

UNAUDITED INTERIM REPORT

FRANKLIN TEMPLETON FUNDS

An authorised open-ended investment company with variable capital

For the period from 1 April 2019 to 30 September 2019



**FRANKLIN
TEMPLETON**

General Information

As at September 30, 2019

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

DEPOSITARY

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One Canada Square, London, E14 5AL

INVESTMENT ADVISERS

Franklin Advisers, Inc.
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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 Limited
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

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Atria One
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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 31 March 2019 offered shares in 15 Funds: Franklin Absolute Return Bond Fund, Franklin European Opportunities Fund, Franklin Mutual Shares Fund, Franklin Sterling 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 (“FTFML”), 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 both the Company as a whole and each Fund individually. Separate investment reviews are provided for each Fund.

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

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

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 Sterling Corporate Bond Fund and Franklin UK Gilt Fund.

Templeton Asset Management Limited (“TAML”) is Co-Investment Adviser to Templeton Global Emerging Markets Fund.

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

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

FAI, FTI and FMA 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.

The investment objectives and policies of each Fund can be found in the further information section on pages 159-170.

SIGNIFICANT EVENTS

For the period 1st April – 30th September 2019 the following significant change was made to the Prospectus and Instrument of Incorporation:

Change of name from Franklin UK Corporate Bond Fund to Franklin Sterling Corporate Bond Fund effective 30 September 2019.

Future significant events requiring changes to the Prospectus and/ or Instrument of Incorporation:

- Reduction in management fee for W Shares in respect of Franklin Absolute Return Bond Fund (from 0.55% to 0.35%) effective 1 October 2019;
- Removal of Franklin Templeton Institutional LLC as an Investment Adviser to Franklin Absolute Return Bond Fund effective 15 October 2019;
- Reduction in management fees for A and Z Shares issued by Franklin UK Equity Income Fund, Franklin UK Opportunities Fund and Franklin UK Rising Dividends Fund (A shares from 1.50% to 0.90% and Z shares from 0.95% to 0.60%) effective 30 November 2019; and
- FCA approval received to close Franklin European Opportunities Fund and Franklin Mutual Shares Fund to investors as at 31 January 2020.

Report of the Authorised Corporate Director (continued)

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").

William Jackson

Director, Franklin Templeton Fund Management Limited, Authorised Corporate Director
[date]

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;
- 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

On 31 July 2019, we amended the investment objective and policy for the Fund to improve their clarity for investors. At the same time, we also amended the benchmark to the LIBOR 90 Day Rate Index plus 2%. The revised investment objective and policy can be found in the current prospectus, available on our website

Performance

For the six-month period through 30 September 2019, Franklin Absolute Return Bond Fund (W (acc) share class) returned 0.50%*, while the benchmark LIBOR 90 Day Rate Index +2% returned 1.39% (both returns in UK sterling).

Overview

Over the time period, the US economy continued to grow. During the second quarter, US gross domestic product ("GDP") expanded at a 3.1% annualised growth rate compared with 2.0% in the second quarter. The unemployment rate fell from 3.8% in April to 3.7% in August with strong wage growth of 3.2% annualised. August's retail sales increased modestly from the previous month, in the wake of a strong performance in July, but measures of consumer confidence were mixed, with one leading index registering its largest drop in nine months in September. Industrial production in the US showed signs of slowing throughout the time period as the sector moved towards contraction levels in September. Measures of inflation continue to disappoint the US Federal Reserve's ("Fed") inflation target of 2.0% with the core personal consumption expenditures ("PCE") price index, the Fed's preferred inflation measure, rose just 1.8% in August.

In Europe, growth in many member countries showed signs of faltering, with Germany, in particular, appearing close to a recession. According to a leading survey of German manufacturers, activity in September experienced its sharpest decline since 2009. The reading for a composite manufacturing and services PMI covering the eurozone signified activity was barely above the 50-threshold level for growth. The European Central Bank ("ECB") responded to growing concerns about the potential for recession at its September meeting, unveiling a package of policy easing measures, including cutting interest rates from -0.4% to -0.5% and the resumption of bond purchases from November onwards. The new open-ended programme called for an additional €20 billion of bonds to be bought each month, on top of continued purchases from the proceeds of existing holdings. The ECB also attempted to cushion eurozone banks from the impact of negative rates, introducing a tiering system for their deposits at the central bank and confirming a new round of cheap loans under its targeted longer-term refinancing operation ("TLTRO") programme. UK Prime Minister Boris Johnson continued to stress his commitment to taking the UK out of the EU by the current deadline of 31 October, with or without an agreement. His pursuit of this objective appeared unwavering, despite legislation passed by his opponents in the UK parliament requiring that he seek an extension of the deadline in the event of no agreement having been reached, to avoid the potential blow to the UK economy of leaving without a deal.

In Japan, GDP growth was positive for both the second and third quarter of 2019, albeit at a lower level than the previous year. Although the Bank of Japan chose not to cut its policy rate at their July meeting, they would lower rates "without hesitation" if the economy continued to lose momentum. Economic growth levels in China have declined to levels not seen since the 1990s. Continued traded tensions between the US and China have impacted both industrial production and fixed business investments. The Chinese government has reduced income taxes and increased infrastructure spending to replace losses to exports with domestic consumption. The results of the presidential primary in Argentina caused a massive selloff in the country's debt and equity markets leading to an announced restructuring of sovereign obligations.

Significant Changes

The top five buys during the year were:

1. Navient Corp., senior bond, 8.00%, 3/25/2020
2. Galaxy XXVII CLO Ltd., 2018-27A, A, 144A, FRN, 3.188%, 5/16/2031
3. Galaxy XXVII CLO Ltd., 2018-27A, C, 144A, FRN, 3.968%, 5/16/2031
4. Türkiye Vakıflar Bankası TAO, secured note, Reg S, 2.375%, 11/04/2022
5. Tenet Healthcare Corp., 6.75%, 2/01/2020

The top five sells during the year were:

1. U.S. Treasury Note, Index Linked, 0.375%, 7/15/2025
2. Tenet Healthcare Corp., 6.75%, 2/01/2020
3. COMM Mortgage Trust, 2014-277P, A, 144A, FRN, 3.732%, 8/10/2049
4. Caixa Geral de Depósitos SA, secured note, 3.00%, 1/15/2020
5. Sabine Pass Liquefaction LLC, senior secured note, first lien, 5.625%, 4/15/2023

Positive/Negative Contributors

Yields on the benchmark 10-year US Treasury note declined, ending the period 34 basis points lower compared to prior quarter-end levels.

The yield on the five-year US Treasury note fell by 22 basis points as the yield curve shifted down. In contrast, the euro government yield curve flattened with rates falling at the longer end of the curve. In terms of currency movements, the US dollar appreciated against the euro, Japanese yen, and UK sterling.

With interest rates falling during the third quarter, all major fixed income sectors posted positive absolute returns. Longer-duration bonds outperformed their shorter-duration counterparts. Taxable municipal securities were some of the best performers as that sector has a longer duration. US investment-grade ("IG") and high-yield ("HY") corporate bonds also saw strong absolute returns as did agency mortgage-backed ("MBS") securities. Although still positive, bank loans and emerging market ("EM") sovereign bonds had lesser returns. From an excess return perspective, returns were mixed. IG posted modest returns as did MBS. Other sectors such as EM and commercial MBS performed in-line with their duration matched US Treasuries.

Duration was the main contributor to performance as active long positions in both Australia and Canada lifted returns as global interest rates fell. This was partially offset by positions in Europe and China. Our fixed income holdings, including MBS, provided positive income returns that contributed to performance. Sector allocation produced positive returns, particularly in the collateralised loan obligation ("CLO"), US

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

Franklin Absolute Return Bond Fund

Investment Review (continued)

Positive/Negative Contributors (continued)

covered bond, and bank loan segments. However, our Treasury Inflation-Protected Securities ("TIPS"), sovereign EM, and MBS exposures weighed on performance. Active currency positions had a neutral effect on returns. Positive performance from our euro, Indian rupee, Mexican peso, and Chinese yuan positions was offset by our Canadian dollar, Norwegian krone, and Japanese yen exposures.

Outlook

In our opinion, there has been undue attention on the shape of the yield curve and in particular to the brief inversion of the spread between the two-year and 10-year US Treasuries during the third quarter of 2019. The inversion is seen by many as a harbinger of an economic recession. Previously, the yield curve spread has flattened and then inverted immediately preceding the past seven recessions. Current financial conditions are relatively calm, as compared to prior episodes of inversions, and domestic macroeconomic fundamentals remain strong. We believe that the current compression in yields is largely a symptom of the more globalised bond market and a function of the effect of developed markets' unconventional monetary policy. Negative short-term interest rate policies, from both the ECB and Bank of Japan, has had a perverse effect on US rates. These policies have depressed longer-dated government bond interest rates, outside the US, to fall below zero. This causes comparable USTs to look much more attractive, especially as the US dollar has strengthened.

It is difficult, in our view, to identify meaningful warning signs across the US economy that warrant the level of pessimism currently priced into the US Treasury market. This disconnect may be due to the higher significance assigned to confidence indicators, which have been more reflective of fears about trade tensions, rather than actual economic data, which have broadly indicated a resilient, albeit slower, pace of growth. With consumers driving most of the economic activity, the main areas that influence household spending—principally the labour market, but also the housing and stock markets, as well as historically low interest rates—have generally remained solid to robust. We believe the readiness of US Federal Reserve ("Fed") policymakers to pre-emptively shape monetary policy by focusing on weaker confidence readings, rather than concentrating on relatively firm underlying data, could eventually prove problematic. The further the Fed proceeds along the path of "mid-cycle adjustment" interest-rate cuts, the greater the potential for unintended consequences to result, in our opinion.

At its September policy meeting, the Fed cut its benchmark interest rate by 25 basis points validating market expectations. Fed Chair Jerome Powell's message in the press conference following the meeting, however, was more carefully calibrated than in the past, in our view, and it had a sobering effect. While the market's immediate reaction was disappointment, we believe the Fed needed to rein in market expectations on the future path of rates. This was a reasonable first step. With two rate cuts under his belt this quarter, Powell said he expects this latest monetary easing to have an impact with the usual long and variable lags; he noted that the Fed expects growth to remain solid, the labour market to stay strong, and inflation to gradually move up to its target. With record low US unemployment, the Fed seems to be anticipating a deflationary situation that does not appear to exist. If we look at wage growth combined with the impact of US-China tariffs, at some stage, we must consider a rise in inflation. It is our view that the US consumer will remain the main driver of continued economic expansion. Consumer balance sheets are strong and personal savings rates remain solid. Consumers can fund current purchases from income and are not relying on additional debt.

How we measure performance

We measure performance and price shares in the Fund in UK sterling.

The Fund's performance target is the London Interbank Offered Rate ("LIBOR") 90 Day (GBP) Index plus 2%, which reflects the rate of return investors could typically expect from money markets. The Fund seeks to outperform this rate by 2% over a three to five-year period after allowing for management fees.

David Yuen & Michael Materasso

Fund Managers

30 September 2019

Franklin Absolute Return Bond Fund

Comparative Table

	30 September 2019	31 March 2019	31 March 2018
W – Accumulation shares¹			
Change in net assets per share (p)			
Opening net asset value per share	99.84	99.66	100.00
Return before operating charges ²	1.06	0.88	0.36
Operating charges ³	(0.50)	(0.70)	(0.70)
Return after operating charges ⁴	0.56	0.18	(0.34)
Distribution	(1.4201)	(2.6666)	(0.1258)
Retained distributions on accumulation shares	1.4201	2.6666	0.1258
Closing net asset value per share	100.40	99.84	99.66
After direct transaction costs of ⁵	-	-	-
Performance			
Return after charges ⁶	0.56%	0.18%	(0.34%)
Other information			
Closing net asset value (£)	25,099,687	24,958,956	24,915,849
Closing number of shares	25,000,000	25,000,000	25,000,000
Ongoing charges ratio ⁷	0.50%	0.70%	0.70%
Direct transaction costs ⁵	-	-	-
Prices (p)			
Highest share price	100.96	100.26	100.18
Lowest share price	99.84	97.67	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".

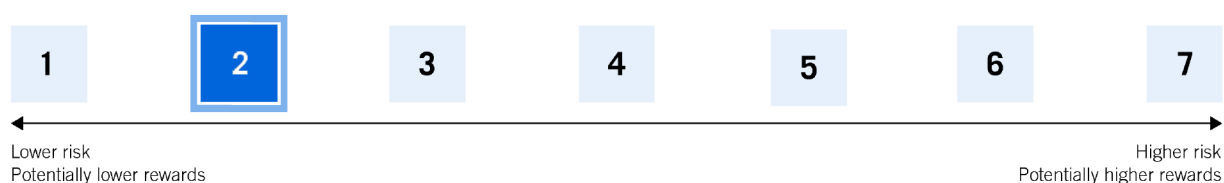
5 The direct transaction costs include all fees and expenses which relate directly to the sales and purchases of securities which include commissions, transfer taxes and duties. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or 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 2019

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
BONDS 92.35% (75.31%)			
AFRICA 1.11% (0.00%)			
GABON			
200,000	Government of Gabon, senior note, Reg S, 6.95%, 6/16/2025#	161	0.64
		161	0.64
SOUTH AFRICA			
700,000	Government of South Africa, senior bond, 7.00%, 2/28/2031#	32	0.13
		32	0.13
TUNISIA			
100,000	Banque Centrale de Tunisie International Bond, senior note, Reg S, 5.625%, 2/17/2024#	86	0.34
		86	0.34
	TOTAL - AFRICA	279	1.11
ASIA 11.46% (10.47%)			
CHINA			
200,000	Baidu Inc., senior note, 4.375%, 5/14/2024#	173	0.69
200,000	Bank of China Ltd., senior note, Reg S, FRN, 2.852%, 3/08/2021#	163	0.65
200,000	CGNPC International Ltd., senior note, Reg S, 3.75%, 12/11/2027#	172	0.69
200,000	China Overseas Finance Cayman VII Ltd., senior note, Reg S, 4.25%, 4/26/2023#	171	0.68
200,000	CNOOC Finance 2015 USA LLC, senior note, 3.50%, 5/05/2025#	170	0.68
200,000	The Export-Import Bank of China, senior note, 144A, 3.625%, 7/31/2024#	171	0.68
200,000	Sinopec Group Overseas Development 2016 Ltd., senior note, 144A, 2.75%, 9/29/2026#	163	0.65
200,000	State Grid Overseas Investment 2016 Ltd., senior note, 144A, 3.50%, 5/04/2027#	172	0.68
200,000	Three Gorges Finance I Cayman Islands Ltd., senior note, 144A, 3.15%, 6/02/2026#	168	0.67
		1,523	6.07
INDIA			
200,000	The Export-Import Bank of India, senior note, 144A, 3.875%, 2/01/2028#	172	0.68
		172	0.68
KAZAKHSTAN			
200,000	Government of Kazakhstan, senior bond, Reg S, 4.875%, 10/14/2044#	196	0.78
		196	0.78
SINGAPORE			
177,783	Bayfront Infrastructure Capital Pte Ltd., 2018, A, Reg S, FRN, 3.707%, 1/11/2038#	145	0.58
		145	0.58
SOUTH KOREA			
200,000	The Export-Import Bank of Korea, senior note, 2.875%, 1/21/2025#	168	0.67
100,000	Harvest Operations Corp., senior note, 144A, 4.20%, 6/01/2023#	87	0.35
300,000	Kookmin Bank, secured note, 144A, 2.25%, 2/03/2022#	244	0.97
200,000	The Korea Development Bank, senior note, 3.375%, 3/12/2023#	169	0.67
200,000	Korea East-West Power Co. Ltd., senior note, 144A, 3.875%, 7/19/2023#	172	0.69
		840	3.35
	TOTAL - ASIA	2,876	11.46
CENTRAL AMERICA 0.64% (0.00%)			
MEXICO			
200,000	Mexico City Airport Trust, senior secured bond, Reg S, 5.50%, 7/31/2047#	161	0.64
		161	0.64
EUROPE - NON EU 0.65% (0.15%)			

Franklin Absolute Return Bond Fund

Portfolio Statement as at 30 September 2019 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
UKRAINE			
200,000	Government of Ukraine, senior bond, Reg S, 7.375%, 9/25/2032#	164	0.65
		164	0.65
EUROPE - OTHER EU 11.50% (3.40%)			
DENMARK			
790,000	Jyske Realkredit A/S, secured note, 1.00%, 4/01/2026#	102	0.41
460,000	Realkredit Danmark A/S, secured bond, 1.00%, 4/01/2027#	59	0.23
		161	0.64
FRANCE			
200,000	EDF SA, junior sub. bond, 144A, 5.625% to 1/22/24, FRN thereafter, Perpetual#	168	0.67
		168	0.67
IRISH REPUBLIC			
250,000	Adagio CLO VIII DAC, VIII-A, B1, 144A, FRN, 1.65%, 4/15/2032#•	222	0.88
250,000	Avoca CLO XVII Designated Activity Co., 17A, B1R, 144A, FRN, 1.70%, 10/15/2032#•	222	0.88
250,000	Carlyle Euro CLO DAC, 2019-2A, A2A, 144A, FRN, 1.80%, 8/15/2032#•	223	0.89
250,000	Dunedin Park CLO DAC, 1A, A1, 144A, FRN, 1.07%, 10/22/2032#•	222	0.89
250,000	Dunedin Park CLO DAC, 1A, A2A, 144A, FRN, 1.75%, 10/22/2032#•	221	0.88
250,000	Sound Point Euro CLO II Funding DAC, 2A, A, 144A, FRN, 1.11%, 10/26/2032#•	223	0.89
250,000	Sound Point Euro CLO II Funding DAC, 2A, B1, 144A, FRN, 1.85%, 10/26/2032#•	221	0.88
		1,554	6.19
ITALY			
300,000	Banca Monte dei Paschi di Siena SpA, secured note, Reg S, 2.125%, 11/26/2063#	287	1.14
200,000	Banca Popolare di Milano Scarl, secured note, Reg S, 0.875%, 9/14/2023#	182	0.73
300,000	Banco BPM SpA, secured note, Reg S, 0.75%, 3/31/2023#	270	1.08
		739	2.95
SPAIN			
130,000	Government of Spain, senior bond, 144A, Reg S, 2.70%, 10/31/2048#	163	0.65
100,000	Government of Spain, senior bond, 144A, Reg S, 1.45%, 4/30/2029#	100	0.40
		263	1.05
	TOTAL - EUROPE - OTHER EU	2,885	11.50
MIDDLE EAST 3.40% (3.06%)			
ISRAEL			
200,000	Israel Electric Corp. Ltd., secured bond, 144A, 4.25%, 8/14/2028#	177	0.71
		177	0.71
SAUDIA ARABIA			
200,000	SABIC Capital II BV, senior note, 144A, 4.50%, 10/10/2028#	181	0.72
200,000	Saudi Electricity Co., senior bond, Reg S, 4.723%, 9/27/2028#	182	0.73
		363	1.45
TURKEY			
350,000	Türkiye Vakıflar Bankası TAO, secured note, Reg S, 2.375%, 11/04/2022#	312	1.24
		312	1.24
	TOTAL - MIDDLE EAST	852	3.40
NORTH AMERICA 61.79% (57.13%)			

Franklin Absolute Return Bond Fund

Portfolio Statement as at 30 September 2019 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
UNITED STATES			
250,000	AES Corp., senior note, 4.00%, 3/15/2021#	207	0.82
50,000	Allergan Funding SCS, senior bond, 3.80%, 3/15/2025#	42	0.17
91,518	American Homes 4 Rent, 2014-SFR3, A, 144A, 3.678%, 12/17/2036#	78	0.31
239,002	American Homes 4 Rent, 2015-SFR1, A, 144A, 3.467%, 4/17/2052#	202	0.80
220,946	American Homes 4 Rent, 2015-SFR2, A, 144A, 3.732%, 10/17/2052#	190	0.76
50,000	American Tower Corp., senior bond, 3.375%, 10/15/2026#	42	0.17
250,000	Antares CLO Ltd., 2018-1A, B, 144A, FRN, 3.928%, 4/20/2031#•	198	0.79
50,000	Aptiv Corp., senior bond, 4.15%, 3/15/2024#	43	0.17
500,000	Ares XLVII CLO Ltd., 2018-47A, C, 144A, FRN, 4.053%, 4/15/2030#•	390	1.55
100,000	Athene Global Funding, secured note, 144A, 2.75%, 6/25/2024#	82	0.33
50,000	Athene Global Funding, secured note, 144A, 3.00%, 7/01/2022#	41	0.16
500,000	Bain Capital Credit CLO, 2018-1A, A2, 144A, FRN, 3.409%, 4/23/2031#•	404	1.61
200,000	BAMLL Commercial Mortgage Securities Trust, 2015-200P, A, 144A, 3.218%, 4/14/2033#	171	0.68
100,000	Bank of America Corp., senior note, 3.50%, 4/19/2026#	87	0.35
250,000	BCC Middle Market CLO LLC, 2018-1A, A2, 144A, FRN, 4.428%, 10/20/2030#•	201	0.80
141,038	Bellemeade Re Ltd., 2018-1A, M1B, 144A, FRN, 3.618%, 4/25/2028#•	115	0.46
78,528	BX Commercial Mortgage Trust, 2018-IND, A, 144A, FRN, 2.778%, 11/15/2035#•	64	0.26
500,000	Carlyle Global Market Strategies CLO Ltd., 2014-1A, A1R2, 144A, FRN, 3.273%, 4/17/2031#•	403	1.61
300,000	CenturyLink Inc., senior note, Series S, 6.45%, 6/15/2021#	256	1.02
80,767	CIM Trust, 2018-INV1, A4, 144A, FRN, 4.00%, 8/25/2048#•	68	0.27
200,000	COMM Mortgage Trust, 2015-3BP, A, 144A, 3.178%, 2/10/2035#	170	0.68
500,000	Cook Park CLO Ltd., 2018-1A, C, 144A, FRN, 4.053%, 4/17/2030#•	390	1.55
150,000	Dominion Energy Inc., senior bond, 2.85%, 8/15/2026#	123	0.49
400,000	Dryden 64 CLO Ltd., 2018-64A, A, 144A, FRN, 3.27%, 4/18/2031#•	322	1.28
200,000	Dryden 64 CLO Ltd., 2018-64A, D, 144A, FRN, 4.95%, 4/18/2031#•	154	0.61
250,000	Ellington CLO III Ltd., 2018-3A, A1, 144A, FRN, 3.928%, 7/20/2030#•	202	0.80
1,000,000	FHLMC, 3.50%, 10/01/2049#	835	3.33
650,000	FHLMC, 3.00%, 10/01/2049#	537	2.14
217,073	FHLMC Structured Agency Credit Risk Debt Notes, 2014-HQ1, M3, FRN, 6.119%, 8/25/2024#•	187	0.75
250,000	FHLMC Structured Agency Credit Risk Debt Notes, 2014-HQ2, M3, FRN, 5.769%, 9/25/2024#•	220	0.88
174,069	FHLMC Structured Agency Credit Risk Debt Notes, 2014-HQ3, M3, FRN, 6.769%, 10/25/2024#•	150	0.60
250,000	FHLMC Structured Agency Credit Risk Debt Notes, 2015-DNA1, M3, FRN, 5.318%, 10/25/2027#•	215	0.86
275,000	FHLMC Structured Agency Credit Risk Debt Notes, 2015-DNA3, M3, FRN, 6.719%, 4/25/2028#•	247	0.98
250,000	FHLMC Structured Agency Credit Risk Debt Notes, 2015-HQ2, M3, FRN, 5.268%, 5/25/2025#•	214	0.85
171,546	FHLMC Structured Agency Credit Risk Debt Notes, 2016-DNA4, M2, FRN, 3.318%, 3/25/2029#•	140	0.56
125,868	FHLMC Structured Agency Credit Risk Debt Notes, 2016-HQA2, M2, FRN, 4.268%, 11/25/2028#•	103	0.41
192,211	FHLMC Structured Agency Credit Risk Debt Notes, 2016-HQA3, M2, FRN, 3.368%, 3/25/2029#•	157	0.63
250,000	FHLMC Structured Agency Credit Risk Debt Notes, 2017-DNA1, M2, FRN, 5.268%, 7/25/2029#•	213	0.85
250,000	FHLMC Structured Agency Credit Risk Debt Notes, 2017-DNA2, M2, FRN, 5.468%, 10/25/2029#•	215	0.86
250,000	FHLMC Structured Agency Credit Risk Debt Notes, 2017-DNA3, M2, FRN, 4.518%, 3/25/2030#•	208	0.83
50,000	Fiserv Inc., senior bond, 3.85%, 6/01/2025#	43	0.17
86,990	Flagstar Mortgage Trust, 2018-6RR, 1A3, 144A, FRN, 4.00%, 10/25/2048#•	72	0.29
264,352	FNMA Connecticut Avenue Securities, 2014-C02, 1M2, FRN, 4.618%, 5/25/2024#•	224	0.89
199,062	FNMA Connecticut Avenue Securities, 2014-C02, 2M2, FRN, 4.618%, 5/25/2024#•	168	0.67
218,095	FNMA Connecticut Avenue Securities, 2014-C03, 1M2, FRN, 5.018%, 7/25/2024#•	186	0.74
187,073	FNMA Connecticut Avenue Securities, 2014-C03, 2M2, FRN, 4.918%, 7/25/2024#•	158	0.63
126,922	FNMA Connecticut Avenue Securities, 2014-C04, 1M1, FRN, 6.919%, 11/25/2024#•	113	0.45
142,760	FNMA Connecticut Avenue Securities, 2015-C03, 2M2, FRN, 7.019%, 7/25/2025#•	123	0.49

Franklin Absolute Return Bond Fund

Portfolio Statement as at 30 September 2019 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
United States (continued)			
30,000	FNMA Connecticut Avenue Securities, 2016-C06, 1M2, FRN, 6.269%, 4/25/2029#	26	0.10
55,728	FNMA Connecticut Avenue Securities, 2016-C07, 2M2, FRN, 6.369%, 5/25/2029#	48	0.19
240,000	FNMA Connecticut Avenue Securities, 2017-C02, 2M2, FRN, 5.669%, 9/25/2029#	205	0.82
280,000	FNMA Connecticut Avenue Securities, 2017-C03, 1M2, FRN, 5.018%, 10/25/2029#	237	0.94
230,000	FNMA Connecticut Avenue Securities, 2017-C06, 1M2, FRN, 4.668%, 2/25/2030#	191	0.76
71,628	FNMA Connecticut Avenue Securities, 2018-C02, 2M1, FRN, 2.668%, 8/25/2030#	58	0.23
47,225	FNMA Connecticut Avenue Securities, 2018-C04, 2M1, FRN, 2.768%, 12/25/2030#	38	0.15
73,837	FNMA, 2016-C05, 2M2, FRN, Connecticut Avenue Securities, 6.469%, 1/25/2029#	63	0.25
500,000	Galaxy XXVII CLO Ltd., 2018-27A, A, 144A, FRN, 3.188%, 5/16/2031#	402	1.60
250,000	Galaxy XXVII CLO Ltd., 2018-27A, C, 144A, FRN, 3.968%, 5/16/2031#	195	0.78
290,000	GNMA, II, SF, 3.50%, 10/01/2049#	244	0.97
150,000	The Goldman Sachs Group Inc., senior note, FRN, 3.319%, 9/15/2020#	123	0.49
144,425	Invitation Homes Trust, 2018-SFR3, A, 144A, FRN, 3.025%, 7/17/2037#	117	0.47
111,409	Invitation Homes Trust, 2018-SFR4, A, 144A, FRN, 3.125%, 1/17/2038#	91	0.36
100,000	J.P. Morgan Chase Commercial Mortgage Securities Trust, 2016-NINE, A, 144A, FRN, 2.949%, 10/06/2038#	84	0.33
200,000	JP Morgan Chase Commercial Mortgage Securities Trust, 2015-JP1, A5, 3.914%, 1/15/2049#	178	0.71
200,000	JPMBB Commercial Mortgage Securities Trust, 2015-C30, A5, 3.822%, 7/15/2048#	176	0.70
50,000	Maxim Integrated Products Inc., senior note, 3.45%, 6/15/2027#	42	0.17
191,063	Mill City Mortgage Loan Trust, 2017-3, A1, 144A, FRN, 2.75%, 1/25/2061#	156	0.62
100,000	Mill City Mortgage Loan Trust, 2018-4, A1B, 144A, FRN, 3.50%, 4/25/2066#	84	0.33
100,000	Morgan Stanley, senior note, 3.70%, 10/23/2024#	86	0.34
460,000	Navient Corp., senior bond, 8.00%, 3/25/2020#	382	1.52
200,000	Octagon Investment Partners 18-R Ltd., 2018-18A, C, 144A, FRN, 5.022%, 4/16/2031#	151	0.60
500,000	Octagon Investment Partners 36 Ltd., 2018-1A, C, 144A, FRN, 4.003%, 4/15/2031#	388	1.55
105,959	Radnor RE Ltd., 2018-1, M1, 144A, FRN, 3.418%, 3/25/2028#	86	0.34
100,000	Sealed Air Corp., senior bond, 144A, 5.25%, 4/01/2023#	87	0.35
105,003	Sequoia Mortgage Trust, 2016-2, A4, 144A, FRN, 3.50%, 8/25/2046#	87	0.35
50,000	The Southern Co., senior bond, 3.25%, 7/01/2026#	42	0.17
32,799	Towd Point Mortgage Trust, 2015-1, AE, 144A, 3.00%, 10/25/2053#	27	0.11
126,960	Towd Point Mortgage Trust, 2015-2, 1A1, 144A, FRN, 3.25%, 11/25/2060#	104	0.41
161,686	Towd Point Mortgage Trust, 2016-3, A1, 144A, FRN, 2.25%, 4/25/2056#	131	0.52
181,058	Towd Point Mortgage Trust, 2016-5, A1, 144A, FRN, 2.50%, 10/25/2056#	147	0.59
174,097	Towd Point Mortgage Trust, 2017-2, A1, 144A, FRN, 2.75%, 4/25/2057#	143	0.57
155,647	Towd Point Mortgage Trust, 2017-5, A1, 144A, FRN, 2.618%, 2/25/2057#	126	0.50
405,698	U.S. Treasury Note, Index Linked, 0.375%, 7/15/2025#	335	1.33
304,153	U.S. Treasury Note, Index Linked, 0.375%, 7/15/2027#	252	1.00
700,000	Voya CLO Ltd., 2013-2A, A1R, 144A, FRN, 3.246%, 4/25/2031#	564	2.25
200,000	Wells Fargo Commercial Mortgage Trust, 2016-NXS6, A4, 2.918%, 11/15/2049#	168	0.67
88,138	Wells Fargo Mortgage Backed Securities, 2018-1, A3, 144A, FRN, 3.50%, 7/25/2047#	73	0.29
		15,510	61.79
	TOTAL - NORTH AMERICA	15,510	61.79
	SOUTH AMERICA 0.28% (0.00%)		
	COLOMBIA		
123,000,000	Government of Colombia, senior bond, 9.85%, 6/28/2027#	36	0.14
		36	0.14
	URUGUAY		
1,527,603	Government of Uruguay, senior bond, Index Linked, 3.70%, 6/26/2037#	34	0.14
		34	0.14
	TOTAL - SOUTH AMERICA	70	0.28

Franklin Absolute Return Bond Fund

Portfolio Statement as at 30 September 2019 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
UNITED KINGDOM 1.52% (1.25%)			
200,000	Imperial Brands Finance PLC, senior note, 144A, 4.25%, 7/21/2025#	170	0.68
200,000	HSBC Holdings PLC, senior note, 3.60%, 5/25/2023#	169	0.67
50,000	Avon Products Inc., senior bond, 7.00%, 3/15/2023#	43	0.17
TOTAL - UNITED KINGDOM		382	1.52
TOTAL - BONDS		23,179	92.35
COLLECTIVE INVESTMENT SCHEMES 9.89% (10.01%)			
BOND FUNDS			
201,242	Franklin Flexible Alpha Bond Fund, Class V3#	2,075	8.27
103,122	iShares China CNY Bond UCITS ETF	407	1.62
		2,482	9.89
TOTAL COLLECTIVE INVESTMENT SCHEMES		2,482	9.89
DERIVATIVES (1.46)% ((1.45)%) Ω			
DEBT FUTURES			
(13)	30 Day Federal Funds, December, 2019	(2)	(0.01)
25	Australian 3 Yr. Bond, December, 2019	7	0.03
9	Australian 10 Yr. Bond, December, 2019	7	0.03
13	Canada 10 Yr. Bond, December, 2019	(22)	(0.09)
(3)	Euro-BOBL, December, 2019	1	0.00
(1)	Euro-Bund, December, 2019	0	0.00
(4)	U.S. Treasury 2 Yr. Note, December, 2019	3	0.01
(15)	U.S. Treasury 5 Yr. Note, December, 2019	13	0.05
(9)	U.S. Treasury 10 Yr. Note, December, 2019	13	0.05
(4)	U.S. Treasury 30 Yr. Bond, December, 2019	10	0.04
(7)	Ultra 10 Yr. U.S. Treasury Note, December, 2019	14	0.06
		44	0.17
FORWARD CURRENCY CONTRACTS Ω			
	Buy USD 799,738 & Sell EUR 685,000, 12/13/2019	40	0.16
	Buy USD 206,770 & Sell AUD 294,000, 1/28/2020	6	0.02
	Buy USD 282,426 & Sell EUR 250,104, 1/30/2020	6	0.02
	Buy USD 71,946 & Sell AUD 100,000, 10/11/2019	4	0.02
	Buy TRY 150,000 & Sell USD 23,075, 10/18/2019	3	0.01
	Buy USD 135,970 & Sell EUR 120,000, 1/30/2020	3	0.01
	Buy USD 167,506 & Sell EUR 149,177, 1/30/2020	3	0.01
	Buy USD 141,935 & Sell SEK 1,350,000, 3/16/2020	3	0.01
	Buy USD 211,291 & Sell CNH 1,500,000, 2/24/2020	2	0.01
	Buy USD 145,547 & Sell DKK 965,485, 1/30/2020	2	0.01
	Buy IDR 1,200,000,000 & Sell USD 82,902, 11/21/2019	1	0.00
	Buy USD 86,136 & Sell AUD 125,000, 10/11/2019	1	0.01
	Buy USD 63,145 & Sell DKK 419,094, 1/30/2020	1	0.00
	Buy USD 28,219 & Sell EUR 25,000, 11/12/2019	1	0.00
	Buy USD 67,263 & Sell EUR 60,000, 3/16/2020	1	0.00
	Buy JPY 7,600,000 & Sell USD 71,093, 1/29/2020	0	0.00
	Buy JPY 7,900,000 & Sell USD 74,330, 3/13/2020	0	0.00
	Buy MXN 1,590,000 & Sell USD 78,797, 1/30/2020	0	0.00
	Buy USD 85,219 & Sell AUD 125,000, 1/28/2020	0	0.00
	Buy USD 75,348 & Sell CAD 100,000, 1/30/2020	0	0.00
	Buy USD 56,915 & Sell CAD 75,000, 1/30/2020	0	0.00
	Buy USD 226,135 & Sell CAD 299,000, 3/16/2020	0	0.00
	Buy USD 36,778 & Sell EUR 32,797, 3/16/2020	0	0.00
	Buy JPY 7,700,000 & Sell USD 73,281, 1/29/2020	(1)	(0.00)
	Buy NOK 400,000 & Sell USD 45,104, 1/30/2020	(1)	(0.00)
	Buy USD 500,776 & Sell CNH 3,600,000, 2/24/2020	(1)	(0.00)
	Buy USD 54,512 & Sell KRW 66,000,000, 11/21/2019	(1)	(0.00)
	Buy JPY 14,600,000 & Sell USD 138,737, 1/29/2020	(2)	(0.01)

Franklin Absolute Return Bond Fund

Portfolio Statement as at 30 September 2019 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
FORWARD CURRENCY CONTRACTS (continued)			
	Buy JPY 17,300,000 & Sell USD 163,560, 1/29/2020	(2)	(0.01)
	Buy NOK 1,950,000 & Sell USD 217,755, 3/16/2020	(3)	(0.01)
	Buy GBP 23,050,000 & Sell USD 28,859,983, 3/16/2020	(278)	(1.11)
FOREIGN EXCHANGE GAIN/LOSS ON OUTSTANDING FORWARD CURRENCY CONTRACTS		(212)	(0.85)
CREDIT DEFAULT SWAPS Ω			
(250,000)	Aes Corp., CDS, 5.00%, 3/20/2021#	(14)	(0.05)
(175,000)	Ally Financial Inc., CDS, 5.00%, 12/20/2024#	(28)	(0.11)
(50,000)	Avon Products Inc., CDS, 5.00%, 3/20/2023#	(4)	(0.02)
(300,000)	Centurylink Inc., CDS, 5.00%, 6/20/2021#	(18)	(0.07)
200,000	Citibank Bespoke Bogota Tranche, 1.35%, 6/20/2020#	1	0.00
260,000	Citibank Bespoke Lima Mezzanine Tranche, Index Swap, 2.13%, 12/20/2019#	(1)	(0.00)
45,000	Citibank Bespoke Palma Tranche, 2.30%, 6/20/2021#	1	0.00
50,000	Citibank Bespoke Phoenix Tranche, 2.90%, 12/20/2021#	1	0.00
80,000	Citibank Bespoke Singapore Tranche, 1.00%, 6/20/2020#	(7)	(0.03)
20,000	Government of Argentina, CDS, 5.00%, 6/20/2023#	(10)	(0.04)
50,000	Government of Argentina, CDS, 5.00%, 12/20/2023#	(24)	(0.09)
85,000	Government of Indonesia, 1.00%, 12/20/2024#	0	0.00
80,000	Government of Italy, CDS, 1.00%, 6/20/2023#	0	0.00
(80,000)	Government of Italy, CDS, 1.00%, 6/20/2023#	(1)	(0.00)
80,000	Government of Russia, CDS, 1.00%, 12/20/2024#	0	0.00
100,000	Government of Spain, CDS, 1.00%, 12/20/2024#	2	0.01
150,000	ITRX.EUR.XOVER.31, Index Swap, 5.00%, 6/20/2024#	13	0.05
1,100,000	MCDX.NA.31, Index Swap, 1.00%, 12/20/2023#	16	0.06
175,000	Morgan Stanley, CDS, 1.00%, 12/20/2024#	2	0.01
(35,000)	Nabors Industries Inc., CDS, 1.00%, 12/20/2021#	3	0.01
(20,000)	Nabors Industries Inc., CDS, 1.00%, 12/20/2021#	2	0.01
(25,000)	Nabors Industries Inc., CDS, 1.00%, 12/20/2021#	2	0.01
20,000	Nabors Industries Inc., CDS, 1.00%, 12/20/2023#	(4)	(0.02)
25,000	Nabors Industries Inc., CDS, 1.00%, 12/20/2023#	(5)	(0.02)
35,000	Nabors Industries Inc., CDS, 1.00%, 12/20/2023#	(8)	(0.03)
(200,000)	Navient Corp., CDS, 5.00%, 3/20/2020#	(4)	(0.02)
(260,000)	Navient Corp., CDS, 5.00%, 3/20/2020#	(5)	(0.02)
175,000	The Goldman Sachs Group Inc., CDS, 1.00%, 12/20/2024#	2	0.01
		(88)	(0.35)
CROSS CURRENCY SWAPS Ω			
307,500	Receiving floating rate 3-month USD LIBOR + 1.894%, Paying fixed rate, 1.50%, 5/04/2021#	28	0.11
116,200	Receiving floating rate 3-month USD LIBOR + 2.87%, Paying fixed rate, 2.50%, 5/04/2021#	6	0.02
276,750	Receiving floating rate 3-month USD LIBOR + 1.305%, Paying floating rate 3-month EUR LIBOR, 1.11%, 8/20/2021#	4	0.02
555,000	Receiving floating rate 3-month USD LIBOR + 1.31%, Paying floating rate 3-month EUR LIBOR, 1.11%, 8/30/2021#	8	0.03
555,000	Receiving floating rate 3-month USD LIBOR + 1.23%, Paying floating rate 3-month EUR LIBOR, 1.07%, 9/17/2021#	8	0.03
		54	0.21

Franklin Absolute Return Bond Fund

Portfolio Statement as at 30 September 2019 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
INTEREST RATE SWAPS (USD) Ω			
(2,300,000)	Receiving floating rate 3-month USD LIBOR, Paying fixed rate, 2.00%, 6/20/2025#	(51)	(0.20)
(1,150,000)	Receiving floating rate 3-month USD LIBOR, Paying fixed rate, 2.806%, 4/17/2023#	(41)	(0.16)
950,000	Receiving fixed rate, 2.765%, Paying floating rate, 2.66%, 8/26/2024#	0	0.00
1,150,000	Receiving fixed rate, 2.773%, Paying floating rate, 2.70%, 8/23/2024#	(1)	(0.01)
(850,000)	Receiving floating rate 3-month USD LIBOR, Paying fixed rate, 2.712%, 3/29/2023#	(28)	(0.11)
(600,000)	Receiving floating rate 3-month USD LIBOR, Paying fixed rate, 3.197%, 11/13/2023#	(33)	(0.13)
		(154)	(0.61)
OPTIONS Ω			
(250,000)	Buy Protection on CDX.NA.HY.32, Premium Rate 5.00%, Strike Price \$102, 10/16/2019#	0	0.00
(250,000)	Buy Protection on CDX.NA.HY.32, Premium Rate 5.00%, Strike Price \$102.50, 12/18/2019#	(1)	((0.00))
250,000	Buy Protection on CDX.NA.HY.32, Premium Rate 5.00%, Strike Price \$105, 10/16/2019#	0	0.00
250,000	Buy Protection on CDX.NA.HY.32, Premium Rate 5.00%, Strike Price \$106, 12/18/2019#	2	0.01
750,000	Buy Protection on CDX.NA.IG.32, Premium Rate 1.00%, Strike Price \$60, 11/20/2019#	1	(0.00)
(750,000)	Buy Protection on CDX.NA.IG.32, Premium Rate 1.00%, Strike Price \$80, 11/20/2019#	0	0.00
1,400,000	Pay fixed 2.40%, Receiving floating rate 3-month USD LIBOR, 10/07/2019#	0	0.00
		2	0.01
TOTAL RETURN SWAPS Ω			
1,725,000	Barclays Bank PLC, Markit iBoxx USD Liquid Leveraged Loans, 6/20/2020#	(5)	(0.02)
300,000	BNP Paribas SA, Euribor 3 Month, 12/20/2019#	0	0.00
100,000	Goldman Sachs International, Markit iBoxx USD Liquid Leveraged Loans, 3/20/2020#	2	0.01
300,000	JPMorgan Chase Bank NA, Euribor 3 Month, 12/20/2019#	1	0.00
500,000	JPMorgan Chase Bank NA, Markit iBoxx USD Liquid Leveraged Loans, 12/20/2019#	4	0.02
300,000	JPMorgan Chase Bank NA, Markit iBoxx USD Liquid Leveraged Loans, 12/20/2019#	4	0.02
210,000	JPMorgan Chase Bank NA, Markit iBoxx USD Liquid Leveraged Loans, 12/20/2019#	3	0.01
		9	0.04
INFLATION SWAP CONTRACTS Ω			
850,000	Receiving floating rate, Paying fixed rate, 2.061%, 12/10/2025#	(21)	(0.08)
100,000	Receiving floating rate, Paying fixed rate, 1.719%, 8/14/2026#	0	0.00
		(21)	(0.08)
TOTAL - DERIVATIVES		(366)	(1.46)
TOTAL VALUE OF INVESTMENTS Ω		25,295	100.78
OTHER LIABILITIES		(195)	(0.78)
TOTAL NET ASSETS		25,100	100.00

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2019.

€ 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.

Traded on an alternative investment market.

Franklin Absolute Return Bond Fund

Portfolio Statement by Credit Rating

Standard & Poor's Ratings		Market Value £000 30 September 2019	% of Net Assets 30 September 2019
Investment grade	BBB or higher	20,028	86.41
Non-investment grade	below BBB	2,850	11.35
Not Rated	Not Rated	301	1.20
TOTAL VALUE OF BONDS		23,179	92.35

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 transactions; securities and commodities lending; securities and commodities borrowing; buy-sell back transactions; 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 period ended 30 September 2019 are detailed below.

Amount of assets engaged in TRS

The following table represents the fair value of assets engaged in TRS as at the balance sheet date:

	30 September 2019 Value £000	30 September 2019 % of Net Assets	31 March 2019 Value £000	31 March 2019 % of Net Assets
TRS	9	0.03	30	0.12

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 2019 Value £000	31 March 2019 Value £000
Barclays	US	(5)	-
BNP Paribas	Germany	1	-
Citi	US	-	1
Goldman Sachs	US	2	(1)
JP Morgan	Germany	1	-
JP Morgan	US	10	30

Type, quality of maturity tenor of collateral

As at 30 September 2019, collateral provided by the Fund in respect of Over the Counter ("OTC") derivatives (including TRS) to JP Morgan, Deutsche Bank and Citi was in the form of cash and totalled £534,000. The maturity tenor of the collateral was therefore less than 1 day. (As at 31 March 2019, collateral provided by the Fund in respect of OTC derivatives (including TRS) to JP Morgan and Deutsche Bank was in the form of cash and totalled £483,000. The collateral received from JP Morgan was in the form of cash and totalled £38,000. The maturity tenor of the collateral was therefore less than 1 day).

Currency of collateral

The following table provide an analysis of the currency profile of the collateral received and provided in respect of OTC derivatives (including TRS).

	30 September 2019 Collateral received Value £000	30 September 2019 Collateral provided Value £000	31 March 2019 Collateral received Value £000	31 March 2019 Collateral provided Value £000
Australian dollar	-	58	-	20
Canadian dollar	-	68	-	12
Euro	-	(59)	38	-
US dollar	-	467	-	451

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	30 September 2019 Value £000	31 March 2019 Value £000
1 - 3 months	11	3
4 - 12 months	(2)	27

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 2019 to 30 September 2019

	September 2019 £000	September 2019 £000	September 2018 £000	September 2018 £000
Income				
Net capital gains/(losses)		(214)		(196)
Revenue	440		476	
Expenses	(84)		(156)	
Interest payable and similar charges	-		(2)	
Net revenue before taxation	356		318	
Taxation	(1)		-	
Net revenue after taxation		355		318
Total return before distributions for the period		141		122
Distributions		(355)		(317)
Change in net assets attributable to shareholders		(214)		(195)

Statement of Change in Net Assets Attributable to Shareholders

For the period 1 April 2019 to 30 September 2019

	September 2019 £000	September 2018 £000
Opening net assets attributable to shareholders	24,959	24,915
Change in net assets attributable to shareholders from investment activities (see above)	(214)	(195)
Retained distribution on accumulation shares	355	317
Closing net assets attributable to shareholders	25,100	25,037

Balance Sheet

As at 30 September 2019

	September 2019 £000	March 2019 £000
Assets		
Fixed assets		
Investments	25,922	21,450
Current assets		
Debtors	116	117
Cash and bank balances	1,868	3,991
Total assets	27,906	25,558
Liabilities		
Investment liabilities	(627)	(502)
Creditors		
Other creditors	(2,179)	(97)
Total liabilities	(2,806)	(599)
Net assets attributable to shareholders	25,100	24,959

Franklin Absolute Return Bond Fund

Distribution Statement

For the period 1 April 2019 to 30 September 2019

Group 1 – Shares purchased prior to 1 April 2019

Group 2 – Shares purchased in the period 1 April 2019 to 30 September 2019

	Net Income p	Equalisation p	30 September 2019 Pence per Share p	30 September 2018 Pence per Share p
W – Accumulation Shares				
Group 1	1.4201	-	1.4201	1.2684
Group 2	1.4201	-	1.4201	1.2684

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

On 31 July 2019, we amended the investment objective of the Fund to provide greater clarity to investors. Full details about the change can be found in the prospectus.

Performance

For the six-month period ended 30 September 2019, Franklin European Opportunities Fund fell (0.98%)* (W (acc) share class), underperforming the benchmark MSCI Europe ex UK Index, which returned 10.86% (both returns in UK sterling).

Overview

European equity markets outside the United Kingdom rose strongly over the six-month period as more dovish monetary policy has offset growing concerns about the health of the global and regional economies and geopolitical uncertainties.

The European economy has shown signs of weakness amidst the simmering global trade tensions. The German manufacturing sector, in particular, has slowed given its exposure to global trade. Economic data out of other European countries have also been weaker in recent quarters. The consumer has remained more resilient, however, helping to offset some of the decline in regional and global manufacturing. The World Trade Organization ("WTO") halved its growth forecast for global trade following escalations in US-China protectionism over the summer. Similarly, the Organisation for Economic Co-operation and Development ("OECD") projected sub-3% global growth in 2019, the weakest since the global financial crisis.

To foster faster growth, the European Central Bank ("ECB") cut interest rates deeper into negative territory late in the period and announced plans to resume bond purchases. The move coincided with renewed interest-rate cuts from the US Federal Reserve in recent months.

During the period, European politics remained in focus for regional markets. The Italian populist coalition government collapsed while Brexit uncertainty persisted, with the potential for a "no deal" Brexit intensifying for a time. The Italian political situation, which had hung over markets, has stabilised following the creation of a new coalition government that excluded one of the country's populist parties.

Oil markets influenced market sentiment for a time late in the period following an attack on a Saudi Arabian facility that temporarily disrupted oil supplies.

Significant Changes

The Fund's five main stock purchases over the six-month period through 30 September 2019 were Germany-based food processing equipment manufacturer GEA Group, Germany-based automotive component maker HELLA, Italy-based brake manufacturer Brembo, Italy-based gym equipment company Technogym and Sweden-based recreational vehicle ("RV") appliance firm Dometic Group. We believe GEA Group can grow steadily, and a new restructuring programme following the arrival of a new management team could improve earnings over the longer term. We have identified a few auto parts manufacturers that look attractively valued and should not be exposed to the potential disruption in the industry posed by new technologies and electric vehicles. Germany-based HELLA, which makes lighting, and Italy-based brake manufacturer Brembo were added to the Fund in recent quarters. We believe both will still see demand for their products over the longer term. Also in the consumer discretionary sector, we added a position in Technogym. In our view, Technogym is a high-quality company with a global business, but the shares have been unfairly impacted recently by its Italian listing, given domestic political and economic concerns. Sweden-based Dometic Group supplies leisure products such as refrigerators and air conditioning equipment for the automotive and marine markets. The company is a leader in several of its various markets, and we believe the barriers to entry in them are high given the tailor-made product dimensions required for appliances used in RVs and boats. Moreover, the company is a consolidator in the industry and has been diversifying its business away from a heavy reliance on RVs.

The five largest stock sales over the period were Switzerland-based drug maker Roche Holding, France-based technology consultancy Capgemini, Italy-based bank FinecoBank, Netherlands-based semiconductor equipment maker ASML Holding and Italy-based wealth manager Banca Generali. We have been reorienting the portfolio towards more mid-cap names and have consequently exited positions in a couple of large-cap pharmaceutical companies like Roche Holding, and reduced holdings in the technology sector through the disposals of Capgemini and ASML Holding. We sold our positions in Italian financials FinecoBank and Banca Generali in favour of other opportunities.

Contributors and Detractors

The Fund significantly underperformed its benchmark during the six-month period as security selection in the consumer staples and consumer discretionary sectors weighed on relative performance. Security selection in the real estate and health care sectors contributed to relative returns.

In the consumer staples sector, Ireland-based nutritional supplement manufacturer Glanbia was weak after reporting disappointing first-half earnings, largely in its non-US performance nutrition business. The company also cut its full-year guidance following the results. The US business remains strong, however, and its SlimFast product continues to show strong momentum.

In the financials sector, Norwegian online bank Sbanken curbed relative performance amidst a selloff in European bank stocks due to concerns about the impact the low or negative interest-rate environment will have on the industry. Concerns about a slowdown in Sbanken's loan growth also weighed on the stock following weaker mortgage lending in recent quarters. However, we continue to believe the bank's technology platform sets it apart from larger regional lenders, and that it could further increase its market share.

Also in the sector, Italian multi-channel lender FinecoBank detracted as political concerns in Italy and general worries about the regional economy weighed on the bank. Additionally, Italian bank UniCredit (not a Fund holding) sold a large stake in FinecoBank and took additional steps to make FinecoBank fully independent. Despite the recent weakness, earnings at the bank have been strong, as it continues to benefit from the structural challenges at some of Italy's larger lenders.

On the upside, Switzerland-based Landis+Gyr Group, a smart meter provider to the utility sector, contributed to relative performance in the information technology sector. We expect the company to benefit as more utilities adopt smart metering solutions worldwide over the next decade. Landis+Gyr offers a broad portfolio of products and services to address a number of secular trends in the utility sector, including smart grid adoption, distribution network sensing and automation tools, load control, analytics, and energy storage.

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

Franklin European Opportunities Fund

Investment Review (continued)

Contributors and Detractors (continued)

Italy-based wealth manager Banca Generali contributed to relative returns as political uncertainties in Italy eased during the third calendar quarter and as it continues to take business away from structurally challenged Italian banks. The company has reported solid inflows in recent quarters, as more Italians look to generate higher investment returns in a low or negative interest-rate environment.

In the industrials sector, Italy-based electric cable manufacturer Prysmian bolstered relative returns after winning a large contract and as earnings growth has been robust in recent quarters. 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.

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.

European stocks have suffered over the past 12 to 18 months, pressured by economic headwinds, political turmoil and trade tensions that disproportionately impact the export-oriented region. Europe has experienced extended outflows, and both equity market valuations and performance were near record lows relative to the United States at September-end.

Yet low expectations can set the stage for positive surprises, in our view; from the low purchasing managers' index levels we have seen recently, for instance, German stocks have historically gone on to deliver five times the average return over the following six months, by our analysis.

While market participants appear to be overwhelmingly bearish on Europe, we believe the region is cheap and well-positioned to benefit from a weaker euro, looser financial conditions, renewed fiscal stimulus and further accommodation from the ECB. Policy tailwinds could also help, as the age of European austerity is likely over, and open-ended quantitative easing may soon be complemented by a wave of fiscal stimulus. Finally, the Italian political situation, once a major concern for market participants, has now been largely defused.

Against this backdrop, we remain constructive on the long-term outlook for European equities; all it takes for a recovery is simply for conditions to improve or become less bad than what is implied by share prices.

How we measure performance

We measure performance and price shares in the Fund in UK sterling.

The Fund's performance is compared to the MSCI Europe ex-UK Index as it is widely available and reflects investments in European stock markets (excluding the UK).

Dylan Ball & James Windsor, CFA

Fund Managers

30 September 2019

Franklin European Opportunities Fund

Comparative Table

A – Income shares	30 September 2019	31 March 2019	31 March 2018	31 March 2017
Change in net assets per share (p)				
Opening net asset value per share	216.01	224.71	221.31	182.47
Return before operating charges ¹	0.15	(3.12)	13.14	45.35
Operating charges ²	(3.83)	(3.92)	(4.14)	(3.58)
Return after operating charges ³	(3.68)	(7.04)	9.00	41.77
Distributions on income shares	(1.7324)	(1.6564)	(5.5972)	(2.9255)
Closing net asset value per share	210.60	216.01	224.71	221.31
After direct transaction costs of ⁴	0.18	0.13	0.24	0.25
Performance				
Return after charges ⁵	(1.70%)	(3.13%)	4.07%	22.89%
Other information				
Closing net asset value (£)	34,001	34,463	34,476	35,811
Closing number of shares	16,145	15,954	15,343	16,181
Ongoing charges ratio ⁶	1.75%	1.75%	1.75%	1.75%
Direct transaction costs ⁴	0.08%	0.06%	0.10%	0.12%
Prices (p)				
Highest share price	230.00	242.55	248.58	225.21
Lowest share price	205.29	198.88	217.77	176.61

A – Accumulation shares	30 September 2019	31 March 2019	31 March 2018	31 March 2017
Change in net assets per share (p)				
Opening net asset value per share	269.59	278.35	267.64	216.96
Return before operating charges ¹	0.23	(3.89)	15.74	54.86
Operating charges ²	(4.81)	(4.87)	(5.03)	(4.18)
Return after operating charges ³	(4.58)	(8.76)	10.71	50.68
Closing net asset value per share	265.01	269.59	278.35	267.64
Distributions	(2.1708)	(2.0787)	(6.7538)	(2.8696)
Retained distributions on accumulation shares	2.1708	2.0787	6.7538	2.8696
After direct transaction costs of ⁴	0.22	0.17	0.29	0.29
Performance				
Return after charges ⁵	(1.70%)	(3.15%)	4.00%	23.36%
Other information				
Closing net asset value (£)	104,682	821,133	884,013	891,113
Closing number of shares	39,501	304,583	317,595	332,948
Ongoing charges ratio ⁶	1.75%	1.75%	1.75%	1.75%
Direct transaction costs ⁴	0.08%	0.06%	0.10%	0.12%
Prices (p)				
Highest share price	287.06	300.45	304.52	270.42
Lowest share price	256.22	247.28	263.00	209.89

Franklin European Opportunities Fund

Comparative Table (continued)

	30 September 2019	31 March 2019	31 March 2018	31 March 2017
W – Accumulation shares				
Change in net assets per share (p)				
Opening net asset value per share	213.34	218.73	208.85	168.69
Return before operating charges ¹	(0.60)	(3.08)	12.25	42.13
Operating charges ²	(2.28)	(2.31)	(2.37)	(1.97)
Return after operating charges ³	(2.88)	(5.39)	9.88	40.16
Closing net asset value per share	210.46	213.34	218.73	208.85
Distributions	(2.0996)	(3.1680)	(6.9080)	(3.9819)
Retained distributions on accumulation shares	2.0996	3.1680	6.9080	3.9819
After direct transaction costs of ⁴	0.17	0.13	0.23	0.23
Performance				
Return after charges ⁵	(1.35%)	(2.46%)	4.73%	23.81%
Other information				
Closing net asset value (£)	384,237	446,896	570,691	507,972
Closing number of shares	182,574	209,475	260,910	243,218
Ongoing charges ratio ⁶	1.05%	1.05%	1.05%	1.05%
Direct transaction costs ⁴	0.08%	0.06%	0.10%	0.12%
Prices (p)				
Highest share price	227.57	236.78	239.02	211.02
Lowest share price	203.29	195.33	205.31	163.35
Y – Income shares				
Change in net assets per share (p)				
Opening net asset value per share	117.73	122.48	120.66	99.39
Return before operating charges ¹	(0.38)	(1.69)	7.22	25.15
Operating charges ²	(1.48)	(1.27)	(1.43)	(1.03)
Return after operating charges ³	(1.86)	(2.96)	5.79	24.12
Distributions on income shares	(1.0278)	(1.7858)	(3.9741)	(2.8511)
Closing net asset value per share	114.84	117.73	122.48	120.66
After direct transaction costs of ⁴	0.10	0.07	0.13	0.13
Performance				
Return after charges ⁵	(1.58%)	(2.42%)	4.80%	24.27%
Other information				
Closing net asset value (£)	3,413	3,499	3,640	3,586
Closing number of shares	2,972	2,972	2,972	2,972
Ongoing charges ratio ⁶	1.24%	1.04%	1.11%	0.93%
Direct transaction costs ⁴	0.08%	0.06%	0.10%	0.12%
Prices (p)				
Highest share price	125.59	132.55	135.97	123.46
Lowest share price	112.19	108.73	118.77	96.32

Franklin European Opportunities Fund

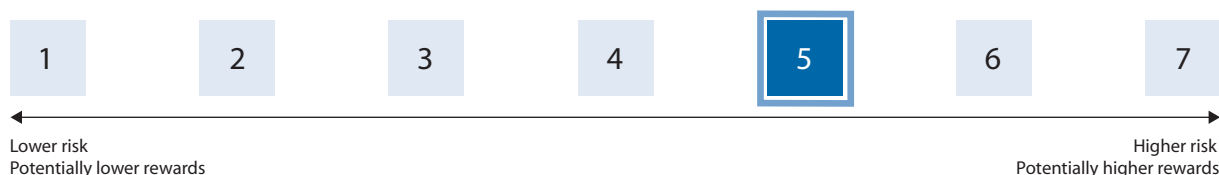
Comparative Table (continued)

Z – Accumulation shares	30 September 2019	31 March 2019	31 March 2018	31 March 2017
Change in net assets per share (p)				
Opening net asset value per share	210.41	216.17	206.77	167.35
Return before operating charges ¹	(0.39)	(3.05)	12.18	41.73
Operating charges ²	(2.67)	(2.71)	(2.78)	(2.31)
Return after operating charges ³	(3.06)	(5.76)	9.40	39.42
Closing net asset value per share	207.35	210.41	216.17	206.77
Distributions	(1.9603)	(2.6557)	(6.3475)	(3.4631)
Retained distributions on accumulation shares	1.9603	2.6557	6.3475	3.4631
After direct transaction costs of ⁴	0.17	0.13	0.22	0.22
Performance				
Return after charges ⁵	(1.45%)	(2.66%)	4.55%	23.56%
Other information				
Closing net asset value (£)	35,465	35,988	27,839	28,476
Closing number of shares	17,104	17,104	12,878	13,772
Ongoing charges ratio ⁶	1.25%	1.25%	1.25%	1.25%
Direct transaction costs ⁴	0.08%	0.06%	0.10%	0.12%
Prices (p)				
Highest share price	224.33	233.81	236.30	208.91
Lowest share price	200.34	192.75	203.23	162.01

- 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 European Opportunities Fund

Portfolio Statement as at 30 September 2019

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
EQUITIES 91.81% (98.88%)			
EUROPE - NON EU 12.28% (14.46%)			
NORWAY			
2,200	Atea ASA	23	4.09
3,241	Sbanken ASA	19	3.38
		42	7.47
SWITZERLAND			
376	Landis+Gyr Group AG	27	4.81
	TOTAL EUROPE - NON EU	69	12.28
EUROPE - OTHER EU 77.22% (82.86%)			
AUSTRIA			
163	Lenzing AG	13	2.31
256	Schoeller-Bleckmann Oilfield Equipment AG	12	2.14
		25	4.45
DENMARK			
1,049	ISS AS	21	3.74
FINLAND			
1,101	Tieto OYJ	23	4.09
FRANCE			
1,216	Maisons du Monde SA	16	2.85
201	Schneider Electric SE	14	2.49
		30	5.34
GERMANY			
732	1&1 Drillisch AG	19	3.38
1,136	GEA Group AG	25	4.45
468	Hella GmbH & Co. KGaA	17	3.02
15	Rational AG	9	1.60
1,509	Takkt AG	16	2.85
		86	15.30
IRISH REPUBLIC			
1,986	Glanbia PLC	20	3.56
ITALY			
2,664	Freni Brembo SpA	21	3.74
305	Interpump Group SpA	8	1.42
1,236	Prysmian SpA	22	3.91
1,674	Technogym SpA	15	2.67
		66	11.74
NETHERLANDS			
324	ASR Nederland NV	10	1.78
PORTUGAL			
2,545	Corticeira Amorim SGPS SA	22	3.91

Franklin European Opportunities Fund

Portfolio Statement as at 30 September 2019 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
SPAIN			
2,636	Applus Services SA	28	4.98
1,203	Cia de Distribucion Integral Logista Holdings SA	19	3.38
1,685	Ebro Foods SA	27	4.80
1,956	Merlin Properties Socimi SA §	22	3.92
531	Tecnicas Reunidas SA	11	1.96
74	Viscofan SA	3	0.53
		110	19.57
SWEDEN			
3,354	Dometic Group AB	21	3.74
	TOTAL - EUROPE - OTHER EU	434	77.22
NORTH AMERICA 2.31% (0.00%)			
UNITED STATES			
211	Autoliv Inc., SDR	13	2.31
	TOTAL - NORTH AMERICA	13	2.31
UNITED KINGDOM 0.00% (1.56%)			
	TOTAL - EQUITIES	516	91.81
	TOTAL VALUE OF INVESTMENTS	516	91.81
	OTHER ASSETS	46	8.19
	TOTAL NET ASSETS	562	100.00

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2019.

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 2019 to 30 September 2019

	September 2019 £000	September 2019 £000	September 2018 £000	September 2018 £000
Income				
Net capital gains/(losses)		(46)		48
Revenue	28		28	
Expenses	(9)		(12)	
Net revenue before taxation	19		16	
Taxation	2		(3)	
Net revenue after taxation		21		13
Total return before distributions for the period		(25)		61
Distributions		(16)		(7)
Change in net assets attributable to shareholders		(41)		54

Statement of Change in Net Assets Attributable to Shareholders

For the period 1 April 2019 to 30 September 2019

	September 2019 £000	September 2019 £000	September 2018 £000	September 2018 £000
Opening net assets attributable to shareholders		1,342		1,521
Amounts received on creation of shares	12		62	
Amounts paid on cancellation of shares	(757)		(77)	
		(745)		(15)
Dilution levy adjustments		1		-
Change in net assets attributable to shareholders from investment activities (see above)		(41)		54
Retained distribution on accumulation shares		5		7
Closing net assets attributable to shareholders		562		1,567

Balance Sheet

As at 30 September 2019

	September 2019 £000	March 2019 £000
Assets		
Fixed assets		
Investments	516	1,327
Current assets		
Debtors	6	7
Cash and bank balances	140	103
Total assets	662	1,437
Liabilities		
Creditors		
Other creditors	(100)	(95)
Total liabilities	(100)	(95)
Net assets attributable to shareholders	562	1,342

Franklin European Opportunities Fund

Distribution Statement

For the period 1 April 2019 to 30 September 2019

Group 1 – Shares purchased prior to 1 April 2019

Group 2 – Shares purchased in the period 1 April 2019 to 30 September 2019

	Net Income p	Equalisation p	30 September 2019 Pence per Share p	30 September 2018 Pence per Share p
A – Income Shares				
Group 1	1.7324	-	1.7324	0.8607
Group 2	-	1.7324	1.7324	0.8607
A – Accumulation Shares				
Group 1	2.1708	-	2.1708	1.0712
Group 2	-	2.1708	2.1708	1.0712
W – Accumulation Shares				
Group 1	2.0996	-	2.0996	1.2432
Group 2	-	2.0996	2.0996	1.2432
Y – Income Shares				
Group 1	1.0278	-	1.0278	0.6587
Group 2	1.0278	-	1.0278	0.6587
Z – Accumulation Shares				
Group 1	1.9603	-	1.9603	1.0980
Group 2	1.9603	-	1.9603	1.0980

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

The Franklin Mutual Shares Fund (W(acc) share class) returned 12.0%* for the six-month period ended 30 September 2019, while the Standard & Poor's 500 Index returned 12.40% (both returns in UK sterling).

Overview

The US economy remained on firmer footing than most of its developed market peers during the period, although gross domestic product ("GDP") growth slowed to 2.0% annualised in 2019's second quarter, down from 3.1% in the first quarter. The US Federal Reserve ("Fed") lowered interest rates by 25 basis points in both July and September—the first such cuts in a decade. These reductions (to a range of 1.75% to 2.0%) were widely expected by investors. The Fed slightly increased its 2019 GDP growth forecast to 2.2%, from 2.1% previously, but kept its 2020 forecast steady at 2.0%.

US stocks were volatile during the period but posted strong returns. A series of advances and sharp sell offs whipsawed US equity markets in the period's first half (2019's second quarter), which ended on a high note thanks to better-than-expected corporate earnings and a solid June relief rally. Despite the market advance, investor pessimism appeared widespread amid intensifying trade and political risks. Spooked US and global investors piled into US Treasury securities at an increasing rate as they searched for income, liquidity and perceived safety.

Gains moderated in the second half (2019's third-quarter), despite a midsummer sell off and heightened investor anxiety. Their advance was aided by strength in corporate earnings, tame inflation, solid employment and consumption trends and the Fed's supportive monetary policy stance. However, gauges of equity market volatility swung to the highest level of the year in August, when an inversion of the US Treasury yield curve flashed what many consider a recession signal. US policy uncertainty and widening geopolitical tensions were clearly a primary concern for businesses, amid escalating US-China disputes, Brexit complications, attacks on Saudi oilfields and the launch of an impeachment inquiry into President Trump. Near-term recession concerns faded in September as the 30-year Treasury yield that had bottomed at a record-low 1.95% on September 3 rebounded through quarter-end.

Significant Changes

The Fund's most significant purchases during the six-month period were The Kraft Heinz, Schlumberger and Baker Hughes.

Kraft Heinz's initial financial results were favourable following the merger of the two iconic food brands. However, post-merger supply chain complications and aggressive pricing eventually led to market share losses, causing earnings to fall short of projections. The stock of the global food company traded down to a valuation that we deemed to be interesting. While there is still some degree of uncertainty, we believe the new CEO and board members could be catalysts to reinvigorate results.

Schlumberger, the world's largest oilfield service provider, has faced financial headwinds that resulted in margin pressure and lower returns on capital. The company has made several changes that we view as positive to return it to a stronger financial footing, including reducing capital expenditures and selling a capital-intensive business. These steps, along with installing a new CEO, may provide the catalysts for an improved valuation.

We bought shares of Baker Hughes that General Electric ("GE") issued as part of a plan to reduce GE's stake in the oil services company to less than 50%. We viewed the per-share selling price as an attractive opportunity to own a leader in the liquified natural gas equipment sector.

Significant stock sales during the period were Medtronic Chubb and Ally Financial.

Share price appreciation resulted in medical technology company Medtronic becoming an outsized portion of the portfolio. We sold some shares to reduce our exposure and take profits. However, we maintain a position in the company.

Chubb, a provider of property and casualty insurance, was sold as it hit our fundamental valuation target and there were no apparent catalysts to move the stock price higher.

Ally Financial, an automotive financial services company, was sold during the period as it had reached our target price after many of the original catalysts had materialised. Ally Financial's management worked vigorously to pay off debt, and the competitive environment in auto finance has eased, resulting in increased margins.

Positive/Negative Contributors

At the sector level, an overweight and stock selection in financials, and an underweight and stock selection in health care, contributed to relative performance. Conversely, our underweight and stock selection in information technology and stock selection in consumer staples detracted from relative return.

Amongst individual holdings, Medtronic was a strong performer. The company reported strong earnings, and management has made substantial capital investments in research and development. We believe that a combination of new products emanating from a strong pipeline and better execution and communication from its leadership will help close the valuation gap with other medical technology companies.

Anadarko Petroleum was additive to relative returns. Shares of the oil and gas exploration company surged after receiving a takeover bid from Chevron, and a subsequent hostile, and higher, offer from Occidental Petroleum. Anadarko eventually accepted Occidental's proposal, which was a 60%-plus premium to the share price before the initial offer.

American International Group contributed to relative performance. The insurer's commercial property casualty line has stabilised, and management has been focusing on writing more profitable business and reducing its overall risk exposure. As a result, the insurer expects to report an underwriting profit for the full year.

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

Franklin Mutual Shares Fund

Investment Review (continued)

Positive/Negative Contributors (continued)

Fluor Corp a global engineering and construction company, detracted from relative performance. The company withdrew 2019 guidance after reporting significant project charges and materially lower-than-expected earnings and revenues. Following these disappointing results, the company announced the return of the former CEO as Executive Chairman; promoted the general counsel to CEO; rehired the former CFO; and initiated a strategic review of its businesses.

Cognizant Technology Solutions, a technology services company, hampered relative returns. The company reported a disappointing quarterly result as buys line growth missed targets and adjusted margins fell. Management cited a soft spending environment in banking and company-specific execution issues, due to leadership changes. The new CEO reset expectations by materially lowering guidance.

Schlumberger hindered performance amid declining oil prices and concerns about continued weakness in industry spending. The company has also had to contend with a more challenging competitive environment and a shift away from higher-margin offshore projects to less technically involved shale production. However, we expect recent management changes, an eventual reduction in the oversupply of oilfield equipment and a repricing of unprofitable contracts could lead to higher earnings and improved margins.

Outlook

Although we expect a moderation in economic growth, the extent of the slowdown has become more uncertain in recent months. As ambiguity lingers, the impact is likely to carry over into 2020. The Fed indicated that it is willing to take steps to support the economy, but it is unclear whether their actions will be enough, should the trade conflict with China worsen or the global macro economy deteriorate further.

The Fed has cut interest rates twice in 2019 as “insurance” against a downturn, despite dissenting opinions among Federal Open Market Committee (“FOMC”) members. Future policy decisions will be guided by economic data, as the FOMC signalled that their goal is to sustain the current expansion. Other central banks have either reduced rates in recent months or announced an intention to do so, should conditions warrant it.

US-China trade discussions and the effectiveness of China's stimulus measures remain at the forefront for investors, with escalating tensions increasing the risk of a more significant “trade war” and economic upheaval. In addition, we are monitoring the continued wrangling over Brexit in the United Kingdom, as well as several other geopolitical flashpoints that could destabilise the global economy. While investors are justifiably nervous, they have generally remained engaged in the market, amid this heightened level of uncertainty. Given these unresolved tensions, financial markets, in our view, may be vulnerable to renewed volatility and a potential downturn.

Market volatility and shifting expectations often provide prudent stock pickers utilizing a disciplined approach with both buy and sell candidates. In this environment, we expect new opportunities to be mostly idiosyncratic, as we seek to acquire securities that the market is discounting, due to uncertainty, and sell those approaching our assessment of full valuation.

Value investing often requires an investor to be contrarian in nature. We continue to maintain a bottom-up stock-picking process that is disciplined, driven by rigorous fundamental analysis, and 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.

How we measure performance.

We measure performance and price shares in the Fund in UK sterling.

The Fund's performance is compared to the S&P 500 Index as it is widely available and reflects investments in the US stock market.

Peter Langerman & Deborah Turner, CFA

Fund Managers

30 September 2019

Franklin Mutual Shares Fund

Comparative Table

A – Income shares	30 September 2019	31 March 2019	31 March 2018	31 March 2017
Change in net assets per share (p)				
Opening net asset value per share	252.41	232.99	262.29	193.39
Return before operating charges ¹	32.35	24.82	(22.96)	73.95
Operating charges ²	(4.70)	(4.42)	(4.42)	(4.06)
Return after operating charges ³	27.65	20.40	(27.38)	69.89
Distributions on income shares	(0.3360)	(0.9829)	(1.9184)	(0.9894)
Closing net asset value per share	279.72	252.41	232.99	262.29
After direct transaction costs of ⁴	0.03	0.05	0.03	0.02
Performance				
Return after charges ⁵	10.95%	8.76%	(10.44%)	36.14%
Other information				
Closing net asset value (£)	493,282	497,556	711,923	1,048,042
Closing number of shares	176,347	197,118	305,557	399,570
Ongoing charges ratio ⁶	1.75%	1.75%	1.75%	1.75%
Direct transaction costs ⁴	0.01%	0.02%	0.01%	0.01%
Prices (p)				
Highest share price	285.06	271.75	264.35	274.86
Lowest share price	250.94	228.28	226.04	190.99

A – Accumulation shares	30 September 2019	31 March 2019	31 March 2018	31 March 2017
Change in net assets per share (p)				
Opening net asset value per share	268.94	247.29	276.17	202.80
Return before operating charges ¹	34.46	26.34	(24.22)	77.62
Operating charges ²	(5.01)	(4.69)	(4.66)	(4.25)
Return after operating charges ³	29.45	21.65	(28.88)	73.37
Closing net asset value per share	298.39	268.94	247.29	276.17
Distributions	(0.3574)	(1.0442)	(2.0271)	(1.0338)
Retained distributions on accumulation shares	0.3574	1.0442	2.0271	1.0338
After direct transaction costs of ⁴	0.03	0.05	0.03	0.02
Performance				
Return after charges ⁵	10.95%	8.75%	(10.46%)	36.18%
Other information				
Closing net asset value (£)	1,357,226	1,322,851	1,815,434	2,477,843
Closing number of shares	454,848	491,883	734,143	897,216
Ongoing charges ratio ⁶	1.75%	1.75%	1.75%	1.75%
Direct transaction costs ⁴	0.01%	0.02%	0.01%	0.01%
Prices (p)				
Highest share price	303.72	288.42	278.13	288.91
Lowest share price	267.36	242.29	239.24	200.29

Franklin Mutual Shares Fund

Comparative Table (continued)

	30 September 2019	31 March 2019	31 March 2018	31 March 2017
I – Accumulation shares				
Change in net assets per share (p)				
Opening net asset value per share	300.19	274.10	303.99	221.66
Return before operating charges ¹	37.71	29.22	(26.80)	85.09
Operating charges ²	(3.34)	(3.13)	(3.09)	(2.76)
Return after operating charges ³	34.37	26.09	(29.89)	82.33
Closing net asset value per share	334.56	300.19	274.10	303.99
Distributions	(18.5640)	(3.3111)	(4.3608)	(3.0993)
Retained distributions on accumulation shares	18.5640	3.3111	4.3608	3.0993
After direct transaction costs of ⁴	0.03	0.06	0.03	0.03
Performance				
Return after charges ⁵	11.45%	9.52%	(9.83%)	37.14%
Other information				
Closing net asset value (£)	1,480	66,065	64,510	95,901
Closing number of shares	442	22,008	23,535	31,548
Ongoing charges ratio ⁶	1.05%	1.05%	1.05%	1.05%
Direct transaction costs ⁴	0.01%	0.02%	0.01%	0.01%
Prices (p)				
Highest share price	339.80	320.61	306.21	317.82
Lowest share price	298.44	268.58	265.15	219.13
W – Accumulation shares				
Change in net assets per share (p)				
Opening net asset value per share	229.39	209.36	232.06	169.18
Return before operating charges ¹	28.53	22.31	(20.43)	65.01
Operating charges ²	(2.45)	(2.28)	(2.27)	(2.13)
Return after operating charges ³	26.08	20.03	(22.70)	62.88
Closing net asset value per share	255.47	229.39	209.36	232.06
Distributions	(0.7659)	(2.5964)	(3.4019)	(2.3540)
Retained distributions on accumulation shares	0.7659	2.5964	3.4019	2.3540
After direct transaction costs of ⁴	0.02	0.05	0.02	0.02
Performance				
Return after charges ⁵	11.37%	9.57%	(9.78%)	37.17%
Other information				
Closing net asset value (£)	4,635,200	4,699,917	5,363,456	7,192,428
Closing number of shares	1,814,360	2,048,846	2,561,840	3,099,362
Ongoing charges ratio ⁶	1.00%	1.00%	1.01%	1.04%
Direct transaction costs ⁴	0.01%	0.02%	0.01%	0.01%
Prices (p)				
Highest share price	259.69	244.92	233.76	242.63
Lowest share price	228.05	205.14	202.53	167.25

Franklin Mutual Shares Fund

Comparative Table (continued)

	30 September 2019	31 March 2019	31 March 2018	31 March 2017
Y – Income shares				
Change in net assets per share (p)				
Opening net asset value per share	150.72	139.08	156.69	115.42
Return before operating charges ¹	18.13	14.88	(13.78)	44.33
Operating charges ²	(0.32)	(0.30)	(0.33)	(0.34)
Return after operating charges ³	17.81	14.58	(14.11)	43.99
Distributions on income shares	(0.8266)	(2.9355)	(3.4971)	(2.7195)
Closing net asset value per share	167.70	150.72	139.08	156.69
After direct transaction costs of ⁴	0.02	0.03	0.02	0.01
Performance				
Return after charges ⁵	11.82%	10.48%	(9.01%)	38.11%
Other information				
Closing net asset value (£)	4,984	4,480	4,134	4,657
Closing number of shares	2,972	2,972	2,972	2,972
Ongoing charges ratio ⁶	0.20%	0.20%	0.22%	0.24%
Direct transaction costs ⁴	0.01%	0.02%	0.01%	0.01%
Prices (p)				
Highest share price	171.08	163.25	158.00	165.21
Lowest share price	149.85	136.28	136.02	114.23
Z – Accumulation shares				
Change in net assets per share (p)				
Opening net asset value per share	226.30	206.95	229.85	167.89
Return before operating charges ¹	28.38	22.05	(20.20)	64.62
Operating charges ²	(2.90)	(2.70)	(2.70)	(2.66)
Return after operating charges ³	25.48	19.35	(22.90)	61.96
Closing net asset value per share	251.78	226.30	206.95	229.85
Distributions	(0.6345)	(2.1144)	(2.9154)	(1.9519)
Retained distributions on accumulation shares	0.6345	2.1144	2.9154	1.9519
After direct transaction costs of ⁴	0.02	0.05	0.02	0.02
Performance				
Return after charges ⁵	11.26%	9.35%	(9.96%)	36.91%
Other information				
Closing net asset value (£)	168,118	151,628	125,522	275,417
Closing number of shares	66,773	67,003	60,653	119,823
Ongoing charges ratio ⁶	1.20%	1.20%	1.21%	1.24%
Direct transaction costs ⁴	0.01%	0.02%	0.01%	0.01%
Prices (p)				
Highest share price	256.02	241.90	231.53	240.36
Lowest share price	224.97	202.78	200.20	165.93

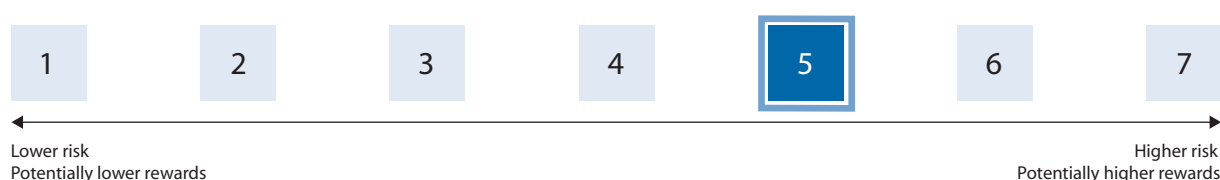
Franklin Mutual Shares Fund

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 2019

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
EQUITIES 92.45% (89.85%)			
NORTH AMERICA 92.45% (89.85%)			
UNITED STATES			
208	Alexander's Inc. \$	59	0.89
313	Alleghany Corp.	203	3.05
1,930	Altria Group Inc.	64	0.96
4,694	American International Group Inc.	213	3.20
2,175	Archer-Daniels-Midland Co.	73	1.10
3,624	Baker Hughes a GE Co., A	68	1.02
1,528	Cadence Bancorp	22	0.33
1,594	Capital One Financial Corp.	118	1.77
661	Celgene Corp.	53	0.79
493	Charter Communications Inc., A	165	2.48
505	Chubb Ltd.	66	0.99
1,821	Cisco Systems Inc.	73	1.10
1,964	CIT Group Inc.	72	1.08
2,852	Citigroup Inc.	160	2.40
3,828	Citizens Financial Group Inc.	110	1.65
2,592	Cognizant Technology Solutions Corp., A	127	1.91
4,263	Comcast Corp., A	156	2.34
3,603	Corning Inc.	84	1.26
2,473	CVS Health Corp.	127	1.91
3,808	Discovery Inc., C	76	1.14
2,359	DISH Network Corp., A	65	0.98
1,276	Eli Lilly & Co.	116	1.74
1,520	Energizer Holdings Inc.	54	0.81
178	Everest Re Group Ltd.	39	0.58
1,397	Fluor Corp.	22	0.33
10,650	General Electric Co.	77	1.16
3,563	General Motors Co.	109	1.64
6,096	Hewlett Packard Enterprise Co.	75	1.13
491	Huntington Ingalls Industries Inc.	85	1.28
182	Independent Bank Group Inc.	8	0.12
2,986	International Paper Co.	102	1.53
3,931	Johnson Controls International PLC	140	2.10
2,309	JPMorgan Chase & Co.	221	3.32
9,696	Kinder Morgan Inc.	163	2.45
2,041	Lennar Corp., A	93	1.40
8,948	Marathon Oil Corp.	89	1.34
2,710	Medtronic PLC	239	3.59
1,492	Merck & Co. Inc.	102	1.53
1,618	MetLife Inc.	62	0.93
8,085	Newell Brands Inc.	123	1.85
1,685	Occidental Petroleum Corp.	61	0.92
1,000	Perrigo Co. PLC	45	0.67
3,233	Plains GP Holdings LP, A	56	0.84
1,166	PVH Corp.	84	1.26
3,000	Schlumberger Ltd.	83	1.25
3,490	Sensata Technologies Holding PLC	142	2.13
7,595	Symantec Corp.	146	2.19
1,206	Synovus Financial Corp.	35	0.52
3,077	The Hartford Financial Services Group Inc.	152	2.28
5,150	The Kraft Heinz Co.	117	1.76
6,007	The Kroger Co.	126	1.89
2,039	The Walt Disney Co.	216	3.24
5,163	The Williams Cos. Inc.	101	1.52
1,577	Toll Brothers Inc.	53	0.79
2,500	Vistra Energy Corp.	54	0.81
1,726	Vornado Realty Trust \$	89	1.34
2,791	Voya Financial Inc.	124	1.86
1,945	Walgreens Boots Alliance Inc.	88	1.32
4,328	Wells Fargo & Co.	178	2.67

Franklin Mutual Shares Fund

Portfolio Statement as at 30 September 2019 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
UNITED STATES (continued)			
2,171	Western Digital Corp.	105	1.58
987	WestRock Co.	29	0.43
TOTAL - NORTH AMERICA		6,157	92.45
TOTAL - EQUITIES		6,157	92.45
WARRANTS 0.00% (0.02%)			
BONDS 0.82% (3.04%)			
NORTH AMERICA 0.82% (3.04%)			
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
228,000	Clear Channel Communications Inc., Escrow Account, 9.00%, 12/15/2019#‡	0	0.00
70,000	Frontier Communications Corp., senior note, 10.50%, 9/15/2022#	26	0.39
78,000	Frontier Communications Corp., senior note, 11.00%, 9/15/2025#	29	0.43
102,000	Walter Energy Inc.#‡	0	0.00
TOTAL - NORTH AMERICA		55	0.82
TOTAL - BONDS		55	0.82
TOTAL VALUE OF INVESTMENTS		6,212	93.27
OTHER ASSETS		448	6.73
TOTAL NET ASSETS		6,660	100.00

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2019.

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

‡ 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 2019 to 30 September 2019

	September 2019 £000	September 2019 £000	September 2018 £000	September 2018 £000
Income				
Net capital gains/(losses)		697		1,059
Revenue	88		95	
Expenses	(41)		(49)	
Net revenue before taxation	47		46	
Taxation	(11)		(11)	
Net revenue after taxation		36		35
Total return before distributions for the period		733		1,094
Distributions		(19)		(35)
Change in net assets attributable to shareholders		714		1,059

Statement of Change in Net Assets Attributable to Shareholders

For the period 1 April 2019 to 30 September 2019

	September 2019 £000	September 2019 £000	September 2018 £000	September 2018 £000
Opening net assets attributable to shareholders		6,742		8,085
Amounts received on creation of shares	87		67	
Amounts paid on cancellation of shares	(899)		(1,369)	
		(812)		(1,302)
Change in net assets attributable to shareholders from investment activities (see above)		714		1,059
Retained distribution on accumulation shares		16		34
Closing net assets attributable to shareholders		6,660		7,876

Balance Sheet

As at 30 September 2019

	September 2019 £000	March 2019 £000
Assets		
Fixed assets		
Investments	6,212	6,264
Current assets		
Debtors	54	39
Cash and bank balances	440	510
Total assets	6,706	6,813
Liabilities		
Creditors		
Distribution payable	(1)	(1)
Other creditors	(45)	(70)
Total liabilities	(46)	(71)
Net assets attributable to shareholders	6,660	6,742

Franklin Mutual Shares Fund

Distribution Statement

For the period 1 April 2019 to 30 September 2019

Group 1 – Shares purchased prior to 1 April 2019

Group 2 – Shares purchased in the period 1 April 2019 to 30 September 2019

	Net Income p	Equalisation p	30 September 2019 Pence per Share p	30 September 2018 Pence per Share p
A – Income Shares				
Group 1	0.3360	-	0.3360	0.4539
Group 2	0.2652	0.0708	0.3360	0.4539
A – Accumulation Shares				
Group 1	0.3574	-	0.3574	0.4749
Group 2	0.0301	0.3273	0.3574	0.4749
I – Accumulation Shares				
Group 1	18.5640	-	18.5640	1.5818
Group 2	18.5640	-	18.5640	1.5818
W – Accumulation Shares				
Group 1	0.7659	-	0.7659	1.2638
Group 2	0.5412	0.2247	0.7659	1.2638
Y – Income Shares				
Group 1	0.8266	-	0.8266	1.4511
Group 2	0.8266	-	0.8266	1.4511
Z – Accumulation Shares				
Group 1	0.6345	-	0.6345	1.0223
Group 2	0.0446	0.5899	0.6345	1.0223

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 Sterling Corporate Bond Fund

Investment Review

On 31 July 2019, we amended the investment objective and policy for the Fund to improve their clarity for investors. The revised investment objective and policy can be found in the current prospectus, available on our website. On 30 September 2019, we also changed the name of the Franklin UK Corporate Bond Fund to Franklin Sterling Corporate Bond Fund to more accurately describe that Fund's investment universe.

Performance

For the six-month period ended 30 September 2019, Franklin Sterling Corporate Bond Fund (W (acc) share class) returned 6.25%*, compared to the Markit iBoxx GBP Non-Gilts Index, which returned 5.73% (both returns in UK sterling).

Overview

UK corporate bonds generally delivered strong returns over the review period, against a backdrop of falling global yields. Gilt yields steadily declined, reaching their lowest-ever levels towards the end of the period. This mirrored the trend across other major government bond markets, as concerns about slowing global growth and trade tensions along with renewed monetary easing from leading central banks pushed down interest rates in most countries. In UK markets, the continued political deadlock around Brexit weighed further on sentiment, with the risk of a potentially damaging "no-deal" exit seemingly increasing ahead of an October 31 deadline, as the new UK Prime Minister Boris Johnson continued to stress his commitment to taking the United Kingdom out of the European Union.

The UK economy's performance underlined the impact of Brexit and global uncertainty, as gross domestic product ("GDP") shrank in the second quarter compared with the first three months of the year, the first such contraction since 2012. Although data showing a rebound in July helped to ease recession fears, subsequent surveys suggested that the economy remained weak. In August, inflation dropped to its lowest level for more than two years, and below the Bank of England's ("BoE's") 2% target.

The BoE kept interest rates unchanged throughout the period, but adopted an increasingly dovish tone, suggesting the possibility of a future rate cut if Brexit uncertainty was prolonged. It also appeared possible that the appointment of a successor to BoE Governor Mark Carney could be delayed beyond January 2020, with Carney having already twice extended his term due to Brexit delays.

Significant Changes

The top purchases made by the Fund during the period included Berkshire Hathaway Finance Corp senior bond 2.625% 6/19/2059, Bank Of Montreal 12/18/2024, Fiserv Inc senior bond 3.00% 7/01/2031, Diageo Finance PLC senior note Reg S 1.75% 10/12/2026, Credit Agricole SA secured note Reg S 1.25% 10/02/2024, UK Treasury Note/Bond 3.50% 1/22/2045, UK Treasury Note/Bond 3.75% 7/22/2052, Aroundtown SA junior sub bond Reg S 4.75% to 6/25/24 FRN thereafter Perpetual, Co-Operative Group Ltd senior note Reg S 5.125% 5/17/2024 and Nationwide Building Society 12/20/2167.

The Fund's top sales over the period included Annington Funding 3.935% 7/12/2047, Rabobank Capital Funding Trust 5.556% 12/31/2167, SSE 3.875% 9/10/2167, Chancellor Masters And Scholars Of The University 2.544% 12/08/2117, UK Treasury Note/Bond 3.75% 7/22/2052, Apple 3.05% 7/31/2029, General Electric Co 4.875% 9/18/2037, Deutsche Telekom International Finance 8.875% 11/27/2028, London Power Networks 6.125% 6/07/2027 and British Telecommunications 5.75% 12/07/2028.

Positive/Negative Contributors

The Fund's duration and yield-curve positioning was the main contributor to relative returns, boosted by an overweight duration stance on UK bonds.

The Fund's sector allocation and, to a lesser extent, security selection also helped relative performance. An underweight exposure to government-related and securitised bonds as well as selection among corporate financial issues provided the most significant contributions, although this was partially offset by the negative impact of selection among corporate industrials.

There were no significant overall detractors from the Fund's relative results.

Outlook

The eventual outcome of Brexit remains as uncertain as ever. When considering the backdrop in UK politics and potential results in any future UK election, the possibility of a "no-deal" Brexit—and as a consequence a UK recession—in coming months still appears a significant possibility. Monetary and fiscal expansion designed to offset the impact on the UK economy would seem to be the most likely response from UK policymakers to such an outcome.

For the eurozone, our outlook envisages a continuation of weak growth and low inflation. While some countries might fall into a technical recession, we think that overall the region is resilient enough to avoid an extended contraction—with the help of accommodative monetary policy—although it remains vulnerable to external shocks. The principal risks to such a scenario are trade uncertainty and a "no deal" Brexit.

How we measure performance

We measure performance and price shares in the Fund in UK sterling.

- We measure performance against the Fund's performance target, the Markit iBoxx GBP Non-Gilts Index as it is widely available and reflects investments in similar debt-related securities.
- The Fund's performance can also be compared against the Investment Association £ Corporate Bond sector average, which reflects the performance of the Fund's competitors.

David Zahn, CFA

Fund Manager

30 September 2019

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

Franklin Sterling Corporate Bond Fund

Comparative Table

	30 September 2019	31 March 2019	31 March 2018	31 March 2017
W – Income shares¹				
Change in net assets per share (p)				
Opening net asset value per share	100.72	99.99	101.60	100.00
Return before operating charges ²	4.95	3.79	1.46	2.36
Operating charges ³	(0.47)	(0.45)	(0.46)	(0.45)
Return after operating charges ⁴	4.48	3.34	1.00	1.91
Distribution on income shares	(1.3410)	(2.6089)	(2.6082)	(0.3126)
Closing net asset value per share	103.86	100.72	99.99	101.60
After direct transaction costs of ⁵	-	-	-	-
Performance				
Return after charges ⁶	4.45%	3.34%	0.98%	1.91%
Other information				
Closing net asset value (£)	4,153	4,027	3,998	4,062
Closing number of shares	3,998	3,998	3,998	3,998
Ongoing charges ratio ⁷	0.45%	0.45%	0.45%	0.45%
Direct transaction costs ⁵	-	-	-	-
Prices (p)				
Highest share price	107.34	101.61	103.91	101.76
Lowest share price	100.27	97.12	99.62	99.81
W – Accumulation shares¹				
Change in net assets per share (p)				
Opening net asset value per share	106.58	102.98	101.93	100.00
Return before operating charges ²	5.25	4.06	1.52	2.38
Operating charges ³	(0.49)	(0.46)	(0.47)	(0.45)
Return after operating charges ⁴	4.76	3.60	1.05	1.93
Distribution	(1.4225)	(2.7129)	(2.6412)	(0.3128)
Retained distributions on accumulation shares	1.4225	2.7129	2.6412	0.3128
Closing net asset value per share	111.34	106.58	102.98	101.93
After direct transaction costs of ⁵	-	-	-	-
Performance				
Return after charges ⁶	4.47%	3.50%	1.03%	1.93%
Other information				
Closing net asset value (£)	44,735,873	45,359,206	47,970,316	53,195,074
Closing number of shares	40,179,872	42,558,804	46,580,641	52,189,505
Ongoing charges ratio ⁷	0.45%	0.45%	0.45%	0.45%
Direct transaction costs ⁵	-	-	-	-
Prices (p)				
Highest share price	114.34	106.84	104.88	101.93
Lowest share price	106.10	101.40	101.92	99.81

Franklin Sterling 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 Sterling Corporate Bond Fund

Portfolio Statement as at 30 September 2019

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
BONDS 96.90% (93.47%)			
ASIA 1.14% (1.10%)			
HONG KONG			
400,000	Hutchison Whampoa Finance UK PLC, senior bond, Reg S, 5.625%, 11/24/2026#	511	1.14
	TOTAL - ASIA	511	1.14
AUSTRALASIA 5.96% (5.68%)			
AUSTRALIA			
400,000	APT Pipelines Ltd., senior bond, Reg S, 3.50%, 3/22/2030#	448	1.00
500,000	BHP Billiton Finance Ltd., senior bond, 4.30%, 9/25/2042#	706	1.58
500,000	National Australia Bank Ltd., secured note, Reg S, 1.125%, 11/10/2022#	502	1.12
500,000	Toyota Finance Australia Ltd., senior note, Reg S, 1.625%, 7/11/2022#	510	1.14
500,000	Westpac Banking Corp., secured note, Reg S, 1.00%, 6/30/2023#	501	1.12
	TOTAL - AUSTRALASIA	2,667	5.96
CENTRAL AMERICA 3.03% (2.80%)			
MEXICO			
425,000	America Movil SAB de CV, senior bond, 5.75%, 6/28/2030#	582	1.30
700,000	Government of Mexico, senior bond, 5.625%, 3/19/2114#	774	1.73
	TOTAL - CENTRAL AMERICA	1,356	3.03
EUROPE - NON EU 3.39% (3.29%)			
SWITZERLAND			
400,000	Credit Suisse Group AG, senior note, Reg S, 2.125% to 9/12/24, FRN thereafter, 9/12/2025#	406	0.91
400,000	Glencore Finance Europe Ltd., 3.125%, 3/26/2026#	409	0.91
700,000	UBS AG London, senior note, Reg S, 1.25%, 12/10/2020#	702	1.57
	TOTAL EUROPE - NON EU	1,517	3.39
EUROPE - OTHER EU 26.38% (25.20%)			
BELGIUM			
400,000	Anheuser-Busch InBev NV, senior bond, Reg S, 4.00%, 9/24/2025#	462	1.03
300,000	Government of Belgium, Reg S, 5.70%, 5/28/2032#	460	1.03
		922	2.06
FRANCE			
400,000	AXA SA, junior sub. bond, Reg S, 5.453% to 3/04/26, FRN thereafter, Perpetual#	447	1.00
400,000	BNP Paribas SA, senior note, Reg S, 3.375%, 1/23/2026#	435	0.97
400,000	Credit Agricole SA, secured note, Reg S, 1.25%, 10/02/2024#	398	0.89
300,000	EDF SA, junior sub. bond, Reg S, 5.87% to 1/22/29, FRN thereafter, Perpetual#	323	0.72
400,000	EDF SA, senior bond, 5.875%, 7/18/2031#	559	1.25
400,000	EDF SA, senior bond, Reg S, 5.50%, 10/17/2041#	589	1.32
300,000	Orange SA, senior bond, Reg S, 8.125%, 11/20/2028#	461	1.03
500,000	Total Capital International SA, senior note, Reg S, 1.75%, 7/07/2025#	517	1.16
300,000	Westfield America Management Ltd., senior bond, Reg S, 2.625%, 3/30/2029#	318	0.71
		4,047	9.05
GERMANY			
300,000	Aroundtown SA, junior sub. bond, Reg S, 4.75% to 6/25/24, FRN thereafter, Perpetual#	305	0.68
550,000	Aroundtown SA, senior bond, Reg S, 3.00%, 10/16/2029#	552	1.23
300,000	Deutsche Telekom International Finance BV, senior bond, 8.875%, 11/27/2028#	475	1.06
350,000	innogy Finance BV, senior bond, Reg S, 6.25%, 6/03/2030#	486	1.09
		1,818	4.06

Franklin Sterling Corporate Bond Fund

Portfolio Statement as at 30 September 2019 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
ITALY			
500,000	Assicurazioni Generali SpA, junior sub. bond, Reg S, 6.41% to 2/07/07, FRN thereafter, Perpetual#	536	1.20
400,000	Enel SpA, sub. bond, Reg S, 6.625% to 9/15/21, FRN thereafter, 9/15/2076#	436	0.97
500,000	Government of Italy, senior bond, Reg S, 6.00%, 8/04/2028#	648	1.45
		1,620	3.62
NETHERLANDS			
700,000	ABN AMRO Bank NV, senior note, Reg S, 1.375%, 6/07/2022#	706	1.58
400,000	Cooperatieve Rabobank UA, sub. bond, Reg S, 4.625%, 5/23/2029#	477	1.06
500,000	ING Groep NV, senior note, Reg S, 3.00%, 2/18/2026#	536	1.20
		1,719	3.84
SPAIN			
550,000	Iberdrola Finanzas SA, senior bond, 7.375%, 1/29/2024#	692	1.55
400,000	Telefonica Emisiones SA, senior bond, Reg S, 5.375%, 2/02/2026#	485	1.08
		1,177	2.63
SWEDEN			
500,000	Swedbank AB, senior note, Reg S, 1.25%, 12/29/2021#	500	1.12
	TOTAL - EUROPE - OTHER EU	11,803	26.38
NORTH AMERICA 19.52% (17.56%)			
UNITED STATES			
500,000	American International Group Inc., senior bond, Reg S, 5.00%, 4/26/2023#	564	1.26
300,000	Amgen Inc., senior bond, Reg S, 5.50%, 12/07/2026#	378	0.84
400,000	Apple Inc., senior bond, 3.05%, 7/31/2029#	466	1.04
600,000	AT&T Inc., senior note, 2.90%, 12/04/2026#	640	1.43
600,000	Bank of America Corp., senior bond, Reg S, 6.125%, 9/15/2021#	655	1.46
500,000	Berkshire Hathaway Finance Corp., senior bond, 2.625%, 6/19/2059#	580	1.30
400,000	Citigroup Inc., senior bond, Reg S, 5.15%, 5/21/2026#	491	1.10
500,000	Fiserv Inc., senior bond, 3.00%, 7/01/2031#	536	1.20
400,000	General Electric Co., sub. bond, Reg S, 4.875%, 9/18/2037#	434	0.97
180,000	HJ Heinz Finance UK PLC, senior bond, 6.25%, 2/18/2030#	227	0.51
600,000	MetLife Inc., senior bond, Reg S, 5.375%, 12/09/2024#	725	1.62
400,000	Mondelez International Inc., senior bond, 4.50%, 12/03/2035#	503	1.12
400,000	The Goldman Sachs Group Inc., senior bond, Reg S, 4.25%, 1/29/2026#	456	1.02
225,000	Time Warner Cable LLC, first lien, senior secured bond, 5.75%, 6/02/2031#	276	0.62
600,000	Verizon Communications Inc., senior bond, 4.75%, 2/17/2034#	790	1.77
400,000	Wal-Mart Stores Inc., senior bond, Reg S, 4.875%, 1/19/2039#	609	1.36
350,000	Wells Fargo & Co., senior bond, Reg S, 3.50%, 9/12/2029#	401	0.90
	TOTAL - NORTH AMERICA	8,731	19.52
UNITED KINGDOM 37.48% (37.84%)			
200,000	Arrow Global Finance PLC, senior note, first lien, Reg S, 5.125%, 9/15/2024#	199	0.44
500,000	BAE Systems PLC, senior note, Reg S, 4.125%, 6/08/2022#	539	1.20
400,000	Barclays PLC, senior bond, 3.25%, 1/17/2033#	404	0.90
500,000	Barclays PLC, sub. bond, Reg S, 2.00% to 2/07/23, FRN thereafter, 2/07/2028#	439	0.98
700,000	Bazalgette Finance PLC, secured note, Reg S, 2.375%, 11/29/2027#	752	1.68
580,000	BP Capital Markets PLC, senior note, Reg S, 1.177%, 8/12/2023#	587	1.31
250,000	British Telecommunications PLC, senior bond, 5.75%, 12/07/2028#	324	0.72
400,000	Bupa Finance PLC, sub. note, Reg S, 5.00%, 4/25/2023#	440	0.98
700,000	Cadent Finance PLC, senior bond, Reg S, 2.75%, 9/22/2046#	732	1.64
200,000	Compass Group PLC, senior note, Reg S, 2.00%, 9/05/2025#	211	0.47
200,000	Co-Operative Group Ltd., senior note, Reg S, 5.125%, 5/17/2024#	210	0.47
500,000	Diageo Finance PLC, senior note, Reg S, 1.75%, 10/12/2026#	519	1.16
600,000	Dwr Cymru Financing Ltd., senior secured bond, Reg S, 2.50%, 3/31/2036#	676	1.51
100,000	Galaxy Bidco Ltd., senior secured note, Reg S, 6.50%, 7/31/2026#	99	0.22
400,000	Gatwick Funding Ltd., senior secured bond, first lien, Reg S, 4.625%, 3/27/2036#	513	1.15
400,000	GlaxoSmithKline Capital PLC, senior bond, Reg S, 3.375%, 12/20/2027#	464	1.04

Franklin Sterling Corporate Bond Fund

Portfolio Statement as at 30 September 2019 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
UNITED KINGDOM (continued)			
500,000	Heathrow Funding Ltd., first lien, Reg S, 5.875%, 5/13/2043#	784	1.75
200,000	HSBC Bank PLC, sub. bond, Reg S, 6.25%, 1/30/2041#	299	0.67
700,000	HSBC Holdings PLC, senior note, Reg S, 2.256% to 11/13/25, FRN thereafter, 11/13/2026#	715	1.60
100,000	HSBC Holdings PLC, sub. bond, Reg S, 7.00%, 4/07/2038#	150	0.34
400,000	Lloyds Bank PLC, sub. bond, Reg S, 7.625%, 4/22/2025#	513	1.15
500,000	London Power Networks PLC, senior bond, Reg S, 6.125%, 6/07/2027#	658	1.47
500,000	Motability Operations Group PLC, senior bond, Reg S, 2.375%, 3/14/2032#	535	1.20
470,000	Northern Powergrid Holdings Co., senior bond, 7.25%, 12/15/2022#	559	1.25
400,000	Pension Insurance Corp. PLC, sub. bond, Reg S, 5.625%, 9/20/2030#	415	0.93
100,000	Pinewood Finance Co Ltd., senior secured note, Reg S, 3.25%, 9/30/2025#	102	0.23
100,000	Pinnacle Bidco PLC, senior secured note, first lien, Reg S, 6.375%, 2/15/2025#	106	0.24
400,000	Prudential PLC, sub. note, Reg S, 5.625% to 10/20/31, FRN thereafter, 10/20/2051#	457	1.02
400,000	Royal Bank of Scotland Group PLC, senior note, Reg S, 3.125% to 3/27/26, FRN thereafter, 3/28/2027#	416	0.93
300,000	Sky Ltd., senior bond, Reg S, 4.00%, 11/26/2029#	367	0.82
100,000	Tesco Corporate Treasury Services PLC, senior note, Reg S, 2.50%, 5/02/2025#	102	0.23
300,000	The Wellcome Trust Ltd., senior bond, Reg S, 2.517%, 2/07/2118#	375	0.84
600,000	United Kingdom Treasury Bond, Reg S, 2.25%, 9/07/2023#	646	1.44
450,000	United Kingdom Treasury Bond, Reg S, 3.50%, 1/22/2045#	705	1.58
600,000	United Kingdom Treasury Bond, Reg S, 3.75%, 7/22/2052#	1,076	2.40
600,000	Western Power Distribution East Midlands, senior bond, Reg S, 5.25%, 1/17/2023#	679	1.52
TOTAL - UNITED KINGDOM		16,767	37.48
TOTAL - BONDS		43,352	96.90
DERIVATIVES 0.01% ((0.00)%)			
FORWARD CURRENCY CONTRACTS ^Ω			
	Buy GBP 427,835 & Sell EUR 475,000, 12/09/2019	6	0.01
FOREIGN EXCHANGE GAIN ON OUTSTANDING FORWARD CURRENCY CONTRACTS		6	0.01
TOTAL - DERIVATIVES		6	0.01
TOTAL VALUE OF INVESTMENTS [¥]		43,358	96.91
OTHER ASSETS		1,382	3.09
TOTAL NET ASSETS		44,740	100.00

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2019.

^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 2019	% of Net Assets 30 September 2019
Investment grade	BBB or higher	41,236	92.17
Non-investment grade	below BBB	2,116	4.73
TOTAL VALUE OF BONDS		43,352	96.90

Franklin Sterling Corporate Bond Fund

Statement of Total Return

For the period 1 April 2019 to 30 September 2019

	September 2019 £000	September 2019 £000	September 2018 £000	September 2018 £000
Income				
Net capital gains/(losses)		1,517		(780)
Revenue	592		625	
Expenses	(103)		(108)	
Net revenue before taxation	489		517	
Net revenue after taxation		489		517
Total return before distributions for the period		2,006		(263)
Distributions		(592)		(625)
Change in net assets attributable to shareholders		1,414		(888)

Statement of Change in Net Assets Attributable to Shareholders

For the period 1 April 2019 to 30 September 2019

	September 2019 £000	September 2019 £000	September 2018 £000	September 2018 £000
Opening net assets attributable to shareholders		45,363		47,974
Amounts received on creation of shares	671		2,284	
Amounts paid on cancellation of shares	(3,291)		(2,830)	
		(2,620)		(546)
Change in net assets attributable to shareholders from investment activities (see above)		1,414		(888)
Retained distribution on accumulation shares		583		625
Closing net assets attributable to shareholders		44,740		47,165

Balance Sheet

As at 30 September 2019

	September 2019 £000	March 2019 £000
Assets		
Fixed assets		
Investments	43,358	42,401
Current assets		
Debtors	680	678
Cash and bank balances	1,185	2,365
Total assets	45,223	45,444
Liabilities		
Investment liabilities	-	(1)
Creditors		
Other creditors	(483)	(80)
Total liabilities	(483)	(81)
Net assets attributable to shareholders	44,740	45,363

Franklin Sterling Corporate Bond Fund

Distribution Statement

For the period 1 April 2019 to 30 June 2019

Group 1 – Shares purchased prior to 1 April 2019

Group 2 – Shares purchased in the period 1 April 2019 to 30 June 2019

	Net Income p	Equalisation p	30 June 2019 Pence per Share p	30 June 2018 Pence per Share p
W – Income Shares				
Group 1	0.6590	-	0.6590	0.6695
Group 2	0.6590	-	0.6590	0.6695
W – Accumulation Shares				
Group 1	0.6965	-	0.6965	0.6889
Group 2	0.1423	0.5542	0.6965	0.6889

For the period 1 July 2019 to 30 September 2019

Group 1 – Shares purchased prior to 1 July 2019

Group 2 – Shares purchased in the period 1 July 2019 to 30 September 2019

	Net Income p	Equalisation p	30 September 2019 Pence per Share p	30 September 2018 Pence per Share p
W – Income Shares				
Group 1	0.6820	-	0.6820	0.6365
Group 2	0.6820	-	0.6820	0.6365
W – Accumulation Shares				
Group 1	0.7260	-	0.7260	0.6591
Group 2	0.3844	0.3416	0.7260	0.6591

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

On 31 July 2019, we amended the investment objective and policy for the Fund to improve their clarity for investors. The revised investment objective and policy can be found in the current prospectus, available on our website.

Performance

For the six-month period ended 30 September 2019, Franklin UK Equity Income Fund recorded a return of 4.13%*, (W (acc) share class), compared with the benchmark FTSE All-Share Index, which returned 4.57% (both returns in UK sterling).

Overview

The period ended with the FTSE All-Share Index having delivered a respectable positive return for the six months under review. It has, however, felt like a real struggle, with the market unable to put together a sustained run of positive months albeit without the extreme volatility that characterised the previous six months.

A positive start in April proved short lived as the unhealthy cocktail of trade concerns, Brexit uncertainties and weak economic data conspired to reverse the market trend through May. Then, as summer arrived the market mood turned more positive once again after the US Federal Reserve ("Fed") cut interest rates and optimism grew that the economic data could be bottoming out.

The end of July, however, saw the high point for the six months as the UK equity market headed sharply lower in August before enjoying a partial recovery into period-end. It has been a real tug of war over the past six months, in our view, with the market support from lower bond yields and a lower currency just about winning out over the weaker economic data and the political uncertainties.

The UK currency fell around 5% on a trade-weighted basis over the six months, whilst the 10-year US Treasury note's yield fell from 2.41% to 1.67% at period-end. Global growth forecasts for 2019 have been falling steadily over the past 12 months from about 4.0% to nearer 3% as a broad-based slowdown takes hold.

The overall performance of the UK economy thus far in 2019 has been understandably weak, given the failure to resolve the Brexit dilemma as at this writing. The resilience of the UK consumer has helped to soften the blow, but the consensus gross domestic product growth forecast has moved from 1.5% in January to 1.2% in September.

Globally the US and eurozone economies have experienced a marked slowdown in recent months despite a relatively robust start to 2019, whilst emerging economies have seen their projected growth rates continue to ebb. China remains in the firing line on global trade, and domestic stimulus measures appear to have had limited benefit.

In terms of the market internals, the dominant features of the period were the weakness in several of the major sector groups. Oil and mining were both weak, reflecting global growth woes despite a very brief spike in the oil price in September as Saudi oil facilities came under attack. Banks were also significantly lower as they are a clear loser from lower interest rates, and tobacco lost out from continued regulatory attention. On the positive side, pharmaceuticals were a strong index contributor.

From a market capitalisation perspective, we saw very different outcomes for small- and mid-cap stocks relative to their larger counterparts. The FTSE 250 (ex-Investment Trusts) Index of mid-cap equities was up 6.5%, comfortably outpacing the FTSE 100 (up 4.4%), but the FTSE SmallCap (ex-Investment Trusts) Index was 0.3% lower over the period, reflecting risk aversion and a greater UK exposure at a time of heightened uncertainty.

Significant Changes

Amongst the significant stock purchases were grocery chain Tesco, high-performance polymer solutions supplier Victrex, oil companies BP and Royal Dutch Shell, and insurer Prudential. The food retail sector has traded at a depressed valuation for some time now, with various competitive factors impacting all the largest players in the United Kingdom. However, at a recent capital markets day, Tesco outlined what we feel is a credible plan to significantly reduce costs and focus the business on sustainable growth opportunities. Victrex, meanwhile, is a world leader in high-performance thermoplastics and has a strong track record of profitability and dividend growth. We added to our existing positions in BP and Royal Dutch Shell over the period.

The Fund exited a position in recruitment specialist Hays on concerns about the slowdown in the German recruitment market. We also top-sliced positions in spirits maker Diageo, information and analytics firm RELX, consumer goods company Unilever, and catering services company Compass Group during the period.

Positive/Negative Contributors

At the sector level, security selection in industrial goods and services, an overweight and stock selection in personal and household goods, and an overweight in insurance curbed relative returns. Security selection and an underweight in basic resources, particularly not holding miner Glencore, an underweight in banks, notably not holding Lloyds Banking Group, and security selection in media contributed to relative performance.

Tobacco company Imperial Brands was weak amidst growing concerns about weakness in its next-generation vaping products and the potential for increased regulation around vaping and e-cigarettes. Some of the Fund's more cyclical names detracted during the quarter amidst concerns about the broader economic environment. Wholesale distributor Bunzl detracted as results in recent quarters have shown some slowing in its key North American markets. However, we believe this should be short-lived. Metallurgical coatings business Bodycote declined as concerns over its end markets in the auto sector persisted. Sofa retailer DFS Furniture, meanwhile, hindered relative returns amidst worries about the UK consumer. Real estate investment trust Land Securities was another notable detractor, as the earnings figures for the financial year led analysts to modestly downgrade their future estimates for the company.

On the upside, RELX contributed to relative performance as companies with international businesses have performed well amidst the domestic uncertainty and given the weakness in the UK currency. Spread betting firm IG Group put in a solid performance over the period as a recent quarterly update indicated that the company's business is performing better than expected after the introduction of new regulations.

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

Franklin UK Equity Income Fund

Investment Review (continued)

Positive/Negative Contributors (continued)

Other financials stocks, including asset managers Schroders and Ashmore Group, supported performance during the period. Ashmore Group contributed as momentum appears to have returned to its asset under management growth following renewed interest in emerging markets. Plumbing products distributor Ferguson rose after an activist investor took a stake in the company and forced Ferguson to separate its weaker UK operations from its US business.

Outlook

The opening weeks of the second half of 2019 saw market sentiment take a turn for the worse once again. Recent economic data releases have disappointed, and the perception is that the risk of a global recession has increased.

In the United Kingdom, the impact of the Brexit impasse on the economy is becoming increasingly evident, and the political risks remain elevated, with a real chance that the rupturing of the ruling Conservative party leads to a change of government. As at this writing, we continue to believe that a new administration with a vastly different policy agenda, and not Brexit per se, is the real risk faced by UK equity investors.

The increasing concerns regarding the growth outlook have prompted further responses from policymakers around the world. In September, we had a second interest-rate cut by the Fed and a package of measures from the European Central Bank, whilst China and Japan sent clear signals that they are ready to take additional steps to stimulate domestic demand.

The Bank of England is understandably on hold, awaiting the resolution of the Brexit discussions. We hesitate to say we will have a resolution soon, as the can has been kicked down the road on so many earlier occasions and a further extension followed by a general election appeared perhaps the most likely outcome as at the end of the reporting period.

The immediate outlook for the UK economy is for modest growth, in our view, with support from real wage growth and a marked increase in government spending offsetting the decline in investment spending and falling industrial production.

There is a growing international chorus for a fiscal response (as per the United Kingdom and China) to the developing global slowdown as the limits of monetary policy are becoming ever more apparent. How forthcoming this fiscal stimulus will be is open to question, as the United States potentially becomes embroiled in the impeachment process whilst in the eurozone all eyes will be on Germany.

From an equity market perspective, the environment for stock selection has certainly not become any easier over the past six months. We believe it remains a thankless task trying to forecast if and when the United Kingdom ever leaves the European Union, never mind how it leaves. Throw in the potential for a change of government, and the picture is even more complicated.

At period-end, the UK equity market traded on a forward price-to-earnings multiple of less than 13 times forecast 2020 earnings with a prospective dividend yield of 4.8%. This valuation appears, at first glance, modest, but the market is heavily bifurcated. Lower bond yields and weakness in UK sterling have helped push many international growth stocks on to ever higher multiples, whilst so-called value stocks languish at multi-year lows.

Earnings growth expectations for 2019 have fallen from 8% at the start of the year to less than 2% now, and we would not be surprised to see a similar pattern unfold for 2020, as the current earnings growth forecasts have appeared unrealistically high. The extent to which this is already priced into the market is open to debate, but we are confident there is scope for multiple expansion should progress be made on any of the major uncertainties hanging over the market.

Any concerns regarding the valuation of growth segments of the market and the earnings outlook have to be weighed against the clear attractions of equities when compared to the alternatives. With the 10-year UK government bonds yielding just 0.5% at September-end, the yield gap is supportive for equities, in our view.

How we measure performance.

We measure performance and price shares in the Fund in UK sterling.

We measure performance against the Fund's performance target, the FTSE All-Share Index, as it is widely available and reflects investments in the UK stock market.

The Fund's performance can also be compared against the Investment Association UK Equity Income sector average, which reflects the performance of the Fund's competitors.

Colin Morton, Ben Russon, CFA & Mark Hall

Fund Managers

30 September 2019

Franklin UK Equity Income Fund

Comparative Table

	30 September 2019	31 March 2019	31 March 2018	31 March 2017
A – Income shares				
Change in net assets per share (p)				
Opening net asset value per share	238.35	233.46	243.74	215.01
Return before operating charges ¹	11.70	19.78	4.27	42.04
Operating charges ²	(3.78)	(3.76)	(3.88)	(3.69)
Return after operating charges ³	7.92	16.02	0.39	38.35
Distributions on income shares	(6.3954)	(11.1340)	(10.6727)	(9.6178)
Closing net asset value per share	239.87	238.35	233.46	243.74
After direct transaction costs of ⁴	0.29	0.65	0.91	1.18
Performance				
Return after charges ⁵	3.32%	6.86%	0.16%	17.84%
Other information				
Closing net asset value (£)	35,407,670	33,969,668	33,086,153	38,001,237
Closing number of shares	14,761,095	14,252,256	14,171,891	15,590,829
Ongoing charges ratio ⁶	1.57%	1.57%	1.57%	1.59%
Direct transaction costs ⁴	0.12%	0.27%	0.37%	0.51%
Prices (p)				
Highest share price	247.94	258.48	256.69	249.28
Lowest share price	229.64	215.40	230.77	208.37

	30 September 2019	31 March 2019	31 March 2018	31 March 2017
A – Accumulation shares				
Change in net assets per share (p)				
Opening net asset value per share	197.19	184.34	184.27	156.02
Return before operating charges ¹	9.72	15.88	3.07	30.97
Operating charges ²	(3.15)	(3.03)	(3.00)	(2.72)
Return after operating charges ³	6.57	12.85	0.07	28.25
Closing net asset value per share	203.76	197.19	184.34	184.27
Distributions	(5.3259)	(8.9438)	(8.1983)	(7.0490)
Retained distributions on accumulation shares	5.3259	8.9438	8.1983	7.0490
After direct transaction costs of ⁴	0.24	0.52	0.70	0.87
Performance				
Return after charges ⁵	3.33%	6.97%	0.04%	18.11%
Other information				
Closing net asset value (£)	1,560,716	2,005,743	1,169,238	1,348,348
Closing number of shares	765,950	1,017,181	634,292	731,724
Ongoing charges ratio ⁶	1.57%	1.57%	1.58%	1.59%
Direct transaction costs ⁴	0.12%	0.27%	0.37%	0.51%
Prices (p)				
Highest share price	207.99	204.09	199.10	186.37
Lowest share price	192.64	174.34	180.36	151.20

Franklin UK Equity Income Fund

Comparative Table (continued)

	30 September 2019	31 March 2019	31 March 2018	31 March 2017
W – Income shares				
Change in net assets per share (p)				
Opening net asset value per share	157.97	153.11	158.17	138.13
Return before operating charges ¹	6.93	13.02	2.74	27.01
Operating charges ²	(0.83)	(0.82)	(0.84)	(0.81)
Return after operating charges ³	6.10	12.20	1.90	26.20
Distributions on income shares	(4.2489)	(7.3393)	(6.9599)	(6.1642)
Closing net asset value per share	159.82	157.97	153.11	158.17
After direct transaction costs of ⁴	0.19	0.43	0.60	0.77
Performance				
Return after charges ⁵	3.86%	7.97%	1.20%	18.97%
Other information				
Closing net asset value (£)	476,221,233	390,824,579	287,171,422	236,249,164
Closing number of shares	297,973,867	247,410,307	187,563,788	149,364,710
Ongoing charges ratio ⁶	0.52%	0.52%	0.52%	0.54%
Direct transaction costs ⁴	0.12%	0.27%	0.37%	0.51%
Prices (p)				
Highest share price	164.90	169.76	166.87	161.69
Lowest share price	152.80	142.37	151.30	134.07
W – Accumulation shares				
Change in net assets per share (p)				
Opening net asset value per share	207.97	192.38	190.30	159.57
Return before operating charges ¹	9.16	16.64	3.11	31.70
Operating charges ²	(1.10)	(1.05)	(1.03)	(0.97)
Return after operating charges ³	8.06	15.59	2.08	30.73
Closing net asset value per share	216.03	207.97	192.38	190.30
Distributions	(5.6308)	(9.3818)	(8.5086)	(7.2222)
Retained distributions on accumulation shares	5.6308	9.3818	8.5086	7.2222
After direct transaction costs of ⁴	0.25	0.54	0.73	0.92
Performance				
Return after charges ⁵	3.88%	8.10%	1.09%	19.26%
Other information				
Closing net asset value (£)	244,632,810	212,005,719	147,140,717	93,559,370
Closing number of shares	113,239,834	101,942,374	76,483,292	49,162,992
Ongoing charges ratio ⁶	0.52%	0.52%	0.52%	0.54%
Direct transaction costs ⁴	0.12%	0.27%	0.37%	0.51%
Prices (p)				
Highest share price	220.12	213.31	207.34	192.39
Lowest share price	203.97	183.38	188.19	154.88

Franklin UK Equity Income Fund

Comparative Table (continued)

Y – Income shares	30 September 2019	31 March 2019	31 March 2018	31 March 2017
Change in net assets per share (p)				
Opening net asset value per share	119.70	115.50	118.26	102.49
Return before operating charges ¹	4.96	9.84	2.02	17.19
Operating charges ²	(0.02)	(0.02)	(0.05)	(0.04)
Return after operating charges ³	4.94	9.82	1.97	17.15
Distributions on income shares	(3.2590)	(5.6184)	(4.7281)	(1.3785)
Closing net asset value per share	121.38	119.70	115.50	118.26
After direct transaction costs of ⁴	0.15	0.32	0.45	0.55
Performance				
Return after charges ⁵	4.13%	8.50%	1.67%	16.73%
Other information				
Closing net asset value (£)	3,743	3,691	3,561	6,413
Closing number of shares	3,083	3,083	3,083	5,423
Ongoing charges ratio ⁶	0.02%	0.02%	0.04%	0.04%
Direct transaction costs ⁴	0.12%	0.27%	0.37%	0.51%
Prices (p)				
Highest share price	125.14	128.16	125.34	119.86
Lowest share price	115.99	107.77	113.88	99.65

Z – Income shares	30 September 2019	31 March 2019	31 March 2018	31 March 2017
Change in net assets per share (p)				
Opening net asset value per share	153.44	149.46	155.18	136.36
Return before operating charges ¹	7.11	12.70	2.70	26.69
Operating charges ²	(1.58)	(1.57)	(1.61)	(1.52)
Return after operating charges ³	5.53	11.13	1.09	25.17
Distributions on income shares	(4.1224)	(7.1463)	(6.8112)	(6.3527)
Closing net asset value per share	154.85	153.44	149.46	155.18
After direct transaction costs of ⁴	0.19	0.42	0.58	0.75
Performance				
Return after charges ⁵	3.60%	7.45%	0.70%	18.46%
Other information				
Closing net asset value (£)	5,608,875	5,710,348	2,257,911	2,510,690
Closing number of shares	3,622,225	3,721,668	1,510,667	1,617,873
Ongoing charges ratio ⁶	1.02%	1.02%	1.02%	1.04%
Direct transaction costs ⁴	0.12%	0.27%	0.37%	0.51%
Prices (p)				
Highest share price	159.90	165.61	163.58	158.67
Lowest share price	148.14	138.47	147.72	132.30

Franklin UK Equity Income Fund

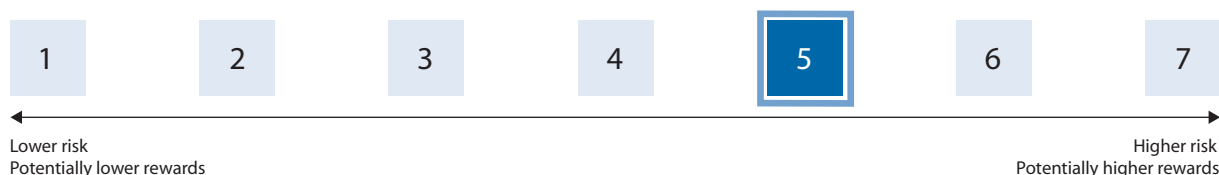
Comparative Table (continued)

Z – Accumulation shares	30 September 2019	31 March 2019	31 March 2018	31 March 2017
Change in net assets per share (p)				
Opening net asset value per share	203.50	189.19	188.08	158.38
Return before operating charges ¹	9.47	16.33	3.10	31.54
Operating charges ²	(2.11)	(2.02)	(1.99)	(1.84)
Return after operating charges ³	7.36	14.31	1.11	29.70
Closing net asset value per share	210.86	203.50	189.19	188.08
Distributions	(5.5031)	(9.2021)	(8.3901)	(7.1568)
Retained distributions on accumulation shares	5.5031	9.2021	8.3901	7.1568
After direct transaction costs of ⁴	0.25	0.53	0.72	0.90
Performance				
Return after charges ⁵	3.62%	7.56%	0.59%	18.75%
Other information				
Closing net asset value (£)	832,888	698,588	610,195	265,073
Closing number of shares	394,998	343,293	322,533	140,935
Ongoing charges ratio ⁶	1.02%	1.02%	1.02%	1.04%
Direct transaction costs ⁴	0.12%	0.27%	0.37%	0.51%
Prices (p)				
Highest share price	215.04	209.63	204.10	190.18
Lowest share price	199.21	179.67	185.09	153.66

- 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 2019

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
EQUITIES 96.14% (95.64%)			
AEROSPACE & DEFENCE 1.49% (1.51%)			
2,000,000	BAE Systems PLC	11,396	1.49
BANKS 4.13% (4.40%)			
800,000	Close Brothers Group PLC	11,264	1.47
3,250,000	HSBC Holdings PLC	20,299	2.66
		31,563	4.13
BEVERAGES 2.51% (3.04%)			
575,000	Diageo PLC	19,165	2.51
CHEMICALS 2.89% (1.49%)			
342,000	Johnson Matthey PLC	10,452	1.37
540,000	Victrex PLC	11,653	1.52
		22,105	2.89
CONSTRUCTION & MATERIALS 1.43% (1.35%)			
4,640,000	Ibstock PLC, Reg S	10,941	1.43
ELECTRICITY 1.43% (1.27%)			
875,000	SSE PLC	10,898	1.43
FINANCIAL SERVICES 7.54% (7.31%)			
2,125,000	Ashmore Group PLC	10,742	1.41
3,300,000	Brewin Dolphin Holdings PLC	10,454	1.37
1,875,000	IG Group Holdings PLC	11,299	1.48
2,525,000	Jupiter Fund Management PLC	8,974	1.17
525,000	Schroders PLC	16,144	2.11
		57,613	7.54
FIXED LINE TELECOMMUNICATIONS 1.16% (1.27%)			
4,950,000	BT Group PLC	8,840	1.16
FOOD & DRUG RETAILERS 2.25% (0.00%)			
7,125,000	Tesco PLC	17,171	2.25
GAS, WATER & MULTI-UTILITIES 2.74% (2.66%)			
1,250,000	National Grid PLC	11,024	1.44
1,200,000	United Utilities Group PLC	9,900	1.30
		20,924	2.74
GENERAL INDUSTRIALS 2.84% (2.98%)			
2,850,000	DS Smith PLC	10,271	1.34
730,000	Smiths Group PLC	11,450	1.50
		21,721	2.84
GENERAL RETAILERS 2.54% (2.72%)			
3,750,000	DFS Furniture PLC	8,287	1.08
180,000	Next PLC	11,135	1.46
		19,422	2.54
HOUSEHOLD GOODS & HOME CONSTRUCTION 6.30% (5.93%)			
322,000	Bellway PLC	10,768	1.41
930,000	Bovis Homes Group PLC	10,360	1.36
260,000	Reckitt Benckiser Group PLC	16,492	2.16
6,500,000	Taylor Wimpey PLC	10,497	1.37
		48,117	6.30

Franklin UK Equity Income Fund

Portfolio Statement as at 30 September 2019 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
INDUSTRIAL ENGINEERING 2.71% (3.01%)			
1,500,000	Bodycote PLC	10,748	1.40
1,040,000	IMI PLC	9,986	1.31
		20,734	2.71
LIFE INSURANCE 8.33% (8.43%)			
2,500,000	Aviva PLC	9,982	1.31
6,275,000	Legal & General Group PLC	15,587	2.04
2,080,000	Phoenix Group Holdings PLC	14,379	1.88
930,000	Prudential PLC	13,713	1.79
1,025,000	St. James's Place Capital PLC	10,039	1.31
		63,700	8.33
MEDIA 4.33% (4.20%)			
1,575,000	Informa PLC	13,406	1.75
1,020,000	RELX PLC	19,707	2.58
		33,113	4.33
MINING 4.16% (4.85%)			
760,000	BHP Group PLC	13,166	1.72
442,000	Rio Tinto PLC	18,604	2.44
		31,770	4.16
MOBILE TELECOMMUNICATIONS 2.10% (1.66%)			
9,900,000	Vodafone Group PLC	16,038	2.10
NONLIFE INSURANCE 1.32% (1.46%)			
3,360,000	Direct Line Insurance Group PLC	10,087	1.32
OIL & GAS PRODUCERS 10.08% (10.05%)			
7,500,000	BP PLC	38,670	5.06
1,610,000	Royal Dutch Shell PLC, A	38,382	5.02
		77,052	10.08
PERSONAL GOODS 3.20% (3.41%)			
500,000	Unilever PLC	24,447	3.20
PHARMACEUTICALS & BIOTECHNOLOGY 7.52% (6.85%)			
365,000	AstraZeneca PLC	26,499	3.47
1,775,000	GlaxoSmithKline PLC	30,963	4.05
		57,462	7.52
REAL ESTATE INVESTMENT TRUSTS 2.16% (2.42%)			
1,930,000	Land Securities Group PLC\$	16,529	2.16
SUPPORT SERVICES 4.50% (5.71%)			
570,000	Bunzl PLC	12,107	1.59
188,000	Ferguson PLC	11,167	1.46
2,525,000	PageGroup PLC	11,090	1.45
		34,364	4.50
TOBACCO 4.87% (6.14%)			
672,000	British American Tobacco PLC	20,211	2.64
930,000	Imperial Brands PLC	17,002	2.23
		37,213	4.87

Franklin UK Equity Income Fund

Portfolio Statement as at 30 September 2019 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
590,000	TRAVEL & LEISURE 1.61% (1.52%) Compass Group PLC	12,349	1.61
	TOTAL - EQUITIES	734,734	96.14
	TOTAL VALUE OF INVESTMENTS	734,734	96.14
	OTHER ASSETS	29,534	3.86
	TOTAL NET ASSETS	764,268	100.00

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2019.

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 2019 to 30 September 2019

	September 2019 £000	September 2019 £000	September 2018 £000	September 2018 £000
Income				
Net capital gains/(losses)		9,534		23,289
Revenue	19,362		13,692	
Expenses	(2,093)		(1,632)	
Net revenue before taxation	17,269		12,060	
Taxation	(139)		(94)	
Net revenue after taxation		17,130		11,966
Total return before distributions for the period		26,664		35,255
Distributions		(18,954)		(13,401)
Change in net assets attributable to shareholders		7,710		21,854

Statement of Change in Net Assets Attributable to Shareholders

For the period 1 April 2019 to 30 September 2019

	September 2019 £000	September 2019 £000	September 2018 £000	September 2018 £000
Opening net assets attributable to shareholders		645,218		471,439
Amounts received on creation of shares	197,745		147,036	
Amounts paid on cancellation of shares	(92,855)		(65,669)	
		104,890		81,367
Unclaimed Distributions		2		2
Change in net assets attributable to shareholders from investment activities (see above)		7,710		21,854
Retained distribution on accumulation shares		6,448		3,800
Closing net assets attributable to shareholders		764,268		578,462

Balance Sheet

As at 30 September 2019

	September 2019 £000	March 2019 £000
Assets		
Fixed assets		
Investments	734,734	617,089
Current assets		
Debtors	8,330	9,759
Cash and bank balances	34,814	27,410
Total assets	777,878	654,258
Liabilities		
Creditors		
Distribution payable	(6,510)	(4,644)
Other creditors	(7,100)	(4,396)
Total liabilities	(13,610)	(9,040)
Net assets attributable to shareholders	764,268	645,218

Franklin UK Equity Income Fund

Distribution Statement

For the period 1 April 2019 to 30 June 2019

Group 1 – Shares purchased prior to 1 April 2019

Group 2 – Shares purchased in the period 1 April 2019 to 30 June 2019

	Net Income p	Equalisation p	30 June 2019 Pence per Share p	30 June 2018 Pence per Share p
A – Income Shares				
Group 1	3.3718	-	3.3718	3.2020
Group 2	1.4434	1.9284	3.3718	3.2020
A – Accumulation Shares				
Group 1	2.7895	-	2.7895	2.5281
Group 2	2.0779	0.7116	2.7895	2.5281
W – Income Shares				
Group 1	2.2376	-	2.2376	2.1021
Group 2	0.9724	1.2652	2.2376	2.1021
W – Accumulation Shares				
Group 1	2.9460	-	2.9460	2.6415
Group 2	1.1228	1.8232	2.9460	2.6415
Y – Income Shares				
Group 1	1.7127	-	1.7127	1.6054
Group 2	1.7127	-	1.7127	1.6054
Z – Income Shares				
Group 1	2.1717	-	2.1717	2.0511
Group 2	1.2981	0.8736	2.1717	2.0511
Z – Accumulation Shares				
Group 1	2.8804	-	2.8804	2.5959
Group 2	0.6616	2.2188	2.8804	2.5959

For the period 1 July 2019 to 30 September 2019

Group 1 – Shares purchased prior to 1 July 2019

Group 2 – Shares purchased in the period 1 July 2019 to 30 September 2019

	Net Income p	Equalisation p	30 September 2019 Pence per Share p	30 September 2018 Pence per Share p
A – Income Shares				
Group 1	3.0236	-	3.0236	2.9373
Group 2	1.7276	1.2960	3.0236	2.9373
A – Accumulation Shares				
Group 1	2.5364	-	2.5364	2.3491
Group 2	2.0369	0.4995	2.5364	2.3491
W – Income Shares				
Group 1	2.0113	-	2.0113	1.9341
Group 2	1.2528	0.7585	2.0113	1.9341
W – Accumulation Shares				
Group 1	2.6848	-	2.6848	2.4615
Group 2	1.2261	1.4587	2.6848	2.4615
Y – Income Shares				
Group 1	1.5463	-	1.5463	1.4798
Group 2	1.5463	-	1.5463	1.4798
Z – Income Shares				
Group 1	1.9507	-	1.9507	1.8845
Group 2	1.0064	0.9443	1.9507	1.8845
Z – Accumulation Shares				
Group 1	2.6227	-	2.6227	2.4155
Group 2	2.0925	0.5302	2.6227	2.4155

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

On 31 July 2019, we amended the investment objective and policy for the Fund to improve their clarity for investors. The revised investment objective and policy can be found in the current prospectus, available on our website.

Performance

For the six-month period ended 30 September 2019, Franklin UK Gilt Fund (W (acc) share class) returned 7.69%* compared to the FTSE UK Gilts (ALL) Government TR Index, which returned 7.59% (both returns in UK sterling).

Overview

Gilt yields fell steadily during the six months under review, reaching their lowest-ever levels towards the end of the period. Gilts mirrored the trend across other major government bond markets, as concerns about slowing global growth and trade tensions along with renewed monetary easing from leading central banks pushed down interest rates in most countries. In UK markets, the continued political deadlock around Brexit weighed further on sentiment, with the risk of a potentially damaging "no-deal" exit seemingly increasing ahead of an October 31 deadline, in light of a more abrasive approach from the new UK Prime Minister Boris Johnson to negotiations with the European Union.

The UK economy's performance underlined the impact of Brexit and global uncertainty, as gross domestic product ("GDP") shrank in the second quarter compared with the first three months of the year, the first such contraction since 2012. Although data showing a rebound in July helped to ease recession fears, surveys in August suggested that the economy remained weak. In August, inflation dropped to its lowest level for more than two years, and below the Bank of England's ("BoE") 2% target.

The BoE kept interest rates unchanged throughout the period, but adopted an increasingly dovish tone, suggesting the possibility of a future rate cut if Brexit uncertainty was prolonged. It also appeared possible that the appointment of a successor to BoE Governor Mark Carney could be delayed beyond January 2020, with the current governor having already twice extended his term due to Brexit delays.

Significant Changes

The purchases made by the Fund during the period were United Kingdom Gilt 1.625% 10/22/2071, United Mexican States 5.625% 3/19/2114 and Republic of Austria Government Bond 2.1% 9/20/2117.

The Fund's top sales over the period included UK Treasury Note/Bond 1.75% 7/22/2019, UK Treasury Note/Bond 3.50% 7/22/2068, UK Treasury Note/Bond 1.50% 1/22/2021, UK Treasury Note/Bond 2.00% 7/22/2020, UK Treasury Note/Bond 4.00% 1/22/2060, UK Treasury Note/Bond 4.25% 12/07/2055, UK Treasury Note/Bond 4.25% 3/07/2036 and United Kingdom Gilt 1.625% 10/22/2071.

Positive/Negative Contributors

The Fund's local market allocation contributed to relative returns, due to its off-benchmark exposure to the eurozone.

The Fund's security selection and sector allocation also helped relative performance, helped by positioning among longer-maturity issues as well as an overweight exposure to shorter-dated maturities. In contrast, selection among bills of less than a year had a negative impact.

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

There were no significant overall detractors from the Fund's relative results.

Outlook

The eventual outcome of Brexit remains as uncertain as ever. When considering the backdrop in UK politics and potential results in any future UK election, the possibility of a "no-deal" Brexit—and as a consequence a UK recession—in coming months still appears a significant possibility. Monetary and fiscal expansion designed to offset the impact on the UK economy would seem to be the most likely response from UK policymakers to such an outcome.

For the eurozone, our outlook envisages a continuation of weak growth and low inflation. While some countries might fall into a technical recession, we think that overall the region is resilient enough to avoid an extended contraction—with the help of accommodative monetary policy—although it remains vulnerable to external shocks. The principal risks to such a scenario are trade uncertainty and a "no deal" Brexit.

How we measure performance

We measure performance and price shares in the Fund in UK sterling.

- We measure performance against the Fund's performance target, the FTSE UK Gilts (All) Government Total Return Index, as it is widely available and reflects investments in similar debt-related securities.
- The Fund's performance can also be compared against the Investment Association UK Gilt sector average, which reflects the performance of the Fund's competitors.

David Zahn, CFA

Fund Manager

September 30, 2019

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

Franklin UK Gilt Fund

Comparative Table

	30 September 2019	31 March 2019	31 March 2018	31 March 2017
W – Income shares¹				
Change in net assets per share (p)				
Opening net asset value per share	103.78	101.58	102.26	100.00
Return before operating charges ²	8.42	3.68	0.71	2.76
Operating charges ³	(0.38)	(0.35)	(0.35)	(0.35)
Return after operating charges ⁴	8.04	3.33	0.36	2.41
Distribution on income shares	(0.6636)	(1.1272)	(1.0442)	(0.1495)
Closing net asset value per share	111.16	103.78	101.58	102.26
After direct transaction costs of	-	-	-	-
Performance				
Return after charges ⁵	7.75%	3.28%	0.35%	2.41%
Other information				
Closing net asset value (£)	156,387	63,229	4,062	4,089
Closing number of shares	140,692	60,927	3,998	3,998
Ongoing charges ratio ⁶	0.35%	0.35%	0.35%	0.35%
Direct transaction costs ⁷	-	-	-	-
Prices (p)				
Highest share price	112.53	104.47	103.20	102.26
Lowest share price	101.54	98.14	98.23	99.66
W – Accumulation shares¹				
Change in net assets per share (p)				
Opening net asset value per share	106.28	102.86	102.42	100.00
Return before operating charges ²	8.64	3.78	0.80	2.76
Operating charges ³	(0.38)	(0.36)	(0.36)	(0.35)
Return after operating charges ⁴	8.26	3.42	0.44	2.42
Distribution	(0.6807)	(1.1447)	(1.0511)	(0.1499)
Retained distributions on accumulation shares	0.6807	1.1447	1.0511	0.1499
Closing net asset value per share	114.54	106.28	102.86	102.42
After direct transaction costs of	-	-	-	-
Performance				
Return after charges ⁵	7.77%	3.32%	0.43%	2.42%
Other information				
Closing net asset value (£)	89,348,102	87,712,370	89,884,882	98,126,025
Closing number of shares	78,006,501	82,531,584	87,386,613	95,806,505
Ongoing charges ratio ⁶	0.35%	0.35%	0.35%	0.35%
Direct transaction costs ⁷	-	-	-	-
Prices (p)				
Highest share price	115.61	106.67	103.37	102.42
Lowest share price	103.99	99.91	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 2019

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
BONDS 98.58% (99.23%)			
CENTRAL AMERICA 1.05% (0.00%)			
MEXICO			
850,000	Government of Mexico, senior bond, 5.625%, 3/19/2114#	940	1.05
	TOTAL - CENTRAL AMERICA	940	1.05
EUROPE - OTHER EU 1.13% (0.00%)			
AUSTRIA			
600,000	Government of Austria, senior bond, 144A, Reg S, 2.10%, 9/20/2117#	1,007	1.13
	TOTAL EUROPE - OTHER EU	1,007	1.13
UNITED KINGDOM 96.40% (99.23%)			
4,800,000	United Kingdom Treasury Bond, 4.00%, 3/07/2022#	5,233	5.85
4,000,000	United Kingdom Treasury Bond, Reg S, 1.625%, 10/22/2028#	4,433	4.95
1,800,000	United Kingdom Treasury Bond, Reg S, 1.75%, 9/07/2022#	1,876	2.09
4,100,000	United Kingdom Treasury Bond, Reg S, 2.00%, 9/07/2025#	4,531	5.06
1,000,000	United Kingdom Treasury Bond, Reg S, 2.25%, 9/07/2023#	1,077	1.20
4,100,000	United Kingdom Treasury Bond, Reg S, 3.25%, 1/22/2044#	6,120	6.84
1,700,000	United Kingdom Treasury Bond, Reg S, 3.50%, 7/22/2068#	3,470	3.88
3,000,000	United Kingdom Treasury Bond, Reg S, 3.50%, 1/22/2045#	4,701	5.25
2,000,000	United Kingdom Treasury Bond, Reg S, 3.75%, 7/22/2052#	3,586	4.01
6,200,000	United Kingdom Treasury Bond, Reg S, 3.75%, 9/07/2021#	6,604	7.38
2,300,000	United Kingdom Treasury Bond, Reg S, 4.00%, 1/22/2060#	4,732	5.29
1,800,000	United Kingdom Treasury Bond, Reg S, 4.25%, 12/07/2055#	3,651	4.08
2,800,000	United Kingdom Treasury Bond, Reg S, 4.25%, 3/07/2036#	4,293	4.79
4,000,000	United Kingdom Treasury Bond, Reg S, 4.25%, 12/07/2027#	5,272	5.89
3,000,000	United Kingdom Treasury Bond, Reg S, 4.25%, 12/07/2049#	5,575	6.23
4,000,000	United Kingdom Treasury Bond, Reg S, 4.25%, 12/07/2040#	6,568	7.34
3,000,000	United Kingdom Treasury Bond, Reg S, 4.75%, 12/07/2030#	4,389	4.90
800,000	United Kingdom Treasury Bond, senior bond, Reg S, 1.625%, 10/22/2071#	1,063	1.19
5,000,000	United Kingdom Treasury Note, Reg S, 1.50%, 1/22/2021#	5,067	5.66
4,000,000	United Kingdom Treasury Note, Reg S, 2.00%, 7/22/2020#	4,046	4.52
	TOTAL - UNITED KINGDOM	86,287	96.40
	TOTAL - BONDS	88,234	98.58
DERIVATIVES 0.01% (0.00%)			
FORWARD CURRENCY CONTRACTS ^Ω			
	Buy GBP 855,670 & Sell EUR 950,000, 12/09/2019	11	0.01
FOREIGN EXCHANGE GAIN ON OUTSTANDING FORWARD CURRENCY CONTRACTS			
		11	0.01
	TOTAL - DERIVATIVES	11	0.01
	TOTAL VALUE OF INVESTMENTS ^Ω	88,245	98.59
	OTHER ASSETS	1,260	1.41
	TOTAL NET ASSETS	89,505	100.00

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2019.

^Ω Derivative Contract.

Traded on an alternative investment market.

Portfolio Statement by Credit Rating

Standard & Poor's Ratings		Market Value £000 30 September 2019	% of Net Assets 30 September 2019
Investment grade	BBB or higher	88,234	98.58
TOTAL VALUE OF BONDS		88,234	98.58

Franklin UK Gilt Fund

Statement of Total Return

For the period 1 April 2019 to 30 September 2019

	September 2019 £000	September 2019 £000	September 2018 £000	September 2018 £000
Income				
Net capital gains/(losses)		6,287		(1,672)
Revenue	556		462	
Expenses	(154)		(155)	
Net revenue before taxation	402		307	
Net revenue after taxation		402		307
Total return before distributions for the period		6,689		(1,365)
Distributions		(555)		(463)
Change in net assets attributable to shareholders		6,134		(1,828)

Statement of Change in Net Assets Attributable to Shareholders

For the period 1 April 2019 to 30 September 2019

	September 2019 £000	September 2019 £000	September 2018 £000	September 2018 £000
Opening net assets attributable to shareholders		87,776		89,890
Amounts received on creation of shares	2,377		5,235	
Amounts paid on cancellation of shares	(7,326)		(5,390)	
		(4,949)		(155)
Change in net assets attributable to shareholders from investment activities (see above)		6,134		(1,828)
Retained distribution on accumulation shares		544		462
Closing net assets attributable to shareholders		89,505		88,369

Balance Sheet

As at 30 September 2019

	September 2019 £000	March 2019 £000
Assets		
Fixed assets		
Investments	88,245	87,104
Current assets		
Debtors	439	460
Cash and bank balances	975	373
Total assets	89,659	87,937
Liabilities		
Creditors		
Other creditors	(154)	(161)
Total liabilities	(154)	(161)
Net assets attributable to shareholders	89,505	87,776

Franklin UK Gilt Fund

Distribution Statement

For the period 1 April 2019 to 30 June 2019

Group 1 – Shares purchased prior to 1 April 2019

Group 2 – Shares purchased in the period 1 April 2019 to 30 June 2019

	Net Income p	Equalisation p	30 June 2019 Pence per Share p	30 June 2018 Pence per Share p
W – Income Shares				
Group 1	0.3237	-	0.3237	0.2774
Group 2	0.0562	0.2675	0.3237	0.2774
W – Accumulation Shares				
Group 1	0.3317	-	0.3317	0.2793
Group 2	0.1363	0.1954	0.3317	0.2793

For the period 1 July 2019 to 30 September 2019

Group 1 – Shares purchased prior to 1 July 2019

Group 2 – Shares purchased in the period 1 July 2019 to 30 September 2019

	Net Income p	Equalisation p	30 September 2019 Pence per Share p	30 September 2018 Pence per Share p
W – Income Shares				
Group 1	0.3399	-	0.3399	0.2470
Group 2	0.1728	0.1671	0.3399	0.2470
W – Accumulation Shares				
Group 1	0.3490	-	0.3490	0.2509
Group 2	0.2060	0.1430	0.3490	0.2509

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

On 31 July 2019, we amended the investment objective and policy for the Fund to improve their clarity for investors. The revised investment objective and policy can be found in the current prospectus, available on our website.

Performance

For the six-month period ended 30 September 2019, Franklin UK Managers' Focus Fund recorded a return of 7.04%*, (W (acc) share class), compared with the benchmark FTSE All-Share Index, which returned 4.57% (both returns in UK sterling).

Overview

The period ended with the FTSE All-Share Index having delivered a respectable positive return for the six months under review. It has, however, felt like a real struggle, with the market unable to put together a sustained run of positive months albeit without the extreme volatility that characterised the previous six months.

A positive start in April proved short lived as the unhealthy cocktail of trade concerns, Brexit uncertainties and weak economic data conspired to reverse the market trend through May. Then, as summer arrived the market mood turned more positive once again after the US Federal Reserve ("Fed") cut interest rates and optimism grew that the economic data could be bottoming out.

The end of July, however, saw the high point for the six months as the UK equity market headed sharply lower in August before enjoying a partial recovery into period-end. It has been a real tug of war over the past six months, in our view, with the market support from lower bond yields and a lower currency just about winning out over the weaker economic data and the political uncertainties.

The UK currency fell around 5% on a trade-weighted basis over the six months, whilst the 10-year US Treasury note's yield fell from 2.41% to 1.67% at period-end. Global growth forecasts for 2019 have been falling steadily over the past 12 months from about 4.0% to nearer 3% as a broad-based slowdown takes hold.

The overall performance of the UK economy thus far in 2019 has been understandably weak, given the failure to resolve the Brexit dilemma as at this writing. The resilience of the UK consumer has helped to soften the blow, but the consensus gross domestic product growth forecast has moved from 1.5% in January to 1.2% in September.

Globally the US and eurozone economies have experienced a marked slowdown in recent months despite a relatively robust start to 2019, whilst emerging economies have seen their projected growth rates continue to ebb. China remains in the firing line on global trade, and domestic stimulus measures appear to have had limited benefit.

In terms of the market internals, the dominant features of the period were the weakness in several of the major sector groups. Oil and mining were both weak, reflecting global growth woes despite a very brief spike in the oil price in September as Saudi oil facilities came under attack. Banks were also significantly lower as they are a clear loser from lower interest rates, and tobacco lost out from continued regulatory attention. On the positive side, pharmaceuticals were a strong index contributor.

From a market capitalisation perspective, we saw very different outcomes for small- and mid-cap stocks relative to their larger counterparts. The FTSE 250 (ex-Investment Trusts) Index of mid-cap equities was up 6.5%, comfortably outpacing the FTSE 100 (up 4.4%), but the FTSE SmallCap (ex-Investment Trusts) Index was 0.3% lower over the period, reflecting risk aversion and a greater UK exposure at a time of heightened uncertainty.

We would have expected Franklin UK Managers' Focus Fund to outperform in this environment, with the benefit from underweight positions in the large-cap laggard sectors more than offsetting the headwind from the small-cap exposure, but the margin of outperformance was nevertheless gratifying.

Significant Changes

The largest stock purchases during the six-month period included grocery chain Tesco, housebuilder Bellway, tobacco company Imperial Brands, wholesale distributor Bunzl and gaming firm GVC. Sizeable stock sales included media company Entertainment One, utility National Grid, medical device maker Smith & Nephew, logistics business Clipper Logistics and adhesives maker Scapa Group.

We initiated a new position in supermarket retailer Tesco. The food retail sector has traded at a depressed valuation for some time now, with various competitive factors impacting all the largest players in the United Kingdom. However, at a recent capital markets day, Tesco outlined what we believe is a credible plan to significantly reduce costs and focus the business on sustainable growth opportunities. In September, we initiated a position in Bellway. Bellway made it into the portfolio on the grounds that it remains one of the best-in-class operators in the sector, with the shares trading at what we view as an attractive valuation. It also continues to navigate an uncertain political environment with robust trading and strong cash generation.

We disposed of the position in soon-to-be-acquired Entertainment One, as well as exiting the positions in National Grid and Scapa Group. We top-sliced the position in Smith & Nephew following recent strength and have cut our position in Clipper Logistics.

Positive/Negative Contributors

Stock selection in the technology, media and travel and leisure sectors supported relative performance during the six-month review period. Security selection in chemicals, personal and household goods and industrial goods and services curbed relative returns.

Amongst the individual holdings, specialist asset manager Intermediate Capital Group contributed to relative performance following the release of full-year numbers that showed continued momentum in profits, driven by resilient investor inflows. Shares of Spirent Communications rose during the period following a positive set of first-half results, as the company benefits from increased investment in 5G telecommunications technology. Entertainment One, which owns the Peppa Pig brand, contributed to relative performance after a bid approach from a US toy

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

Franklin UK Managers' Focus Fund

Investment Review (continued)

Positive/Negative Contributors (continued)

company. Hasbro (not a Fund holding) announced a £3 billion bid for the company. Gaming operator GVC supported relative performance on strong business fundamentals and growing optimism about the opportunities for an expansion of sports betting in more US states. Medical device company Smith & Nephew continued its impressive run, with the shares advancing strongly as it attracted more positive commentary from analysts following upbeat financial results.

Shares of adhesive products manufacturer Scapa Group fell following news of the impending departure of the group's highly rated chief executive. Tobacco company Imperial Brands' stock price was weak amidst growing concerns about weakness in its next-generation vaping products and the potential for increased regulation around vaping and e-cigarettes. Clipper Logistics detracted after the company announced a delay to its full-year figures because of an ongoing accounting clarification query with its auditors. The subsequent release of these figures confirmed profits from a particular contract will now be booked to 2020 numbers as opposed to 2019. Wholesale distributor Bunzl curbed relative performance as results in recent quarters have shown some slowing in its key North American markets. However, we believe this should be short-lived. Other detractors included Bodycote, a metallurgical coatings business, as concerns about weakness in the automotive market persisted.

Outlook

The opening weeks of the second half of 2019 saw market sentiment take a turn for the worse once again. Recent economic data releases have disappointed, and the perception is that the risk of a global recession has increased.

In the United Kingdom, the impact of the Brexit impasse on the economy is becoming increasingly evident, and the political risks remain elevated, with a real chance that the rupturing of the ruling Conservative party leads to a change of government. As at this writing, we continue to believe that a new administration with a vastly different policy agenda, and not Brexit per se, is the real risk faced by UK equity investors.

The increasing concerns regarding the growth outlook have prompted further responses from policymakers around the world. In September, we had a second interest-rate cut by the Fed and a package of measures from the European Central Bank, whilst China and Japan sent clear signals that they are ready to take additional steps to stimulate domestic demand.

The Bank of England is understandably on hold, awaiting the resolution of the Brexit discussions. We hesitate to say we will have a resolution soon, as the can has been kicked down the road on so many earlier occasions and a further extension followed by a general election appeared perhaps the most likely outcome as at the end of the reporting period.

The immediate outlook for the UK economy is for modest growth, in our view, with support from real wage growth and a marked increase in government spending offsetting the decline in investment spending and falling industrial production.

There is a growing international chorus for a fiscal response (as per the United Kingdom and China) to the developing global slowdown as the limits of monetary policy are becoming ever more apparent. How forthcoming this fiscal stimulus will be is open to question, as the United States potentially becomes embroiled in the impeachment process whilst in the eurozone all eyes will be on Germany.

From an equity market perspective, the environment for stock selection has certainly not become any easier over the past six months. We believe it remains a thankless task trying to forecast if and when the United Kingdom ever leaves the European Union, never mind how it leaves. Throw in the potential for a change of government, and the picture is even more complicated.

At period-end, the UK equity market traded on a forward price-to-earnings multiple of less than 13 times forecast 2020 earnings with a prospective dividend yield of 4.8%. This valuation appears, at first glance, modest, but the market is heavily bifurcated. Lower bond yields and weakness in UK sterling have helped push many international growth stocks on to ever higher multiples, whilst so-called value stocks languish at multi-year lows.

Earnings growth expectations for 2019 have fallen from 8% at the start of the year to less than 2% now, and we would not be surprised to see a similar pattern unfold for 2020, as the current earnings growth forecasts have appeared unrealistically high. The extent to which this is already priced into the market is open to debate, but we are confident there is scope for multiple expansion should progress be made on any of the major uncertainties hanging over the market.

Any concerns regarding the valuation of growth segments of the market and the earnings outlook have to be weighed against the clear attractions of equities when compared to the alternatives. With the 10-year UK government bonds yielding just 0.5% at September-end, the yield gap is supportive for equities, in our view.

How we measure performance.

We measure performance and price shares in the Fund in UK sterling.

We measure performance against the Fund's performance target, the FTSE All-Share Index, as it is widely available and reflects investments in the UK stock market.

The Fund's performance can also be compared against the Investment Association UK All Companies sector average, which reflects the performance of the Fund's competitors.

Colin Morton, Paul Spencer, Richard Bullas, Ben Russon, CFA & Mark Hall

Fund Managers

30 September 2019

Franklin UK Managers' Focus Fund

Comparative Table

A – Accumulation shares	30 September 2019	31 March 2019	31 March 2018	31 March 2017
Change in net assets per share (p)				
Opening net asset value per share	249.83	251.48	238.16	207.81
Return before operating charges ¹	19.44	2.42	17.32	33.82
Operating charges ²	(4.09)	(4.07)	(4.00)	(3.47)
Return after operating charges ³	15.35	(1.65)	13.32	30.35
Closing net asset value per share	265.18	249.83	251.48	238.16
Distributions	(3.2988)	(4.3476)	(3.3343)	(3.8305)
Retained distributions on accumulation shares	3.2988	4.3476	3.3343	3.8305
After direct transaction costs of ⁴	0.10	0.54	0.63	0.84
Performance				
Return after charges ⁵	6.14%	(0.66%)	5.59%	14.60%
Other information				
Closing net asset value (£)	16,804,348	18,857,803	26,606,761	29,243,845
Closing number of shares	6,336,950	7,548,322	10,579,930	12,278,855
Ongoing charges ratio ⁶	1.58%	1.58%	1.58%	1.58%
Direct transaction costs ⁴	0.04%	0.21%	0.25%	0.38%
Prices (p)				
Highest share price	266.75	276.85	266.25	241.40
Lowest share price	246.11	226.13	238.16	193.93

S – Accumulation shares	30 September 2019	31 March 2019	31 March 2018	31 March 2017
Change in net assets per share (p)				
Opening net asset value per share	123.60	123.24	115.61	99.94
Return before operating charges ¹	9.03	1.15	8.41	16.36
Operating charges ²	(0.81)	(0.79)	(0.78)	(0.69)
Return after operating charges ³	8.22	0.36	7.63	15.67
Closing net asset value per share	131.82	123.60	123.24	115.61
Distributions	(2.2458)	(3.3368)	(2.7984)	(2.8634)
Retained distributions on accumulation shares	2.2458	3.3368	2.7984	2.8634
After direct transaction costs of ⁴	0.05	0.26	0.31	0.41
Performance				
Return after charges ⁵	6.65%	0.29%	6.60%	15.68%
Other information				
Closing net asset value (£)	55,664,968	66,053,097	41,478,623	5,744,965
Closing number of shares	42,228,639	53,442,239	33,656,677	4,969,050
Ongoing charges ratio ⁶	0.63%	0.63%	0.63%	0.63%
Direct transaction costs ⁴	0.04%	0.21%	0.25%	0.38%
Prices (p)				
Highest share price	132.56	135.93	130.18	117.15
Lowest share price	122.19	111.60	115.61	93.47

Franklin UK Managers' Focus Fund

Comparative Table (continued)

	30 September 2019	31 March 2019	31 March 2018	31 March 2017
W – Accumulation shares				
Change in net assets per share (p)				
Opening net asset value per share	231.94	231.73	217.82	188.64
Return before operating charges ¹	17.18	2.18	15.84	30.85
Operating charges ²	(2.00)	(1.97)	(1.93)	(1.67)
Return after operating charges ³	15.18	0.21	13.91	29.18
Closing net asset value per share	247.12	231.94	231.73	217.82
Distributions	(3.9714)	(5.7943)	(4.7986)	(4.9930)
Retained distributions on accumulation shares	3.9714	5.7943	4.7986	4.9930
After direct transaction costs of ⁴	0.10	0.50	0.58	0.76
Performance				
Return after charges ⁵	6.54%	0.09%	6.39%	15.47%
Other information				
Closing net asset value (£)	256,361,142	277,466,426	268,014,159	216,002,879.0
Closing number of shares	103,739,894	119,628,096	115,656,172	99,164,118
Ongoing charges ratio ⁶	0.83%	0.83%	0.83%	0.83%
Direct transaction costs ⁴	0.04%	0.21%	0.25%	0.38%
Prices (p)				
Highest share price	248.53	255.50	244.91	220.74
Lowest share price	229.13	209.53	217.82	176.36
Y – Income shares				
Change in net assets per share (p)				
Opening net asset value per share	129.75	132.82	127.48	113.02
Return before operating charges ¹	9.10	1.38	9.28	18.26
Operating charges ²	(0.04)	(0.04)	(0.04)	(0.03)
Return after operating charges ³	9.06	1.34	9.24	18.23
Distributions on income shares	(2.7737)	(4.4051)	(3.8986)	(3.7719)
Closing net asset value per share	136.04	129.75	132.82	127.48
After direct transaction costs of ⁴	0.05	0.28	0.34	0.43
Performance				
Return after charges ⁵	6.98%	1.01%	7.25%	16.13%
Other information				
Closing net asset value (£)	3,687	3,517	3,600	3,938
Closing number of shares	2,710	2,710	2,710	3,089
Ongoing charges ratio ⁶	0.03%	0.03%	0.03%	0.03%
Direct transaction costs ⁴	0.04%	0.21%	0.25%	0.38%
Prices (p)				
Highest share price	139.56	146.67	141.61	130.90
Lowest share price	128.57	118.63	127.48	105.87

Franklin UK Managers' Focus Fund

Comparative Table (continued)

Z – Accumulation shares	30 September 2019	31 March 2019	31 March 2018	31 March 2017
Change in net assets per share (p)				
Opening net asset value per share	228.82	229.07	215.75	187.22
Return before operating charges ¹	17.18	2.16	15.66	30.59
Operating charges ²	(2.45)	(2.41)	(2.34)	(2.06)
Return after operating charges ³	14.73	(0.25)	13.32	28.53
Closing net asset value per share	243.55	228.82	229.07	215.75
Distributions	(3.6785)	(5.2551)	(4.2071)	(4.5533)
Retained distributions on accumulation shares	3.6785	5.2551	4.2071	4.5533
After direct transaction costs of ⁴	0.10	0.49	0.57	0.76
Performance				
Return after charges ⁵	6.44%	(0.11%)	6.17%	15.24%
Other information				
Closing net asset value (£)	928,129	858,260	572,278	16,120,836
Closing number of shares	381,087	375,084	249,825	7,472,069
Ongoing charges ratio ⁶	1.03%	1.03%	1.03%	1.03%
Direct transaction costs ⁴	0.04%	0.21%	0.25%	0.38%
Prices (p)				
Highest share price	244.95	252.46	242.21	218.64
Lowest share price	225.88	206.82	215.75	174.95

- 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 Managers' Focus Fund

Portfolio Statement as at 30 September 2019

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
EQUITIES 96.14% (97.56%)			
AEROSPACE & DEFENCE 1.61% (1.19%)			
320,000	Avon Rubber PLC	5,318	1.61
CHEMICALS 0.00% (1.45%)			
CONSTRUCTION & MATERIALS 2.50% (2.31%)			
3,500,000	Ibstock PLC, Reg S	8,253	2.50
ELECTRONIC & ELECTRICAL EQUIPMENT 2.74% (2.75%)			
335,000	Gooch & Housego PLC	3,936	1.19
2,050,000	TT Electronics PLC	5,105	1.55
		9,041	2.74
FINANCIAL SERVICES 11.44% (10.77%)			
640,000	Intermediate Capital Group PLC	9,305	2.82
1,806,000	JTC PLC, Reg S	6,339	1.92
2,255,000	Jupiter Fund Management PLC	8,014	2.43
1,900,000	Paragon Banking Group PLC	9,166	2.78
4,226,633	XPS Pensions Group PLC, Reg S	4,903	1.49
		37,727	11.44
FOOD & DRUG RETAILERS 2.60% (0.00%)			
3,550,000	Tesco PLC	8,556	2.60
FOOD PRODUCERS 4.30% (4.30%)			
340,000	Associated British Foods PLC	7,827	2.38
215,000	Cranswick PLC	6,334	1.92
		14,161	4.30
GAS, WATER & MULTI-UTILITIES 0.00% (2.52%)			
GENERAL INDUSTRIALS 2.46% (2.31%)			
2,250,000	DS Smith PLC	8,109	2.46
GENERAL RETAILERS 1.54% (1.62%)			
2,300,000	DFS Furniture PLC	5,083	1.54
HEALTH CARE EQUIPMENT & SERVICES 2.38% (2.52%)			
400,000	Smith & Nephew PLC	7,836	2.38
HOUSEHOLD GOODS & HOME CONSTRUCTION 4.27% (2.35%)			
180,183	Bellway PLC	6,025	1.83
127,000	Reckitt Benckiser Group PLC	8,056	2.44
		14,081	4.27
INDUSTRIAL ENGINEERING 7.12% (6.84%)			
1,150,000	Bodycote PLC	8,240	2.50
567,800	Vitec Group PLC	7,040	2.14
575,000	Weir Group PLC	8,194	2.48
		23,474	7.12
LIFE INSURANCE 7.28% (7.58%)			
3,325,000	Legal & General Group PLC	8,259	2.50
550,000	Prudential PLC	8,110	2.46
780,000	St. James's Place Capital PLC	7,639	2.32
		24,008	7.28
MEDIA 2.40% (5.21%)			
410,000	RELX PLC	7,921	2.40
MINING 2.36% (2.70%)			
185,000	Rio Tinto PLC	7,787	2.36

Franklin UK Managers' Focus Fund

Portfolio Statement as at 30 September 2019 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	OIL & GAS PRODUCERS 5.10% (5.14%)		
1,640,000	BP PLC	8,456	2.57
350,000	Royal Dutch Shell PLC, A	8,344	2.53
		16,800	5.10
	PERSONAL GOODS 2.34% (2.47%)		
158,000	Unilever PLC	7,725	2.34
	PHARMACEUTICALS & BIOTECHNOLOGY 3.66% (4.42%)		
110,000	AstraZeneca PLC	7,986	2.42
475,000	Clinigen Group PLC	4,095	1.24
		12,081	3.66
	REAL ESTATE INVESTMENT & SERVICES 1.62% (1.26%)		
1,645,000	Urban & Civic PLC	5,330	1.62
	REAL ESTATE INVESTMENT TRUSTS 2.81% (2.44%)		
275,000	Derwent London PLC§	9,268	2.81
	SUPPORT SERVICES 13.39% (13.72%)		
386,000	Bunzl PLC	8,199	2.49
799,925	Clipper Logistics PLC	1,704	0.52
2,440,000	Equiniti Group PLC, Reg S	5,280	1.60
130,000	Ferguson PLC	7,722	2.34
1,550,000	Howden Joinery Group PLC	8,686	2.63
1,550,000	Restore PLC	6,278	1.90
1,075,000	RWS Holdings PLC	6,299	1.91
		44,168	13.39
	TECHNOLOGY HARDWARE & EQUIPMENT 2.54% (1.97%)		
4,233,500	Spirent Communications PLC	8,382	2.54
	TOBACCO 4.58% (5.23%)		
275,000	British American Tobacco PLC	8,271	2.51
374,000	Imperial Brands PLC	6,837	2.07
		15,108	4.58
	TRAVEL & LEISURE 5.10% (4.49%)		
395,000	Compass Group PLC	8,267	2.51
1,150,000	GVC Holdings PLC	8,547	2.59
		16,814	5.10
	TOTAL - EQUITIES	317,031	96.14
	TOTAL VALUE OF INVESTMENTS	317,031	96.14
	OTHER ASSETS	12,731	3.86
	TOTAL NET ASSETS	329,762	100.00

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2019.

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 2019 to 30 September 2019

	September 2019 £000	September 2019 £000	September 2018 £000	September 2018 £000
Income				
Net capital gains/(losses)		16,490		16,292
Revenue	7,401		6,994	
Expenses	(1,471)		(1,654)	
Net revenue before taxation	5,930		5,340	
Taxation	(41)		(51)	
Net revenue after taxation		5,889		5,289
Total return before distributions for the period		22,379		21,581
Distributions		(5,889)		(5,294)
Change in net assets attributable to shareholders		16,490		16,287

Statement of Change in Net Assets Attributable to Shareholders

For the period 1 April 2019 to 30 September 2019

	September 2019 £000	September 2019 £000	September 2018 £000	September 2018 £000
Opening net assets attributable to shareholders		363,239		336,675
Amounts received on creation of shares	38,674		94,256	
Amounts paid on cancellation of shares	(93,932)		(71,410)	
		(55,258)		22,846
Change in net assets attributable to shareholders from investment activities (see above)		16,490		16,287
Retained distribution on accumulation shares		5,291		5,294
Closing net assets attributable to shareholders		329,762		381,102

Balance Sheet

As at 30 September 2019

	September 2019 £000	March 2019 £000
Assets		
Fixed assets		
Investments	317,031	354,387
Current assets		
Debtors	1,183	4,034
Cash and bank balances	17,059	7,510
Total assets	335,273	365,931
Liabilities		
Creditors		
Other creditors	(5,511)	(2,692)
Total liabilities	(5,511)	(2,692)
Net assets attributable to shareholders	329,762	363,239

Franklin UK Managers' Focus Fund

Distribution Statement

For the period 1 April 2019 to 30 September 2019

Group 1 – Shares purchased prior to 1 April 2019

Group 2 – Shares purchased in the period 1 April 2019 to 30 September 2019

	Net Income p	Equalisation p	30 September 2019 Pence per Share p	30 September 2018 Pence per Share p
A – Accumulation Shares				
Group 1	3.2988	-	3.2988	2.7404
Group 2	1.5695	1.7293	3.2988	2.7404
S – Accumulation Shares				
Group 1	2.2458	-	2.2458	1.9721
Group 2	1.0986	1.1472	2.2458	1.9721
W – Accumulation Shares				
Group 1	3.9714	-	3.9714	3.4588
Group 2	1.5341	2.4373	3.9714	3.4588
Y – Income Shares				
Group 1	2.7737	-	2.7737	2.5656
Group 2	2.7737	-	2.7737	2.5656
Z – Accumulation Shares				
Group 1	3.6785	-	3.6785	3.1708
Group 2	1.4904	2.1881	3.6785	3.1708

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

On 31 July 2019, we amended the investment objective and policy for the Fund to improve their clarity for investors. The revised investment objective and policy can be found in the current prospectus, available on our website.

Performance

For the six-month period ended 30 September 2019, Franklin UK Mid Cap Fund recorded a return of 12.68%*, (W (acc) share class), compared with the benchmark FTSE 250 (ex-Investment Trusts) Index, which returned 6.51% (both returns in UK sterling).

Overview

The period ended with the FTSE All-Share Index having delivered a respectable positive return for the six months under review. It has, however, felt like a real struggle, with the market unable to put together a sustained run of positive months albeit without the extreme volatility that characterised the previous six months. From a market capitalisation perspective, we saw very different outcomes for small- and mid-cap stocks relative to their larger counterparts. The FTSE 250 (ex-Investment Trusts) Index of mid-cap equities was up 6.5%, comfortably outpacing the FTSE 100 (up 4.4%), but the FTSE SmallCap (ex-Investment Trusts) Index was 0.3% lower over the period, reflecting risk aversion and a greater UK exposure at a time of heightened uncertainty.

A positive start in April proved short lived as the unhealthy cocktail of trade concerns, Brexit uncertainties and weak economic data conspired to reverse the market trend through May. Then, as summer arrived the market mood turned more positive once again after the US Federal Reserve ("Fed") cut interest rates and optimism grew that the economic data could be bottoming out.

The end of July, however, saw the high point for the six months as the UK equity market headed sharply lower in August before enjoying a partial recovery into period-end. It has been a real tug of war over the past six months, in our view, with the market support from lower bond yields and a lower currency just about winning out over the weaker economic data and the political uncertainties.

The UK currency fell around 5% on a trade-weighted basis over the six months, whilst the 10-year US Treasury note's yield fell from 2.41% to 1.67% at period-end. Global growth forecasts for 2019 have been falling steadily over the past 12 months from about 4.0% to nearer 3% as a broad-based slowdown takes hold.

The overall performance of the UK economy thus far in 2019 has been understandably weak, given the failure to resolve the Brexit dilemma as at this writing. The resilience of the UK consumer has helped to soften the blow, but the consensus gross domestic product growth forecast has moved from 1.5% in January to 1.2% in September.

Globally the US and eurozone economies have experienced a marked slowdown in recent months despite a relatively robust start to 2019, whilst emerging economies have seen their projected growth rates continue to ebb. China remains in the firing line on global trade, and domestic stimulus measures appear to have had limited benefit.

In terms of the market internals, the dominant features of the period were the weakness in several of the major sector groups. Oil and mining were both weak, reflecting global growth woes despite a very brief spike in the oil price in September as Saudi oil facilities came under attack. Banks were also significantly lower as they are a clear loser from lower interest rates, and tobacco lost out from continued regulatory attention. On the positive side, pharmaceuticals were a strong index contributor.

Significant Changes

During the six-month period, the biggest stock purchases included Serco Group, Rotork, Shaftesbury, Electrocomponents and Inchcape. Serco Group is an outsourcer that operates in what we view as attractive end markets, where we see scope for further consolidation. We also believe there is a self-help element to its story through various initiatives. In our analysis, Serco Group can steadily improve margins, whilst continuing to grow organically at a mid-single digit percentage rate. Rotork is a specialist manufacturer and supplier of fluid control systems, with end markets in the oil and gas as well as water industry, along with an impressive history and client base. Rotork has recently hired a new chief executive officer who we believe will be able to drive improvements in profitability through various initiatives. Other new positions established during the period included central London leisure and retail landlord Shaftesbury, international electronic component distributor Electrocomponents and international automotive distributor Inchcape.

The largest stock sales included Meggitt, HomeServe, Aveva Group, Unite Group and Greene King. We exited several positions on valuation grounds, including home emergency services company HomeServe, student accommodation company Unite Group and pub operator Greene King. We disposed of the positions in industrial software maker Aveva Group and in defence contractor Meggitt after their successful promotion to the large-cap FTSE 100 Index.

Positive/Negative Contributors

Amongst the individual contributors, shares of Spirent Communications rose during the period following a positive set of first-half results, as the company has benefitted from increased investment in 5G telecommunications technology. Specialist asset manager Intermediate Capital Group contributed to relative performance following the release of full-year numbers that showed continued momentum in profits, driven by resilient investor inflows. Entertainment One, which owns the Peppa Pig brand, contributed to relative results after a bid approach from a US toy company. Hasbro (not a Fund holding) announced a £3 billion bid for the company. Gaming operator GVC supported relative performance on strong business fundamentals and growing optimism about the opportunities for an expansion of sports betting in more US states. Defence contractor Meggitt was also a contributor following strong first-half results and the company's increased financial guidance for the fiscal year.

Some of the Fund's more cyclically oriented stocks struggled during the period, given the growing economic uncertainties. Retailer DFS Furniture weighed on relative performance despite reporting solid first-half results and continued strength in like-for-like sales. Metallurgical coatings business Bodycote declined as concerns over its end markets in the auto sector persisted. Similarly, engineering firm Weir Group fell amidst continued concerns about its exposure to the oil and gas market, where demand for the company's equipment has remained subdued.

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

Franklin UK Mid Cap Fund

Investment Review (continued)

Positive/Negative Contributors (continued)

given the weaker spending environment. Specialty chemicals firm Elementis detracted as a weak macroeconomic environment has weighed on its business in recent quarters.

Outlook

The opening weeks of the second half of 2019 saw market sentiment take a turn for the worse once again. Recent economic data releases have disappointed, and the perception is that the risk of a global recession has increased.

In the United Kingdom, the impact of the Brexit impasse on the economy is becoming increasingly evident, and the political risks remain elevated, with a real chance that the rupturing of the ruling Conservative party leads to a change of government. As at this writing, we continue to believe that a new administration with a vastly different policy agenda, and not Brexit per se, is the real risk faced by UK equity investors.

The increasing concerns regarding the growth outlook have prompted further responses from policymakers around the world. In September, we had a second interest-rate cut by the Fed and a package of measures from the European Central Bank, whilst China and Japan sent clear signals that they are ready to take additional steps to stimulate domestic demand.

The Bank of England is understandably on hold, awaiting the resolution of the Brexit discussions. We hesitate to say we will have a resolution soon, as the can has been kicked down the road on so many earlier occasions and a further extension followed by a general election appeared perhaps the most likely outcome as at the end of the reporting period.

The immediate outlook for the UK economy is for modest growth, in our view, with support from real wage growth and a marked increase in government spending offsetting the decline in investment spending and falling industrial production.

There is a growing international chorus for a fiscal response (as per the United Kingdom and China) to the developing global slowdown as the limits of monetary policy are becoming ever more apparent. How forthcoming this fiscal stimulus will be is open to question, as the United States potentially becomes embroiled in the impeachment process whilst in the eurozone all eyes will be on Germany.

From an equity market perspective, the environment for stock selection has certainly not become any easier over the past six months. We believe it remains a thankless task trying to forecast if and when the United Kingdom ever leaves the European Union, never mind how it leaves. Throw in the potential for a change of government, and the picture is even more complicated.

At period-end, the UK equity market traded on a forward price-to-earnings multiple of less than 13 times forecast 2020 earnings with a prospective dividend yield of 4.8%. This valuation appears, at first glance, modest, but the market is heavily bifurcated. Lower bond yields and weakness in the UK sterling have helped push many international growth stocks on to ever higher multiples, whilst so-called value stocks languish at multi-year lows.

Earnings growth expectations for 2019 have fallen from 8% at the start of the year to less than 2% now, and we would not be surprised to see a similar pattern unfold for 2020, as the current earnings growth forecasts have appeared unrealistically high. The extent to which this is already priced into the market is open to debate, but we are confident there is scope for multiple expansion should progress be made on any of the major uncertainties hanging over the market.

Any concerns regarding the valuation of growth segments of the market and the earnings outlook have to be weighed against the clear attractions of equities when compared to the alternatives. With the 10-year UK government bonds yielding just 0.5% at September-end, the yield gap is supportive for equities, in our view.

How we measure performance.

We measure performance and price shares in the Fund in UK sterling.

The FTSE 250 (ex-Investment Trusts) Index is the Fund's performance target and constrains the Fund's investment universe. It is widely available and reflects the performance of medium-sized companies.

The Fund's performance may also be compared against the Investment Association UK All Companies sector average, which reflects the performance of the Fund's competitors.

Paul Spencer, Mark Hall & Richard Bullas

Fund Managers

30 September 2019

Franklin UK Mid Cap Fund

Comparative Table

A – Income shares	30 September 2019	31 March 2019	31 March 2018	31 March 2017
Change in net assets per share (p)				
Opening net asset value per share	595.87	614.55	542.46	511.06
Return before operating charges ¹	78.72	2.51	89.68	51.02
Operating charges ²	(9.85)	(9.70)	(9.42)	(8.00)
Return after operating charges ³	68.87	(7.19)	80.26	43.02
Distributions on income shares	(7.2534)	(11.4910)	(8.1652)	(11.6211)
Closing net asset value per share	657.49	595.87	614.55	542.46
After direct transaction costs of ⁴	0.82	1.48	1.68	1.53
Performance				
Return after charges ⁵	11.56%	(1.17%)	14.80%	8.42%
Other information				
Closing net asset value (£)	66,526,603	66,221,279	87,692,262	137,335,238
Closing number of shares	10,118,302	11,113,342	14,269,356	25,317,146
Ongoing charges ratio ⁶	1.57%	1.57%	1.57%	1.57%
Direct transaction costs ⁴	0.13%	0.24%	0.28%	0.30%
Prices (p)				
Highest share price	669.11	675.15	647.40	562.90
Lowest share price	592.39	531.90	542.46	440.21

S – Income shares ⁷	30 September 2019	31 March 2019	31 March 2018	31 March 2017
Change in net assets per share (p)				
Opening net asset value per share	100.80	103.98	100.00	n/a
Return before operating charges ¹	11.11	(2.53)	4.64	n/a
Operating charges ²	(0.66)	(0.65)	(0.66)	n/a
Return after operating charges ³	10.45	(3.18)	3.98	n/a
Closing net asset value per share	111.25	100.80	103.98	n/a
After direct transaction costs of ⁴	0.14	0.25	0.30	n/a
Performance				
Return after charges ⁵	10.37%	(3.06%)	3.98%	n/a
Other information				
Closing net asset value (£)	242,150,523	220,214,770	231,027,073	n/a
Closing number of shares	217,656,108	218,460,409	222,185,905	n/a
Ongoing charges ratio ⁶	0.62%	0.62%	0.62%	n/a
Direct transaction costs ⁴	0.13%	0.24%	0.28%	n/a
Prices (p)				
Highest share price	113.70	114.46	109.38	n/a
Lowest share price	100.57	90.41	99.07	n/a

Franklin UK Mid Cap Fund

Comparative Table (continued)

	30 September 2019	31 March 2019	31 March 2018	31 March 2017
S – Accumulation shares				
Change in net assets per share (p)				
Opening net asset value per share	128.16	128.47	110.84	101.21
Return before operating charges ¹	16.34	(0.49)	18.41	10.26
Operating charges ²	(0.84)	(0.80)	(0.78)	(0.63)
Return after operating charges ³	15.50	(0.31)	17.63	9.63
Closing net asset value per share	143.66	128.16	128.47	110.84
Distributions	(2.2058)	(3.6481)	(2.8542)	(3.2931)
Retained distributions on accumulation shares	2.2058	3.6481	2.8542	3.2931
After direct transaction costs of ⁴	0.18	0.31	0.35	0.31
Performance				
Return after charges ⁵	12.09%	(0.24%)	15.91%	9.51%
Other information				
Closing net asset value (£)	83,562,480	71,704,121	96,611,627	46,469,386
Closing number of shares	58,167,759	55,947,402	75,201,919	41,926,234
Ongoing charges ratio ⁶	0.62%	0.62%	0.62%	0.62%
Direct transaction costs ⁴	0.13%	0.24%	0.28%	0.30%
Prices (p)				
Highest share price	144.56	141.41	133.98	113.46
Lowest share price	127.86	112.66	110.84	87.39
W – Income shares				
Change in net assets per share (p)				
Opening net asset value per share	177.26	182.83	161.36	151.96
Return before operating charges ¹	22.75	(0.74)	26.72	15.26
Operating charges ²	(1.53)	(1.51)	(1.47)	(1.25)
Return after operating charges ³	21.22	(0.77)	25.25	14.01
Distributions on income shares	(2.8624)	(4.8034)	(3.7813)	(4.6089)
Closing net asset value per share	195.62	177.26	182.83	161.36
After direct transaction costs of ⁴	0.24	0.44	0.50	0.46
Performance				
Return after charges ⁵	11.97%	(0.42%)	15.65%	9.22%
Other information				
Closing net asset value (£)	362,106,103	314,865,810	325,146,527	468,471,449
Closing number of shares	185,105,252	177,634,159	177,836,608	290,321,099
Ongoing charges ratio ⁶	0.82%	0.82%	0.82%	0.82%
Direct transaction costs ⁴	0.13%	0.24%	0.28%	0.30%
Prices (p)				
Highest share price	199.74	201.17	193.34	168.29
Lowest share price	176.71	158.82	161.36	131.16

Franklin UK Mid Cap Fund

Comparative Table (continued)

	30 September 2019	31 March 2019	31 March 2018	31 March 2017
W – Accumulation shares				
Change in net assets per share (p)				
Opening net asset value per share	231.02	232.04	200.59	183.53
Return before operating charges ¹	29.67	0.90	33.29	18.57
Operating charges ²	(2.00)	(1.92)	(1.84)	(1.51)
Return after operating charges ³	27.67	(1.02)	31.45	17.06
Closing net asset value per share	258.69	231.02	232.04	200.59
Distributions	(3.7305)	(6.1146)	(4.7110)	(5.5848)
Retained distributions on accumulation shares	3.7305	6.1146	4.7110	5.5848
After direct transaction costs of ⁴	0.32	0.56	0.63	0.55
Performance				
Return after charges ⁵	11.98%	(0.44%)	15.68%	9.30%
Other information				
Closing net asset value (£)	301,443,570	255,246,794	238,954,187	247,793,282
Closing number of shares	116,527,507	110,487,606	102,977,786	123,530,888
Ongoing charges ratio ⁶	0.82%	0.82%	0.82%	0.82%
Direct transaction costs ⁴	0.13%	0.24%	0.28%	0.30%
Prices (p)				
Highest share price	260.33	255.32	242.12	205.36
Lowest share price	230.31	203.19	200.59	158.40
Y – Income shares				
Change in net assets per share (p)				
Opening net asset value per share	133.16	137.39	121.25	114.12
Return before operating charges ¹	16.56	0.54	20.11	11.54
Operating charges ²	(0.03)	(0.03)	(0.03)	(0.02)
Return after operating charges ³	16.53	0.51	20.08	11.52
Distributions on income shares	(2.7233)	(4.7386)	(3.9432)	(4.3880)
Closing net asset value per share	146.97	133.16	137.39	121.25
After direct transaction costs of ⁴	0.18	0.33	0.38	0.34
Performance				
Return after charges ⁵	12.41%	0.37%	16.56%	10.09%
Other information				
Closing net asset value (£)	4,368	3,958	4,084	3,604
Closing number of shares	2,972	2,972	2,972	2,972
Ongoing charges ratio ⁶	0.02%	0.02%	0.02%	0.02%
Direct transaction costs ⁴	0.13%	0.24%	0.28%	0.30%
Prices (p)				
Highest share price	150.61	151.43	145.88	127.14
Lowest share price	133.15	119.80	121.25	98.71

Franklin UK Mid Cap Fund

Comparative Table (continued)

Z – Accumulation shares	30 September 2019	31 March 2019	31 March 2018	31 March 2017
Change in net assets per share (p)				
Opening net asset value per share	227.91	229.38	198.69	182.15
Return before operating charges ¹	29.50	0.90	32.96	18.40
Operating charges ²	(2.45)	(2.37)	(2.27)	(1.86)
Return after operating charges ³	27.05	(1.47)	30.69	16.54
Closing net asset value per share	254.96	227.91	229.38	198.69
Distributions	(3.4384)	(5.5774)	(4.2189)	(5.1718)
Retained distributions on accumulation shares	3.4384	5.5774	4.2189	5.1718
After direct transaction costs of ⁴	0.31	0.56	0.62	0.55
Performance				
Return after charges ⁵	11.87%	(0.64%)	15.45%	9.08%
Other information				
Closing net asset value (£)	6,144,764	5,897,256	7,025,421	5,690,020
Closing number of shares	2,410,106	2,587,488	3,062,743	2,863,778
Ongoing charges ratio ⁶	1.02%	1.02%	1.02%	1.02%
Direct transaction costs ⁴	0.13%	0.24%	0.28%	0.30%
Prices (p)				
Highest share price	256.59	252.29	239.45	203.42
Lowest share price	227.05	200.57	198.69	157.12

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.

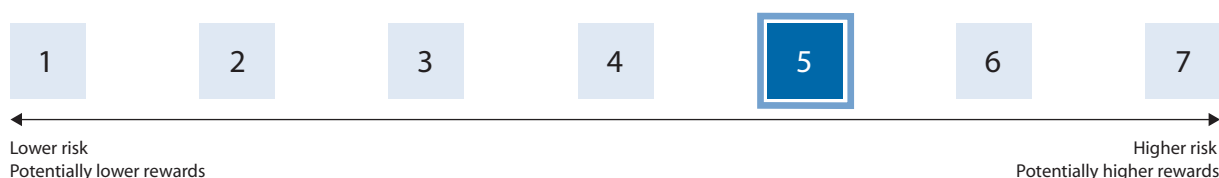
5 The "return after charges" is calculated as the "return after operating charges" per share divided by the "opening net asset value per share". This figure will differ from "performance return" figure disclosed under "Investment Review" section due to alternative calculation methodology used.

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.

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 2019

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
EQUITIES 95.83% (96.56%)			
AEROSPACE & DEFENCE 0.00% (3.37%)			
AUTOMOBILES & PARTS 3.35% (2.97%)			
18,500,000	TI Fluid Systems PLC, Reg S	35,594	3.35
CHEMICALS 2.09% (2.09%)			
15,000,000	Elementis PLC	22,185	2.09
CONSTRUCTION & MATERIALS 5.45% (6.09%)			
12,500,000	Ibstock PLC, Reg S	29,475	2.78
7,000,000	Polypipe Group PLC	28,350	2.67
		57,825	5.45
ELECTRONIC & ELECTRICAL EQUIPMENT 3.22% (3.36%)			
1,400,000	Spectris PLC	34,216	3.22
FINANCIAL SERVICES 15.81% (17.08%)			
6,250,000	Ashmore Group PLC	31,594	2.97
2,750,000	Intermediate Capital Group PLC	39,985	3.77
8,000,000	Jupiter Fund Management PLC	28,432	2.68
9,000,000	Paragon Banking Group PLC	43,416	4.09
1,100,000	Rathbone Brothers PLC	24,420	2.30
		167,847	15.81
FOOD PRODUCERS 2.77% (2.62%)			
1,000,000	Cranswick PLC	29,460	2.77
GENERAL RETAILERS 4.30% (3.05%)			
11,373,929	DFS Furniture PLC	25,136	2.37
3,250,000	Inchcape PLC	20,508	1.93
		45,644	4.30
HOUSEHOLD GOODS & HOME CONSTRUCTION 4.09% (3.91%)			
1,300,000	Bellway PLC	43,472	4.09
INDUSTRIAL ENGINEERING 9.66% (8.38%)			
5,000,000	Bodycote PLC	35,825	3.37
10,000,000	Rotork PLC	31,150	2.93
2,500,000	Weir Group PLC	35,625	3.36
		102,600	9.66
INDUSTRIAL TRANSPORTATION 2.21% (2.06%)			
7,500,000	BBA Aviation PLC	23,415	2.21
LIFE INSURANCE 0.00% (1.62%)			
MEDIA 7.23% (6.01%)			
9,000,000	Entertainment One Ltd.	50,895	4.79
1,750,000	Euromoney Institutional Investor PLC	25,865	2.44
		76,760	7.23
NONLIFE INSURANCE 6.84% (5.70%)			
5,750,000	Beazley PLC	35,765	3.37
5,000,000	Lancashire Holdings Ltd.	36,850	3.47
		72,615	6.84
REAL ESTATE INVESTMENT & SERVICES 2.90% (4.10%)			
12,500,000	Grainger PLC	30,750	2.90
REAL ESTATE INVESTMENT TRUSTS 6.49% (5.48%)			
1,100,000	Derwent London PLC§	37,070	3.49
3,500,000	Shaftesbury PLC§	31,797	3.00
		68,867	6.49

Franklin UK Mid Cap Fund

Portfolio Statement as at 30 September 2019 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	SOFTWARE & COMPUTER SERVICES 0.00% (2.59%)		
	SUPPORT SERVICES 11.72% (8.84%)		
4,500,000	Electrocomponents PLC	28,971	2.73
6,500,000	Howden Joinery Group PLC	36,426	3.43
6,000,000	PageGroup PLC	26,352	2.48
22,000,000	Serco Group PLC	32,758	3.08
		124,507	11.72
	TECHNOLOGY HARDWARE & EQUIPMENT 4.03% (3.07%)		
21,631,271	Spirent Communications PLC	42,830	4.03
	TRAVEL & LEISURE 3.67% (4.17%)		
5,250,000	GVC Holdings PLC	39,018	3.67
	TOTAL - EQUITIES	1,017,605	95.83
	TOTAL VALUE OF INVESTMENTS	1,017,605	95.83
	OTHER ASSETS	44,333	4.17
	TOTAL NET ASSETS	1,061,938	100.00

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2019.

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 2019 to 30 September 2019

	September 2019 £000	September 2019 £000	September 2018 £000	September 2018 £000
Income				
Net capital gains/(losses)		97,593		15,721
Revenue	19,744		20,796	
Expenses	(4,133)		(4,302)	
Net revenue before taxation	15,611		16,494	
Taxation	(34)		(47)	
Net revenue after taxation		15,577		16,447
Total return before distributions for the period		113,170		32,168
Distributions		(15,580)		(8,105)
Change in net assets attributable to shareholders		97,590		24,063

Statement of Change in Net Assets Attributable to Shareholders

For the period 1 April 2019 to 30 September 2019

	September 2019 £000	September 2019 £000	September 2018 £000	September 2018 £000
Opening net assets attributable to shareholders		934,154		986,461
Amounts received on creation of shares	137,340		124,690	
Amounts paid on cancellation of shares	(112,859)		(99,721)	
		24,481		24,969
Change in net assets attributable to shareholders from investment activities (see above)		97,590		24,063
Retained distribution on accumulation shares		5,713		2,945
Closing net assets attributable to shareholders		1,061,938		1,038,438

Balance Sheet

As at 30 September 2019

	September 2019 £000	March 2019 £000
Assets		
Fixed assets		
Investments	1,017,605	902,024
Current assets		
Debtors	6,683	13,006
Cash and bank balances	49,868	36,501
Total assets	1,074,156	951,531
Liabilities		
Creditors		
Distribution payable	(9,809)	(11,139)
Other creditors	(2,409)	(6,238)
Total liabilities	(12,218)	(17,377)
Net assets attributable to shareholders	1,061,938	934,154

Franklin UK Mid Cap Fund

Distribution Statement

For the period 1 April 2019 to 30 September 2019

Group 1 – Shares purchased prior to 1 April 2019

Group 2 – Shares purchased in the period 1 April 2019 to 30 September 2019

	Net Income p	Equalisation p	30 September 2019 Pence per Share p	30 September 2018 Pence per Share p
A – Income Shares				
Group 1	7.2534	-	7.2534	3.8457
Group 2	2.8568	4.3966	7.2534	3.8457
S – Income Shares				
Group 1	1.7349	-	1.7349	0.9128
Group 2	1.0178	0.7171	1.7349	0.9128
S – Accumulation Shares				
Group 1	2.2058	-	2.2058	1.1280
Group 2	0.9143	1.2915	2.2058	1.1280
W – Income Shares				
Group 1	2.8624	-	2.8624	1.5079
Group 2	1.9692	0.8932	2.8624	1.5079
W – Accumulation Shares				
Group 1	3.7305	-	3.7305	1.9138
Group 2	1.7161	2.0144	3.7305	1.9138
Y – Income Shares				
Group 1	2.7233	-	2.7233	1.4292
Group 2	2.7233	-	2.7233	1.4292
Z – Accumulation Shares				
Group 1	3.4384	-	3.4384	1.7699
Group 2	1.4236	2.0148	3.4384	1.7699

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

For the six-month period ended 30 September 2019, Franklin UK Opportunities Fund recorded a return of 6.75%*, (W (acc) share class), compared with the benchmark FTSE All-Share Index, which returned 4.57% (both returns in UK sterling).

Overview

The period ended with the FTSE All-Share Index having delivered a respectable positive return for the six months under review. It has, however, felt like a real struggle, with the market unable to put together a sustained run of positive months albeit without the extreme volatility that characterised the previous six months.

A positive start in April proved short lived as the unhealthy cocktail of trade concerns, Brexit uncertainties and weak economic data conspired to reverse the market trend through May. Then, as summer arrived the market mood turned more positive once again after the US Federal Reserve ("Fed") cut interest rates and optimism grew that the economic data could be bottoming out.

The end of July, however, saw the high point for the six months as the UK equity market headed sharply lower in August before enjoying a partial recovery into period-end. It has been a real tug of war over the past six months, in our view, with the market support from lower bond yields and a lower currency just about winning out over the weaker economic data and the political uncertainties.

The UK currency fell around 5% on a trade-weighted basis over the six months, whilst the 10-year US Treasury note's yield fell from 2.41% to 1.67% at period-end. Global growth forecasts for 2019 have been falling steadily over the past 12 months from about 4.0% to nearer 3% as a broad-based slowdown takes hold.

The overall performance of the UK economy thus far in 2019 has been understandably weak, given the failure to resolve the Brexit dilemma as at this writing. The resilience of the UK consumer has helped to soften the blow, but the consensus gross domestic product growth forecast has moved from 1.5% in January to 1.2% in September.

Globally the US and eurozone economies have experienced a marked slowdown in recent months despite a relatively robust start to 2019, whilst emerging economies have seen their projected growth rates continue to ebb. China remains in the firing line on global trade, and domestic stimulus measures appear to have had limited benefit.

In terms of the market internals, the dominant features of the period were the weakness in several of the major sector groups. Oil and mining were both weak, reflecting global growth woes despite a very brief spike in the oil price in September as Saudi oil facilities came under attack. Banks were also significantly lower as they are a clear loser from lower interest rates, and tobacco lost out from continued regulatory attention. On the positive side, pharmaceuticals were a strong index contributor.

From a market capitalisation perspective, we saw very different outcomes for small- and mid-cap stocks relative to their larger counterparts. The FTSE 250 (ex-Investment Trusts) Index of mid-cap equities was up 6.5%, comfortably outpacing the FTSE 100 (up 4.4%), but the FTSE SmallCap (ex-Investment Trusts) Index was 0.3% lower over the period, reflecting risk aversion and a greater UK exposure at a time of heightened uncertainty.

Significant Changes

The largest stock purchases during the six-month period were in supermarket chain Tesco, defence contractor Meggitt, and pork and poultry producer Cranswick. We initiated a new position in supermarket retailer Tesco. The food retail sector has traded at a depressed valuation for some time now, with various competitive factors impacting all the largest players in the United Kingdom. However, at a recent capital markets day, Tesco outlined what we believe is a credible plan to significantly reduce costs and focus the business on sustainable growth opportunities. We increased existing positions in Meggitt and Cranswick. Cranswick is a company we have long held in high regard, and we are optimistic about its attempts to replicate its success in the pork category in the poultry market.

The largest stock sales during the period were recruitment firm Hays, medical device maker Smith & Nephew, asset manager Intermediate Capital Group, business software firm The Sage Group, and data and analytics firm RELX. We exited the position in staffing firm Hays, as key end markets, notably Germany, have shown no sign of recovery. The other sales were largely the result of top-slicing positions that performed well over the reporting period.

Positive/Negative Contributors

At the sector level, an overweight and security selection in health care, stock selection in media, an underweight in basic resources, and a lack of exposure to banks supported relative performance. Notably, not holding Glencore or Lloyds Banking Group were positive for relative results. On the downside, security selection in industrial goods and services, personal and household goods, and food and beverage dented relative returns.

Amongst the individual holdings, specialist asset manager Intermediate Capital Group contributed to relative performance following the release of full-year numbers that showed continued momentum in profits, driven by resilient investor inflows. Medical device company Smith & Nephew continued its impressive run, with the shares advancing strongly as it attracted more positive commentary from analysts following upbeat financial results. Entertainment One, which owns the Peppa Pig brand, contributed to relative performance after a bid approach from a US toy company. Hasbro (not a Fund holding) announced a £3 billion bid for the company. Gaming operator GVC supported relative performance on strong business fundamentals and growing optimism about the opportunities for an expansion of sports betting in more US states. Plumbing products distributor Ferguson supported relative returns after an activist investor took a stake in the company and pushed Ferguson to dispose of its struggling UK operations to focus on its stronger US business.

On the downside, wholesale distributor Bunzl detracted as results in recent quarters have shown some slowing in its key North American markets. However, we believe this should be short-lived. Other detractors included Bodycote, a metallurgical coatings business, as concerns about weakness in the automotive market persisted. Shares of tobacco company Imperial Brands were weak amidst growing concerns about

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

Franklin UK Opportunities Fund

Investment Review (continued)

Positive/Negative Contributors (continued)

weakness in its next-generation vaping products and the potential for increased regulation around vaping and e-cigarettes. Associated British Foods curbed relative performance amidst concerns about the health of the UK consumer. Real estate investment trust Land Securities was another notable detractor, as the earnings figures for the financial year led analysts to modestly downgrade their future estimates for the company.

Outlook

The opening weeks of the second half of 2019 saw market sentiment take a turn for the worse once again. Recent economic data releases have disappointed, and the perception is that the risk of a global recession has increased.

In the United Kingdom, the impact of the Brexit impasse on the economy is becoming increasingly evident, and the political risks remain elevated, with a real chance that the rupturing of the ruling Conservative party leads to a change of government. As at this writing, we continue to believe that a new administration with a vastly different policy agenda, and not Brexit per se, is the real risk faced by UK equity investors.

The increasing concerns regarding the growth outlook have prompted further responses from policymakers around the world. In September, we had a second interest-rate cut by the Fed and a package of measures from the European Central Bank, whilst China and Japan sent clear signals that they are ready to take additional steps to stimulate domestic demand.

The Bank of England is understandably on hold, awaiting the resolution of the Brexit discussions. We hesitate to say we will have a resolution soon, as the can has been kicked down the road on so many earlier occasions and a further extension followed by a general election appeared perhaps the most likely outcome as at the end of the reporting period.

The immediate outlook for the UK economy is for modest growth, in our view, with support from real wage growth and a marked increase in government spending offsetting the decline in investment spending and falling industrial production.

There is a growing international chorus for a fiscal response (as per the United Kingdom and China) to the developing global slowdown as the limits of monetary policy are becoming ever more apparent. How forthcoming this fiscal stimulus will be is open to question, as the United States potentially becomes embroiled in the impeachment process whilst in the eurozone all eyes will be on Germany.

From an equity market perspective, the environment for stock selection has certainly not become any easier over the past six months. We believe it remains a thankless task trying to forecast if and when the United Kingdom ever leaves the European Union, never mind how it leaves. Throw in the potential for a change of government, and the picture is even more complicated.

At period-end, the UK equity market traded on a forward price-to-earnings multiple of less than 13 times forecast 2020 earnings with a prospective dividend yield of 4.8%. This valuation appears, at first glance, modest, but the market is heavily bifurcated. Lower bond yields and weakness in the UK sterling have helped push many international growth stocks on to ever higher multiples, whilst so-called value stocks languish at multi-year lows.

Earnings growth expectations for 2019 have fallen from 8% at the start of the year to less than 2% now, and we would not be surprised to see a similar pattern unfold for 2020, as the current earnings growth forecasts have appeared unrealistically high. The extent to which this is already priced into the market is open to debate, but we are confident there is scope for multiple expansion should progress be made on any of the major uncertainties hanging over the market.

Any concerns regarding the valuation of growth segments of the market and the earnings outlook have to be weighed against the clear attractions of equities when compared to the alternatives. With the 10-year UK government bonds yielding just 0.5% at September-end, the yield gap is supportive for equities, in our view.

How we measure performance.

We measure performance and price shares in the Fund in UK sterling.

We measure performance against the Fund's performance target, the FTSE All-Share Index, as it is widely available and reflects investments in the UK stock market.

The Fund's performance can also be compared against the Investment Association UK All Companies sector average, which reflects the performance of the Fund's competitors.

Ben Russon, CFA, Mark Hall & Colin Morton

Fund Managers

30 September 2019

Franklin UK Opportunities Fund

Comparative Table

	30 September 2019	31 March 2019	31 March 2018	31 March 2017
A – Income shares				
Change in net assets per share (p)				
Opening net asset value per share	365.90	357.90	367.88	334.95
Return before operating charges ¹	27.51	23.12	5.51	46.64
Operating charges ²	(6.01)	(5.91)	(6.04)	(5.70)
Return after operating charges ³	21.50	17.21	(0.53)	40.94
Distributions on income shares	(5.4332)	(9.2145)	(9.4538)	(8.0068)
Closing net asset value per share	381.97	365.90	357.90	367.88
After direct transaction costs of ⁴	0.08	0.33	0.53	0.96
Performance				
Return after charges ⁵	5.88%	4.81%	(0.14%)	12.22%
Other information				
Closing net asset value (£)	16,310,490	17,732,871	22,116,544	27,374,163
Closing number of shares	4,270,130	4,846,429	6,179,572	7,441,040
Ongoing charges ratio ⁶	1.60%	1.60%	1.60%	1.60%
Direct transaction costs ⁴	0.02%	0.09%	0.14%	0.27%
Prices (p)				
Highest share price	390.59	395.22	393.00	377.58
Lowest share price	362.53	331.01	353.42	325.83
W – Income shares				
Change in net assets per share (p)				
Opening net asset value per share	113.92	111.41	114.54	104.26
Return before operating charges ¹	7.97	7.23	1.71	14.48
Operating charges ²	(0.65)	(0.63)	(0.65)	(0.61)
Return after operating charges ³	7.32	6.60	1.06	13.87
Distributions on income shares	(2.3110)	(4.0856)	(4.1902)	(3.5901)
Closing net asset value per share	118.93	113.92	111.41	114.54
After direct transaction costs of ⁴	0.02	0.10	0.16	0.30
Performance				
Return after charges ⁵	6.43%	5.92%	0.93%	13.30%
Other information				
Closing net asset value (£)	22,753,904	25,796,067	32,943,867	26,104,605
Closing number of shares	19,131,588	22,644,990	29,570,777	22,790,177
Ongoing charges ratio ⁶	0.55%	0.55%	0.55%	0.55%
Direct transaction costs ⁴	0.02%	0.09%	0.14%	0.27%
Prices (p)				
Highest share price	122.02	123.21	122.71	117.57
Lowest share price	113.07	103.29	110.59	101.58

Franklin UK Opportunities Fund

Comparative Table (continued)

	30 September 2019	31 March 2019	31 March 2018	31 March 2017
W – Accumulation shares				
Change in net assets per share (p)				
Opening net asset value per share	185.26	174.95	173.49	153.05
Return before operating charges ¹	12.97	11.32	2.45	21.36
Operating charges ²	(1.05)	(1.01)	(0.99)	(0.92)
Return after operating charges ³	11.92	10.31	1.46	20.44
Closing net asset value per share	197.18	185.26	174.95	173.49
Distributions	(3.7592)	(6.4713)	(6.3930)	(5.3151)
Retained distributions on accumulation shares	3.7592	6.4713	6.3930	5.3151
After direct transaction costs of ⁴	0.04	0.16	0.25	0.45
Performance				
Return after charges ⁵	6.43%	5.89%	0.84%	13.36%
Other information				
Closing net asset value (£)	11,351,992	10,916,224	17,851,302	37,408,929
Closing number of shares	5,757,048	5,892,284	10,203,385	21,562,996
Ongoing charges ratio ⁶	0.55%	0.55%	0.55%	0.55%
Direct transaction costs ⁴	0.02%	0.09%	0.14%	0.27%
Prices (p)				
Highest share price	198.46	193.48	190.02	175.77
Lowest share price	183.90	165.23	171.25	149.12
Z – Accumulation shares				
Change in net assets per share (p)				
Opening net asset value per share	181.25	172.03	171.45	151.90
Return before operating charges ¹	13.14	11.10	2.45	21.28
Operating charges ²	(1.96)	(1.88)	(1.87)	(1.73)
Return after operating charges ³	11.18	9.22	0.58	19.55
Closing net asset value per share	192.43	181.25	172.03	171.45
Distributions	(3.2073)	(5.4505)	(5.4193)	(4.5582)
Retained distributions on accumulation shares	3.2073	5.4505	5.4193	4.5582
After direct transaction costs of ⁴	0.04	0.16	0.25	0.44
Performance				
Return after charges ⁵	6.17%	5.36%	0.34%	12.87%
Other information				
Closing net asset value (£)	1,522,006	1,484,589	439,605	454,690
Closing number of shares	790,936	819,085	255,536	265,210
Ongoing charges ratio ⁶	1.05%	1.05%	1.05%	1.05%
Direct transaction costs ⁴	0.02%	0.09%	0.14%	0.27%
Prices (p)				
Highest share price	193.83	190.12	187.06	174.13
Lowest share price	179.75	161.86	168.41	147.93

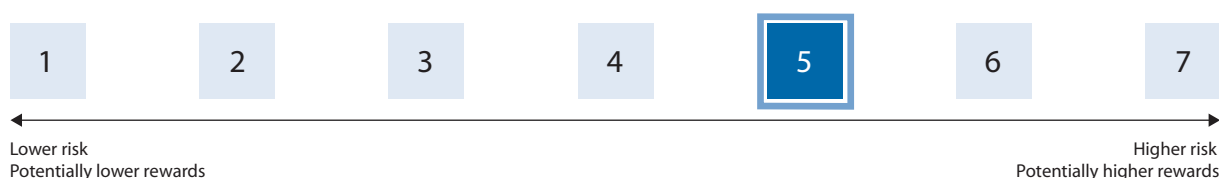
Franklin UK Opportunities Fund

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.

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 2019

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
EQUITIES 98.89% (99.10%)			
AEROSPACE & DEFENCE 1.22% (0.00%)			
100,000	Meggitt PLC	635	1.22
AUTOMOBILES & PARTS 0.96% (0.98%)			
260,000	TI Fluid Systems PLC, Reg S	500	0.96
BEVERAGES 3.91% (3.53%)			
61,000	Diageo PLC	2,033	3.91
CONSTRUCTION & MATERIALS 1.54% (1.59%)			
340,000	Ibstock PLC, Reg S	802	1.54
ELECTRICITY 1.82% (1.87%)			
76,000	SSE PLC	947	1.82
FINANCIAL SERVICES 3.79% (3.84%)			
263,000	Brewin Dolphin Holdings PLC	833	1.61
78,000	Intermediate Capital Group PLC	1,134	2.18
		1,967	3.79
FOOD & DRUG RETAILERS 1.58% (0.00%)			
340,000	Tesco PLC	820	1.58
FOOD PRODUCERS 3.95% (3.60%)			
52,000	Associated British Foods PLC	1,197	2.30
29,000	Cranswick PLC	855	1.65
		2,052	3.95
GAS, WATER & MULTI-UTILITIES 2.55% (2.80%)			
150,000	National Grid PLC	1,323	2.55
GENERAL INDUSTRIALS 2.03% (2.20%)			
292,000	DS Smith PLC	1,052	2.03
GENERAL RETAILERS 1.43% (1.59%)			
12,000	Next PLC	742	1.43
HEALTH CARE EQUIPMENT & SERVICES 3.02% (3.02%)			
80,000	Smith & Nephew PLC	1,567	3.02
HOUSEHOLD GOODS & HOME CONSTRUCTION 4.34% (4.37%)			
77,000	Bovis Homes Group PLC	858	1.65
22,000	Reckitt Benckiser Group PLC	1,395	2.69
		2,253	4.34
INDUSTRIAL ENGINEERING 4.07% (4.40%)			
100,000	Bodycote PLC	716	1.38
55,000	Vitec Group PLC	682	1.32
50,000	Weir Group PLC	713	1.37
		2,111	4.07
LIFE INSURANCE 6.06% (6.58%)			
137,000	Phoenix Group Holdings PLC	947	1.82
90,000	Prudential PLC	1,327	2.56
89,000	St. James's Place Capital PLC	872	1.68
		3,146	6.06
MEDIA 5.71% (5.08%)			
200,000	Entertainment One Ltd.	1,131	2.18
95,000	RELX PLC	1,836	3.53
		2,967	5.71

Franklin UK Opportunities Fund

Portfolio Statement as at 30 September 2019 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	MINING 4.02% (4.33%)		
55,000	BHP Group PLC	953	1.83
27,000	Rio Tinto PLC	1,136	2.19
		2,089	4.02
	MOBILE TELECOMMUNICATIONS 2.07% (2.17%)		
665,000	Vodafone Group PLC	1,077	2.07
	OIL & GAS PRODUCERS 9.82% (10.00%)		
490,000	BP PLC	2,526	4.86
108,000	Royal Dutch Shell PLC, A	2,575	4.96
		5,101	9.82
	PERSONAL GOODS 3.58% (3.38%)		
38,000	Unilever PLC	1,858	3.58
	PHARMACEUTICALS & BIOTECHNOLOGY 9.18% (7.89%)		
32,000	AstraZeneca PLC	2,323	4.48
140,000	GlaxoSmithKline PLC	2,442	4.70
		4,765	9.18
	REAL ESTATE INVESTMENT & SERVICES 1.93% (1.87%)		
92,000	Unite Group PLC§	1,004	1.93
	REAL ESTATE INVESTMENT TRUSTS 1.98% (2.33%)		
120,000	Land Securities Group PLC§	1,028	1.98
	SOFTWARE & COMPUTER SERVICES 1.78% (2.55%)		
134,000	The Sage Group PLC	926	1.78
	SUPPORT SERVICES 6.54% (8.71%)		
58,000	Bunzl PLC	1,232	2.37
370,000	Equiniti Group PLC, Reg S	801	1.54
23,000	Ferguson PLC	1,366	2.63
		3,399	6.54
	TOBACCO 5.25% (6.42%)		
62,000	British American Tobacco PLC	1,865	3.59
47,000	Imperial Brands PLC	859	1.66
		2,724	5.25
	TRAVEL & LEISURE 4.76% (4.00%)		
78,000	Compass Group PLC	1,632	3.14
113,000	GVC Holdings PLC	840	1.62
		2,472	4.76
	TOTAL - EQUITIES	51,360	98.89
	TOTAL VALUE OF INVESTMENTS	51,360	98.89
	OTHER ASSETS	578	1.11
	TOTAL NET ASSETS	51,938	100.00

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2019.

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 2019 to 30 September 2019

	September 2019 £000	September 2019 £000	September 2018 £000	September 2018 £000
Income				
Net capital gains/(losses)		2,262		4,398
Revenue	1,240		1,568	
Expenses	(244)		(324)	
Net revenue before taxation	996		1,244	
Taxation	(12)		(15)	
Net revenue after taxation		984		1,229
Total return before distributions for the period		3,246		5,627
Distributions		(984)		(1,229)
Change in net assets attributable to shareholders		2,262		4,398

Statement of Change in Net Assets Attributable to Shareholders

For the period 1 April 2019 to 30 September 2019

	September 2019 £000	September 2019 £000	September 2018 £000	September 2018 £000
Opening net assets attributable to shareholders		55,930		73,351
Amounts received on creation of shares	1,589		2,023	
Amounts paid on cancellation of shares	(8,085)		(13,639)	
		(6,496)		(11,616)
Unclaimed Distributions		-		1
Change in net assets attributable to shareholders from investment activities (see above)		2,262		4,398
Retained distribution on accumulation shares		242		366
Closing net assets attributable to shareholders		51,938		66,500

Balance Sheet

As at 30 September 2019

	September 2019 £000	March 2019 £000
Assets		
Fixed assets		
Investments	51,360	55,426
Current assets		
Debtors	125	344
Cash and bank balances	1,266	926
Total assets	52,751	56,696
Liabilities		
Creditors		
Distribution payable	(674)	(634)
Other creditors	(139)	(132)
Total liabilities	(813)	(766)
Net assets attributable to shareholders	51,938	55,930

Franklin UK Opportunities Fund

Distribution Statement

For the period 1 April 2019 to 30 September 2019

Group 1 – Shares purchased prior to 1 April 2019

Group 2 – Shares purchased in the period 1 April 2019 to 30 September 2019

	Net Income p	Equalisation p	30 September 2019 Pence per Share p	30 September 2018 Pence per Share p
A – Income Shares				
Group 1	5.4332	-	5.4332	4.9980
Group 2	2.6271	2.8061	5.4332	4.9980
W – Income Shares				
Group 1	2.3110	-	2.3110	2.1905
Group 2	1.7444	0.5666	2.3110	2.1905
W – Accumulation Shares				
Group 1	3.7592	-	3.7592	3.4401
Group 2	0.8792	2.8800	3.7592	3.4401
Z – Accumulation Shares				
Group 1	3.2073	-	3.2073	2.9142
Group 2	1.2600	1.9473	3.2073	2.9142

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

On 31 July 2019, we amended the investment objective and policy for the Fund to improve their clarity for investors. The revised investment objective and policy can be found in the current prospectus, available on our website.

Performance

For the six-month period ended 30 September 2019, Franklin UK Rising Dividends Fund recorded a return of 6.21%* (W(acc) share class, compared with the benchmark FTSE All-Share Index, which returned 4.57% (both returns in UK sterling).

Overview

The period ended with the FTSE All-Share Index having delivered a respectable positive return for the six months under review. It has, however, felt like a real struggle, with the market unable to put together a sustained run of positive months albeit without the extreme volatility that characterised the previous six months.

A positive start in April proved short lived as the unhealthy cocktail of trade concerns, Brexit uncertainties and weak economic data conspired to reverse the market trend through May. Then, as summer arrived the market mood turned more positive once again after the US Federal Reserve ("Fed") cut interest rates and optimism grew that the economic data could be bottoming out.

The end of July, however, saw the high point for the six months as the UK equity market headed sharply lower in August before enjoying a partial recovery into period-end. It has been a real tug of war over the past six months, in our view, with the market support from lower bond yields and a lower currency just about winning out over the weaker economic data and the political uncertainties.

The UK currency fell around 5% on a trade-weighted basis over the six months, whilst the 10-year US Treasury note's yield fell from 2.41% to 1.67% at period-end. Global growth forecasts for 2019 have been falling steadily over the past 12 months from about 4.0% to nearer 3% as a broad-based slowdown takes hold.

The overall performance of the UK economy thus far in 2019 has been understandably weak, given the failure to resolve the Brexit dilemma as at this writing. The resilience of the UK consumer has helped to soften the blow, but the consensus gross domestic product growth forecast has moved from 1.5% in January to 1.2% in September.

Globally the US and eurozone economies have experienced a marked slowdown in recent months despite a relatively robust start to 2019, whilst emerging economies have seen their projected growth rates continue to ebb. China remains in the firing line on global trade, and domestic stimulus measures appear to have had limited benefit.

In terms of the market internals, the dominant features of the period were the weakness in several of the major sector groups. Oil and mining were both weak, reflecting global growth woes despite a very brief spike in the oil price in September as Saudi oil facilities came under attack. Banks were also significantly lower as they are a clear loser from lower interest rates, and tobacco lost out from continued regulatory attention. On the positive side, pharmaceuticals were a strong index contributor.

From a market capitalisation perspective, we saw very different outcomes for small- and mid-cap stocks relative to their larger counterparts. The FTSE 250 (ex-Investment Trusts) Index of mid-cap equities was up 6.5%, comfortably outpacing the FTSE 100 (up 4.4%), but the FTSE SmallCap (ex-Investment Trusts) Index was 0.3% lower over the period, reflecting risk aversion and a greater UK exposure at a time of heightened uncertainty.

Significant Changes

The most significant stock purchases during the period included insurer Phoenix Group Holdings, luxury goods brand Burberry Group, events and publishing firm Informa, information services firm Euromoney Institutional Investor, and wholesale distributor Bunzl. Amongst the new positions in the Fund were Burberry and Euromoney Institutional Investor. As well as consistently screening through as a rising dividend stock, Burberry has a strong brand and robust net-cash balance sheet, combined with sector-leading profitability. We are confident that it should be able to compound returns over the longer term as it benefits from growth in emerging markets and from new company initiatives. Euromoney Institutional Investor operates across growing end markets in its price reporting division and holds a leading position in several products. Further to this, the company has a strong dividend track record and has recently announced the sale of its asset management research division, which will allow management to focus on the more attractive price reporting segment of the business.

The largest stock sales included pub chain Greene King, professional services firm RPS Group, consumer goods company Unilever and speciality chemicals company Johnson Matthey. We exited positions in Greene King and RPS Group during the period. The disposal in RPS Group came after a significant profit warning. Meanwhile, we took some profits in consumer goods company Unilever as a matter of prudence as the shares have been strong recently due to tailwinds from a weaker UK sterling.

Positive/Negative Contributors

At the sector level, a lack of exposure to the basic resources sector and an underweight in oil and gas contributed to relative performance, particularly not holding miner Glencore or oil company BP. Stock selection in the travel and leisure sector was also positive for relative performance. On the downside, security selection in the industrial goods and services sector, a lack of exposure to construction and materials and an underweight in financials detracted from relative results.

In terms of securities held, luxury goods brand Burberry Group was sharply higher over the review period, after first-quarter sales beat consensus expectations, driven by the popularity of a revamped product range. Gaming company Flutter Entertainment had a strong six months as its first-half earnings release was upbeat on strength in its US and Australian operations. Information and analytics firm RELX also contributed as global companies received a benefit from the weaker UK currency. Specialist insurer Beazley was strong on an improving pricing environment and a better growth outlook. Elsewhere, medical device company Smith & Nephew continued its impressive run, with the shares advancing strongly, as it attracted more positive commentary from analysts following upbeat financial results.

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

Franklin UK Rising Dividends Fund

Investment Review (continued)

Positive/Negative Contributors (continued)

Tobacco company Imperial Brands was weak amidst growing concerns about weakness in its next-generation vaping products and the potential for increased regulation around vaping and e-cigarettes. Consulting firm RPS Group detracted following a significant profit warning. Wholesale distributor Bunzl detracted as results in recent quarters have shown some slowing in its key North American markets. However, we believe this should be short-lived. Other detractors included Bodycote, a metallurgical coatings business, as concerns about weakness in the automotive market persisted. Merchant bank Close Brothers also curbed relative performance amidst a more challenging market environment.

Outlook

The opening weeks of the second half of 2019 saw market sentiment take a turn for the worse once again. Recent economic data releases have disappointed, and the perception is that the risk of a global recession has increased.

In the United Kingdom, the impact of the Brexit impasse on the economy is becoming increasingly evident, and the political risks remain elevated, with a real chance that the rupturing of the ruling Conservative party leads to a change of government. As at this writing, we continue to believe that a new administration with a vastly different policy agenda, and not Brexit per se, is the real risk faced by UK equity investors.

The increasing concerns regarding the growth outlook have prompted further responses from policymakers around the world. In September, we had a second interest-rate cut by the Fed and a package of measures from the European Central Bank, whilst China and Japan sent clear signals that they are ready to take additional steps to stimulate domestic demand.

The Bank of England is understandably on hold, awaiting the resolution of the Brexit discussions. We hesitate to say we will have a resolution soon, as the can has been kicked down the road on so many earlier occasions and a further extension followed by a general election appeared perhaps the most likely outcome as at the end of the reporting period.

The immediate outlook for the UK economy is for modest growth, in our view, with support from real wage growth and a marked increase in government spending offsetting the decline in investment spending and falling industrial production.

There is a growing international chorus for a fiscal response (as per the United Kingdom and China) to the developing global slowdown as the limits of monetary policy are becoming ever more apparent. How forthcoming this fiscal stimulus will be is open to question, as the United States potentially becomes embroiled in the impeachment process whilst in the eurozone all eyes will be on Germany.

From an equity market perspective, the environment for stock selection has certainly not become any easier over the past six months. We believe it remains a thankless task trying to forecast if and when the United Kingdom ever leaves the European Union, never mind how it leaves. Throw in the potential for a change of government, and the picture is even more complicated.

At period-end, the UK equity market traded on a forward price-to-earnings multiple of less than 13 times forecast 2020 earnings with a prospective dividend yield of 4.8%. This valuation appears, at first glance, modest, but the market is heavily bifurcated. Lower bond yields and weakness in the UK sterling have helped push many international growth stocks on to ever higher multiples, whilst so-called value stocks languish at multi-year lows.

Earnings growth expectations for 2019 have fallen from 8% at the start of the year to less than 2% now, and we would not be surprised to see a similar pattern unfold for 2020, as the current earnings growth forecasts have appeared unrealistically high. The extent to which this is already priced into the market is open to debate, but we are confident there is scope for multiple expansion should progress be made on any of the major uncertainties hanging over the market.

Any concerns regarding the valuation of growth segments of the market and the earnings outlook have to be weighed against the clear attractions of equities when compared to the alternatives. With the 10-year UK government bonds yielding just 0.5% at September-end, the yield gap is supportive for equities, in our view.

How we measure performance.

We measure performance and price shares in the Fund in UK sterling.

- We measure performance against the Fund's performance target, the FTSE All-Share Index, as it is widely available and reflects investments in the UK stock market.
- The Fund's performance can also be compared against the Investment Association UK All Companies sector average, which reflects the performance of the Fund's competitors.

Colin Morton, Ben Russon, CFA & Mark Hall

Fund Managers

30 September 2019

Franklin UK Rising Dividends Fund

Comparative Table

	30 September 2019	31 March 2019	31 March 2018	31 March 2017
A – Income shares				
Change in net assets per share (p)				
Opening net asset value per share	507.13	492.61	515.92	450.65
Return before operating charges ¹	35.71	41.36	3.34	89.15
Operating charges ²	(8.27)	(8.12)	(8.36)	(7.72)
Return after operating charges ³	27.44	33.24	(5.02)	81.43
Distributions on income shares	(10.7136)	(18.7208)	(18.2946)	(16.1594)
Closing net asset value per share	523.86	507.13	492.61	515.92
After direct transaction costs of ⁴	0.47	1.22	1.62	3.09
Performance				
Return after charges ⁵	5.41%	6.75%	(0.97%)	18.07%
Other information				
Closing net asset value (£)	5,202,199	6,065,192	8,952,785	11,142,133
Closing number of shares	993,049	1,195,989	1,817,427	2,159,673
Ongoing charges ratio ⁶	1.60%	1.60%	1.60%	1.60%
Direct transaction costs ⁴	0.09%	0.24%	0.31%	0.64%
Prices (p)				
Highest share price	531.13	538.07	546.78	523.50
Lowest share price	499.39	463.07	487.98	434.84
W – Income shares				
Change in net assets per share (p)				
Opening net asset value per share	115.54	111.06	115.09	99.56
Return before operating charges ¹	7.54	9.35	0.71	19.71
Operating charges ²	(0.65)	(0.63)	(0.64)	(0.60)
Return after operating charges ³	6.89	8.72	0.07	19.11
Distributions on income shares	(2.4476)	(4.2433)	(4.1005)	(3.5837)
Closing net asset value per share	119.98	115.54	111.06	115.09
After direct transaction costs of ⁴	0.11	0.28	0.36	0.70
Performance				
Return after charges ⁵	5.96%	7.85%	0.06%	19.19%
Other information				
Closing net asset value (£)	42,558,818	38,476,678	29,091,121	27,184,317
Closing number of shares	35,471,242	33,302,094	26,194,963	23,619,487
Ongoing charges ratio ⁶	0.55%	0.55%	0.55%	0.55%
Direct transaction costs ⁴	0.09%	0.24%	0.31%	0.64%
Prices (p)				
Highest share price	121.43	121.52	122.20	116.74
Lowest share price	114.22	105.21	109.98	96.21

Franklin UK Rising Dividends Fund

Comparative Table (continued)

	30 September 2019	31 March 2019	31 March 2018	31 March 2017
W – Accumulation shares				
Change in net assets per share (p)				
Opening net asset value per share	204.90	189.81	189.90	158.93
Return before operating charges ¹	13.46	16.19	0.99	31.94
Operating charges ²	(1.16)	(1.10)	(1.08)	(0.97)
Return after operating charges ³	12.30	15.09	(0.09)	30.97
Closing net asset value per share	217.20	204.90	189.81	189.90
Distributions	(4.3632)	(7.3519)	(6.8534)	(5.7965)
Retained distributions on accumulation shares	4.3632	7.3519	6.8534	5.7965
After direct transaction costs of ⁴	0.19	0.48	0.61	1.13
Performance				
Return after charges ⁵	6.00%	7.95%	(0.05%)	19.49%
Other information				
Closing net asset value (£)	46,414,915	40,243,122	30,057,479	16,512,999
Closing number of shares	21,369,801	19,640,238	15,835,856	8,695,522
Ongoing charges ratio ⁶	0.55%	0.55%	0.55%	0.55%
Direct transaction costs ⁴	0.09%	0.24%	0.31%	0.64%
Prices (p)				
Highest share price	217.76	208.75	204.16	191.02
Lowest share price	203.56	183.35	186.46	153.58
Z – Income shares				
Change in net assets per share (p)				
Opening net asset value per share	113.62	109.77	114.33	99.35
Return before operating charges ¹	7.69	9.22	0.72	19.72
Operating charges ²	(1.22)	(1.19)	(1.22)	(1.15)
Return after operating charges ³	6.47	8.03	(0.50)	18.57
Distributions on income shares	(2.4042)	(4.1840)	(4.0641)	(3.5912)
Closing net asset value per share	117.69	113.62	109.77	114.33
After direct transaction costs of ⁴	0.10	0.27	0.36	0.70
Performance				
Return after charges ⁵	5.69%	7.32%	(0.44%)	18.69%
Other information				
Closing net asset value (£)	2,965,290	2,900,999	267,082	223,228
Closing number of shares	2,519,570	2,553,308	243,317	195,249
Ongoing charges ratio ⁶	1.05%	1.05%	1.05%	1.05%
Direct transaction costs ⁴	0.09%	0.24%	0.31%	0.64%
Prices (p)				
Highest share price	119.21	119.99	121.28	115.99
Lowest share price	112.11	103.61	108.72	95.97

Franklin UK Rising Dividends Fund

Comparative Table (continued)

Z – Accumulation shares	30 September 2019	31 March 2019	31 March 2018	31 March 2017
Change in net assets per share (p)				
Opening net asset value per share	200.47	186.63	187.66	157.72
Return before operating charges ¹	13.66	15.89	1.00	31.75
Operating charges ²	(2.16)	(2.05)	(2.03)	(1.81)
Return after operating charges ³	11.50	13.84	(1.03)	29.94
Closing net asset value per share	211.97	200.47	186.63	187.66
Distributions	(4.2637)	(7.2115)	(6.7567)	(5.7355)
Retained distributions on accumulation shares	4.2637	7.2115	6.7567	5.7355
After direct transaction costs of ⁴	0.19	0.47	0.60	1.10
Performance				
Return after charges ⁵	5.74%	7.42%	(0.55%)	18.98%
Other information				
Closing net asset value (£)	280,097	314,329	296,605	274,125
Closing number of shares	132,142	156,799	158,928	146,077
Ongoing charges ratio ⁶	1.05%	1.05%	1.05%	1.05%
Direct transaction costs ⁴	0.09%	0.24%	0.31%	0.64%
Prices (p)				
Highest share price	212.70	204.89	200.97	188.79
Lowest share price	198.98	179.61	183.36	152.35

- 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 2019

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
EQUITIES 97.64% (96.32%)			
AEROSPACE & DEFENCE 1.96% (2.14%)			
335,000	BAE Systems PLC	1,909	1.96
BANKS 2.46% (2.40%)			
170,000	Close Brothers Group PLC	2,394	2.46
BEVERAGES 6.50% (6.91%)			
220,000	Britvic PLC	2,162	2.22
125,000	Diageo PLC	4,166	4.28
		6,328	6.50
CHEMICALS 4.06% (4.03%)			
63,000	Johnson Matthey PLC	1,925	1.98
94,000	Victrex PLC	2,029	2.08
		3,954	4.06
ELECTRICITY 1.41% (1.42%)			
110,000	SSE PLC	1,370	1.41
ELECTRONIC & ELECTRICAL EQUIPMENT 2.06% (2.05%)			
82,000	Spectris PLC	2,004	2.06
FINANCIAL SERVICES 7.40% (6.88%)			
600,000	Brewin Dolphin Holdings PLC	1,901	1.95
290,000	IG Group Holdings PLC	1,748	1.80
69,000	Rathbone Brothers PLC	1,532	1.57
66,000	Schroders PLC	2,029	2.08
		7,210	7.40
FOOD PRODUCERS 4.46% (4.14%)			
96,000	Associated British Foods PLC	2,210	2.27
72,500	Cranswick PLC	2,136	2.19
		4,346	4.46
GAS, WATER & MULTI-UTILITIES 2.92% (2.80%)			
158,000	National Grid PLC	1,393	1.43
176,000	Pennon Group PLC	1,456	1.49
		2,849	2.92
GENERAL RETAILERS 1.97% (1.90%)			
31,000	Next PLC	1,918	1.97
HEALTH CARE EQUIPMENT & SERVICES 2.01% (1.73%)			
100,000	Smith & Nephew PLC	1,959	2.01
HOUSEHOLD GOODS & HOME CONSTRUCTION 3.03% (2.97%)			
46,500	Reckitt Benckiser Group PLC	2,949	3.03
INDUSTRIAL ENGINEERING 5.48% (5.97%)			
270,000	Bodycote PLC	1,934	1.99
187,000	IMI PLC	1,796	1.84
130,000	Vitec Group PLC	1,612	1.65
		5,342	5.48
INDUSTRIAL TRANSPORTATION 1.61% (1.57%)			
64,000	Clarkson PLC	1,568	1.61
LIFE INSURANCE 7.24% (5.45%)			
297,000	Phoenix Group Holdings PLC	2,053	2.11
175,000	Prudential PLC	2,581	2.65
247,000	St. James's Place Capital PLC	2,419	2.48
		7,053	7.24

Franklin UK Rising Dividends Fund

Portfolio Statement as at 30 September 2019 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	MEDIA 8.46% (5.28%)		
700,000	Bloomsbury Publishing PLC	1,680	1.72
100,000	Euromoney Institutional Investor PLC	1,478	1.52
205,000	Informa PLC	1,745	1.79
173,000	RELX PLC	3,342	3.43
		8,245	8.46
	NONLIFE INSURANCE 2.20% (2.02%)		
345,000	Beazley PLC	2,146	2.20
	OIL & GAS PRODUCERS 4.87% (4.93%)		
199,000	Royal Dutch Shell PLC, A	4,744	4.87
	PERSONAL GOODS 5.80% (4.89%)		
69,000	Burberry Group PLC	1,499	1.54
85,000	Unilever PLC	4,156	4.26
		5,655	5.80
	PHARMACEUTICALS & BIOTECHNOLOGY 6.85% (6.67%)		
45,500	AstraZeneca PLC	3,303	3.39
193,000	GlaxoSmithKline PLC	3,367	3.46
		6,670	6.85
	SOFTWARE & COMPUTER SERVICES 1.84% (2.07%)		
260,000	The Sage Group PLC	1,797	1.84
	SUPPORT SERVICES 3.74% (5.26%)		
105,000	Bunzl PLC	2,230	2.29
85,000	Diploma PLC	1,411	1.45
		3,641	3.74
	TOBACCO 4.80% (6.69%)		
85,000	British American Tobacco PLC	2,556	2.62
116,000	Imperial Brands PLC	2,121	2.18
		4,677	4.80
	TRAVEL & LEISURE 4.51% (6.15%)		
137,000	Compass Group PLC	2,867	2.95
20,000	Flutter Entertainment PLC	1,522	1.56
		4,389	4.51
	TOTAL - EQUITIES	95,117	97.64
	TOTAL VALUE OF INVESTMENTS	95,117	97.64
	OTHER ASSETS	2,304	2.36
	TOTAL NET ASSETS	97,421	100.00

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2019.

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 2019 to 30 September 2019

	September 2019 £000	September 2019 £000	September 2018 £000	September 2018 £000
Income				
Net capital gains/(losses)		3,682		3,357
Revenue	1,969		1,614	
Expenses	(291)		(271)	
Net revenue before taxation	1,678		1,343	
Taxation	(14)		(12)	
Net revenue after taxation		1,664		1,331
Total return before distributions for the period		5,346		4,688
Distributions		(1,912)		(1,564)
Change in net assets attributable to shareholders		3,434		3,124

Statement of Change in Net Assets Attributable to Shareholders

For the period 1 April 2019 to 30 September 2019

	September 2019 £000	September 2019 £000	September 2018 £000	September 2018 £000
Opening net assets attributable to shareholders		88,000		68,665
Amounts received on creation of shares	14,400		22,805	
Amounts paid on cancellation of shares	(9,324)		(8,377)	
		5,076		14,428
Unclaimed Distributions		1		1
Change in net assets attributable to shareholders from investment activities (see above)		3,434		3,124
Retained distribution on accumulation shares		910		699
Closing net assets attributable to shareholders		97,421		86,917

Balance Sheet

As at 30 September 2019

	September 2019 £000	March 2019 £000
Assets		
Fixed assets		
Investments	95,117	84,762
Current assets		
Debtors	537	1,041
Cash and bank balances	2,501	3,092
Total assets	98,155	88,895
Liabilities		
Creditors		
Distribution payable	(478)	(436)
Other creditors	(256)	(459)
Total liabilities	(734)	(895)
Net assets attributable to shareholders	97,421	88,000

Franklin UK Rising Dividends Fund

Distribution Statement

For the period 1 April 2019 to 30 June 2019

Group 1 – Shares purchased prior to 1 April 2019

Group 2 – Shares purchased in the period 1 April 2019 to 30 June 2019

	Net Income p	Equalisation p	30 June 2019 Pence per Share p	30 June 2018 Pence per Share p
A – Income Shares				
Group 1	5.7709	-	5.7709	5.2901
Group 2	2.7799	2.9910	5.7709	5.2901
W – Income Shares				
Group 1	1.3162	-	1.3162	1.1937
Group 2	0.6048	0.7114	1.3162	1.1937
W – Accumulation Shares				
Group 1	2.3342	-	2.3342	2.0403
Group 2	1.0135	1.3207	2.3342	2.0403
Z – Income Shares				
Group 1	1.2936	-	1.2936	1.1793
Group 2	0.1785	1.1151	1.2936	1.1793
Z – Accumulation Shares				
Group 1	2.2825	-	2.2825	2.0050
Group 2	1.8559	0.4266	2.2825	2.0050

For the period 1 July 2019 to 30 September 2019

Group 1 – Shares purchased prior to 1 July 2019

Group 2 – Shares purchased in the period 1 July 2019 to 30 September 2019

	Net Income p	Equalisation p	30 September 2019 Pence per Share p	30 September 2019 Pence per Share p
A – Income Shares				
Group 1	4.9427	-	4.9427	4.8553
Group 2	0.9270	4.0157	4.9427	4.8553
W – Income Shares				
Group 1	1.1314	-	1.1314	1.0990
Group 2	0.6761	0.4553	1.1314	1.0990
W – Accumulation Shares				
Group 1	2.0290	-	2.0290	1.8971
Group 2	1.1188	0.9102	2.0290	1.8971
Z – Income Shares				
Group 1	1.1106	-	1.1106	1.0842
Group 2	0.2185	0.8921	1.1106	1.0842
Z – Accumulation Shares				
Group 1	1.9812	-	1.9812	1.8621
Group 2	0.6774	1.3038	1.9812	1.8621

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

On 31 July 2019, we amended the investment objective and policy for the Fund to improve their clarity for investors. The revised investment objective and policy can be found in the current prospectus, available on our website.

Performance

For the six-month period ended 30 September 2019, Franklin UK Smaller Companies Fund recorded a return of 5.64%*, (W (acc) share class), compared with the benchmark Numis Smaller Companies Index, which returned 1.61% (both returns in UK sterling).

Overview

The period ended with the benchmark Numis Smaller Companies Index having delivered a small positive return for the six months under review. The smaller end of the UK stock market has felt the full pressure of the macroeconomic and domestic concerns and underperformed both the FTSE 100 and FTSE 250 (ex-Investment Trusts) Index of mid-cap equities, which delivered gains of 4.4% and 6.5%, respectively. The FTSE SmallCap (ex-Investment Trusts) Index fared even worse, finishing 0.3% lower over the period and reflecting risk aversion and a greater UK exposure at a time of heightened uncertainty.

Overall, it has felt like a real struggle, with the market unable to put together a sustained run of positive months albeit without the extreme volatility that characterised the previous six months.

A positive start in April proved short lived as the unhealthy cocktail of trade concerns, Brexit uncertainties and weak economic data conspired to reverse the market trend through May. Then, as summer arrived the market mood turned more positive once again after the US Federal Reserve ("Fed") cut interest rates and optimism grew that the economic data could be bottoming out.

The end of July, however, saw the high point for the six months as the UK equity market headed sharply lower in August before enjoying a partial recovery into period-end. It has been a real tug of war over the past six months, in our view, with the market support from lower bond yields and a lower currency just about winning out over the weaker economic data and the political uncertainties.

The UK currency fell around 5% on a trade-weighted basis over the six months, whilst the 10-year US Treasury note's yield fell from 2.41% to 1.67% at period-end. Global growth forecasts for 2019 have been falling steadily over the past 12 months from about 4% to nearer 3% as a broad-based slowdown takes hold.

The overall performance of the UK economy thus far in 2019 has been understandably weak, given the failure to resolve the Brexit dilemma as at this writing. The resilience of the UK consumer has helped to soften the blow, but the consensus gross domestic product growth forecast has moved from 1.5% in January to 1.2% in September.

Globally the US and eurozone economies have experienced a marked slowdown in recent months despite a relatively robust start to 2019, whilst emerging economies have seen their projected growth rates continue to ebb. China remains in the firing line on global trade, and domestic stimulus measures appear to have had limited benefit.

In terms of the market internals, the dominant features of the period were strength with the travel and leisure, media and leisure goods industries, with weakness in general retail, chemicals, and software and computer services.

Significant Changes

During the six-month period, the top stock purchases included Smart Metering Systems, Watkin Jones, Codemasters Group, Spirent Communications and Entertainment One. Smart Metering Systems provides end-to-end services to energy companies by supplying, installing and maintaining a growing installed base of smart meters for domestic customers. We also added student accommodation and build-to-rent specialist Watkin Jones, as the business has an outstanding reputation in delivery on projects, has strong future visibility and has positioned itself well in two growth markets. Video games developer Codemasters, which specialises in car racing games, was added to the Fund as we are attracted to the structural growth in digital distribution, in-game purchasing and eSports.

The top stock sales during the period included Unite Group, Elementis and Eddie Stobart Logistics. We disposed of student accommodation provider Unite on valuation grounds, with the size of the company also an outlier within the Fund, enabling us to recycle the proceeds into a smaller company with a similar economic driver (e.g., Watkin Jones). Chemicals specialist Elementis was also sold, as we believed the global outlook for the sector was diminishing and the balance sheet was looking particularly stretched due to a recent acquisition. Logistics business Eddie Stobart Logistics was finally completely disposed of, after reducing the position throughout the start of the year, as we had concerns over the level of debt in the business and the poor cash flow characteristics. We added to our position in media company Entertainment One during a bout period of share price weakness and later took some profits after the company received a bid approach. We also reduced our position in pharmaceuticals company Clinigen Group.

Positive/Negative Contributors

At the sector level, stock selection and an overweight in industrial goods and services, along with security selection in technology and in food producers, supported relative returns. Conversely, stock selection and an underweight in travel and leisure and a lack of exposure to utilities curbed relative results.

Entertainment One, which owns the Peppa Pig brand, contributed to relative performance after a bid approach from a US toy company. Hasbro (not a Fund holding) announced a £3 billion bid for the company that was a 26% premium to the prevailing share price. Intellectual property support services RWS Holdings' stock price was higher following strong earnings reporting and modest profit forecast upgrades. Meanwhile, JTC, an investment management services group, saw its share price reverse losses incurred in the opening months of the year. Document management provider Restore reported a solid trading update accompanied by the announcement of a new finance director. Shares of Spirent Communications rose during the period, following a positive set of first-half results, as the company benefits from increased investment in 5G telecommunications technology.

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

Franklin UK Smaller Companies Fund

Investment Review (continued)

Positive/Negative Contributors (continued)

On the downside, pension consultancy group XPS Pensions curbed relative performance during the period, after analysts reduced their profit expectations for the company after a weak earnings report. Staffing and integration issues in its pension consultancy business restricted growth and increased central costs after acquiring the Punter Southall business led to earnings downgrades. The stock recovered some ground late in the reporting period. Shares of adhesive products manufacturer Scapa Group fell following news that a key customer within its health care division has decided to terminate a five-year supply agreement. Scapa refute this, and there is currently an ongoing court case to try and resolve the issue. Clipper Logistics detracted after the company announced a delay to its full-year figures because of an ongoing accounting clarification query with its auditors. The subsequent release of these figures confirmed profits from a particular contract will now be booked to 2020 numbers as opposed to 2019. Shares of Smart Metering Systems fell in September after releasing interim figures which in turn led to profit downgrades.

Outlook

The opening weeks of the second half of 2019 saw market sentiment take a turn for the worse once again. Recent economic data releases have disappointed, and the perception is that the risk of a global recession has increased.

In the United Kingdom, the impact of the Brexit impasse on the economy is becoming increasingly evident, and the political risks remain elevated, with a real chance that the rupturing of the ruling Conservative party leads to a change of government. As at this writing, we continue to believe that a new administration with a vastly different policy agenda, and not Brexit per se, is the real risk faced by UK equity investors.

The increasing concerns regarding the growth outlook have prompted further responses from policymakers around the world. In September, we had a second interest-rate cut by the Fed and a package of measures from the European Central Bank, whilst China and Japan sent clear signals that they are ready to take additional steps to stimulate domestic demand.

The Bank of England is understandably on hold, awaiting the resolution of the Brexit discussions. We hesitate to say we will have a resolution soon, as the can has been kicked down the road on so many earlier occasions and a further extension followed by a general election appeared perhaps the most likely outcome as at the end of the reporting period.

The immediate outlook for the UK economy is for modest growth, in our view, with support from real wage growth and a marked increase in government spending offsetting the decline in investment spending and falling industrial production.

There is a growing international chorus for a fiscal response (as per the United Kingdom and China) to the developing global slowdown as the limits of monetary policy are becoming ever more apparent. How forthcoming this fiscal stimulus will be is open to question, as the United States potentially becomes embroiled in the impeachment process whilst in the eurozone all eyes will be on Germany.

From an equity market perspective, the environment for stock selection has certainly not become any easier over the past six months. We believe it remains a thankless task trying to forecast if and when the United Kingdom ever leaves the European Union, never mind how it leaves. Throw in the potential for a change of government, and the picture is even more complicated.

These ongoing concerns and uncertainties are certainly taking its toll at the smaller end of the UK market. Poor liquidity and asset outflows have left valuations looking attractive to us when compared to both the wider UK market and the FTSE 250. At period-end, the FTSE SmallCap (ex-Investment Trusts) Index traded on a 12-month forward price-to-earnings multiple of less than 10 times earnings, which is a steep discount to the FTSE 100 (ex-resources and financials) Index.

Earnings growth expectations for 2019 have fallen from 8% at the start of the year to less than 2% now, and we would not be surprised to see a similar pattern unfold for 2020, as the current earnings growth forecasts have appeared unrealistically high. The extent to which this is already priced into the market is open to debate, but we are confident there is scope for multiple expansion should progress be made on any of the major uncertainties hanging over the market.

Any concerns regarding the valuation of growth segments of the market and the earnings outlook have to be weighed against the clear attractions of equities when compared to the alternatives. With the 10-year UK government bonds yielding just 0.5% at September-end, the yield gap is supportive for equities, in our view.

How we measure performance.

We measure performance and price shares in the Fund in UK sterling.

The Numis Smaller Companies ex- Investment Trusts Index is the Fund's performance target and constrains the Fund's investment universe. It reflects the performance of smaller companies.

We may also compare the performance of the Fund to the Investment Association UK Smaller Companies sector average as it reflects the performance of the Fund's competitors.

Paul Spencer, Richard Bullas, Mark Hall & Dan Green, CFA

Fund Managers

30 September 2019

Franklin UK Smaller Companies Fund

Comparative Table

A – Income shares	30 September 2019	31 March 2019	31 March 2018	31 March 2017
Change in net assets per share (p)				
Opening net asset value per share	1,055.31	1,146.65	970.87	901.37
Return before operating charges ¹	95.56	(67.06)	197.32	89.10
Operating charges ²	(17.50)	(18.25)	(17.58)	(14.14)
Return after operating charges ³	78.06	(85.31)	179.74	74.96
Distributions on income shares	(4.3293)	(6.0317)	(3.9625)	(5.4583)
Closing net asset value per share	1,129.04	1,055.31	1,146.65	970.87
After direct transaction costs of ⁴	0.22	1.62	0.78	1.07
Performance				
Return after charges ⁵	7.40%	(7.44%)	18.51%	8.32%
Other information				
Closing net asset value (£)	8,966,091	13,196,250	30,584,963	29,792,464
Closing number of shares	794,133	1,250,463	2,667,322	3,068,649
Ongoing charges ratio ⁶	1.58%	1.58%	1.58%	1.58%
Direct transaction costs ⁴	0.02%	0.14%	0.07%	0.12%
Prices (p)				
Highest share price	1,152.73	1,256.18	1,216.89	995.29
Lowest share price	1,055.31	985.41	970.87	753.570

W – Income shares	30 September 2019	31 March 2019	31 March 2018	31 March 2017
Change in net assets per share (p)				
Opening net asset value per share	116.63	126.76	107.31	99.59
Return before operating charges ¹	10.11	(7.48)	21.84	9.90
Operating charges ²	(1.02)	(1.04)	(1.03)	(0.83)
Return after operating charges ³	9.09	(8.52)	20.81	9.07
Distributions on income shares	(0.7095)	(1.6125)	(1.3628)	(1.3519)
Closing net asset value per share	125.01	116.63	126.76	107.31
After direct transaction costs of ⁴	0.02	0.17	0.09	0.12
Performance				
Return after charges ⁵	7.79%	(6.72%)	19.39%	9.11%
Other information				
Closing net asset value (£)	110,425,179	96,536,969	37,435,565	16,030,174
Closing number of shares	88,330,202	82,771,843	29,531,718	14,937,678
Ongoing charges ratio ⁶	0.83%	0.83%	0.83%	0.83%
Direct transaction costs ⁴	0.02%	0.14%	0.07%	0.12%
Prices (p)				
Highest share price	127.52	139.08	135.05	110.56
Lowest share price	116.63	109.33	107.31	83.42

Franklin UK Smaller Companies Fund

Comparative Table (continued)

W – Accumulation shares	30 September 2019	31 March 2019	31 March 2018	31 March 2017
Change in net assets per share (p)				
Opening net asset value per share	240.58	258.07	216.10	197.98
Return before operating charges ¹	20.88	(15.36)	44.04	19.77
Operating charges ²	(2.10)	(2.13)	(2.07)	(1.65)
Return after operating charges ³	18.78	(17.49)	41.97	18.12
Closing net asset value per share	259.36	240.58	258.07	216.10
Distributions	(1.4633)	(3.2859)	(2.7476)	(2.6910)
Retained distributions on accumulation shares	1.4633	3.2859	2.7476	2.6910
After direct transaction costs of ⁴	0.05	0.36	0.17	0.24
Performance				
Return after charges ⁵	7.81%	(6.78%)	19.42%	9.15%
Other information				
Closing net asset value (£)	177,312,365	186,355,313	235,623,092	205,751,242
Closing number of shares	68,365,115	77,461,117	91,303,686	95,210,824
Ongoing charges ratio ⁶	0.83%	0.83%	0.83%	0.83%
Direct transaction costs ⁴	0.02%	0.14%	0.07%	0.12%
Prices (p)				
Highest share price	263.05	283.15	273.08	220.85
Lowest share price	240.58	223.62	216.10	165.84

Z – Accumulation shares	30 September 2019	31 March 2019	31 March 2018	31 March 2017
Change in net assets per share (p)				
Opening net asset value per share	237.30	255.06	214.01	196.45
Return before operating charges ¹	20.84	(15.15)	43.59	19.58
Operating charges ²	(2.57)	(2.61)	(2.54)	(2.02)
Return after operating charges ³	18.27	(17.76)	41.05	17.56
Closing net asset value per share	255.57	237.30	255.06	214.01
Distributions	(1.3180)	(2.7393)	(2.2253)	(2.2746)
Retained distributions on accumulation shares	1.3180	2.7393	2.2253	2.2746
After direct transaction costs of ⁴	0.05	0.35	0.17	0.24
Performance				
Return after charges ⁵	7.70%	(6.96%)	19.18%	8.94%
Other information				
Closing net asset value (£)	5,120,468	4,911,261	2,228,952	2,278,642
Closing number of shares	2,003,573	2,069,664	873,902	1,064,752
Ongoing charges ratio ⁶	1.03%	1.03%	1.03%	1.03%
Direct transaction costs ⁴	0.02%	0.14%	0.07%	0.12%
Prices (p)				
Highest share price	259.39	279.74	270.01	218.73
Lowest share price	237.30	220.68	214.01	164.47

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.

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 2019

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
EQUITIES 97.15% (94.66%)			
AEROSPACE & DEFENCE 3.55% (2.68%)			
387,000	Avon Rubber PLC	6,432	2.13
2,187,000	Chemring Group PLC	4,291	1.42
		10,723	3.55
CHEMICALS 1.46% (3.36%)			
2,050,000	Scapa Group PLC	4,397	1.46
CONSTRUCTION & MATERIALS 5.97% (6.32%)			
2,700,000	Ibstock PLC, Reg S	6,367	2.11
1,800,000	Polypipe Group PLC	7,290	2.41
2,644,758	Volusion Group PLC	4,364	1.45
		18,021	5.97
ELECTRONIC & ELECTRICAL EQUIPMENT 8.74% (8.46%)			
2,800,000	discoverIE Group PLC	11,760	3.90
450,000	Gooch & Housego PLC	5,288	1.75
3,750,000	TT Electronics PLC	9,337	3.09
		26,385	8.74
FINANCIAL SERVICES 10.68% (10.87%)			
1,100,000	IntegraFin Holdings PLC, Reg S	4,340	1.44
2,680,000	JTC PLC, Reg S	9,407	3.12
1,219,000	Polar Capital Holdings PLC	6,631	2.20
2,505,000	Premier Asset Management Group Ltd.	4,659	1.54
6,193,000	XPS Pensions Group PLC, Reg S	7,184	2.38
		32,221	10.68
FOOD PRODUCERS 3.83% (3.48%)			
260,000	Cranswick PLC	7,660	2.54
1,050,000	Hotel Chocolat Group PLC	3,885	1.29
		11,545	3.83
GENERAL RETAILERS 3.06% (3.63%)			
2,795,071	DFS Furniture PLC	6,177	2.04
4,682,613	Topps Tiles PLC	3,072	1.02
		9,249	3.06
HOUSEHOLD GOODS & HOME CONSTRUCTION 3.71% (1.76%)			
1,000,000	IG Design Group PLC	6,020	2.00
2,300,000	Watkin Jones PLC	5,164	1.71
		11,184	3.71
INDUSTRIAL ENGINEERING 5.94% (5.57%)			
653,135	Bodycote PLC	4,680	1.55
1,068,522	Vitec Group PLC	13,249	4.39
		17,929	5.94
INDUSTRIAL TRANSPORTATION 3.14% (4.10%)			
210,906	Clarkson PLC	5,167	1.71
210,000	James Fisher & Sons PLC	4,316	1.43
		9,483	3.14
LEISURE GOODS 3.58% (1.76%)			
1,900,000	Codemasters Group Holdings PLC, Reg S	4,180	1.39
4,165,000	Sumo Group PLC	6,622	2.19
		10,802	3.58

Franklin UK Smaller Companies Fund

Portfolio Statement as at 30 September 2019 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	MEDIA 4.89% (2.75%)		
1,588,800	Entertainment One Ltd.	14,766	4.89
	PHARMACEUTICALS & BIOTECHNOLOGY 3.68% (4.70%)		
7,955,000	Alliance Pharma PLC	5,688	1.88
630,000	Clinigen Group PLC	5,430	1.80
		11,118	3.68
	REAL ESTATE INVESTMENT & SERVICES 1.88% (3.67%)		
1,750,000	Urban & Civic PLC	5,670	1.88
	REAL ESTATE INVESTMENT TRUSTS 4.36% (4.44%)		
3,800,000	Londonmetric Property PLC§	8,261	2.74
510,000	Workspace Group PLC§	4,904	1.62
		13,165	4.36
	SOFTWARE & COMPUTER SERVICES 6.44% (6.76%)		
8,200,000	Dotdigital Group PLC	7,462	2.47
1,365,000	iomart Group PLC	4,907	1.63
2,050,000	NCC Group PLC	3,563	1.18
590,074	Tracsis PLC	3,511	1.16
		19,443	6.44
	SUPPORT SERVICES 17.72% (16.67%)		
1,560,544	Clipper Logistics PLC	3,348	1.11
1,960,000	Equiniti Group PLC, Reg S	4,241	1.40
2,952,500	Restore PLC	11,958	3.96
910,000	Ricardo PLC	5,788	1.92
1,480,000	Robert Walters PLC	8,081	2.68
1,666,800	RWS Holdings PLC	9,767	3.24
1,250,000	Smart Metering Systems PLC	5,025	1.66
2,702,628	The Simplybiz Group PLC	5,270	1.75
		53,478	17.72
	TECHNOLOGY HARDWARE & EQUIPMENT 2.58% (1.67%)		
3,883,502	Spirent Communications PLC	7,794	2.58
	TRAVEL & LEISURE 1.94% (2.01%)		
1,077,428	Patisserie Holdings PLC¢	0	0.00
2,860,000	The City Pub Group PLC, Reg S	5,863	1.94
		5,863	1.94
	TOTAL - EQUITIES	293,236	97.15
	TOTAL VALUE OF INVESTMENTS	293,236	97.15
	OTHER ASSETS	8,588	2.85
	TOTAL NET ASSETS	301,824	100.00

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2019.

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

¢ These securities are fair valued by the manager.

§ Real Estate Investment Trust ("REIT").

Franklin UK Smaller Companies Fund

Statement of Total Return

For the period 1 April 2019 to 30 September 2019

	September 2019 £000	September 2019 £000	September 2018 £000	September 2018 £000
Income				
Net capital gains/(losses)		19,317		10,649
Revenue	4,860		4,944	
Expenses	(1,328)		(1,697)	
Net revenue before taxation	3,532		3,247	
Taxation	(8)		(11)	
Net revenue after taxation		3,524		3,236
Total return before distributions for the period		22,841		13,885
Distributions		(1,846)		(1,465)
Change in net assets attributable to shareholders		20,995		12,420

Statement of Change in Net Assets Attributable to Shareholders

For the period 1 April 2019 to 30 September 2019

	September 2019 £000	September 2019 £000	September 2018 £000	September 2018 £000
Opening net assets attributable to shareholders		301,000		305,873
Amounts received on creation of shares	32,585		114,233	
Amounts paid on cancellation of shares	(53,783)		(26,911)	
		(21,198)		87,322
Change in net assets attributable to shareholders from investment activities (see above)		20,995		12,420
Retained distribution on accumulation shares		1,027		899
Closing net assets attributable to shareholders		301,824		406,514

Balance Sheet

As at 30 September 2019

	September 2019 £000	March 2019 £000
Assets		
Fixed assets		
Investments	293,236	284,913
Current assets		
Debtors	3,963	1,786
Cash and bank balances	7,622	16,421
Total assets	304,821	303,120
Liabilities		
Creditors		
Distribution payable	(661)	(866)
Other creditors	(2,336)	(1,254)
Total liabilities	(2,997)	(2,120)
Net assets attributable to shareholders	301,824	301,000

Franklin UK Smaller Companies Fund

Distribution Statement

For the period 1 April 2019 to 30 September 2019

Group 1 – Shares purchased prior to 1 April 2019

Group 2 – Shares purchased in the period 1 April 2019 to 30 September 2019

	Net Income p	Equalisation p	30 September 2019 Pence per Share p	30 September 2018 Pence per Share p
A – Income Shares				
Group 1	4.3293	-	4.3293	3.2182
Group 2	-	4.3293	4.3293	3.2182
W – Income Shares				
Group 1	0.7095	-	0.7095	0.6085
Group 2	0.1436	0.5659	0.7095	0.6085
W – Accumulation Shares				
Group 1	1.4633	-	1.4633	1.2387
Group 2	-	1.4633	1.4633	1.2387
Z – Accumulation Shares				
Group 1	1.3180	-	1.3180	1.0884
Group 2	-	1.3180	1.3180	1.0884

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

On 31 July 2019, we amended the investment objective and policy for the Fund to improve their clarity for investors. The revised investment objective and policy can be found in the current prospectus, available on our website.

Performance

For the six-month period ended 30 September 2019, Franklin US Opportunities Fund returned 9.65%*, (W(acc) share class), while its benchmark, the Russell 3000® Growth Index¹, returned 11.96% (both returns in UK sterling).

Overview

The US economy expanded during the six months ended 30 September 2019. However, the economy moderated in 2019's second quarter, due to weakness in inventory investment, exports, housing investment and business investment. The manufacturing sector expanded during the period's first four months but contracted in August and September 2019. The services sector continued to expand during the period, although the rate of expansion slowed in September. The unemployment rate decreased from 3.8% in March 2019 to 3.5% at period-end.

At its July 2019 meeting, the US Federal Reserve ("Fed") lowered its target range for the federal funds rate for the first time since December 2008, to 2.00%–2.25%, citing muted inflation pressures and the potential effects of global trade tensions on economic growth. Furthermore, the Fed ended its balance sheet normalisation programme earlier than previously indicated. In September, the Fed further lowered the federal funds target rate to 1.75%–2.00%, reiterating the rationale cited at the July 2019 meeting.

US equity markets overall rose during the period, benefitting from upbeat economic data and US corporate earnings, the Fed's rate cuts and investor optimism about further monetary easing. However, markets reflected concerns about political uncertainties in the US (including impeachment proceedings against President Trump), geopolitical tensions in certain regions, and the impact of US trade disputes with China and other trading partners on global growth and corporate earnings. These concerns were partly alleviated at certain points during the period by easing trade tensions and optimism about a potential US-China trade deal. The broad US stock market, as measured by the Standard & Poor's® 500 Index (S&P 500®), generally trended higher in the period's first four months, reaching a new all-time high in July. Stocks retreated in August, due to escalating trade tensions and heightened concerns about US and global economic growth but recovered in September amidst easing trade tensions and investor optimism about the upcoming US-China trade negotiations in October 2019. Overall, the S&P 500 posted a +6.08% total return for the six-month period.

Significant Changes

For the six-month period ended 30 September 2019, information technology was the Fund's largest sector weighting and was decreased over the period. Other noteworthy changes in sector weightings included an increase in the industrials sector and decreases in the communication services and consumer staples sectors. Additionally, the Fund's cash position increased over the six-month reporting period.

The following positions were meaningfully added or increased during the reporting period: Under Armour, Workday, Intuit, Black Knight and GW Pharmaceuticals.

Under Armour is a leading inventor, marketer and distributor of branded athletic performance apparel, footwear and accessories. We initiated our position during the period based on what we viewed as a positive inflection in operating fundamentals under a new chief operating officer. Gross margin continued to expand, driven by improved supply chain initiatives, and cost management continued to be impressive, driving operating margins higher from recent depressed levels. With cleaner inventories, we are now looking for signs of a positive inflection in North America revenues driven by new product lines in 2020 and beyond. Workday provides enterprise cloud applications for finance and human resource management for companies, educational institutions and government agencies. Workday's HR application is in wide use amongst Fortune 500 companies. Now we are seeing strong uptake for its financials application, despite an uncertain macro environment. This is important because many customers are risk averse and need affirmation from peers before making large technology investments. Intuit provides business and financial management solutions—such as TurboTax and QuickBooks—for consumers and small businesses. We initiated our position in Intuit during a period of price weakness for the stock. We are most keen on Intuit's artificial intelligence-driven expert platform, which connects end-users with service professionals via software. We believe this affords Intuit a strong opportunity to monetise their massive online customer base. Black Knight is a leading provider of integrated software, data and analytics solutions that facilitate and automate many of the business processes across the homeownership lifecycle. We believe the company's value proposition is strong, given that consolidation of lien operations onto Black Knight's platform could drive considerable cost savings at home lender banks, resulting in significant adoption going forward. GW is a biopharmaceutical company focused on commercialising novel therapeutics from its proprietary cannabinoid product platform in a broad range of disease areas. We added to GW Pharmaceuticals in the period, based on the company's captive and growing total addressable market: GW Pharmaceuticals has the only FDA-approved cannabinoid drug (cannabidiol – CBD), which was recently approved for treatment of select epilepsy disorders.

Notable sales for the Fund during the reporting period were Alphabet, Mastercard/Visa, Apple, Electronic Arts and 2U.

Google (Alphabet) is a leading global provider of internet search, with related businesses in advertising, cloud computing and software. We reduced our exposure to Alphabet/Google during episodic strength for the stock, in consideration of strong potential for an adverse regulatory environment. Alphabet remains a core holding as of September 30, 2019. MasterCard's and VISA's global payments processing networks connect consumers, financial institutions, merchants, governments and businesses in more than 200 countries. There is a global secular trend of cash transactions moving to electronic, either through credit cards or mobile devices. Together these companies form a virtual duopoly in payment processing infrastructure that all transactions must go through, and they continue to invest in growth and find operating efficiencies that will help grow earnings over time. Our constructive thesis on both MasterCard and VISA remains intact, and each is amongst our Top 5 holdings as of 30 September 2019. However, we trimmed our positions in each in the period to control portfolio risk via position sizing. Apple engages in the design, manufacture, and marketing of mobile communication, media devices, personal computers, and portable digital music players. Apple remains a core holding as of 30 September 2019. However, over the period we took incremental steps to mitigate risk from single-stock exposure owing to outsized performance for the stock. Electronic Arts is an interactive entertainment software company

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

Franklin US Opportunities Fund

Investment Review (continued)

Significant Changes (continued)

developing and publishing games for home consoles, PCs, phones and tablets. Electronic Arts is a strong player in the gaming market, but we eliminated our position in the period, electing to re-deploy capital to alternative investments with more compelling reward-risk profiles. 2U provides cloud-based software solutions to colleges and universities to facilitate the delivery of educational content, including live instruction. Our investment thesis for 2U was eroded in the period by increased competition in the graduate course space and staffing concerns in the short-course business segment. We eliminated our position in favour of investments with more compelling medium-term upside potential.

Contributors and Detractors

The Fund lagged its benchmark index for the six-month reporting period ended 30 September 2019, with stock selection in the information technology and consumer discretionary sectors detracting from relative returns. In contrast, stock selection in the health care, industrials, financials and real estate sectors contributed to relative performance.

In the information technology sector, education technology specialist 2U faced rising competition over the period that led to reduced full-year guidance and a scaling back of new programme launches. The US-China trade dispute and global growth concerns have been weighing on semiconductor companies doing business in China, including programmable chipmaker Xilinx, which detracted from performance. Our underweighting in strong-performing Apple shares further undermined the fund's relative results over the period. Elsewhere, a core investment in Amazon.com underperformed the benchmark and detracted from relative returns in the consumer discretionary sector.

In contrast, several health care sector holdings were amongst the best performers over the period. These included West Pharmaceutical Services, Array BioPharma and Nevro. Strong performance for West Pharmaceutical Services, a manufacturer of injectable drug delivery systems, has been largely a function of increased sales of higher-margin products along with improving operating efficiencies. Array BioPharma's acquisition by Pfizer (not a fund holding) boosted the shares of the cancer drug specialist. Recent sales force structure improvements along with sequential improvements across its businesses lifted the shares of Nevro, which focuses on the treatment of chronic pain. In contrast, the health care sector was hindered by a position in GW Pharmaceuticals, whose shares declined on near-term concerns for the sales of the company's leading epilepsy treatment.

Outlook

Current economic indicators reflect a US economy that is still performing well but straining as global growth slows and trade rhetoric weighs on many company outlooks. We continue to see strength in the US consumer driven by strong employment and improving wages, suggesting that consumers have the purchasing power to continue to drive US economic activity despite trade fears. In our view, the debate about the duration of the economic cycle, the ongoing trade dispute between the US and China, and concerns about global growth will likely continue to affect US equities for the remainder of 2019.

When building our portfolios, active management helps us in seeking to prepare for an economic downturn or market pullback. Stock-by-stock we focus on identifying businesses that are leveraged to secular growth themes rather than market cyclicality. A major investment theme for us has been the ongoing digital transformation of sectors and industries outside of technology. Traditional businesses are investing in cloud computing, data analysis and digital platforms to stay competitive and be more responsive to their customers. Underlying our major theme are sub-themes such as artificial intelligence, machine learning, the Internet of Things and digital payments—areas in which we have been finding long-term investment opportunities. Our analysis indicates that even in the face of a slowing economic environment, spending on digital transformation initiatives should remain relatively resilient as companies seek to leverage data and technology to drive business.

How we measure performance.

We measure performance and price shares in the Fund in UK Sterling.

- We measure performance against the Fund's performance target, the Russell 3000 Growth Index[®], as it is widely available and reflects growth-oriented investments in the US stock market.
- The Fund's performance can also be compared against the Investment Association North American sector average, which reflects the performance of the Fund's competitors

Grant Bowers & Sara Araghi, CFA

Fund Managers

30 September 2019

Franklin US Opportunities Fund

Comparative Table

	30 September 2019	31 March 2019	31 March 2018	31 March 2017
A – Accumulation shares				
Change in net assets per share (p)				
Opening net asset value per share	459.13	392.46	364.36	276.91
Return before operating charges ¹	46.60	73.58	34.15	92.510
Operating charges ²	(7.89)	(6.91)	(6.05)	(5.06)
Return after operating charges ³	38.71	66.67	28.10	87.45
Closing net asset value per share	497.84	459.13	392.46	364.36
After direct transaction costs of ⁴	-	0.09	0.08	0.13
Performance				
Return after charges ⁵	8.43%	16.99%	7.71%	31.58%
Other information				
Closing net asset value (£)	8,803,193	9,089,479	7,734,388	7,846,309
Closing number of shares	1,768,262	1,979,721	1,970,724	2,153,449
Ongoing charges ratio ⁶	1.59%	1.59%	1.58%	1.58%
Direct transaction costs ⁴	-	0.02%	0.02%	0.04%
Prices (p)				
Highest share price	534.42	479.80	419.63	376.32
Lowest share price	456.20	377.36	352.95	267.29
W – Accumulation shares				
Change in net assets per share (p)				
Opening net asset value per share	291.39	247.22	227.80	171.84
Return before operating charges ¹	28.40	46.48	21.42	57.61
Operating charges ²	(2.65)	(2.31)	(2.00)	(1.65)
Return after operating charges ³	25.75	44.17	19.42	55.96
Closing net asset value per share	317.14	291.39	247.22	227.80
After direct transaction costs of ⁴	-	0.05	0.05	0.08
Performance				
Return after charges ⁵	8.84%	17.87%	8.53%	32.57%
Other information				
Closing net asset value (£)	74,258,457	73,860,079	95,162,838	102,811,694
Closing number of shares	23,414,716	25,347,632	38,493,366	45,132,207
Ongoing charges ratio ⁶	0.84%	0.84%	0.83%	0.83%
Direct transaction costs ⁴	-	0.02%	0.02%	0.04%
Prices (p)				
Highest share price	340.01	303.22	264.22	235.19
Lowest share price	289.54	239.02	220.75	166.15

Franklin US Opportunities Fund

Comparative Table (continued)

Y – Income shares	30 September 2019	31 March 2019	31 March 2018	31 March 2017
Change in net assets per share (p)				
Opening net asset value per share	222.69	188.33	172.99	130.09
Return before operating charges ¹	20.75	35.52	16.51	43.81
Operating charges ²	(0.10)	(0.08)	(0.07)	(0.05)
Return after operating charges ³	20.65	35.44	16.44	43.76
Distributions on income shares	-	(1.0834)	(1.0951)	(0.8602)
Closing net asset value per share	243.34	222.69	188.33	172.99
After direct transaction costs of ⁴	-	0.04	0.04	0.06
Performance				
Return after charges ⁵	9.27%	18.82%	9.50%	33.64%
Other information				
Closing net asset value (£)	4,784	4,378	3,703	119,756
Closing number of shares	1,966	1,966	1,966	69,228
Ongoing charges ratio ⁶	0.04%	0.04%	0.04%	0.03%
Direct transaction costs ⁴	-	0.02%	0.02%	0.04%
Prices (p)				
Highest share price	260.54	231.80	202.39	179.42
Lowest share price	221.28	183.17	167.70	126.02
Z – Accumulation shares	30 September 2019	31 March 2019	31 March 2018	31 March 2017
Change in net assets per share (p)				
Opening net asset value per share	487.17	414.16	382.39	289.03
Return before operating charges ¹	48.02	77.80	35.92	96.86
Operating charges ²	(5.48)	(4.79)	(4.15)	(3.50)
Return after operating charges ³	42.54	73.01	31.77	93.36
Closing net asset value per share	529.71	487.17	414.16	382.39
After direct transaction costs of ⁴	-	0.09	0.08	0.14
Performance				
Return after charges ⁵	8.73%	17.63%	8.31%	32.30%
Other information				
Closing net asset value (£)	646,050	978,101	481,090	461,746
Closing number of shares	121,962	200,772	116,162	120,753
Ongoing charges ratio ⁶	1.04%	1.04%	1.03%	1.03%
Direct transaction costs ⁴	-	0.02%	0.02%	0.04%
Prices (p)				
Highest share price	568.10	507.53	442.69	394.84
Lowest share price	484.08	399.83	370.52	279.33

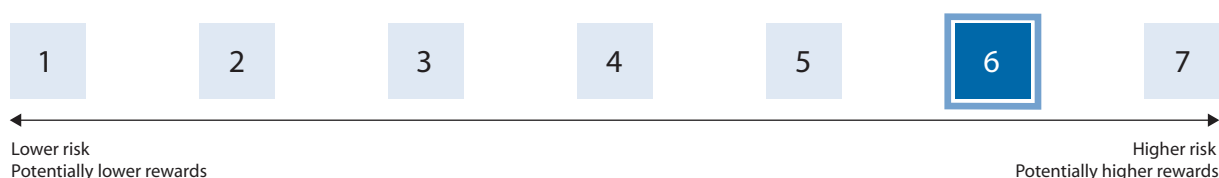
Franklin US Opportunities Fund

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 2019

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
EQUITIES 97.81% (99.35%)			
AEROSPACE & DEFENCE 2.67% (2.84%)			
8,110	Raytheon Co.	1,294	1.54
3,047	The Boeing Co.	943	1.13
		2,237	2.67
APPAREL, ACCESSORIES & LUXURY GOODS 1.17% (0.20%)			
22,769	Levi Strauss & Co., A	352	0.42
38,801	Under Armour Inc., A	630	0.75
		982	1.17
APPLICATION SOFTWARE 7.96% (9.95%)			
7,587	Adobe Inc.	1,705	2.04
1,959	Alteryx Inc.	171	0.20
4,044	Autodesk Inc.	486	0.58
1,400	Datadog Inc., A	39	0.05
5,497	Guidewire Software Inc.	471	0.56
1,939	Intuit Inc.	419	0.50
12,563	Pluralsight Inc., A	172	0.21
6,887	PTC Inc.	382	0.46
7,286	salesforce.com Inc.	879	1.05
2,134	Tyler Technologies Inc.	456	0.55
3,663	Workday Inc., A	506	0.60
16,453	Zendesk Inc.	975	1.16
		6,661	7.96
AUTO PARTS & EQUIPMENT 0.88% (0.82%)			
10,346	Aptiv PLC	736	0.88
BIOTECHNOLOGY 2.28% (2.76%)			
53,632	Heron Therapeutics Inc.	807	0.96
16,682	PTC Therapeutics Inc.	459	0.55
5,663	Sage Therapeutics Inc.	646	0.77
		1,912	2.28
CABLE & SATELLITE 1.02% (0.98%)			
10,013	Liberty Broadband Corp., C	852	1.02
DATA PROCESSING & OUTSOURCED SERVICES 12.18% (11.58%)			
8,757	Black Knight Inc.	435	0.52
10,565	Fiserv Inc.	890	1.06
20,505	Mastercard Inc., A	4,524	5.41
11,136	PayPal Holdings Inc.	938	1.12
24,376	Visa Inc., A	3,410	4.07
		10,197	12.18
DISTILLERS & VINTNERS 1.08% (1.01%)			
5,355	Constellation Brands Inc., A	903	1.08
ELECTRICAL COMPONENTS & EQUIPMENT 0.60% (0.80%)			
3,720	Rockwell Automation Inc.	499	0.60
FINANCIAL EXCHANGES & DATA 5.56% (4.65%)			
15,641	Intercontinental Exchange Inc.	1,173	1.40
3,213	MarketAxess Holdings Inc.	856	1.02
7,679	MSCI Inc.	1,360	1.63
6,341	S&P Global Inc.	1,263	1.51
		4,652	5.56

Franklin US Opportunities Fund

Portfolio Statement as at 30 September 2019 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	HEALTH CARE EQUIPMENT 5.45% (4.95%)		
2,057	ABIOMED Inc.	298	0.36
8,786	Edwards Lifesciences Corp.	1,571	1.88
3,596	IDEXX Laboratories Inc.	795	0.95
1,951	Intuitive Surgical Inc.	857	1.02
14,890	Nevro Corp.	1,041	1.24
		4,562	5.45
	HEALTH CARE SERVICES 0.43% (0.52%)		
6,993	Guardant Health Inc.	363	0.43
	HEALTH CARE SUPPLIES 1.98% (1.26%)		
25,956	SmileDirectClub Inc., A	292	0.35
11,837	West Pharmaceutical Services Inc.	1,365	1.63
		1,657	1.98
	HEALTH CARE TECHNOLOGY 1.63% (1.38%)		
10,979	Veeva Systems Inc.	1,363	1.63
	HOME ENTERTAINMENT SOFTWARE 0.00% (0.73%)		
	INDUSTRIAL CONGLOMERATES 2.51% (2.14%)		
6,652	Honeywell International Inc.	915	1.09
4,102	Roper Technologies Inc.	1,189	1.42
		2,104	2.51
	INDUSTRIAL MACHINERY 0.77% (0.83%)		
5,516	Stanley Black & Decker Inc.	648	0.77
	INTEGRATED TELECOMMUNICATION SERVICES 2.94% (2.72%)		
12,566	SBA Communications Corp., A §	2,465	2.94
	INTERACTIVE MEDIA & SERVICES 0.18% (0.00%)		
7,000	Pinterest Inc., A	151	0.18
	INTERNET RETAIL 8.24% (9.14%)		
4,493	Amazon.com Inc.	6,341	7.57
2,574	Netflix Inc.	561	0.67
		6,902	8.24
	INTERNET SERVICES & INFRASTRUCTURE 1.08% (1.30%)		
10,139	Twilio Inc., A	907	1.08
	INTERNET SOFTWARE & SERVICES 3.69% (4.60%)		
2,467	Alphabet Inc., A	2,449	2.93
4,416	Facebook Inc., A	640	0.76
		3,089	3.69
	INVESTMENT BANKING & BROKERAGE 0.76% (1.04%)		
18,617	The Charles Schwab Corp.	633	0.76
	IT CONSULTING & OTHER SERVICES 1.22% (1.02%)		
15,446	InterXion Holding NV	1,023	1.22
	LEISURE PRODUCTS 0.25% (0.00%)		
10,300	Peloton Interactive Inc. A	210	0.25
	LIFE & HEALTH INSURANCE 0.00% (0.43%)		
	LIFE SCIENCES TOOLS & SERVICES 0.86% (0.98%)		
2,912	Illumina Inc.	721	0.86
	MANAGED HEALTH CARE 1.94% (2.92%)		
9,203	UnitedHealth Group Inc.	1,627	1.94
	MOVIES & ENTERTAINMENT 0.85% (0.74%)		
6,733	The Walt Disney Co.	713	0.85

Franklin US Opportunities Fund

Portfolio Statement as at 30 September 2019 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	OIL & GAS EXPLORATION & PRODUCTION 0.65% (0.74%)		
7,400	Diamondback Energy Inc.	541	0.65
	PACKAGED FOODS & MEATS 1.78% (2.06%)		
17,080	Lamb Weston Holdings Inc.	1,010	1.21
28,588	Nomad Foods Ltd.	477	0.57
		1,487	1.78
	PHARMACEUTICALS 1.36% (0.87%)		
8,355	AstraZeneca PLC, ADR †	303	0.36
11,263	Elanco Animal Health Inc.	243	0.29
6,320	GW Pharmaceuticals PLC, ADR †	591	0.71
		1,137	1.36
	REGIONAL BANKS 0.00% (0.46%)		
	RESEARCH & CONSULTING SERVICES 5.90% (4.55%)		
4,776	CoStar Group Inc.	2,305	2.75
17,620	IHS Markit Ltd.	958	1.15
13,031	Verisk Analytics Inc.	1,676	2.00
		4,939	5.90
	SEMICONDUCTORS 4.01% (4.67%)		
8,415	Analog Devices Inc.	765	0.91
6,269	Monolithic Power Systems	793	0.95
5,614	NVIDIA Corp.	795	0.95
12,889	Xilinx Inc.	1,005	1.20
		3,358	4.01
	SOFT DRINKS 0.52% (0.94%)		
9,176	Monster Beverage Corp.	433	0.52
	SPECIALIZED REIT'S 1.14% (1.04%)		
5,312	American Tower Corp. §	955	1.14
	SPECIALTY CHEMICALS 0.43% (0.54%)		
5,174	Ingevity Corp.	357	0.43
	SYSTEMS SOFTWARE 8.70% (7.62%)		
15,200	CloudFlare Inc., A	229	0.27
41,446	Microsoft Corp.	4,686	5.60
11,454	ServiceNow Inc.	2,365	2.83
		7,280	8.70
	TECHNOLOGY HARDWARE, STORAGE & PERIPHERALS 2.58% (2.80%)		
11,838	Apple Inc.	2,157	2.58
	TRADING COMPANIES & DISTRIBUTORS 0.56% (0.61%)		
27,659	Univar Solutions Inc.	467	0.56
	TRUCKING 0.00% (0.16%)		
	TOTAL - EQUITIES	81,880	97.81
	TOTAL VALUE OF INVESTMENTS	81,880	97.81
	OTHER ASSETS	1,833	2.19
	TOTAL NET ASSETS	83,713	100.00

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2019.

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 2019 to 30 September 2019

	September 2019 £000	September 2019 £000	September 2018 £000	September 2018 £000
Income				
Net capital gains/(losses)		7,800		22,152
Revenue	238		373	
Expenses	(397)		(512)	
Net expense before taxation	(159)		(139)	
Taxation	(37)		(53)	
Net expense after taxation		(196)		(192)
Total return before distributions for the period		7,604		21,960
Change in net assets attributable to shareholders		7,604		21,960

Statement of Change in Net Assets Attributable to Shareholders

For the period 1 April 2019 to 30 September 2019

	September 2019 £000	September 2019 £000	September 2018 £000	September 2018 £000
Opening net assets attributable to shareholders		83,932		103,383
Amounts received on creation of shares	34,628		49,089	
Amounts paid on cancellation of shares	(42,451)		(77,122)	
		(7,823)		(28,033)
Dilution levy adjustments		-		4
Change in net assets attributable to shareholders from investment activities (see above)		7,604		21,960
Closing net assets attributable to shareholders		83,713		97,314

Balance Sheet

As at 30 September 2019

	September 2019 £000	March 2019 £000
Assets		
Fixed assets		
Investments	81,880	83,389
Current assets		
Debtors	1,207	1,367
Cash and bank balances	919	413
Total assets	84,006	85,169
Liabilities		
Creditors		
Other creditors	(293)	(1,237)
Total liabilities	(293)	(1,237)
Net assets attributable to shareholders	83,713	83,932

Templeton Global Emerging Markets Fund

Investment Review

On 31 July 2019, we amended the investment objective and policy for the Fund to improve their clarity for investors. The revised investment objective and policy can be found in the current prospectus, available on our website.

Performance

For the six-month period ended 30 September 2019, the Templeton Global Emerging Markets Fund returned 5.07%*(W(acc) share class), while the MSCI Emerging Markets Index returned 2.15% (both returns in UK sterling).

Overview

Emerging market ("EM") equities advanced over the six months under review, underperforming developed-market stocks.

The global economy expanded during the six months ended 30 September 2019, despite weakness in certain regions. Global stocks were aided by upbeat economic data in some regions, encouraging corporate earnings reports, periods of optimism about a potential US-China trade deal and monetary policy easing by major central banks. The US Federal Reserve's ("Fed's") patient approach to its monetary policy early in the period, interest-rate cuts in July and September, along with indications the Fed will act appropriately to sustain US economic expansion and achieve its inflation objective, aided market sentiment.

However, markets also reflected concerns about political uncertainties in the United States, geopolitical tensions in several regions, and the impact of US trade disputes with China and other trading partners on global growth and corporate earnings. The US economy grew during the six-month period. However, its economy moderated in 2019's second quarter, due to weakness in inventory investment, exports, housing investment and business investment.

In emerging markets, China's annual gross domestic product ("GDP") growth slowed in the second quarter of the year. The People's Bank of China implemented an interest-rate reform in August, designating a new benchmark for household and business loans, effectively lowering interest rates in August and September. Brazil's quarterly GDP growth accelerated in the second quarter. The Central Bank of Brazil lowered its benchmark interest rate twice during the six-month period. Russia's annual GDP growth bounced back in 2019's second quarter. The Bank of Russia cut its key interest rate three times during the period.

Significant Changes

During the six-month period, we took the opportunity to invest in (or add to our holdings in) companies that, in our view, demonstrated sustainable earnings power, and at valuations we found attractive. The communication services sector saw the largest individual purchase; China-based internet-services firm Tencent. Several information technology ("IT") stocks were also amongst the purchases, including IT services company Cognizant Technology Solutions—a US-listed business that derives much of its earnings from services provided from India—and China-based Sunny Optical Technology. In addition, we purchased Brazil-based metals and mining business Vale. South Korean industrial conglomerate LG was another addition to the Fund.

We sold certain positions in favour of stocks that we believed offered more compelling investment opportunities. The sales/reductions were led by South Africa-based Naspers. During the period, Naspers spun-off several of its internet businesses, including a stake in Tencent, through a listing in the Netherlands called Prosus. We reduced our stake in Prosus following the listing. Elsewhere, the Fund sold out of its holding in Compania De Minas Buenaventura in Peru, and reduced Brilliance China Automotive. B3 Brasil Bolsa Balcao, the Brazilian stock exchange operator, was another reduction.

Positive/Negative Contributors

The Fund advanced over the period in absolute terms. From a relative perspective, the Fund outperformed the benchmark index, which also moved higher over the reporting period.

From a sector perspective, security selection in financials boosted relative performance the most, followed by an overweight to information technology and selection in the consumer discretionary sector. In contrast, selection in the consumer staples, industrials and health care sectors detracted over the six-month period.

The financials sector contributed to relative returns, chiefly due to holdings in banks. India-based private-sector lender ICICI Bank led relative performance in the sector over the period. In our view, ICICI stands out given its strong liability franchise and it has also embarked on organisational changes that bode well for the sustainability of its business. Sberbank Russia and China-based Ping An Bank also added to performance amongst financial stocks.

Taiwan Semiconductor Manufacturing Company ("TSMC") added to returns in the IT space. We favour TSMC's technological lead in producing cutting-edge chips that could see more demand from mobile devices and advanced applications such as high-performance computing. South Korea-based smartphone and semiconductor manufacturer Samsung Electronics, which could, in our view, benefit from diverse long-term earnings drivers across its businesses, also contributed. In addition, China-based Sunny Optical Technology advanced. However, IT services company Cognizant Technology Systems detracted somewhat from overall performance in this sector.

Brilliance China Automotive boosted the consumer discretionary sector, as did South-Korea based internet firm NAVER, which has seen encouraging growth in its advertising and e-commerce operations, in our view. A position in South Africa-based media conglomerate also proved beneficial over the period. In contrast, South Korea-based automotive supplier Sebang Global Battery and sportswear business Fila Korea detracted.

Sector-level detractions were led by consumer services, where South Africa-based retailer Massmart and China-based Health & Happiness ("H&H") hindered returns. In contrast, UK-based global consumer goods company Unilever gained ground. Unilever generates more than half of its sales in EMs.

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

Templeton Global Emerging Markets Fund

Investment Review (continued)

Positive/Negative Contributors (continued)

In the industrials sector, South-Korean based businesses Hyundai and LG detracted, while in the health care sector Glenmark Pharmaceuticals negatively impacted performance.

Outlook

The US-China trade conflict has continued to dominate market attention in recent months. The impact of the trade war has not been limited to China; rather we have seen global implications. While the United States and China have shown a willingness to work towards a resolution with the resumption of trade talks in October, we remain cautious and expect continued market volatility in the interim.

Pockets of political uncertainty, including the launch of an impeachment inquiry into US President Donald Trump, have added to volatility. Nonetheless, easing US monetary policy has helped cushion investor sentiment. The Fed reduced its benchmark interest rate twice in the last three months, with expectations rising for another rate cut by the end of 2019.

Overall, slowing economic growth expectations, declining inflationary pressures and easing monetary policies in developed markets have generally led EM central banks to turn more dovish. We expect this trend to continue, with potential rate cuts in markets such as Brazil, Russia and Mexico. Coupled with improving earnings expectations, relatively undemanding valuations and solid dividend yields in some areas, the outlook for EM equities remains attractive, in our view.

In this environment, we continue to seek companies that demonstrate sustainable earnings power and potential resilience against market uncertainty. Amongst the portfolio's top holdings are technology and consumer-related companies that are highly competitive and appear well-positioned to gain market share even in the face of macroeconomic challenges.

How we measure performance.

We measure performance and price shares in the Fund in UK sterling.

- We measure performance against the Fund's performance target, the MSCI Emerging Markets Index, as it is widely available and reflects investments in stock markets of emerging markets countries.
- The Fund's performance can also be compared against the Investment Association Emerging Markets sector average, which reflects the performance of the Fund's competitors.

Chetan Sehgal & Andrew Ness

Fund Managers

30 September 2019

Templeton Global Emerging Markets Fund

Comparative Table

A – Accumulation shares	30 September 2019	31 March 2019	31 March 2018	31 March 2017
Change in net assets per share (p)				
Opening net asset value per share	268.59	263.60	238.53	167.85
Return before operating charges ¹	16.16	9.11	29.28	74.70
Operating charges ²	(4.41)	(4.12)	(4.21)	(4.02)
Return after operating charges ³	11.75	4.99	25.07	70.68
Closing net asset value per share	280.34	268.59	263.60	238.53
Distributions	-	(1.8339)	(0.1435)	(0.5878)
Retained distributions on accumulation shares	-	1.8339	0.1435	0.5878
After direct transaction costs of ⁴	0.08	0.18	0.47	0.33
Performance				
Return after charges ⁵	4.37%	1.89%	10.51%	42.11%
Other information				
Closing net asset value (£)	6,232,256	6,366,987	7,077,493	6,843,957
Closing number of shares	2,223,091	2,370,529	2,684,896	2,869,174
Ongoing charges ratio ⁶	1.60%	1.60%	1.60%	1.95%
Direct transaction costs ⁴	0.03%	0.07%	0.18%	0.16%
Prices (p)				
Highest share price	294.23	270.49	286.66	242.26
Lowest share price	259.81	236.68	234.46	160.15

W – Accumulation shares	30 September 2019	31 March 2019	31 March 2018	31 March 2017
Change in net assets per share (p)				
Opening net asset value per share	136.19	132.99	119.64	83.56
Return before operating charges ¹	7.85	4.63	14.83	37.32
Operating charges ²	(1.54)	(1.43)	(1.48)	(1.24)
Return after operating charges ³	6.31	3.20	13.35	36.08
Closing net asset value per share	142.50	136.19	132.99	119.64
Distributions	-	(1.5772)	(0.8568)	(1.0621)
Retained distributions on accumulation shares	-	1.5772	0.8568	1.0621
After direct transaction costs of ⁴	0.04	0.09	0.24	0.17
Performance				
Return after charges ⁵	4.63%	2.41%	11.16%	43.18%
Other information				
Closing net asset value (£)	14,896,966	14,400,833	14,741,893	7,825,398
Closing number of shares	10,453,697	10,574,165	11,084,655	6,540,962
Ongoing charges ratio ⁶	1.10%	1.10%	1.10%	1.20%
Direct transaction costs ⁴	0.03%	0.07%	0.18%	0.16%
Prices (p)				
Highest share price	149.43	136.59	144.50	121.47
Lowest share price	131.82	119.73	117.63	79.81

Templeton Global Emerging Markets Fund

Comparative Table (continued)

Y – Income shares	30 September 2019	31 March 2019	31 March 2018	31 March 2017
Change in net assets per share (p)				
Opening net asset value per share	132.00	130.38	118.02	83.05
Return before operating charges ¹	6.98	4.58	14.68	37.27
Operating charges ²	(0.18)	(0.15)	(0.17)	(0.30)
Return after operating charges ³	6.80	4.43	14.51	36.97
Distributions on income shares	-	(2.8063)	(2.1494)	(1.9975)
Closing net asset value per share	138.80	132.00	130.38	118.02
After direct transaction costs of ⁴	0.04	0.09	0.24	0.16
Performance				
Return after charges ⁵	5.15%	3.40%	12.29%	44.52%
Other information				
Closing net asset value (£)	15,825,214	15,050,312	14,865,288	3,508
Closing number of shares	11,401,763	11,401,763	11,401,763	2,972
Ongoing charges ratio ⁶	0.13%	0.12%	0.13%	0.29%
Direct transaction costs ⁴	0.03%	0.07%	0.18%	0.16%
Prices (p)				
Highest share price	145.29	134.66	143.78	121.78
Lowest share price	127.89	117.98	116.12	79.44
Z – Accumulation shares	30 September 2019	31 March 2019	31 March 2018	31 March 2017
Change in net assets per share (p)				
Opening net asset value per share	135.28	132.24	119.08	83.25
Return before operating charges ¹	7.87	4.59	14.74	37.19
Operating charges ²	(1.67)	(1.55)	(1.58)	(1.36)
Return after operating charges ³	6.20	3.04	13.16	35.83
Closing net asset value per share	141.48	135.28	132.24	119.08
Distributions	-	(1.4402)	(0.7167)	(0.9800)
Retained distributions on accumulation shares	-	1.4402	0.7167	0.9800
After direct transaction costs of ⁴	0.04	0.09	0.24	0.17
Performance				
Return after charges ⁵	4.58%	2.30%	11.05%	43.04%
Other information				
Closing net asset value (£)	495,510	485,655	187,936	191,486
Closing number of shares	350,235	359,008	142,117	160,808
Ongoing charges ratio ⁶	1.20%	1.20%	1.20%	1.30%
Direct transaction costs ⁴	0.03%	0.07%	0.18%	0.16%
Prices (p)				
Highest share price	148.39	135.79	143.71	120.91
Lowest share price	130.92	118.98	117.08	79.51

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 2019

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
EQUITIES 98.62% (98.27%)			
AFRICA 3.20% (7.25%)			
KENYA			
47,500	East African Breweries Ltd.	71	0.19
SOUTH AFRICA			
89,979	Massmart Holdings Ltd.	211	0.56
7,438	Naspers Ltd., N	917	2.45
		1,128	3.01
	TOTAL - AFRICA	1,199	3.20
ASIA 67.79% (64.97%)			
CAMBODIA			
337,400	NagaCorp Ltd.	429	1.15
CHINA			
14,192	Alibaba Group Holding Ltd., ADR †	1,931	5.16
656,900	BAIC Motor Corp. Ltd., H	330	0.88
2,156	Baidu Inc., ADR †	180	0.48
1,331,000	Brilliance China Automotive Holdings Ltd.	1,162	3.10
1,057,000	China Construction Bank Corp., H	655	1.75
49,800	China Merchants Bank Co. Ltd., A	197	0.53
65,500	China Mobile Ltd.	441	1.18
367,100	China Petroleum & Chemical Corp., H	178	0.48
342,300	China Resources Cement Holdings Ltd.	279	0.74
397,300	CNOOC Ltd.	493	1.32
5,215	COSCO SHIPPING Ports Ltd.	3	0.01
8,200	Dairy Farm International Holdings Ltd.	42	0.11
62,500	Health & Happiness H&H International Holdings Ltd.	214	0.57
47,600	MGM China Holdings Ltd.	60	0.16
782	NetEase Inc., ADR †	169	0.45
266,900	Ping An Bank Co. Ltd., A	473	1.26
40,000	Ping An Insurance (Group) Co. of China Ltd., H	373	1.00
1,908	Prosus NV	114	0.30
40,000	Sands China Ltd.	147	0.39
31,000	Sunny Optical Technology Group Co. Ltd.	370	0.99
66,700	Tencent Holdings Ltd.	2,284	6.10
162,400	Uni-President China Holdings Ltd.	142	0.38
53,512	Weifu High-Technology Co. Ltd., B	69	0.18
		10,306	27.52
INDIA			
8,685	Bajaj Holdings & Investment Ltd.	359	0.96
45,761	Coal India Ltd.	105	0.28
47,102	Glenmark Pharmaceuticals Ltd.	176	0.47
318,248	ICICI Bank Ltd.	1,589	4.24
45,547	Infosys Ltd.	422	1.13
28,272	Tata Chemicals Ltd.	192	0.51
39,666	Tata Investment Corp. Ltd.	375	1.00
		3,218	8.59
INDONESIA			
1,167,800	Astra International Tbk PT	442	1.18
PAKISTAN			
63,768	MCB Bank Ltd.	55	0.15
210,000	United Bank Ltd.	151	0.40
		206	0.55

Templeton Global Emerging Markets Fund

Portfolio Statement as at 30 September 2019 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
PHILIPPINES			
17,405	BDO Unibank Inc.	39	0.11
SOUTH KOREA			
9,010	Fila Korea Ltd.	354	0.94
1,230	GS Home Shopping Inc.	129	0.34
11,500	Hankook Technology Group Co. Ltd.	111	0.30
997	Hankook Tire & Technology Co. Ltd.	22	0.06
12,924	Hanon Systems	105	0.28
8,265	HDC Hyundai Development Co-Engineering & Construction	184	0.49
6,983	Interpark Holdings Corp.	11	0.03
19,939	KT Skylife Co. Ltd.	122	0.33
14,120	LG Corp.	670	1.79
9,605	Naver Corp.	1,020	2.72
1,861	POSCO	286	0.76
87,539	Samsung Electronics Co. Ltd.	2,910	7.77
9,662	Sebang Global Battery Co. Ltd.	257	0.69
4,895	SK Hynix Inc.	272	0.73
1,008	SK Innovation Co. Ltd.	113	0.30
		6,566	17.53
TAIWAN			
37,000	Catcher Technology Co. Ltd.	228	0.61
45,000	CTBC Financial Holding Co. Ltd.	24	0.06
186,400	FIT Hon Teng Ltd.	62	0.17
133,344	Hon Hai Precision Industry Co. Ltd.	255	0.68
40,506	PChome Online Inc.	138	0.37
390,200	Taiwan Semiconductor Manufacturing Co. Ltd.	2,776	7.41
		3,483	9.30
THAILAND			
105,200	Kasikornbank PCL, fgn.	439	1.17
105,700	Kiatnakin Bank PCL, fgn.	185	0.49
142,800	Thai Beverage PCL, fgn.	74	0.20
		698	1.86
TOTAL - ASIA		25,387	67.79
CENTRAL AMERICA 2.20% (2.07%)			
MEXICO			
138,358	Banco Santander Mexico SA Institucion de Banca Multiple Grupo Financiero Santander, ADR †	709	1.89
310,988	Nemak SAB de CV	114	0.31
TOTAL - CENTRAL AMERICA		823	2.20
EUROPE - NON EU 8.00% (7.71%)			
RUSSIA			
35,500	Gazprom PJSC, ADR#†	199	0.53
14,020	LUKOIL PJSC, ADR †	944	2.52
15,989	Mail.Ru Group Ltd., GDR, Reg S^	272	0.72
5,200	MMC Norilsk Nickel PJSC, ADR#†	108	0.29
74,078	Sberbank of Russia PJSC, ADR †	853	2.28
27,037	TMK PAO, GDR, Reg S^	74	0.20
19,154	Yandex NV, A	546	1.46
TOTAL EUROPE - NON EU		2,996	8.00
EUROPE - OTHER EU 1.38% (1.45%)			
CZECH REPUBLIC			
72,390	Moneta Money Bank AS	181	0.48

Templeton Global Emerging Markets Fund

Portfolio Statement as at 30 September 2019 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	HUNGARY		
25,600	Richter Gedeon Nyrt	336	0.90
	TOTAL - EUROPE - OTHER EU	517	1.38
	MIDDLE EAST 0.22% (0.55%)		
	TURKEY		
28,000	Migros Ticaret AS	84	0.22
	TOTAL - MIDDLE EAST	84	0.22
	NORTH AMERICA 3.16% (2.51%)		
	UNITED STATES		
17,433	Cognizant Technology Solutions Corp., A	855	2.28
18,450	IMAX Corp.	329	0.88
	TOTAL - NORTH AMERICA	1,184	3.16
	SOUTH AMERICA 9.52% (8.41%)		
	ARGENTINA		
8,600	Banco BBVA Argentina SA, ADR †	30	0.08
	BRAZIL		
11,000	B2W Cia Digital	104	0.28
25,300	B3 SA - Brasil Bolsa Balcao	217	0.58
132,582	Banco Bradesco SA, ADR, pfd. †	877	2.34
117,911	Itau Unibanco Holding SA, ADR, pfd. †	807	2.15
118,280	Lojas Americanas SA	344	0.92
7,200	M. Dias Branco SA	49	0.13
29,700	Mahle-Metal Leve SA	138	0.37
17,400	Petroleo Brasileiro SA, ADR, pfd.	186	0.50
6,500	Totvs SA	73	0.20
47,200	Vale SA	443	1.18
		3,238	8.65
	PERU		
7,570	InterCorp Financial Services Inc.	297	0.79
	TOTAL - SOUTH AMERICA	3,565	9.52
	UNITED KINGDOM 3.15% (3.35%)		
24,104	Unilever PLC	1,178	3.15
	TOTAL - UNITED KINGDOM	1,178	3.15
	TOTAL - EQUITIES	36,933	98.62
	TOTAL VALUE OF INVESTMENTS	36,933	98.62
	OTHER ASSETS	517	1.38
	TOTAL NET ASSETS	37,450	100.00

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2019.

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

^ Global Depositary Receipt.

† American Depositary Receipt.

Traded on an alternative investment market.

Templeton Global Emerging Markets Fund

Statement of Total Return

For the period 1 April 2019 to 30 September 2019

	September 2019 £000	September 2019 £000	September 2018 £000	September 2018 £000
Income				
Net capital gains/(losses)		1,119		(473)
Revenue	824		595	
Expenses	(145)		(134)	
Net revenue before taxation	679		461	
Taxation	(39)		(66)	
Net revenue after taxation		640		395
Total return before distributions for the period		1,759		(78)
Equalisation		(5)		(6)
Change in net assets attributable to shareholders		1,754		(84)

Statement of Change in Net Assets Attributable to Shareholders

For the period 1 April 2019 to 30 September 2019

	September 2019 £000	September 2019 £000	September 2018 £000	September 2018 £000
Opening net assets attributable to shareholders		36,304		36,872
Amounts received on creation of shares	2,412		1,668	
Amounts paid on cancellation of shares	(3,020)		(4,896)	
		(608)		(3,228)
Change in net assets attributable to shareholders from investment activities (see above)		1,754		(84)
Retained distribution on accumulation shares		-		6
Closing net assets attributable to shareholders		37,450		33,566

Balance Sheet

As at 30 September 2019

	September 2019 £000	March 2019 £000
Assets		
Fixed assets		
Investments	36,933	35,677
Current assets		
Debtors	129	249
Cash and bank balances	524	971
Total assets	37,586	36,897
Liabilities		
Creditors		
Distribution payable	-	(320)
Other creditors	(136)	(273)
Total liabilities	(136)	(593)
Net assets attributable to shareholders	37,450	36,304

Templeton Global Total Return Bond Fund

Investment Review

On 31 July 2019, we amended the investment objective and policy for the Fund to improve their clarity for investors. The revised investment objective and policy can be found in the current prospectus, available on our website.

Performance

For the six-month period ended 30 September 2019, Templeton Global Total Return Bond Fund (W(acc) share class) returned 1.86%*, while its benchmark, the Bloomberg Barclays Multiverse Index, returned 9.93% (both returns in UK sterling).

Overview

Escalating trade tensions between the US and China in May led to a broad resurgence in global risk aversion that broke the pattern of rising yields and risk asset rallies seen at the start of the six-month period in April. However, risk assets around the world largely rallied through the summer into July as the US Federal Reserve ("Fed") and European Central Bank ("ECB") headed further into dovish territory. Global trade tensions also enjoyed a moderate reprieve after the G20 summit in late June. Subsequently, escalating trade tensions between the US and China during the first several days of August sparked another round of heightened risk aversion across global financial markets, leading to volatility in risk assets and rallies in perceived safe havens. Global financial market volatility moderated in September as risk assets recovered some of the price losses they endured during the heightened risk aversion in the prior month.

Sovereign bond yields declined sharply across much of the world during the reporting period, but backed off their late-August low points in September. The yield on the 10-year US Treasury ("UST") note finished the period 74 basis points ("bps") lower at 1.67%, while the yield on the 10-year German Bund fell 50 bps to finish at -0.57%, after rebounding from its lowest levels on record. On the currency front, the US dollar broadly strengthened against a majority of global currencies during the period, with some notable exceptions.

The Fed kept the federal funds target rate unchanged at its 1 May and 19 June meetings, before cutting the rate for the first time in more than a decade at its 31 July meeting. In August, the Fed discontinued its monthly pace of balance sheet unwinding, two months earlier than originally forecast. The Fed then followed the July rate cut with another 25-bps cut on 18 September. However, markets appeared to interpret the forward guidance from Fed Chair Jay Powell in September as hawkish, as he repeatedly indicated that future policy decisions would be data dependent and that the committee had no expectations for a specific policy direction at upcoming meetings. Nonetheless, the policy statement continued to indicate that the committee "will act as appropriate to sustain the expansion." Trade risks remained a significant concern for committee members during the period. Powell also indicated that muted inflation enables the Fed to use accommodative policy to support areas of the labour market and sectors of the economy that may be lagging. We continue to think that additional rate cuts at this stage would be unneeded interventions that exhaust resources for the next downturn and that run the risk of causing greater longer-term harm to price stability and financial stability.

Markets continued to overvalue longer-term USTs during the period, in our opinion. Negative real yields in the UST markets appear highly vulnerable to a potential rate shock given rising deficit spending, rising debt issuance and over-levered financial markets. Loose monetary policy continues to unnaturally prop up overvalued risk assets and compel investors to move into areas of greater risk, leading to price distortions across asset classes. Additionally, inflation risks remain significantly under-priced given the exceptional tightness in the labour market and supply chain disruptions. We continue to position for steepening of the UST yield curve given the overvaluation of the longer end of the curve.

Trade tensions between the US and China remain a risk, as the Fed has indicated, but conditions have not yet reached a point that would trigger an imminent recession or require acute monetary accommodation, in our view. We continue to monitor the broader implications of deteriorating trade policy on multiple fronts, and the potential ramifications to risk assets in various regions around the world. The risks for "no-deal" trade scenarios between the US and China and ongoing tensions remain elevated.

In Argentina, open primaries were held on 11 August. The presidential primary delivered stronger results for the opposition party, Frente de Todos, led by Alberto Fernandez and Cristina de Kirchner, who obtained 47% of the vote. Incumbent President Mauricio Macri received 32% of the vote. A repeat of these results in the 27 October presidential election would lead to Alberto Fernandez winning the presidency. The Argentine peso and local-currency assets experienced intense pressure after the primary election results. The central bank responded by intervening in the currency market by selling US dollars and committing to very tight monetary policy. Policy responses remained fluid in late August and early September and appeared likely to evolve. We continue to monitor developments.

In Europe, the ECB kept its policy rate unchanged at its April, June and July meetings, but delivered on its anticipated stimulus package at its 12 September meeting, dropping the deposit rate to -0.5% and announcing the re-start of its quantitative easing ("QE") programme in November at a pace of €20 billion in bond purchases per month. The ECB also further reduced its growth and inflation projections for 2020, with the growth forecast dropping to 1.2% (from 1.4%) and the inflation forecast dropping to 1.0% (from 1.4%). Given that the ECB has indicated it intends to maintain its QE programme until inflation moves closer to its 2.0% target, it appears the ECB sees conditions that would necessitate continued QE in 2020. Additionally, geopolitical tensions, Brexit negotiations and trade policy uncertainties remain risk factors that the ECB has identified as justifications for ongoing monetary accommodation. Italian debt sustainability and banking concerns are also incentivising the ECB to keep monetary accommodation in place for longer. We expect the euro to weaken against the US dollar in upcoming quarters on renewed monetary easing from the ECB.

The Bank of Japan ("BOJ") kept monetary policy unchanged at its meetings during the reporting period, retaining its 0.0% yield target on the 10-year Japanese government bond and its -0.1% target on the overnight rate. However, BOJ Governor Haruhiko Kuroda left open the possibility of an accommodative response in October if economic risks increase, saying that "with the slowdown in overseas economies continuing and downside risks increasing, it's becoming necessary to pay closer attention to the possibility of losing momentum towards our price stability goal." The BOJ also indicated it is monitoring the impact of Japan's increase in the consumption tax to 10% (from 8%) on the domestic economy. The dovish shift in monetary policy by the Fed combined with the comparatively stable policy stance from the BOJ

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

Templeton Global Total Return Bond Fund

Investment Review (continued)

Overview (continued)

supports a strengthening trend in the Japanese yen against the US dollar, in our assessment. The yen also shows potential to strengthen as a perceived safe haven during periods of risk aversion.

A number of central banks around the world have continued to follow the dovish directions of the Fed and the ECB in recent months, taking the opportunity to cut their own domestic rates. During the Fed tightening cycle in 2018, several central banks were compelled to raise rates or maintain higher rates to stabilise their country's currency. However, the shift towards looser Fed policy in 2019 relieves that rate pressure and enables banks to maintain or reduce their policy rates. Notably, India, Indonesia, South Korea, Thailand, Brazil and Mexico cut rates during 2019's third quarter.

Significant Changes

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

1. Mexican Fixed Rate Bonds 6.50% 6/09/2022
2. Mexican Bonos 7.25% 12/09/2021
3. Brazil Letras Do Tesouro Nacional Zero 4/01/2020
4. Letra Tesouro Nacional 7/01/2020 STRIP COUPON
5. Bank of Thailand Bond 1.82% 8/27/2020

The top five sells during the year were:

1. Mexican Fixed Rate Bonds 5.00% 12/11/2019
2. India Government Bond 8.33% 7/09/2026
3. Bank of Thailand Bond 1.49% 8/28/2019
4. Philippine Government 3.875% 11/22/2019
5. Bank of Thailand Bond 1.34% 2/26/2020

Positive/Negative Contributors

For the six-month period ended 30 September 2019, interest-rate strategies detracted from the Fund's relative performance. Currency positions contributed to relative results, while overall credit exposures had a largely neutral effect.

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

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

Outlook

A number of factors are currently shaping financial markets, notably including geopolitical risks and trade tensions, populism and political polarisation, unrestrained deficit spending in the developed world, low rates and underappreciated inflation risks, and overvaluations in many risk assets. Financial markets remain vulnerable to a number of risks associated with these factors, in our view. We continue to position our strategies for potential market corrections that could come from an interest-rate shock associated with rising deficits and persistent inflation pressures, or a direct financial market shock triggered by any combination of distorted asset prices and/or geopolitical uncertainties. We continue to maintain negative duration exposure to USTs to hedge rate risks, and we have de-risked specific emerging market exposures in our portfolios. We have also increased our long exposures to perceived safe-haven assets, including the Japanese yen, Norwegian krone and Swedish krona.

We also continued to maintain net-negative positions in the Australian dollar and the euro. The negative exposure to the Australian dollar is intended to hedge against broad-based beta risks in emerging markets, as the currency shares emerging market risk factors, including linkages to China's economy and commodity markets. Our net-negative position in the euro is intended to hedge against broad-based US dollar strength and against political and structural vulnerabilities in the eurozone. Additionally, we moved to a net-positive position in the Japanese yen in June as the outlook for policy divergence between the Fed and the BOJ has softened, and because the yen shows potential to strengthen should global risk aversion deepen in the quarters ahead.

In Europe, growth continues to show signs of moderation, with particular weakness in German manufacturing. Core inflation (based on the Consumer Price Index) has remained subdued, coming in at 1.0% in September. We expect the euro to weaken against the US dollar given the differences in projected growth and the rate differentials between the US and the eurozone. ECB President Mario Draghi has indicated that the central bank is prepared to "use all the instruments in its toolbox" to support economic conditions and move inflation closer to its 2.0% target, including rate cuts and QE. Additionally, the euro remains vulnerable to unresolved structural and political risks across Europe, notably including debt sustainability and banking concerns in Italy. The upcoming Brexit deadline of 31 October adds political uncertainty for the eurozone. Additionally, European leadership is undergoing change, with Christine Lagarde scheduled to become the next president of the ECB on 1 November and German Defence Minister Ursula von der Leyen scheduled to become the next president of the European Commission, also on 1 November.

In emerging markets, we continue to see a subset of countries with domestically strong economies that have demonstrated their resiliencies to global shocks, including potential trade disruptions. We are focused on specific countries that are less externally vulnerable and more domestically driven, and that have orthodox fiscal and monetary policies. Twenty years ago it may have been difficult for a number of countries

Templeton Global Total Return Bond Fund

Investment Review (continued)

Outlook (continued)

to weather a protectionist trade shock, a commodity price shock and an exchange rate shock all at the same time, but today specific countries have greatly reduced those external vulnerabilities. We see additional scope for strengthening valuations in specific countries.

In Brazil, the lower house of Congress voted to approve the pension reform bill in July. It has moved to the Senate, with expectations for it to be ratified by the end of the year. The proposed bill is estimated to save R\$1 trillion over the next decade, which exceeds the R\$700 billion target and is double the size of former President Michel Temer's previous proposal. On the whole, the political will to move Brazil beyond its failed state intervention policies of the past remains strong. The structural reforms underway represent massive structural shifts that should unlock the domestic drivers of the economy. Brazil continues to trend towards fundamental improvement—the country has an orthodox, independent central bank and a finance ministry that remains committed to appropriate policies. Minister of Economy Paulo Guedes has pledged to steer the country "towards a market-driven economy." Risk-adjusted yields in local-currency bonds remain highly compelling, with the 10-year Brazilian bond yielding around 7.0% (as at 30 September 2019).

In Mexico, the country's institutional strength should preserve much of the fiscal advances the country has made over the past several years. Although occasional tariff threats from US President Donald Trump remain a risk, we believe that tight production linkages between the two countries will prevent a serious escalation. We continue to evaluate the policy agenda of the new government. So far, institutional strength remains intact with central bank independence and a reasonable fiscal budget for 2020. Although the Mexican economy is moderating due to both external and domestic factors (including disappointing oil production), the central bank has begun easing to shore up the economy.

In Indonesia, we expect ongoing policy continuity and continued emphasis on prudent, stable economic management after incumbent President Joko Widodo's decisive win in the April election. The government has proposed new infrastructure investment to support the economy. Growth has remained resilient, with second-quarter 2019 gross domestic product remaining above 5.0%. The structure of the economy has benefitted from ongoing reforms over the last decade that have sought to balance its growth drivers and accelerate domestic development. The country has benefitted from greater policy coherence and increasing transparency in recent years. As an example of the government's commitment to prudent orthodox policy, Indonesia's central bank decisively raised rates 175 bps from May 2018 to November 2018 to support its exchange rate against a broadly strengthening US dollar. The Fed's recent shift to looser policy now enables Bank Indonesia to cut rates. We continue to see risk-adjusted value in Indonesia's local-currency markets.

China's economy remains in a soft landing, but weaker economic momentum is likely to be partially offset by policy support, in our view. However, escalating trade tensions with the US pose additional risks. Nonetheless, China has adequate fiscal levers to prevent a deep economic slowdown, barring an exogenous financial shock. It has the tools to manage its capital accounts, its exchange rate, its banking system and ultimately its economic growth. Overall, the government has extensive ability to maintain short-term economic stability. However, ongoing government command of an economic system presents longer-term questions. Continued rebalancing will be needed for the long term.

Overall, we continue to maintain low portfolio duration and negative duration exposure to longer-term USTs. We expect rising debt issuance, rising deficit spending and rising underlying inflation pressures to drive longer-term yields higher. We also continue to hold select local-currency positions in countries that we view as having healthy or improving fundamentals, along with attractive risk-adjusted yields. We continue to prefer specific countries that are less externally dependent and more domestically driven, and that have responsible, credible central banks that consistently respond with appropriate monetary policies. Select local-currency markets show attractive levels of undervaluation and compelling yields, in our view.

How we measure performance.

- We measure performance against the Bloomberg Barclays Multiverse Index, which reflects investments in similar debt-related securities.
- The Fund's performance can also be compared against the Investment Association Global Bond sector average, which reflects the performance of the Fund's competitors.

We measure performance and price shares in the Fund in UK sterling.

For hedged share classes that attempt to remove the impact of changes in foreign exchange rates (ending GBP-H3), we show performance of the comparable index in US dollars (US\$).

Michael Hasenstab, PhD & Calvin Ho, PhD

Fund Managers

30 September 2019

Templeton Global Total Return Bond Fund

Comparative Table

	30 September 2019	31 March 2019	31 March 2018	31 March 2017
A – Income shares				
Change in net assets per share (p)				
Opening net asset value per share	142.01	144.47	170.02	138.29
Return before operating charges ¹	3.71	10.14	(15.91)	41.54
Operating charges ²	(1.96)	(1.97)	(2.13)	(2.08)
Return after operating charges ³	1.75	8.17	(18.04)	39.46
Distribution on income shares	(5.2164)	(10.6311)	(7.5145)	(7.7264)
Closing net asset value per share	138.54	142.01	144.47	170.02
After direct transaction costs of	-	-	-	-
Performance				
Return after charges ⁴	1.23%	5.66%	(10.61%)	28.53%
Other information				
Closing net asset value (£)	1,804,797	2,141,636	2,480,860	4,280,843
Closing number of shares	1,302,714	1,508,117	1,717,265	2,517,854
Ongoing charges ratio ⁵	1.34%	1.34%	1.35%	1.35%
Direct transaction costs ⁶	-	-	-	-
Prices (p)				
Highest share price	155.16	154.30	173.33	176.12
Lowest share price	138.07	140.97	142.35	132.96
A – Income Hedge shares				
Change in net assets per share (p)				
Opening net asset value per share	96.05	107.49	114.68	107.17
Return before operating charges ¹	(3.76)	(2.73)	(0.38)	14.47
Operating charges ²	(1.28)	(1.37)	(1.52)	(1.46)
Return after operating charges ³	(5.04)	(4.10)	(1.90)	13.01
Distribution on income shares	(3.4309)	(7.3408)	(5.2896)	(5.4996)
Closing net asset value per share	87.58	96.05	107.49	114.68
After direct transaction costs of	-	-	-	-
Performance				
Return after charges ⁴	(5.25%)	(3.81%)	(1.66%)	12.14%
Other information				
Closing net asset value (£)	640,979	1,013,927	2,204,808	2,980,839
Closing number of shares	731,909	1,055,678	2,051,212	2,599,198
Ongoing charges ratio ⁵	1.34%	1.34%	1.37%	1.35%
Direct transaction costs ⁶	-	-	-	-
Prices (p)				
Highest share price	99.11	108.10	115.75	115.92
Lowest share price	87.31	96.04	106.61	103.95

Templeton Global Total Return Bond Fund

Comparative Table (continued)

	30 September 2019	31 March 2019	31 March 2018	31 March 2017
A – Accumulation shares				
Change in net assets per share (p)				
Opening net asset value per share	220.07	208.11	233.18	182.50
Return before operating charges ¹	5.63	14.87	(22.11)	55.52
Operating charges ²	(3.07)	(2.91)	(2.96)	(2.78)
Return after operating charges ³	2.56	11.96	(25.07)	52.74
Distribution	(8.1605)	(15.7482)	(10.4644)	(10.2762)
Retained distributions on accumulation shares	8.1605	15.7482	10.4644	8.2210
Closing net asset value per share	222.63	220.07	208.11	233.18
After direct transaction costs of	-	-	-	-
Performance				
Return after charges ⁴	1.16%	5.75%	(10.75%)	28.90%
Other information				
Closing net asset value (£)	3,856,651	3,286,698	3,730,097	5,439,064
Closing number of shares	1,732,288	1,493,450	1,792,410	2,332,516
Ongoing charges ratio ⁵	1.34%	1.34%	1.35%	1.35%
Direct transaction costs ⁶	-	-	-	-
Prices (p)				
Highest share price	245.32	229.87	237.73	238.52
Lowest share price	218.31	204.05	202.45	175.45
A – Accumulation Hedge shares				
Change in net assets per share (p)				
Opening net asset value per share	124.75	129.32	131.72	118.17
Return before operating charges ¹	(4.97)	(2.89)	(0.62)	16.42
Operating charges ²	(1.67)	(1.68)	(1.78)	(1.65)
Return after operating charges ³	(6.64)	(4.57)	(2.40)	14.77
Distribution	(4.4960)	(9.0828)	(6.1556)	(6.1091)
Retained distributions on accumulation shares	4.4960	9.0828	6.1556	4.8873
Closing net asset value per share	118.11	124.75	129.32	131.72
After direct transaction costs of	-	-	-	-
Performance				
Return after charges ⁴	(5.32%)	(3.53%)	(1.82%)	12.50%
Other information				
Closing net asset value (£)	11,497,881	11,368,558	15,152,761	14,076,627
Closing number of shares	9,734,989	9,112,799	11,717,134	10,686,611
Ongoing charges ratio ⁵	1.34%	1.34%	1.37%	1.35%
Direct transaction costs ⁶	-	-	-	-
Prices (p)				
Highest share price	129.95	130.10	132.95	131.72
Lowest share price	117.58	118.16	126.73	114.97

Templeton Global Total Return Bond Fund

Comparative Table (continued)

W – Income shares	30 September 2019	31 March 2019	31 March 2018	31 March 2017
Change in net assets per share (p)				
Opening net asset value per share	95.75	97.42	114.65	93.22
Return before operating charges ¹	2.23	6.83	(10.74)	28.06
Operating charges ²	(0.78)	(0.78)	(0.87)	(0.84)
Return after operating charges ³	1.45	6.05	(11.61)	27.22
Distribution on income shares	(3.7914)	(7.7208)	(5.6176)	(5.7908)
Closing net asset value per share	93.41	95.75	97.42	114.65
After direct transaction costs of	-	-	-	-
Performance				
Return after charges ⁴	1.51%	6.21%	(10.13%)	29.20%
Other information				
Closing net asset value (£)	22,946,536	23,845,563	37,338,760	44,541,349
Closing number of shares	24,564,800	24,902,837	38,328,695	38,849,402
Ongoing charges ratio ⁵	0.79%	0.79%	0.82%	0.80%
Direct transaction costs ⁶	-	-	-	-
Prices (p)				
Highest share price	104.67	104.13	116.90	118.88
Lowest share price	93.22	95.19	96.11	89.71
W – Income Hedge shares	30 September 2019	31 March 2019	31 March 2018	31 March 2017
Change in net assets per share (p)				
Opening net asset value per share	89.10	99.66	106.57	99.44
Return before operating charges ¹	(3.72)	(2.48)	(0.60)	13.57
Operating charges ²	(0.70)	(0.75)	(0.85)	(0.81)
Return after operating charges ³	(4.42)	(3.23)	(1.45)	12.76
Distribution on income shares	(3.4300)	(7.3310)	(5.4595)	(5.6308)
Closing net asset value per share	81.25	89.10	99.66	106.57
After direct transaction costs of	-	-	-	-
Performance				
Return after charges ⁴	(4.96%)	(3.24%)	(1.36%)	12.83%
Other information				
Closing net asset value (£)	45,364,793	53,653,323	76,810,548	74,131,474
Closing number of shares	55,833,157	60,219,358	77,068,998	69,563,999
Ongoing charges ratio ⁵	0.79%	0.79%	0.82%	0.80%
Direct transaction costs ⁶	-	-	-	-
Prices (p)				
Highest share price	91.98	100.24	107.57	107.84
Lowest share price	81.25	89.09	98.98	96.52

Templeton Global Total Return Bond Fund

Comparative Table (continued)

	30 September 2019	31 March 2019	31 March 2018	31 March 2017
W – Accumulation shares				
Change in net assets per share (p)				
Opening net asset value per share	123.92	116.54	129.89	101.19
Return before operating charges ¹	2.81	8.34	(12.35)	30.91
Operating charges ²	(1.02)	(0.96)	(1.00)	(0.93)
Return after operating charges ³	1.79	7.38	(13.35)	29.98
Distribution	(4.9533)	(9.5166)	(6.4914)	(6.3921)
Retained distributions on accumulation shares	4.9533	9.5166	6.4914	5.1137
Closing net asset value per share	125.71	123.92	116.54	129.89
After direct transaction costs of	-	-	-	-
Performance				
Return after charges ⁴	1.44%	6.33%	(10.28%)	29.63%
Other information				
Closing net asset value (£)	64,835,401	69,348,274	90,821,532	114,470,077
Closing number of shares	51,577,381	55,962,801	77,933,243	88,125,146
Ongoing charges ratio ⁵	0.79%	0.79%	0.82%	0.80%
Direct transaction costs ⁶	-	-	-	-
Prices (p)				
Highest share price	138.39	129.34	132.45	132.83
Lowest share price	123.24	114.29	113.36	97.38
W – Accumulation Hedge shares				
Change in net assets per share (p)				
Opening net asset value per share	101.79	104.90	106.06	94.62
Return before operating charges ¹	(4.43)	(2.30)	(0.30)	13.31
Operating charges ²	(0.81)	(0.81)	(0.86)	(0.78)
Return after operating charges ³	(5.24)	(3.11)	(1.16)	12.53
Distribution	(3.9562)	(7.9593)	(5.5484)	(5.4516)
Retained distributions on accumulation shares	3.9562	7.9593	5.5484	4.3613
Closing net asset value per share	96.55	101.79	104.90	106.06
After direct transaction costs of	-	-	-	-
Performance				
Return after charges ⁴	(5.15%)	(2.96%)	(1.09%)	13.24%
Other information				
Closing net asset value (£)	9,137,448	10,730,200	12,209,272	13,535,801
Closing number of shares	9,464,431	10,541,280	11,639,498	12,762,502
Ongoing charges ratio ⁵	0.79%	0.79%	0.82%	0.80%
Direct transaction costs ⁶	-	-	-	-
Prices (p)				
Highest share price	106.18	105.53	107.08	106.06
Lowest share price	96.11	96.16	102.74	92.13

Templeton Global Total Return Bond Fund

Comparative Table (continued)

Y – Income shares	30 September 2019	31 March 2019	31 March 2018	31 March 2017
Change in net assets per share (p)				
Opening net asset value per share	104.68	106.51	125.38	101.93
Return before operating charges ¹	2.05	7.48	(11.77)	30.73
Operating charges ²	(0.10)	(0.10)	(0.15)	(0.11)
Return after operating charges ³	1.95	7.38	(11.92)	30.62
Distribution on income shares	(4.5182)	(9.2100)	(6.9544)	(7.1668)
Closing net asset value per share	102.11	104.68	106.51	125.38
After direct transaction costs of	-	-	-	-
Performance				
Return after charges ⁴	1.86%	6.93%	(9.51%)	30.04%
Other information				
Closing net asset value (£)	3,035	3,111	3,166	3,726
Closing number of shares	2,972	2,972	2,972	2,972
Ongoing charges ratio ⁵	0.09%	0.09%	0.13%	0.10%
Direct transaction costs ⁶	-	-	-	-
Prices (p)				
Highest share price	114.50	113.92	127.86	130.18
Lowest share price	102.06	104.22	105.26	98.21
Z – Income Hedge shares	30 September 2019	31 March 2019	31 March 2018	31 March 2017
Change in net assets per share (p)				
Opening net asset value per share	89.91	100.44	107.09	100.06
Return before operating charges ¹	(3.95)	(2.39)	(0.31)	13.48
Operating charges ²	(0.89)	(0.94)	(1.06)	(1.01)
Return after operating charges ³	(4.84)	(3.33)	(1.37)	12.47
Distribution on income shares	(3.3737)	(7.1989)	(5.2828)	(5.4300)
Closing net asset value per share	81.70	89.91	100.44	107.09
After direct transaction costs of	-	-	-	-
Performance				
Return after charges ⁴	(5.38%)	(3.32%)	(1.28%)	12.46%
Other information				
Closing net asset value (£)	118,761	245,371	236,497	427,744
Closing number of shares	145,369	272,919	235,456	399,441
Ongoing charges ratio ⁵	0.99%	0.99%	1.02%	1.00%
Direct transaction costs ⁶	-	-	-	-
Prices (p)				
Highest share price	92.79	101.02	108.09	108.32
Lowest share price	81.69	89.90	99.74	97.05

Templeton Global Total Return Bond Fund

Comparative Table (continued)

Z – Accumulation shares	30 September 2019	31 March 2019	31 March 2018	31 March 2017
Change in net assets per share (p)				
Opening net asset value per share	209.93	197.82	220.94	172.40
Return before operating charges ¹	4.97	14.16	(20.99)	52.59
Operating charges ²	(2.16)	(2.05)	(2.13)	(1.94)
Return after operating charges ³	2.81	12.11	(23.12)	50.65
Distribution	(8.1686)	(15.7146)	(10.6506)	(10.5480)
Retained distributions on accumulation shares	8.1686	15.7146	10.6506	8.4384
Closing net asset value per share	212.74	209.93	197.82	220.94
After direct transaction costs of	-	-	-	-
Performance				
Return after charges ⁴	1.34%	6.12%	(10.46%)	29.38%
Other information				
Closing net asset value (£)	470,757	537,908	776,770	1,163,724
Closing number of shares	221,282	256,236	392,666	526,724
Ongoing charges ratio ⁵	0.99%	0.99%	1.02%	1.00%
Direct transaction costs ⁶	-	-	-	-
Prices (p)				
Highest share price	234.29	219.17	225.27	225.96
Lowest share price	208.59	194.00	192.43	165.85

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 2019

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
EQUITIES 0.01% (0.02%)			
AFRICA 0.01% (0.00%)			
SOUTH AFRICA			
12,082,204	K2016470219 South Africa Ltd., A#¢	6	0.01
1,447,454	K2016470219 South Africa Ltd., B#¢	1	0.00
	TOTAL - AFRICA	7	0.01
	TOTAL - EQUITIES	7	0.01
WARRANTS 0.00% (0.00%)			
BONDS 81.58% (82.14%)			
AFRICA 5.93% (5.37%)			
GHANA			
990,000	Ghana Treasury Note, 16.50%, 2/17/2020#	147	0.09
250,000	Ghana Treasury Note, 16.50%, 3/16/2020#	37	0.02
290,000	Ghana Treasury Note, 17.18%, 1/06/2020#	43	0.03
50,000	Ghana Treasury Note, 17.24%, 11/11/2019#	8	0.01
460,000	Government of Ghana, 16.50%, 2/06/2023#	64	0.04
80,000	Government of Ghana, 17.60%, 11/28/2022#	12	0.01
2,240,000	Government of Ghana, 18.75%, 1/24/2022#	331	0.21
6,940,000	Government of Ghana, 19.00%, 11/02/2026#	990	0.62
2,180,000	Government of Ghana, 19.75%, 3/25/2024#	325	0.20
180,000	Government of Ghana, 21.00%, 3/23/2020#	27	0.02
11,040,000	Government of Ghana, 24.50%, 6/21/2021#	1,779	1.11
100,000	Government of Ghana, 24.75%, 3/01/2021#	16	0.01
8,000,000	Government of Ghana, 24.75%, 7/19/2021#	1,292	0.80
6,240,000	Government of Ghana, senior bond, 19.75%, 3/15/2032#	903	0.56
250,000	Government of Ghana, senior note, 16.25%, 4/07/2025#	33	0.02
50,000	Government of Ghana, senior note, 16.50%, 3/22/2021#	7	0.00
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#	219	0.14
980,000	Government of Ghana, senior note, 18.50%, 6/01/2020#	147	0.09
260,000	Government of Ghana, senior note, 21.50%, 3/09/2020#	39	0.02
9,540,000	Government of Ghana, senior note, 24.00%, 11/23/2020#	1,504	0.94
		8,009	4.99
KENYA			
1,769,000	Government of Kenya, senior note, Reg S, 6.875%, 6/24/2024#	1,515	0.94
SOUTH AFRICA			
413,478	K2016470219 South Africa Ltd., senior secured note, Reg S, PIK, 12/31/2022#	1	0.00
957,572	K2016470219 South Africa Ltd., senior secured note, Reg S, PIK, 12/31/2022#	1	0.00
273,894	K2016470260 South Africa Ltd., senior secured note, Reg S, PIK, 12/31/2022#	1	0.00
		3	0.00
	TOTAL - AFRICA	9,527	5.93
ASIA 38.10% (33.09%)			
INDIA			
770,000,000	Government of India, senior bond, 8.24%, 2/15/2027#	9,550	5.95
110,000,000	Government of India, senior bond, 8.33%, 7/09/2026#	1,368	0.85
480,000,000	Government of India, senior note, 6.79%, 5/15/2027#	5,530	3.44
		16,448	10.24
INDONESIA			
1,225,000,000	Government of Indonesia, senior bond, FR39, 11.75%, 8/15/2023#	82	0.05
350,000,000	Government of Indonesia, senior bond, FR40, 11.00%, 9/15/2025#	24	0.02
306,000,000	Government of Indonesia, senior bond, FR43, 10.25%, 7/15/2022#	19	0.01
733,000,000	Government of Indonesia, senior bond, FR44, 10.00%, 9/15/2024#	48	0.03
9,760,000,000	Government of Indonesia, senior bond, FR46, 9.50%, 7/15/2023#	611	0.38
11,684,000,000	Government of Indonesia, senior bond, FR53, 8.25%, 7/15/2021#	691	0.43

Templeton Global Total Return Bond Fund

Portfolio Statement as at 30 September 2019 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
INDONESIA (continued)			
161,765,000,000	Government of Indonesia, senior bond, FR56, 8.375%, 9/15/2026#	9,934	6.18
5,860,000,000	Government of Indonesia, senior bond, FR61, 7.00%, 5/15/2022#	340	0.21
7,296,000,000	Government of Indonesia, senior bond, FR63, 5.625%, 5/15/2023#	406	0.25
81,136,000,000	Government of Indonesia, senior bond, FR70, 8.375%, 3/15/2024#	4,927	3.07
		17,082	10.63
JAPAN			
359,900,000	Japan Treasury Discount Bill, 10/07/2019#	2,708	1.69
426,900,000	Japan Treasury Discount Bill, 10/15/2019#	3,212	2.00
261,000,000	Japan Treasury Discount Bill, 12/09/2019#	1,964	1.22
302,000,000	Japan Treasury Discount Bill, 12/10/2019#	2,273	1.41
375,500,000	Japan Treasury Discount Bill, 12/16/2019#	2,826	1.76
153,000,000	Japan Treasury Discount Bill, 12/23/2019#	1,151	0.72
		14,134	8.80
SOUTH KOREA			
5,340,800,000	Korea Treasury Bond, senior bond, 4.25%, 6/10/2021#	3,800	2.36
3,029,100,000	Korea Treasury Bond, senior note, 2.00%, 3/10/2021#	2,074	1.29
		5,874	3.65
THAILAND			
15,642,000	Bank of Thailand Bill, 3/12/2020#	413	0.26
17,673,000	Bank of Thailand Bill, 7/02/2020#	465	0.29
25,856,000	Bank of Thailand Bond, senior bond, 1.57%, 9/25/2020#	688	0.43
82,917,000	Bank of Thailand Bond, senior note, 1.77%, 3/27/2020#	2,207	1.37
47,192,000	Bank of Thailand Bond, senior note, 1.82%, 8/27/2020#	1,259	0.78
98,920,000	Bank of Thailand Bond, senior note, 1.95%, 11/26/2020#	2,645	1.65
		7,677	4.78
TOTAL - ASIA		61,215	38.10
CENTRAL AMERICA 10.79% (18.87%)			
MEXICO			
570,200	Government of Mexico, senior bond, M, 6.50%, 6/10/2021#	2,344	1.46
1,105,100	Government of Mexico, senior bond, M, 6.50%, 6/09/2022#	4,533	2.82
395,100	Government of Mexico, senior bond, M, 8.00%, 6/11/2020#	1,642	1.02
35,700	Government of Mexico, senior bond, M, 8.00%, 12/07/2023#	154	0.10
14,400	Government of Mexico, senior bond, M 20, 10.00%, 12/05/2024#	68	0.04
224,200	Government of Mexico, senior note, M, 5.00%, 12/11/2019#	920	0.57
1,153,500	Government of Mexico, senior note, M, 7.25%, 12/09/2021#	4,808	2.99
19,189	Mexican Udibonos, Index Linked, 2.50%, 12/10/2020#	78	0.05
4,442,350	Mexico Treasury Bill, 1/02/2020#	1,795	1.12
2,148,940	Mexico Treasury Bill, 2/27/2020#	859	0.54
335,250	Mexico Treasury Bill, 4/02/2020#	133	0.08
TOTAL - CENTRAL AMERICA		17,334	10.79
EUROPE - NON EU 0.12% (0.50%)			
NORWAY			
2,270,000	Norway Treasury Bill, 12/18/2019#	202	0.12
TOTAL EUROPE - NON EU		202	0.12
NORTH AMERICA 4.99% (0.00%)			
UNITED STATES			
75,000	NewPage Corp., Escrow Account, 11.375%, 12/31/2014#	0	0.00
9,880,000	U.S. Treasury Bill, 11/29/2019#	8,013	4.99
TOTAL - NORTH AMERICA		8,013	4.99

Templeton Global Total Return Bond Fund

Portfolio Statement as at 30 September 2019 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
SOUTH AMERICA 21.65% (24.31%)			
ARGENTINA			
148,617,000	Argentina Treasury Bill, 3/30/2020#	1,615	1.01
73,949,000	Argentina Treasury Bill, 4/28/2020#	794	0.49
471,000	Argentina Treasury Bill, 5/28/2020#	3	0.00
1,885,000	Argentina Treasury Bill, 7/29/2020#	14	0.01
12,259,000	Argentina Treasury Bill, 10/29/2020#	71	0.04
172,943,100	Argentine Bonos del Tesoro, 16.00%, 10/17/2023#	734	0.46
116,618,000	Argentine Bonos del Tesoro, 18.20%, 10/03/2021#	446	0.28
305,215,900	Argentine Bonos del Tesoro, senior note, 15.50%, 10/17/2026#	1,290	0.80
1,450,000	Government of Argentina, FRN, 67.559%, 6/21/2020#	9	0.01
543,000	Government of Argentina, Index Linked, 4.00%, 3/06/2020#	5	0.00
		4,981	3.10
BRAZIL			
3,310	Letra Tesouro Nacional, Strip, 1/01/2020#	640	0.40
12,140	Letra Tesouro Nacional, Strip, 4/01/2020#	2,320	1.44
33,180	Letra Tesouro Nacional, Strip, 7/01/2020#	6,269	3.90
5,740	Letra Tesouro Nacional, Strip, 4/01/2021#	1,042	0.65
2,840	Letra Tesouro Nacional, Strip, 7/01/2021#	508	0.31
35,535	Nota do Tesouro Nacional, 10.00%, 1/01/2021#	7,354	4.58
21,854	Nota do Tesouro Nacional, 10.00%, 1/01/2023#	4,754	2.96
14,256	Nota do Tesouro Nacional, 10.00%, 1/01/2025#	3,195	1.99
190	Nota do Tesouro Nacional, 10.00%, 1/01/2027#	44	0.03
		26,126	16.26
COLOMBIA			
111,000,000	Government of Colombia, senior bond, 4.375%, 3/21/2023#	25	0.02
1,650,000,000	Government of Colombia, senior bond, 7.75%, 4/14/2021#	401	0.25
176,000,000	Government of Colombia, senior bond, 9.85%, 6/28/2027#	52	0.03
1,649,000,000	Titulos de Tesoreria, senior bond, B, 7.00%, 5/04/2022#	406	0.25
2,822,700,000	Titulos de Tesoreria, senior bond, B, 7.50%, 8/26/2026#	733	0.46
7,305,000,000	Titulos de Tesoreria, senior bond, B, 10.00%, 7/24/2024#	2,060	1.28
		3,677	2.29
TOTAL - SOUTH AMERICA		34,783	21.65
TOTAL - BONDS		131,075	81.58
DERIVATIVES (2.94%) ((2.10%))			
FORWARD CURRENCY CONTRACTS Ω			
	Buy USD 4,501,714 & Sell AUD 6,234,500, 10/23/2019	236	0.15
	Buy USD 5,326,020 & Sell EUR 4,636,240, 10/23/2019	214	0.13
	Buy USD 5,842,505 & Sell EUR 5,112,000, 11/15/2019	204	0.13
	Buy USD 4,722,991 & Sell EUR 4,115,000, 10/23/2019	186	0.12
	Buy USD 4,666,532 & Sell EUR 4,074,471, 10/11/2019	180	0.11
	Buy USD 5,645,430 & Sell EUR 4,985,808, 11/04/2019	159	0.10
	Buy USD 4,466,282 & Sell EUR 3,912,300, 10/24/2019	157	0.10
	Buy USD 5,503,771 & Sell EUR 4,856,240, 11/21/2019	154	0.10
	Buy USD 4,966,149 & Sell EUR 4,357,800, 12/18/2019	151	0.09
	Buy USD 3,413,713 & Sell EUR 2,982,190, 10/15/2019	130	0.08
	Buy USD 2,673,892 & Sell AUD 3,730,500, 10/15/2019	126	0.08
	Buy USD 4,172,383 & Sell EUR 3,674,409, 11/20/2019	123	0.08
	Buy USD 3,404,468 & Sell EUR 2,982,190, 10/15/2019	122	0.08
	Buy USD 3,387,180 & Sell EUR 2,984,668, 11/20/2019	99	0.06
	Buy USD 4,329,923 & Sell AUD 6,234,500, 11/22/2019	93	0.06
	Buy USD 2,863,848 & Sell AUD 4,088,000, 11/15/2019	81	0.05
	Buy USD 2,919,066 & Sell EUR 2,576,654, 11/21/2019	81	0.05
	Buy USD 2,766,129 & Sell EUR 2,438,515, 11/20/2019	80	0.05
	Buy USD 2,613,644 & Sell AUD 3,730,500, 1/15/2020	71	0.04
	Buy USD 1,635,634 & Sell EUR 1,429,375, 10/15/2019	62	0.04

Templeton Global Total Return Bond Fund

Portfolio Statement as at 30 September 2019 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	FORWARD CURRENCY CONTRACTS Ω (continued)		
	Buy JPY 241,038,900 & Sell AUD 3,210,000, 12/12/2019	57	0.04
	Buy USD 1,701,261 & Sell EUR 1,492,334, 12/18/2019	52	0.03
	Buy USD 954,438 & Sell AUD 1,331,787, 10/15/2019	45	0.03
	Buy USD 1,221,442 & Sell EUR 1,068,236, 10/15/2019	45	0.03
	Buy USD 2,064,386 & Sell KRW 2,411,203,317, 10/07/2019	43	0.03
	Buy JPY 191,041,433 & Sell AUD 2,560,000, 3/12/2020	42	0.03
	Buy USD 1,199,857 & Sell EUR 1,053,426, 10/09/2019	41	0.03
	Buy USD 994,829 & Sell EUR 867,067, 10/23/2019	39	0.02
	Buy USD 1,116,040 & Sell EUR 980,186, 10/08/2019	38	0.02
	Buy USD 1,078,853 & Sell EUR 943,614, 12/09/2019	36	0.02
	Buy JPY 146,910,036 & Sell AUD 1,960,000, 12/12/2019	33	0.02
	Buy USD 1,194,974 & Sell EUR 1,053,426, 12/05/2019	33	0.02
	Buy USD 2,148,335 & Sell EUR 1,926,654, 11/22/2019	33	0.02
	Buy USD 921,428 & Sell EUR 809,243, 10/08/2019	32	0.02
	Buy USD 926,629 & Sell EUR 809,757, 12/09/2019	32	0.02
	Buy USD 2,303,895 & Sell SEK 22,213,000, 11/26/2019	32	0.02
	Buy USD 783,205 & Sell EUR 682,000, 10/24/2019	31	0.02
	Buy JPY 146,234,282 & Sell AUD 1,970,000, 6/12/2020	30	0.02
	Buy USD 1,088,187 & Sell EUR 961,678, 10/29/2019	30	0.02
	Buy USD 1,087,398 & Sell EUR 961,678, 10/31/2019	30	0.02
	Buy USD 886,037 & Sell EUR 778,345, 10/25/2019	29	0.02
	Buy USD 983,144 & Sell EUR 866,855, 11/21/2019	28	0.02
	Buy USD 1,037,622 & Sell EUR 916,000, 12/04/2019	28	0.02
	Buy USD 928,709 & Sell AUD 1,327,107, 11/13/2019	26	0.02
	Buy USD 929,638 & Sell AUD 1,327,107, 11/15/2019	26	0.02
	Buy USD 607,266 & Sell EUR 529,000, 12/11/2019	22	0.01
	Buy USD 1,162,496 & Sell AUD 1,681,000, 11/21/2019	21	0.01
	Buy USD 798,171 & Sell EUR 705,550, 11/29/2019	21	0.01
	Buy USD 1,514,871 & Sell SEK 14,602,979, 11/29/2019	21	0.01
	Buy USD 402,983 & Sell AUD 561,500, 10/11/2019	19	0.01
	Buy USD 741,378 & Sell EUR 656,000, 12/03/2019	19	0.01
	Buy JPY 83,844,320 & Sell AUD 1,120,000, 12/12/2019	18	0.01
	Buy USD 1,664,608 & Sell INR 116,149,700, 10/07/2019	18	0.01
	Buy JPY 83,040,720 & Sell AUD 1,120,000, 6/12/2020	17	0.01
	Buy USD 593,656 & Sell EUR 524,431, 10/30/2019	17	0.01
	Buy JPY 81,476,890 & Sell AUD 1,100,000, 6/12/2020	16	0.01
	Buy JPY 82,529,055 & Sell AUD 1,110,000, 3/13/2020	16	0.01
	Buy JPY 208,311,131 & Sell AUD 2,840,000, 1/14/2020	16	0.01
	Buy USD 603,895 & Sell EUR 534,089, 11/29/2019	16	0.01
	Buy USD 629,971 & Sell EUR 556,993, 11/29/2019	16	0.01
	Buy USD 1,014,491 & Sell KRW 1,189,693,886, 1/29/2020	15	0.01
	Buy USD 426,888 & Sell EUR 375,161, 10/25/2019	14	0.01
	Buy USD 497,971 & Sell EUR 439,000, 11/21/2019	14	0.01
	Buy USD 1,420,592 & Sell INR 99,136,000, 10/03/2019	14	0.01
	Buy USD 1,013,497 & Sell SEK 9,788,706, 10/29/2019	14	0.01
	Buy USD 971,554 & Sell EUR 866,855, 3/23/2020	12	0.01
	Buy USD 361,658 & Sell EUR 319,458, 10/29/2019	10	0.01
	Buy USD 342,253 & Sell EUR 302,450, 10/29/2019	10	0.01
	Buy USD 218,145 & Sell EUR 190,000, 10/16/2019	9	0.01
	Buy USD 313,023 & Sell EUR 275,650, 12/05/2019	9	0.01
	Buy INR 241,028,320 & Sell USD 3,368,670, 12/16/2019	8	0.00
	Buy USD 574,580 & Sell SEK 5,559,000, 10/03/2019	8	0.00
	Buy JPY 775,740,000 & Sell USD 7,230,344, 1/24/2020	7	0.00
	Buy USD 185,063 & Sell EUR 161,869, 10/15/2019	7	0.00
	Buy USD 262,527 & Sell EUR 232,250, 10/31/2019	7	0.00
	Buy INR 140,196,430 & Sell USD 1,967,669, 11/07/2019	6	0.00
	Buy USD 142,185 & Sell AUD 199,150, 10/08/2019	6	0.00
	Buy USD 148,847 & Sell EUR 129,500, 10/16/2019	6	0.00
	Buy USD 966,197 & Sell EUR 867,938, 3/25/2020	6	0.00
	Buy USD 250,976 & Sell AUD 362,000, 11/20/2019	5	0.00
	Buy USD 142,063 & Sell EUR 124,875, 10/04/2019	5	0.00

Templeton Global Total Return Bond Fund

Portfolio Statement as at 30 September 2019 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
FORWARD CURRENCY CONTRACTS Ω (continued)			
	Buy USD 184,336 & Sell EUR 161,869, 12/18/2019	5	0.00
	Buy INR 138,456,000 & Sell USD 1,950,964, 10/15/2019	4	0.00
	Buy USD 212,708 & Sell AUD 308,000, 11/21/2019	4	0.00
	Buy USD 95,333 & Sell EUR 83,000, 10/17/2019	4	0.00
	Buy USD 106,066 & Sell EUR 93,000, 11/14/2019	4	0.00
	Buy USD 141,573 & Sell EUR 124,875, 12/04/2019	4	0.00
	Buy INR 74,233,000 & Sell USD 1,040,990, 11/13/2019	3	0.00
	Buy INR 84,612,000 & Sell USD 1,186,538, 11/20/2019	3	0.00
	Buy USD 138,630 & Sell AUD 199,150, 12/03/2019	3	0.00
	Buy USD 80,149 & Sell EUR 70,000, 10/11/2019	3	0.00
	Buy USD 212,124 & Sell EUR 189,000, 2/24/2020	3	0.00
	Buy INR 99,136,000 & Sell USD 1,400,028, 10/03/2019	2	0.00
	Buy INR 66,091,680 & Sell USD 912,742, 3/16/2020	2	0.00
	Buy INR 65,382,000 & Sell USD 918,803, 11/04/2019	2	0.00
	Buy USD 114,559 & Sell SEK 1,105,000, 11/19/2019	2	0.00
	Buy USD 18,321 & Sell EUR 16,000, 10/11/2019	1	0.00
	Buy USD 36,201 & Sell EUR 32,000, 10/29/2019	1	0.00
	Buy USD 38,638 & Sell EUR 34,118, 10/31/2019	1	0.00
	Buy USD 591,768 & Sell EUR 534,089, 3/31/2020	1	0.00
	Buy GBP 16,076 & Sell USD 20,000, 10/25/2019	0	0.00
	Buy GBP 24,918 & Sell USD 31,000, 10/25/2019	0	0.00
	Buy GBP 203,791 & Sell USD 203,791, 10/25/2019	0	0.00
	Buy USD 17,928 & Sell EUR 15,843, 10/29/2019	0	0.00
	Buy USD 17,911 & Sell EUR 16,157, 3/31/2020	0	0.00
	Buy GBP 100,489 & Sell USD 125,000, 10/25/2019	(1)	(0.00)
	Buy GBP 184,770 & Sell USD 229,000, 10/25/2019	(1)	(0.00)
	Buy JPY 217,730,000 & Sell USD 2,028,675, 12/24/2019	(1)	(0.00)
	Buy GBP 216,252 & Sell USD 269,000, 10/25/2019	(2)	(0.00)
	Buy NOK 4,088,000 & Sell USD 451,264, 10/03/2019	(2)	(0.00)
	Buy SEK 1,105,000 & Sell USD 115,235, 11/19/2019	(2)	(0.00)
	Buy JPY 67,322,250 & Sell USD 627,356, 10/21/2019	(3)	(0.00)
	Buy USD 1,376,889 & Sell INR 99,136,000, 2/03/2020	(3)	(0.00)
	Buy GBP 405,919 & Sell USD 505,000, 10/25/2019	(4)	(0.00)
	Buy GBP 362,564 & Sell USD 451,000, 10/25/2019	(4)	(0.00)
	Buy JPY 155,680,630 & Sell USD 1,453,677, 12/20/2019	(4)	(0.00)
	Buy JPY 410,700,000 & Sell USD 3,851,582, 3/24/2020	(4)	(0.00)
	Buy JPY 112,584,600 & Sell USD 1,048,624, 10/28/2019	(4)	(0.00)
	Buy GBP 500,845 & Sell USD 623,000, 10/25/2019	(5)	(0.00)
	Buy JPY 155,680,620 & Sell USD 1,472,131, 6/22/2020	(5)	(0.00)
	Buy JPY 155,680,630 & Sell USD 1,463,688, 3/23/2020	(5)	(0.00)
	Buy JPY 155,346,000 & Sell USD 1,461,182, 3/23/2020	(5)	(0.00)
	Buy USD 838,663 & Sell KRW 1,007,612,227, 2/26/2020	(5)	(0.00)
	Buy USD 990,215 & Sell KRW 1,189,693,887, 2/28/2020	(5)	(0.00)
	Buy JPY 94,061,920 & Sell USD 881,513, 12/05/2019	(6)	(0.00)
	Buy JPY 97,851,600 & Sell USD 917,258, 12/06/2019	(6)	(0.00)
	Buy NOK 3,342,000 & Sell USD 374,427, 11/18/2019	(6)	(0.00)
	Buy NOK 6,156,000 & Sell USD 684,601, 3/24/2020	(6)	(0.00)
	Buy SEK 4,814,262 & Sell USD 498,836, 11/29/2019	(6)	(0.00)
	Buy SEK 5,559,000 & Sell USD 571,914, 10/03/2019	(6)	(0.00)
	Buy JPY 113,221,770 & Sell USD 1,060,183, 12/06/2019	(7)	(0.00)
	Buy JPY 113,221,760 & Sell USD 1,067,208, 3/06/2020	(7)	(0.00)
	Buy JPY 113,221,770 & Sell USD 1,073,400, 6/08/2020	(7)	(0.00)
	Buy JPY 107,532,290 & Sell USD 1,014,676, 3/06/2020	(7)	(0.00)
	Buy JPY 107,532,290 & Sell USD 1,020,647, 6/08/2020	(7)	(0.00)
	Buy JPY 316,929,000 & Sell USD 2,957,732, 12/19/2019	(7)	(0.00)
	Buy JPY 221,746,200 & Sell USD 2,085,192, 3/23/2020	(7)	(0.00)
	Buy JPY 192,179,670 & Sell USD 1,790,132, 10/21/2019	(8)	(0.01)
	Buy JPY 80,724,470 & Sell USD 766,344, 3/24/2020	(8)	(0.01)
	Buy USD 905,056 & Sell INR 66,091,680, 3/16/2020	(8)	(0.01)
	Buy SEK 15,890,800 & Sell EUR 1,490,002, 11/13/2019	(9)	(0.01)
	Buy SEK 15,890,900 & Sell EUR 1,489,523, 12/13/2019	(9)	(0.01)

Templeton Global Total Return Bond Fund

Portfolio Statement as at 30 September 2019 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	FORWARD CURRENCY CONTRACTS Ω (continued)		
	Buy SEK 15,890,800 & Sell EUR 1,488,488, 2/13/2020	(9)	(0.01)
	Buy SEK 15,890,800 & Sell EUR 1,490,401, 10/15/2019	(9)	(0.01)
	Buy SEK 15,890,900 & Sell EUR 1,487,940, 3/13/2020	(9)	(0.01)
	Buy SEK 15,890,800 & Sell EUR 1,486,038, 6/15/2020	(9)	(0.01)
	Buy JPY 237,710,000 & Sell USD 2,238,956, 3/23/2020	(10)	(0.01)
	Buy JPY 237,710,000 & Sell USD 2,216,162, 10/21/2019	(11)	(0.01)
	Buy NOK 8,183,000 & Sell USD 914,506, 12/23/2019	(11)	(0.01)
	Buy USD 829,075 & Sell INR 60,153,500, 12/16/2019	(11)	(0.01)
	Buy NOK 13,515,500 & Sell USD 1,502,540, 12/19/2019	(12)	(0.01)
	Buy NOK 8,183,000 & Sell USD 915,253, 3/23/2020	(12)	(0.01)
	Buy USD 1,174,955 & Sell INR 84,612,000, 11/20/2019	(12)	(0.01)
	Buy GBP 1,191,395 & Sell USD 1,482,000, 10/25/2019	(13)	(0.01)
	Buy JPY 175,681,340 & Sell USD 1,648,476, 12/06/2019	(13)	(0.01)
	Buy JPY 97,273,490 & Sell USD 936,831, 9/08/2020	(13)	(0.01)
	Buy NOK 13,515,500 & Sell USD 1,502,081, 11/19/2019	(13)	(0.01)
	Buy NOK 10,019,000 & Sell USD 1,118,854, 2/26/2020	(13)	(0.01)
	Buy NOK 10,019,000 & Sell USD 1,118,048, 11/26/2019	(13)	(0.01)
	Buy USD 904,472 & Sell INR 65,382,000, 11/04/2019	(14)	(0.01)
	Buy NOK 8,099,000 & Sell USD 909,792, 11/14/2019	(15)	(0.01)
	Buy JPY 113,221,770 & Sell USD 1,090,926, 9/08/2020	(16)	(0.01)
	Buy SEK 9,788,706 & Sell USD 1,017,104, 10/29/2019	(17)	(0.01)
	Buy SEK 9,788,717 & Sell USD 1,018,947, 11/29/2019	(17)	(0.01)
	Buy USD 2,507,975 & Sell INR 179,872,000, 11/19/2019	(18)	(0.01)
	Buy USD 2,229,405 & Sell KRW 2,690,000,000, 2/10/2020	(19)	(0.01)
	Buy GBP 1,832,784 & Sell USD 2,280,000, 10/25/2019	(20)	(0.01)
	Buy JPY 171,482,500 & Sell USD 1,631,091, 2/27/2020	(22)	(0.01)
	Buy JPY 169,486,700 & Sell USD 1,612,055, 2/27/2020	(22)	(0.01)
	Buy JPY 169,483,500 & Sell USD 1,601,211, 11/27/2019	(22)	(0.01)
	Buy USD 2,325,535 & Sell INR 167,299,000, 11/13/2019	(24)	(0.01)
	Buy USD 1,619,191 & Sell INR 117,119,300, 11/06/2019	(25)	(0.02)
	Buy USD 1,744,638 & Sell INR 127,267,000, 1/13/2020	(26)	(0.02)
	Buy USD 2,163,760 & Sell INR 156,191,000, 11/18/2019	(27)	(0.02)
	Buy EUR 2,927,000 & Sell USD 3,230,603, 10/24/2019	(28)	(0.02)
	Buy USD 1,347,362 & Sell INR 98,701,000, 12/05/2019	(31)	(0.02)
	Buy USD 1,917,142 & Sell INR 138,456,000, 10/15/2019	(32)	(0.02)
	Buy USD 3,338,689 & Sell INR 241,028,320, 12/16/2019	(32)	(0.02)
	Buy JPY 238,377,700 & Sell USD 2,254,168, 11/26/2019	(33)	(0.02)
	Buy GBP 3,235,843 & Sell USD 4,025,000, 10/25/2019	(34)	(0.02)
	Buy USD 1,932,811 & Sell INR 140,196,430, 11/07/2019	(34)	(0.02)
	Buy GBP 3,199,023 & Sell USD 3,980,000, 10/25/2019	(35)	(0.02)
	Buy JPY 251,488,000 & Sell USD 2,394,442, 2/26/2020	(35)	(0.02)
	Buy GBP 3,466,883 & Sell USD 4,313,000, 10/25/2019	(37)	(0.02)
	Buy JPY 206,334,000 & Sell USD 1,996,467, 8/31/2020	(37)	(0.02)
	Buy SEK 22,213,000 & Sell USD 2,312,517, 11/26/2019	(39)	(0.02)
	Buy JPY 393,420,530 & Sell USD 3,757,629, 6/24/2020	(42)	(0.03)
	Buy USD 2,338,088 & Sell INR 170,037,481, 11/06/2019	(47)	(0.03)
	Buy GBP 4,894,288 & Sell USD 6,088,000, 10/25/2019	(52)	(0.03)
	Buy USD 3,055,210 & Sell INR 223,733,000, 1/16/2020	(55)	(0.03)
	Buy EUR 5,964,381 & Sell USD 6,578,682, 10/15/2019	(57)	(0.04)
	Buy GBP 5,753,599 & Sell USD 7,157,000, 10/25/2019	(61)	(0.04)
	Buy JPY 329,316,000 & Sell USD 3,154,412, 2/28/2020	(61)	(0.04)
	Buy GBP 18,695,593 & Sell USD 23,259,000, 10/25/2019	(202)	(0.13)
	Buy GBP 20,528,802 & Sell USD 25,539,000, 10/25/2019	(221)	(0.14)
	FOREIGN EXCHANGE GAIN/LOSS ON OUTSTANDING FORWARD CURRENCY CONTRACTS	2,223	1.38

Templeton Global Total Return Bond Fund

Portfolio Statement as at 30 September 2019 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
INTEREST RATE SWAPS (USD) ^Ω			
(13,620,000)	Citibank Na, 2.903%, 04/9/2048#	(3,068)	(1.91)
(13,440,000)	Citibank NA, 3.209%, 11/21/2048#	(3,871)	(2.41)
TOTAL INTEREST RATE SWAPS		(6,939)	(4.32)
TOTAL - DERIVATIVES		(4,716)	(2.94)
TOTAL VALUE OF INVESTMENTS [¥]		126,366	78.65
OTHER ASSETS		34,311	21.35
TOTAL NET ASSETS		160,677	100.00

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2019.

[¶] 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 September 2019	% of Net Assets September 2019
Investment grade	BBB or higher	58,742	36.56
Non-investment grade	below BBB	35,397	22.03
Not Rated	Not Rated	36,936	22.99
TOTAL VALUE OF BONDS		131,075	81.58

Templeton Global Total Return Bond Fund

Statement of Total Return

For the period 1 April 2019 to 30 September 2019

	September 2019 £000	September 2019 £000	September 2018 £000	September 2018 £000
Income				
Net capital gains/(losses)		(9,103)		(12,915)
Revenue	7,653		8,850	
Expenses	(774)		(980)	
Interest payable and similar charges	(4)		(24)	
Net revenue before taxation	6,875		7,846	
Taxation	(187)		(295)	
Net revenue after taxation		6,688		7,551
Total return before distributions for the period		(2,415)		(5,364)
Distributions		(6,677)		(7,551)
Change in net assets attributable to shareholders		(9,092)		(12,915)

Statement of Change in Net Assets Attributable to Shareholders

For the period 1 April 2019 to 30 September 2019

	September 2019 £000	September 2019 £000	September 2018 £000	September 2018 £000
Opening net assets attributable to shareholders		176,175		241,765
Amounts received on creation of shares	30,796		23,867	
Amounts paid on cancellation of shares	(40,790)		(67,517)	
		(9,994)		(43,650)
Change in net assets attributable to shareholders from investment activities (see above)		(9,092)		(12,915)
Retained distribution on accumulation shares		3,588		3,964
Closing net assets attributable to shareholders		160,677		189,164

Balance Sheet

As at 30 September 2019

	September 2019 £000	March 2019 £000
Assets		
Fixed assets		
Investments	135,199	147,012
Current assets		
Debtors	13,307	3,415
Cash and bank balances	26,514	34,867
Total assets	175,020	185,294
Liabilities		
Investment liabilities	(8,833)	(5,959)
Creditors		
Bank overdraft	(1)	-
Distribution payable	(1,275)	(1,662)
Other creditors	(4,234)	(1,498)
Total liabilities	(14,343)	(9,119)
Net assets attributable to shareholders	160,677	176,175

Templeton Global Total Return Bond Fund

Distribution Statement

For the period 1 April 2019 to 30 June 2019

Group 1 – Shares purchased prior to 1 April 2019

Group 2 – Shares purchased in the period 1 April 2019 to 30 June 2019

	Gross Income p	Equalisation p	30 June 2019 Pence per Share p	30 June 2018 Pence per Share p
A – Income Shares				
Group 1	2.9490	-	2.9490	2.1433
Group 2	0.8559	2.0931	2.9490	2.1433
A – Income Hedge Shares				
Group 1	1.9734	-	1.9734	1.5568
Group 2	0.7522	1.2212	1.9734	1.5568
A – Accumulation Shares				
Group 1	4.5695	-	4.5695	3.0866
Group 2	2.5265	2.0430	4.5695	3.0866
A – Accumulation Hedge Shares				
Group 1	2.5617	-	2.5617	1.8735
Group 2	1.2364	1.3253	2.5617	1.8735
W – Income Shares				
Group 1	2.1234	-	2.1234	1.5719
Group 2	1.0932	1.0302	2.1234	1.5719
W – Income Hedge Shares				
Group 1	1.9559	-	1.9559	1.5812
Group 2	1.0176	0.9383	1.9559	1.5812
W – Accumulation Shares				
Group 1	2.7474	-	2.7474	1.8896
Group 2	1.6275	1.1199	2.7474	1.8896
W – Accumulation Hedge Shares				
Group 1	2.2330	-	2.2330	1.6632
Group 2	1.1203	1.1127	2.2330	1.6632
Y – Income Shares				
Group 1	2.5052	-	2.5052	1.9201
Group 2	2.5052	-	2.5052	1.9201
Z – Income Hedge Shares				
Group 1	1.9270	-	1.9270	1.5426
Group 2	1.5887	0.3383	1.9270	1.5426
Z – Accumulation Shares				
Group 1	4.5455	-	4.5455	3.1087
Group 2	2.0036	2.5419	4.5455	3.1087

Templeton Global Total Return Bond Fund

Distribution Statement (continued)

For the period 1 July 2019 to 30 September 2019

Group 1 – Shares purchased prior to 1 July 2019

Group 2 – Shares purchased in the period 1 July 2019 to 30 September 2019

	Gross Income p	Equalisation p	30 September 2019 Pence per Share p	30 September 2018 Pence per Share p
A – Income Shares				
Group 1	2.2674	-	2.2674	2.5842
Group 2	1.5343	0.7331	2.2674	2.5842
A – Income Hedge Shares				
Group 1	1.4575	-	1.4575	1.7827
Group 2	0.5342	0.9233	1.4575	1.7827
A – Accumulation Shares				
Group 1	3.5910	-	3.5910	3.7873
Group 2	2.3898	1.2012	3.5910	3.7873
A – Accumulation Hedge Shares				
Group 1	1.9343	-	1.9343	2.1769
Group 2	0.9739	0.9604	1.9343	2.1769
W – Income Shares				
Group 1	1.6680	-	1.6680	1.8911
Group 2	0.9225	0.7455	1.6680	1.8911
W – Income Hedge Shares				
Group 1	1.4741	-	1.4741	1.7830
Group 2	0.6869	0.7872	1.4741	1.7830
W – Accumulation Shares				
Group 1	2.2059	-	2.2059	2.2937
Group 2	1.3245	0.8814	2.2059	2.2937
W – Accumulation Hedge Shares				
Group 1	1.7232	-	1.7232	1.9111
Group 2	0.7511	0.9721	1.7232	1.9111
Y – Income Shares				
Group 1	2.0130	-	2.0130	2.2451
Group 2	2.0130	-	2.0130	2.2451
Z – Income Hedge Shares				
Group 1	1.4467	-	1.4467	1.7496
Group 2	1.4467	-	1.4467	1.7496
Z – Accumulation Shares				
Group 1	3.6231	-	3.6231	3.7786
Group 2	3.1744	0.4487	3.6231	3.7786

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

On 31 July 2019, we amended the investment objective and policy for the Fund to improve their clarity for investors. The revised investment objective and policy can be found in the current prospectus, available on our website.

Performance

For the six months ended 30 September 2019, Templeton Growth Fund (W(acc) share class) returned 5.80%*, while the MSCI All Country World Index ("MSCI ACWI") rose 9.87% (both returns in UK sterling).

Overview

The global economy expanded during the six months ended 30 September 2019, despite weakness in certain regions. Global stocks were aided by upbeat economic data in some regions, encouraging corporate earnings reports, periods of optimism about a potential US-China trade deal and monetary policy easing by major central banks. The US Federal Reserve's ("Fed's") patient approach to its monetary policy early in the period, interest-rate cuts in July and September, along with indications the Fed will act appropriately to sustain US economic expansion and achieve its inflation objective, aided market sentiment.

However, markets also reflected concerns about political uncertainties in the United States (including possible impeachment proceedings against President Trump), geopolitical tensions in the eurozone and other regions, and the impact of US trade disputes with China and other trading partners on global growth and corporate earnings. In this environment, global developed and emerging market stocks, as measured by the MSCI ACWI, posted a +3.91% total return for the six months under review.

The US economy grew during the six-month period. However, the economy moderated in 2019's second quarter, due to weakness in inventory investment, exports, housing investment and business investment. The manufacturing sector expanded during the period's first four months, but contracted in August and September 2019. The services sector continued to expand throughout the period, although the rate of expansion slowed in September. The unemployment rate decreased from 3.8% in March 2019 to 3.5% at period-end. The annual inflation rate, as measured by the Consumer Price Index, decreased from 1.9% in March 2019 to 1.7% at period-end.

At its July 2019 meeting, the Fed lowered its target range for the federal funds rate for the first time since December 2008, to 2.00%–2.25%, citing muted inflation pressures and the potential effects of global trade tensions on economic growth. Furthermore, the Fed ended its balance sheet normalisation programme earlier than previously indicated. In September, the Fed further lowered the federal funds target rate to 1.75%–2.00%, reiterating the rationale cited at the July 2019 meeting.

In Europe, the United Kingdom's quarterly gross domestic product ("GDP") growth contracted in 2019's second quarter, as Brexit uncertainties weighed on business sentiment. The Bank of England kept its key policy rate unchanged during the six-month period and lowered its GDP forecasts for 2019 and 2020. The eurozone's quarterly GDP growth decelerated in 2019's second quarter. The bloc's annual inflation rate ended the period lower. The European Central Bank ("ECB") kept its benchmark interest rate unchanged during the period. In September, the ECB announced it will start a new bond-buying programme in November in an effort to boost the economy and increase inflation.

In Asia, Japan's quarterly GDP growth moderated in 2019's second quarter. The Bank of Japan ("BOJ") left its benchmark interest rate unchanged and continued its stimulus measures during the six-month period. At its July and September meetings, the BOJ expressed its openness to increasing stimulus if needed to sustain economic growth and achieve its inflation goal.

Overall, global emerging market stocks, as measured by the MSCI Emerging Markets Index, posted a -3.40% total return during the six months under review. In larger emerging markets, China's annual GDP growth slowed in 2019's second quarter. The People's Bank of China implemented an interest-rate reform in August, designating the loan prime rate as the new benchmark for household and business loans, effectively lowering interest rates in August and September. Brazil's quarterly GDP growth accelerated in 2019's second quarter. The Central Bank of Brazil lowered its benchmark interest rate twice during the six-month period. Russia's annual GDP growth bounced back in 2019's second quarter. The Bank of Russia cut its key interest rate three times during the period.

Significant Changes

During the period under review, we added to our existing position in U.S.-based bank Wells Fargo. Wells Fargo is the third-largest US bank by assets and the largest US bank by deposits. Once considered "the quality US bank," the company and stock have been under pressure since the 2016 sales practice scandal. This ultimately forced the resignation of CEO Tim Sloan in the second quarter of 2019, which had put additional pressure on the share price until the search was completed at the end of the reporting period. While there are undeniable near-term headwinds from regulators, we believe there is strong value in the company's industry-leading deposit franchise and ample scope for material cost reductions. Over the same period, we added to our investment in BAE Systems, one of the largest defence contractors in the world. The market has focused on the possibility of negative business impacts from Brexit, US defence spending and tensions between Saudi Arabia and the US along with countries in Europe. The stock appears to have priced in many negatives and offers what we view as an attractive dividend yield of close to 5%. Many of BAE's programmes are long-term and should be relatively resilient over time, despite fluctuations in shorter-term government spending or cyclical pressures in the broader economy. Brexit is not expected to have a material impact on BAE's participation in broader European defence initiatives due to contractual commitments and BAE's significant role in defence programmes. We opened a new investment in Verizon Communications, the largest mobile wireless carrier and second-largest phone company in the United States. Overall, Verizon looks well-positioned to us as a defensive holding with a leading nationwide wireless platform and improving leverage profile. Potential industry consolidation could be an added plus. Management is focused on sustaining a strong balance sheet to support their dividend growth mode. Over the past six months, we have added to our existing positions in Japanese beverage company Kirin as well as Germany-based Deutsche Telekom. Shares of Kirin underperformed during the quarter after the company booked an impairment loss for its Australian subsidiary. However, as the company uses normalised earnings-per-share as the basis for its dividend pay-out, there should be no impact on dividends, in our view. We believe a lot of pessimism has been built into the share price, and yet the earnings trend has been firm, driven by domestic alcoholic beverages. The potential sale of its Australian dairy business towards the end of the year would support share buybacks.

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

Templeton Growth Fund

Investment Review (continued)

Significant Changes (continued)

Over the past six months, we have reduced our investment in South Korean firm Samsung Electronics. Over the same period, we closed our position in UBS Group, one of the largest global wealth managers. The bank has made progress in restructuring over the last seven years by reducing its exposure to the volatile investment banking business, integrating the US and international wealth management divisions, and investing in technology to become more competitive in the marketplace. Some of these changes are starting to flow through into the results, but various exogenous factors have offset UBS's progress: falling interest rates, uncertainty surrounding the China-US trade dispute, wealthy clients reducing risk and ongoing legal matters. Other significant liquidations over the reporting period included China Life Insurance and Japan-based Suntory. Suntory is the second-largest soft drink/beverage company in Japan and the fourth largest in the world, after Coke, Pepsi and Nestle. Suntory has continued to benefit from its healthier product line-up (ready-to-drink teas, coffee, water and juices), which has very little exposure to carbonated or high-calorie beverages. The shares moved lower during the quarter despite evidence of Suntory continuing to gain market share in Japan and strong growth overseas, which accounts for nearly half of revenues. First-quarter, fiscal-year 2019 profits were in line with expectations after adjusting for the timing of marketing expenses. Longer term, we are concerned that Suntory's market-share strategy could hurt industry profitability, particularly if Coca Cola strikes back to regain its leading position. We also trimmed our investment in Italy-based Tenaris, a leading producer of OCTG (oil country tubular goods). During the six-month period, when oil prices were trading above our estimated marginal cost, we reduced exposure to the more oil-sensitive exposed oil stocks we hold. Tenaris is a high-quality business with a solid long-term track record, combined with a strong balance sheet that offers international funds exposure to US shale growth. After crude's pullback later in the quarter, Tenaris is now trading at close to multiyear low valuations, pricing in a significant slowdown in US shale activity.

Positive/Negative Contributors

The Fund posted absolute gains during the reporting period but underperformed relative to its benchmark index. An overweighting and stock selection in the energy sector detracted from relative performance during the six-month period, led lower by the Fund's investment in UK-based multinational oil and gas company BP. Energy stocks came under pressure in as rising geopolitical tensions induced significant oil price volatility. However, our broad integrated thesis on BP continues to play out as capital expenditures ("capex") and operating costs have decreased, production is growing and integrated oil companies are generating record free cash flow that we believe is still undervalued by the market. The businesses are in much better shape today than they have been for a long time. Capex is likely to remain at lower levels as new production is added, while free cash flow generation and returns have and should continue to expand in the near term. We believe the market is not paying for the expected free cash flow yields as investors either don't believe the oil price or that management will be disciplined with capital going forward. Our energy strategy has been to remain nimble, using major price declines to increase exposure to cyclically geared oil services and exploration and production ("E&P") stocks and then rotating back towards the large, dividend-paying integrated energy companies as the price of oil recovers above the marginal cost of production. At the commodity level, OPEC vigilance, rising depletion rates and enhanced geopolitical risks all point to future supply tightness. At the corporate level, we believe capital discipline has improved markedly. Although they generated stronger free cash flow this year than when oil exceeded US\$100/barrel (and have been paying out much of that in dividends), at period-end global integrated energy firms traded at the cheapest book value since at least 1952, in our analysis. Historically cheap, firmly out of favour, with corporate fundamentals improving and a healthy supply/demand backdrop—this all equates to a compelling long-term investment opportunity, in our view.

Security selection and an overweighting in the communication services sector also hampered results. Shares of Chinese internet search firm Baidu came under pressure amidst a cyclical slowdown in China's economy. Baidu is faced with pricing pressure due to intense competition for digital advertising in China. It reported a worse-than-expected net loss for the first quarter of 2019 due to sizeable increases in expenses as it tried to keep pace with competitors for digital advertising. Overall operating costs increased, driven by higher traffic acquisition costs, content costs and promotional spend for the Baidu family of digital applications and marketing campaigns. Furthermore, Baidu guided for overall revenue growth some 10% to 14% lower than consensus. This was the primary source of weak share price performance during the quarter. Baidu's weak revenue guidance is due to competitors Tencent and ByteDance (neither held by the fund) increasing their advertising inventory, macroeconomic weakness and lingering effects of regulatory changes to certain advertising verticals. We have growing concerns that excess advertising capacity and increasing competition can result in deteriorating cost/benefit dynamics in the digital advertising space going forward. Furthermore, Baidu's core search offering is not proving to be as scalable as traditional search platforms. While the firm's core search business has remained cheaply valued and Baidu has enjoyed strong growth in active daily users and a high cash position, the capital required to maintain leadership and innovation is significant, and we continue to monitor this investment closely.

Relative returns were pressured further by stock selection in the consumer discretionary and consumer staples sectors. US pharmacy retailer and benefits manager Walgreens Boots Alliance was one of the biggest relative detractors in the consumer staples sector during the period. Its shares declined after the firm reported disappointing earnings and issued a negative outlook as cost pressures and falling prescription reimbursements took their toll. With what we view as a solid management team, Walgreens has continued to successfully evolve its business in a changing health care landscape, despite obvious challenges. With the company's valuations near trough levels and various "self-help" opportunities evident, we think the market has become excessively negative on Walgreens' long-term growth prospects. Within the consumer staples sector, investors have gravitated towards those firms capable of generating growth in a challenging environment, resulting in sector-wide valuation dispersion near 20-year highs and an increasingly selective opportunity set.

The information technology sector delivered positive absolute gains, but it detracted relative to the benchmark due to the fund's stock selection and underweighting. US communications equipment firm CommScope Holding was the only technology stock held amongst the Fund's 10 biggest detractors. Its shares slumped after investors overlooked better-than-expected profits and focused instead on disappointing guidance attributed to weaker anticipated spending from cable operators. We believe the market overreacted, as major cable operators have indicated that declines in capex are temporary and more associated with the timing of investments than with any structural change to capex programmes. The stock has also been pressured by weak results from the recently acquired Arris business, though we believe this deal will ultimately prove to be earnings accretive. We remain significantly underweight the technology sector more generally, as years of sustained outperformance and frothy valuations have significantly increased the risk profile of the sector, in our view. Fundamentals also appear to be deteriorating, with a record number of US tech companies missing earnings guidance in the third quarter.

Templeton Growth Fund

Investment Review (continued)

Positive/Negative Contributors (continued)

Other significant detractors included Israeli generic drug-maker Teva Pharmaceutical Industries. Its shares continued to struggle despite the firm posting better-than-expected earnings. Investor concerns surrounding litigation related to the opioid epidemic have weighed on the stock in recent months. We don't believe this situation would materially impact near-term cash flow (which should improve amidst ongoing cost-cutting, in our analysis), however, it does raise the risk profile of the investment, particularly in light of Teva's high financial and operating leverage in the competitive, commodity-like generic drug industry.

Conversely, stock selection in the materials sector contributed significantly to relative performance over the six-month reporting period. Canadian firm Wheaton Precious Metals finished amongst the fund's top 10 holdings after the price of gold broke out of a six-year trading range. Anticipating an eventual move higher in gold prices given record high debt levels, historically low interest rates, escalating geopolitical turmoil and renewed central bank buying, we have maintained a modest precious metals allocation as a portfolio hedge and diversifier. Wheaton has remained our preferred play on this theme given its capital-light "streaming" model, which provides financing (primarily) for base metals miners in return for a claim on their precious metals by-product. This model eliminates much of the risk associated with capital- and labour-intensive mining operations, while offering good exposure to the potential upside associated with rising commodity prices and successful exploration efforts at partner properties.

Security selection and an overweighting in the financials sector also enhanced results, with significant contributors including US-based banks Citigroup and Capital One. Shares of Citigroup rose as trade tensions with Mexico eased, and management provided supportive comments around the current operating environment while simultaneously reiterating the company's ability to meet the return targets that the company has provided for 2019 and 2020. The shares rose again later in June as the US Federal Reserve did not object to the company's proposed capital plan. Shares of Capital One, a bank holding company specialising in credit cards, auto loans, banking and savings accounts performed well as credit card loan losses continued to be benign on the back of a relatively strong US consumer. Also within the financials sector, shares of UK-based, emerging markets-focused bank Standard Chartered performed well, as the company reported solid earnings and announced a sizeable share repurchase programme. The bank's results were ahead of analyst expectations as expenses declined and impairments fell in the first quarter. Although Standard Chartered faced some macro-related headwinds during the second quarter of 2019, spurred by concerns about the impact of trade tensions, slowing global growth and renewed financial repression, our thesis on the stock has not changed. Within emerging markets, we have continued to find select opportunities in what we view as lowly valued banks with strong balance sheets and good market positions poised to benefit from a secular rise in demand for credit and related banking services. In the current environment, we favour well-capitalised, well-managed companies with sound balance sheets and healthy dividends operating in attractive markets, but trading at what we consider unwarranted discounts to tangible book value.

Relative returns were also enhanced by the fund's investment in French water- and waste-treatment firm Veolia Environnement. Its shares advanced after the company reported better-than-expected earnings and received a favourable tax ruling from a US court. We remain positive on the stock; the effect of restructuring initiatives should become increasingly evident as tailwinds like greater environmental legislation and corporate commitments (as well as a potential rise in inflation) eventually bolster revenues.

Other significant contributors to relative performance over the reporting period included Dutch firm NXP Semiconductors. NXP, the amalgamation of the former semiconductor divisions of Philips and Motorola, is a leading manufacturer of semiconductors and sensors for radio, power and audio applications. We see good potential for margins and earnings growth and are encouraged by the firm's attractive asset base, a management team that is re-engaging with the investment community and a US\$5 billion buyback programme, which we believe offers good downside support. Return prospects remain very attractive to us as the company improves execution and as its margin structure moves towards industry norms.

From a geographic standpoint, stock selection and an underweighting in the United States detracted significantly from relative performance over the reporting period. The Fund's investments in Asia (particularly in Japan, China and Hong Kong) also weighed on results, as did the fund's lone holding in Israel. Relative fund performance was pressured further by positioning in Italy, Germany and Denmark. Conversely, relative returns were supported by the fund's investments in select European markets such as France, Luxembourg and the Netherlands. Stock selection in South Korea, Taiwan and Canada also enhanced results.

Outlook

While growth stocks ultimately eked out another period of outperformance relative to value, we were encouraged by the dramatic investing style reversal in early September—a six sigma event—which highlighted the vulnerability of extended positioning in growth stocks and bond proxies late in the cycle. This episode suggests it doesn't take much to prompt an adjustment when crowding and valuations reach extremes, and the dominant market narrative can shift quickly when conditions become overbought. In this environment, we believe that a true value portfolio with a long-term horizon and prudent balance between cyclical and defensive exposures seems optimally suited to manage risks, meet challenges and capitalise on potential opportunities. For these reasons, we enter the final quarter of 2019 increasingly optimistic about the variables both within our control (enhanced stock selection and portfolio management) and outside of it (an eventual cycle inflection).

How we measure performance.

We measure performance and price shares in the Fund in UK sterling.

- We measure performance against the Fund's performance target, the MSCI All Country World Index, as it is widely available and reflects investments across global stock markets.
- The Fund's performance can also be compared against the Investment Association Global Equity sector average, which reflects the performance of the Fund's competitors.

Dylan Ball, Katherine Owen & Heather Arnold, CFA

Fund Managers

30 September 2019

Templeton Growth Fund

Comparative Table

	30 September 2019	31 March 2019	31 March 2018	31 March 2017
A – Income shares				
Change in net assets per share (p)				
Opening net asset value per share	719.82	715.75	725.05	559.65
Return before operating charges ¹	46.59	23.27	9.05	181.12
Operating charges ²	(11.82)	(11.75)	(11.79)	(10.37)
Return after operating charges ³	34.77	11.52	(2.74)	170.75
Distributions on income shares	(11.4588)	(7.4458)	(6.5600)	(5.3491)
Closing net asset value per share	743.13	719.82	715.75	725.05
After direct transaction costs of ⁴	0.44	0.52	0.52	0.32
Performance				
Return after charges ⁵	4.83%	1.61%	(0.38%)	30.51%
Other information				
Closing net asset value (£)	1,293,836	1,329,017	2,524,678	3,404,354
Closing number of shares	174,107	184,632	352,732	469,536
Ongoing charges ratio ⁶	1.61%	1.58%	1.59%	1.60%
Direct transaction costs ⁴	0.06%	0.07%	0.07%	0.05%
Prices (p)				
Highest share price	763.41	801.56	780.77	742.86
Lowest share price	696.59	672.51	697.40	541.18

	30 September 2019	31 March 2019	31 March 2018	31 March 2017
A – Accumulation shares				
Change in net assets per share (p)				
Opening net asset value per share	1,099.62	1,082.68	1,087.00	832.11
Return before operating charges ¹	71.18	34.77	13.44	270.22
Operating charges ²	(18.06)	(17.83)	(17.76)	(15.33)
Return after operating charges ³	53.12	16.94	(4.32)	254.89
Closing net asset value per share	1,152.74	1,099.62	1,082.68	1,087.00
Distributions	(17.5042)	(11.2960)	(9.8252)	(7.8336)
Retained distributions on accumulation shares	17.5042	11.2960	9.8252	7.8336
After direct transaction costs of ⁴	0.67	0.79	0.78	0.48
Performance				
Return after charges ⁵	4.83%	1.56%	(0.40%)	30.63%
Other information				
Closing net asset value (£)	10,055,181	9,953,699	14,667,199	16,149,329
Closing number of shares	872,287	905,194	1,354,709	1,485,677
Ongoing charges ratio ⁶	1.61%	1.58%	1.59%	1.60%
Direct transaction costs ⁴	0.06%	0.07%	0.07%	0.05%
Prices (p)				
Highest share price	1,166.20	1,212.49	1,179.64	1,113.29
Lowest share price	1,064.13	1,023.13	1,045.47	804.39

Templeton Growth Fund

Comparative Table (continued)

	30 September 2019	31 March 2019	31 March 2018	31 March 2017
I – Accumulation shares				
Change in net assets per share (p)				
Opening net asset value per share	3,645.92	3,564.73	3,553.99	2,701.67
Return before operating charges ¹	223.37	113.99	43.37	880.56
Operating charges ²	(33.82)	(32.80)	(32.63)	(28.24)
Return after operating charges ³	189.55	81.19	10.74	852.32
Closing net asset value per share	3,835.47	3,645.92	3,564.73	3,553.99
Distributions	(71.1838)	(63.3540)	(57.8178)	(47.5752)
Retained distributions on accumulation shares	71.1838	63.3540	57.8178	47.5752
After direct transaction costs of ⁴	2.23	2.61	2.57	1.57
Performance				
Return after charges ⁵	5.20%	2.28%	0.30%	31.55%
Other information				
Closing net asset value (£)	15,848,734	197,865,876	208,700,319	208,481,455
Closing number of shares	413,215	5,427,054	5,854,589	5,866,123
Ongoing charges ratio ⁶	0.91%	0.88%	0.89%	0.90%
Direct transaction costs ⁴	0.06%	0.07%	0.07%	0.05%
Prices (p)				
Highest share price	3,875.68	4,002.08	3,878.45	3,638.80
Lowest share price	3,532.60	3,386.04	3,419.45	2,614.17
W – Accumulation shares				
Change in net assets per share (p)				
Opening net asset value per share	229.16	223.94	223.15	169.55
Return before operating charges ¹	13.98	7.17	2.72	55.27
Operating charges ²	(2.01)	(1.95)	(1.93)	(1.67)
Return after operating charges ³	11.97	5.22	0.79	53.60
Closing net asset value per share	241.13	229.16	223.94	223.15
Distributions	(4.5295)	(4.0975)	(3.7453)	(3.0856)
Retained distributions on accumulation shares	4.5295	4.0975	3.7453	3.0856
After direct transaction costs of ⁴	0.14	0.16	0.16	0.10
Performance				
Return after charges ⁵	5.22%	2.33%	0.35%	31.61%
Other information				
Closing net asset value (£)	16,086,586	16,256,686	19,441,355	20,294,104
Closing number of shares	6,671,394	7,094,173	8,681,504	9,094,219
Ongoing charges ratio ⁶	0.86%	0.83%	0.84%	0.85%
Direct transaction costs ⁴	0.06%	0.07%	0.07%	0.05%
Prices (p)				
Highest share price	243.63	251.46	243.62	228.47
Lowest share price	222.05	212.79	214.71	164.07

Templeton Growth Fund

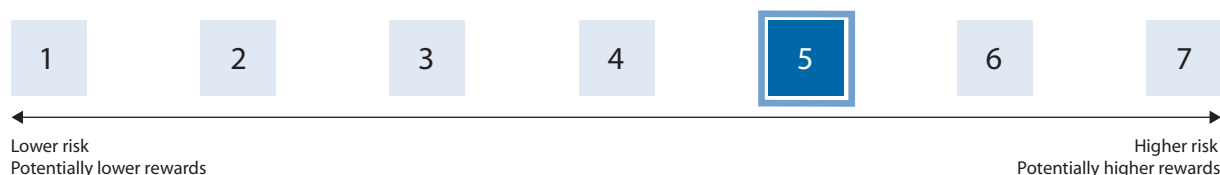
Comparative Table (continued)

Z – Accumulation shares	30 September 2019	31 March 2019	31 March 2018	31 March 2017
Change in net assets per share (p)				
Opening net asset value per share	226.06	221.36	221.03	168.29
Return before operating charges ¹	14.03	7.08	2.70	54.87
Operating charges ²	(2.45)	(2.38)	(2.37)	(2.13)
Return after operating charges ³	11.58	4.70	0.33	52.74
Closing net asset value per share	237.64	226.06	221.36	221.03
Distributions	(4.2379)	(3.5855)	(3.2514)	(2.6882)
Retained distributions on accumulation shares	4.2379	3.5855	3.2514	2.6882
After direct transaction costs of ⁴	0.14	0.16	0.16	0.10
Performance				
Return after charges ⁵	5.12%	2.12%	0.15%	31.34%
Other information				
Closing net asset value (£)	6,812,168	6,713,778	2,378,928	2,171,693
Closing number of shares	2,866,638	2,969,867	1,074,667	982,534
Ongoing charges ratio ⁶	1.06%	1.03%	1.04%	1.05%
Direct transaction costs ⁴	0.06%	0.07%	0.07%	0.05%
Prices (p)				
Highest share price	240.18	248.39	240.92	226.33
Lowest share price	218.97	210.03	212.64	162.80

- 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 2019

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
EQUITIES 95.88% (96.82%)			
ASIA 19.66% (22.03%)			
CHINA			
5,282	Baidu Inc., ADR †	441	0.88
94,085	China Mobile Ltd.	633	1.26
1,387,035	China Telecom Corp. Ltd., H	514	1.03
		1,588	3.17
HONG KONG			
122,175	CK Hutchison Holdings Ltd.	877	1.75
JAPAN			
51,992	Kirin Holdings Co. Ltd.	894	1.79
46,175	Mitsui Fudosan Co. Ltd.	929	1.85
27,930	Seven & i Holdings Co. Ltd.	867	1.73
25,100	Sumitomo Metal Mining Co. Ltd.	631	1.26
28,004	Sumitomo Mitsui Financial Group Inc.	778	1.55
26,338	Takeda Pharmaceutical Co. Ltd.	730	1.46
		4,829	9.64
SINGAPORE			
353,611	Singapore Telecommunications Ltd.	643	1.28
SOUTH KOREA			
7,429	KB Financial Group Inc., ADR †	216	0.43
31,725	Samsung Electronics Co. Ltd.	1,055	2.11
		1,271	2.54
TAIWAN			
16,914	Taiwan Semiconductor Manufacturing Co. Ltd., ADR †	639	1.28
	TOTAL - ASIA	9,847	19.66
EUROPE - NON EU 4.58% (5.92%)			
NORWAY			
19,576	Yara International ASA	686	1.37
SWITZERLAND			
6,819	Novartis AG	481	0.96
4,767	Roche Holding AG	1,128	2.25
		1,609	3.21
	TOTAL EUROPE - NON EU	2,295	4.58
EUROPE - OTHER EU 30.22% (29.54%)			
DENMARK			
393	A.P. Moeller-Maersk AS, B	363	0.72
7,190	Vestas Wind Systems AS	456	0.91
		819	1.63
FRANCE			
26,206	BNP Paribas SA	1,038	2.07
4,964	Cie Generale des Etablissements Michelin SCA	450	0.90
15,014	Compagnie de Saint-Gobain	479	0.96
29,653	Credit Agricole SA	292	0.58
11,977	Sanofi	903	1.80
22,947	Total SA	974	1.95
53,320	Veolia Environnement SA	1,099	2.19
		5,235	10.45

Templeton Growth Fund

Portfolio Statement as at 30 September 2019 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
GERMANY			
12,675	Bayer AG	727	1.45
128,886	Deutsche Telekom AG	1,761	3.51
106,519	E.ON SE	840	1.68
10,286	Fresenius Medical Care AG & Co. KGaA	562	1.12
12,485	Merck KGaA	1,146	2.29
7,553	Siemens AG	659	1.32
		5,695	11.37
IRISH REPUBLIC			
58,052	Bank of Ireland Group PLC	187	0.37
ITALY			
70,284	Eni SpA	875	1.75
50,098	Tenaris SA	431	0.86
		1,306	2.61
LUXEMBOURG			
14,904	SES SA, IDR	221	0.44
NETHERLANDS			
91,239	ING Groep NV	777	1.55
10,138	NXP Semiconductors NV	899	1.80
		1,676	3.35
TOTAL - EUROPE - OTHER EU		15,139	30.22
MIDDLE EAST 0.31% (1.12%)			
ISRAEL			
27,712	Teva Pharmaceutical Industries Ltd., ADR †	155	0.31
TOTAL - MIDDLE EAST		155	0.31
NORTH AMERICA 30.41% (25.82%)			
CANADA			
57,800	Barrick Gold Corp.	815	1.62
42,700	Wheaton Precious Metals Corp.	911	1.82
		1,726	3.44
UNITED STATES			
8,381	Allergan PLC	1,147	2.29
17,622	Apache Corp.	367	0.73
6,778	Capital One Financial Corp.	502	1.00
19,422	Citigroup Inc.	1,091	2.18
20,035	Comcast Corp., A	735	1.47
39,231	CommScope Holding Co. Inc.	375	0.75
9,200	Crown Holdings Inc.	494	0.99
16,041	Exxon Mobil Corp.	921	1.84
11,111	Gilead Sciences Inc.	573	1.14
11,066	Kellogg Co.	579	1.16
7,300	Laboratory Corp. of America Holdings	998	1.99
22,478	Oracle Corp.	1,006	2.01
57,735	The Kroger Co.	1,210	2.41
5,091	United Parcel Service Inc., B	496	0.99
32,200	Verizon Communications Inc.	1,580	3.15
35,025	Wells Fargo & Co.	1,437	2.87
		13,511	26.97
TOTAL - NORTH AMERICA		15,237	30.41

Templeton Growth Fund

Portfolio Statement as at 30 September 2019 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	UNITED KINGDOM 10.70% (12.39%)		
200,456	BAE Systems PLC	1,142	2.28
195,281	BP PLC	1,007	2.01
35,255	Royal Dutch Shell PLC, A	840	1.68
176,729	Standard Chartered PLC	1,209	2.41
716,550	Vodafone Group PLC	1,161	2.32
	TOTAL - UNITED KINGDOM	5,359	10.70
	TOTAL - EQUITIES	48,032	95.88
	TOTAL VALUE OF INVESTMENTS	48,032	95.88
	OTHER ASSETS	2,065	4.12
	TOTAL NET ASSETS	50,097	100.00

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2019.

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 2019 to 30 September 2019

	September 2019 £000	September 2019 £000	September 2018 £000	September 2018 £000
Income				
Net capital gains/(losses)		1,657		22,253
Revenue	2,141		4,333	
Expenses	(460)		(1,215)	
Net revenue before taxation	1,681		3,118	
Taxation	(10)		(315)	
Net revenue after taxation		1,671		2,803
Total return before distributions for the period		3,328		25,056
Distributions		(1,671)		(2,259)
Change in net assets attributable to shareholders		1,657		22,797

Statement of Change in Net Assets Attributable to Shareholders

For the period 1 April 2019 to 30 September 2019

	September 2019 £000	September 2019 £000	September 2018 £000	September 2018 £000
Opening net assets attributable to shareholders		232,119		247,713
Amounts received on creation of shares	410		2,185	
Amounts paid on cancellation of shares	(184,972)		(11,054)	
		(184,562)		(8,869)
Dilution levy adjustments		12		-
Change in net assets attributable to shareholders from investment activities (see above)		1,657		22,797
Retained distribution on accumulation shares		871		2,244
Closing net assets attributable to shareholders		50,097		263,885

Balance Sheet

As at 30 September 2019

	September 2019 £000	March 2019 £000
Assets		
Fixed assets		
Investments	48,032	224,730
Current assets		
Debtors	229	940
Cash and bank balances	2,648	7,422
Total assets	50,909	233,092
Liabilities		
Creditors		
Bank overdraft	-	(16)
Distribution payable	(20)	(5)
Other creditors	(792)	(952)
Total liabilities	(812)	(973)
Net assets attributable to shareholders	50,097	232,119

Templeton Growth Fund

Distribution Statement

For the period 1 April 2019 to 30 September 2019

Group 1 – Shares purchased prior to 1 April 2019

Group 2 – Shares purchased in the period 1 April 2019 to 30 September 2019

	Net Income p	Equalisation p	30 September 2019 Pence per Share p	30 September 2018 Pence per Share p
A – Income Shares				
Group 1	11.4588	-	11.4588	4.4943
Group 2	3.4189	8.0399	11.4588	4.4943
A – Accumulation Shares				
Group 1	17.5042	-	17.5042	6.8040
Group 2	7.1479	10.3563	17.5042	6.8040
I – Accumulation Shares				
Group 1	71.1838	-	71.1838	33.1355
Group 2	71.1838	-	71.1838	33.1355
W – Accumulation Shares				
Group 1	4.5295	-	4.5295	2.1297
Group 2	2.5963	1.9332	4.5295	2.1297
Z – Accumulation Shares				
Group 1	4.2379	-	4.2379	1.9152
Group 2	2.3898	1.8481	4.2379	1.9152

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 Sterling 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

What the Fund aims to deliver (Fund Objective):

The Fund seeks a positive return (through a combination of income and capital growth) each calendar year. In addition, over a three to five-year period, the Fund aims to outperform the London Interbank Offered Rate (LIBOR) 90 Day (GBP) by 2% after all fees and costs 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.

How we invest (Investment Policy):

The Fund intends to achieve its objective by investing at least two thirds (but typically significantly more) in:

- debt securities or bonds (a type of debt obligation) issued by governments, government-related entities, supranational organisations and corporations in any industry, anywhere in the world. The Fund will typically limit exposure to bonds that are rated as below investment grade (rated below BBB- by Standard & Poor's or Baa3 by Moody's) to no more than 50% of the total portfolio. These bonds generally pay a high yield (interest rate) but are considered by rating agencies to be lower quality and carry more risk than investment grade bonds.
- derivatives (investments whose value is linked to another investment or the performance of another variable factor, such as interest rates, currencies of any country or indices).

The Fund's managers seek to generate returns from various sources and as such the assets of the Fund may be diversified also by risk type, including credit sectors, currency and duration (a measure of how much a bond's price will change if interest rates change).

The Fund can also invest in distressed securities which may be in, or close to, bankruptcy or administration but still present diverse opportunities to grow in value.

The Fund uses derivatives with the aim of growing capital, providing cost-effective access to different types of investment, reducing short term changes in value or risk and preserving capital and to increase the efficiency of managing the portfolio. The types of derivatives used include but are not limited to options, futures, forward currency contracts, credit default swaps, interest rate swaps, total return swaps and contracts for difference. 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.

To help the Fund's managers in their aim to meet the Fund's objective they have the freedom to invest a substantial amount of the Fund's assets in any class of debt securities.

Up to 30% of the Fund's Net Asset Value can be invested in currencies other than the UK sterling. This does not include currencies hedged back to sterling.

The Fund may also invest in

- bonds whose value is secured by mortgages or other assets (mortgage or asset-backed securities)
- bonds that can be exchanged for shares in the same organisation (convertibles)
- structured products (a type of fixed-term investment whose pay-out depends on the performance of something else, such as another security or currency)
- other transferable securities, cash and cash equivalents, money market instruments, and other collective investment schemes.

The Fund will normally seek to manage the level of portfolio risk within a volatility range of 1 to 3% on an annualised ex ante basis (the estimated future risk over a year). This is with the aim of optimising the level of risk taken for the potential reward.

How we measure performance

- We measure performance and price shares in the Fund in UK sterling.
- The Fund's performance target is the London Interbank Offered Rate (LIBOR) 90 Day (GBP) Index plus 2%. The London Interbank Offered Rate (LIBOR) 90 Day (GBP) reflects the rate of return investors could typically expect from money markets. The Fund seeks to outperform this rate by 2% over a three to five-year period after allowing for management fees.

The base currency of the Fund is UK sterling.

Further Information (continued)

Investment objectives and policy (continued)

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%.

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.

How we measure performance.

- We measure performance and price shares in the Fund in UK sterling.
- The Fund's performance is compared to the MSCI Europe ex-UK Index as it is widely available and reflects investments in European stock markets (excluding the UK).

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:

- 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:
- 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
 - 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 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.

Further Information (continued)

Investment objectives and policy (continued)

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.

How we measure performance.

- We measure performance and price shares in the Fund in UK sterling.
- The Fund's performance is compared to the S&P 500 Index as it is widely available and reflects investments in the US stock market.

The base currency of the Fund is UK sterling.

Franklin Sterling Corporate Bond Fund

What the Fund aims to deliver (Fund Objective)

The Fund aims to outperform the Markit iBoxx GBP Non-Gilts Index after fees and costs through a combination of income and investment growth over a three to five-year period.

How we invest (Investment Policy)

The Fund invests at least two thirds (but typically significantly more) in corporate bonds (a type of debt obligation issued by a company) denominated in sterling. These bonds will either be from companies listed, quoted or traded in the UK or from companies traded, listed or incorporated elsewhere, but that conduct a significant portion of their business in the UK.

The Fund's assets will normally be held in investment grade securities (bonds from companies that have been rated by independent agencies as high quality); however, up to 15% of the Fund's assets can be held in bonds that are rated as below investment grade (below BBB- by Standard & Poor's or Baa3 by Moody's). These bonds generally pay a high yield (interest rate) but are considered by rating agencies to be lower quality and carry more risk than investment grade bonds. In addition, the Fund's managers make their own assessment of both investment grade and non-investment grade bonds to determine whether they believe investors will be adequately rewarded for any risk taken.

Up to 10% of the Fund's investments can be held in bonds that are denominated in currencies other than UK sterling.

The Fund uses derivatives to grow or preserve the Fund's value, manage investment risk and gain cost-effective access to investments. Derivatives are financial contracts whose value is linked to the price of another asset (e.g. indices, interest rates, share prices or currencies). These derivatives include, but are not limited to, futures, currency forwards, options, and credit default and interest rate swaps.

How we measure performance.

- We measure performance and price shares in the Fund in UK sterling.
- We measure performance against the Fund's performance target, the Markit iBoxx GBP Non-Gilts Index as it is widely available and reflects investments in similar debt-related securities.
- The Fund's performance can also be compared against the Investment Association £ Corporate Bond sector average, which reflects the performance of the Fund's competitors.

The base currency of the Fund is UK sterling.

Franklin UK Equity Income Fund

What the Fund aims to deliver (Fund Objective)

The Fund's primary aim is to generate an income that is higher than that of the FTSE All-Share Index, together with investment growth over a three to five-year period after all fees and costs are deducted.

How we invest (Investment Policy)

The Fund invests at least two thirds (but typically significantly more) in the shares of companies listed on the London Stock Exchange. These companies are incorporated/domiciled in the UK or which have significant business operations in the UK. Typically, the number of holdings in the Fund will vary between 40 to 60 company shares and most of these will be the shares of large (such as those making up the FTSE 100 Index) companies.

The Fund's managers do not intend to invest in every company in the FTSE All-Share Index and have the freedom to invest up to 10% of the Fund's assets outside of it.

Any proportion of the Fund can be invested into specific industry sectors, but the Fund's managers seek to avoid any unintentional emphasis on a sector in a way that could increase the level of risk.

The Fund's managers try to further reduce risk by making sure no single company share dominates the Fund's investments. Normally they try to keep shareholdings in any individual large company to no more than 5% of the Fund's total value, while a shareholding in any individual medium- and small-sized company would typically be no more than 2%.

Very occasionally and to a much lesser extent, the Fund may also invest in debt securities or bonds (debt obligations that pay interest) issued by governments, government-related, supranational organisations or corporations or convertibles, a type of corporate bond that can be exchanged for shares in the same organisation.

Further Information (continued)

Investment objectives and policy (continued)

The Fund may also invest in other types of transferable securities, cash and cash equivalents, money market instruments, and other collective investment schemes.

The Fund can use derivatives for efficient portfolio management (managing the fund in a way that is designed to reduce risk or cost and/or generate extra income or growth). However, the Fund can introduce more speculative use of derivatives in the future on 60 days' notice to investors. Derivatives are financial contracts whose value is linked to the price of another asset (e.g. indices, interest rates, share prices or currencies).

How we measure performance.

- We measure performance and price shares in the Fund in UK sterling. We measure performance against the Fund's performance target, the FTSE All-Share Index, as it is widely available and reflects investments in the UK stock market.
- The Fund's performance can also be compared against the Investment Association UK Equity Income sector average, which reflects the performance of the Fund's competitors.

The base currency of the Fund is UK sterling.

Franklin UK Gilt Fund

What the Fund aims to deliver (Fund Objective)

The Fund aims to outperform the FTSE UK Gilts (All) Government Total Return Index over a three to five-year period from a combination of income and investment growth, after all fees and costs are deducted.

How we invest (Investment Policy)

The Fund invests at least two thirds (but typically significantly more) in debt obligations or bonds issued by the United Kingdom Government that pay interest ("Gilts").

The Fund's managers do not intend to invest in every security in the FTSE UK Gilts (All) Government Total Return Index and up to 20% of the Fund's value can be invested in bonds (debt obligations) issued by governments of any nation or a lesser extent bonds issued by government-related organisations.

All the investments will be in investment grade securities, (bonds that have been rated by independent agencies as high quality).

In addition, the Fund's managers make their own assessment of bonds to determine whether they believe investors will be adequately rewarded for any risk taken.

Up to 10% of the Fund's investments can be held in bonds that are denominated in currencies other than UK sterling.

The Fund uses derivatives to grow or preserve the Fund's value, manage investment risk and gain cost-effective access to investments. Derivatives are financial contracts whose value is linked to the price of another asset (e.g. indices, interest rates, share prices or currencies). These derivatives include, but are not limited to, futures, currency forwards, options, and credit default and interest rate swaps.

How we measure performance.

- We measure performance and price shares in the Fund in UK sterling.
- We measure performance against the Fund's performance target, the FTSE UK Gilts (All) Government Total Return Index, as it is widely available and reflects investments in similar debt-related securities.
- The Fund's performance can also be compared against the Investment Association UK Gilt sector average, which reflects the performance of the Fund's competitors.

The base currency of the Fund is UK sterling.

Franklin UK Managers' Focus Fund

What the Fund aims to deliver (Fund Objective)

The Fund aims to grow in value by more than the FTSE All-Share Index, from a combination of income and investment growth over a three to five-year period after all fees and costs are deducted.

How we invest (Investment Policy)

The Fund invests at least two thirds (but typically significantly more) in shares of companies listed on the London Stock Exchange that are incorporated/domiciled in the UK or which have significant business operations in the UK.

The Fund usually invests in the shares of up to 50 companies consisting of:

10-20 large companies (such as those making up the FTSE 100 Index)

10-20 medium sized companies (such as those making up the FTSE 250 Index)

20 smaller companies (such as those making up the Numis Smaller Companies ex- Investment Trusts Index or the Alternative Investment Market ("AIM"))

While the Fund's managers have the freedom to invest up to 10% of the Fund's assets outside of these indices, this would be very unusual, and the result of a very strong opportunity identified in their research or to protect capital in unusual market conditions.

Further Information (continued)

Investment objectives and policy (continued)

Any proportion of the Fund can be invested into specific industry sectors, but the Fund's managers seek to avoid any unintentional emphasis on a sector in a way that could increase the level of risk.

The Fund's managers try to further reduce risk by making sure no single company share dominates the Fund's investments. Normally they try to keep shareholdings in any individual company to between 1% and 3% of the Fund's assets.

Very occasionally and to a much lesser extent, the Fund may also invest in debt securities or bonds (debt obligations that pay interest) issued by governments, government-related, supranational organisations or corporations or convertibles, a type of corporate bond that can be exchanged for shares in the same organisation.

The Fund may also invest a proportion of its portfolio in other types of transferable securities, cash and cash equivalents, money market instruments, and other collective investment schemes.

The Fund can use derivatives for efficient portfolio management (managing the fund in a way that is designed to reduce risk or cost and/or generate extra income or growth). However, the Fund can introduce more speculative use of derivatives in the future on 60 days' notice to investors. Derivatives are financial contracts whose value is linked to the price of another asset (e.g. indices, interest rates, share prices or currencies).

How we measure performance.

- We measure performance and price shares in the Fund in UK sterling.
- We measure performance against the Fund's performance target, the FTSE All-Share Index, as it is widely available and reflects investments in the UK stock market.
- The Fund's performance can also be compared against the Investment Association UK All Companies sector average, which reflects the performance of the Fund's competitors.

The base currency of the Fund is UK sterling.

Franklin UK Mid Cap Fund

What the Fund aims to deliver (Fund Objective)

The Fund aims to grow in value by more than the FTSE 250 (ex-Investment Trusts) Index, from a combination of income and investment growth over a three to five-year period after all fees and costs are deducted.

How we invest (Investment Policy)

The Fund will invest at least two thirds (but typically significantly more) in the shares of medium-sized companies that are constituents of the FTSE 250 (ex-Investment Trusts) Index and that are incorporated/domiciled in the UK or which have significant business operations in the UK. This will typically be around 30-50 companies.

The Fund's managers try to further reduce risk by making sure no single company share dominates the Fund's investments. Normally they try to keep shareholdings in any individual company between 1.5% and 5% of the Fund's total value.

The Fund's managers do not intend to invest in every company in the FTSE 250 (ex-Investment Trusts) Index and, while they have the freedom to invest up to 10% of the Fund's assets outside of it, this is rare and typically has been because of changes to an index composition.

Any proportion of the Fund can be invested into specific industry sectors, but the Fund's managers seek to avoid any unintentional emphasis on a sector in a way that could increase the level of risk.

Very occasionally and to a much lesser extent, the Fund may also invest in debt securities or bonds (debt obligations that pay interest) issued by governments, government-related, supranational organisations or corporations or convertibles, a type of corporate bond that can be exchanged for shares in the same organisation.

The Fund may also invest a proportion of its portfolio in other types of transferable securities, cash and cash equivalents, money market instruments, and other collective investment schemes.

The Fund can use derivatives for efficient portfolio management (managing the fund in a way that is designed to reduce risk or cost and/or generate extra income or growth). However, the Fund can introduce more speculative use of derivatives in the future on 60 days' notice to investors. Derivatives are financial contracts whose value is linked to the price of another asset (e.g. indices, interest rates, share prices or currencies).

How we measure performance.

- We measure performance and price shares in the Fund in UK sterling.
- The FTSE 250 (ex-Investment Trusts) Index is the Fund's performance target and constrains the Fund's investment universe. It is widely available and reflects the performance of medium-sized companies.
- The Fund's performance may also be compared against the Investment Association UK All Companies sector average, which reflects the performance of the Fund's competitors.

The base currency of the Fund is UK sterling.

Franklin UK Opportunities Fund

What the Fund aims to deliver (Fund Objective)

Further Information (continued)

Investment objectives and policy (continued)

The Fund aims to grow in value by more than the FTSE All-Share Index, from a combination of income and investment growth over a three to five-year period after all fees and costs are deducted.

How we invest (Investment Policy)

The Fund invests at least two thirds (but typically significantly more) in the shares of companies listed on the London Stock Exchange that are incorporated/domiciled in the UK or which have significant business operations in the UK. This will typically be around 30-50 companies.

The Fund's managers seek to achieve their growth objective while maintaining volatility (a measure of the size of short-term changes in the value of an investment) at lower levels than that of the FTSE All-Share Index. This often means that the Fund invests in large- or medium-sized companies listed on the London Stock Exchange.

Any proportion of the Fund can be invested into specific industry sectors, but the Fund's managers seek to avoid any unintentional emphasis on a sector in a way that could increase the level of risk.

The Fund's managers try to further reduce risk by making sure no single company share dominates Fund investments. Normally they try to keep a shareholding in any individual company to between 1.5% and 5% of the Fund's assets.

The Fund's managers do not intend to invest in every company in the FTSE All-Share Index and, while they have the freedom to invest up to 10% of the Fund's assets in Continental European companies, this has historically been a rare occurrence.

Very occasionally and to a much lesser extent, the Fund may also invest in debt securities or bonds (debt obligations that pay interest) issued by governments, government-related, supranational organisations or corporations or convertibles, a type of corporate bond that can be exchanged for shares in the same organisation.

The Fund may also invest a proportion of its portfolio in other types of transferable securities, cash and cash equivalents, money market instruments, and other collective investment schemes.

The Fund can use derivatives for efficient portfolio management (managing the fund in a way that is designed to reduce risk or cost and/or generate extra income or growth). However, the Fund can introduce more speculative use of derivatives in the future on 60 days' notice to investors. Derivatives are financial contracts whose value is linked to the price of another asset (e.g. indices, interest rates, share prices or currencies).

How we measure performance.

- We measure performance and price shares in the Fund in UK sterling.
- We measure performance against the Fund's performance target, the FTSE All-Share Index, as it is widely available and reflects investments in the UK stock market.
- The Fund's performance can also be compared against the Investment Association UK All Companies sector average, which reflects the performance of the Fund's competitors.

The base currency of the Fund is UK sterling.

Franklin UK Rising Dividends Fund

What the Fund aims to deliver (Fund Objective)

The Fund aims to grow in value by more than the FTSE All-Share Index by generating a growing level of income, together with investment growth over a three to five-year period after all fees and costs are deducted.

How we invest (Investment Policy)

The Fund invests at least two thirds (but typically significantly more) in the shares of companies listed on the London Stock Exchange that are incorporated/domiciled in the UK or which have significant business operations in the UK. The Fund usually invests in 30-50 companies that have grown their dividend in at least 8 of the past 10 years and not reduced the dividend during that period. Typically, most of these investments will be in the shares of large or medium sized companies (such as those making up the FTSE 350 Index).

The Fund's managers will select only those companies from the FTSE All-Share Index that their research suggests will help them to meet the Fund's objective. They do not intend to invest in every company in the FTSE All-Share Index and have the freedom to invest up to 10% of the Fund's assets outside of it.

Any proportion of the Fund can be invested into specific industry sectors, but the Fund's managers seek to avoid any unintentional emphasis on a sector in a way that could increase the level of risk. They try to further reduce risk by making sure no single company share dominates Fund investments. Normally they try to keep shareholding in any individual large company to no more than 5% of the Fund's total value, while a shareholding in any individual medium-sized company would typically be between 2% and 2.5% and small-sized companies would typically be no more than 1.5%.

Very occasionally and to a much lesser extent, the Fund may also invest in debt securities or bonds (debt obligations that pay interest) issued by governments, government-related, supranational organisations or corporations or convertibles, a type of corporate bond that can be exchanged for shares in the same organisation.

The Fund may also invest a proportion of its portfolio in other types of transferable securities, cash and cash equivalents, money market instruments, and other collective investment schemes.

Further Information (continued)

Investment objectives and policy (continued)

The Fund can use derivatives for efficient portfolio management (managing the fund in a way that is designed to reduce risk or cost and/or generate extra income or growth). However, the Fund can introduce more speculative use of derivatives in the future on 60 days' notice to investors. Derivatives are financial contracts whose value is linked to the price of another asset (e.g. indices, interest rates, share prices or currencies).

How we measure performance.

- We measure performance and price shares in the Fund in UK sterling.
- We measure performance against the Fund's performance target, the FTSE All-Share Index, as it is widely available and reflects investments in the UK stock market.
- The Fund's performance can also be compared against the Investment Association UK All Companies sector average, which reflects the performance of the Fund's competitors.

The base currency of the Fund is UK sterling.

Franklin UK Smaller Companies Fund

What the Fund aims to deliver (Fund Objective)

The Fund aims to grow in value by more than the Numis Smaller Companies ex- Investment Trusts Index over a three to five-year period after all fees and costs are deducted.

How we invest (Investment Policy)

The Fund invests at least two thirds (but typically significantly more) in shares of smaller companies which are constituents of the Numis Smaller Companies ex-Investment Trusts Index or are listed on the AIM exchange and that are incorporated/domiciled in the UK or which have significant business operations in the UK.

The Fund's managers do not intend to invest in every company in the Numis Smaller Companies ex-Investment Trusts Index or AIM but using their expertise and research, select around 40-50 companies they believe will achieve the Fund's objective.

The Fund's managers try to further reduce risk by making sure no single company share dominates the Fund's investments. Normally they try to keep shareholdings in any individual company between 1% and 5% of the Fund's total value.

Any proportion of the Fund can be invested into specific industry sectors, but the Fund's managers seek to avoid any unintentional emphasis on a sector in a way that could increase the level of risk.

The Fund may also invest a proportion of its portfolio in other types of transferable securities, cash and cash equivalents, money market instruments, and other collective investment schemes.

The Fund can use derivatives for efficient portfolio management (managing the fund in a way that is designed to reduce risk or cost and/or generate extra income or growth). However, the Fund can introduce more speculative use of derivatives in the future on 60 days' notice to investors. Derivatives are financial contracts whose value is linked to the price of another asset (e.g. indices, interest rates, share prices or currencies).

How we measure performance.

- We measure performance and price shares in the Fund in UK sterling.
- The Numis Smaller Companies ex- Investment Trusts Index is the Fund's performance target and constrains the Fund's investment universe. It reflects the performance of smaller companies.
- We may also compare the performance of the Fund to the Investment Association UK Smaller Companies sector average as it reflects the performance of the Fund's competitors.

The base currency of the Fund is UK sterling.

Franklin US Opportunities Fund

What the Fund aims to deliver (Fund Objective)

The Fund aims to grow in value by more than the Russell 3000 Growth Index over a three to five-year period after all fees and costs are deducted.

How we invest (Investment Policy)

The Fund invests at least two thirds (but typically significantly more) in the shares of companies of any size, listed on the United States' stock markets. The managers focus on those stocks that they believe have the potential to grow faster than the US economy. Typically, these types of companies do not pay a dividend and instead reinvest any earnings to aid future growth.

The Fund's managers do not intend to invest in every company in the Russell 3000 Growth Index. They can invest in any industry but normally try to keep investment in any specific industry to no more than 25% of the portfolio.

Very occasionally and to a much lesser extent, the Fund may also invest in company bonds (debt obligations) that can be exchanged for shares in the same organisation.

The Fund may also invest a proportion of its portfolio in other types of transferable securities, cash and cash equivalents, money market instruments, and other collective investment schemes.

Further Information (continued)

Investment objectives and policy (continued)

The Fund can use derivatives for efficient portfolio management (managing the fund in a way that is designed to reduce risk or cost and/or generate extra income or growth). Derivatives are financial contracts whose value is linked to the price of another asset (e.g. indices, interest rates, share prices or currencies).

How we measure performance.

- We measure performance and price shares in the Fund in UK sterling.
- We measure performance against the Fund's performance target, the Russell 3000 Growth Index, as it is widely available and reflects growth-oriented investments in the US stock market.
- The Fund's performance can also be compared against the Investment Association North American sector average, which reflects the performance of the Fund's competitors.

The base currency of the Fund is UK sterling.

Templeton Global Emerging Markets Fund

What the Fund aims to deliver (Fund Objective)

The Fund aims to grow in value by more than the MSCI Emerging Markets Index over a five-year period after all fees and costs are deducted.

How we invest (Investment Policy)

The Fund invests at least two thirds (but typically significantly more) in emerging markets (countries whose economy and financial markets are still developing). The Fund typically invests in around 70-90 companies of any size or industry that:

- are listed on an emerging markets stock exchange, or
- are domiciled or conduct a significant proportion of their business in emerging markets, or
- receive a significant amount of their revenues from emerging markets.

To a lesser extent, the Fund may also invest in frontier markets, these are markets that are at earlier stages of their economic and financial market development than emerging markets.

The Fund's managers use research and experience to identify companies that show more potential to deliver sustainable growth over the long-term (5 years) than their market price would suggest.

The Fund's portfolio may include some overlap with the Index but does not intend to replicate it and may vary considerably. The Fund may include shares and countries that are not included in the MSCI Emerging Markets Index.

Typically, to help manage risk, the Fund's managers aim to keep exposure to any single company in a range of 5% more or less than the Index and industry and country exposure in a range of 10% more or less than the MSCI Emerging Markets Index.

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

The Fund can use derivatives for efficient portfolio management (managing the fund in a way that is designed to reduce risk or cost and/or generate extra income or growth). However, the Fund can introduce more speculative use of derivatives in the future on 60 days' notice to investors. Derivatives are financial contracts whose value is linked to the price of another asset (e.g. indices, interest rates, share prices or currencies).

How we measure performance.

- We measure performance and price shares in the Fund in UK sterling.
- We measure performance against the Fund's performance target, the MSCI Emerging Markets Index, as it is widely available and reflects investments in stock markets of emerging markets countries.
- The Fund's performance can also be compared against the Investment Association Emerging Markets sector average, which reflects the performance of the Fund's competitors.

The base currency of the Fund is UK sterling.

Templeton Global Total Return Bond Fund

What the Fund aims to deliver (Fund Objective)

The Fund aims to grow in value from a combination of income, capital growth and currency gains over a three to five-year period.

How we invest (Investment Policy)

The Fund intends to achieve its objective by investing at least two thirds (but typically significantly more) in:

- debt securities or bonds, (a type of debt obligation) issued by governments, government-related, supranational organisations and corporations in any industry, anywhere in the world.
- derivatives, investments whose value is linked to another investment or the performance of another variable factor, such as interest rates, currencies of any country or indices. The types of derivatives used include but are not limited to options, futures, forward currency contracts, credit default swaps, interest rate swaps, total return swaps and contracts for difference.

Further Information (continued)

Investment objectives and policy (continued)

The Fund will typically limit exposure to bonds that are rated as below investment grade (below BBB- by Standard & Poor's or Baa3 by Moody's) to no more than 50% of the total portfolio. These bonds generally pay a high yield (interest rate) but are considered by rating agencies to be lower quality and carry more risk than investment grade bonds.

The Fund can also invest in distressed securities (those whose issuers may be in or close to bankruptcy or administration), but still present diverse opportunities to grow in value.

To a lesser extent the Fund may also invest in:

- bonds whose value is secured by mortgages or other assets (mortgage or asset-backed securities);
- bonds that can be exchanged for shares in the same organisation (convertibles);
- structured products (a type of fixed-term investment whose pay-out depends on the performance of something else, such as another security or currency);
- other transferable securities, cash and cash equivalents, money market instruments, and other collective investment schemes.

The Fund's managers have the freedom to choose securities that their research indicates have the strongest potential to meet the Fund's objective. They are not constrained by any index.

How we measure performance.

- We measure performance against the Bloomberg Barclays Multiverse Index, which reflects investments in similar debt-related securities.
- The Fund's performance can also be compared against the Investment Association Global Bond sector average, which reflects the performance of the Fund's competitors.
- We measure performance and price shares in the Fund in UK sterling.

For hedged share classes that attempt to remove the impact of changes in foreign exchange rates (ending GBP-H3), we show performance of the comparable index in US dollars (US\$).

The base currency of the Fund is UK sterling.

Templeton Growth Fund

What the Fund aims to deliver (Fund Objective)

The Fund aims to grow in value by more than the MSCI All Country World Index over a five-year period after all fees and costs are deducted.

How we invest (Investment Policy)

The Fund invests at least two thirds (but typically significantly more) in the shares of a range of companies of any size or industry anywhere in the world.

The Fund's managers use research and experience to identify companies that show more potential to deliver sustainable growth over the long-term (5 years) than their market price would suggest. This includes how growth may be affected by environmental, social or governance risks and opportunities.

The Fund's portfolio may include some overlap with the MSCI All Country World Index but does not intend to replicate it and may vary considerably. It seeks to manage risk by avoiding any unintentional emphasis on a single company, industry or country.

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

The Fund can use derivatives for efficient portfolio management (managing the fund in a way that is designed to reduce risk or cost and/or generate extra income or growth). However, the Fund can introduce more speculative use of derivatives in the future on 60 days' notice to investors. Derivatives are financial contracts whose value is linked to the price of another asset (e.g. indices, interest rates, share prices or currencies).

How we measure performance.

- We measure performance and price shares in the Fund in UK sterling.
- We measure performance against the Fund's performance target, the MSCI All Country World Index, as it is widely available and reflects investments across global stock markets.
- The Fund's performance can also be compared against the Investment Association Global Equity sector average, which reflects the performance of the Fund's competitors.

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 interim 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 Interim Reports: by 31 July and 30 November.

Further Information (continued)

Accounting reference and other dates (continued)

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 Sterling Corporate Bond Fund	X	X	X	X
Franklin UK Equity Income Fund	X	X	X	X
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	

*Or the last Business Day of the relevant period if the Distribution Pay Dates are not Business Days in any particular year

** 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
Franklin European Opportunities Fund	W Net Accumulation
	Z Net Accumulation
Franklin Mutual Shares Fund	A Net Accumulation and Net Income
Franklin Mutual Shares Fund	I Net Accumulation
	W Net Accumulation
	Z Net Accumulation
Franklin Sterling Corporate Bond Fund	W Accumulation and Income
Franklin UK Equity Income Fund	A Net Accumulation and Net Income
Franklin UK Equity Income Fund	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
Franklin UK Managers' Focus Fund	S Net Accumulation
	W Net Accumulation
	Z Net Accumulation
Franklin UK Mid Cap Fund	A Net Income
Franklin UK Mid Cap Fund	S Net Accumulation and Net Income
	W Net Accumulation and Net Income
	Z Net Accumulation
Franklin UK Opportunities Fund	A Net Income
Franklin UK Opportunities Fund	W Net Accumulation and Net Income
	Z Net Accumulation
Franklin UK Rising Dividends Fund	A Net Income
Franklin UK Rising Dividends Fund	W Net Accumulation and Net Income
	Z Net Accumulation and Net Income
Franklin UK Smaller Companies Fund	A Net Income

Further Information (continued)

Shares (continued)

Fund	Class	
Franklin UK Smaller Companies Fund	W	Net Accumulation and Net Income
	Z	Net Accumulation
Franklin US Opportunities Fund	A	Net Accumulation
Franklin US Opportunities Fund	W	Net Accumulation
	Z	Net Accumulation
Templeton Global Emerging Markets Fund	A	Net Accumulation
Templeton Global Emerging Markets Fund	W	Net Accumulation
	Z	Net Accumulation
Templeton Global Total Return Bond Fund	A	Accumulation and Income
Templeton Global Total Return Bond Fund	A-H3	Accumulation and Income
	W	Accumulation and Income
	W-H3	Accumulation and Income
	Z	Accumulation
	Z-H3	Income
Templeton Growth Fund	A	Net Accumulation and Net Income
Templeton Growth Fund	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 rates of the ACD's annual management charge for each of the Funds as at 30 September 2019.

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 Sterling 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	0.60%*	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

Further Information (continued)

Charges (continued)

The ACD's periodic remuneration (continued)

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
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	0.75%	0.95%	Income

* Subsequent to the period ended 30 September 2019, the annual management charges will change. For further information see significant events on page 2 of this report.

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
London, EC4N 6HL
United Kingdom

Client Dealer Services

Freephone: 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.

