.42

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
Y – Income shares				
Change in net assets per share				
Opening net asset value per share	137.39	121.25	114.12	113.47
Return before operating charges ¹	5.07	20.11	11.54	3.57
Operating charges ²	(0.03)	(0.03)	(0.02)	(0.02)
Return after operating charges* ³	5.04	20.08	11.52	3.55
Distributions on income shares	(1.4292)	(3.9432)	(4.3880)	(2.9003)
Closing net asset value per share	141.00	137.39	121.25	114.12
*After direct transaction costs of: ⁴	0.0017	0.0038	0.0034	0.0043
Performance				
Return after charges ⁵	3.67%	16.56%	10.09%	3.13%
Other information				
Closing net asset value	4,191	4,084	3,604	18,747
Closing number of shares	2,972	2,972	2,972	16,427
Ongoing charges ratio ⁶	0.02%	0.02%	0.02%	0.02%
Direct transaction costs ⁴	0.12%	(0.28%)	0.30%	0.36%
Prices				
Highest share price	151.43	145.88	127.14	125.02
Lowest share price	136.17	121.79	98.71	104.64

FRANKLIN UK MID CAP FUND

Comparative Table (continued)

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
Z – Accumulation shares				
Change in net assets per share				
Opening net asset value per share	229.38	198.69	182.15	178.53
Return before operating charges ¹	9.68	32.96	18.40	5.50
Operating charges ²	(2.47)	(2.27)	(1.86)	(1.88)
Return after operating charges* ³	7.21	30.69	16.54	3.62
Closing net asset value per share	236.59	229.38	198.69	182.15
Retained distributions on accumulation shares	1.7699	4.2189	5.1718	2.7253
*After direct transaction costs of: ⁴	0.0029	0.0062	0.0055	0.0066
Performance				
Return after charges ⁵	3.14%	15.45%	9.08%	2.03%
Other information				
Closing net asset value	5,024,522	7,025,421	5,690,020	7,879,311
Closing number of shares	2,123,697	3,062,743	2,863,778	4,325,809
Ongoing charges ratio ⁶	1.02%	1.02%	1.02%	1.02%
Direct transaction costs ⁴	0.12%	(0.28%)	0.30%	0.36%
Prices				
Highest share price	252.29	239.45	203.42	196.36
Lowest share price	227.31	199.55	157.12	164.22

1 The "return before operating charges" is calculated as the "return after operating charges" plus the "operating charges".

2 The "operating charges" are calculated with reference to the total expenses for the year divided by the number of shares in issue at each valuation point.

3 The "return after operating charges" is calculated as the "closing net asset value per share" plus the "distributions" (for income share classes only) minus the "opening net asset value per share".

4 The direct transaction costs include all fees and expenses which relate directly to the sales and purchases of securities which include commissions, transfer taxes and duties. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The "direct transaction costs" ratio is calculated by dividing the total transaction costs by the average net assets.

5 The "return after charges" is calculated as the "return after operating charges" per share divided by the "opening net asset value per share". This figure will differ from "performance return" figure disclosed under "Investment Review" section due to alternative calculation methodology used.

6 The "ongoing charges ratio" represents all operating charges and expenses of the share class in the prior 12 months as a percentage of the share class's average net assets during the year.

Where ex-post expense information is not a fair representation of future operating costs and where 12 months of information is not available, an estimate is disclosed.

7 This is from share class launch on 31 August 2017.

8 This is from share class launch on 7 March 2016.

Risk Profile (W(acc) shares)



This indicator, disclosed in the Key Investor Information Document (KIID), provides a measure of the price movement of the Fund based on historical behaviour. Historical data may not be a reliable indication of the future risk profile of the Fund. The category shown is not guaranteed to remain unchanged and may shift over time. The lowest category does not mean risk free.

For a full discussion of all the risks applicable to this Fund, please refer to the "Risk Factors" section of the current prospectus of Franklin Templeton Funds.

FRANKLIN UK MID CAP FUND

Portfolio Statement as at 30 September 2018

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	EQUITIES 93.34% (97.98%)		
	AEROSPACE & DEFENCE 3.41% (0.00%)		
6,250,000	Meggitt PLC	35,400	3.41
	AUTOMOBILES & PARTS 3.46% (0.00%)		
14,500,000	TI Fluid Systems PLC, Reg S	35,960	3.46
	BANKS 0.35% (1.82%)		
230,932	Close Brothers Group PLC	3,653	0.35
	CHEMICALS 2.58% (2.99%)		
10,000,000	Elementis PLC	26,820	2.58
	CONSTRUCTION & MATERIALS 4.95% (6.05%)		
13,500,000	Ibstock PLC, Reg S	31,779	3.06
5,500,000	Polypipe Group PLC	19,591	1.89
		51,370	4.95
	ELECTRONIC & ELECTRICAL EQUIPMENT 4.00% (3.55%)		
1,750,000	Spectris PLC	41,492	4.00
	FINANCIAL SERVICES 13.38% (13.03%)		
7,500,000	Ashmore Group PLC	27,300	2.63
2,000,000	Intermediate Capital Group PLC	21,800	2.10
9,000,000	Jupiter Fund Management PLC	36,477	3.51
6,500,000	Paragon Banking Group PLC	31,122	3.00
925,000	Rathbone Brothers PLC	22,200	2.14
		138,899	13.38
	GENERAL INDUSTRIALS 3.83% (2.74%)		
5,000,000	RPC Group PLC	39,750	3.83
	GENERAL RETAILERS 2.49% (2.24%)		
12,000,000	DFS Furniture PLC	25,860	2.49
	HEALTH CARE EQUIPMENT & SERVICES 1.37% (0.00%)		
10,000,000	Spire Healthcare Group PLC	14,250	1.37
	HOUSEHOLD GOODS & HOME CONSTRUCTION 5.48% (4.60%)		
1,000,000	Bellway PLC	30,130	2.90
20,000,000	Mccarthy and Stone PLC, Reg S	26,820	2.58
		56,950	5.48
	INDUSTRIAL ENGINEERING 9.27% (8.81%)		
4,500,000	Bodycote PLC	40,747	3.92
1,650,000	IMI PLC	18,101	1.74
2,125,000	Weir Group PLC	37,464	3.61
		96,312	9.27
	INDUSTRIAL TRANSPORTATION 1.74% (2.11%)		
6,000,000	BBA Aviation PLC	18,024	1.74
	LIFE INSURANCE 2.55% (3.79%)		
30,000,000	Just Group PLC	26,520	2.55
	MEDIA 6.38% (8.99%)		
11,000,000	Entertainment One Ltd.	45,452	4.38
1,543,689	Euromoney Institutional Investor PLC	20,778	2.00
		66,230	6.38
	NONLIFE INSURANCE 4.22% (4.56%)		
1,375,000	Hiscox Ltd.	22,605	2.18
3,500,000	Lancashire Holdings Ltd.	21,227	2.04
		43,832	4.22

FRANKLIN UK MID CAP FUND

Portfolio Statement as at 30 September 2018 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	PERSONAL GOODS 2.35% (1.97%)		
2,250,000	Superdry PLC	24,413	2.35
	PHARMACEUTICALS & BIOTECHNOLOGY 0.00% (1.53%)		
	REAL ESTATE INVESTMENT & SERVICES 1.72% (2.81%)		
2,000,000	Unite Group PLC§	17,810	1.72
	REAL ESTATE INVESTMENT TRUSTS 6.10% (7.06%)		
1,600,000	Derwent London PLC§	45,680	4.40
12,000,000	Tritax Big Box REIT PLC§	17,664	1.70
		63,344	6.10
	SOFTWARE & COMPUTER SERVICES 3.62% (1.79%)		
1,300,000	Aveva Group PLC	37,596	3.62
	SUPPORT SERVICES 8.32% (9.04%)		
3,000,000	HomeServe PLC	30,750	2.96
7,000,000	Howden Joinery Group PLC	32,816	3.16
4,000,000	PageGroup PLC	22,880	2.20
		86,446	8.32
	TECHNOLOGY HARDWARE & EQUIPMENT 0.00% (3.55%)		
	TRAVEL & LEISURE 1.77% (4.95%)		
3,750,000	Greene King PLC	18,379	1.77
	TOTAL - EQUITIES	969,310	93.34
	TOTAL VALUE OF INVESTMENTS	969,310	93.34
	OTHER ASSETS	69,128	6.66
	TOTAL NET ASSETS	1,038,438	100.00

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2018.

Unless otherwise stated the above securities are ordinary shares or common stock and admitted to official stock exchange listings.

§ Real Estate Investment Trust (REIT).

FRANKLIN UK MID CAP FUND

Statement of Total Return

For the period 1 April 2018 to 30 September 2018

	September 2018 £000	September 2018 £000	September 2017 £000	September 2017 £000
Income				
Net capital gains/(losses)		15,721		86,794
Revenue	20,796		18,504	
Expenses	(4,302)		(4,413)	
Net revenue before taxation	16,494		14,091	
Taxation	(47)		(4)	
Net revenue after taxation		16,447		14,087
Total return before distributions for the period		32,168		100,881
Distributions		(8,105)		(6,726)
Change in net assets attributable to shareholders		24,063		94,155

Statement of Change in Net Assets Attributable to Shareholders

For the period 1 April 2018 to 30 September 2018

	September 2018 £000	September 2018 £000	September 2017 £000	September 2017 £000
Opening net assets attributable to shareholders		986,461		905,763
Amounts received on creation of shares	124,690		77,977	
Amounts paid on cancellation of shares	(99,721)		(109,803)	
		24,969		(31,826)
Change in net assets attributable to shareholders from investment activities (see above)		24,063		94,155
Retained distribution on accumulation shares		2,945		2,019
Closing net assets attributable to shareholders		1,038,438		970,111

Balance Sheet

As at 30 September 2018

	September 2018 £000	March 2018 £000
Assets		
Fixed assets		
Tangible assets:		
Investment assets	969,310	966,514
Current assets		
Debtors	18,550	5,210
Cash and bank balances	61,824	31,981
Total assets	1,049,684	1,003,705
Liabilities		
Creditors		
Distribution payable	(5,161)	(7,067)
Other creditors	(6,085)	(10,177)
Total liabilities	(11,246)	(17,244)
Net assets attributable to shareholders	1,038,438	986,461

FRANKLIN UK MID CAP FUND

Distribution Statement

For the period 1 April 2018 to 30 September 2018

Group 1 – Shares purchased prior to 1 April 2018

Group 2 – Shares purchased in the period 1 April 2018 to 30 September 2018

	Net Income p	Equalisation p	30 September 2018 Pence per Share p	30 September 2017 Pence per Share p
A – Income Shares				
Group 1	3.8457	-	3.8457	3.3328
Group 2	-	3.8457	3.8457	3.3328
S – Income Shares				
Group 1	0.9128	-	0.9128	0.1503
Group 2	-	0.9128	0.9128	0.1503
S – Accumulation Shares				
Group 1	1.1280	-	1.1280	0.9664
Group 2	-	1.1280	1.1280	0.9664
W – Income Shares				
Group 1	1.5079	-	1.5079	1.3193
Group 2	-	1.5079	1.5079	1.3193
W – Accumulation Shares				
Group 1	1.9138	-	1.9138	1.6400
Group 2	-	1.9138	1.9138	1.6400
Y – Income Shares				
Group 1	1.4292	-	1.4292	1.2576
Group 2	1.4292	-	1.4292	1.2576
Z – Accumulation Shares				
Group 1	1.7699	-	1.7699	1.5168
Group 2	-	1.7699	1.7699	1.5168

Equalisation

All shareholders, within each share category, receive the same distribution per share, although the distribution to shareholders who purchased shares during the distribution period (Group 2 holdings) contains an element of equalisation which is a repayment, at an average rate per share, of the amount of accrued net income which was included in the purchase price of such shares. As the nature of this payment is capital it is not subject to income tax but must be deducted from the purchase price in any capital gains tax computation on the sale of the shares.

FRANKLIN UK OPPORTUNITIES FUND

Investment Review

Performance

In the six months ended 30 September 2018, Franklin UK Opportunities Fund recorded a return of 7.37%* (W(acc) shares) compared with the benchmark FTSE All-Share Index, which returned 8.31% (both returns in UK sterling).

Overview

The UK equity market made good progress in the six months to 30 September 2018, despite ongoing concerns regarding trade disputes and the lack of any real progress in Brexit negotiations.

Following a difficult end to the financial year, with the UK equity market down more than 5% in February/March, the FTSE All-Share Index rebounded strongly in the first two months of the new financial year. April saw the strongest monthly return in almost five years and the renewed optimism prevailed through the first three weeks of May, with the All-Share Index recording a new all-time high.

Investors had taken heart from a softening of the trade rhetoric and also from signals from the Bank of England that the widely expected May interest-rate increase would be deferred. The improved sentiment did not, however, last for long, and after a strong first quarter the UK equity market struggled for the remainder of the period.

The market faced a number of headwinds in the second quarter. Short-term interest rates increased on both sides of the Atlantic, with the Bank of England increasing rates for a second time at its August meeting, trade disputes have rumbled on, and, perhaps most pertinently, a workable agreement on Brexit has remained elusive.

The rising trajectory of US 10-year bond yields had been the initial catalyst for the equity market volatility earlier in the year, but longer term bond yields actually fell for much of the summer period, with the yield curve flattening as attention focused on the threat to the global economic upswing posed by increasing trade tariffs.

The relative strength of the US economy, together with the Federal Reserve's determination to press ahead with an expected four increases in US short-term rates in 2019, helped push the US dollar significantly higher over the period. The US dollar appreciated by around 7% against the British pound, which helped support US dollar earners in the UK equity market. The British pound was, by contrast, little changed against the euro.

The UK's economic performance has been broadly in line with expectations thus far in 2018, allowing for a one, off weather impact in the early spring. The labour market has remained remarkably resilient and, as expected, real incomes have started to increase once again, with inflation having peaked and wages continuing to edge higher. Business investment understandably remains a weak spot as the lack of clarity on Brexit deters decision making.

In terms of the market internals, the dominant features of the period were the relative strength of the oil and gas sector and the relative weakness of the banking sector. The Brent crude oil price rose by almost 25% over the six month reporting period as the market continued to tighten. The banking sector, traditionally a beneficiary of higher rates, struggled with poor results from key constituents and the perception that trade and Brexit pose a threat to earnings.

From a market capitalisation perspective, it was a period of marked outperformance from the large-cap stocks, with the FTSE 100 Index's gain of 8.9% comfortably outpacing the FTSE 250 (Ex IT) Index, up 5.3%, and the FTSE Small Cap (ex IT) Index, up 4.8%.

Significant Changes

The largest stock purchases during the six-month period included commercial real estate company Land Securities Group, heat treatment specialist Bodcote, betting firm GVC Holdings, recruiter Hays and automotive components maker TI Fluid Systems. Sizeable stock sales included biopharmaceuticals company Shire, betting firm Paddy Power Betfair, technical products supplier Diploma, water utility Pennon Group and aerospace firm BBA Aviation.

* Figure differs from comparative table performance due to alternative calculation methodology used.

FRANKLIN UK OPPORTUNITIES FUND

Investment Review (continued)

Significant Changes (continued)

The repeal of legislation prohibiting online sports gambling in the United States resulted in meaningful share price reactions across the UK names in that space. As a result, the Fund sold out of its holding in Paddy Power Betfair and used the proceeds to acquire a holding in GVC. The valuation case for GVC at time of purchase was more compelling despite having similar investment drivers to Paddy Power Betfair. We sold our holding in water utility Pennon as the shares recovered from weakness, and we used the proceeds to initiate a new holding in Land Securities, a UK real estate investment trust. At time of purchase, we believe Land Securities shares were trading at a significant discount to the net asset value of the property portfolio. We sold out of our holding in BBA Aviation, a company with a corporate strategy that requires a certain degree of balance sheet leverage, to purchase Bodycote, a global industrial engineer that has a net cash balance sheet position. We began a new holding in Hays, a global recruitment business that again is managed with net cash on the balance sheet. We also sold our position in biotechnology firm Shire. Shire's share price recovered strongly from its recent low following a bid approach from Japanese rival Takeda Pharmaceutical. We were concerned, however, that the bidder lacked credibility and decided to exit the position.

We sold out of the Fund's position in Diploma following an extended period of share price strength. While we still recognise the strengths of the company's business model, at the recent share price we were less comfortable with the risk/reward profile. The Fund acquired a new position in TI Fluid Systems. The shares traded on modest valuation multiples, by our analysis, in part reflecting its lack of a track record in the public arena after its recent flotation.

Positive/Negative Contributors

The Fund underperformed its benchmark over the reporting period. At the sector level, an underweight in oil and gas, particularly not holding Royal Dutch Shell Class B shares, and stock selection in telecommunications and technology curbed relative returns. Lack of exposure to banks, notably not holding Barclays, HSBC Holdings and Lloyds Banking Group, bolstered relative performance. Security selection in basic resources and in travel and leisure also supported relative returns.

Amongst the individual detractors, the last day of August saw the announcement of the departure of the chief executive officer at Sage Group, an accountancy software provider. Given that he had been the key architect of the company's ambitious growth plans, his removal raises further questions as to their likely delivery. Brick manufacturer Ibstock was weak on profit downgrades. Strong demand has led to production issues that will require extended maintenance programmes. Associated British Foods shares fell following a reduction in the earnings emanating from its sugar business. We would ascribe a low valuation multiple to this part of the company's operations and, as such, our assessment of the valuation of the entire business is little changed. Engineering firm Weir Group was a detractor amidst concerns about weaker demand for its equipment in the near term given a slowdown in US shale production. Shares of Equiniti Group were under scrutiny during the summer, with questions being raised regarding the integration of a US acquisition and also the use of certain accounting policies. Interim results and a well-received capital markets day went some way to assuaging these fears, and the shares recovered somewhat late in the reporting period.

With the British pound dropping over the period on uncertainty about the ongoing Brexit negotiations, a number of US dollar-denominated revenue earners had a positive six-months. Plumbing products supplier Ferguson, technical products supplier Diploma, multinational distributor Bunzl, and information and analytics firm RELX were amongst the gainers on the weakness in the currency. Ferguson has also continued to report solid growth in its US operations, offsetting a more sluggish environment in the United Kingdom. Bunzl released reassuring results during the reporting period. Diploma continued to make accretive acquisitions during the period to enhance its earnings growth. Gaming firm Paddy Power Betfair contributed to relative performance after the US Supreme Court allowed sports betting in the United States, which we believe should open up new growth opportunities for the company over the long run. As noted earlier, we exited our position in the stock following the positive share-price reaction to the decision.

Outlook

The volatility in equity markets that characterised the closing weeks of the interim period has continued into the opening weeks of the second half, with the troika of Brexit, bond yields and trade still the dominant drivers of sentiment. A year ago there was a genuine belief that we were set to experience a synchronised upturn in global growth, but now the outlook is much more uncertain and investors are understandably cautious.

FRANKLIN UK OPPORTUNITIES FUND

Investment Review (continued)

Outlook (continued)

While the UK economy has continued to perform creditably, with growth picking up following a weak first quarter, attention is fixated on Brexit and the implications of the different scenarios that can arise from the current final frantic rounds of negotiation. It appears increasingly likely to us that the United Kingdom will be offered a deal, but the issue is whether it will be one that parliament can approve given the splits within the minority government. One thing that appears certain to us is that we are at or close to the point of maximum uncertainty, and, hopefully, in the near future we will have a much better idea of what a final agreement may look like.

The consensus for UK gross domestic product growth for 2018 is now 1.3%, increasing to 1.5% in 2019, although it has to be said that next year's consensus forecasts are somewhat meaningless at this point in time given the wide range of potential Brexit outcomes. The outlook for UK interest rates is also fairly binary. We believe the expectation in the market of a 25 basis point increase in each of the next two years is highly unlikely to be reflected in reality.

The positive case for the UK economy of growth in real wages, continuing strength in the labour market and an easing of austerity in government spending leading to further acceleration in 2019 is an appealing one, but one that can all too easily be derailed by political instability, in our view.

Elsewhere in the world, the outlook is very mixed, with the International Monetary Fund signalling it is about to downgrade its expectation for global gross domestic product growth. The United States remains the bright spot, with signs the economy is continuing to strengthen on the back of the Trump administration's tax cuts. This, however, is causing issues for other parts of the world, emerging markets in particular, as US dollar interest rates rise. Recently, US 10-year yields jumped to 3.25%, a level last seen back in 2011, as Federal Reserve Chief Jerome Powell signalled an "accommodative" policy stance is no longer required.

In other markets the outlook is not so rosy. There are clear signs of a slowdown in the Chinese industrial sector, partially as a result of trade tariffs, prompting talk of additional stimulus packages, while in the eurozone tensions are building once again as a result of the Italian budget proposals. The European Commission's own measure of economic sentiment has now fallen for nine months in a row, with the industrial sector the weakest element.

From a UK equity market perspective, this all makes for a difficult environment for stock selection. The simplistic view is that international stocks are expensive but relatively Brexit proof, while domestic stocks are cheap but vulnerable. The short-term performance will inevitably be dictated by the direction of the British pound on any Brexit deal or non-deal, but the medium-term outlook is likely to be more nuanced as the political ramifications play out.

The subdued equity market performance year-to-date at a time when earnings growth has remained reasonably robust has seen valuations improve, with the forward price-to-earnings ratio of less than 13 times, the lowest in a number of years. The recent UK equity market yield of over 4% continues to compare favourably with the UK 10-year yield of 1.7%, although as we have said many times in the past, it is arguably the US 10-year Treasury yield that determines the cost of capital for international earners.

The recent market volatility is definitely providing the fund with a broader set of investment opportunities although we must caution that a no deal Brexit would potentially create headwinds.

Ben Russon, CFA, Mark Hall & Colin Morton

Fund Managers

30 September 2018

FRANKLIN UK OPPORTUNITIES FUND

Comparative Table

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
A – Income shares				
Change in net assets per share				
Opening net asset value per share	357.90	367.88	334.95	339.85
Return before operating charges ¹	31.93	5.51	46.64	7.97
Operating charges ²	(6.13)	(6.04)	(5.70)	(5.42)
Return after operating charges* ³	25.80	(0.53)	40.94	2.55
Distributions on income shares	(4.9980)	(9.4538)	(8.0068)	(7.4550)
Closing net asset value per share	378.70	357.90	367.88	334.95
*After direct transaction costs of: ⁴	0.0027	0.0053	0.0096	0.0041
Performance				
Return after charges ⁵	7.21%	(0.14%)	12.22%	0.75%
Other information				
Closing net asset value	21,342,399	22,116,544	27,374,163	29,651,351
Closing number of shares	5,635,744	6,179,572	7,441,040	8,852,559
Ongoing charges ratio ⁶	1.60%	1.60%	1.60%	1.60%
Direct transaction costs ⁴	0.07%	0.14%	0.27%	0.12%
Prices				
Highest share price	395.22	393.00	377.58	359.93
Lowest share price	354.88	353.42	325.83	307.84

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
W – Income shares⁷				
Change in net assets per share				
Opening net asset value per share	111.41	114.54	104.26	100.00
Return before operating charges ¹	9.32	1.71	14.48	6.53
Operating charges ²	(0.66)	(0.65)	(0.61)	(0.88)
Return after operating charges* ³	8.66	1.06	13.87	5.65
Distributions on income shares	(2.1905)	(4.1902)	(3.5901)	(1.3938)
Closing net asset value per share	117.88	111.41	114.54	104.26
*After direct transaction costs of: ⁴	0.0008	0.0016	0.0030	0.0012
Performance				
Return after charges ⁵	7.77%	0.93%	13.30%	5.65%
Other information				
Closing net asset value	31,296,952	32,943,867	26,104,605	25,649,017
Closing number of shares	26,550,205	29,570,777	22,790,177	24,600,872
Ongoing charges ratio ⁶	0.55%	0.55%	0.55%	0.85%
Direct transaction costs ⁴	0.07%	0.14%	0.27%	0.12%
Prices				
Highest share price	123.21	122.71	117.57	107.56
Lowest share price	110.48	110.59	101.58	96.08

FRANKLIN UK OPPORTUNITIES FUND

Comparative Table (continued)

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
W – Accumulation shares				
Change in net assets per share				
Opening net asset value per share	174.95	173.49	153.05	150.67
Return before operating charges ¹	14.64	2.45	21.36	3.66
Operating charges ²	(1.03)	(0.99)	(0.92)	(1.28)
Return after operating charges* ³	13.61	1.46	20.44	2.38
Closing net asset value per share	188.56	174.95	173.49	153.05
Retained distributions on accumulation shares	3.4401	6.3930	5.3151	4.4713
*After direct transaction costs of: ⁴	0.0013	0.0025	0.0045	0.0018
Performance				
Return after charges ⁵	7.78%	0.84%	13.36%	1.58%
Other information				
Closing net asset value	13,341,027	17,851,302	37,408,929	10,581,511
Closing number of shares	7,075,183	10,203,385	21,562,996	6,913,551
Ongoing charges ratio ⁶	0.55%	0.55%	0.55%	0.85%
Direct transaction costs ⁴	0.07%	0.14%	0.27%	0.12%
Prices				
Highest share price	193.48	190.02	175.77	159.77
Lowest share price	173.49	171.25	149.12	139.26

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
Z – Accumulation shares				
Change in net assets per share				
Opening net asset value per share	172.03	171.45	151.90	149.84
Return before operating charges ¹	14.85	2.45	21.28	3.64
Operating charges ²	(1.94)	(1.87)	(1.73)	(1.58)
Return after operating charges* ³	12.91	0.58	19.55	2.06
Closing net asset value per share	184.94	172.03	171.45	151.90
Retained distributions on accumulation shares	2.9142	5.4193	4.5582	4.1419
*After direct transaction costs of: ⁴	0.0013	0.0025	0.0044	0.0018
Performance				
Return after charges ⁵	7.50%	0.34%	12.87%	1.38%
Other information				
Closing net asset value	519,610	439,605	454,690	216,393
Closing number of shares	280,958	255,536	265,210	142,455
Ongoing charges ratio ⁶	1.05%	1.05%	1.05%	1.05%
Direct transaction costs ⁴	0.07%	0.14%	0.27%	0.12%
Prices				
Highest share price	190.12	187.06	174.13	158.84
Lowest share price	170.59	168.41	147.93	138.25

FRANKLIN UK OPPORTUNITIES FUND

Comparative Table (continued)

- 1 The "return before operating charges" is calculated as the "return after operating charges" plus the "operating charges".
- 2 The "operating charges" are calculated with reference to the total expenses for the year divided by the number of shares in issue at each valuation point.
- 3 The "return after operating charges" is calculated as the "closing net asset value per share" plus the "distributions" (for income share classes only) minus the "opening net asset value per share".
- 4 The direct transaction costs include all fees and expenses which relate directly to the sales and purchases of securities which include commissions, transfer taxes and duties. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The "direct transaction costs" ratio is calculated by dividing the total transaction costs by the average net assets.
- 5 The "return after charges" is calculated as the "return after operating charges" per share divided by the "opening net asset value per share". This figure will differ from "performance return" figure disclosed under "Investment Review" section due to alternative calculation methodology used.
- 6 The "ongoing charges ratio" represents all operating charges and expenses of the share class in the prior 12 months as a percentage of the share class's average net assets during the year.
Where ex-post expense information is not a fair representation of future operating costs and where 12 months of information is not available, an estimate is disclosed.
- 7 This is from share class launch on 4 September 2015.

Risk Profile (W(acc) shares)



This indicator, disclosed in the Key Investor Information Document (KIID), provides a measure of the price movement of the Fund based on historical behaviour. Historical data may not be a reliable indication of the future risk profile of the Fund. The category shown is not guaranteed to remain unchanged and may shift over time. The lowest category does not mean risk free.

For a full discussion of all the risks applicable to this Fund, please refer to the "Risk Factors" section of the current prospectus of Franklin Templeton Funds.

FRANKLIN UK OPPORTUNITIES FUND

Portfolio Statement as at 30 September 2018

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	EQUITIES 98.99% (96.72%)		
	AUTOMOBILES & PARTS 1.12% (0.00%)		
300,000	TI Fluid Systems PLC, Reg S	744	1.12
	BEVERAGES 3.64% (3.58%)		
89,000	Diageo PLC	2,420	3.64
	CONSTRUCTION & MATERIALS 1.70% (1.84%)		
480,000	Ibstock PLC, Reg S	1,130	1.70
	ELECTRICITY 1.60% (1.62%)		
93,000	SSE PLC	1,066	1.60
	FINANCIAL SERVICES 3.65% (5.35%)		
310,000	Brewin Dolphin Holdings PLC	1,063	1.60
125,000	Intermediate Capital Group PLC	1,363	2.05
		2,426	3.65
	FIXED LINE TELECOMMUNICATIONS 0.00% (1.37%)		
	FOOD & DRUG RETAILERS 1.21% (0.00%)		
250,000	J Sainsbury PLC	804	1.21
	FOOD PRODUCERS 2.03% (1.15%)		
59,000	Associated British Foods PLC	1,350	2.03
	GAS, WATER & MULTI-UTILITIES 2.82% (4.29%)		
237,000	National Grid PLC	1,875	2.82
	GENERAL INDUSTRIALS 2.80% (2.12%)		
390,000	DS Smith PLC	1,865	2.80
	GENERAL RETAILERS 1.53% (1.49%)		
18,500	Next PLC	1,016	1.53
	HEALTH CARE EQUIPMENT & SERVICES 3.03% (2.96%)		
144,000	Smith & Nephew PLC	2,015	3.03
	HOUSEHOLD GOODS & HOME CONSTRUCTION 4.70% (3.94%)		
95,000	Bovis Homes Group PLC	1,019	1.53
30,000	Reckitt Benckiser Group PLC	2,105	3.17
		3,124	4.70
	INDUSTRIAL ENGINEERING 3.33% (1.60%)		
130,000	Bodycote PLC	1,177	1.77
59,000	Weir Group PLC	1,040	1.56
		2,217	3.33
	INDUSTRIAL TRANSPORTATION 0.00% (1.38%)		
	LIFE INSURANCE 6.51% (5.71%)		
165,000	Phoenix Group Holdings	1,115	1.68
110,000	Prudential PLC	1,936	2.91
112,000	St. James's Place Capital PLC	1,281	1.92
		4,332	6.51
	MEDIA 3.01% (4.84%)		
124,000	RELX PLC	2,002	3.01
	MINING 4.27% (3.90%)		
83,000	BHP Billiton PLC	1,387	2.08
37,500	Rio Tinto PLC	1,455	2.19
		2,842	4.27
	MOBILE TELECOMMUNICATIONS 2.60% (2.94%)		
1,050,000	Vodafone Group PLC	1,727	2.60

FRANKLIN UK OPPORTUNITIES FUND

Portfolio Statement as at 30 September 2018 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	OIL & GAS PRODUCERS 10.85% (9.42%)		
620,000	BP PLC	3,654	5.50
135,000	Royal Dutch Shell PLC, A	3,558	5.35
		<u>7,212</u>	<u>10.85</u>
	PERSONAL GOODS 3.30% (3.40%)		
52,000	Unilever PLC	<u>2,192</u>	<u>3.30</u>
	PHARMACEUTICALS & BIOTECHNOLOGY 7.54% (8.97%)		
39,000	AstraZeneca PLC	2,325	3.50
175,000	GlaxoSmithKline PLC	<u>2,690</u>	<u>4.04</u>
		<u>5,015</u>	<u>7.54</u>
	REAL ESTATE INVESTMENT & SERVICES 1.74% (1.99%)		
130,000	Unite Group PLC§	<u>1,158</u>	<u>1.74</u>
	REAL ESTATE INVESTMENT TRUSTS 2.26% (0.00%)		
170,000	Land Securities Group PLC§	<u>1,502</u>	<u>2.26</u>
	SOFTWARE & COMPUTER SERVICES 2.60% (2.57%)		
295,000	The Sage Group PLC	<u>1,730</u>	<u>2.60</u>
	SUPPORT SERVICES 9.98% (9.03%)		
83,000	Bunzl PLC	2,003	3.01
500,000	Equiniti Group PLC, Reg S	1,328	2.00
32,000	Ferguson PLC	2,084	3.13
600,000	Hays PLC	<u>1,223</u>	<u>1.84</u>
		<u>6,638</u>	<u>9.98</u>
	TOBACCO 6.60% (6.89%)		
74,000	British American Tobacco PLC	2,653	3.99
65,000	Imperial Brands PLC	<u>1,736</u>	<u>2.61</u>
		<u>4,389</u>	<u>6.60</u>
	TRAVEL & LEISURE 4.57% (4.37%)		
119,000	Compass Group PLC	2,030	3.05
110,000	GVC Holdings PLC	<u>1,010</u>	<u>1.52</u>
		<u>3,040</u>	<u>4.57</u>
	TOTAL - EQUITIES	<u>65,831</u>	<u>98.99</u>
	TOTAL VALUE OF INVESTMENTS	<u>65,831</u>	<u>98.99</u>
	OTHER ASSETS	<u>669</u>	<u>1.01</u>
	TOTAL NET ASSETS	<u>66,500</u>	<u>100.00</u>

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2018.

Unless otherwise stated the above securities are ordinary shares or common stock and admitted to official stock exchange listings.

§ Real Estate Investment Trust (REIT).

FRANKLIN UK OPPORTUNITIES FUND

Statement of Total Return

For the period 1 April 2018 to 30 September 2018

	September 2018 £000	September 2018 £000	September 2017 £000	September 2017 £000
Income				
Net capital gains/(losses)		4,398		2,022
Revenue	1,568		2,031	
Expenses	(324)		(358)	
Net revenue before taxation	1,244		1,673	
Taxation	(15)		(13)	
Net revenue after taxation		1,229		1,660
Total return before distributions for the period		5,627		3,682
Distributions		(1,229)		(1,661)
Change in net assets attributable to shareholders		4,398		2,021

Statement of Change in Net Assets Attributable to Shareholders

For the period 1 April 2018 to 30 September 2018

	September 2018 £000	September 2018 £000	September 2017 £000	September 2017 £000
Opening net assets attributable to shareholders		73,351		91,342
Amounts received on creation of shares	2,023		7,174	
Amounts paid on cancellation of shares	(13,639)		(26,263)	
		(11,616)		(19,089)
Dilution levy		-		42
Unclaimed Distributions		1		1
Change in net assets attributable to shareholders from investment activities (see above)		4,398		2,021
Retained distribution on accumulation shares		366		421
Closing net assets attributable to shareholders		66,500		74,738

Balance Sheet

As at 30 September 2018

	September 2018 £000	March 2018 £000
Assets		
Fixed assets		
Tangible assets:		
Investment assets	65,831	70,945
Current assets		
Debtors	256	375
Cash and bank balances	1,378	2,987
Total assets	67,465	74,307
Liabilities		
Creditors		
Distribution payable	(863)	(659)
Other creditors	(102)	(297)
Total liabilities	(965)	(956)
Net assets attributable to shareholders	66,500	73,351

FRANKLIN UK OPPORTUNITIES FUND

Distribution Statement

For the period 1 April 2018 to 30 September 2018

Group 1 – Shares purchased prior to 1 April 2018

Group 2 – Shares purchased in the period 1 April 2018 to 30 September 2018

	Net Income p	Equalisation p	30 September 2018 Pence per Share p	30 September 2017 Pence per Share p
A – Income Shares				
Group 1	4.9980	-	4.9980	6.3617
Group 2	2.6475	2.3505	4.9980	6.3617
W – Income Shares				
Group 1	2.1905	-	2.1905	2.6083
Group 2	1.3342	0.8563	2.1905	2.6083
W – Accumulation Shares				
Group 1	3.4401	-	3.4401	3.9442
Group 2	2.0437	1.3964	3.4401	3.9442
Z – Accumulation Shares				
Group 1	2.9142	-	2.9142	3.4556
Group 2	2.8457	0.0685	2.9142	3.4556

Equalisation

All shareholders, within each share category, receive the same distribution per share, although the distribution to shareholders who purchased shares during the distribution period (Group 2 holdings) contains an element of equalisation which is a repayment, at an average rate per share, of the amount of accrued net income which was included in the purchase price of such shares. As the nature of this payment is capital it is not subject to income tax but must be deducted from the purchase price in any capital gains tax computation on the sale of the shares.

FRANKLIN UK RISING DIVIDENDS FUND

Investment Review

Performance

In the six months to 30 September 2018, Franklin UK Rising Dividends Fund recorded a return of 6.72%* (W (acc) shares), compared with the benchmark FTSE All-Share Index, which returned 8.31% (both returns in UK sterling).

Overview

The UK equity market made good progress in the six months to 30 September 2018, despite ongoing concerns regarding trade disputes and the lack of any real progress in Brexit negotiations.

Following a difficult end to the financial year, with the UK equity market down more than 5% in February/March, the FTSE All-Share Index rebounded strongly in the first two months of the new financial year. April saw the strongest monthly return in almost five years and the renewed optimism prevailed through the first three weeks of May, with the All-Share Index recording a new all-time high.

Investors had taken heart from a softening of the trade rhetoric and also from signals from the Bank of England that the widely expected May interest-rate increase would be deferred. The improved sentiment did not, however, last for long, and after a strong first quarter the UK equity market struggled for the remainder of the period.

The market faced a number of headwinds in the second quarter. Short-term interest rates increased on both sides of the Atlantic, with the Bank of England increasing rates for a second time at its August meeting, trade disputes have rumbled on, and, perhaps most pertinently, a workable agreement on Brexit has remained elusive.

The rising trajectory of US 10-year bond yields had been the initial catalyst for the equity market volatility earlier in the year, but longer term bond yields actually fell for much of the summer period, with the yield curve flattening as attention focused on the threat to the global economic upswing posed by increasing trade tariffs.

The relative strength of the US economy, together with the Federal Reserve's determination to press ahead with an expected four increases in US short-term rates in 2019, helped push the US dollar significantly higher over the period. The US dollar appreciated by around 7% against the British pound, which helped support US dollar earners in the UK equity market. The British pound was, by contrast, little changed against the euro.

The UK's economic performance has been broadly in line with expectations thus far in 2018, allowing for a one off weather impact in the early spring. The labour market has remained remarkably resilient and, as expected, real income has started to increase once again, with inflation having peaked and wages continuing to edge higher. Business investment understandably remains a weak spot as the lack of clarity on Brexit deters decision making.

In terms of the market internals, the dominant features of the period were the relative strength of the oil and gas sector and the relative weakness of the banking sector. The Brent crude oil price rose by almost 25% over the six month reporting period as the market continued to tighten. The banking sector, traditionally a beneficiary of higher rates, struggled with poor results from key constituents and the perception that trade and Brexit pose a threat to earnings.

From a market capitalisation perspective, it was a period of marked outperformance from the large-cap stocks, with the FTSE 100 Index's gain of 8.9% comfortably outpacing the FTSE 250 (Ex IT) Index, up 5.3%, and the FTSE Small Cap (ex IT) Index, up 4.8%.

Significant Changes

The most significant stock purchases during the period included gaming business Paddy Power Betfair, soft drinks company Britvic, flooring products maker James Halstead, pork producer Cranswick and oil and gas producer Royal Dutch Shell. At time of purchase, the share price of Paddy Power was well below the highs reached in early 2016 on concerns of increased regulation and tax in the gaming industry. We believe

* Figure differs from comparative table performance due to alternative calculation methodology used.

FRANKLIN UK RISING DIVIDENDS FUND

Investment Review (continued)

Significant Changes (continued)

these concerns were adequately reflected in the valuation, and with the shares offering a yield of in excess of 3%, as well as the company instigating a buy-back to return some £500 million of surplus cash to shareholders, we established a position. Britvic is coming towards the end of an extensive capital expenditure programme that was required to reshape the business. We believe this should result in a sharp improvement in free cash flow. With the shares trading at a discount to peers during the period and offering a yield of around 3.5%, we established a position. James Halstead has an excellent long-term track record in the commercial flooring market. The shares suffered recently on the back of tougher underlying markets. With a net cash balance sheet and a yield of over 3%, we used the recent weakness to establish a position. Cranswick has an excellent long-term track record in the pork industry, with the share price having performed incredibly well over the past 20 years. With the company now turning its attention to the poultry market, we believe there is substantial upside potential in the price if the company can repeat this success. The Fund also added to an existing position in Royal Dutch Shell Group.

The largest stock sales included biotechnology firm Shire, ad agency WPP, Paddy Power Betfair, insurer Beazley, and technical products and services group Diploma. Shire's share price has recovered strongly from its recent low following a bid approach from Japanese rival Takeda Pharmaceutical. We were concerned, however, that the bidder lacked credibility, and we decided to exit the position. At WPP, the investment case has changed following the departure of the group's founder, Martin Sorrell, and we are concerned that the recent trading underperformance may continue. We trimmed exposure to Paddy Power Betfair on strength following its addition to the Fund. The Fund also reduced exposure to Beazley and Diploma over the six-month period.

Positive/Negative Contributors

The Fund underperformed its benchmark during the six-month reporting period. At the sector level, underweight exposure to the oil and gas sector curbed relative performance, particularly not holding international integrated oil company BP. Stock selection in the industrial goods and services and financial services sectors also weighed on relative returns. Conversely, security selection and an underweight in banks, where we do not hold the major banks like Barclays and HSBC, stock selection in personal and household goods and not holding Vodafone in telecommunications contributed to relative returns.

Amongst stocks held in the Fund, the most notable detractor from performance was online trading company IG Group Holdings. The stock fell sharply in September, reversing the gains enjoyed over the previous few months, after a disappointing first-quarter trading update. Subsequently, the chief executive officer resigned. Precision instrument supplier Spectris and baker chain Greggs were amongst the detractors following disappointing trading updates. Environmental consultancy RPS Group was another detractor, but we believe it should benefit from a recovery in the energy markets over time, and the company working on reorganising its business. Elsewhere, shipping broker Clarkson detracted following a profit warning, but the stock subsequently recovered some of the lost ground on results that were better than feared.

With the British pound dropping over the period on uncertainty about the ongoing Brexit negotiations, a number of US dollar-denominated revenue earners had a positive six-months. Technical products supplier Diploma and information and analytics firm RELX were amongst the gainers on the weakness in the currency. Pork producer Cranswick contributed following a reassuring trading update. Retailer Next was up strongly on hopes of an improving environment for UK consumers. Tobacco companies British American Tobacco, namely an underweighting) and Imperial Brands also contributed to relative performance, with Imperial Brands seeing a recovery in its stock price over the period. Both companies are looking to replace declining volumes with alternatives such as e-cigarettes.

Outlook

The volatility in equity markets that characterised the closing weeks of the interim period has continued into the opening weeks of the second half, with the troika of Brexit, bond yields and trade still the dominant drivers of sentiment. A year ago there was a genuine belief that we were set to experience a synchronised upturn in global growth, but now the outlook is much more uncertain and investors are understandably cautious.

While the UK economy has continued to perform creditably, with growth picking up following a weak first quarter, attention is fixated on Brexit and the implications of the different scenarios that can arise from the current final frantic rounds of negotiation. It appears increasingly likely to us that the United Kingdom

FRANKLIN UK RISING DIVIDENDS FUND

Investment Review (continued)

Outlook (continued)

will be offered a deal, but the issue is whether it will be one that parliament can approve given the splits within the minority government. One thing that appears certain to us is that we are at or close to the point of maximum uncertainty, and, hopefully, in the near future we will have a much better idea of what a final agreement may look like.

The consensus for UK gross domestic product growth for 2018 is now 1.3%, increasing to 1.5% in 2019, although it has to be said that next year's consensus forecasts are somewhat meaningless at this point in time given the wide range of potential Brexit outcomes. The outlook for UK interest rates is also fairly binary. We believe the expectation in the market of a 25 basis point increase in each of the next two years is highly unlikely to be reflected in reality.

The positive case for the UK economy of growth in real wages, continuing strength in the labour market and an easing of austerity in government spending leading to further acceleration in 2019 is an appealing one, but one that can all too easily be derailed by political instability, in our view.

Elsewhere in the world, the outlook is very mixed, with the International Monetary Fund signalling it is about to downgrade its expectation for global gross domestic product growth. The United States remains the bright spot, with signs the economy is continuing to strengthen on the back of the Trump administration's tax cuts. This, however, is causing issues for other parts of the world, emerging markets in particular, as US dollar interest rates rise. Recently, US 10-year yields jumped to 3.25%, a level last seen back in 2011, as Federal Reserve Chief Jerome Powell signalled an "accommodative" policy stance is no longer required.

In other markets the outlook is not so rosy. There are clear signs of a slowdown in the Chinese industrial sector, partially as a result of trade tariffs, prompting talk of additional stimulus packages, while in the eurozone tensions are building once again as a result of the Italian budget proposals. The European Commission's own measure of economic sentiment has now fallen for nine months in a row, with the industrial sector the weakest element.

From a UK equity market perspective, this all makes for a difficult environment for stock selection. The simplistic view is that international stocks are expensive but relatively Brexit proof, while domestic stocks are cheap but vulnerable. The short-term performance will inevitably be dictated by the direction of the British pound on any Brexit deal or non-deal, but the medium-term outlook is likely to be more nuanced as the political ramifications play out.

The subdued equity market performance year-to-date at a time when earnings growth has remained reasonably robust has seen valuations improve, with the forward price-to-earnings ratio of less than 13 times, the lowest in a number of years. The recent UK equity market yield of over 4% continues to compare favourably with the UK 10-year yield of 1.7%, although as we have said many times in the past, it is arguably the US 10-year Treasury yield that determines the cost of capital for international earners.

The recent market volatility is definitely providing the Fund with a broader set of investment opportunities, although we must caution that no deal on Brexit would potentially create headwinds.

Colin Morton, Ben Russon, CFA & Mark Hall

Fund Managers

30 September 2018

FRANKLIN UK RISING DIVIDENDS FUND

Comparative Table

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
A – Income shares				
Change in net assets per share				
Opening net asset value per share	492.61	515.92	450.65	457.19
Return before operating charges ¹	39.90	3.34	89.15	16.11
Operating charges ²	(8.37)	(8.36)	(7.72)	(7.40)
Return after operating charges* ³	31.53	(5.02)	81.43	8.71
Distributions on income shares	(10.1454)	(18.2946)	(16.1594)	(15.2454)
Closing net asset value per share	513.99	492.61	515.92	450.65
*After direct transaction costs of: ⁴	0.0084	0.0162	0.0309	0.0103
Performance				
Return after charges ⁵	6.40%	(0.97%)	18.07%	1.90%
Other information				
Closing net asset value	9,051,851	8,952,785	11,142,133	10,341,805
Closing number of shares	1,761,092	1,817,427	2,159,673	2,294,855
Ongoing charges ratio ⁶	1.60%	1.60%	1.60%	1.65%
Direct transaction costs ⁴	0.16%	0.31%	0.64%	0.23%
Prices				
Highest share price	538.07	546.78	523.50	478.61
Lowest share price	488.95	487.98	434.84	405.83

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
W – Income shares				
Change in net assets per share				
Opening net asset value per share	111.06	115.09	99.56	100.26
Return before operating charges ¹	8.37	0.71	19.71	3.54
Operating charges ²	(0.65)	(0.64)	(0.60)	(0.92)
Return after operating charges* ³	7.72	0.07	19.11	2.62
Distributions on income shares	(2.2927)	(4.1005)	(3.5837)	(3.3211)
Closing net asset value per share	116.49	111.06	115.09	99.56
*After direct transaction costs of: ⁴	0.0019	0.0036	0.0070	0.0022
Performance				
Return after charges ⁵	6.95%	0.06%	19.19%	2.61%
Other information				
Closing net asset value	36,312,708	29,091,121	27,184,317	5,918,005
Closing number of shares	31,172,232	26,194,963	23,619,487	5,944,336
Ongoing charges ratio ⁶	0.55%	0.55%	0.55%	0.94%
Direct transaction costs ⁴	0.16%	0.31%	0.64%	0.23%
Prices				
Highest share price	121.52	122.20	116.74	105.03
Lowest share price	110.24	109.98	96.21	89.55

FRANKLIN UK RISING DIVIDENDS FUND

Comparative Table (continued)

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
W – Accumulation shares				
Change in net assets per share				
Opening net asset value per share	189.81	189.90	158.93	154.61
Return before operating charges ¹	14.30	0.99	31.94	5.76
Operating charges ²	(1.12)	(1.08)	(0.97)	(1.44)
Return after operating charges* ³	13.18	(0.09)	30.97	4.32
Closing net asset value per share	202.99	189.81	189.90	158.93
Retained distributions on accumulation shares	3.9374	6.8534	5.7965	5.1600
*After direct transaction costs of: ⁴	0.0033	0.0061	0.0113	0.0035
Performance				
Return after charges ⁵	6.94%	(0.05%)	19.49%	2.79%
Other information				
Closing net asset value	40,932,417	30,057,479	16,512,999	5,839,020
Closing number of shares	20,164,294	15,835,856	8,695,522	3,673,996
Ongoing charges ratio ⁶	0.55%	0.55%	0.55%	0.94%
Direct transaction costs ⁴	0.16%	0.31%	0.64%	0.23%
Prices				
Highest share price	208.75	204.16	191.02	161.97
Lowest share price	188.41	186.46	153.58	141.12

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
Z – Income shares				
Change in net assets per share				
Opening net asset value per share	109.77	114.33	99.35	100.24
Return before operating charges ¹	8.57	0.72	19.72	3.53
Operating charges ²	(1.23)	(1.22)	(1.15)	(1.12)
Return after operating charges* ³	7.34	(0.50)	18.57	2.41
Distributions on income shares	(2.2635)	(4.0641)	(3.5912)	(3.3045)
Closing net asset value per share	114.85	109.77	114.33	99.35
*After direct transaction costs of: ⁴	0.0019	0.0036	0.0070	0.0023
Performance				
Return after charges ⁵	6.69%	(0.44%)	18.69%	2.41%
Other information				
Closing net asset value	292,768	267,082	223,228	16,358
Closing number of shares	254,915	243,317	195,249	16,465
Ongoing charges ratio ⁶	1.05%	1.05%	1.05%	1.14%
Direct transaction costs ⁴	0.16%	0.31%	0.64%	0.23%
Prices				
Highest share price	119.99	121.28	115.99	104.97
Lowest share price	108.95	108.72	95.97	89.38

FRANKLIN UK RISING DIVIDENDS FUND

Comparative Table (continued)

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
Z – Accumulation shares				
Change in net assets per share				
Opening net asset value per share	186.63	187.66	157.72	153.74
Return before operating charges ¹	14.56	1.00	31.75	5.72
Operating charges ²	(2.09)	(2.03)	(1.81)	(1.74)
Return after operating charges* ³	12.47	(1.03)	29.94	3.98
Closing net asset value per share	199.10	186.63	187.66	157.72
Retained distributions on accumulation shares	3.8671	6.7567	5.7355	5.1247
*After direct transaction costs of: ⁴	0.0032	0.0060	0.0110	0.0035
Performance				
Return after charges ⁵	6.68%	(0.55%)	18.98%	2.59%
Other information				
Closing net asset value	326,843	296,605	274,125	204,346
Closing number of shares	164,163	158,928	146,077	129,566
Ongoing charges ratio ⁶	1.05%	1.05%	1.05%	1.14%
Direct transaction costs ⁴	0.16%	0.31%	0.64%	0.23%
Prices				
Highest share price	204.89	200.97	188.79	161.01
Lowest share price	185.25	183.36	152.35	140.08

1 The "return before operating charges" is calculated as the "return after operating charges" plus the "operating charges".

2 The "operating charges" are calculated with reference to the total expenses for the year divided by the number of shares in issue at each valuation point.

3 The "return after operating charges" is calculated as the "closing net asset value per share" plus the "distributions" (for income share classes only) minus the "opening net asset value per share".

4 The direct transaction costs include all fees and expenses which relate directly to the sales and purchases of securities which include commissions, transfer taxes and duties. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The "direct transaction costs" ratio is calculated by dividing the total transaction costs by the average net assets.

5 The "return after charges" is calculated as the "return after operating charges" per share divided by the "opening net asset value per share". This figure will differ from "performance return" figure disclosed under "Investment Review" section due to alternative calculation methodology used.

6 The "ongoing charges ratio" represents all operating charges and expenses of the share class in the prior 12 months as a percentage of the share class's average net assets during the year.

Where ex-post expense information is not a fair representation of future operating costs and where 12 months of information is not available, an estimate is disclosed.

Risk Profile (W(acc) shares)



This indicator, disclosed in the Key Investor Information Document (KIID), provides a measure of the price movement of the Fund based on historical behaviour. Historical data may not be a reliable indication of the future risk profile of the Fund. The category shown is not guaranteed to remain unchanged and may shift over time. The lowest category does not mean risk free.

For a full discussion of all the risks applicable to this Fund, please refer to the "Risk Factors" section of the current prospectus of Franklin Templeton Funds.

FRANKLIN UK RISING DIVIDENDS FUND

Portfolio Statement as at 30 September 2018

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	EQUITIES 96.83% (94.84%)		
	AEROSPACE & DEFENCE 2.32% (2.24%)		
320,000	BAE Systems PLC	2,015	2.32
	BANKS 2.53% (2.46%)		
139,000	Close Brothers Group PLC	2,199	2.53
	BEVERAGES 6.08% (3.46%)		
223,000	Britvic PLC	1,745	2.01
130,000	Diageo PLC	3,535	4.07
		<u>5,280</u>	<u>6.08</u>
	CHEMICALS 1.51% (1.62%)		
37,000	Johnson Matthey PLC	1,316	1.51
	CONSTRUCTION & MATERIALS 1.79% (0.00%)		
375,000	James Halstead PLC	1,556	1.79
	ELECTRICITY 1.24% (1.78%)		
94,000	SSE PLC	1,077	1.24
	ELECTRONIC & ELECTRICAL EQUIPMENT 2.07% (2.25%)		
76,000	Spectris PLC	1,802	2.07
	FINANCIAL SERVICES 6.97% (7.44%)		
500,000	Brewin Dolphin Holdings PLC	1,715	1.97
200,000	IG Group Holdings PLC	1,266	1.46
51,000	Rathbone Brothers PLC	1,224	1.41
60,000	Schroders PLC	1,853	2.13
		<u>6,058</u>	<u>6.97</u>
	FOOD & DRUG RETAILERS 2.00% (1.70%)		
165,000	Greggs PLC	1,741	2.00
	FOOD PRODUCERS 3.54% (1.56%)		
73,000	Associated British Foods PLC	1,671	1.92
41,500	Cranswick PLC	1,402	1.62
		<u>3,073</u>	<u>3.54</u>
	GAS, WATER & MULTI-UTILITIES 2.68% (3.46%)		
150,000	National Grid PLC	1,187	1.37
160,000	Pennon Group PLC	1,141	1.31
		<u>2,328</u>	<u>2.68</u>
	GENERAL INDUSTRIALS 2.11% (2.20%)		
230,000	RPC Group PLC	1,829	2.11
	GENERAL RETAILERS 3.45% (3.53%)		
262,000	Dunelm Group PLC	1,433	1.65
28,500	Next PLC	1,565	1.80
		<u>2,998</u>	<u>3.45</u>
	HEALTH CARE EQUIPMENT & SERVICES 1.61% (1.74%)		
100,000	Smith & Nephew PLC	1,400	1.61
	HOUSEHOLD GOODS & HOME CONSTRUCTION 2.74% (2.81%)		
34,000	Reckitt Benckiser Group PLC	2,385	2.74
	INDUSTRIAL ENGINEERING 5.80% (6.34%)		
190,000	Bodycote PLC	1,721	1.98
156,000	IMI PLC	1,711	1.97
115,000	Vitec Group PLC	1,610	1.85
		<u>5,042</u>	<u>5.80</u>

FRANKLIN UK RISING DIVIDENDS FUND

Portfolio Statement as at 30 September 2018 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	INDUSTRIAL TRANSPORTATION 1.55% (1.67%)		
50,000	Clarkson PLC	1,348	1.55
	LIFE INSURANCE 5.73% (5.16%)		
143,000	Prudential PLC	2,516	2.90
215,000	St. James's Place Capital PLC	2,460	2.83
		<u>4,976</u>	<u>5.73</u>
	MEDIA 3.91% (5.22%)		
215,385	Bloomsbury Publishing PLC	478	0.55
181,000	RELX PLC	2,922	3.36
		<u>3,400</u>	<u>3.91</u>
	NONLIFE INSURANCE 1.78% (2.09%)		
270,000	Beazley PLC	1,542	1.78
	OIL & GAS PRODUCERS 4.94% (3.94%)		
163,000	Royal Dutch Shell PLC, A	4,297	4.94
	PERSONAL GOODS 4.46% (4.09%)		
92,000	Unilever PLC	3,879	4.46
	PHARMACEUTICALS & BIOTECHNOLOGY 6.67% (8.25%)		
49,000	AstraZeneca PLC	2,921	3.36
187,000	GlaxoSmithKline PLC	2,874	3.31
		<u>5,795</u>	<u>6.67</u>
	SOFTWARE & COMPUTER SERVICES 1.89% (2.00%)		
280,000	The Sage Group PLC	1,642	1.89
	SUPPORT SERVICES 5.20% (6.57%)		
77,000	Bunzl PLC	1,858	2.14
95,000	Diploma PLC	1,342	1.54
600,000	RPS Group PLC	1,320	1.52
		<u>4,520</u>	<u>5.20</u>
	TOBACCO 6.77% (7.00%)		
80,000	British American Tobacco PLC	2,868	3.30
113,000	Imperial Brands PLC	3,018	3.47
		<u>5,886</u>	<u>6.77</u>
	TRAVEL & LEISURE 5.49% (4.26%)		
132,000	Compass Group PLC	2,252	2.59
250,000	Greene King PLC	1,225	1.41
20,000	Paddy Power Betfair PLC	1,298	1.49
		<u>4,775</u>	<u>5.49</u>
	TOTAL - EQUITIES	<u>84,159</u>	<u>96.83</u>
	TOTAL VALUE OF INVESTMENTS	<u>84,159</u>	<u>96.83</u>
	OTHER ASSETS	<u>2,758</u>	<u>3.17</u>
	TOTAL NET ASSETS	<u>86,917</u>	<u>100.00</u>

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2018.

Unless otherwise stated the above securities are ordinary shares or common stock and admitted to official stock exchange listings.

FRANKLIN UK RISING DIVIDENDS FUND

Statement of Total Return

For the period 1 April 2018 to 30 September 2018

	September 2018 £000	September 2018 £000	September 2017 £000	September 2017 £000
Income				
Net capital gains/(losses)		3,357		1,377
Revenue	1,614		1,264	
Expenses	(271)		(211)	
Net revenue before taxation	1,343		1,053	
Taxation	(12)		(7)	
Net revenue after taxation		1,331		1,046
Total return before distributions for the period		4,688		2,423
Distributions		(1,564)		(1,230)
Change in net assets attributable to shareholders		3,124		1,193

Statement of Change in Net Assets Attributable to Shareholders

For the period 1 April 2018 to 30 September 2018

	September 2018 £000	September 2018 £000	September 2017 £000	September 2017 £000
Opening net assets attributable to shareholders		68,665		55,337
Amounts received on creation of shares	22,805		13,763	
Amounts paid on cancellation of shares	(8,377)		(11,966)	
		14,428		1,797
Dilution levy		-		5
Unclaimed Distributions		1		-
Change in net assets attributable to shareholders from investment activities (see above)		3,124		1,193
Retained distribution on accumulation shares		699		408
Closing net assets attributable to shareholders		86,917		58,740

Balance Sheet

As at 30 September 2018

	September 2018 £000	March 2018 £000
Assets		
Fixed assets		
Tangible assets:		
Investment assets	84,159	65,122
Current assets		
Debtors	399	818
Cash and bank balances	2,943	3,751
Total assets	87,501	69,691
Liabilities		
Creditors		
Distribution payable	(431)	(312)
Other creditors	(153)	(714)
Total liabilities	(584)	(1,026)
Net assets attributable to shareholders	86,917	68,665

FRANKLIN UK RISING DIVIDENDS FUND

Distribution Statement

For the period 1 April 2018 to 30 June 2018

Group 1 – Shares purchased prior to 1 April 2018

Group 2 – Shares purchased in the period 1 April 2018 to 30 June 2018

	Net Income p	Equalisation p	30 June 2018 Pence per Share p	30 June 2017 Pence per Share p
A – Income Shares				
Group 1	5.2901	-	5.2901	6.1631
Group 2	1.4090	3.8811	5.2901	6.1631
W – Income Shares				
Group 1	1.1937	-	1.1937	1.3769
Group 2	0.3707	0.8230	1.1937	1.3769
W – Accumulation Shares				
Group 1	2.0403	-	2.0403	2.2717
Group 2	1.0100	1.0303	2.0403	2.2717
Z – Income Shares				
Group 1	1.1793	-	1.1793	1.3670
Group 2	1.0546	0.1247	1.1793	1.3670
Z – Accumulation Shares				
Group 1	2.0050	-	2.0050	2.2433
Group 2	0.3189	1.6861	2.0050	2.2433

For the period 1 July 2018 to 30 September 2018

Group 1 – Shares purchased prior to 1 July 2018

Group 2 – Shares purchased in the period 1 July 2018 to 30 September 2018

	Net Income p	Equalisation p	30 September 2018 Pence per Share p	30 September 2017 Pence per Share p
A – Income Shares				
Group 1	4.8553	-	4.8553	5.1759
Group 2	1.5161	3.3392	4.8553	5.1759
W – Income Shares				
Group 1	1.0990	-	1.0990	1.1592
Group 2	0.7952	0.3038	1.0990	1.1592
W – Accumulation Shares				
Group 1	1.8971	-	1.8971	1.9356
Group 2	1.2466	0.6505	1.8971	1.9356
Z – Income Shares				
Group 1	1.0842	-	1.0842	1.1496
Group 2	0.8664	0.2178	1.0842	1.1496
Z – Accumulation Shares				
Group 1	1.8621	-	1.8621	1.9094
Group 2	0.1487	1.7134	1.8621	1.9094

Equalisation

All shareholders, within each share category, receive the same distribution per share, although the distribution to shareholders who purchased shares during the distribution period (Group 2 holdings) contains an element of equalisation which is a repayment, at an average rate per share, of the amount of accrued net income which was included in the purchase price of such shares. As the nature of this payment is capital it is not subject to income tax but must be deducted from the purchase price in any capital gains tax computation on the sale of the shares.

FRANKLIN UK SMALLER COMPANIES FUND

Investment Review

Performance

In the six months ended 30 September 2018, Franklin UK Smaller Companies Fund recorded a return of 4.42%* (W(acc) shares) compared with the benchmark Numis Smaller Companies Index, which returned 4.59% (both returns in UK sterling).

Overview

The UK equity market made good progress in the six months to 30 September 2018, despite ongoing concerns regarding trade disputes and the lack of any real progress in Brexit negotiations.

Following a difficult end to the financial year, with the UK equity market down more than 5% in February/March, the FTSE All-Share Index rebounded strongly in the first two months of the new financial year. April saw the strongest monthly return in almost five years and the renewed optimism prevailed through the first three weeks of May, with the All-Share Index recording a new all-time high.

Investors had taken heart from a softening of the trade rhetoric and also from signals from the Bank of England that the widely expected May interest-rate increase would be deferred. The improved sentiment did not, however, last for long, and after a strong first quarter the UK equity market struggled for the remainder of the period.

The market faced a number of headwinds in the second quarter. Short-term interest rates increased on both sides of the Atlantic, with the Bank of England increasing rates for a second time at its August meeting, trade disputes have rumbled on, and, perhaps most pertinently, a workable agreement on Brexit has remained elusive.

The rising trajectory of US 10-year bond yields had been the initial catalyst for the equity market volatility earlier in the year, but longer term bond yields actually fell for much of the summer period, with the yield curve flattening as attention focused on the threat to the global economic upswing posed by increasing trade tariffs.

The relative strength of the US economy, together with the Federal Reserve's determination to press ahead with an expected four increases in US short-term rates in 2019, helped push the US dollar significantly higher over the period. The US dollar appreciated by around 7% against the British pound, which helped support US dollar earners in the UK equity market. The British pound was, by contrast, little changed against the euro.

The UK's economic performance has been broadly in line with expectations thus far in 2018, allowing for a one, off weather impact in the early spring. The labour market has remained remarkably resilient and, as expected, real incomes have started to increase once again, with inflation having peaked and wages continuing to edge higher. Business investment understandably remains a weak spot as the lack of clarity on Brexit deters decision making.

In terms of the market internals, the dominant features of the period were the relative strength of the oil and gas sector and the relative weakness of the banking sector. The Brent crude oil price rose by almost 25% over the six month reporting period as the market continued to tighten. The banking sector, traditionally a beneficiary of higher rates, struggled with poor results from key constituents and the perception that trade and Brexit pose a threat to earnings.

From a market capitalisation perspective, it was a period of marked outperformance from the large-cap stocks, with the FTSE 100 Index's gain of 8.9% comfortably outpacing the FTSE 250 (Ex IT) Index, up 5.3%, and the FTSE Small Cap (ex IT) Index, up 4.8%. Increasing risk surrounding a no-deal Brexit from May onwards led to a period of underperformance for the more domestic-orientated stocks and the small-cap indices.

Significant Changes

The Fund's main stock purchases included new holdings in plastic pipemaker Polypipe Group, NCC Group, media firm Entertainment One, SimplyBiz and IG Design. Polypipe is making good progress in delivering

* Figure differs from comparative table performance due to alternative calculation methodology used.

FRANKLIN UK SMALLER COMPANIES FUND

Investment Review (continued)

Significant Changes (continued)

on its strategic objectives of leveraging its competitive advantages within a number of structural growth markets and expanding into adjacent markets. We believe the valuation looks attractive, backed by a strong balance sheet and cash generation. NCC Group, a cybersecurity assurance business, was added to the portfolio after full-year results demonstrated that the relatively new management team had been successful in restructuring the business and had begun to implement changes for sustainable growth and margin progression. IG Design is a leading designer and manufacturer of gift packaging, stationery, seasonal decor and creative play products, and this new addition followed a placing of new equity to acquire a complementary business in the United States

The Fund's main stock sales in the period included selling completely out of WYG, Tatton Asset Management, Proactis Holdings and Footasylum. We decided to exit our position in Footasylum after the company significantly reduce profit expectations and a change in strategic direction led to our original investment case being no longer intact. After initial early promise following the initial public offering in November 2017, the company has stated a change of strategy twice in the past six months as it tries to combat the headwinds it is facing on the UK High Street. Extra cost is needed to put the store estate in the right format and size, while some internal operational issues have resulted in overstocking on certain apparel lines. Tatton was sold due to the relatively high valuation and to reduce the Fund's financials exposure.

We reduced positions in photonics technology company Gooch & Housego, financial platform IntegraFin Holdings, real estate company Workspace Group and Premier Asset Management.

Positive/Negative Contributors

Amongst the contributors, specialist photonics technology firm Gooch & Housego had a strong six-month period following confirmation of a good second-half trading period, which reaffirmed the company's financial guidance for its fiscal year. The group has also acquired an attractive and complementary acquisition. Sumo Group, which provides creative and co-development services to the video game and entertainment industries, contributed following a strong trading update at its annual meeting. Content producer and distributor Entertainment One rose during the period as the group confirmed trading has been in line with expectations and also as an element of valuation rerating as a number of deals and acquisition within the wider sector highlighted the relative attractiveness of the group and its library of content. Investment platform IntegraFin Holdings benefitted from a positive trading update. Meanwhile, electronics supplier TT electronics was a contributor following an excellent set of interim results that resulted in profit upgrades.

The most notable detractor from performance was footwear and apparel retailer Footasylum, which fell sharply after issuing a profits warning. This holding has been a huge disappointment since purchase, with a material reduction in profit expectations due to a period of weaker trading but also a change in strategic direction. Alfa Financial Software Holdings, an asset management software firm, also fell over the period due to a reduction in profit expectations. This reduction was due to a major customer delaying the implementation of a software project. Also in the technology sector, Proactis Holdings was weak after it announced a number of headwinds within its core e-procurement business. Clipper Logistics' share price fell after the company missed profit forecasts and on a reduction to its outer year profit guidance. This was due to a weaker period of trading and extra costs incurred on two specific logistics contracts.

Outlook

The volatility in equity markets that characterised the closing weeks of the interim period has continued into the opening weeks of the second half, with the troika of Brexit, bond yields and trade still the dominant drivers of sentiment. A year ago there was a genuine belief that we were set to experience a synchronised upturn in global growth, but now the outlook is much more uncertain and investors are understandably cautious.

While the UK economy has continued to perform creditably, with growth picking up following a weak first quarter, attention is fixated on Brexit and the implications of the different scenarios that can arise from the current final frantic rounds of negotiation. It appears increasingly likely to us that the United Kingdom will be offered a deal, but the issue is whether it will be one that parliament can approve given the splits within the minority government. One thing that appears certain to us is that we are at or close to the point of maximum uncertainty, and, hopefully, in the near future we will have a much better idea of what a final agreement may look like.

FRANKLIN UK SMALLER COMPANIES FUND

Investment Review (continued)

Outlook (continued)

The consensus for UK gross domestic product growth for 2018 is now 1.3%, increasing to 1.5% in 2019, although it has to be said that next year's consensus forecasts are somewhat meaningless at this point in time given the wide range of potential Brexit outcomes. The outlook for UK interest rates is also fairly binary. We believe the expectation in the market of a 25 basis point increase in each of the next two years is highly unlikely to be reflected in reality.

The positive case for the UK economy of growth in real wages, continuing strength in the labour market and an easing of austerity in government spending leading to further acceleration in 2019 is an appealing one, but one that can all too easily be derailed by political instability, in our view.

Elsewhere in the world, the outlook is very mixed, with the International Monetary Fund signalling it is about to downgrade its expectation for global gross domestic product growth. The United States remains the bright spot, with signs the economy is continuing to strengthen on the back of the Trump administration's tax cuts. This, however, is causing issues for other parts of the world, emerging markets in particular, as US dollar interest rates rise. Recently, US 10-year yields jumped to 3.25%, a level last seen back in 2011, as Federal Reserve Chief Jerome Powell signalled an "accommodative" policy stance is no longer required.

In other markets the outlook is not so rosy. There are clear signs of a slowdown in the Chinese industrial sector, partially as a result of trade tariffs, prompting talk of additional stimulus packages, while in the eurozone tensions are building once again as a result of the Italian budget proposals. The European Commission's own measure of economic sentiment has now fallen for nine months in a row, with the industrial sector the weakest element.

From a UK equity market perspective, this all makes for a difficult environment for stock selection. The simplistic view is that international stocks are expensive but relatively Brexit proof, while domestic stocks are cheap but vulnerable. The short-term performance will inevitably be dictated by the direction of the British pound on any Brexit deal or non-deal, but the medium-term outlook is likely to be more nuanced as the political ramifications play out.

The subdued equity market performance year-to-date at a time when earnings growth has remained reasonably robust has seen valuations improve, with the forward price-to-earnings ratio of less than 13 times, the lowest in a number of years. The recent UK equity market yield of over 4% continues to compare favourably with the UK 10-year yield of 1.7%, although as we have said many times in the past, it is arguably the US 10-year Treasury yield that determines the cost of capital for international earners.

The recent market volatility is definitely providing the Fund with a broader set of investment opportunities although we must caution that a no deal Brexit would potentially create headwinds.

Paul Spencer, Richard Bullas, Dan Green & Mark Hall

Fund Managers

30 September 2018

FRANKLIN UK SMALLER COMPANIES FUND

Comparative Table

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
A – Income shares				
Change in net assets per share				
Opening net asset value per share	1,146.65	970.87	901.37	803.82
Return before operating charges ¹	69.13	197.32	89.10	115.12
Operating charges ²	(19.13)	(17.58)	(14.14)	(14.18)
Return after operating charges* ³	50.00	179.74	74.96	100.94
Distributions on income shares	(3.2182)	(3.9625)	(5.4583)	(3.3925)
Closing net asset value per share	1,193.43	1,146.65	970.87	901.37
*After direct transaction costs of: ⁴	0.0121	0.0078	0.0107	0.0287
Performance				
Return after charges ⁵	4.36%	18.51%	8.32%	12.56%
Other information				
Closing net asset value	47,640,006	30,584,963	29,792,464	46,637,371
Closing number of shares	3,991,857	2,667,322	3,068,649	5,174,029
Ongoing charges ratio ⁶	1.58%	1.58%	1.58%	1.58%
Direct transaction costs ⁴	0.10%	0.07%	0.12%	0.32%
Prices				
Highest share price	1,256.18	1,216.89	995.29	953.63
Lowest share price	1,150.20	977.34	753.570	807.08

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
W – Income shares⁷				
Change in net assets per share				
Opening net asset value per share	126.76	107.31	99.59	100.00
Return before operating charges ¹	7.15	21.84	9.90	1.01
Operating charges ²	(1.12)	(1.03)	(0.83)	(0.83)
Return after operating charges* ³	6.03	20.81	9.07	0.18
Distributions on income shares	(0.6085)	(1.3628)	(1.3519)	(0.5872)
Closing net asset value per share	132.18	126.76	107.31	99.59
*After direct transaction costs of: ⁴	0.0013	0.0009	0.0012	0.0032
Performance				
Return after charges ⁵	4.76%	19.39%	9.11%	0.18%
Other information				
Closing net asset value	95,031,277	37,435,565	16,030,174	12,738,193
Closing number of shares	71,896,889	29,531,718	14,937,678	12,790,763
Ongoing charges ratio ⁶	0.83%	0.83%	0.83%	0.83%
Direct transaction costs ⁴	0.10%	0.07%	0.12%	0.32%
Prices				
Highest share price	139.08	135.05	110.56	105.47
Lowest share price	127.16	108.03	83.42	93.19

FRANKLIN UK SMALLER COMPANIES FUND

Comparative Table (continued)

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
W – Accumulation shares				
Change in net assets per share				
Opening net asset value per share	258.07	216.10	197.98	174.58
Return before operating charges ¹	14.53	44.04	19.77	25.02
Operating charges ²	(2.27)	(2.07)	(1.65)	(1.62)
Return after operating charges* ³	12.26	41.97	18.12	23.40
Closing net asset value per share	270.33	258.07	216.10	197.98
Retained distributions on accumulation shares	1.2387	2.7476	2.6910	2.2089
*After direct transaction costs of: ⁴	0.0027	0.0017	0.0024	0.0063
Performance				
Return after charges ⁵	4.75%	19.42%	9.15%	13.40%
Other information				
Closing net asset value	261,629,171	235,623,092	205,751,242	208,721,142
Closing number of shares	96,781,663	91,303,686	95,210,824	105,426,673
Ongoing charges ratio ⁶	0.83%	0.83%	0.83%	0.83%
Direct transaction costs ⁴	0.10%	0.07%	0.12%	0.32%
Prices				
Highest share price	283.15	273.08	220.85	208.49
Lowest share price	258.88	217.55	165.84	175.28

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
Z – Accumulation shares				
Change in net assets per share				
Opening net asset value per share	255.06	214.01	196.45	173.57
Return before operating charges ¹	14.63	43.59	19.58	24.88
Operating charges ²	(2.78)	(2.54)	(2.02)	(2.00)
Return after operating charges* ³	11.85	41.05	17.56	22.88
Closing net asset value per share	266.91	255.06	214.01	196.45
Retained distributions on accumulation shares	1.0884	2.2253	2.2746	1.8044
*After direct transaction costs of: ⁴	0.0027	0.0017	0.0024	0.0062
Performance				
Return after charges ⁵	4.65%	19.18%	8.94%	13.18%
Other information				
Closing net asset value	2,213,307	2,228,952	2,278,642	2,763,591
Closing number of shares	829,230	873,902	1,064,752	1,406,769
Ongoing charges ratio ⁶	1.03%	1.03%	1.03%	1.03%
Direct transaction costs ⁴	0.10%	0.07%	0.12%	0.32%
Prices				
Highest share price	279.74	270.01	218.73	206.98
Lowest share price	255.86	215.44	164.47	174.28

FRANKLIN UK SMALLER COMPANIES FUND

Comparative Table (continued)

- 1 The "return before operating charges" is calculated as the "return after operating charges" plus the "operating charges".
- 2 The "operating charges" are calculated with reference to the total expenses for the year divided by the number of shares in issue at each valuation point.
- 3 The "return after operating charges" is calculated as the "closing net asset value per share" plus the "distributions" (for income share classes only) minus the "opening net asset value per share".
- 4 The direct transaction costs include all fees and expenses which relate directly to the sales and purchases of securities which include commissions, transfer taxes and duties. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The "direct transaction costs" ratio is calculated by dividing the total transaction costs by the average net assets.
- 5 The "return after charges" is calculated as the "return after operating charges" per share divided by the "opening net asset value per share". This figure will differ from "performance return" figure disclosed under "Investment Review" section due to alternative calculation methodology used.
- 6 The "ongoing charges ratio" represents all operating charges and expenses of the share class in the prior 12 months as a percentage of the share class's average net assets during the year.
Where ex-post expense information is not a fair representation of future operating costs and where 12 months of information is not available, an estimate is disclosed.
- 7 This is from share class launch on 4 September 2015.

Risk Profile (W(acc) shares)



This indicator, disclosed in the Key Investor Information Document (KIID), provides a measure of the price movement of the Fund based on historical behaviour. Historical data may not be a reliable indication of the future risk profile of the Fund. The category shown is not guaranteed to remain unchanged and may shift over time. The lowest category does not mean risk free.

For a full discussion of all the risks applicable to this Fund, please refer to the "Risk Factors" section of the current prospectus of Franklin Templeton Funds.

FRANKLIN UK SMALLER COMPANIES FUND

Portfolio Statement as at 30 September 2018

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	EQUITIES 91.32% (93.92%)		
	AEROSPACE & DEFENCE 3.40% (3.54%)		
425,000	Avon Rubber PLC	5,440	1.34
3,900,000	Chemring Group PLC	8,385	2.06
		<u>13,825</u>	<u>3.40</u>
	CHEMICALS 4.14% (4.00%)		
2,400,000	Elementis PLC	6,437	1.58
2,305,000	Scapa Group PLC	10,391	2.56
		<u>16,828</u>	<u>4.14</u>
	CONSTRUCTION & MATERIALS 5.78% (4.54%)		
3,900,000	Ibstock PLC, Reg S	9,181	2.26
2,650,000	Polypipe Group PLC	9,439	2.32
2,600,000	Volution Group PLC	4,888	1.20
		<u>23,508</u>	<u>5.78</u>
	ELECTRONIC & ELECTRICAL EQUIPMENT 7.82% (8.66%)		
2,834,587	discoverIE Group PLC	10,629	2.61
525,000	Gooch & Housego PLC	9,214	2.27
4,600,000	TT Electronics PLC	11,960	2.94
		<u>31,803</u>	<u>7.82</u>
	FINANCIAL SERVICES 10.73% (12.50%)		
1,800,000	Integratin Holdings Ltd., Reg S	6,390	1.57
2,850,000	JTC PLC	11,172	2.75
1,338,327	Polar Capital Holdings PLC	7,950	1.96
2,750,000	Premier Asset Management Group Ltd.	6,875	1.69
6,800,000	XPS Pensions Group PLC	11,220	2.76
		<u>43,607</u>	<u>10.73</u>
	FOOD PRODUCERS 1.10% (1.45%)		
1,359,200	Hotel Chocolat Group Ltd.	4,458	1.10
	GENERAL RETAILERS 2.39% (3.84%)		
3,000,000	DFS Furniture PLC	6,465	1.59
5,182,613	Topps Tiles PLC	3,260	0.80
		<u>9,725</u>	<u>2.39</u>
	HOUSEHOLD GOODS & HOME CONSTRUCTION 2.25% (1.32%)		
920,305	IG Design Group PLC	4,988	1.23
1,000,000	Telford Homes PLC	4,160	1.02
		<u>9,148</u>	<u>2.25</u>
	INDUSTRIAL ENGINEERING 5.58% (4.77%)		
725,000	Bodycote PLC	6,565	1.62
1,150,000	Vitec Group PLC	16,100	3.96
		<u>22,665</u>	<u>5.58</u>
	INDUSTRIAL TRANSPORTATION 4.51% (5.06%)		
310,000	Clarkson PLC	8,354	2.06
4,075,000	Eddie Stobart Logistics PLC	4,646	1.14
280,000	James Fisher & Sons PLC	5,320	1.31
		<u>18,320</u>	<u>4.51</u>
	LEISURE GOODS 1.80% (0.99%)		
4,300,000	Sumo Group PLC	7,310	1.80
	MEDIA 3.05% (1.05%)		
3,000,000	Entertainment One Ltd.	12,396	3.05

FRANKLIN UK SMALLER COMPANIES FUND

Portfolio Statement as at 30 September 2018 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
PHARMACEUTICALS & BIOTECHNOLOGY 3.64% (3.76%)			
8,735,000	Alliance Pharma PLC	5,765	1.42
1,070,000	Clinigen Group PLC	9,047	2.22
		<u>14,812</u>	<u>3.64</u>
REAL ESTATE INVESTMENT & SERVICES 3.42% (3.51%)			
800,000	Unite Group PLC§	7,124	1.75
2,250,000	Urban & Civic PLC	6,795	1.67
		<u>13,919</u>	<u>3.42</u>
REAL ESTATE INVESTMENT TRUSTS 2.94% (3.45%)			
4,530,060	Londonmetric Property PLC§	8,045	1.98
400,000	Workspace Group PLC§	3,926	0.96
		<u>11,971</u>	<u>2.94</u>
SOFTWARE & COMPUTER SERVICES 8.64% (9.62%)			
205,000	Accesso Technology Group PLC	5,883	1.45
2,000,000	Alfa Financial Software Holdings PLC, Reg S	2,732	0.67
9,000,000	Dotdigital Group PLC	8,640	2.13
1,500,000	iomart Group PLC	6,502	1.60
3,350,000	NCC Group PLC	6,700	1.65
655,000	Tracsis PLC	4,651	1.14
		<u>35,108</u>	<u>8.64</u>
SUPPORT SERVICES 17.38% (18.65%)			
2,700,000	Clipper Logistics PLC	8,019	1.97
3,600,000	Equiniti Group PLC, Reg S	9,558	2.35
3,000,000	Restore PLC	14,310	3.52
1,200,000	Ricardo PLC	10,104	2.49
1,575,000	Robert Walters PLC	10,584	2.60
2,450,000	RWS Holdings PLC	12,103	2.98
3,000,000	The Simplybiz Group Plc	5,974	1.47
		<u>70,652</u>	<u>17.38</u>
TRAVEL & LEISURE 2.75% (3.21%)			
1,195,978	Patisserie Holdings PLC	5,185	1.28
2,700,000	The City Pub Group PLC, Reg S	5,994	1.47
		<u>11,179</u>	<u>2.75</u>
	TOTAL - EQUITIES	<u>371,234</u>	<u>91.32</u>
	TOTAL VALUE OF INVESTMENTS	<u>371,234</u>	<u>91.32</u>
	OTHER ASSETS	<u>35,280</u>	<u>8.68</u>
	TOTAL NET ASSETS	<u>406,514</u>	<u>100.00</u>

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2018.

Unless otherwise stated the above securities are ordinary shares or common stock and admitted to official stock exchange listings.

§ Real Estate Investment Trust (REIT).

FRANKLIN UK SMALLER COMPANIES FUND

Statement of Total Return

For the period 1 April 2018 to 30 September 2018

	September 2018 £000	September 2018 £000	September 2017 £000	September 2017 £000
Income				
Net capital gains/(losses)		10,649		30,237
Revenue	4,944		3,428	
Expenses	(1,697)		(1,234)	
Net revenue before taxation	3,247		2,194	
Taxation	(11)		-	
Net revenue after taxation		3,236		2,194
Total return before distributions for the period		13,885		32,431
Distributions		(1,465)		(1,128)
Change in net assets attributable to shareholders		12,420		31,303

Statement of Change in Net Assets Attributable to Shareholders

For the period 1 April 2018 to 30 September 2018

	September 2018 £000	September 2018 £000	September 2017 £000	September 2017 £000
Opening net assets attributable to shareholders		305,873		253,853
Amounts received on creation of shares	114,233		31,657	
Amounts paid on cancellation of shares	(26,911)		(46,769)	
		87,322		(15,112)
Change in net assets attributable to shareholders from investment activities (see above)		12,420		31,303
Retained distribution on accumulation shares		899		910
Closing net assets attributable to shareholders		406,514		270,954

Balance Sheet

As at 30 September 2018

	September 2018 £000	March 2018 £000
Assets		
Fixed assets		
Tangible assets:		
Investment assets	371,234	287,273
Current assets		
Debtors	1,578	1,853
Cash and bank balances	37,113	21,992
Total assets	409,925	311,118
Liabilities		
Creditors		
Distribution payable	(566)	(293)
Other creditors	(2,845)	(4,952)
Total liabilities	(3,411)	(5,245)
Net assets attributable to shareholders	406,514	305,873

FRANKLIN UK SMALLER COMPANIES FUND

Distribution Statement

For the period 1 April 2018 to 30 September 2018

Group 1 – Shares purchased prior to 1 April 2018

Group 2 – Shares purchased in the period 1 April 2018 to 30 September 2018

	Net Income p	Equalisation p	30 September 2018 Pence per Share p	30 September 2017 Pence per Share p
A – Income Shares				
Group 1	3.2182	-	3.2182	2.5168
Group 2	-	3.2182	3.2182	2.5168
W – Income Shares				
Group 1	0.6085	-	0.6085	0.5003
Group 2	0.1750	0.4335	0.6085	0.5003
W – Accumulation Shares				
Group 1	1.2387	-	1.2387	1.0077
Group 2	-	1.2387	1.2387	1.0077
Z – Accumulation Shares				
Group 1	1.0884	-	1.0884	0.8789
Group 2	0.5272	0.5612	1.0884	0.8789

Equalisation

All shareholders, within each share category, receive the same distribution per share, although the distribution to shareholders who purchased shares during the distribution period (Group 2 holdings) contains an element of equalisation which is a repayment, at an average rate per share, of the amount of accrued net income which was included in the purchase price of such shares. As the nature of this payment is capital it is not subject to income tax but must be deducted from the purchase price in any capital gains tax computation on the sale of the shares.

FRANKLIN US OPPORTUNITIES FUND

Investment Review

Performance

For the six-month period ended 30 September 2018, Franklin US Opportunities Fund (W(acc) shares) returned 22.09%*, while its benchmark, the Russell 3000® Growth Index¹, returned 24.08% (both returns in UK sterling).

Market Overview

The US economy grew during the six months under review. The economy grew faster in 2018's second quarter, driven by consumer spending, business investment, exports and government spending. The manufacturing and services sectors expanded during the period. The unemployment rate declined from 4.1% in March 2018, as reported at the beginning of the six-month period, to a 49-year low of 3.7% at period-end. Annual inflation, as measured by the Consumer Price Index, increased from 2.4% in March 2018, as reported at the beginning of the period, to 2.7% for August.

The US Federal Reserve (Fed) raised its target range for the federal funds rate 25 basis points (bps) at its June 2018 meeting and continued reducing its balance sheet as part of an ongoing plan to normalise monetary policy. During his congressional testimony in July 2018 and at a Fed symposium in August, Fed Chair Jerome Powell reiterated the Fed's intention to gradually raise interest rates. At its September 2018 meeting, the Fed raised its target range for the federal funds rate 25 bps to 2.00%–2.25%, as widely expected. Furthermore, the Fed raised its forecast for US economic growth in 2018 and 2019 and projected one more rate increase in 2018.

US equity markets rose overall during the period, benefitting from mostly upbeat economic data, better US corporate earnings and expectations of gradual rate increases. However, markets were pressured at certain times during the period by fears of tighter regulation of information technology and technology-related companies, as well as concerns that strong economic growth and rising inflation would lead the Fed to increase its target rate faster than expected. Other factors that curbed investor sentiment included tensions between the United States and North Korea early in the period, political uncertainties in the United States, the Trump administration's protectionist policies and escalating trade tensions between the United States and China. Partially offsetting these concerns were an overall easing of tensions in the Korean peninsula in the latter part of the period, intermittent US-China trade negotiations, a US-EU agreement to try to reduce trade barriers, and a trade deal between the United States and Mexico that Canada joined at period-end. In this environment, the broad US stock market, as measured by the Standard & Poor's® 500 Index, reached a new all-time high and generated a +11.41% total return for the period.

Significant Changes

For the six-month period ended 30 September 2018, information technology was the Fund's largest sector weighting. Noteworthy changes in sector weightings included an increase in the health care sector and decreases in the materials and real estate sectors. Additionally, the Fund's cash position decreased over the six-month reporting period.

The most meaningful additions or increases to the Fund during the reporting period were Amazon.com, Microsoft, Liberty Broadband, West Pharmaceutical Services, Lamb Weston Holdings, Wynn Resorts and MSCI.

Liberty Broadband Corporation's principal asset consists of its interest in Charter Communications, one of the largest providers of cable services in the United States, offering a variety of entertainment and communications solutions to residential and commercial customers. We initiated a position in Liberty based on our constructive thesis for Charter, for whom broadband delivery is driving mid- to high-single digit EBITDA growth and double-digit free-cash-flow growth that is not fully recognised in its valuation, in our view. **West Pharmaceutical Services** is a leading manufacturer of packaging components and delivery systems for injectable drugs and healthcare products. Our new position in West Pharmaceutical comes at a positive inflection point for its operating results, driven by a shift to higher value products and strong end-market demand, which we believe is sustainable, given the company's dominant market share and defensive moat. **Lamb Weston** is a leading supplier of frozen potato, sweet potato, and vegetable products to restaurants and retailers around the world. Overall industry demand continues to be high and capacity will likely remain tight, given poor

* Figure differs from comparative table performance due to alternative calculation methodology used.

¹ Russell® is a trademark/servicemark of the Frank Russell Company.

FRANKLIN US OPPORTUNITIES FUND

Investment Review (continued)

Significant Changes (continued)

crop trends in Europe. Lamb Weston's organic growth rate, driven by robust volume trends and strong pricing power, is unique in the packaged food industry. **Wynn Resorts** owns and operates Wynn hotels and casinos in Nevada, the United States and Macau, China. We added Wynn to our portfolio during a time of extreme pessimism around gaming stocks generally, and Wynn specifically. We believe concerns around trade-war risk, weak customer trends in Macau, and a slow convention calendar in Las Vegas are transitory, and the risk-reward profile for the stock remains compelling. **MSCI** is a leading provider of investment decision support tools worldwide, including indices, analytical tools, data, real estate benchmarks and ESG research. MSCI is benefitting from the shift in the investment business to passive management, and the strong flows in ETFs linked to the company's indices.

The most significant reductions or liquidations for the Fund during the reporting period were Amazon.com, Facebook, Microsoft, Apple, Mastercard, Broadcom, Las Vegas Sands, and Pinnacle Foods.

Facebook develops social media applications for mobile devices, personal computers, and other surfaces. Its products include Facebook, Instagram, Messenger, WhatsApp, and Oculus. Our long-term positive view of Facebook has remained intact, and it remains a significant holding in the portfolio. Nevertheless, we took steps during the period to appropriately reduce exposure considering emerging regulatory concerns and rising expenses. **Amazon.com** provides online retail shopping services and electronic storage and database services for start-ups, enterprises, government agencies and academic institutions through its Amazon Web Services division. Amazon remains our top holding as of 30 September 2018. However, over the last six months we took steps to mitigate risk from single stock exposure owing to outsized performance for the stock. **Broadcom** is a diversified global semiconductor leader serving four primary end markets: wired infrastructure, wireless communications, enterprise storage and industrial. We exited our position following Broadcom's announced intention to acquire software company CA Technologies, as we see better risk-reward at other semiconductor peers. **Las Vegas Sands** is global developer and operator of luxury hotels, casinos, retail, dining, and entertainment venues. We continue to view Sands' long-term prospects favourably but given recent weakness in gaming revenues we consolidated our exposure in similarly-themed investments with more attractive risk reward potential. **Pinnacle Foods** is a leading producer of high-quality branded food products, holding the #1 or #2 market position in 10 out of 14 major category segments in which it competes. We sold our position in Pinnacle at a premium to cost ahead of the company's formal acquisition by Conagra Brands (not a fund holding)

Contributors and Detractors

The Fund lagged its benchmark index for the six-month period ended 30 September 2018. The communication services and health care sectors were leading detractors from relative performance. Conversely, the information technology, materials and industrials sectors contributed to relative returns.

Stock selection hindered relative performance in the communications services sector, where a position in SBA Communications dragged on results. Foreign exchange pressures and rising interest rates were headwinds for the wireless tower operator. We continue to see SBAC as an attractive long-term investment opportunity given the tower industry's strong barriers to entry and a trend of increasing mobile carrier spending.

Relative performance in the health care sector was pulled lower by the declining shares of Nevro. The medical device company, which focuses on pain management, has been struggling with sluggish sales, rising operating expenses and patent disputes over its leading spinal cord stimulation therapy. In contrast, heart recovery device maker ABIOMED was strong contributor in the sector; use of Impella, the company's flagship product, is becoming a best practice for treating cardiac arrest in US hospitals. Although industrials was an overall contributor at the sector level, the fund's underweighting in rising shares of defence contractor Raytheon dampened relative performance. Elsewhere, electronic trading platform MarketAxess Holdings detracted from returns in the financial sector.

Helping Fund performance was an overweighting and stock selection in the information technology sector, which has been benefitting from strong earnings and share buybacks. Top fund contributors in this space included payment processors Mastercard and Visa, as well as software industry holdings Zendesk and salesforce.com. Conversely, online education platform-services provider 2U detracted from returns.

In the consumer discretionary sector, Amazon.com was a key Fund contributor. Profits for the online retail giant topped US\$1 billion over the period. Amazon continues to see acceleration of its cloud computing business, which we consider a leader in the infrastructure-as-a-service space. In contrast, casino operator

FRANKLIN US OPPORTUNITIES FUND

Investment Review (continued)

Contributors and Detractors (continued)

Wynn Resorts detracted from performance. Overall, major gaming operators have been pressured by softness in the Macau VIP environment and reduced expectations around lodging activity in Las Vegas in the second half of 2018.

Outlook

US equities have continued to outperform amidst a backdrop of strong US economic data and heightened volatility abroad. As we look deeper at the foundation of the US economy—the consumer and corporate earnings—we see a relatively healthy backdrop. Macroeconomic level uncertainties for the markets currently include trade, inflation, interest rates and the potential change in the political and regulatory landscape with upcoming US mid-term elections.

In our investment strategy, we maintain high expectations for growth around the themes of advanced medical care and technological innovation. For example, in advanced medical care, we are seeing significant innovation in gene therapy, gene editing, oncology and other areas that harness the power of the body's immune system to fight cancer. The technology sector continues to offer compelling investment opportunities as companies use innovative technology, such as cloud computing and artificial intelligence, for increased profits and productivity.

At Franklin Equity Group, our experience in active management helps us identify companies displaying innovation that leads to sustainable competitive advantages and favourable growth regardless of market conditions. Active management also helps us in seeking to prepare for an economic downturn or market pullback as we build our portfolios stock-by-stock.

1. Russell® is a trademark/servicemark of the Frank Russell Company.

Grant Bowers & Sara Araghi

Fund Managers

30 September 2018

FRANKLIN US OPPORTUNITIES FUND

Comparative Table

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
A – Accumulation shares				
Change in net assets per share				
Opening net asset value per share	392.46	364.36	276.91	288.05
Return before operating charges ¹	84.07	34.15	92.510	(6.76)
Operating charges ²	(6.97)	(6.05)	(5.06)	(4.38)
Return after operating charges* ³	77.10	28.10	87.45	(11.14)
Closing net asset value per share	469.56	392.46	364.36	276.91
Retained distributions on accumulation shares	-	-	-	(4.2232)
*After direct transaction costs of: ⁴	0.0004	0.0008	0.0013	0.0008
Performance				
Return after charges ⁵	19.65%	7.71%	31.58%	(3.87%)
Other information				
Closing net asset value	9,244,927	7,734,388	7,846,309	7,701,839
Closing number of shares	1,968,850	1,970,724	2,153,449	2,781,312
Ongoing charges ratio ⁶	1.58%	1.58%	1.58%	1.58%
Direct transaction costs ⁴	0.01%	0.02%	0.04%	0.03%
Prices				
Highest share price	479.80	419.63	376.32	298.73
Lowest share price	383.17	352.95	267.29	242.35

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
W – Accumulation shares				
Change in net assets per share				
Opening net asset value per share	247.22	227.80	171.84	177.41
Return before operating charges ¹	51.98	21.42	57.61	(4.16)
Operating charges ²	(2.30)	(2.00)	(1.65)	(1.41)
Return after operating charges* ³	49.68	19.42	55.96	(5.57)
Closing net asset value per share	296.90	247.22	227.80	171.84
Retained distributions on accumulation shares	-	-	-	(0.4486)
*After direct transaction costs of: ⁴	0.0003	0.0005	0.0008	0.0005
Performance				
Return after charges ⁵	20.10%	8.53%	32.57%	(3.14%)
Other information				
Closing net asset value	87,464,316	95,162,838	102,811,694	112,451,707
Closing number of shares	29,459,634	38,493,366	45,132,207	65,440,856
Ongoing charges ratio ⁶	0.83%	0.83%	0.83%	0.83%
Direct transaction costs ⁴	0.01%	0.02%	0.04%	0.03%
Prices				
Highest share price	303.22	264.22	235.19	184.04
Lowest share price	241.41	220.75	166.15	150.230

FRANKLIN US OPPORTUNITIES FUND

Comparative Table (continued)

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
Y – Income shares				
Change in net assets per share				
Opening net asset value per share	188.33	172.99	130.09	133.79
Return before operating charges ¹	38.82	16.51	43.81	(3.14)
Operating charges ²	(0.06)	(0.07)	(0.05)	(0.04)
Return after operating charges* ³	38.76	16.44	43.76	(3.18)
Distributions on income shares	-	(1.0951)	(0.8602)	(0.5237)
Closing net asset value per share	227.09	188.33	172.99	130.09
*After direct transaction costs of: ⁴	0.0002	0.0004	0.0006	0.0004
Performance				
Return after charges ⁵	20.58%	9.50%	33.64%	(2.37%)
Other information				
Closing net asset value	4,465	3,703	119,756	122,745
Closing number of shares	1,966	1,966	69,228	94,352
Ongoing charges ratio ⁶	0.03%	0.04%	0.03%	0.03%
Direct transaction costs ⁴	0.01%	0.02%	0.04%	0.03%
Prices				
Highest share price	231.80	202.39	179.42	138.82
Lowest share price	183.94	167.70	126.02	114.07

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
Z – Accumulation shares				
Change in net assets per share				
Opening net asset value per share	414.16	382.39	289.03	298.72
Return before operating charges ¹	87.52	35.92	96.86	(6.73)
Operating charges ²	(4.80)	(4.15)	(3.50)	(2.96)
Return after operating charges* ³	82.72	31.77	93.36	(9.69)
Closing net asset value per share	496.88	414.16	382.39	289.03
Retained distributions on accumulation shares	-	-	-	(1.3910)
*After direct transaction costs of: ⁴	0.0005	0.0008	0.0014	0.0009
Performance				
Return after charges ⁵	19.97%	8.31%	32.30%	(3.24%)
Other information				
Closing net asset value	599,945	481,090	461,746	254,170
Closing number of shares	120,743	116,162	120,753	87,940
Ongoing charges ratio ⁶	1.03%	1.03%	1.03%	1.03%
Direct transaction costs ⁴	0.01%	0.02%	0.04%	0.03%
Prices				
Highest share price	507.53	442.69	394.84	309.86
Lowest share price	404.40	370.52	279.33	252.76

FRANKLIN US OPPORTUNITIES FUND

Comparative Table (continued)

- 1 The "return before operating charges" is calculated as the "return after operating charges" plus the "operating charges".
- 2 The "operating charges" are calculated with reference to the total expenses for the year divided by the number of shares in issue at each valuation point.
- 3 The "return after operating charges" is calculated as the "closing net asset value per share" plus the "distributions" (for income share classes only) minus the "opening net asset value per share".
- 4 The direct transaction costs include all fees and expenses which relate directly to the sales and purchases of securities which include commissions, transfer taxes and duties. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The "direct transaction costs" ratio is calculated by dividing the total transaction costs by the average net assets.
- 5 The "return after charges" is calculated as the "return after operating charges" per share divided by the "opening net asset value per share". This figure will differ from "performance return" figure disclosed under "Investment Review" section due to alternative calculation methodology used.
- 6 The "ongoing charges ratio" represents all operating charges and expenses of the share class in the prior 12 months as a percentage of the share class's average net assets during the year.

Where ex-post expense information is not a fair representation of future operating costs and where 12 months of information is not available, an estimate is disclosed.

Risk Profile (W(acc) shares)



This indicator, disclosed in the Key Investor Information Document (KIID), provides a measure of the price movement of the Fund based on historical behaviour. Historical data may not be a reliable indication of the future risk profile of the Fund. The category shown is not guaranteed to remain unchanged and may shift over time. The lowest category does not mean risk free.

For a full discussion of all the risks applicable to this Fund, please refer to the "Risk Factors" section of the current prospectus of Franklin Templeton Funds.

FRANKLIN US OPPORTUNITIES FUND

Portfolio Statement as at 30 September 2018

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	EQUITIES 98.80% (94.75%)		
	AEROSPACE & DEFENCE 3.18% (3.82%)		
12,986	Raytheon Co.	2,059	2.12
3,601	The Boeing Co.	1,027	1.06
		<u>3,086</u>	<u>3.18</u>
	AIRLINES 0.15% (0.23%)		
1,522	Allegiant Travel Co.	148	0.15
	APPLICATION SOFTWARE 8.37% (6.09%)		
20,806	2U Inc.	1,200	1.23
8,228	Adobe Systems Inc.	1,704	1.75
8,314	Autodesk Inc.	996	1.02
2,979	Guidewire Software Inc.	231	0.24
3,340	Pluralsight Inc., A	82	0.08
4,586	PTC Inc.	374	0.39
13,667	Salesforce.com Inc.	1,667	1.71
4,894	Tyler Technologies Inc.	920	0.95
17,841	Zendesk Inc.	972	1.00
		<u>8,146</u>	<u>8.37</u>
	AUTO PARTS & EQUIPMENT 0.74% (0.40%)		
11,219	Aptiv PLC	722	0.74
	BIOTECHNOLOGY 2.19% (2.77%)		
6,561	Celgene Corp.	450	0.46
17,952	Heron Therapeutics Inc.	436	0.45
16,208	PTC Therapeutics Inc.	584	0.60
6,140	Sage Therapeutics Inc.	665	0.68
		<u>2,135</u>	<u>2.19</u>
	CABLE & SATELLITE 1.11% (1.49%)		
16,698	Liberty Broadband Corp., C	1,080	1.11
	CASINOS & GAMING 0.75% (1.06%)		
7,485	Wynn Resorts Ltd.	729	0.75
	DATA PROCESSING & OUTSOURCED SERVICES 10.46% (10.38%)		
400	Adyen NV	250	0.26
8,256	Fiserv Inc.	522	0.54
28,455	Mastercard Inc., A	4,859	4.99
14,505	PayPal Holdings Inc.	977	1.00
31,054	Visa Inc., A	3,575	3.67
		<u>10,183</u>	<u>10.46</u>
	DISTILLERS & VINTNERS 1.54% (1.60%)		
9,047	Constellation Brands Inc., A	1,498	1.54
	ELECTRICAL COMPONENTS & EQUIPMENT 0.74% (0.64%)		
5,011	Rockwell Automation Inc.	721	0.74
	ELECTRONIC COMPONENTS 0.43% (0.22%)		
5,814	Amphenol Corp., A	419	0.43
	FINANCIAL EXCHANGES & DATA 4.40% (3.20%)		
17,084	Intercontinental Exchange Inc.	981	1.01
3,483	MarketAxess Holdings Inc.	477	0.49
8,691	MSCI Inc.	1,183	1.22
10,872	S&P Global Inc.	1,630	1.68
		<u>4,271</u>	<u>4.40</u>

FRANKLIN US OPPORTUNITIES FUND

Portfolio Statement as at 30 September 2018 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	HEALTH CARE EQUIPMENT 4.97% (3.85%)		
2,675	ABIOMED Inc.	923	0.95
10,225	Edwards Lifesciences Corp.	1,366	1.40
2,340	Intuitive Surgical Inc.	1,030	1.06
10,172	Medtronic PLC	768	0.79
17,148	Nevro Corp.	750	0.77
		<u>4,837</u>	<u>4.97</u>
	HEALTH CARE SUPPLIES 1.50% (0.00%)		
15,410	West Pharmaceutical Services Inc.	1,459	1.50
	HEALTH CARE TECHNOLOGY 0.37% (0.00%)		
4,309	Veeva Systems Inc.	360	0.37
	HOME ENTERTAINMENT SOFTWARE 0.74% (0.85%)		
7,811	Electronic Arts Inc.	722	0.74
	INDUSTRIAL CONGLOMERATES 1.63% (1.73%)		
5,165	Honeywell International Inc.	659	0.68
4,047	Roper Technologies Inc.	920	0.95
		<u>1,579</u>	<u>1.63</u>
	INDUSTRIAL MACHINERY 0.77% (0.87%)		
6,654	Stanley Black & Decker Inc.	748	0.77
	INTEGRATED TELECOMMUNICATION SERVICES 1.89% (2.35%)		
14,892	SBA Communications Corp., A\$	1,835	1.89
	INTERNET RETAIL 10.54% (9.19%)		
2,800	Alibaba Group Holding Ltd., ADR†	354	0.37
5,406	Amazon.com Inc.	8,305	8.53
485	Booking Holdings Inc.	738	0.76
2,986	Netflix Inc.	857	0.88
		<u>10,254</u>	<u>10.54</u>
	INTERNET SERVICES & INFRASTRUCTURE 0.35% (0.00%)		
5,127	Twilio Inc., A	339	0.35
	INTERNET SOFTWARE & SERVICES 6.43% (9.04%)		
3,638	Alphabet Inc., A	3,370	3.46
14,843	Facebook Inc., A	1,872	1.92
4,356	Spotify Technology SA	604	0.62
13,296	Tencent Holdings Ltd.	421	0.43
		<u>6,267</u>	<u>6.43</u>
	INVESTMENT BANKING & BROKERAGE 1.35% (1.68%)		
34,843	The Charles Schwab Corp.	1,314	1.35
	IT CONSULTING & OTHER SERVICES 1.26% (0.82%)		
23,311	InterXion Holding NV	1,203	1.23
2,500	SVMK Inc.	31	0.03
		<u>1,234</u>	<u>1.26</u>
	LIFE & HEALTH INSURANCE 0.39% (0.86%)		
9,616	Athene Holding Ltd., A	381	0.39
	LIFE SCIENCES TOOLS & SERVICES 0.69% (0.00%)		
2,399	Illumina Inc.	675	0.69
	MANAGED HEALTH CARE 3.36% (2.08%)		
6,472	Centene Corp.	719	0.74
12,503	UnitedHealth Group Inc.	2,551	2.62
		<u>3,270</u>	<u>3.36</u>

FRANKLIN US OPPORTUNITIES FUND

Portfolio Statement as at 30 September 2018 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	MOVIES & ENTERTAINMENT 0.49% (0.63%)		
5,366	The Walt Disney Co.	481	0.49
	OIL & GAS EXPLORATION & PRODUCTION 1.07% (1.05%)		
10,025	Diamondback Energy Inc.	1,040	1.07
	PACKAGED FOODS & MEATS 1.48% (1.01%)		
23,595	Lamb Weston Holdings Inc.	1,205	1.24
15,402	Nomad Foods Ltd.	239	0.24
		1,444	1.48
	PHARMACEUTICALS 0.26% (0.71%)		
9,555	Elanco Animal Health Inc.	256	0.26
	REGIONAL BANKS 0.94% (0.86%)		
3,835	SVB Financial Group	914	0.94
	RESEARCH & CONSULTING SERVICES 3.81% (3.02%)		
5,369	CoStar Group Inc.	1,734	1.78
17,693	IHS Markit Ltd.	732	0.75
13,414	Verisk Analytics Inc.	1,241	1.28
		3,707	3.81
	SEMICONDUCTOR EQUIPMENT 0.53% (1.13%)		
17,476	Applied Materials Inc.	518	0.53
	SEMICONDUCTORS 4.08% (5.23%)		
11,430	Analog Devices Inc.	811	0.83
9,784	Monolithic Power Systems	942	0.97
7,227	NVIDIA Corp.	1,558	1.60
10,777	Xilinx Inc.	663	0.68
		3,974	4.08
	SOFT DRINKS 0.94% (1.00%)		
20,481	Monster Beverage Corp.	916	0.94
	SPECIALIZED REIT'S 1.20% (1.87%)		
6,275	American Tower Corp. §	699	0.72
1,394	Equinix Inc. §	463	0.48
		1,162	1.20
	SPECIALTY CHEMICALS 0.85% (1.64%)		
17,369	Axalta Coating Systems Ltd.	389	0.40
5,610	Ingevity Corp.	438	0.45
		827	0.85
	SYSTEMS SOFTWARE 6.83% (5.69%)		
49,131	Microsoft Corp.	4,310	4.43
15,537	ServiceNow Inc.	2,332	2.40
		6,642	6.83
	TECHNOLOGY HARDWARE, STORAGE & PERIPHERALS 5.48% (4.83%)		
30,789	Apple Inc.	5,332	5.48
	TRADING COMPANIES & DISTRIBUTORS 0.54% (0.86%)		
22,380	Univar Inc.	526	0.54
	TOTAL - EQUITIES	96,151	98.80
	TOTAL VALUE OF INVESTMENTS	96,151	98.80
	OTHER ASSETS	1,163	1.20
	TOTAL NET ASSETS	97,314	100.00

FRANKLIN US OPPORTUNITIES FUND

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2018. Unless otherwise stated the above securities are ordinary shares or common stock and admitted to official stock exchange listings.

† American Depositary Receipt.

§ Real Estate Investment Trust (REIT).

FRANKLIN US OPPORTUNITIES FUND

Statement of Total Return

For the period 1 April 2018 to 30 September 2018

	September 2018 £000	September 2018 £000	September 2017 £000	September 2017 £000
Income				
Net capital gains/(losses)		22,152		2,617
Revenue	373		376	
Expenses	(512)		(436)	
Net expense before taxation	(139)		(60)	
Taxation	(53)		(52)	
Net expense after taxation		(192)		(112)
Total return before distributions for the period		21,960		2,505
Change in net assets attributable to shareholders		21,960		2,505

Statement of Change in Net Assets Attributable to Shareholders

For the period 1 April 2018 to 30 September 2018

	September 2018 £000	September 2018 £000	September 2017 £000	September 2017 £000
Opening net assets attributable to shareholders		103,383		111,389
Amounts received on creation of shares	49,089		16,154	
Amounts paid on cancellation of shares	(77,122)		(36,268)	
		(28,033)		(20,114)
Dilution levy		4		5
Change in net assets attributable to shareholders from investment activities (see above)		21,960		2,505
Closing net assets attributable to shareholders		97,314		93,785

Balance Sheet

As at 30 September 2018

	September 2018 £000	March 2018 £000
Assets		
Fixed assets		
Tangible assets:		
Investment assets	96,151	97,959
Current assets		
Debtors	1,152	1,182
Cash and bank balances	604	5,264
Total assets	97,907	104,405
Liabilities		
Creditors		
Other creditors	(593)	(1,022)
Total liabilities	(593)	(1,022)
Net assets attributable to shareholders	97,314	103,383

TEMPLETON GLOBAL EMERGING MARKETS FUND

Investment Review

Performance

In the six months ended 30 September 2018, Templeton Global Emerging Markets Fund (W(acc) shares) returned 0.35%*, compared with the benchmark MSCI Emerging Markets Index, which returned -1.82% (both returns in UK sterling).

Overview

The global economy expanded during the six-month period under review amidst generally upbeat economic data across regions. As measured by MSCI indices, developed-market stocks as a group outperformed the global index, while emerging-market stocks collectively declined during the period.

Global equity markets were aided by higher crude oil prices and encouraging corporate earnings reports from several regions. However, early in the period, markets reflected investor concerns about tensions in the Korean peninsula and political uncertainties in the United States and the European Union (EU), as well as worries that strong economic growth and rising inflation in the United States and other countries would lead central banks to increase interest rates sooner than expected. Markets were further pressured by the Trump administration's protectionist trade policies, US trade disputes with various countries including China, and fears of tighter regulation of technology-related companies. The rapid deterioration of the Turkish lira and Argentine peso, accompanied by fears of contagion, also hurt investor confidence for much of the period, particularly in emerging markets. However, later in the period, investors were encouraged by an easing of tensions in the Korean peninsula, a US-EU agreement to try to reduce trade barriers, and a trade deal between the United States and Mexico, which Canada joined at period-end.

In emerging markets, China's annual gross domestic product (GDP) moderated in 2018's second quarter. The People's Bank of China left its benchmark interest rate unchanged during the period, but it took measures to improve financial liquidity to support economic growth and mitigate the negative effects of the trade dispute with the United States. Also for the second quarter, Brazil saw its GDP growth increase on a quarterly basis, while Russia's GDP grew on an annualised basis. The Bank of Russia kept its key interest rate unchanged through most of the period but raised it near period-end.

Significant Changes

There was limited purchase activity during the six-month period, with only three positions added to or opened in the portfolio. The purchase activity was focused on China-based stocks, with China Construction Bank, in the financial sector, the main change. There were also small increases in Tencent, in the communication services sector, and CTBC Financial.

Positions sold from or reduced in the portfolio included several information technology (IT) and industrials stocks. In IT, South Korea-based semiconductor and mobile phone producer Samsung Electronics was the largest reduction during the period. Semiconductor manufacturer SK Hynix was another South Korea-based IT stock that was sold, along with Taiwan-based smartphone lens maker Largan Precision. Among industrials stocks, there were sales of South Korea-based construction and engineering companies Daelim Industrials and HDC Holdings. In the consumer discretionary sector, South Korea-based auto-components manufacturer Hanon Systems was sold. Elsewhere, South Africa-based media firm Naspers and UK-based consumer products company Unilever were also among the sales. Additional sales included China Petroleum & Chemical Company (Sinopec) and Russia-based metals and mining company Norilsk Nickel.

Positive/Negative Contributors

Amidst a period of trade tensions and ongoing global economic expansion, the Fund finished the reporting period broadly flat in absolute terms.

In terms of sectors, communication services and IT aided relative performance the most, both due to stock selection. In communication services, an underweight position in Tencent helped as the stock fell amidst regulatory uncertainty in China's online gaming industry. An off-benchmark position in IMAX, a US-listed large-screen cinema company with operations throughout emerging markets, also contributed. In IT, shares of chip maker Taiwan Semiconductor Manufacturing Company (TSMC) benefitted from strong demand for its latest high-performance chips, as well as news of a competitor halting its development of advanced chip-production technology.

TEMPLETON GLOBAL EMERGING MARKETS FUND

Investment Review (continued)

Positive/Negative Contributors (continued)

Amongst consumer discretionary holdings, sporting apparel company Fila Korea rallied on better-than-expected quarterly earnings, thanks to higher sales and margins. The financial results reflected a recovery in the sportswear company's domestic and US businesses, as well as its rapid growth in China. However, China-based car manufacturers detracted somewhat from returns in this sector as Brilliance China Automotive declined amidst uncertainty around its joint venture with German luxury car maker BMW. BAIC Motor, which partners with Germany's Daimler, also declined. We believe that Brilliance China and BAIC remain well-positioned to capture growing demand for premium cars in China over the long term.

Holdings in the energy sector benefitted from rising oil prices, particularly Russia-based Lukoil. The integrated energy company also started repurchasing its shares under a US\$3 billion share buyback programme, as part of its efforts to improve shareholder value and corporate governance. China-based energy firms CNOOC and Sinopec also gained ground against the backdrop of improving oil prices.

The relative contribution from the financial sector was broadly flat. Positive performers included Banco Santander (Mexico), which posted better-than-expected quarterly earnings as net interest income increased and provisions fell. We are drawn to the bank's strong domestic franchise, which should support its growth. However, Brazil-based Banco Bradesco and Itau Unibanco detracted. Sberbank Russia also fell as fresh US sanctions on Russia dampened market sentiment. The news overshadowed Sberbank's second-quarter earnings growth, which bolstered its position as a leading lender in its home market.

In contrast, selection and an underweight exposure to materials detracted, primarily due to a lack of exposure to Brazil-based metals and mining company Vale, whose shares moved higher over the period. Consumer staples and industrials also weighed slightly on relative returns, both due to stock selection.

Outlook

In the last decade, China has surpassed the United States to become a far more important export market for most large emerging economies, mainly due to its burgeoning consumer market. Thus, trade growth now predominantly comes from intra-EM demand. Rising protectionism in the West may further pivot focus towards regional agreements; indeed, China appears eager to replace US trade leadership in Asia.

In emerging markets in general, we continue to like themes such as the structural growth in the technology sector, rising consumption and economic reforms. Technology is reshaping the global economy. While emerging markets were once disadvantaged by poor infrastructure, digitalization and new technologies have enabled emerging markets to address development challenges and leapfrog technological change.

We aim to look beyond the "noise" of negative news headlines and instead focus on the underlying fundamentals of the EM asset class. We find a disconnect between the negative sentiment permeating the market and positive EM equity fundamentals, including rising cash flows, improving capital-allocation discipline, corporate deleveraging, healthy earnings and discounted valuations.

Not all emerging markets will be hurt by the same factors, and performances of individual emerging markets vary considerably. As stock pickers, we can choose among the varied opportunities that emerging markets offer to build well-diversified portfolios that seek to avoid excessive risks.

Chetan Sehgal
Fund Manager
 30 September 2018

TEMPLETON GLOBAL EMERGING MARKETS FUND

Comparative Table

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
A – Accumulation shares				
Change in net assets per share				
Opening net asset value per share	263.60	238.53	167.85	189.66
Return before operating charges ¹	2.85	29.28	74.70	(18.59)
Operating charges ²	(4.18)	(4.21)	(4.02)	(3.22)
Return after operating charges* ³	(1.33)	25.07	70.68	(21.81)
Closing net asset value per share	262.27	263.60	238.53	167.85
Retained distributions on accumulation shares	-	0.1435	0.5878	1.2003
*After direct transaction costs of: ⁴	0.0008	0.0047	0.0033	0.0031
Performance				
Return after charges ⁵	(0.50%)	10.51%	42.11%	(11.50%)
Other information				
Closing net asset value	6,302,065	7,077,493	6,843,957	5,310,545
Closing number of shares	2,402,859	2,684,896	2,869,174	3,163,937
Ongoing charges ratio ⁶	1.60%	1.60%	1.95%	1.95%
Direct transaction costs ⁴	0.03%	0.18%	0.16%	0.19%
Prices				
Highest share price	270.49	286.66	242.26	203.85
Lowest share price	250.34	234.46	160.15	141.67

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
W – Accumulation shares				
Change in net assets per share				
Opening net asset value per share	132.99	119.64	83.56	93.72
Return before operating charges ¹	1.12	14.83	37.32	(9.20)
Operating charges ²	(1.45)	(1.48)	(1.24)	(0.96)
Return after operating charges* ³	(0.33)	13.35	36.08	(10.16)
Closing net asset value per share	132.66	132.99	119.64	83.56
Retained distributions on accumulation shares	-	0.8568	1.0621	1.1733
*After direct transaction costs of: ⁴	0.0004	0.0024	0.0017	0.0015
Performance				
Return after charges ⁵	(0.25%)	11.16%	43.18%	(10.84%)
Other information				
Closing net asset value	12,161,325	14,741,893	7,825,398	4,963,425
Closing number of shares	9,167,606	11,084,655	6,540,962	5,940,278
Ongoing charges ratio ⁶	1.10%	1.10%	1.20%	1.20%
Direct transaction costs ⁴	0.03%	0.18%	0.16%	0.19%
Prices				
Highest share price	136.59	144.50	121.47	100.75
Lowest share price	126.58	117.63	79.81	70.45

TEMPLETON GLOBAL EMERGING MARKETS FUND

Comparative Table (continued)

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
Y – Income shares				
Change in net assets per share				
Opening net asset value per share	130.38	118.02	83.05	94.48
Return before operating charges ¹	0.49	14.68	37.27	(9.28)
Operating charges ²	(0.19)	(0.17)	(0.30)	(0.26)
Return after operating charges* ³	0.30	14.51	36.97	(9.54)
Distributions on income shares	-	(2.1494)	(1.9975)	(1.8946)
Closing net asset value per share	130.68	130.38	118.02	83.05
*After direct transaction costs of: ⁴	0.0004	0.0024	0.0016	0.0016
Performance				
Return after charges ⁵	0.23%	12.29%	44.52%	(10.09%)
Other information				
Closing net asset value	14,899,324	14,865,288	3,508	2,468
Closing number of shares	11,401,763	11,401,763	2,972	2,972
Ongoing charges ratio ⁶	0.15%	0.13%	0.29%	0.32%
Direct transaction costs ⁴	0.03%	0.18%	0.16%	0.19%
Prices				
Highest share price	134.14	143.78	121.78	101.60
Lowest share price	124.63	116.12	79.44	71.57

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
Z – Accumulation shares				
Change in net assets per share				
Opening net asset value per share	132.24	119.08	83.25	93.47
Return before operating charges ¹	1.17	14.74	37.19	(9.17)
Operating charges ²	(1.58)	(1.58)	(1.36)	(1.05)
Return after operating charges* ³	(0.41)	13.16	35.83	(10.22)
Closing net asset value per share	131.83	132.24	119.08	83.25
Retained distributions on accumulation shares	-	0.7167	0.9800	1.0336
*After direct transaction costs of: ⁴	0.0004	0.0024	0.0017	0.0015
Performance				
Return after charges ⁵	(0.31%)	11.05%	43.04%	(10.93%)
Other information				
Closing net asset value	203,161	187,936	191,486	81,902
Closing number of shares	154,103	142,117	160,808	98,381
Ongoing charges ratio ⁶	1.20%	1.20%	1.30%	1.30%
Direct transaction costs ⁴	0.03%	0.18%	0.16%	0.19%
Prices				
Highest share price	135.79	143.71	120.91	100.47
Lowest share price	125.81	117.08	79.51	70.21

TEMPLETON GLOBAL EMERGING MARKETS FUND

Comparative Table (continued)

- 1 The "return before operating charges" is calculated as the "return after operating charges" plus the "operating charges".
- 2 The "operating charges" are calculated with reference to the total expenses for the year divided by the number of shares in issue at each valuation point.
- 3 The "return after operating charges" is calculated as the "closing net asset value per share" plus the "distributions" (for income share classes only) minus the "opening net asset value per share".
- 4 The direct transaction costs include all fees and expenses which relate directly to the sales and purchases of securities which include commissions, transfer taxes and duties. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The "direct transaction costs" ratio is calculated by dividing the total transaction costs by the average net assets.
- 5 The "return after charges" is calculated as the "return after operating charges" per share divided by the "opening net asset value per share". This figure will differ from "performance return" figure disclosed under "Investment Review" section due to alternative calculation methodology used.
- 6 The "ongoing charges ratio" represents all operating charges and expenses of the share class in the prior 12 months as a percentage of the share class's average net assets during the year.

Where ex-post expense information is not a fair representation of future operating costs and where 12 months of information is not available, an estimate is disclosed.

Risk Profile (W(acc) shares)



This indicator, disclosed in the Key Investor Information Document (KIID), provides a measure of the price movement of the Fund based on historical behaviour. Historical data may not be a reliable indication of the future risk profile of the Fund. The category shown is not guaranteed to remain unchanged and may shift over time. The lowest category does not mean risk free.

For a full discussion of all the risks applicable to this Fund, please refer to the "Risk Factors" section of the current prospectus of Franklin Templeton Funds.

TEMPLETON GLOBAL EMERGING MARKETS FUND

Portfolio Statement as at 30 September 2018

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	EQUITIES 98.10% (100.82%)		
	AFRICA 7.35% (9.38%)		
	KENYA		
47,500	East African Breweries Ltd.	65	0.19
	SOUTH AFRICA		
21,880	Massmart Holdings Ltd.	123	0.37
13,814	Naspers Ltd., N	2,279	6.79
		<u>2,402</u>	<u>7.16</u>
	TOTAL - AFRICA	<u>2,467</u>	<u>7.35</u>
	ASIA 65.62% (64.81%)		
	CAMBODIA		
419,000	NagaCorp Ltd.	336	1.00
	CHINA		
13,618	Alibaba Group Holding Ltd., ADR†	1,721	5.13
980,900	BAIC Motor Corp. Ltd., H	601	1.79
1,140	Baidu Inc., ADR†	200	0.60
1,046,000	Brilliance China Automotive Holdings Ltd.	1,295	3.86
491,000	China Construction Bank Corp., H	329	0.98
105,500	China Mobile Ltd.	797	2.37
556,000	China Petroleum & Chemical Corp., H	427	1.27
428,300	CNOOC Ltd.	650	1.94
9,807	COSCO Shipping Ports Ltd.	8	0.02
17,200	Inner Mongolia Yitai Coal Co. Ltd., B	16	0.05
1,012	NetEase Inc., ADR†	177	0.53
607,500	Ping An Bank Co. Ltd., A	750	2.23
53,000	Ping An Insurance (Group) Co. of China Ltd., H	413	1.23
9,400	Tencent Holdings Ltd.	298	0.89
299,800	Uni-President China Holdings Ltd.	245	0.73
53,512	Weifu High-Technology Co. Ltd., B	81	0.24
		<u>8,008</u>	<u>23.86</u>
	HONG KONG		
8,200	Dairy Farm International Holdings Ltd.	56	0.17
47,600	MGM China Holdings Ltd.	58	0.17
		<u>114</u>	<u>0.34</u>
	INDIA		
12,252	Bajaj Holdings & Investment Ltd.	400	1.19
22,400	Coal India Ltd.	63	0.19
47,102	Glenmark Pharmaceuticals Ltd.	314	0.93
318,248	ICICI Bank Ltd.	1,029	3.07
32,848	Infosys Ltd.	254	0.76
26,879	Tata Investment Corp. Ltd.	206	0.61
37,504	Tata Motors Ltd., A	46	0.14
		<u>2,312</u>	<u>6.89</u>
	INDONESIA		
1,167,800	Astra International Tbk PT	442	1.32
51,000	Mandom Indonesia Tbk PT	39	0.11
		<u>481</u>	<u>1.43</u>
	PAKISTAN		
63,768	MCB Bank Ltd.	79	0.23
210,000	United Bank Ltd.	200	0.60
		<u>279</u>	<u>0.83</u>
	PHILIPPINES		
17,405	BDO Unibank Inc.	29	0.09

TEMPLETON GLOBAL EMERGING MARKETS FUND

Portfolio Statement as at 30 September 2018 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
SOUTH KOREA			
18,470	Fila Korea Ltd.	572	1.70
1,230	GS Home Shopping Inc.	172	0.51
997	Hankook Tire Co. Ltd.	35	0.10
11,500	Hankook Tire Worldwide Co. Ltd.	143	0.43
13,145	Hanon Systems	115	0.34
6,463	HDC Hyundai Development Co-Engineering & Construction	227	0.68
12,750	Hite Jinro Co. Ltd.	149	0.44
31,151	Interpark Holdings Corp.	54	0.16
20,690	KT Skylife Co. Ltd.	199	0.59
4,071	LG Corp.	204	0.61
812	Naver Corp.	401	1.20
2,045	POSCO	416	1.24
82,999	Samsung Electronics Co. Ltd.	2,664	7.94
9,662	Sebang Global Battery Co. Ltd.	251	0.75
5,045	SK Hynix Inc.	255	0.76
1,008	SK Innovation Co. Ltd.	149	0.44
		<u>6,006</u>	<u>17.89</u>
TAIWAN			
46,000	Catcher Technology Co. Ltd.	389	1.16
45,000	CTBC Financial Holding Co. Ltd.	26	0.08
186,400	FIT Hon Teng Ltd.	71	0.21
337,930	Hon Hai Precision Industry Co. Ltd.	673	2.01
2,000	Largan Precision Co. Ltd.	183	0.55
51,206	PChome Online Inc.	179	0.53
124,000	Primax Electronics Ltd.	152	0.45
334,000	Taiwan Semiconductor Manufacturing Co. Ltd.	2,203	6.56
		<u>3,876</u>	<u>11.55</u>
THAILAND			
90,100	Kasikornbank PCL, fgn.	462	1.38
248,400	Land and Houses PCL, NVDR	67	0.20
142,800	Thai Beverage PCL, fgn.	55	0.16
		<u>584</u>	<u>1.74</u>
TOTAL - ASIA		<u>22,025</u>	<u>65.62</u>
CENTRAL AMERICA 2.34% (1.85%)			
MEXICO			
124,475	Banco Santander Mexico SA Institucion de Banca Multiple Grupo Financiero Santander, ADR†	741	2.21
79,583	Nemak SAB de CV	46	0.13
TOTAL - CENTRAL AMERICA		<u>787</u>	<u>2.34</u>
EUROPE - NON EU 8.49% (8.91%)			
RUSSIA			
35,500	Gazprom PJSC, ADR#†	136	0.40
20,170	LUKOIL PJSC, ADR†	1,183	3.52
15,989	Mail.Ru Group Ltd., GDR, Reg S^	328	0.98
5,200	MMC Norilsk Nickel PJSC, ADR#†	69	0.20
64,101	Sberbank of Russia PJSC, ADR†	620	1.85
27,037	TMK PAO, GDR, Reg S^	86	0.26
17,012	Yandex NV, A	429	1.28
TOTAL EUROPE - NON EU		<u>2,851</u>	<u>8.49</u>
EUROPE - OTHER EU 1.48% (1.58%)			
CZECH REPUBLIC			
72,390	Moneta Money Bank AS	203	0.61

TEMPLETON GLOBAL EMERGING MARKETS FUND

Portfolio Statement as at 30 September 2018 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	HUNGARY		
20,350	MOL Hungarian Oil and Gas PLC	167	0.50
8,730	Richter Gedeon Nyrt	125	0.37
		<u>292</u>	<u>0.87</u>
	TOTAL - EUROPE - OTHER EU	<u>495</u>	<u>1.48</u>
	MIDDLE EAST 0.96% (1.06%)		
	SAUDIA ARABIA		
6,955	Deutsche Bank AG London, (CRTP Saudi Dairy & Foodstuff Co., 144A), 4/12/2028¢	127	0.38
5,374	HSBC Bank PLC, (CRTP Saudi Basic Industries Corp.), 1/19/2021¢	138	0.41
		<u>265</u>	<u>0.79</u>
	TURKEY		
28,000	Migros Ticaret AS	57	0.17
	TOTAL - MIDDLE EAST	<u>322</u>	<u>0.96</u>
	NORTH AMERICA 0.90% (0.83%)		
	UNITED STATES		
15,279	IMAX Corp.	302	0.90
	TOTAL - NORTH AMERICA	<u>302</u>	<u>0.90</u>
	SOUTH AMERICA 7.95% (9.39%)		
	BRAZIL		
11,000	B2W Cia Digital	58	0.17
55,500	B3 SA - Brasil Bolsa Balcao	246	0.73
82,735	Banco Bradesco SA, ADR, pfd.†	449	1.34
76,274	Itau Unibanco Holding SA, ADR, pfd.†	642	1.91
118,280	Lojas Americanas SA	268	0.80
7,200	M. Dias Branco SA	54	0.16
29,700	Mahle-Metal Leve SA	136	0.41
6,500	Totvs SA	31	0.09
		<u>1,884</u>	<u>5.61</u>
	PERU		
53,660	Compania de Minas Buenaventura SA, ADR†	552	1.65
7,570	Intercorp Financial Services Inc., Reg S	232	0.69
		<u>784</u>	<u>2.34</u>
	TOTAL - SOUTH AMERICA	<u>2,668</u>	<u>7.95</u>
	UNITED KINGDOM 3.01% (3.01%)		
23,961	Unilever PLC	1,010	3.01
	TOTAL - UNITED KINGDOM	<u>1,010</u>	<u>3.01</u>
	TOTAL - EQUITIES	<u>32,927</u>	<u>98.10</u>
	TOTAL VALUE OF INVESTMENTS	<u>32,927</u>	<u>98.10</u>
	OTHER ASSETS	<u>639</u>	<u>1.90</u>
	TOTAL NET ASSETS	<u>33,566</u>	<u>100.00</u>

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2018.

Unless otherwise stated the above securities are ordinary shares or common stock and admitted to official stock exchange listings.

^ Global Depository Receipt.

† American Depositary Receipt.

Traded on an alternative investment market.

¢ Participatory Note.

TEMPLETON GLOBAL EMERGING MARKETS FUND

Statement of Total Return

For the period 1 April 2018 to 30 September 2018

	September 2018 £000	September 2018 £000	September 2017 £000	September 2017 £000
Income				
Net capital gains/(losses)		(473)		2,220
Revenue	595		372	
Expenses	(134)		(132)	
Net revenue before taxation	461		240	
Taxation	(66)		(37)	
Net revenue after taxation		395		203
Total return before distributions for the period		(78)		2,423
Distributions		(6)		18
Change in net assets attributable to shareholders		(84)		2,441

Statement of Change in Net Assets Attributable to Shareholders

For the period 1 April 2018 to 30 September 2018

	September 2018 £000	September 2018 £000	September 2017 £000	September 2017 £000
Opening net assets attributable to shareholders		36,872		14,864
Amounts received on creation of shares	1,668		19,044	
Amounts paid on cancellation of shares	(4,896)		(1,631)	
		(3,228)		17,413
Dilution levy		-		54
Change in net assets attributable to shareholders from investment activities (see above)		(84)		2,441
Retained distribution on accumulation shares		6		-
Closing net assets attributable to shareholders		33,566		34,772

Balance Sheet

As at 30 September 2018

	September 2018 £000	March 2018 £000
Assets		
Fixed assets		
Tangible assets:		
Investment assets	32,927	37,176
Current assets		
Debtors	79	151
Cash and bank balances	727	153
Total assets	33,733	37,480
Liabilities		
Creditors		
Distribution payable	-	(245)
Other creditors	(167)	(363)
Total liabilities	(167)	(608)
Net assets attributable to shareholders	33,566	36,872

TEMPLETON GLOBAL TOTAL RETURN BOND FUND

Investment Review

Performance

For the six months ended 30 September 2018, Templeton Global Total Return Bond Fund (W(acc) GBP-H3 share class) returned -5.29%*, while its benchmark, the Bloomberg Barclays Multiverse Index, returned 3.70% (both returns in UK sterling).

Overview

During the six-month reporting period, the US Federal Reserve (Fed) raised the federal funds target rate at its meetings in June and September by a total of 50 basis points (bps). Market expectations (indicated by fed funds futures) for an additional rate hike in December remained strong. The 10-year US Treasury (UST) note's yield rose 32 bps to end September at 3.06%. Economic activity in the US has continued to strengthen, while core inflation figures remain around the Fed's 2.0% target. Additionally, risks of retaliatory trade wars appeared relatively contained, in our view, despite escalating tariff tensions between the US and China during the summer. On the whole, we continue to have a positive outlook for US growth and the global economy for 2018, but we're continuing to watch for potential economic disruptions. Overall, we expect UST yields to continue rising as the Fed unwinds its balance sheet and tightens policy, while inflation pressures build on exceptional strength in the US labour market and resilient expansion of the US economy.

The yield on 10-year German Bunds decreased 2 bps over the reporting period to 0.47%, and the euro weakened against the US dollar. At the European Central Bank's (ECB's) meeting on 14 June, ECB President Mario Draghi announced intentions to cease the central bank's net asset purchase programme at the end of 2018. Quantitative easing continued at a pace of €30 billion per month through September. It is scheduled to be reduced to €15 billion per month for October, November and December. However, Draghi has continued to indicate that rates will likely remain unchanged until at least the summer of 2019. Overall, we expect yields in the eurozone to remain exceptionally low in upcoming quarters. We expect the euro to weaken on widening rate differentials between the rising yields in the US and the low to negative yields in the eurozone. The peak rate divergence between the US and the eurozone remains ahead, in our view. The euro also continues to be vulnerable to unresolved structural and political risks, in our view.

The Bank of Japan (BOJ) has reaffirmed its intentions to target a 0.0% yield on the 10-year Japanese government bond. The range of tolerable deviation away from that target was raised to 0.2% from 0.1% during the summer, giving the central bank more policy flexibility. Nonetheless, BOJ Governor Haruhiko Kuroda has indicated that borrowing costs should be kept very low for an extended period of time. The BOJ is not in a position to reduce monetary accommodation, in our view, given Japan's need for higher inflation. The Japanese yen depreciated against the US dollar during the reporting period, and we expect it to continue weakening in upcoming quarters on widening rate differentials with the US.

Broad-based risk aversion across emerging markets in August led to significant exchange rate depreciations against the US dollar, as well as asset price devaluations in a number of local-currency markets. However, risk aversion across emerging markets began to diminish during the second half of September, as several emerging-market valuations stabilised or improved. We viewed the emerging-market selloffs in August as overreactions that often exceeded underlying fundamentals, and we expected select countries with healthier underlying fundamentals to recover. Emerging markets are far more distinct and idiosyncratic than they were decades ago, which should result in less correlation between dissimilar economies. Several countries have diversified their economies and have significantly broadened their local-currency debt markets. This makes the risks of financial market contagion across disparate economies, from Turkey to Latin America to Asia, far less likely than when emerging markets had less-diversified economies and had to borrow predominantly in hard-currency debt. Recent concerns for contagion have often been exaggerated, in our view, as countries have appeared to be more affected by "contagious negative sentiments" rather than true systemic contagions across economies and financial systems. We expect the risk aversion to reverse with time, though the atmosphere of fear trading could continue to create periods of volatility in the near term.

Significant Changes

The top five buys during the six-month period were:

1. India Government Bond 8.33% 07/09/2026
2. India Government Bond 8.24% 02/15/2027
3. India Government Bond 6.79% 05/15/2027

TEMPLETON GLOBAL TOTAL RETURN BOND FUND

Investment Review (continued)

Significant Changes (continued)

4. Argentine Bonos Del Tesoro 16.00% 10/17/2023

5. Argentine Bonos Del Tesoro 15.50% 10/17/2026

The top five sells during the six-month period were:

1. Mexican Fixed Rate Bonds 4.75% 06/14/2018

2. Korea Treasury Bond 4.25% 06/10/2021

3. Korea Treasury Bond 1.50% 06/10/2019

4. Korea Treasury Bond 2.00% 03/10/2021

5. Korea Treasury Bond 1.375% 09/10/2021

Positive/Negative Contributors

For the six month period that ended 30 September 2018, interest-rate strategies detracted from the Fund's relative performance, while currency positions contributed. Overall credit exposures had a largely neutral effect on relative results.

The Fund maintained a defensive approach regarding interest rates in developed markets, while holding duration exposures in select emerging markets. Select overweighted duration exposures in Latin America (Argentina) and Asia ex Japan (Indonesia) detracted from relative performance. However, underweighted duration exposure in the United States contributed to relative results.

Amongst currencies, the Fund's underweighted positions in the euro, the Japanese yen and the Australian dollar contributed to relative performance. However, overweighted currency positions in Latin America (the Argentine peso and Brazilian real) and Asia ex Japan (the Indian rupee) detracted from relative results.

Outlook

Overall, our investment convictions remain largely unchanged, despite the escalation in emerging-market risk aversion in recent months. Many of the countries that we believed were undervalued earlier this year have become even more undervalued with the recent "risk-off" cycle. Longer term we continue to have a positive outlook on a number of local-currency markets that we believe are fundamentally stronger than markets have been indicating.

The Brazilian real and Brazilian sovereign bonds saw increased volatility in August on broader emerging-market volatility and concerns over the upcoming first-round presidential election on 7 October. However, those weakening trends began to reverse in the second half of September. On a fundamental basis the Brazilian real remains undervalued, in our assessment, and we see scope for additional strengthening. We also see attractive risk-adjusted yields in Brazilian local-currency bonds, with an 11.7% yield on the 10-year bond (as at 30 September 2018). In the medium to long term, we view the country as fundamentally improving, as its institutions continue to perform the functions they have been tasked with despite ongoing political turmoil. The country currently has an orthodox, independent central bank and a finance ministry that appears committed to moving the country forward with appropriate policy measures. Additionally, the overall political will in Brazil to move beyond the country's failed policies of the past remains strong. The reforms underway are massive structural shifts that should unlock the domestic drivers of the economy. In the post-election environment, there may be different speeds at which some of the needed reforms are carried out, but we see little doubt that these reforms need to be enacted; the candidates largely have more orthodox policy directions than previous administrations. While some near-term political uncertainties remain, the longer-term economic picture continues to show tremendous potential, in our assessment. We continue to have a positive outlook on Brazil.

In Mexico, the country's institutional strength should protect much of the fiscal advances the country has made over the past several years. There are some positive signs on expected policy from the incoming president, Andres Manuel Lopez Obrador (AMLO), who has indicated he would uphold privatisation reforms in the energy sector. Additionally, the central bank has strong independence, and a long track

TEMPLETON GLOBAL TOTAL RETURN BOND FUND

Investment Review (continued)

Outlook (continued)

record of credibility and orthodox policy responses—we would expect that independence to continue. Renegotiations of NAFTA (North American Free Trade Agreement) have progressed in a positive direction for Mexico, which should largely maintain the extensive networks of trade with the US. On the whole, we continue to expect strengthening of the peso on strong fundamentals, benefitting from the implementation of structural reforms over the past few years, high international reserves and a flexible credit line from the International Monetary Fund. The Mexican peso strengthened against the US dollar in September.

In India, Prime Minister Narendra Modi's reform policies have been bringing the country's growth closer to its potential, while policy credibility from the central bank has created a stronger environment for attracting foreign investment. The central bank has indicated it is prepared to support the exchange rate as needed, demonstrating that determination by hiking its policy rate in June and August. There has been a bit of a backup in India's bond yields in 2018, along with the recent depreciation in the Indian rupee, but the country is on the right track, in our view. Modi has the political support needed to set the stage for an improvement in growth a couple of years from now. In the near term, a number of reforms are likely to be headwinds to growth, such as the bankruptcy law, bank deleveraging and the value added tax changes. But the short-term impacts are justified by the likelihood for longer-term, longer-lasting benefits, in our view.

In Indonesia, growth has remained strong while the country has demonstrated continued resilience to external shocks, benefitting from ongoing reforms over the last decade that have sought to balance its growth drivers and accelerate domestic development. Indonesia's central bank raised rates in May, June, August and September to support its exchange rate against a broadly strengthening US dollar, and has indicated that it is prepared to hike further as needed. The currency has depreciated recently on broad-based fears across emerging markets, but the country's fundamentals justify a stronger exchange rate, in our assessment. We expect the Indonesian rupiah to recover much of its recent weakness as fundamentals are repriced into the market.

In the US, we expect UST yields to continue rising and the US dollar to strengthen as the Fed continues to tighten policy while US inflation pressures pick up. Rising rates in the US should have varying effects on individual emerging markets. Countries with low rate environments, or large structural imbalances and economic soft spots, could be vulnerable to external rate shocks, but countries with current account surpluses or relatively higher yields should be in a stronger position to absorb rate shifts of 100 bps or higher, in our view.

US protectionist policies, such as tariffs on China and on steel and aluminium, have the potential to impact growth and raise costs for consumers, adding to existing inflation pressures in the US. At this stage, the risks of full-scale retaliatory trade wars appear relatively contained, but an escalating trade conflict that damages global growth remains a risk. On the whole, we don't see trade coming to a standstill or the global economy toppling into a recession—we continue to have a positive outlook for US growth and the global economy for 2018.

Overall, we continue to see a subset of countries with domestically strong economies that have demonstrated their resilience to global shocks, including potential increases in trade costs. We are focused on specific emerging markets that are less externally vulnerable and more domestically driven, and that have responsible, credible central banks that consistently respond with appropriate monetary policies. Certainly, 20 years ago it may have been difficult for many of these countries to weather a protectionist trade shock, a commodity price shock and an exchange rate shock all at the same time, but today several countries have greatly reduced those external vulnerabilities. We see additional scope for strengthening in specific emerging markets in 2018 given how far valuations declined in prior years.

In the major developed economies, we anticipate continued monetary accommodation and low rates in Japan and the eurozone while rates rise in the US—those increasing rate differentials should depreciate the yen and euro against the US dollar, in our view. Eurozone growth has moderated from its 2017 levels while inflation remains below the ECB's target, allowing the ECB to remain accommodative for longer. We continue to have a negative view on the euro not only because of ongoing monetary accommodation, but also because of unresolved structural issues and ongoing populist risks.

Overall, we continue to maintain low portfolio duration while aiming at a negative correlation with UST returns. We also continue to hold select local-currency duration exposures in countries that we believe have healthy fundamentals and significantly higher yields than those available in developed markets. Looking

TEMPLETON GLOBAL TOTAL RETURN BOND FUND

Investment Review (continued)

Outlook (continued)

ahead, we anticipate rising inflation pressures in the US to drive UST yields higher. We also expect depreciations of the euro and Japanese yen against the US dollar and currency appreciation across a select subset of emerging markets.

Michael Hasenstab, PhD & Sonal Desai, PhD

Fund Managers

30 September 2018

TEMPLETON GLOBAL TOTAL RETURN BOND FUND

Comparative Table

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
A – Income shares				
Change in net assets per share				
Opening net asset value per share	144.47	170.02	138.29	145.63
Return before operating charges ¹	3.07	(15.91)	41.54	(1.31)
Operating charges ²	(1.98)	(2.13)	(2.08)	(1.84)
Return after operating charges* ³	1.09	(18.04)	39.46	(3.15)
Distribution on income shares	(4.7275)	(7.5145)	(7.7264)	(4.1848)
Closing net asset value per share	140.83	144.47	170.02	138.29
*After direct transaction costs of:	-	-	-	-
Performance				
Return after charges ⁴	0.75%	(10.61%)	28.53%	(2.16%)
Other information				
Closing net asset value	2,546,090	2,480,860	4,280,843	4,755,845
Closing number of shares	1,807,877	1,717,265	2,517,854	3,438,914
Ongoing charges ratio ⁵	1.35%	1.35%	1.35%	1.34%
Direct transaction costs ⁶	-	-	-	-
Prices				
Highest share price	154.30	173.33	176.12	150.32
Lowest share price	140.83	142.35	132.96	127.52

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
A – Income Hedgeshares				
Change in net assets per share				
Opening net asset value per share	107.49	114.68	107.17	116.13
Return before operating charges ¹	(6.33)	(0.38)	14.47	(4.32)
Operating charges ²	(1.42)	(1.52)	(1.46)	(1.51)
Return after operating charges* ³	(7.75)	(1.90)	13.01	(5.83)
Distribution on income shares	(3.3395)	(5.2896)	(5.4996)	(3.1273)
Closing net asset value per share	96.40	107.49	114.68	107.17
*After direct transaction costs of:	-	-	-	-
Performance				
Return after charges ⁴	(7.21%)	(1.66%)	12.14%	(5.02%)
Other information				
Closing net asset value	1,373,775	2,204,808	2,980,839	4,673,864
Closing number of shares	1,425,020	2,051,212	2,599,198	4,361,036
Ongoing charges ratio ⁵	1.37%	1.37%	1.35%	1.34%
Direct transaction costs ⁶	-	-	-	-
Prices				
Highest share price	108.10	115.75	115.92	118.47
Lowest share price	96.40	106.61	103.95	100.79

TEMPLETON GLOBAL TOTAL RETURN BOND FUND

Comparative Table (continued)

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
A – Accumulation shares				
Change in net assets per share				
Opening net asset value per share	208.11	233.18	182.50	186.74
Return before operating charges ¹	4.35	(22.11)	55.52	(0.61)
Operating charges ²	(2.87)	(2.96)	(2.78)	(2.38)
Return after operating charges* ³	1.48	(25.07)	52.74	(2.99)
Distribution	(6.8739)	(10.4644)	(10.2762)	(6.2303)
Retained distributions on accumulation shares	6.8739	10.4644	8.2210	4.9843
Closing net asset value per share	209.59	208.11	233.18	182.50
*After direct transaction costs of:	-	-	-	-
Performance				
Return after charges ⁴	0.71%	(10.75%)	28.90%	(2.27%)
Other information				
Closing net asset value	3,145,726	3,730,097	5,439,064	5,338,821
Closing number of shares	1,500,862	1,792,410	2,332,516	2,925,438
Ongoing charges ratio ⁵	1.35%	1.35%	1.35%	1.34%
Direct transaction costs ⁶	-	-	-	-
Prices				
Highest share price	225.56	237.73	238.52	192.75
Lowest share price	204.05	202.45	175.45	164.40

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
A – Accumulation Hedgeshares				
Change in net assets per share				
Opening net asset value per share	129.32	131.72	118.17	124.53
Return before operating charges ¹	(7.56)	(0.62)	16.42	(4.74)
Operating charges ²	(1.71)	(1.78)	(1.65)	(1.62)
Return after operating charges* ³	(9.27)	(2.40)	14.77	(5.55)
Distribution	(4.0504)	(6.1556)	(6.1091)	(2.3548)
Retained distributions on accumulation shares	4.0504	6.1556	4.8873	3.2518
Closing net asset value per share	120.05	129.32	131.72	118.17
*After direct transaction costs of:	-	-	-	-
Performance				
Return after charges ⁴	(7.17%)	(1.82%)	12.50%	(5.11%)
Other information				
Closing net asset value	13,466,149	15,152,761	14,076,627	9,516,885
Closing number of shares	11,216,771	11,717,134	10,686,611	8,053,838
Ongoing charges ratio ⁵	1.37%	1.37%	1.35%	1.34%
Direct transaction costs ⁶	-	-	-	-
Prices				
Highest share price	130.10	132.95	131.72	127.04
Lowest share price	118.16	126.73	114.97	110.27

TEMPLETON GLOBAL TOTAL RETURN BOND FUND

Comparative Table (continued)

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
W – Income shares				
Change in net assets per share				
Opening net asset value per share	97.42	114.65	93.22	98.14
Return before operating charges ¹	1.78	(10.74)	28.06	(1.29)
Operating charges ²	(0.77)	(0.87)	(0.84)	(0.73)
Return after operating charges* ³	1.01	(11.61)	27.22	(2.02)
Distribution on income shares	(3.4630)	(5.6176)	(5.7908)	(2.8990)
Closing net asset value per share	94.97	97.42	114.65	93.22
*After direct transaction costs of:	-	-	-	-
Performance				
Return after charges ⁴	1.04%	(10.13%)	29.20%	(2.05%)
Other information				
Closing net asset value	25,351,269	37,338,760	44,541,349	50,014,915
Closing number of shares	26,694,816	38,328,695	38,849,402	53,650,286
Ongoing charges ratio ⁵	0.78%	0.82%	0.80%	0.79%
Direct transaction costs ⁶	-	-	-	-
Prices				
Highest share price	104.13	116.90	118.88	101.31
Lowest share price	94.96	96.11	89.71	85.98

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
W – Income Hedgeshares				
Change in net assets per share				
Opening net asset value per share	99.66	106.57	99.44	107.83
Return before operating charges ¹	(6.11)	(0.60)	13.57	(4.31)
Operating charges ²	(0.75)	(0.85)	(0.81)	(0.82)
Return after operating charges* ³	(6.86)	(1.45)	12.76	(5.13)
Distribution on income shares	(3.3642)	(5.4595)	(5.6308)	(3.2560)
Closing net asset value per share	89.44	99.66	106.57	99.44
*After direct transaction costs of:	-	-	-	-
Performance				
Return after charges ⁴	(6.88%)	(1.36%)	12.83%	(4.76%)
Other information				
Closing net asset value	61,627,788	76,810,548	74,131,474	85,876,657
Closing number of shares	68,902,556	77,068,998	69,563,999	86,362,492
Ongoing charges ratio ⁵	0.78%	0.82%	0.80%	0.79%
Direct transaction costs ⁶	-	-	-	-
Prices				
Highest share price	100.24	107.57	107.84	110.01
Lowest share price	89.44	98.98	96.52	93.74

TEMPLETON GLOBAL TOTAL RETURN BOND FUND

Comparative Table (continued)

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
W – Accumulation shares				
Change in net assets per share				
Opening net asset value per share	116.54	129.89	101.19	103.18
Return before operating charges ¹	2.08	(12.35)	30.91	(1.21)
Operating charges ²	(0.93)	(1.00)	(0.93)	(0.78)
Return after operating charges* ³	1.15	(13.35)	29.98	(1.21)
Distribution	(4.1833)	(6.4914)	(6.3921)	(3.4524)
Retained distributions on accumulation shares	4.1833	6.4914	5.1137	3.1150
Closing net asset value per share	117.69	116.54	129.89	101.19
*After direct transaction costs of:	-	-	-	-
Performance				
Return after charges ⁴	0.99%	(10.28%)	29.63%	(1.93%)
Other information				
Closing net asset value	70,178,212	90,821,532	114,470,077	81,111,378
Closing number of shares	59,627,796	77,933,243	88,125,146	80,158,371
Ongoing charges ratio ⁵	0.78%	0.82%	0.80%	0.79%
Direct transaction costs ⁶	-	-	-	-
Prices				
Highest share price	126.56	132.45	132.83	106.51
Lowest share price	114.29	113.36	97.38	90.99

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
W – Accumulation Hedgeshares				
Change in net assets per share				
Opening net asset value per share	104.90	106.06	94.62	99.24
Return before operating charges ¹	(6.37)	(0.30)	13.31	(3.86)
Operating charges ²	(0.79)	(0.86)	(0.78)	(0.76)
Return after operating charges* ³	(7.16)	(1.16)	12.53	(3.86)
Distribution	(3.5743)	(5.5484)	(5.4516)	(3.5264)
Retained distributions on accumulation shares	3.5743	5.5484	4.3613	3.0211
Closing net asset value per share	97.74	104.90	106.06	94.62
*After direct transaction costs of:	-	-	-	-
Performance				
Return after charges ⁴	(6.83%)	(1.09%)	13.24%	(4.66%)
Other information				
Closing net asset value	10,563,052	12,209,272	13,535,801	15,554,630
Closing number of shares	10,807,774	11,639,498	12,762,502	16,438,865
Ongoing charges ratio ⁵	0.78%	0.82%	0.80%	0.79%
Direct transaction costs ⁶	-	-	-	-
Prices				
Highest share price	105.53	107.08	106.05	101.18
Lowest share price	96.16	102.74	92.13	88.19

TEMPLETON GLOBAL TOTAL RETURN BOND FUND

Comparative Table (continued)

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
Y–Income shares				
Change in net assets per share				
Opening net asset value per share	106.51	125.38	101.93	107.30
Return before operating charges ¹	1.56	(11.77)	30.73	(1.53)
Operating charges ²	(0.08)	(0.15)	(0.11)	(0.09)
Return after operating charges* ³	1.48	(11.92)	30.62	(1.62)
Distribution on income shares	(4.1652)	(6.9544)	(7.1668)	(3.7517)
Closing net asset value per share	103.82	106.51	125.38	101.93
*After direct transaction costs of:	-	-	-	-
Performance				
Return after charges ⁴	1.39%	(9.51%)	30.04%	(1.51%)
Other information				
Closing net asset value	3,086	3,166	3,726	3,029
Closing number of shares	2,972	2,972	2,972	2,972
Ongoing charges ratio ⁵	0.07%	0.13%	0.10%	0.09%
Direct transaction costs ⁶	-	-	-	-
Prices				
Highest share price	113.92	127.86	130.18	110.78
Lowest share price	103.82	105.26	98.21	94.07

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
Z–Income Hedgeshares				
Change in net assets per share				
Opening net asset value per share	100.44	107.09	100.06	108.26
Return before operating charges ¹	(6.01)	(0.31)	13.48	(4.07)
Operating charges ²	(0.98)	(1.06)	(1.01)	(1.03)
Return after operating charges* ³	(6.99)	(1.37)	12.47	(5.10)
Distribution on income shares	(3.2922)	(5.2828)	(5.4350)	(3.1050)
Closing net asset value per share	90.16	100.44	107.09	100.06
*After direct transaction costs of:	-	-	-	-
Performance				
Return after charges ⁴	(6.96%)	(1.28%)	12.46%	(4.70%)
Other information				
Closing net asset value	212,239	236,497	427,744	650,974
Closing number of shares	235,401	235,456	399,441	650,595
Ongoing charges ratio ⁵	1.02%	1.02%	1.00%	0.99%
Direct transaction costs ⁶	-	-	-	-
Prices				
Highest share price	101.02	108.09	108.32	110.46
Lowest share price	90.16	99.74	97.05	94.27

TEMPLETON GLOBAL TOTAL RETURN BOND FUND

Comparative Table (continued)

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
Z-Accumulation shares				
Change in net assets per share				
Opening net asset value per share	197.82	220.94	172.40	176.06
Return before operating charges ¹	3.83	(20.99)	52.59	(2.00)
Operating charges ²	(2.07)	(2.13)	(1.94)	(1.66)
Return after operating charges* ³	1.76	(23.12)	50.65	(2.39)
Distribution	(6.8873)	(10.6506)	(10.548)	(5.6487)
Retained distributions on accumulation shares	6.8873	10.6506	8.4384	5.0797
Closing net asset value per share	199.58	197.82	220.94	172.40
*After direct transaction costs of:	-	-	-	-
Performance				
Return after charges ⁴	0.89%	(10.46%)	29.38%	(2.08%)
Other information				
Closing net asset value	696,393	776,770	1,163,724	1,233,043
Closing number of shares	348,928	392,666	526,724	715,223
Ongoing charges ratio ⁵	1.02%	1.02%	1.00%	0.99%
Direct transaction costs ⁶	-	-	-	-
Prices				
Highest share price	214.68	225.27	225.96	181.74
Lowest share price	194.00	192.43	165.85	155.16

1 The "return before operating charges" is calculated as the "return after operating charges" plus the "operating charges".

2 The "operating charges" are calculated with reference to the total expenses for the year divided by the number of shares in issue at each valuation point.

3 The "return after operating charges" is calculated as the "closing net asset value per share" plus the "distributions" (for income share classes only) minus the "opening net asset value per share".

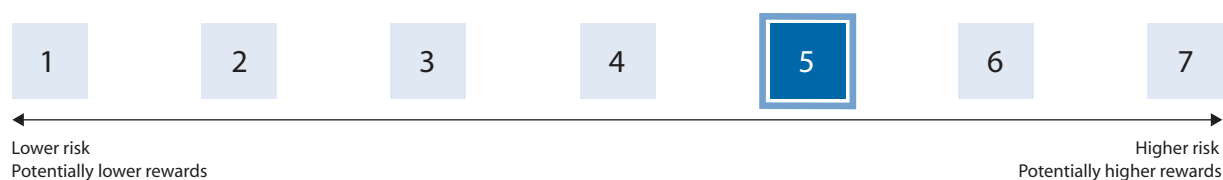
4 The "return after charges" is calculated as the "return after operating charges" per share divided by the "opening net asset value per share". This figure will differ from "performance return" figure disclosed under "Investment Review" section due to alternative calculation methodology used.

5 The "ongoing charges ratio" represents all operating charges and expenses of the share class in the prior 12 months as a percentage of the share class's average net assets during the year.

Where ex-post expense information is not a fair representation of future operating costs and where 12 months of information is not available, an estimate is disclosed.

6 The direct transaction costs include all fees and expenses which relate directly to the sales and purchases of securities which include commissions, transfer taxes and duties. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The "direct transaction costs" ratio is calculated by dividing the total transaction costs by the average net assets.

Risk Profile (W(acc) shares)



This indicator, disclosed in the Key Investor Information Document (KIID), provides a measure of the price movement of the Fund based on historical behaviour. Historical data may not be a reliable indication of the future risk profile of the Fund. The category shown is not guaranteed to remain unchanged and may shift over time. The lowest category does not mean risk free.

For a full discussion of all the risks applicable to this Fund, please refer to the "Risk Factors" section of the current prospectus of Franklin Templeton Funds.

TEMPLETON GLOBAL TOTAL RETURN BOND FUND

Portfolio Statement as at 30 September 2018

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	EQUITIES 0.01% (0.03%)		
	AFRICA 0.00% (0.00%)		
	SOUTH AFRICA		
12,082,204	K2016470219 South Africa Ltd., A#*	6	0.00
1,447,454	K2016470219 South Africa Ltd., B#*	1	0.00
	TOTAL - AFRICA	7	0.00
	EUROPE - NON EU 0.01% (0.00%)		
	SWITZERLAND		
1,420	CEVA Logistics AG*	21	0.01
	TOTAL EUROPE - NON EU	21	0.01
	NORTH AMERICA 0.00% (0.03%)		
	TOTAL - EQUITIES	28	0.01
	WARRANTS 0.00% (0.00%)		
	AFRICA 0.00% (0.00%)		
	SOUTH AFRICA		
793	Edcon Holdings Ltd., wts., F, 2/20/2049#*	0	0.00
14,192,433	Edcon Holdings Ltd., wts., F1, 2/20/2049#*	0	0.00
1,149,303	Edcon Holdings Ltd., wts., F2, 2/20/2049#*	0	0.00
	TOTAL - AFRICA	0	0.00
	TOTAL - WARRANTS	0	0.00
	BONDS 90.36% (88.64%)		
	AFRICA 9.16% (7.92%)		
	EGYPT		
875,000	Egypt Treasury Bill, 10/02/2018#	38	0.02
475,000	Egypt Treasury Bill, 10/09/2018#	20	0.01
2,200,000	Egypt Treasury Bill, 10/16/2018#	94	0.05
52,600,000	Egypt Treasury Bill, 10/23/2018#	2,234	1.18
9,225,000	Egypt Treasury Bill, 10/30/2018#	392	0.21
45,650,000	Egypt Treasury Bill, 11/06/2018#	1,924	1.02
11,500,000	Egypt Treasury Bill, 11/13/2018#	483	0.26
4,625,000	Egypt Treasury Bill, 11/27/2018#	193	0.10
3,850,000	Egypt Treasury Bill, 12/04/2018#	160	0.08
		5,538	2.93
	GHANA		
990,000	Ghana Treasury Note, 16.50%, 2/17/2020#	148	0.08
250,000	Ghana Treasury Note, 16.50%, 3/16/2020#	37	0.02
290,000	Ghana Treasury Note, 17.18%, 1/06/2020#	44	0.02
50,000	Ghana Treasury Note, 17.24%, 11/11/2019#	8	0.00
360,000	Ghana Treasury Note, 19.95%, 5/06/2019#	56	0.03
2,470,000	Ghana Treasury Note, 21.00%, 1/07/2019#	385	0.20
4,640,000	Ghana Treasury Note, 22.50%, 12/10/2018#	723	0.38
460,000	Government of Ghana, 16.50%, 2/06/2023#	62	0.03
80,000	Government of Ghana, 17.60%, 11/28/2022#	11	0.01
2,240,000	Government of Ghana, 18.75%, 1/24/2022#	326	0.17
6,940,000	Government of Ghana, 19.00%, 11/02/2026#	974	0.52
2,180,000	Government of Ghana, 19.75%, 3/25/2024#	320	0.17
180,000	Government of Ghana, 21.00%, 3/23/2020#	28	0.02
3,781,000	Government of Ghana, 24.50%, 10/22/2018#	586	0.31
1,880,000	Government of Ghana, 24.50%, 4/22/2019#	299	0.16
620,000	Government of Ghana, 24.50%, 5/27/2019#	99	0.05
11,040,000	Government of Ghana, 24.50%, 6/21/2021#	1,822	0.96
100,000	Government of Ghana, 24.75%, 3/01/2021#	17	0.01
8,000,000	Government of Ghana, 24.75%, 7/19/2021#	1,328	0.70
6,240,000	Government of Ghana, senior bond, 19.75%, 3/15/2032#	881	0.47
250,000	Government of Ghana, senior note, 16.25%, 4/07/2025#	32	0.02
50,000	Government of Ghana, senior note, 16.50%, 3/22/2021#	7	0.00

TEMPLETON GLOBAL TOTAL RETURN BOND FUND

Portfolio Statement as at 30 September 2018 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	GHANA (continued)		
570,000	Government of Ghana, senior note, 18.25%, 9/21/2020#	86	0.05
1,500,000	Government of Ghana, senior note, 18.25%, 7/25/2022#	214	0.11
980,000	Government of Ghana, senior note, 18.50%, 6/01/2020#	149	0.08
260,000	Government of Ghana, senior note, 21.50%, 3/09/2020#	41	0.02
9,540,000	Government of Ghana, senior note, 24.00%, 11/23/2020#	1,577	0.83
		<u>10,260</u>	<u>5.42</u>
	KENYA		
1,971,000	Government of Kenya, senior note, Reg S, 6.875%, 6/24/2024#	1,508	0.80
	SOUTH AFRICA		
929,479	K2016470219 South Africa Ltd., senior secured note, Reg S, PIK, 12/31/2022#	1	0.00
382,284	K2016470219 South Africa Ltd., senior secured note, Reg S, PIK, 12/31/2022#	7	0.00
216,411	K2016470260 South Africa Ltd., senior secured note, Reg S, PIK, 12/31/2022#	13	0.01
		<u>21</u>	<u>0.01</u>
	TOTAL - AFRICA	<u>17,327</u>	<u>9.16</u>
	ASIA 34.26% (34.84%)		
	INDIA		
770,000,000	Government of India, senior bond, 8.24%, 2/15/2027#	8,157	4.31
920,000,000	Government of India, senior bond, 8.33%, 7/09/2026#	9,796	5.18
480,000,000	Government of India, senior note, 6.79%, 5/15/2027#	4,658	2.46
		<u>22,611</u>	<u>11.95</u>
	INDONESIA		
1,225,000,000	Government of Indonesia, senior bond, FR39, 11.75%, 8/15/2023#	72	0.04
350,000,000	Government of Indonesia, senior bond, FR40, 11.00%, 9/15/2025#	21	0.01
8,059,000,000	Government of Indonesia, senior bond, FR42, 10.25%, 7/15/2027#	465	0.25
306,000,000	Government of Indonesia, senior bond, FR43, 10.25%, 7/15/2022#	17	0.01
733,000,000	Government of Indonesia, senior bond, FR44, 10.00%, 9/15/2024#	41	0.02
9,760,000,000	Government of Indonesia, senior bond, FR46, 9.50%, 7/15/2023#	529	0.28
6,614,000,000	Government of Indonesia, senior bond, FR47, 10.00%, 2/15/2028#	377	0.20
2,470,000,000	Government of Indonesia, senior bond, FR52, 10.50%, 8/15/2030#	146	0.08
11,684,000,000	Government of Indonesia, senior bond, FR53, 8.25%, 7/15/2021#	607	0.32
163,595,000,000	Government of Indonesia, senior bond, FR56, 8.375%, 9/15/2026#	8,513	4.50
5,860,000,000	Government of Indonesia, senior bond, FR61, 7.00%, 5/15/2022#	292	0.15
7,296,000,000	Government of Indonesia, senior bond, FR63, 5.625%, 5/15/2023#	342	0.18
81,136,000,000	Government of Indonesia, senior bond, FR70, 8.375%, 3/15/2024#	4,215	2.23
46,708,000,000	Government of Indonesia, senior bond, FR71, 9.00%, 3/15/2029#	2,512	1.33
30,445,000,000	Government of Indonesia, senior bond, FR73, 8.75%, 5/15/2031#	1,599	0.84
		<u>19,748</u>	<u>10.44</u>
	PHILIPPINES		
9,040,000	Government of the Philippines, senior note, 3.375%, 8/20/2020#	123	0.06
203,560,000	Government of the Philippines, senior note, 7-56, 3.875%, 11/22/2019#	2,834	1.50
		<u>2,957</u>	<u>1.56</u>

TEMPLETON GLOBAL TOTAL RETURN BOND FUND

Portfolio Statement as at 30 September 2018 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
SOUTH KOREA			
5,340,800,000	Korea Treasury Bond, senior bond, 4.25%, 6/10/2021#	3,906	2.06
3,029,100,000	Korea Treasury Bond, senior note, 2.00%, 3/10/2021#	2,094	1.11
		<u>6,000</u>	<u>3.17</u>
THAILAND			
216,130,000	Bank of Thailand Bond, 1.59%, 2/20/2019#	5,132	2.71
165,810,000	Bank of Thailand Bond, senior note, 1.49%, 8/28/2019#	3,927	2.08
68,100,000	Bank of Thailand Bond, senior note, 1.77%, 3/27/2020#	1,613	0.85
117,560,000	Government of Thailand, senior bond, 3.875%, 6/13/2019#	2,832	1.50
		<u>13,504</u>	<u>7.14</u>
	TOTAL - ASIA	<u>64,820</u>	<u>34.26</u>
CENTRAL AMERICA 18.00% (17.61%)			
MEXICO			
570,200	Government of Mexico, senior bond, M, 6.50%, 6/10/2021#	2,266	1.20
395,100	Government of Mexico, senior bond, M, 8.00%, 6/11/2020#	1,625	0.86
3,651,500	Government of Mexico, senior note, M, 5.00%, 12/11/2019#	14,476	7.65
18,627	Mexican Udibonos, Index Linked, 2.50%, 12/10/2020#	74	0.04
23,573	Mexican Udibonos, Index Linked, 4.00%, 6/13/2019#	97	0.05
384,850	Mexico Treasury Bill, 10/25/2018#	157	0.08
1,885,850	Mexico Treasury Bill, 11/08/2018#	766	0.41
15,340	Mexico Treasury Bill, 11/22/2018#	6	0.00
5,874,170	Mexico Treasury Bill, 12/06/2018#	2,370	1.25
5,431,200	Mexico Treasury Bill, 1/31/2019#	2,165	1.14
996,070	Mexico Treasury Bill, 2/14/2019#	396	0.21
356,780	Mexico Treasury Bill, 2/28/2019#	141	0.08
21,775,240	Mexico Treasury Bill, 5/23/2019#	8,478	4.48
2,160,780	Mexico Treasury Bill, 7/04/2019#	833	0.44
515,060	Mexico Treasury Bill, 7/18/2019#	198	0.11
	TOTAL - CENTRAL AMERICA	<u>34,048</u>	<u>18.00</u>
EUROPE - NON EU 0.69% (0.79%)			
UKRAINE			
3,229,000	Government of Ukraine, Reg S, VRI, GDP Linked Security, 5/31/2040#	1,300	0.69
	TOTAL EUROPE - NON EU	<u>1,300</u>	<u>0.69</u>
NORTH AMERICA 1.04% (0.76%)			
CANADA			
2,560,000	B2Gold Corp., cvt., senior sub. note, 3.25%, 10/01/2018#	1,963	1.04
UNITED STATES			
75,000	NewPage Corp., Escrow Account, 11.375%, 12/31/2014#*†	0	0.00
	TOTAL - NORTH AMERICA	<u>1,963</u>	<u>1.04</u>
SOUTH AMERICA 27.21% (26.72%)			
ARGENTINA			
812,000	Argentina Treasury Bill, 10/12/2018#	17	0.01
20,588,000	Argentina Treasury Bill, 3/29/2019#	379	0.20
151,276,000	Argentina Treasury Bill, 9/30/2019#	2,853	1.51
172,943,100	Argentine Bonos del Tesoro, 16.00%, 10/17/2023#	2,619	1.38
116,618,000	Argentine Bonos del Tesoro, 18.20%, 10/03/2021#	1,732	0.91
305,215,900	Argentine Bonos del Tesoro, senior note, 15.50%, 10/17/2026#	4,105	2.17
543,000	Bonos de la Nacion Argentina con Ajuste por cer, 4.00%, 3/06/2020#	12	0.01
1,450,000	Government of Argentina, FRN, 42.819%, 6/21/2020#•	31	0.02
18,059,000	Government of Argentina, Index Linked, 3.75%, 2/08/2019#	408	0.22
60,005,000	Letras del Banco Central de la Republica Argentina, Strip, 10/17/2018#	1,091	0.58
10,452,000	Letras del Banco Central de la Republica Argentina, Strip, 11/21/2018#	179	0.09
		<u>13,426</u>	<u>7.10</u>

TEMPLETON GLOBAL TOTAL RETURN BOND FUND

Portfolio Statement as at 30 September 2018 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
BRAZIL			
1,990	Letra Tesouro Nacional, Strip, 1/01/2019#	371	0.20
56,050	Letra Tesouro Nacional, Strip, 7/01/2019#	10,069	5.32
22,800	Letra Tesouro Nacional, Strip, 7/01/2020#	3,723	1.97
630	Letra Tesouro Nacional, Strip, 7/01/2021#	92	0.05
35,535	Nota Do Tesouro Nacional, 10.00%, 1/01/2021#	6,798	3.59
21,854	Nota Do Tesouro Nacional, 10.00%, 1/01/2023#	4,019	2.13
14,256	Nota Do Tesouro Nacional, 10.00%, 1/01/2025#	2,543	1.34
340	Nota Do Tesouro Nacional, 10.00%, 1/01/2027#	59	0.03
4,170	Nota Do Tesouro Nacional, senior note, 10.00%, 1/01/2019#	796	0.42
		<u>28,470</u>	<u>15.05</u>
COLOMBIA			
111,000,000	Government of Colombia, senior bond, 4.375%, 3/21/2023#	27	0.01
1,650,000,000	Government of Colombia, senior bond, 7.75%, 4/14/2021#	446	0.24
176,000,000	Government of Colombia, senior bond, 9.85%, 6/28/2027#	56	0.03
380,000,000	Titulos de Tesoreria, B, 5.00%, 11/21/2018#	98	0.05
2,658,600,000	Titulos de Tesoreria, B, 7.75%, 9/18/2030#	725	0.38
6,889,700,000	Titulos de Tesoreria, senior bond, B, 6.00%, 4/28/2028#	1,673	0.88
1,649,000,000	Titulos de Tesoreria, senior bond, B, 7.00%, 5/04/2022#	444	0.23
10,562,700,000	Titulos de Tesoreria, senior bond, B, 7.50%, 8/26/2026#	2,868	1.52
7,305,000,000	Titulos de Tesoreria, senior bond, B, 10.00%, 7/24/2024#	2,228	1.18
1,115,000,000	Titulos de Tesoreria, senior bond, B, 11.00%, 7/24/2020#	318	0.17
1,574,000,000	Titulos de Tesoreria, senior bond, B, 11.25%, 10/24/2018#	410	0.22
1,068,000,000	Titulos de Tesoreria, senior note, B, 7.00%, 9/11/2019#	283	0.15
		<u>9,576</u>	<u>5.06</u>
TOTAL - SOUTH AMERICA		<u>51,472</u>	<u>27.21</u>
TOTAL - BONDS		<u>170,930</u>	<u>90.36</u>
DERIVATIVES 2.01% ((1.44)%)			
FORWARD CURRENCY CONTRACTS Ω			
	Buy MXN 240,276,788 & Sell USD 12,011,437, 11/09/2018	558	0.30
	Buy USD 9,130,818 & Sell JPY 1,009,165,378, 10/04/2018	189	0.10
	Buy USD 9,170,771 & Sell JPY 1,009,165,379, 12/04/2018	186	0.10
	Buy USD 3,133,144 & Sell JPY 328,800,000, 10/09/2018	182	0.10
	Buy USD 10,105,608 & Sell JPY 1,116,467,600, 12/11/2018	169	0.09
	Buy USD 3,094,613 & Sell JPY 327,000,000, 10/11/2018	164	0.09
	Buy USD 4,359,966 & Sell JPY 470,000,000, 1/25/2019	139	0.07
	Buy USD 1,856,061 & Sell JPY 194,960,640, 10/04/2018	107	0.06
	Buy USD 2,550,330 & Sell JPY 272,110,000, 2/12/2019	97	0.05
	Buy USD 2,835,203 & Sell JPY 305,374,000, 1/25/2019	92	0.05
	Buy USD 2,398,870 & Sell AUD 3,169,000, 10/15/2018	84	0.05
	Buy USD 4,834,686 & Sell EUR 4,074,471, 10/11/2018	76	0.04
	Buy USD 1,689,253 & Sell JPY 178,963,701, 2/14/2019	73	0.04
	Buy USD 2,519,670 & Sell KRW 2,690,000,000, 11/19/2018	71	0.04
	Buy USD 2,653,176 & Sell JPY 289,110,000, 12/18/2018	70	0.04
	Buy MXN 19,704,000 & Sell USD 951,149, 1/07/2019	65	0.04
	Buy USD 2,987,421 & Sell JPY 328,800,000, 1/11/2019	52	0.03
	Buy USD 2,461,561 & Sell JPY 271,520,000, 11/09/2018	50	0.03
	Buy USD 2,311,182 & Sell JPY 252,774,000, 2/15/2019	46	0.02
	Buy USD 2,452,041 & Sell JPY 271,490,000, 11/08/2018	43	0.02
	Buy USD 2,450,852 & Sell JPY 271,400,000, 11/08/2018	42	0.02
	Buy USD 3,517,702 & Sell EUR 2,982,190, 10/12/2018	40	0.02
	Buy USD 1,525,509 & Sell JPY 167,475,000, 11/26/2018	35	0.02
	Buy USD 2,337,058 & Sell AUD 3,169,000, 2/15/2019	34	0.02
	Buy USD 672,614 & Sell JPY 70,500,000, 2/15/2019	34	0.02
	Buy USD 5,433,905 & Sell EUR 4,636,240, 10/22/2018	31	0.02
	Buy USD 1,213,695 & Sell JPY 132,050,000, 1/16/2019	31	0.02
	Buy USD 1,829,552 & Sell JPY 202,160,000, 12/11/2018	31	0.02
	Buy USD 2,873,875 & Sell EUR 2,438,515, 10/18/2018	29	0.02
	Buy USD 1,170,206 & Sell JPY 128,348,220, 11/21/2018	28	0.02
	Buy USD 512,668 & Sell INR 34,897,330, 10/24/2018	26	0.01

TEMPLETON GLOBAL TOTAL RETURN BOND FUND

Portfolio Statement as at 30 September 2018 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	FORWARD CURRENCY CONTRACTS Ω (continued)		
	Buy USD 1,290,879 & Sell JPY 142,248,425, 11/20/2018	26	0.01
	Buy USD 829,247 & Sell JPY 89,620,000, 1/24/2019	25	0.01
	Buy USD 974,874 & Sell JPY 106,409,900, 12/18/2018	25	0.01
	Buy USD 1,268,365 & Sell JPY 139,510,000, 1/11/2019	23	0.01
	Buy USD 1,345,833 & Sell JPY 148,580,000, 12/12/2018	23	0.01
	Buy USD 1,690,436 & Sell EUR 1,429,375, 10/15/2018	22	0.01
	Buy USD 804,433 & Sell JPY 87,240,000, 1/24/2019	22	0.01
	Buy USD 1,134,317 & Sell JPY 125,284,699, 11/13/2018	22	0.01
	Buy USD 920,990 & Sell JPY 100,294,900, 2/21/2019	21	0.01
	Buy USD 3,051,622 & Sell EUR 2,600,777, 10/22/2018	20	0.01
	Buy USD 976,589 & Sell JPY 107,843,700, 10/15/2018	20	0.01
	Buy USD 1,945,028 & Sell JPY 217,990,000, 10/22/2018	18	0.01
	Buy USD 1,027,383 & Sell JPY 113,758,000, 11/06/2018	18	0.01
	Buy USD 1,090,470 & Sell JPY 120,630,000, 11/29/2018	18	0.01
	Buy USD 1,282,673 & Sell JPY 142,248,425, 12/18/2018	17	0.01
	Buy USD 1,484,841 & Sell JPY 166,000,000, 10/19/2018	17	0.01
	Buy USD 915,436 & Sell JPY 101,000,000, 12/10/2018	16	0.01
	Buy MXN 3,871,000 & Sell USD 184,289, 12/14/2018	15	0.01
	Buy USD 4,806,958 & Sell EUR 4,115,000, 10/23/2018	15	0.01
	Buy USD 469,505 & Sell JPY 50,500,000, 2/06/2019	15	0.01
	Buy USD 742,083 & Sell JPY 81,900,000, 11/30/2018	14	0.01
	Buy USD 693,067 & Sell JPY 76,540,399, 11/30/2018	13	0.01
	Buy USD 4,968,663 & Sell EUR 4,251,837, 11/09/2018	12	0.01
	Buy USD 1,849,897 & Sell JPY 205,316,000, 3/26/2019	12	0.01
	Buy USD 1,134,318 & Sell EUR 961,678, 10/31/2018	11	0.01
	Buy USD 960,259 & Sell JPY 106,800,000, 12/18/2018	11	0.01
	Buy USD 1,228,592 & Sell AUD 1,681,000, 11/23/2018	10	0.01
	Buy USD 1,237,375 & Sell EUR 1,053,426, 10/09/2018	10	0.01
	Buy USD 1,132,020 & Sell EUR 961,678, 10/29/2018	10	0.01
	Buy USD 1,075,292 & Sell EUR 916,000, 10/05/2018	9	0.01
	Buy USD 917,669 & Sell EUR 778,345, 10/25/2018	9	0.01
	Buy USD 1,021,569 & Sell EUR 867,938, 10/25/2018	9	0.01
	Buy USD 485,031 & Sell JPY 53,368,000, 1/11/2019	9	0.01
	Buy USD 415,875 & Sell AUD 561,500, 11/13/2018	8	0.00
	Buy USD 803,253 & Sell EUR 682,000, 10/24/2018	8	0.00
	Buy USD 207,914 & Sell JPY 22,136,636, 1/31/2019	8	0.00
	Buy USD 445,705 & Sell JPY 49,200,000, 12/12/2018	8	0.00
	Buy USD 499,751 & Sell JPY 55,261,000, 12/14/2018	8	0.00
	Buy USD 153,342 & Sell AUD 199,150, 10/09/2018	7	0.00
	Buy USD 2,299,442 & Sell AUD 3,169,000, 11/16/2018	7	0.00
	Buy USD 1,252,788 & Sell EUR 1,068,179, 10/31/2018	7	0.00
	Buy USD 1,938,217 & Sell EUR 1,656,100, 11/06/2018	7	0.00
	Buy USD 1,744,777 & Sell EUR 1,492,334, 10/18/2018	7	0.00
	Buy USD 1,749,060 & Sell EUR 1,492,334, 11/19/2018	7	0.00
	Buy USD 633,919 & Sell EUR 534,089, 12/28/2018	7	0.00
	Buy USD 222,183 & Sell JPY 23,900,000, 2/06/2019	7	0.00
	Buy USD 118,060 & Sell JPY 12,350,000, 10/05/2018	7	0.00
	Buy USD 278,669 & Sell AUD 374,502, 10/12/2018	6	0.00
	Buy USD 4,559,903 & Sell EUR 3,912,300, 10/24/2018	6	0.00
	Buy USD 1,753,007 & Sell EUR 1,492,334, 12/18/2018	6	0.00
	Buy USD 672,372 & Sell JPY 75,460,000, 10/23/2018	6	0.00
	Buy USD 240,624 & Sell JPY 26,195,000, 2/21/2019	6	0.00
	Buy USD 340,883 & Sell JPY 37,670,500, 11/28/2018	6	0.00
	Buy USD 522,797 & Sell JPY 58,100,000, 12/18/2018	6	0.00
	Buy USD 510,851 & Sell JPY 57,104,654, 10/19/2018	6	0.00
	Buy USD 511,964 & Sell JPY 57,104,653, 11/19/2018	6	0.00
	Buy USD 617,161 & Sell EUR 524,431, 10/31/2018	5	0.00
	Buy USD 252,611 & Sell JPY 27,870,000, 11/29/2018	5	0.00
	Buy USD 628,925 & Sell EUR 534,089, 11/30/2018	4	0.00
	Buy USD 441,253 & Sell EUR 375,161, 10/25/2018	4	0.00
	Buy USD 476,192 & Sell EUR 404,750, 10/31/2018	4	0.00
	Buy USD 186,273 & Sell JPY 20,540,000, 10/31/2018	4	0.00
	Buy USD 227,770 & Sell JPY 25,200,000, 11/08/2018	4	0.00

TEMPLETON GLOBAL TOTAL RETURN BOND FUND

Portfolio Statement as at 30 September 2018 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	FORWARD CURRENCY CONTRACTS Ω (continued)		
	Buy USD 155,672 & Sell JPY 17,070,000, 11/26/2018	4	0.00
	Buy USD 229,191 & Sell JPY 25,250,000, 12/10/2018	4	0.00
	Buy USD 282,880 & Sell JPY 31,414,722, 11/19/2018	4	0.00
	Buy USD 282,240 & Sell JPY 31,414,722, 10/18/2018	4	0.00
	Buy USD 283,511 & Sell JPY 31,420,386, 12/18/2018	4	0.00
	Buy USD 191,402 & Sell EUR 161,869, 10/15/2018	3	0.00
	Buy USD 769,583 & Sell EUR 656,000, 12/04/2018	3	0.00
	Buy USD 1,894,424 & Sell EUR 1,619,000, 12/07/2018	3	0.00
	Buy USD 109,057 & Sell JPY 11,800,000, 1/22/2019	3	0.00
	Buy USD 50,667 & Sell JPY 5,310,000, 2/15/2019	3	0.00
	Buy USD 162,984 & Sell JPY 17,970,000, 10/31/2018	3	0.00
	Buy USD 177,019 & Sell JPY 19,607,547, 11/08/2018	3	0.00
	Buy USD 176,097 & Sell JPY 19,464,000, 12/04/2018	3	0.00
	Buy USD 147,025 & Sell AUD 199,150, 11/08/2018	2	0.00
	Buy USD 223,515 & Sell EUR 190,000, 10/16/2018	2	0.00
	Buy USD 374,825 & Sell EUR 319,458, 10/31/2018	2	0.00
	Buy USD 273,182 & Sell EUR 232,250, 11/05/2018	2	0.00
	Buy USD 1,233,245 & Sell EUR 1,053,426, 12/07/2018	2	0.00
	Buy USD 1,147,430 & Sell EUR 980,186, 12/07/2018	2	0.00
	Buy USD 1,104,208 & Sell EUR 943,614, 12/07/2018	2	0.00
	Buy USD 620,099 & Sell EUR 529,000, 12/10/2018	2	0.00
	Buy USD 222,434 & Sell EUR 189,000, 10/24/2018	2	0.00
	Buy USD 45,145 & Sell INR 3,066,000, 10/09/2018	2	0.00
	Buy USD 92,289 & Sell JPY 10,175,000, 11/29/2018	2	0.00
	Buy USD 101,684 & Sell JPY 11,300,000, 10/09/2018	2	0.00
	Buy USD 110,488 & Sell JPY 12,231,000, 12/14/2018	2	0.00
	Buy USD 82,854 & Sell EUR 70,000, 10/10/2018	1	0.00
	Buy USD 232,944 & Sell EUR 198,500, 10/31/2018	1	0.00
	Buy USD 724,788 & Sell EUR 620,665, 11/26/2018	1	0.00
	Buy USD 190,536 & Sell EUR 161,869, 12/17/2018	1	0.00
	Buy USD 96,236 & Sell JPY 10,750,000, 10/17/2018	1	0.00
	Buy USD 55,508 & Sell JPY 6,115,000, 11/16/2018	1	0.00
	Buy USD 70,545 & Sell JPY 7,711,000, 2/19/2019	1	0.00
	Buy USD 66,876 & Sell JPY 7,341,600, 2/19/2019	1	0.00
	Buy USD 55,758 & Sell JPY 6,072,000, 2/21/2019	1	0.00
	Buy USD 44,690 & Sell JPY 4,943,000, 12/13/2018	1	0.00
	Buy USD 43,164 & Sell JPY 4,800,000, 12/18/2018	1	0.00
	Buy USD 47,698 & Sell JPY 5,310,000, 12/19/2018	1	0.00
	Buy USD 125,288 & Sell JPY 13,901,000, 3/25/2019	1	0.00
	Buy GBP 32,557 & Sell USD 43,000, 10/25/2018	0	0.00
	Buy GBP 38,611 & Sell USD 51,000, 10/25/2018	0	0.00
	Buy GBP 8,329 & Sell USD 11,000, 10/25/2018	0	0.00
	Buy USD 222,730 & Sell AUD 308,000, 11/20/2018	0	0.00
	Buy USD 18,577 & Sell EUR 15,843, 10/31/2018	0	0.00
	Buy USD 37,831 & Sell EUR 32,000, 11/02/2018	0	0.00
	Buy USD 40,316 & Sell EUR 34,118, 11/02/2018	0	0.00
	Buy USD 18,699 & Sell EUR 16,000, 11/09/2018	0	0.00
	Buy USD 108,528 & Sell EUR 93,000, 11/14/2018	0	0.00
	Buy USD 472,748 & Sell EUR 404,750, 11/28/2018	0	0.00
	Buy USD 18,935 & Sell EUR 16,157, 11/29/2018	0	0.00
	Buy USD 146,239 & Sell EUR 124,875, 12/04/2018	0	0.00
	Buy USD 145,550 & Sell EUR 124,875, 10/04/2018	0	0.00
	Buy USD 3,484,868 & Sell EUR 2,982,190, 12/12/2018	0	0.00
	Buy USD 53,459 & Sell JPY 6,000,000, 12/28/2018	0	0.00
	Buy USD 44,539 & Sell JPY 5,020,000, 10/31/2018	0	0.00
	Buy GBP 111,291 & Sell USD 147,000, 10/25/2018	(1)	(0.00)
	Buy USD 259,772 & Sell AUD 362,000, 10/18/2018	(1)	(0.00)
	Buy USD 94,529 & Sell EUR 83,000, 10/17/2018	(1)	(0.00)
	Buy USD 320,379 & Sell EUR 275,650, 12/06/2018	(1)	(0.00)
	Buy GBP 162,785 & Sell USD 215,000, 10/25/2018	(2)	(0.00)
	Buy MXN 18,237,000 & Sell USD 973,653, 10/15/2018	(2)	(0.00)
	Buy USD 403,216 & Sell AUD 561,500, 10/11/2018	(2)	(0.00)
	Buy USD 147,541 & Sell EUR 129,500, 10/16/2018	(2)	(0.00)

TEMPLETON GLOBAL TOTAL RETURN BOND FUND

Portfolio Statement as at 30 September 2018 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	FORWARD CURRENCY CONTRACTS Ω (continued)		
	Buy USD 644,840 & Sell EUR 556,993, 10/23/2018	(2)	(0.00)
	Buy USD 1,245,483 & Sell EUR 1,068,236, 12/13/2018	(2)	(0.00)
	Buy INR 3,066,000 & Sell USD 46,246, 10/09/2018	(3)	(0.00)
	Buy JPY 200,000,000 & Sell USD 200,000,000, 10/04/2018	(3)	(0.00)
	Buy USD 253,229 & Sell EUR 220,000, 11/23/2018	(3)	(0.00)
	Buy GBP 431,570 & Sell USD 570,000, 10/25/2018	(5)	(0.00)
	Buy GBP 395,227 & Sell USD 522,000, 10/25/2018	(5)	(0.00)
	Buy USD 4,325,872 & Sell EUR 3,719,750, 11/08/2018	(5)	(0.00)
	Buy USD 3,872,217 & Sell EUR 3,329,708, 11/08/2018	(5)	(0.00)
	Buy USD 505,425 & Sell EUR 439,000, 11/26/2018	(5)	(0.00)
	Buy USD 533,333 & Sell AUD 748,498, 10/12/2018	(6)	(0.00)
	Buy GBP 670,826 & Sell USD 886,000, 10/25/2018	(8)	(0.00)
	Buy USD 960,322 & Sell MXN 18,237,000, 10/15/2018	(8)	(0.00)
	Buy GBP 859,289 & Sell USD 1,135,000, 10/25/2018	(10)	(0.00)
	Buy USD 2,159,899 & Sell KRW 2,411,203,317, 10/10/2018	(10)	(0.00)
	Buy USD 942,213 & Sell AUD 1,327,107, 10/15/2018	(13)	(0.01)
	Buy USD 942,405 & Sell AUD 1,327,107, 11/13/2018	(13)	(0.01)
	Buy USD 945,901 & Sell AUD 1,331,787, 12/13/2018	(13)	(0.01)
	Buy GBP 1,230,352 & Sell USD 1,625,000, 10/25/2018	(15)	(0.01)
	Buy USD 5,923,274 & Sell EUR 5,112,000, 10/15/2018	(15)	(0.01)
	Buy USD 1,822,521 & Sell MXN 34,750,000, 11/09/2018	(15)	(0.01)
	Buy GBP 1,932,221 & Sell USD 2,552,000, 10/25/2018	(23)	(0.01)
	Buy USD 2,259,827 & Sell AUD 3,169,000, 10/15/2018	(23)	(0.01)
	Buy USD 1,833,641 & Sell EUR 1,599,938, 11/21/2018	(24)	(0.01)
	Buy GBP 2,077,592 & Sell USD 2,744,000, 10/25/2018	(25)	(0.01)
	Buy USD 3,016,431 & Sell KRW 3,387,000,000, 11/23/2018	(30)	(0.02)
	Buy INR 34,897,330 & Sell USD 519,963, 10/24/2018	(31)	(0.02)
	Buy JPY 370,000,000 & Sell USD 3,298,565, 10/04/2018	(32)	(0.02)
	Buy USD 8,967,705 & Sell AUD 12,469,000, 10/22/2018	(32)	(0.02)
	Buy GBP 3,206,912 & Sell USD 4,235,000, 10/25/2018	(38)	(0.02)
	Buy GBP 3,266,224 & Sell USD 4,313,000, 10/25/2018	(38)	(0.02)
	Buy GBP 3,276,280 & Sell USD 4,327,000, 10/25/2018	(39)	(0.02)
	Buy GBP 3,790,897 & Sell USD 5,005,000, 10/25/2018	(44)	(0.02)
	Buy USD 3,358,094 & Sell EUR 2,932,705, 11/20/2018	(47)	(0.02)
	Buy USD 5,336,845 & Sell EUR 4,636,240, 11/23/2018	(54)	(0.03)
	Buy USD 4,997,481 & Sell EUR 4,357,800, 11/16/2018	(63)	(0.03)
	Buy GBP 5,444,180 & Sell USD 7,191,000, 10/25/2018	(65)	(0.03)
	Buy USD 6,503,752 & Sell EUR 5,674,409, 11/16/2018	(84)	(0.04)
	Buy GBP 19,170,986 & Sell USD 25,315,000, 10/25/2018	(225)	(0.12)
	Buy GBP 19,542,244 & Sell USD 25,801,000, 10/25/2018	(226)	(0.12)
	Buy GBP 20,317,847 & Sell USD 26,835,000, 10/25/2018	(243)	(0.13)
	FOREIGN EXCHANGE GAIN/LOSS ON OUTSTANDING FORWARD CURRENCY CONTRACTS	2,119	1.12
	INTEREST RATE SWAPS (USD) Ω		
(38,240,000)	Barclays PLC, 1.938%, 01/30/2025#	1,924	1.02
(10,600,000)	Citibank Na, 2.855%, 04/9/2028#	163	0.09
(17,700,000)	Citibank Na, 2.903%, 04/9/2048#	580	0.31
(10,450,000)	JPMorgan Chase & Co., 3.848%, 08/22/2043#	(993)	(0.53)
	TOTAL INTEREST RATE SWAPS	1,674	0.89
	TOTAL - DERIVATIVES	3,793	2.01
	TOTAL VALUE OF INVESTMENTS¥	174,750	92.38
	OTHER ASSETS	14,414	7.62
	TOTAL NET ASSETS	189,164	100.00

TEMPLETON GLOBAL TOTAL RETURN BOND FUND

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2018.

- * These securities are fair valued by the manager.
- ‡ These securities are currently in an escrow position. An escrow account is an account established to hold monies pledged and to be used solely for a designed purpose, typically to pay debt service or an outstanding issue in an advance refunding.
- Securities shown as FRNs represent Floating Rate Notes – debt instruments that pay a Floating Rate of interest, usually based on an accepted market benchmark rate such as LIBOR.
- Ω Derivative Contract.
- ¥ Including derivative liabilities.
- # Traded on an alternative investment market.

Portfolio Statement by Credit Rating

Standard & Poor's Ratings		Market Value £000 30 September 2018	% of Net Assets 30 September 2018
High Quality	AA	6,000	3.17
Upper Medium quality	A	21,371	11.30
Medium grade	BBB	40,438	21.39
Somewhat speculative	BB	28,470	15.04
Low grade, speculative	B	19,957	10.55
Not Rated	Not Rated	54,694	28.91
TOTAL VALUE OF BONDS		170,930	90.36

TEMPLETON GLOBAL TOTAL RETURN BOND FUND

Statement of Total Return

For the period 1 April 2018 to 30 September 2018

	September 2018 £000	September 2018 £000	September 2017 £000	September 2017 £000
Income				
Net capital gains/(losses)		(12,915)		(17,893)
Revenue	8,850		8,777	
Expenses	(980)		(1,514)	
Interest payable and similar charges	(24)		(6)	
Net revenue before taxation	7,846		7,257	
Taxation	(295)		(419)	
Net revenue after taxation		7,551		6,838
Total return before distributions for the period		(5,364)		(11,055)
Distributions		(7,551)		(6,838)
Change in net assets attributable to shareholders		(12,915)		(17,893)

Statement of Change in Net Assets Attributable to Shareholders

For the period 1 April 2018 to 30 September 2018

	September 2018 £000	September 2018 £000	September 2017 £000	September 2017 £000
Opening net assets attributable to shareholders		241,765		275,051
Amounts received on creation of shares	23,867		54,177	
Amounts paid on cancellation of shares	(67,517)		(59,522)	
		(43,650)		(5,345)
Change in net assets attributable to shareholders from investment activities (see above)		(12,915)		(17,893)
Retained distribution on accumulation shares		3,964		3,601
Closing net assets attributable to shareholders		189,164		255,414

Balance Sheet

As at 30 September 2018

	September 2018 £000	March 2018 £000
Assets		
Fixed assets		
Tangible assets:		
Investment assets	181,134	217,614
Current assets		
Debtors	9,147	5,082
Cash and bank balances	4,672	29,441
Total assets	194,953	252,137
Liabilities		
Investment liabilities	(2,555)	(6,708)
Creditors		
Distribution payable	(1,810)	(1,672)
Other creditors	(1,424)	(1,992)
Total liabilities	(5,789)	(10,372)
Net assets attributable to shareholders	189,164	241,765

TEMPLETON GLOBAL TOTAL RETURN BOND FUND

Distribution Statement

For the period 1 April 2018 to 30 June 2018

Group 1 – Shares purchased prior to 1 April 2018

Group 2 – Shares purchased in the period 1 April 2018 to 30 June 2018

	Net Income p	Equalisation p	30 September 2018 Pence per Share p	30 September 2017 Pence per share p
A – Income Shares				
Group 1	2.1433	-	2.1433	1.9493
Group 2	1.1508	0.9925	2.1433	1.9493
A – Income Hedge Shares				
Group 1	1.5568	-	1.5568	1.3486
Group 2	0.6124	0.9444	1.5568	1.3486
A – Accumulation Shares				
Group 1	3.0866	-	3.0866	2.6678
Group 2	2.0062	1.0804	3.0866	2.6678
A – Accumulation Hedge Shares				
Group 1	1.8735	-	1.8735	1.5372
Group 2	0.9375	0.9360	1.8735	1.5372
W – Income Shares				
Group 1	1.5719	-	1.5719	1.4660
Group 2	0.8723	0.6996	1.5719	1.4660
W – Income Hedge Shares				
Group 1	1.5812	-	1.5812	1.3890
Group 2	0.8042	0.7770	1.5812	1.3890
W – Accumulation Shares				
Group 1	1.8896	-	1.8896	1.6609
Group 2	1.0564	0.8332	1.8896	1.6609
W – Accumulation Hedge Shares				
Group 1	1.6632	-	1.6632	1.3835
Group 2	1.1095	0.5537	1.6632	1.3835
Y – Income Shares				
Group 1	1.9201	-	1.9201	1.7963
Group 2	1.9201	-	1.9201	1.7963
Z – Income Hedge Shares				
Group 1	1.5426	-	1.5426	1.3426
Group 2	1.5426	-	1.5426	1.3426
Z – Accumulation Shares				
Group 1	3.1087	-	3.1087	2.7123
Group 2	1.4905	1.6182	3.1087	2.7123

TEMPLETON GLOBAL TOTAL RETURN BOND FUND

Distribution Statement (continued)

For the period 1 July 2018 to 30 September 2018

Group 1 – Shares purchased prior to 1 July 2018

Group 2 – Shares purchased in the period 1 July 2018 to 30 September 2018

	Net Income p	Equalisation p	30 September 2018 Pence per Share p	30 September 2017 Pence per share p
A – Income Shares				
Group 1	2.5842	-	2.5842	1.8590
Group 2	0.8299	1.7543	2.5842	1.8590
A – Income Hedge Shares				
Group 1	1.7827	-	1.7827	1.2690
Group 2	0.6888	1.0939	1.7827	1.2690
A – Accumulation Shares				
Group 1	3.7873	-	3.7873	2.5583
Group 2	1.1800	2.6073	3.7873	2.5583
A – Accumulation Hedge Shares				
Group 1	2.1769	-	2.1769	1.4604
Group 2	0.9993	1.1776	2.1769	1.4604
W – Income Shares				
Group 1	1.8911	-	1.8911	1.3807
Group 2	0.8460	1.0451	1.8911	1.3807
W – Income Hedge Shares				
Group 1	1.7830	-	1.7830	1.3138
Group 2	0.9320	0.8510	1.7830	1.3138
W – Accumulation Shares				
Group 1	2.2937	-	2.2937	1.5854
Group 2	1.0660	1.2277	2.2937	1.5854
W – Accumulation Hedge Shares				
Group 1	1.9111	-	1.9111	1.3233
Group 2	0.9534	0.9577	1.9111	1.3233
Y – Income Shares				
Group 1	2.2451	-	2.2451	1.7317
Group 2	2.2451	-	2.2451	1.7317
Z – Income Hedge Shares				
Group 1	1.7496	-	1.7496	1.2682
Group 2	1.7496	-	1.7496	1.2682
Z – Accumulation Shares				
Group 1	3.7786	-	3.7786	2.6312
Group 2	0.8468	2.9318	3.7786	2.6312

Equalisation

All shareholders, within each share category, receive the same distribution per share, although the distribution to shareholders who purchased shares during the distribution period (Group 2 holdings) contains an element of equalisation which is a repayment, at an average rate per share, of the amount of accrued net income which was included in the purchase price of such shares. As the nature of this payment is capital it is not subject to income tax but must be deducted from the purchase price in any capital gains tax computation on the sale of the shares.

TEMPLETON GROWTH FUND

Investment Review

Performance

For the six months ended 30 September 2018, Templeton Growth Fund (W(acc) shares) returned 11.09%*, while the MSCI All Country World Index (“MSCI ACWI”) rose 13.11% (both returns in UK sterling).

Overview

The global economy expanded during the six-month period under review amidst generally upbeat economic data across regions. In this environment, the MSCI All Country World Index, which measures the performance of global developed and emerging market stocks, advanced in US dollar terms for the six months ended 30 September 2018. As measured by MSCI indices, developed market stocks as a group outperformed the global index, while emerging market stocks collectively declined during the period.

Global equity markets were aided by higher crude oil prices and encouraging corporate earnings reports from several regions. However, early in the period, markets reflected investor concerns about tensions in the Korean peninsula and political uncertainties in the United States and the European Union (EU), as well as worries that strong economic growth and rising inflation in the United States and other countries would lead central banks to increase interest rates sooner than expected. Markets were further pressured by the Trump administration’s protectionist trade policies, US trade disputes with its allies and China, and fears of tighter regulation of information technology and technology-related companies. The Turkish lira’s and Argentine peso’s rapid deterioration and accompanying fears of a contagion effect also hurt investor confidence for much of the period, particularly in emerging markets. However, later in the period, investors were encouraged by an easing of tensions in the Korean peninsula, a US-EU agreement to try to reduce trade barriers and a trade deal between the US and Mexico, which Canada joined at period-end.

The US economy grew faster in 2018’s second quarter, driven by consumer spending, business investment, exports and government spending. The unemployment rate declined from 4.1% in March 2018, as reported at the beginning of the six-month period, to a 49-year low of 3.7% at period-end. Annual inflation, as measured by the Consumer Price Index, decreased from 2.4% in March 2018, as reported at the beginning of the period, to 2.3% at period-end. The US Federal Reserve (Fed) raised its target range for the federal funds rate in June and September 2018 and continued reducing its balance sheet as part of an ongoing plan to normalise monetary policy. In September 2018, the Fed raised its forecast for US economic growth in 2018 and 2019 and projected one more rate increase in 2018.

In Europe, the United Kingdom’s quarterly economic growth accelerated in 2018’s second quarter amidst growth in the services sector. The Bank of England raised its key policy rate once during the review period. The eurozone’s quarterly economic growth remained stable in 2018’s second quarter. The bloc’s annual inflation rate ended the period higher than in March 2018. The European Central Bank (ECB) kept its benchmark interest rate unchanged during the period. In September 2018, the ECB confirmed it would further reduce its monthly bond purchases, as previously announced in June, and reiterated its plan to conclude the programme at the end of 2018, while keeping interest rates unchanged through at least the summer of 2019.

In Asia, Japan’s quarterly gross domestic product (GDP) expanded in 2018’s second quarter, mainly due to growth in business spending and household consumption. The Bank of Japan left its benchmark interest rate unchanged during the period and continued its monetary stimulus measures.

In emerging markets, China’s annual GDP moderated in 2018’s second quarter. The People’s Bank of China left its benchmark interest rate unchanged during the period, but it took measures to improve financial liquidity to support economic growth and mitigate the negative effects of the trade dispute with the United States. Brazil’s quarterly GDP growth accelerated in 2018’s second quarter. Russia’s annual GDP growth rate accelerated in 2018’s second quarter. The Bank of Russia kept its key interest rate unchanged through most of the period but raised it near period-end.

Significant Changes

During the period under review, we initiated a position in US-based supermarket giant Kroger. Other new investments over the reporting period included US-based energy company Exxon Mobil and US-based bank Wells Fargo. We added to our existing investment in Standard Chartered, a London-headquartered, emerging markets-focused bank (See. Positive/Negative Contributors below). We also boosted our position in German utility E.ON, which owns electricity and gas distribution networks in Germany and across

TEMPLETON GROWTH FUND

Investment Review (continued)

Significant Changes (continued)

other parts of Europe. The initial enthusiasm for E.ON's acquisition of innogy has now given way to a long antitrust and regulatory review process that looks set to last through 2019. Cost savings from the integration should begin late 2019 or early 2020, but likely will not be fully realised until 2022. The market is waiting for further confirmation that the acquisition will proceed, and that it will do so with no major changes. In the interim, E.ON continues to grow its distribution and retail earnings while divesting legacy power generation assets and improving its balance sheet prior to the innogy deal closing. E.ON, in our view, offers a relatively defensive business mix and dividend while having the potential in the medium to longer term of generating significant growth in both earnings and dividends.

Other the same period, we reduced our investment in US-based Microsoft. The firm develops and markets software, hardware and provides technology-related services such as cloud computing. Fundamentals remain strong, but we estimate the valuation reflects this positive outlook for the next several years. With the multiple elevated, we expect to see some multiple compression. At this point, the risk/reward no longer looked as favourable as it was, and we have started reducing our exposure. We closed our position in Suncor Energy, the largest integrated oil company in Canada. Suncor is the "best of the best" when it comes to Canadian energy companies (and oil sands in particular), and the market has been recognising this after recent strong performance. The shares looked fairly valued and were sold. We also reduced our exposure to Dutch insurer ASR Nederland. Other significant liquidations over the reporting period included Galp Energia, a Portuguese integrated oil and gas company, and Swiss mining company Glencore. Galp continues to turn out better-than-expected results and production growth. It still has a long runway of growth projects that we believe should provide opportunities into the mid-2020s as it continues to explore and develop its high-quality Brazilian pre-salt offshore assets. Galp's downstream business also stands to benefit from changes in regulation that should see its refining margins increase 20-30% over the next few years. Galp has a very good fundamental story, but we believe that this view has been fully priced into the shares at the levels at period-end.

Positive/Negative Contributors

The Fund posted strong gains during the reporting period but underperformed relative to its benchmark index. Stock selection and an underweighting in the information technology sector hampered results due in large part to our underweighted investment in US-based technology giant Apple. Our holdings within the sector delivered absolute gains but trailed the strong returns of the benchmark. Apple was representative of the type of IT stock we find attractive: a market leader with enormous cash-generating abilities that could be acquired cheaply due to temporary setbacks and/or excessive concerns about future growth. After a number of successful product cycles, renewed double-digit growth, impressive margin preservation and a favourable US tax overhaul, Apple traded at the upper end of its valuation band, in our assessment, and offered an opportunity to sell into strength. This investment contrasts with many of today's leading internet technology-related stocks, like, for instance, Amazon (which the Fund does not hold). Amazon is a great company with an impressive growth profile, but with a tiny net profit margin and no dividend pay-out, the stock appears excessively valued, in our view. Indeed, for the same market cap as Amazon, investors could own the top seven holdings in the Fund for substantially greater collective revenues, earnings, free cash flow and higher dividend yields. Even assuming an incredibly high sustained sales growth rate through the next decade (as consensus estimates do), once Amazon eventually attains a more mature valuation and margin profile—like, for instance, Walmart (not a Fund holding)—we estimate the downside potential from current levels could be significant. While we have continued to find select opportunities in the information technology sector, we have reduced our exposure to the high-flying consumer and internet technology firms commanding premium valuations.

Relative weakness in the materials sector was particularly evident amongst the Fund's precious and industrial metals stocks, although industrial metals showed signs of resurgence in September based partially on China's growth-supportive policy moves and receding worries about trade tensions. In our analysis, the price of gold is the lowest it has ever been relative to key variables like money supply, global debt and financial assets. The valuation of global gold miners is also depressed by historical standards, in our assessment. The backdrop for metals markets appeared more positive heading into the fourth quarter as global manufacturing activity was still expanding broadly while many investors appear to have turned slightly more optimistic about upcoming trade negotiations.

TEMPLETON GROWTH FUND

Investment Review (continued)

Positive/Negative Contributors (continued)

Relative returns were pressured further by an overweighting and stock selection in the financial sector. UK-based emerging markets lender Standard Chartered was amongst the Fund's most significant detractors, impacted by the weakness in emerging markets and the banking sector, plus ongoing tensions around global trade. Investors also have become impatient about the timing of an eventual earnings recovery. We continue to believe that the recent weakness represents an additional buying opportunity. The firm's management has successfully executed on planned strategic actions to reduce risk, control costs and strengthen the balance sheet. The focus going forward will be on growing revenues and profitability, which we believe is possible given Standard Chartered's strong brand and positioning in high gross domestic product growth markets across Asia, the Middle East and Africa. European financials stocks were also dampened by Italian budget deliberations, a Turkish economic crisis and continued Brexit impasse, as well as fiery trade rhetoric and weaker (but still expanding) European economic data. As such, an eventual sector recovery will likely require the cessation of bad news on the geopolitical and economic fronts. A stronger economy and firmer euro should allow the ECB to stick to its plans to conclude its bond purchase programme by the end of the year and hike its policy interest rate by summer 2019. Though all of this stands to benefit the banks, they seem to be pricing in none of it. Indeed, Europe's banks at quarter-end were trading at the lowest relative price-to-book value levels since the global financial crisis despite generating the highest relative returns on equity in a decade. Significant rebound potential exists should worst-case macro scenarios simply fail to materialise. After selling some of our European bank holdings amidst strength last year, we have been selectively increasing exposure amidst this year's weakness.

Security selection in the consumer discretionary sector also weighed on results. Shares in US-based cosmetics maker Coty slumped as the transition from restructuring progress to earnings improvements continued to take longer than the market hoped. Necessary investments in new product lines have pressured near-term returns, but investment and profits should normalise over our long-term horizon. Coty is well-diversified across mass-market and premium brands, enjoys stable ownership from a highly incentivised cornerstone investor, and has been trading at a material discount to its competitors. Also with the consumer discretionary sector, shares of UK-based home improvement retailer Kingfisher continued to struggle amidst investor concern regarding the company's restructuring plan. Although the heat wave in the United Kingdom supported sales of outdoor furniture and leisure products at its B&Q chain, sales in France declined and overall gross margins came in below consensus expectations. In our view, recent valuations largely overlooked Kingfisher's improved competitive landscape, significant self-help initiatives and attractive international exposure.

Conversely, security selection and an overweighting in the energy sector supported relative performance over the six-month reporting period. Shares of UK-based integrated oil major BP performed well as the price of benchmark Brent crude oil increased. The market has finally started to give BP some credit and appeared to have begun to forget about the Macondo spill, which has left investors hesitant for the past eight years. Despite the stock's recent outperformance, we believe its valuation does not reflect the strength of the company's operating performance. More broadly, we have continued to manage the commodity cycle by selling into the strength of higher-beta oil services stocks as the price of crude rises. On the other hand, we have been increasing exposure to high-quality integrated oil producers with the potential for further multiple expansion as new-found capital discipline generates the cash flows required to sustain generous dividend pay-outs. Our strategy of rotating out of price-sensitive oil services stocks and into large, integrated energy firms as the cycle matures appears to be positive. Oil services stocks have declined over the past 12 months while integrated firms posted double-digit gains well in excess of the broader market. Integrated energy firms in aggregate look set to generate more free cash flow this year than they did when oil was at US\$100 per barrel, which should allow them to fully cover dividends and enhance shareholder value through buybacks, balance sheet repair, and targeted mergers and acquisitions.

Stock selection in the communication services sector also enhanced results. We typically have been finding potential opportunities amongst lowly valued telecommunications firms with strong balance sheets, declining capital intensity and attractive dividends operating in markets with stable competitive dynamics and regulatory structures. Many of these opportunities are in Europe, where regulatory pressures have been easing and competition has been rationalising, and in select Asian markets likely to see rising data usage. In a low rate, elevated risk environment, telecom stocks should benefit from defensiveness and yield.

Within the health care sector, US-based pharmaceuticals firm Eli Lilly & Co. was amongst the Fund's top performers over the reporting period, with the shares surging after the company beat analysts' estimates and announced plans to spin off its animal health unit. We believe Eli Lilly remains a strongly growing

TEMPLETON GROWTH FUND

Investment Review (continued)

Positive/Negative Contributors (continued)

business, offering a robust medium-term outlook, capital flexibility and pipeline optionality; in short, a solid “hold” for us. Shares of LivaNova, a UK-based medical device manufacturer, continued their advance. Strong operating results and recent management initiatives to restructure/refocus the business contributed to the stock’s outperformance over the past several months. Longer term, LivaNova’s pipeline holds significant upside potential, but is not a point of focus for the market yet, in our view. More generally in the sector, we have been encouraged by the strong rebound in health care stocks over the past few quarters, and the portfolio remained significantly overweight the sector given its defensive growth prospects we view as attractive. Large capitalisation pharmaceuticals stocks, which have traditionally traded at a premium to other defensives, now generally trade at a discount despite exhibiting similar dividend/stability characteristics and much higher margins, returns on equity and cash flows. Health care’s cheap valuations, robust fundamentals, low trade war risk (given the domestic nature of the industry’s supply chains) and non-discretionary demand profile should all appeal to investors in a late-cycle environment of increasing uncertainty.

Although consumer discretionary sector was an overall detractor at the sector level, Fund performance benefitted from an investment in Luxembourg-based satellite specialist SES. The stock has been under pressure recently from one-off issues and delays associated with its transition to a value-added full service model. A strong earnings report in April, highlighting lower-than-expected restructuring charges and better-than-expected results from its video business, helped improve sentiment. We continue to believe that SES’s new management team is executing a sensible turnaround plan and the company should benefit over our long-term horizon from the structural growth in global data demand, given the high barriers to entry associated with its difficult-to-replicate orbital slots.

Other individual contributors over the reporting period included an investment in US-based Advance Auto Parts. Shares of Advance Auto Parts, one the largest retailers of automotive aftermarket parts in North America, surged to a 52-week high early in the reporting period after the company posted second-quarter results that exceeded expectations and raised its full-year revenue outlook. The company also announced its plan to repurchase between US\$100 million and US\$200 million worth of stock by the end of 2018. We believe these positive results support our investment thesis that management’s turnaround plan will lead to higher same-store sales and margin expansion. The outlook for the industry continues to improve, in our view, driven by an ageing US automotive fleet and an increase in miles driven.

In geographic terms, an underweight allocation to the United States detracted significantly from relative performance for the reporting period. An overweight in Europe also weighed on results, with the Fund’s investments in France, Germany and the United Kingdom proving especially detrimental. Relative returns were depressed further by stock selection and an overweighting in Japan. Conversely, relative performance was supported in part by the Fund’s lone holding in Israel. Security selection in China also boosted results significantly. The Fund’s investments in select European markets such as Luxembourg, Belgium and Norway enhanced returns further.

Outlook

Market conditions remain challenging for value investors. Despite eight rate hikes by the Fed since 2016, real interest rates in the United States and elsewhere remain pinned near historic lows. Typically, when interest rates are low, the net present value of long-dated cash flows increases and stocks with good growth visibility command a premium. Low interest rates also have coincided with periods of low economic growth, and the laws of supply and demand ensure that when growth is scarce, many investors will pay more for it. What’s more, during this unusual cycle, low rates have been accompanied by quantitative easing, an unconventional policy tool that—through the expansion of the money supply—created artificial and largely indiscriminate demand for risk assets. This has coincided with the rise of passive investing. Many passive products are weighted by market capitalisation, without regard for fundamentals. As the wave of liquidity created by central bankers flowed into the market, these popular products have helped funnel ever more capital into the growth stocks that dominate indices. Ultimately, we view these conditions as unsustainable. Many central banks—led by the Fed—are raising interest rates and withdrawing liquidity, at least partly due to concerns about the distortive impact of their policies on financial markets. Meanwhile, the same passive structures that amplified the outperformance of widely owned and highly liquid growth stocks on the way up may well amplify their underperformance on the way down. On the rare occasions when value has underperformed to the degree it has done so recently, it has gone on to outperform over the following

TEMPLETON GROWTH FUND

Investment Review (continued)

Outlook (continued)

two years. While extraordinary circumstances have delayed the process of value recognition in our portfolios, we have every confidence that an eventual, and substantial, reversal in trend should lie ahead.

Dylan Ball, Peter Moeschter & Heather Arnold, CFA
Fund Managers
30 September 2018

TEMPLETON GROWTH FUND

Comparative Table

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
A – Income shares				
Change in net assets per share				
Opening net asset value per share	715.75	725.05	559.65	618.34
Return before operating charges ¹	81.99	9.05	181.12	(44.93)
Operating charges ²	(12.15)	(11.79)	(10.37)	(9.14)
Return after operating charges* ³	69.84	(2.74)	170.75	(54.07)
Distributions on income shares	(4.4943)	(6.5600)	(5.3491)	(4.6168)
Closing net asset value per share	781.10	715.75	725.05	559.65
*After direct transaction costs of: ⁴	0.0023	0.0052	0.0032	0.0052
Performance				
Return after charges ⁵	9.76%	(0.38%)	30.51%	(8.74%)
Other information				
Closing net asset value	2,662,878	2,524,678	3,404,354	2,153,555
Closing number of shares	340,916	352,732	469,536	384,803
Ongoing charges ratio ⁶	1.59%	1.59%	1.60%	1.59%
Direct transaction costs ⁴	0.03%	0.07%	0.05%	0.09%
Prices				
Highest share price	801.56	780.77	742.86	655.39
Lowest share price	705.28	697.40	541.18	487.93

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
A – Accumulation shares				
Change in net assets per share				
Opening net asset value per share	1,082.68	1,087.00	832.11	911.57
Return before operating charges ¹	124.02	13.44	270.22	(65.85)
Operating charges ²	(18.37)	(17.76)	(15.33)	(13.61)
Return after operating charges* ³	105.65	(4.32)	254.89	(79.46)
Closing net asset value per share	1,188.33	1,082.68	1,087.00	832.11
Retained distributions on accumulation shares	6.8040	9.8252	7.8336	6.7900
*After direct transaction costs of: ⁴	0.0035	0.0078	0.0048	0.0077
Performance				
Return after charges ⁵	9.76%	(0.40%)	30.63%	(8.72%)
Other information				
Closing net asset value	15,362,090	14,667,199	16,149,329	15,151,197
Closing number of shares	1,292,748	1,354,709	1,485,677	1,820,828
Ongoing charges ratio ⁶	1.59%	1.59%	1.60%	1.59%
Direct transaction costs ⁴	0.03%	0.07%	0.05%	0.09%
Prices				
Highest share price	1,212.49	1,179.64	1,113.29	966.20
Lowest share price	1,066.82	1,045.47	804.39	723.69

TEMPLETON GROWTH FUND

Comparative Table (continued)

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
I – Accumulation shares				
Change in net assets per share				
Opening net asset value per share	3,564.73	3,553.99	2,701.67	2,939.03
Return before operating charges ¹	395.50	43.37	880.56	(212.90)
Operating charges ²	(33.92)	(32.63)	(28.24)	(24.46)
Return after operating charges* ³	361.58	10.74	852.32	(237.36)
Closing net asset value per share	3,926.31	3,564.73	3,553.99	2,701.67
Retained distributions on accumulation shares	33.1355	57.8178	47.5752	41.2153
*After direct transaction costs of: ⁴	0.0114	0.0257	0.0157	0.0247
Performance				
Return after charges ⁵	10.14%	0.30%	31.55%	(8.08%)
Other information				
Closing net asset value	223,829,817	208,700,319	208,481,455	160,302,184
Closing number of shares	5,700,765	5,854,589	5,866,123	5,933,440
Ongoing charges ratio ⁶	0.89%	0.89%	0.90%	0.89%
Direct transaction costs ⁴	0.03%	0.07%	0.05%	0.09%
Prices				
Highest share price	4,002.08	3,878.45	3,638.80	3,115.94
Lowest share price	3,512.77	3,419.45	2,614.17	2,347.53

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
W – Accumulation shares				
Change in net assets per share				
Opening net asset value per share	223.94	223.15	169.55	184.36
Return before operating charges ¹	24.79	2.72	55.27	(13.37)
Operating charges ²	(2.01)	(1.93)	(1.67)	(1.44)
Return after operating charges* ³	22.78	0.79	53.60	(14.81)
Closing net asset value per share	246.72	223.94	223.15	169.55
Retained distributions on accumulation shares	2.1297	3.7453	3.0856	2.6775
*After direct transaction costs of: ⁴	0.0007	0.0016	0.0010	0.0015
Performance				
Return after charges ⁵	10.17%	0.35%	31.61%	(8.03%)
Other information				
Closing net asset value	19,259,446	19,441,355	20,294,104	15,452,561
Closing number of shares	7,806,279	8,681,504	9,094,219	9,113,753
Ongoing charges ratio ⁶	0.84%	0.84%	0.85%	0.84%
Direct transaction costs ⁴	0.03%	0.07%	0.05%	0.09%
Prices				
Highest share price	251.46	243.62	228.47	195.45
Lowest share price	220.67	214.71	164.07	147.31

TEMPLETON GROWTH FUND

Comparative Table (continued)

	30 September 2018	31 March 2018	31 March 2017	31 March 2016
Z – Accumulation shares				
Change in net assets per share				
Opening net asset value per share	221.36	221.03	168.29	183.35
Return before operating charges ¹	24.73	2.70	54.87	(13.28)
Operating charges ²	(2.46)	(2.37)	(2.13)	(1.78)
Return after operating charges* ³	22.27	0.33	52.74	(15.06)
Closing net asset value per share	243.63	221.36	221.03	168.29
Retained distributions on accumulation shares	1.9152	3.2514	2.6882	2.3037
*After direct transaction costs of: ⁴	0.0007	0.0016	0.0010	0.0015
Performance				
Return after charges ⁵	10.06%	0.15%	31.34%	(8.21%)
Other information				
Closing net asset value	2,770,897	2,378,928	2,171,693	413,748
Closing number of shares	1,137,318	1,074,667	982,534	245,853
Ongoing charges ratio ⁶	1.04%	1.04%	1.05%	1.04%
Direct transaction costs ⁴	0.03%	0.07%	0.05%	0.09%
Prices				
Highest share price	248.39	240.92	226.33	194.37
Lowest share price	218.13	212.64	162.80	146.25

1 The "return before operating charges" is calculated as the "return after operating charges" plus the "operating charges".

2 The "operating charges" are calculated with reference to the total expenses for the year divided by the number of shares in issue at each valuation point.

3 The "return after operating charges" is calculated as the "closing net asset value per share" plus the "distributions" (for income share classes only) minus the "opening net asset value per share".

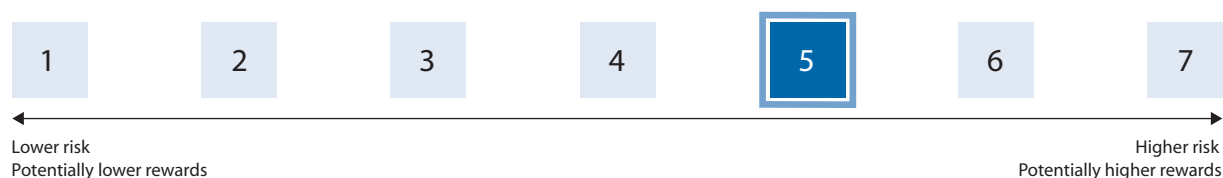
4 The direct transaction costs include all fees and expenses which relate directly to the sales and purchases of securities which include commissions, transfer taxes and duties. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The "direct transaction costs" ratio is calculated by dividing the total transaction costs by the average net assets.

5 The "return after charges" is calculated as the "return after operating charges" per share divided by the "opening net asset value per share". This figure will differ from "performance return" figure disclosed under "Investment Review" section due to alternative calculation methodology used.

6 The "ongoing charges ratio" represents all operating charges and expenses of the share class in the prior 12 months as a percentage of the share class's average net assets during the year.

Where ex-post expense information is not a fair representation of future operating costs and where 12 months of information is not available, an estimate is disclosed.

Risk Profile (W(acc) shares)



This indicator, disclosed in the Key Investor Information Document (KIID), provides a measure of the price movement of the Fund based on historical behaviour. Historical data may not be a reliable indication of the future risk profile of the Fund. The category shown is not guaranteed to remain unchanged and may shift over time. The lowest category does not mean risk free.

For a full discussion of all the risks applicable to this Fund, please refer to the "Risk Factors" section of the current prospectus of Franklin Templeton Funds.

TEMPLETON GROWTH FUND

Portfolio Statement as at 30 September 2018

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	EQUITIES 95.67% (96.95%)		
	ASIA 19.72% (19.09%)		
	CHINA		
13,500	Baidu Inc., ADR†	2,368	0.90
657,000	China Life Insurance Co. Ltd., H	1,145	0.43
285,500	China Mobile Ltd.	2,157	0.82
6,372,000	China Telecom Corp. Ltd., H	2,417	0.92
1,986,000	Kunlun Energy Co. Ltd.	1,773	0.67
6,200	NetEase Inc., ADR†	1,085	0.41
		<u>10,945</u>	<u>4.15</u>
	HONG KONG		
392,500	CK Hutchison Holdings Ltd.	<u>3,469</u>	<u>1.31</u>
	JAPAN		
36,200	Ezaki Glico Co. Ltd.	1,366	0.52
79,800	IHI Corp.	2,319	0.88
75,100	INPEX Corp.	718	0.27
104,600	Mitsui Fudosan Co. Ltd.	1,899	0.72
54,100	Omron Corp.	1,753	0.67
272,900	Panasonic Corp.	2,438	0.92
11,000	Ryohin Keikaku Co. Ltd.	2,510	0.95
141,700	Seven & i Holdings Co. Ltd.	4,839	1.83
24,200	SoftBank Group Corp.	1,873	0.71
75,600	Suntory Beverage & Food Ltd.	2,455	0.93
48,900	Taiheiyo Cement Corp.	1,173	0.45
		<u>23,343</u>	<u>8.85</u>
	SINGAPORE		
1,109,298	Singapore Telecommunications Ltd.	<u>2,004</u>	<u>0.76</u>
	SOUTH KOREA		
32,354	KB Financial Group Inc., ADR†	1,199	0.45
147,612	Samsung Electronics Co. Ltd.	4,738	1.80
		<u>5,937</u>	<u>2.25</u>
	TAIWAN		
84,511	Taiwan Semiconductor Manufacturing Co. Ltd., ADR†	<u>2,862</u>	<u>1.08</u>
	THAILAND		
684,500	Bangkok Bank PCL, fgn.	<u>3,478</u>	<u>1.32</u>
	TOTAL - ASIA	<u>52,038</u>	<u>19.72</u>
	EUROPE - NON EU 3.56% (4.21%)		
	NORWAY		
71,049	Yara International ASA	<u>2,674</u>	<u>1.01</u>
	SWITZERLAND		
14,595	Roche Holding AG	2,711	1.03
331,584	UBS Group AG	4,015	1.52
		<u>6,726</u>	<u>2.55</u>
	TOTAL EUROPE - NON EU	<u>9,400</u>	<u>3.56</u>
	EUROPE - OTHER EU 23.95% (24.99%)		
	DENMARK		
952	A.P. Moeller-Maersk AS, B	1,026	0.39
53,240	Vestas Wind Systems AS	2,762	1.05
		<u>3,788</u>	<u>1.44</u>

TEMPLETON GROWTH FUND

Portfolio Statement as at 30 September 2018 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	FRANCE		
146,380	AXA SA	3,017	1.14
85,782	BNP Paribas SA	4,026	1.52
27,557	Cie Generale des Etablissements Michelin SCA	2,525	0.96
68,292	Compagnie de Saint-Gobain	2,259	0.86
150,534	Credit Agricole SA	1,660	0.63
58,423	Sanofi	3,984	1.51
31,342	Total SA	1,559	0.59
143,648	Veolia Environnement SA	2,199	0.83
		<u>21,229</u>	<u>8.04</u>
	GERMANY		
48,023	Bayer AG	3,275	1.24
315,249	E.ON SE	2,464	0.93
34,466	HeidelbergCement AG	2,066	0.78
31,936	Lanxess AG	1,793	0.68
38,604	Merck KGaA	3,061	1.16
32,061	Siemens AG	3,151	1.20
		<u>15,810</u>	<u>5.99</u>
	IRISH REPUBLIC		
294,644	Bank of Ireland Group PLC	1,743	0.66
105,154	CRH PLC	2,658	1.01
		<u>4,401</u>	<u>1.67</u>
	ITALY		
226,265	Eni SpA	3,281	1.24
131,914	UniCredit SpA	1,523	0.58
		<u>4,804</u>	<u>1.82</u>
	LUXEMBOURG		
133,125	SES SA, IDR	2,241	0.85
	NETHERLANDS		
559,700	Aegon NV	2,784	1.05
27,558	Akzo Nobel NV	1,977	0.75
235,879	ING Groep NV	2,350	0.89
18,100	NXP Semiconductors NV	1,187	0.45
90,768	QIAGEN NV	2,635	1.00
		<u>10,933</u>	<u>4.14</u>
	TOTAL - EUROPE - OTHER EU	<u>63,206</u>	<u>23.95</u>
	MIDDLE EAST 1.36% (0.85%)		
	ISRAEL		
216,501	Teva Pharmaceutical Industries Ltd., ADR†	3,579	1.36
	TOTAL - MIDDLE EAST	<u>3,579</u>	<u>1.36</u>
	NORTH AMERICA 33.31% (34.42%)		
	CANADA		
223,300	Alamos Gold Inc., A	789	0.30
132,304	Goldcorp Inc.	1,033	0.39
		<u>1,822</u>	<u>0.69</u>
	UNITED STATES		
22,800	Advance Auto Parts Inc.	2,943	1.12
29,854	Allergan PLC	4,363	1.65
66,300	Ally Financial Inc.	1,345	0.51
2,820	Alphabet Inc., A	2,612	0.99
19,447	Amgen Inc.	3,092	1.17
54,960	Apache Corp.	2,010	0.76
18,700	Apple Inc.	3,239	1.23

TEMPLETON GROWTH FUND

Portfolio Statement as at 30 September 2018 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	UNITED STATES (continued)		
41,430	Capital One Financial Corp.	3,017	1.14
19,980	Celgene Corp.	1,372	0.52
88,250	Citigroup Inc.	4,857	1.84
105,366	Comcast Corp., A	2,862	1.08
88,300	CommScope Holding Co. Inc.	2,083	0.79
340,200	Coty Inc., A	3,275	1.24
17,920	Eastman Chemical Co.	1,316	0.50
39,140	Eli Lilly & Co.	3,221	1.22
41,700	Exxon Mobil Corp.	2,720	1.03
49,470	Gilead Sciences Inc.	2,930	1.11
35,538	JPMorgan Chase & Co.	3,076	1.17
45,400	Kellogg Co.	2,438	0.92
86,120	Knowles Corp.	1,097	0.42
18,310	LyondellBasell Industries NV, A	1,440	0.55
214,333	Mattel Inc.	2,581	0.98
42,120	Medtronic PLC	3,179	1.20
17,355	Microsoft Corp.	1,523	0.58
116,300	Oracle Corp.	4,599	1.74
26,510	Perrigo Co. PLC	1,440	0.55
77,400	Tapestry Inc.	2,984	1.13
136,300	The Kroger Co.	3,043	1.15
37,550	Twenty-First Century Fox Inc., A	1,335	0.51
40,800	United Parcel Service Inc., B	3,654	1.39
34,820	Voya Financial Inc.	1,327	0.50
49,720	Walgreens Boots Alliance Inc.	2,781	1.05
57,600	Wells Fargo & Co.	2,322	0.88
		<u>86,076</u>	<u>32.62</u>
	TOTAL - NORTH AMERICA	87,898	33.31
	UNITED KINGDOM 13.77% (13.39%)		
324,866	BAE Systems PLC	2,046	0.78
740,963	Barclays PLC	1,273	0.48
902,998	BP PLC	5,321	2.02
511,557	HSBC Holdings PLC	3,469	1.31
1,259,161	Kingfisher PLC	3,249	1.23
27,410	LivaNova PLC	2,606	0.99
79,443	Prudential PLC	1,398	0.53
293,660	Rolls-Royce Holdings PLC	2,900	1.10
124,753	Royal Dutch Shell PLC, A	3,288	1.25
81,911	Shire PLC	3,787	1.43
687,857	Standard Chartered PLC	4,377	1.66
1,589,764	Vodafone Group PLC	2,615	0.99
		<u>36,329</u>	<u>13.77</u>
	TOTAL - UNITED KINGDOM	36,329	13.77
	TOTAL - EQUITIES	252,450	95.67
	TOTAL VALUE OF INVESTMENTS	252,450	95.67
	OTHER ASSETS	11,435	4.33
	TOTAL NET ASSETS	263,885	100.00

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2018.

Unless otherwise stated the above securities are ordinary shares or common stock and admitted to official stock exchange listings.

† American Depositary Receipt.

TEMPLETON GROWTH FUND

Statement of Total Return

For the period 1 April 2018 to 30 September 2018

	September 2018 £000	September 2018 £000	September 2017 £000	September 2017 £000
Income				
Net capital gains/(losses)		22,253		3,740
Revenue	4,333		4,636	
Expenses	(1,215)		(1,184)	
Net revenue before taxation	3,118		3,452	
Taxation	(315)		(168)	
Net revenue after taxation		2,803		3,284
Total return before distributions for the period		25,056		7,024
Distributions		(2,259)		(2,635)
Change in net assets attributable to shareholders		22,797		4,389

Statement of Change in Net Assets Attributable to Shareholders

For the period 1 April 2018 to 30 September 2018

	September 2018 £000	September 2018 £000	September 2017 £000	September 2017 £000
Opening net assets attributable to shareholders		247,713		250,724
Amounts received on creation of shares	2,185		822	
Amounts paid on cancellation of shares	(11,054)		(2,988)	
		(8,869)		(2,166)
Change in net assets attributable to shareholders from investment activities (see above)		22,797		4,389
Retained distribution on accumulation shares		2,244		2,599
Closing net assets attributable to shareholders		263,885		255,546

Balance Sheet

As at 30 September 2018

	September 2018 £000	March 2018 £000
Assets		
Fixed assets		
Tangible assets:		
Investment assets	252,450	240,156
Current assets		
Debtors	508	3,814
Cash and bank balances	11,889	6,796
Total assets	264,847	250,766
Liabilities		
Creditors		
Distribution payable	(15)	(3)
Other creditors	(947)	(3,050)
Total liabilities	(962)	(3,053)
Net assets attributable to shareholders	263,885	247,713

TEMPLETON GROWTH FUND

Distribution Statement

For the period 1 April 2018 to 30 September 2018

Group 1 – Shares purchased prior to 1 April 2018

Group 2 – Shares purchased in the period 1 April 2018 to 30 September 2018

	Net Income p	Equalisation p	30 September 2018 Pence per Share p	30 September 2017 Pence per Share p
A – Income Shares				
Group 1	4.4943	-	4.4943	5.7137
Group 2	0.9625	3.5318	4.4943	5.7137
A – Accumulation Shares				
Group 1	6.8040	-	6.8040	8.5642
Group 2	0.6173	6.1867	6.8040	8.5642
I – Accumulation Shares				
Group 1	33.1355	-	33.1355	38.1635
Group 2	15.5022	17.6333	33.1355	38.1635
W – Accumulation Shares				
Group 1	2.1297	-	2.1297	2.4417
Group 2	-	2.1297	2.1297	2.4417
Z – Accumulation Shares				
Group 1	1.9152	-	1.9152	2.2374
Group 2	1.8876	0.0276	1.9152	2.2374

Equalisation

All shareholders, within each share category, receive the same distribution per share, although the distribution to shareholders who purchased shares during the distribution period (Group 2 holdings) contains an element of equalisation which is a repayment, at an average rate per share, of the amount of accrued net income which was included in the purchase price of such shares. As the nature of this payment is capital it is not subject to income tax but must be deducted from the purchase price in any capital gains tax computation on the sale of the shares.

Further Information

Investment objectives and policy

The Company is an umbrella company which aims to provide investors with a choice of Funds investing in a wide range of transferable securities on a world-wide basis and featuring a diverse array of investment objectives. The overall objective of the Company is to seek to minimise investment exposure through diversification and to provide Shareholders with the benefit of a portfolio managed by Franklin Templeton Investments according to its successful time-tested investment selection methods.

The Company does not intend to have an interest in any immovable property or tangible movable property. Each Fund may, on an ancillary basis, hold liquid assets. Such assets may be kept in the form of cash deposits or in short-term money market instruments.

The Funds established by the Company are Franklin Absolute Return Bond Fund, Franklin European Opportunities Fund, Franklin Mutual Shares Fund, Franklin UK Corporate Bond Fund, Franklin UK Equity Income Fund, Franklin UK Gilt Fund, Franklin UK Managers' Focus Fund, Franklin UK Mid Cap Fund, Franklin UK Opportunities Fund, Franklin UK Rising Dividends Fund, Franklin UK Smaller Companies Fund, Franklin US Opportunities Fund, Templeton Global Emerging Markets Fund, Templeton Global Total Return Bond Fund and Templeton Growth Fund.

Franklin Absolute Return Bond Fund

Investment Objective: The Fund aims to provide an absolute return (through a combination of income and capital growth) each calendar year. In addition, the Fund aims to provide an overall return of 2-3% above the London Interbank Offered Rate (LIBOR) 90 Day (GBP) over a full market cycle (being 3-5 years) after management fees are deducted.

There is no guarantee that the Fund will achieve its objective over this or any other time period; capital invested in the Fund is at risk and you may get back less than you paid in.

The Fund intends to achieve its objective by investing primarily in a diversified portfolio of fixed and floating rate debt securities and related derivatives.

The Fund's investment portfolio may include fixed and floating rate debt securities and debt obligations of governments, government-related, supranational, and corporate entities worldwide. These may be investment grade and non-investment grade securities (including securities in default).

In addition, the Fund may purchase mortgage and asset-backed securities, convertible bonds and may invest in securities or structured products where the security is linked to or derives its value from another security, or is linked to assets or currencies of any nation.

The Investment Manager seeks to generate return from various sources and as such the assets of the Fund may be diversified also by risk type, including credit, currency and duration). The Fund is actively managed and at any given time the Fund may have a substantial amount of its assets invested in any class of debt securities.

The Fund may make use of permitted debt and currency related derivative contracts (including, but, not limited to options, futures, credit default swaps, interest rate swaps and total return swaps, forward currency contracts, contracts for difference) and other derivatives to vary exposure to currencies, bond markets, interest rates, sectors, individual securities and/or individual issuers in order to enhance capital return, limit downside volatility and/or preserve capital. The Fund may take long and short positions in currencies, debt related markets, securities, groups of securities and indices through derivative and forward currency contracts but total net derivatives exposure may not exceed the limits in the FCA Rules.

The Fund may use derivatives for investment purposes as well as for hedging and/or efficient portfolio management.

In addition, at the ACD's discretion, the Fund may also invest a proportion of its portfolio in other transferable securities including cash and near cash, money market instruments, and other collective investment schemes managed by Franklin Templeton Investments entities as well as managed by other asset managers.

The base currency of the Fund is UK sterling.

The expected level of exposure that could be subject to total return swaps amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

Further Information (continued)

Franklin European Opportunities Fund

Investment Objective: The Fund aims to provide long-term capital growth by investing principally in European (excluding UK) equities.

The Fund seeks to achieve its investment objective by investing principally in a focused portfolio of equity and/or equity-related securities of companies, of any market capitalisation, which are incorporated or have their principal business activities in European countries (excluding the UK).

In addition, at the ACD's discretion, the Fund may also invest a proportion of its portfolio in other transferable securities including fixed interest and other debt related securities, warrants, cash and near cash, money market instruments, and other collective investment schemes.

It is not currently intended that derivatives will be used for any purpose other than the efficient portfolio management (including hedging) of the Fund. However, the Fund may, in the future and subject to the ACD giving not less than 60 days' notice to Shareholders in the Fund, use derivatives in pursuit of its investment objective as well as for efficient portfolio management. It is not intended that the use of derivatives for efficient portfolio management will cause the Fund's existing risk profile to rise. Where the use of derivatives in pursuit of the Fund's investment objective may cause the Fund to have higher volatility or otherwise cause its existing risk profile to rise, a notification to that effect shall be included within the 60-day prior notice to be sent to Shareholders in the Fund.

The base currency of the Fund is UK sterling.

Franklin Mutual Shares Fund

Investment Objective: The Fund's primary objective is long-term capital appreciation by investing primarily in US equity and related debt securities. Income generation is a secondary consideration.

The Fund will pursue these objectives primarily through investment in equity and debt securities of US corporate issuers that are listed or traded on Eligible Markets which the Investment Adviser believes are available at market prices less than their value based on certain recognised or objective criteria ("intrinsic value"). A significant portion of the debt securities in which the Fund invests is expected to be Sub-Investment Grade debt or equivalent unrated securities.

Following this value-orientated strategy, the Fund primarily invests in:

- (a) Undervalued equities—common and preferred stock, and securities convertible into common or preferred stock, trading at a discount to intrinsic value;
to a lesser extent, the Fund also invests in:
- (b) Merger arbitrage and companies undergoing restructuring – equity and debt securities of companies that are involved in restructurings such as mergers, acquisitions, consolidations, liquidations, spin-offs, or tender or exchange offers; and
- (c) Distressed securities – debt securities of companies that are, or are about to be, involved in reorganisations, financial restructurings or bankruptcy.

The Fund's investments in distressed companies typically involve the purchase of lower-rated (or comparable unrated) or defaulted debt securities or other indebtedness, such as syndicated bank debt, of such companies. The Fund generally invests in such debt instruments to achieve capital appreciation, rather than to seek income. Such investments may be made when the Investment Adviser determines that such securities might be subject to an exchange offer or a plan of reorganisation pursuant to which shareholders of the distressed securities could receive securities or assets in exchange for such securities. Generally, the Fund will invest in such securities at a price which represents a significant discount from the principal amount due at maturity. Investments by the Fund in distressed or defaulted debt securities shall be considered to be investments in securities which are not traded on Eligible Markets and shall therefore be subject to the restriction that such investments, together with other investments which fall into this category, may not exceed 10% of the net asset value of the Fund.

The Investment Adviser employs a research-driven fundamental value strategy for the Fund. In choosing equity investments, the Investment Adviser focuses on the market price of a company's securities relative to the Investment Adviser's own evaluation of the company's asset value, including an analysis of book value, cash flow potential, long term earnings, and multiples of earnings of comparable securities of both public and private companies. Value stock prices are considered "cheap" relative to the company's perceived

Further Information (continued)

value and are often out of favour with other investors. The prices of debt obligations of distressed companies also may be “cheap” relative to the value of the company’s assets. The Fund invests in such securities if the Investment Adviser believes the market may have over-reacted to adverse developments or failed to appreciate positive changes. The Investment Adviser examines each investment separately and there are no set criteria as to specific value parameters, asset size, earnings or industry type. A portion of the assets of the Fund, which will generally be not more than 20% of its net asset value, may be invested in the securities of non-US issuers, including issuers in emerging markets.

The Fund will limit its investments in transferable securities which are not traded on one or more Eligible Markets to not more than 10% of its net asset value as of the time of investment.

In addition, at the ACD’s discretion, the Fund may also invest a proportion of its portfolio in other types of transferable securities including cash and near cash, money market instruments, and other collective investment schemes.

It is not currently intended that derivatives will be used for any purpose other than the efficient portfolio management (including hedging) of the Fund. However, the Fund may, in the future and subject to the ACD giving not less than 60 days’ notice to Shareholders in the Fund, use derivatives in pursuit of its investment objective as well as for efficient portfolio management. It is not intended that the use of derivatives for efficient portfolio management will cause the Fund’s existing risk profile to rise. Where the use of derivatives in pursuit of the Fund’s investment objective may cause the Fund to have higher volatility or otherwise cause its existing risk profile to rise, a notification to that effect shall be included within the 60-day prior notice to be sent to Shareholders in the Fund.

The base currency of the Fund is UK sterling.

Franklin UK Corporate Bond Fund

Investment Objective: The Fund aims to achieve a combination of income and capital growth over the medium to long term.

The Fund will invest primarily in investment-grade fixed or floating-rate debt securities of UK companies. UK companies are considered to be those which are listed, quoted or traded in the UK or that are listed, quoted or traded elsewhere but are incorporated, domiciled or conduct a significant portion of their business in the UK. No more than 15% of the Fund’s investments will be in non-investment grade securities. Further, no more than 10% of the Fund’s investments will be denominated in currencies other than UK sterling.

The Fund may also invest in other types of corporate or non-corporate securities including, but not limited to, government debt securities, securities issued by supranational entities, non-investment grade debt securities, bonds convertible into common stock, preferred stock and warrants.

In addition, at the ACD’s discretion, the Fund may also invest in other transferable securities, cash and near cash, deposits, money market instruments, and other collective investment schemes.

The Fund may use derivatives for investment purposes as well as for hedging and/or efficient portfolio management. These derivatives include, but are not limited to, futures, currency forwards, options, and credit default and interest rate swaps.

The base currency of the Fund is UK sterling.

Franklin UK Equity Income Fund

Investment Objective: The Fund aims to provide a growing level of income which is higher than that of the FTSE All-Share Index, together with capital growth over the medium to long term (meaning 3-5 years).

The Fund will primarily invest in the equity securities of UK companies listed on the London Stock Exchange. To a lesser extent it may also invest in fixed interest and other debt related securities and convertible stocks.

In addition, at the ACD’s discretion, the Fund may also invest a proportion of its portfolio in other types of transferable securities, cash and near cash, money market instruments, and other collective investment schemes.

It is not currently intended that derivatives will be used for any purpose other than the efficient portfolio management (including hedging) of the Fund. However, the Fund may, in the future and subject to the ACD giving not less than 60 days’ notice to Shareholders in the Fund, use derivatives in pursuit of its investment objective as well as for efficient portfolio management. It is not intended that the use of derivatives

Further Information (continued)

for efficient portfolio management will cause the Fund's existing risk profile to rise. Where the use of derivatives in pursuit of the Fund's investment objective may cause the Fund to have higher volatility or otherwise cause its existing risk profile to rise, a notification to that effect shall be included within the 60-day prior notice to be sent to Shareholders in the Fund.

The base currency of the Fund is UK sterling.

Franklin UK Gilt Fund

Investment Objective: The Fund aims to achieve a combination of income and capital growth over the medium to long term.

The Fund will invest primarily in gilts and securities issued by the government of the United Kingdom. The Fund may invest up to 20% of its net asset value in Government bonds of any other nation. All of the Fund's investments will be in investment grade securities. Further, no more than 10% of the Fund's investments will be denominated in currencies other than UK sterling. In addition, the Fund may invest in supranational and government-related issuers.

In addition, at the ACD's discretion, the Fund may also invest in other transferable securities, cash and near cash, deposits, money market instruments, warrants and other collective investment schemes.

The Fund may use derivatives for investment purposes as well as for hedging and/or efficient portfolio management. These derivatives include, but are not limited to, futures, currency forwards, options, and credit default and interest rate swaps.

The base currency of the Fund is UK sterling.

Franklin UK Managers' Focus Fund

Investment Objective: The Fund aims to achieve a total return (i.e. a combination of capital growth and income) exceeding that of the FTSE All-Share Index, over the medium to long term (meaning 3-5 years).

The Fund will primarily invest in the equity securities of up to 50 small, medium and large UK companies.

In addition, at the ACD's discretion, the Fund may also invest a proportion of its portfolio in other types of transferable securities including fixed interest and other debt related securities, cash and near cash, money market instruments, and other collective investment schemes.

It is not currently intended that derivatives will be used for any purpose other than the efficient portfolio management (including hedging) of the Fund. However, the Fund may, in the future and subject to the ACD giving not less than 60 days' notice to Shareholders in the Fund, use derivatives in pursuit of its investment objective as well as for efficient portfolio management. It is not intended that the use of derivatives for efficient portfolio management will cause the Fund's existing risk profile to rise. Where the use of derivatives in pursuit of the Fund's investment objective may cause the Fund to have higher volatility or otherwise cause its existing risk profile to rise, a notification to that effect shall be included within the 60-day prior notice to be sent to Shareholders in the Fund.

The base currency of the Fund is UK sterling.

Franklin UK Mid Cap Fund

Investment Objective: The Fund aims to achieve capital growth exceeding that of the FTSE 250 Index (excluding investment company stocks) over the medium to long term (meaning 3-5 years).

The Fund will primarily invest in the equity securities of UK companies listed in the FTSE 250 Index.

In addition, at the ACD's discretion, the Fund may also invest a proportion of its portfolio in other types of transferable securities including fixed interest and other debt related securities, cash and near cash, money market instruments, and other collective investment schemes.

It is not currently intended that derivatives will be used for any purpose other than the efficient portfolio management (including hedging) of the Fund. However, the Fund may, in the future and subject to the ACD giving not less than 60 days' notice to Shareholders in the Fund, use derivatives in pursuit of its investment objective as well as for efficient portfolio management. It is not intended that the use of derivatives for efficient portfolio management will cause the Fund's existing risk profile to rise. Where the use of derivatives in pursuit of the Fund's investment objective may cause the Fund to have higher volatility or otherwise cause its existing risk profile to rise, a notification to that effect shall be included within the 60-day prior notice to be sent to Shareholders in the Fund.

Further Information (continued)

The base currency of the Fund is UK sterling.

Franklin UK Opportunities Fund

Investment Objective: The Fund aims to achieve a total return (i.e. a combination of capital growth and income) exceeding that of the FTSE All-Share Index, over the medium to long term (meaning 3-5 years).

The Fund will primarily invest in a portfolio of equity securities issued by UK companies of any size or industry sector. The Fund may also hold European equity securities if the Manager considers this to be of potential advantage to investors.

In addition, at the ACD's discretion, the Fund may also invest a proportion of its portfolio in other types of transferable securities including fixed interest and other debt related securities, cash and near cash, money market instruments, and other collective investment schemes.

It is not currently intended that derivatives will be used for any purpose other than the efficient portfolio management (including hedging) of the Fund. However, the Fund may, in the future and subject to the ACD giving not less than 60 days' notice to Shareholders in the Fund, use derivatives in pursuit of its investment objective as well as for efficient portfolio management. It is not intended that the use of derivatives for efficient portfolio management will cause the Fund's existing risk profile to rise. Where the use of derivatives in pursuit of the Fund's investment objective may cause the Fund to have higher volatility or otherwise cause its existing risk profile to rise, a notification to that effect shall be included within the 60-day prior notice to be sent to Shareholders in the Fund.

The base currency of the Fund is UK sterling.

Franklin UK Rising Dividends Fund

Investment Objective: The Fund aims to provide a growing level of income, together with capital growth to achieve a total return exceeding that of the FTSE All-Share Index, over the medium to long term.

The Fund will invest primarily in the equity securities of UK companies that have paid consistently rising dividends.

In addition, at the ACD's discretion, the Fund may also invest a proportion of its portfolio in other types of transferable securities including fixed interest and other debt related securities, cash and near cash, money market instruments, and other collective investment schemes.

It is not currently intended that derivatives will be used for any purpose other than the efficient portfolio management (including hedging) of the Fund. However, the Fund may, in the future and subject to the ACD giving not less than 60 days' notice to Shareholders in the Fund, use derivatives in pursuit of its investment objective as well as for efficient portfolio management. It is not intended that the use of derivatives for efficient portfolio management will cause the Fund's existing risk profile to rise. Where the use of derivatives in pursuit of the Fund's investment objective may cause the Fund to have higher volatility or otherwise cause its existing risk profile to rise, a notification to that effect shall be included within the 60-day prior notice to be sent to Shareholders in the Fund.

The base currency of the Fund is UK sterling.

Franklin UK Smaller Companies Fund

Investment Objective: The Fund aims to achieve capital growth exceeding that of the Numis Smaller Companies ex-Investment Trusts Index over the medium to long term (meaning 3-5 years).

The Fund will primarily invest in the equity securities of smaller UK companies. Smaller companies are defined as those which are quoted on a regulated market and which, have a market capitalisation no greater than the largest company in the Numis Smaller Companies ex-Investment Trusts Index.

In addition, at the ACD's discretion, the Fund may also invest a proportion of its portfolio in other types of transferable securities including fixed interest and other debt related securities, cash and near cash, money market instruments, and other collective investment schemes.

It is not currently intended that derivatives will be used for any purpose other than the efficient portfolio management (including hedging) of the Fund. However, the Fund may, in the future and subject to the ACD giving not less than 60 days' notice to Shareholders in the Fund, use derivatives in pursuit of its investment objective as well as for efficient portfolio management. It is not intended that the use of derivatives

Further Information (continued)

for efficient portfolio management will cause the Fund's existing risk profile to rise. Where the use of derivatives in pursuit of the Fund's investment objective may cause the Fund to have higher volatility or otherwise cause its existing risk profile to rise, a notification to that effect shall be included within the 60-day prior notice to be sent to Shareholders in the Fund.

The base currency of the Fund is UK sterling.

Franklin US Opportunities Fund

Investment Objective: The Fund aims to provide capital appreciation in the long term through investment in US equities.

The investment policy, and the general nature of the portfolio, is to invest primarily in equity securities of US issuers demonstrating accelerating growth, increasing profitability, or above-average growth or growth potential as compared with the overall economy. Equity securities generally entitle the holder to participate in a company's general operating results. They include common stocks, convertible securities and warrants on securities.

In choosing equity investments, the Investment Adviser will focus on sectors that have exceptional growth potential and fast growing, innovative companies with solid management and sound financial records. Although the Investment Adviser will search for investments across a large number of sectors, the Fund may from time to time hold a significant proportion of its portfolio in a limited number of sectors.

In addition, at the ACD's discretion, the Fund may also invest a proportion of its portfolio in other types of transferable securities including fixed interest and other debt related securities, cash and near cash, money market instruments, and other collective investment schemes.

When appropriate, the Fund may use futures, options and other derivatives for the purposes of hedging and/or efficient portfolio management.

The base currency of the Fund is UK sterling.

Templeton Global Emerging Markets Fund

Investment Objective: The Fund aims to provide long-term capital growth by investing primarily in emerging market equities.

The investment policy, and the general nature of the portfolio, is to invest primarily in the equity or equity related securities of companies domiciled in emerging nations and/or companies which derive a significant proportion of their revenues or profits from, or have a significant portion of their assets in, emerging economies that the Investment Adviser has identified as trading at a significant discount to an estimate of their long-term underlying worth.

In addition, at the ACD's discretion, the Fund may also invest a proportion of its portfolio in other transferable securities including fixed interest and other debt related securities, cash and near cash, money market instruments, and other collective investment schemes.

It is not currently intended that derivatives will be used for any purpose other than the efficient portfolio management (including hedging) of the Fund. However, the Fund may, in the future and subject to the ACD giving not less than 60 days' notice to Shareholders in the Fund, use derivatives in pursuit of its investment objective as well as for efficient portfolio management. It is not intended that the use of derivatives for efficient portfolio management will cause the Fund's existing risk profile to rise. Where the use of derivatives in pursuit of the Fund's investment objective may cause the Fund to have higher volatility or otherwise cause its existing risk profile to rise, a notification to that effect shall be included within the 60-day prior notice to be sent to Shareholders in the Fund.

The base currency of the Fund is UK sterling.

Templeton Global Total Return Bond Fund

Investment Objective: The Fund aims to achieve a total return, over the long-term, from a combination of income, capital growth and currency gains.

The Fund intends to achieve its objective by investing primarily in a portfolio of fixed income securities and related derivatives selected from across a broad spectrum of sectors, issuers, countries, currencies and related markets.

Further Information (continued)

The Fund’s investment portfolio may include fixed and floating rate debt securities and debt obligations of governments, government-related, supranational, and corporate entities worldwide. These may be investment grade and non-investment grade securities (including securities in default).

In addition, the Fund may purchase mortgage and asset-backed securities, convertible bonds and may invest in securities or structured products where the security is linked to or derives its value from another security or is linked to assets or currencies of any nation.

The Fund may also make use of permitted debt and currency related derivatives (including, but not limited to, options, futures, forward currency contracts, credit default swaps, interest rate swaps, total return swaps and contracts for difference) and other derivatives to vary exposure to currencies, bond markets, interest rates, sectors, individual securities and/or individual issuers in order to enhance capital return, limit downside volatility and/or preserve capital. The Fund may take long and short positions in currencies, debt related markets, securities, groups of securities and indices through derivative and forward currency contracts. Total net derivatives exposure may not exceed the limits in the FCA Rules. The Fund may use derivatives for investment purposes as well as for hedging and/or efficient portfolio management.

In addition, at the ACD’s discretion, the Fund may also invest a proportion of its portfolio in other assets, including, other transferable securities, cash and near cash, money market instruments, and other collective investment schemes.

The base currency of the Fund is UK sterling.

Templeton Growth Fund

Investment Objective: The Fund aims to maximise total investment return, concentrating on long-term capital growth, with the lower risks associated with an internationally diversified portfolio of equities.

The investment policy, and the general nature of the portfolio, is to invest primarily in the equity or equity related securities of companies globally that the Investment Adviser has identified as trading at a significant discount to an estimate of their long-term underlying worth.

In addition, at the ACD’s discretion, the Fund may also invest a proportion of its portfolio in other transferable securities including fixed interest and other debt related securities, cash and near cash, money market instruments, and other collective investment schemes.

It is not currently intended that derivatives will be used for any purpose other than the efficient portfolio management (including hedging) of the Fund. However, the Fund may, in the future and subject to the ACD giving not less than 60 days’ notice to Shareholders in the Fund, use derivatives in pursuit of its investment objective as well as for efficient portfolio management. It is not intended that the use of derivatives for efficient portfolio management will cause the Fund’s existing risk profile to rise. Where the use of derivatives in pursuit of the Fund’s investment objective may cause the Fund to have higher volatility or otherwise cause its existing risk profile to rise, a notification to that effect shall be included within the 60-day prior notice to be sent to Shareholders in the Fund.

The base currency of the Fund is UK sterling.

Accounting reference and other dates

Subject to the FCA Rules, the accounting reference dates, interim accounting reference dates, distribution pay dates, grouping periods and dates of publication of annual and half-yearly reports of each of the Funds are as follows:

Accounting Reference Date (i.e. the financial year end) and Interim Accounting Period: 31 March and 1 April to 30 September.

Publication of Annual and Half-Yearly Reports: by 31 July and 30 November.

Distribution pay dates

	31 May	31 August	30 November	28 February
Franklin Absolute Return Bond Fund	X		X	
Franklin European Opportunities Fund	X		X	
Franklin Mutual Shares Fund	X		X	
Franklin UK Corporate Bond Fund	X	X	X	X**
Franklin UK Equity Income Fund	X	X	X	X**

Further Information (continued)

	31 May	31 August	30 November	28 February
Franklin UK Gilt Fund	X	X	X	X**
Franklin UK Managers' Focus Fund	X		X	
Franklin UK Mid Cap Fund	X		X	
Franklin UK Opportunities Fund	X		X	
Franklin UK Rising Dividends Fund	X	X	X	X**
Franklin UK Smaller Companies Fund	X		X	
Franklin US Opportunities Fund	X			
Templeton Global Emerging Markets Fund	X			
Templeton Global Total Return Bond Fund	X	X	X	X**
Templeton Growth Fund	X		X	

* The last day of each month. Distributions shall be made two months in arrears of the record date.

** 29 February in a leap year.

Shares

Shares are available in the Funds as follows:

Fund	Class	
Franklin Absolute Return Bond Fund	W	Accumulation
Franklin European Opportunities Fund	A	Net Accumulation and Net Income
	W	Net Accumulation
	Z	Net Accumulation
Franklin Mutual Shares Fund	A	Net Accumulation and Net Income
	I	Net Accumulation
	W	Net Accumulation
	Z	Net Accumulation
Franklin UK Corporate Bond Fund	W	Accumulation and Income
Franklin UK Equity Income Fund	A	Net Accumulation and Net Income
	W	Net Accumulation and Net Income
	Z	Net Accumulation and Net Income
Franklin UK Gilt Fund	W	Accumulation and Income
Franklin UK Managers' Focus Fund	A	Net Accumulation
	S	Net Accumulation
	W	Net Accumulation
	Z	Net Accumulation
Franklin UK Mid Cap Fund	A	Net Income
	S	Net Accumulation and Net Income
	W	Net Accumulation and Net Income
	Z	Net Accumulation
Franklin UK Opportunities Fund	A	Net Income
	W	Net Accumulation and Net Income
	Z	Net Accumulation
Franklin UK Rising Dividends Fund	A	Net Income
	W	Net Accumulation and Net Income
	Z	Net Accumulation and Net Income
Franklin UK Smaller Companies Fund	A	Net Income
	W	Net Accumulation and Net Income
	Z	Net Accumulation

Further Information (continued)

Fund	Class	
Franklin US Opportunities Fund	A	Net Accumulation
	W	Net Accumulation
	Z	Net Accumulation
Templeton Global Emerging Markets Fund	A	Net Accumulation
	W	Net Accumulation
	Z	Net Accumulation
Templeton Global Total Return Bond Fund	A	Accumulation and Income
	A-H3	Accumulation and Income
	W	Accumulation and Income
	W-H3	Accumulation and Income
	Z	Accumulation
Templeton Growth Fund	Z-H3	Income
	A	Net Accumulation and Net Income
	I	Net Accumulation
	W	Net Accumulation
	Z	Net Accumulation

A Net Income Share is a Share in respect of which net income is to be distributed in accordance with its share in the property of the relevant Fund. Cash distributions of income are made in respect of Net Income Shares.

A Net Accumulation Share is a Share in respect of which the net income allocated after the date of issue thereof is to be accumulated in the proportion of the value of the property of the relevant Fund as may from time to time apply thereto. Where net Accumulation Shares are in issue, no cash distributions are made and no additional Shares are issued. Instead, the income available for distribution is re-invested and the re-investment reflected in the price of the Net Accumulation Share.

A Shares have low “entry levels” for investment and simple charges. I Shares have higher “entry levels” and a different charging structure. S Shares and W Shares have higher “entry levels” and are not available to retail investors.

Charges

The ACD’s periodic remuneration.

The ACD is entitled to receive out of the scheme property of each Fund for its own account, monthly on the last Business Day of each month or as soon as possible thereafter, the amount of the annual management charge accrued to it during that month. Under current VAT legislation, no VAT is payable on the ACD’s remuneration. This annual management charge is calculated daily based on the assets of each Fund at the pricing valuation point of 12.00 noon UK time.

The table below summarises the current rates of the ACD’s annual management charge for each of the Funds:

Fund	A Shares (per annum)	I Shares (per annum)	S Shares (per annum)	W Shares (per annum)	Z Shares (per annum)	Charge Taken from Income or Capital
Franklin Absolute Return Bond Fund	N/A	N/A	N/A	0.55%	N/A	Income
Franklin European Opportunities Fund	1.50%	N/A	N/A	0.75%	0.95%	Income
Franklin Mutual Shares Fund	1.50%	0.80%	N/A	0.75%	0.95%	Income
Franklin UK Corporate Bond Fund	N/A	N/A	N/A	0.35%	N/A	Capital
Franklin UK Equity Income Fund	1.50%	N/A	N/A	0.45%	0.95%	Capital
Franklin UK Gilt Fund	N/A	N/A	N/A	0.25%	N/A	Capital
Franklin UK Managers’ Focus Fund	1.50%	N/A	0.55%	0.75%	0.95%	Income
Franklin UK Mid Cap Fund	1.50%	N/A	0.55%	0.75%	0.95%	Income
Franklin UK Opportunities Fund	1.50%	N/A	N/A	0.45%	0.95%	Income
Franklin UK Rising Dividends Fund	1.50%	N/A	N/A	0.45%	0.95%	Capital
Franklin UK Smaller Companies Fund	1.50%	N/A	N/A	0.75%	0.95%	Income
Franklin US Opportunities Fund	1.50%	N/A	N/A	0.75%	0.95%	Income
Templeton Global Emerging Markets Fund	1.50%	N/A	N/A	1.00%	1.10%	Income
Templeton Global Total Return Bond Fund	1.20%	N/A	N/A	0.65%	0.85%	Income
Templeton Growth Fund	1.50%	0.80%	N/A	0.80%	0.95%	Income

Further Information (continued)

Such periodic remuneration is taken in each case at the rate of one-twelfth thereof each month. These rates are calculated by reference to the Net Asset Value of a Fund referable to the A Shares, I Shares, S Shares, W Shares and Z Shares respectively.

The ACD is entitled to receive a monthly administration charge out of property of each Fund to be calculated, accrued and payable in the same manner and at the same time as the ACD's annual management charge.

The current administration charge in respect of all Class A, Class I, Class S, Class W and Class Z Shares is 0.05% per annum (plus any VAT or any equivalent tax thereon), and the maximum permitted administration charge in the case of all Funds is 0.10% per annum (plus any VAT or any equivalent tax thereon).

Any increase of the ACD's annual management charge may be made by the ACD, if it is deemed by the ACD to be a significant rather than a fundamental change (as set out in the provisions of the FCA Rules) only after:

- (a) giving 60 days' written notice to all Shareholders; or
- (b) the ACD revises the prospectus to reflect the proposed increase.

If such a change is deemed fundamental it will require the approval of the Shareholders.

Additional Information

Full written details of the terms of Franklin Templeton Funds are contained in the Prospectus, Instrument of Incorporation and Key Investor Information Documents, copies of which are available free of charge from:

Franklin Templeton Investments
Cannon Place
78 Cannon Street
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United Kingdom

Client Dealer Services

Freefone:	0800 305 306
Telephone:	+44 (0)20 7073 8690
Fax:	+44 (0)20 7839 8701

Note for Investors

The value of shares and the income therefrom may go down as well as up and is not guaranteed. Past performance is not necessarily a guide to future performance.

In particular, some investments held may be designated in currencies other than Sterling and so may rise and fall purely on account of exchange rate fluctuations.

Investors should be aware of the risks associated with this type of investment and should take a medium to long-term view of returns.

Emerging markets can be more risky than developed markets.



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