

# Franklin Floating Rate Fund PLC



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## GENERAL INFORMATION

### Board of Directors

Hans Wisser (German)  
Francis Ennis\* (Irish)  
Gregory E. McGowan (U.S.)  
David McGeough\* (Irish)

\*Independent Directors.

All Directors are non-executive.

### Distributor

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

### Legal Advisors

Matheson  
70 Sir John Rogerson's Quay  
Dublin 2  
Ireland

### Depositary

J.P. Morgan Bank (Ireland) plc  
200 Capital Dock  
79 Sir John Rogerson's Quay  
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Ireland

### Alternative Investment Fund Manager ("AIFM")

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

### Paying and Distribution Agent

SG Constellation One  
Inc. of 1221 Avenue of the Americas  
New York  
NY 10020  
USA

### Shareholder Services Agent

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8A rue Albert Borschette  
L-1246  
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### Investment Manager

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

### Administrator/Secretary

J.P. Morgan Administration Services (Ireland)  
Limited  
200 Capital Dock  
79 Sir John Rogerson's Quay  
Dublin 2, D02 RK57  
Ireland

### Independent Auditors

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

### Sponsoring Broker

Matheson  
70 Sir John Rogerson's Quay  
Dublin 2  
Ireland

### Registered office

J.P. Morgan Bank (Ireland) plc  
200 Capital Dock  
79 Sir John Rogerson's Quay  
Dublin 2, D02 RK57  
Ireland

### Registered Number

316174

# INVESTMENT MANAGER'S REPORT

## Franklin Floating Rate Fund PLC – MD&A (31 January 2020)

### Syndicated Bank Loan Market Overview

The loan market posted solid returns toward the end of the period, which was a reversal of trends from preceding months, as technical conditions strengthened while fears of tariff escalation subsided. Although the US Federal Reserve (Fed) cut rates again at its October meeting, many investors expected future rate cuts to be on hold, which led to a significant deceleration in outflows from retail loan vehicles. As net new supply was more scarce and higher loan prices led to repricing transactions, investors turned to discounted, lower-rated names in order to put cash to work.

Outflows from retail investors continued at the beginning of the period as the Fed cut its benchmark rate for a third time in the year, prompting investors to shift away from low duration assets. However, outflows moderated to a more manageable pace and the asset class reported modest weekly inflows toward the end of the period. Overall retail demand remained weak despite the improved flows but was offset by the issuance of new CLO vehicles, which helped to support loan prices. CLO managers overcame challenges in loan supply and arbitrage and continued to comprise most of the demand for the asset class.

Volatility in the broader market at the beginning of the period dampened demand for B-rated loans, but low net new issuance in the loan market helped to balance technical conditions. In the primary market, the proportion of deals related to M&A transactions picked up, but the pace of total issuance continued to lag due to an increase in paydowns, especially among larger tranche names. However, the lack of net new issuance eventually led to an increase in repricing and refinancing transactions toward the end of the period. An improved technical environment and high loan prices led to a significant repricing wave in January, with the second highest monthly volume on record.

The default rate by principal amount continued to remain below the historical average during the period, despite the default of an energy issue pushing the rate to its highest level in fifteen months. The pace of defaults was generally benign even with higher leverage levels, especially among first-lien loans, as well as a higher proportion of B-rated loans in the market. However, uncertainty about the pace of economic growth also increased concern about potential downgrades, as the pace of credit rating downgrades outpaced the number of loans that were upgraded. Due to CLO limits on holding CCC loans, further downgrades were expected to potentially contribute to selling and volatility in the loan market. While the number of distressed loans was elevated at times during the period, many of these loans traded higher as investor sentiment improved.

### Investment Strategy

We began 2020 with a constructive outlook on loans, driven by continued health in the US economy combined with expectations of continued Fed support, which we believed would be supportive of demand from CLOs and retail investors. As the Covid-19 virus began to afflict China and neighboring economies earlier this year, we tempered our outlook for the near-term technical environment. The continued spread of the disease worldwide and recent US Fed action have led us to materially change our view on near term fundamentals and technical conditions. We now expect fundamentals to be stretched in the near term, particularly in industries most impacted by reductions in both supply and demand as a result of virus-related fears and mitigation initiatives being taken to slow the growth of the virus. This will be further exacerbated by retail outflows and subdued CLO issuance as a result of lower interest rates. While we believe that the loan market should revert to better fundamentals once Covid-19 fears subside and business conditions return to normalcy, we continue to expect technical pressures in the near term to lead to further spread widening. The second half of the year also poses uncertainties related to the impact of US elections, potential tariff outcomes and geopolitical issues. We continue to prefer a more conservative positioning and favor higher-quality issuers with sustainable capital structures and tighter documentation that offer attractive risk adjusted return long term.

## INVESTMENT MANAGER'S REPORT (CONTINUED)

### Manager's Discussion

During the period under review, the fund returned 0.44%, underperforming its benchmark, the CS Leveraged Loan Index (CSLLI), which returned 2.36%. The Fund maintained an overweight in the upper tier segment of the market throughout the period, as upper tier loans in the index returned 2.36%, middle tier returned 2.59%, and lower tier returned -1.24%, according to the index. Individual loans, however, impacted performance more, especially those that faced headwinds related to their sectors.

Among the top performers, Onsite Rental (a specialized industrial equipment rental company) contributed to performance as the company continued to post growth due to the strong Australian resources sector. The first lien term loan of Doncasters Group, a manufacturer of components for the aerospace and industrial markets, traded higher as the company looked to complete asset sales and restructuring options. However, Foresight Energy (a thermal coal producer) detracted from performance as the issuer was downgraded and the company assessed restructuring options amid a weak market for coal. Fieldwood Energy, a producer of oil and gas, detracted from performance as oil prices were relatively low and amid negative sentiment across the energy sector.

During the period, the fund looked to de-risk areas of the portfolio that we believed had elevated credit risk and high uncertainty. We exited our Foresight position in October and reduced our weighting in Fieldwood due to the issuer's sensitivity to oil prices and relatively higher contribution to portfolio volatility. The fund also sold its positions in CLO tranches by the end of the period amid elevated redemptions. We maintained our fund investments, the Franklin Floating Rate Income Fund and an exchange traded fund, the Franklin Liberty Senior Loan ETF, which allowed the fund to have further exposure to credit, while providing additional liquidity. The fund also held protection in HYCDX to protect against volatility in the credit markets but unwound its position during the period.

**Franklin Advisers, Inc.**  
**Investment Manager**

March 2020

# SCHEDULE OF INVESTMENTS

as at 31 January 2020

Investments	Holding 1 August 2019	Purchases	Sales	Holding 31 January 2020	Fair Value USD '000	% of Net Asset Value	
<b>Investment Funds (31 July 2019: 106.28%)</b>							
<b>United States (31 July 2019: 106.28%)</b>							
Franklin Floating Rate MasterTrust	129,011,720	3,367,145	(49,582,282)	82,796,583	660,995	99.91	
<b>United States total</b>					<b>660,995</b>	<b>99.91</b>	
<b>Total investments in Investment Funds</b>					<b>660,995</b>	<b>99.91</b>	
Currency Purchased	Amount Purchased	Currency Sold	Amount Sold	Counterparty	Maturity Date	Fair Value USD '000	% of Net Asset Value
<b>Forward Currency Contracts</b>							
USD	108,154	EUR	96,935	J.P. Morgan	20/02/2020	-2	-
<b>Total unrealised gain on Forward Currency Contracts (31 July 2019: 0.00%)<sup>1</sup></b>						<b>-2</b>	<b>-</b>
<b>Forward Currency Contracts</b>							
CNH	66,469	USD	9,648	UBS	20/02/2020	-2	-
CNH	67,463	USD	9,797	Bank of America	20/02/2020	-2	-
CNH	123,352	USD	17,909	Morgan Stanley	20/02/2020	-2	-
CNH	130,581	USD	18,951	Citibank	20/02/2020	-2	-
CNH	983,381	USD	142,724	J.P. Morgan	20/02/2020	(2)	-
EUR	236,692	USD	263,000	HSBC	20/02/2020	-2	-
EUR	180,762	USD	202,048	Goldman Sachs	20/02/2020	(1)	-
EUR	339,058	USD	379,081	HSBC	20/02/2020	(3)	-
EUR	356,488	USD	398,784	Bank of America	20/02/2020	(3)	-
EUR	374,809	USD	419,229	Morgan Stanley	20/02/2020	(3)	-
EUR	497,625	USD	556,479	Citibank	20/02/2020	(4)	-
EUR	491,893	USD	550,239	BNP Paribas	20/02/2020	(4)	-
EUR	529,329	USD	591,829	UBS	20/02/2020	(4)	-
EUR	1,669,520	USD	1,866,340	J.P. Morgan	20/02/2020	(13)	(0.01)
SGD	11,017	USD	8,189	BNP Paribas	20/02/2020	-2	-
SGD	62,043	USD	46,000	Bank of America	20/02/2020	(1)	-
SGD	292,432	USD	217,422	Bank of America	20/02/2020	(3)	-
SGD	378,698	USD	281,472	J.P. Morgan	20/02/2020	(4)	-
SGD	406,648	USD	302,234	UBS	20/02/2020	(4)	-
SGD	420,605	USD	312,675	Morgan Stanley	20/02/2020	(5)	-
SGD	424,477	USD	315,518	Goldman Sachs	20/02/2020	(5)	-
SGD	463,571	USD	344,540	Citibank	20/02/2020	(5)	-
SGD	532,003	USD	395,412	HSBC	20/02/2020	(6)	-
USD	428,993	EUR	387,488	J.P. Morgan	20/02/2020	(1)	-
USD	346,311	EUR	313,548	J.P. Morgan	20/02/2020	(2)	-
<b>Total unrealised loss on Forward Currency Contracts (31 July 2019: 0.02%) (73)</b>					<b>(0.01)</b>		
Total financial assets at fair value through profit or loss					660,995	99.91	
Total financial liabilities at fair value through profit or loss					(73)	(0.01)	
Cash and cash equivalents					149	0.02	
Other assets and liabilities					543	0.08	
<b>Net asset value attributable to shareholders</b>					<b>661,614</b>	<b>100.00</b>	

<sup>1</sup> Prior year percentage of net asset value rounds to 0.00%.

<sup>2</sup> Investments which are less than USD 500 have been rounded down to zero.

## STATEMENT OF COMPREHENSIVE INCOME

for the six month period to 31 January 2020

	Period ended 31 January 2020 USD '000	Period ended 31 January 2019 USD '000
<b>Operating income</b>		
Dividends income	25,832	43,172
Bank interest income	1	1
Expense cap reimbursement	176	-
Net gains/(losses) on financial assets/liabilities at fair value through profit or loss	(22,449)	(46,165)
<b>Total investment income/(expense)</b>	<b>3,560</b>	<b>(2,992)</b>
<b>Operating expenses</b>		
Administration fees	(341)	(651)
AIFM fees	(1,039)	(2,334)
Audit fees	(12)	(12)
Depositary fees	(32)	(68)
Directors' fees	(29)	(25)
Distribution fees	(1,261)	(2,421)
Legal fees	(6)	(22)
Shareholder maintenance fees	(729)	(1,772)
Other operating expenses	(172)	(117)
<b>Total operating expenses</b>	<b>(3,621)</b>	<b>(7,422)</b>
<b>Net operating loss</b>	<b>(61)</b>	<b>(10,414)</b>
<b>Finance costs</b>		
Distributions to shareholders	(11,524)	(14,433)
<b>Total finance costs</b>	<b>(11,524)</b>	<b>(14,433)</b>
<b>Net loss before tax</b>	<b>(11,585)</b>	<b>(24,847)</b>
Withholding tax	(3)	(29)
<b>Net loss after tax</b>	<b>(11,588)</b>	<b>(24,876)</b>
<b>Decrease in net assets attributable to shareholders from continuing operations</b>	<b>(11,588)</b>	<b>(24,876)</b>

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



# STATEMENT OF FINANCIAL POSITION

as at 31 January 2020

	31 January 2020 USD '000	31 July 2019 USD '000
<b>CURRENT ASSETS</b>		
Financial assets at fair value through profit or loss	660,995	1,054,693
Cash and cash equivalents	149	179
<b>Receivables</b>		
Subscription of shares awaiting settlement	418	39
Dividends receivable	4,200	5,571
Other receivables	202	75
<b>Total current assets</b>	<b>665,964</b>	<b>1,060,557</b>
<b>CURRENT LIABILITIES</b>		
Financial liabilities at fair value through profit or loss	73	185
<b>Payables</b>		
Redemption of shares awaiting settlement	3,403	66,885
Administration fees payable	136	190
AIFM fees payable	187	271
Audit fees payable	6	25
Depositary fees payable	30	39
Directors' fees payable	81	52
Distribution fees payable	189	278
Legal fees payable	25	30
Shareholder maintenance fees payable	111	178
Other payables	109	80
<b>Total liabilities (excluding net assets attributable to shareholders)</b>	<b>4,350</b>	<b>68,213</b>
<b>Net asset value attributable to shareholders</b>	<b>661,614</b>	<b>992,344</b>

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

# STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the six month period to 31 January 2020

	Period ended 31 January 2020 USD '000	Period ended 31 January 2019 USD '000
Net assets attributable to shareholders at the beginning of the period	992,344	1,761,738
Decrease in net assets attributable to shareholders from continuing operations	(11,588)	(24,876)
<b>Share transactions</b>		
Proceeds from issue of redeemable shares	53,237	410,399
Payments on redemption of redeemable shares	(377,094)	(507,693)
Net income equalisation	(233)	129
Dividend reinvested	4,948	5,341
<b>Decrease in net assets resulting from share transactions</b>	<b>(319,142)</b>	<b>(91,824)</b>
<b>Net assets attributable to shareholders at the end of the period</b>	<b>661,614</b>	<b>1,645,038</b>

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

# STATEMENT OF CASH FLOWS

for the six month period to 31 January 2020

	Period ended 31 January 2020 USD '000	Period ended 31 January 2019 USD '000
<b>Cash flows from operating activities:</b>		
Decrease in net assets attributable to shareholders from continuing operations	(11,588)	(24,876)
<i>Adjustment for:</i>		
Dividend income	(25,832)	(43,172)
Interest income	(1)	(1)
Distributions to shareholders	11,524	14,433
	(25,897)	(53,616)
Change in financial assets at fair value through profit or loss	393,698	114,667
Change in other receivables	(127)	(35)
Change in financial liabilities at fair value through profit or loss	(112)	78
Change in cash collateral payable	–	(10)
Change in other payables	(269)	38
	367,293	61,122
Dividend received	27,203	42,595
Interest received	1	1
<b>Net cash provided by operating activities</b>	<b>394,497</b>	<b>103,718</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of redeemable shares	57,573	418,003
Payments for redemption of redeemable shares	(440,576)	(507,238)
Distributions paid to shareholders	(11,524)	(14,433)
<b>Net cash used in financing activities</b>	<b>(394,527)</b>	<b>(103,668)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(30)</b>	<b>50</b>
Cash and cash equivalents at the beginning of the period	179	123
<b>Cash and cash equivalents at the end of the period</b>	<b>149</b>	<b>173</b>

The accompanying notes form an integral part of these financial statements

# NOTES TO THE FINANCIALS STATEMENTS

## for the six period ended 31 January 2020

### Introduction

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

\*The Class A (dis) HKD shares was launched on 23 September 2019.

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

The Company’s investment objective is to provide a high level of current income and preservation of capital by investing up to 100% of its net assets in shares of the Franklin Floating Rate Master Series (the “Common Shares”) in the Franklin Floating Rate Master Trust (the “Master Trust”) (see note 9).

### 1. Accounting policies

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

#### (a) Basis of preparation

The financial statements have been prepared in accordance with the AIF Rulebook, the Companies Act 2014, Euronext Regulations and International Accounting Standard 34 (IAS 34), Interim Financial Reporting. The financial statements should be read in conjunction with the annual financial statements for the year ended 31 July 2019, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 July 2019, and corresponding interim financial statements for the period ended 31 January 2019, as described in those annual statements and interim statements respectively.

#### (b) Estimates and judgements

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### (c) Events during the period

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

### 2. Operating expenses

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

## NOTES TO THE FINANCIALS STATEMENTS (CONTINUED)

### 3. Distributions to shareholders

The following distributions were made by the Company for the period ended 31 January 2020.

Ex-dividend date	Payment date	A (dis) USD per share	A (dis) EUR-H1 EUR per share	A (dis) HKD HKD per share	A (dis) SGD-H1 SGD per share	A (dis) RMB-H1 RMB per share	AX USD per share	B USD per share	C (dis) USD per share	N (dis) USD per share	Z (dis) USD per share
1 Aug 2019	8 Aug 2019	0.039790	0.042506	-	0.045146	0.506108	0.038407	0.032385	0.034037	0.035371	0.047827
3 Sep 2019	10 Sep 2019	0.036278	0.038933	-	0.041177	0.478262	0.034961	0.029633	0.031039	0.032242	0.043570
1 Oct 2019	8 Oct 2019	0.038155	0.040597	0.009478	0.043068	0.505036	0.036801	0.031329	0.032775	0.034029	0.045766
1 Nov 2019	8 Nov 2019	0.043812	0.045098	0.052509	0.049078	0.556449	0.043466	0.042277	0.042613	0.043494	0.050339
2 Dec 2019	9 Dec 2019	0.030411	0.032272	0.018753	0.034409	0.385254	0.027891	0.017465	0.020097	0.021805	0.039058
2 Jan 2020	9 Jan 2020	0.044665	0.045858	0.055450	0.049624	0.566611	0.044561	0.044551	0.044580	0.045366	0.050865

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

Ex-dividend date	Payment date	A (dis) USD per share	A (dis) EUR-H1 EUR per share	A (dis) SGD-H1 SGD per share	A (dis) RMB-H1 RMB per share	AX USD per share	B USD per share	C (dis) USD per share	N (dis) USD per share	Z (dis) USD per share
1 Aug 2018	8 Aug 2018	0.030180	0.032638	0.034429	0.398281	0.028642	0.022708	0.024208	0.025380	0.036913
4 Sep 2018	11 Sep 2018	0.028643	0.030784	0.032658	0.368231	0.027153	0.021404	0.022858	0.023983	0.035081
1 Oct 2018	8 Oct 2018	0.025557	0.027306	0.029011	0.323555	0.024216	0.019025	0.020332	0.021344	0.031337
1 Nov 2018	8 Nov 2018	0.030612	0.033974	0.035132	0.393224	0.029025	0.022901	0.024449	0.025649	0.037483
3 Dec 2018	10 Dec 2018	0.027876	0.030344	0.031619	0.349467	0.026439	0.020909	0.022320	0.023394	0.034112
2 Jan 2019	9 Jan 2019	0.030985	0.047191	0.034386	0.385678	0.029526	0.023922	0.025340	0.026491	0.037689

### 4. Redeemable Shares and Share Capital

#### Authorised share capital

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

#### Subscriber shares

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

#### Redeemable Shares (“RS”)

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

## NOTES TO THE FINANCIALS STATEMENTS (CONTINUED)

## 4. Redeemable Shares and Share Capital (continued)

## Redeemable Shares (“RS”) (continued)

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

The movement in RS for the year ended 31 January 2020 is presented below and overleaf:

	Balance at the beginning of the period	Issued during the period	Redeemed during the period	Balance at the end of the period
Class A (acc)	22,471,853	2,558,588	(9,913,605)	15,116,836
Class A (dis)	30,819,396	441,135	(11,039,702)	20,220,829
Class A (dis) EUR-H1	956,364	652,723	(1,123,652)	485,435
Class A (dis) HKD*	–	3,919	–	3,919
Class A (dis) RMB-H1	13,883	–	–	13,883
Class A (dis) SGD-H1	588,787	26,902	(270,670)	345,019
Class AX	6,492,222	506,128	(1,066,671)	5,931,679
Class B**	379,778	7,938	(92,090)	295,626
Class C (acc)	2,062,786	33,705	(949,773)	1,146,718
Class C (dis)	10,857,389	203,112	(3,358,113)	7,702,388
Class N (acc)	9,822,176	22,615	(3,800,600)	6,044,191
Class N (dis)	3,255,905	38,451	(1,222,013)	2,072,343
Class Z (acc)	3,279,471	53,584	(1,313,232)	2,019,823
Class Z (dis)	1,395,331	262,552	(338,123)	1,319,760

The movement in RS for the year ended 31 July 2019 is presented below:

	Balance at the beginning of the year	Issued during the year	Redeemed during the year	Balance at the end of the year
Class A (acc)	46,384,785	9,896,252	(33,809,184)	22,471,853
Class A (dis)	46,323,604	19,266,993	(34,771,201)	30,819,396
Class A (dis) EUR-H1	1,875,359	7,309,949	(8,228,944)	956,364
Class A (dis) RMB-H1	26,436	–	(12,553)	13,883
Class A (dis) SGD-H1	1,962,921	1,580,070	(2,954,204)	588,787
Class AX	8,084,446	777,577	(2,369,801)	6,492,222
Class B**	530,684	15,101	(166,007)	379,778
Class C (acc)	2,606,752	1,424,522	(1,968,488)	2,062,786
Class C (dis)	17,399,424	2,858,484	(9,400,519)	10,857,389
Class N (acc)	15,458,004	2,734,556	(8,370,384)	9,822,176
Class N (dis)	4,694,475	362,647	(1,801,217)	3,255,905
Class Z (acc)	7,786,307	1,266,972	(5,773,808)	3,279,471
Class Z (dis)	2,047,916	378,790	(1,031,375)	1,395,331

## NOTES TO THE FINANCIALS STATEMENTS (CONTINUED)

## 4. Redeemable Shares and Share Capital (continued)

## Redeemable Shares (“RS”) (continued)

\*The Class A (dis) HKD shares was launched on 23 September 2019.

\*\*The Company discontinued the sale of Class B shares with effect from 1 April 2016. The Class B share subscriptions included represent direct reinvestments received as cash distributions by the nominee prior to determination to reinvest.

## Net assets attributable to shareholders

		31 January 2020	31 July 2019	31 July 2018
<b>Class A (acc)</b>				
Net asset value	USD ‘000	231,262	341,828	703,699
Net asset value per share	USD	15.30	15.21	15.17
<b>Class A (dis)</b>				
Net asset value	USD ‘000	161,188	251,807	394,823
Net asset value per share	USD	7.97	8.17	8.52
<b>Class A (dis) EUR-H1</b>				
Net asset value	EUR ‘000	4,005	8,201	17,309
Net asset value per share	EUR	8.25	8.57	9.23
<b>Class A (dis) HKD</b>				
Net asset value	HKD ‘000	39	–	–
Net asset value per share	HKD	9.87	–	–
<b>Class A (dis) RMB-H1</b>				
Net asset value	RMB ‘000	1,416	1,446	2,857
Net asset value per share	RMB	101.98	104.14	108.08
<b>Class A (dis) SGD-H1</b>				
Net asset value	SGD ‘000	3,098	5,434	19,038
Net asset value per share	SGD	8.98	9.23	9.70
<b>Class AX</b>				
Net asset value	USD ‘000	47,180	52,954	68,787
Net asset value per share	USD	7.95	8.16	8.51
<b>Class B</b>				
Net asset value	USD ‘000	2,348	3,100	4,519
Net asset value per share	USD	7.94	8.16	8.52
<b>Class C (acc)</b>				
Net asset value	USD ‘000	11,595	20,821	26,452
Net asset value per share	USD	10.11	10.09	10.15
<b>Class C (dis)</b>				
Net asset value	USD ‘000	61,245	88,668	148,226
Net asset value per share	USD	7.95	8.17	8.52
<b>Class N (acc)</b>				
Net asset value	USD ‘000	82,749	134,166	212,061
Net asset value per share	USD	13.69	13.66	13.72

## NOTES TO THE FINANCIALS STATEMENTS (CONTINUED)

<b>Class N (dis)</b>				
Net asset value	USD '000	16,763	27,046	40,677
Net asset value per share	USD	8.09	8.31	8.66
<b>Class Z (acc)</b>				
Net asset value	USD '000	28,373	45,732	107,975
Net asset value per share	USD	14.05	13.94	13.87
<b>Class Z (dis)</b>				
Net asset value	USD '000	11,989	12,983	19,877
Net asset value per share	USD	9.08	9.30	9.71

## 5. Taxation

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

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

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

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

## 6. Exchange rates

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

Currency	31 January 2020 Rate	31 July 2019 Rate
USD = 1		
CNH	6.9989	6.9095
EUR	0.9016	0.9034
HKD	7.7665	–
SGD	1.3646	1.3742



## NOTES TO THE FINANCIALS STATEMENTS (CONTINUED)

### 7. Fair value estimation

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

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

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

There were no transfers between levels during the period (31 July 2019: None).

The following table presents the investment in the Master Trust carried on the Statement of Financial Position by level within the valuation hierarchy as of 31 January 2020:

	Level 1 USD '000	Level 2 USD '000	Level 3 USD '000	Total USD '000
Financial assets at fair value through profit or loss:				
Investment funds	–	660,995	–	660,995
<b>Total</b>	<b>–</b>	<b>660,995</b>	<b>–</b>	<b>660,995</b>
Financial liabilities at fair value through profit or loss:				
Unrealised losses on forward currency contracts	–	(73)	–	(73)
<b>Total</b>	<b>–</b>	<b>(73)</b>	<b>–</b>	<b>(73)</b>

## NOTES TO THE FINANCIALS STATEMENTS (CONTINUED)

## 7. Fair value estimation (continued)

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

	Level 1 USD '000	Level 2 USD '000	Level 3 USD '000	Total USD '000
Financial assets at fair value through profit or loss:				
Investment funds	–	1,054,679	–	1,054,679
Unrealised gains on forward currency contracts	–	14	–	14
<b>Total</b>	<b>–</b>	<b>1,054,693</b>	<b>–</b>	<b>1,054,693</b>
Financial liabilities at fair value through profit or loss:				
Unrealised losses on forward currency contracts	–	(185)	–	(185)
<b>Total</b>	<b>–</b>	<b>(185)</b>	<b>–</b>	<b>(185)</b>

Cash and cash equivalents, bank overdrafts, other short-term investments in an active market and cash received as collateral and collateral due to counterparties are categorised as Level 1.

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

## 8. Efficient portfolio management

The Company may, for the purposes of efficient portfolio management and hedging of currency risks, enter into forward foreign currency contracts on the basis of “over the counter” (OTC) arrangements with highly rated financial institutions specialising in these types of transaction. Realised gains and losses on financial instruments held for efficient portfolio management purposes are included in the Statement of Comprehensive Income. Details of the open forward foreign currency contracts held as at 31 January 2020 are included in Schedule of investments on page 4.

## 9. Significant agreements and related party transactions

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

**Investment Adviser to the Master Trust**

The Investment Adviser to the Master Trust has agreed to waive any preliminary or initial charge that it may otherwise be entitled to receive in respect of any investment made by the Company in the Master Trust. The Master Trust pays an investment management fee to Franklin Advisers based on the average daily net assets. For the period ended 31 January 2020 and 31 January 2019, the effective investment management fee rate was 0.53% of the Company’s average daily net assets (Up to and including USD 2.5 billion).

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

## NOTES TO THE FINANCIALS STATEMENTS (CONTINUED)

## 9. Significant agreements and related party transactions (continued)

**AIFM, Distributor and shareholder maintenance**

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

The Company will pay to Franklin Templeton International Services S.à r.l. a fee up to 0.26% per annum of the average daily NAV of the Company in respect of management company and principal distribution services. During the period the Company incurred AIFM fees of USD 1,039,226 (31 January 2019: USD 2,334,392) of which USD 187,036 (31 July 2019: USD 271,093) was payable at 31 January 2020.

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

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

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

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

During the period the Company incurred distribution fees of USD 1,260,607 (31 January 2019: USD 2,421,100) of which USD 1,245,183 (31 January 2019: USD 2,399,368) were earned by the Distributor and USD 15,424 (31 January 2019: USD 21,732) were earned by SG. Fees payable were USD 186,979 (31 July 2019: USD 274,671) and USD 2,168 (31 July 2019: USD 2,926) at 31 January 2020 to the Distributor and SG, respectively.

The Distributor earned shareholder maintenance fees of USD 728,518 (31 January 2019: USD 1,771,846) of which USD 111,224 (31 July 2019: USD 178,205) was payable at 31 January 2020.

The following distribution fees were incurred by the Company for the periods ended 31 January 2020 and 31 January 2019.

Class	Annual Fee	Period ended 31 January 2020 USD '000	Period ended 31 January 2019 USD '000
AX	0.50%	124	161
B	1.05%	15	22
C (acc)	1.10%	87	171
C (dis)	1.10%	399	811
N (acc)	1.00%	528	1,058
N (dis)	1.00%	108	198
		<u>1,261</u>	<u>2,421</u>

## NOTES TO THE FINANCIALS STATEMENTS (CONTINUED)

## 9. Significant agreements and related party transactions (continued)

The following shareholder maintenance fees were incurred by the Company for the periods ended 31 January 2020 and 31 January 2019.

Class	Annual Fee	Period ended 31 January 2020 USD '000	Period ended 31 January 2019 USD '000
A (acc)	0.30%	408	1,046
A (dis)	0.30%	304	658
A (dis) EUR – H1	0.30%	8	37
A (dis) HKD	0.30%	–	–
A (dis) RMB – H1	0.30%	–	1
A (dis) SGD – H1	0.30%	5	25
B	0.25%	4	5
		729	1,772

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

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

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

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

**Franklin Floating Rate Master Trust**

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

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

The registered office of the Master Trust, which is a US Investment Trust, is Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801, U.S.A. and the Company holds 100% (31 July 2019: 100%) of the units of the Master Trust.

## NOTES TO THE FINANCIALS STATEMENTS (CONTINUED)

### 9. Significant agreements and related party transactions (continued)

#### Administrator

J.P. Morgan Administration Services (Ireland) Limited is the Administrator for the Company. The Administrator charges a fee of 0.0350% of the NAV of the Company up to USD 100 million, 0.0200% between USD 100 million and USD 250 million, 0.0100% between USD 250 million and USD 500 million and 0.0050% when the NAV is above USD 500 million, subject to minimum fee of USD 24,000.

During the period the Administrator earned fees of USD 341,331 (31 January 2019: USD 650,794) of which USD 135,899 (31 July 2019: USD 189,660) was payable at 31 January 2020.

#### Depositary

The Depositary, J.P. Morgan Bank (Ireland) plc charges trustee/depositary fees on a tiered basis (0.01% on the first USD 1 billion, 0.005% on the remainder), subject to a minimum fee of USD 30,000. These fees are accrued daily and paid monthly in arrears.

During the period the Depositary earned fees of USD 32,561 (31 January 2019: USD 68,459) of which USD 30,460 (31 July 2019: USD 39,300) was payable at 31 January 2020.

#### Directors

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

Francis Ennis receives a Director's fee of USD 20,000 per annum. David McGeough and Hans Wisser each receive a Director's fee of USD 15,000 per annum. The remaining Director received USD Nil fees for the period ended 31 January 2020 (31 January 2019: USD Nil).

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

#### Connected Parties Compliance Statement

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

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

### 10. Transaction costs

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

There were no transaction costs which are separately identifiable incurred by the Company during the period ended 31 January 2020 (31 January 2019: Nil).

### 11. Soft commissions

There have been no soft commission arrangements affecting this Company during the period (31 January 2019: None).

### 12. Contingent liabilities

There are no contingent liabilities as of 31 January 2020 (31 July 2019: None).

## NOTES TO THE FINANCIALS STATEMENTS (CONTINUED)

### 13. Significant events during the period

On 23 September 2019, an updated prospectus was issued for the Company, Class A (dis) HKD Shares were launched and from this date, dividends are paid gross of fees.

On 20 December 2019, an updated prospectus was issued for the Company.

### 14. Significant events since period end

Subsequent to the period end, the Covid -19 pandemic is causing significant financial market and social dislocation. The extent of the effect on the Company is uncertain, however appropriate business continuity measures are in place at the AIFM of the Company and key service providers. Operations are not impacted at the time of issuance of this Semi-Annual report and the Company continues to be managed within the established operational infrastructure and risk parameters. If investors request redemption of a substantial number of Shares in the Company, the Directors may determine to gate the Company in line with the terms set out in the Prospectus.

As at 23 March 2020, the assets under management decreased from \$662 million on 31 January 2020 to \$445 million representing a decrease of \$217 million (32.8%). The decrease in AUM was due to share redemptions amounting to \$110 million and other market movements amounting to \$107 million.

### 15. Authorisation of the financial statements

The financial statements were authorised for issue by the Board of Directors on 25 March 2020.

**APPENDIX A:**  
**Franklin Floating Rate Master Trust**  
Unaudited Semi-Annual Report  
for the six month period ended 31 January 2020

## APPENDIX A

### Franklin Floating Rate Master Series

#### Your Fund's Expenses

As a Fund shareholder, you can incur two types of costs: (1) transaction costs, including sales charges (loads) on Fund purchases and redemptions; and (2) ongoing Fund costs, including management fees, distribution and service (12b-1) fees, and other Fund expenses. All mutual funds have ongoing costs, sometimes referred to as operating expenses. The table below shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other mutual funds. The table assumes a \$1,000 investment held for the six months indicated.

#### Actual Fund Expenses

The table below provides information about actual account values and actual expenses in the columns under the heading "Actual." In these columns the Fund's actual return, which includes the effect of Fund expenses, is used to calculate the "Ending Account Value." You can estimate the expenses you paid during the period by following these steps (*of course, your account value and expenses will differ from those in this illustration*): Divide your account value by \$1,000 (*if your account had an \$8,600 value, then  $\$8,600 \div \$1,000 = 8.6$* ). Then multiply the result by the number in the row for your class of shares under the headings "Actual" and "Expenses Paid During Period" (*if Actual Expenses Paid During Period were \$7.50, then  $8.6 \times \$7.50 = \$64.50$* ). In this illustration, the actual expenses paid this period are \$64.50.

#### Hypothetical Example for Comparison with Other Funds

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

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

Actual (actual return after expenses)			Hypothetical (5% annual return before expenses)		
Beginning Account Value 8/1/19	Ending Account Value 1/31/20	Paid During Period 8/1/19–1/31/20 <sup>1,2</sup>	Ending Account Value 1/31/20	Paid During Period 8/1/19–1/31/20 <sup>1,2</sup>	Net Annualized Expense Ratio <sup>2</sup>
\$1,000	\$1,007.50	\$2.67	\$1,022.47	\$2.69	0.53%

- Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 184/366 to reflect the one-half year period.
- Reflects expenses after fee waivers and expense reimbursements. Does not include acquired fund fees and expenses.



## APPENDIX A (CONTINUED)

### Franklin Floating Rate Master Series

#### **Shareholder Information**

##### **Proxy Voting Policies and Procedures**

The Fund's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Fund uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Fund's complete Policies online at [franklintempleton.com](http://franklintempleton.com). Alternatively, shareholders may request copies of the Policies free of charge by calling the Proxy Group collect at (954) 527-7678 or by sending a written request to: Franklin Templeton Companies, LLC, 300 S.E. 2nd Street, Fort Lauderdale, FL 33301, Attention: Proxy Group. Copies of the Fund's proxy voting records are also made available online at [franklintempleton.com](http://franklintempleton.com) and posted on the U.S. Securities and Exchange Commission's website at [sec.gov](http://sec.gov) and reflect the most recent 12-month period ended June 30.

##### **Quarterly Consolidated Statement of Investments**

The Trust, on behalf of the Fund, files a complete consolidated statement of investments with the U.S. Securities and Exchange Commission for the first and third quarters for each fiscal year as an exhibit to its report on Form N-PORT. Shareholders may view the filed Form N-PORT by visiting the Commission's website at [sec.gov](http://sec.gov). The filed form may also be viewed and copied at the Commission's Public Reference Room in Washington, DC. Information regarding the operations of the Public Reference Room may be obtained by calling (800) SEC-0330.

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

**Financial Highlights**

	Six Months Ended January 31, 2020 (unaudited)	2019	2018	Year Ended July 31, 2017	2016	2015
<b>Per share operating performance</b> (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$ 8.18	\$ 8.54	\$ 8.69	\$ 8.47	\$ 8.65	\$ 8.92
Income from investment operations <sup>a</sup> :						
Net investment income	0.258	0.460	0.398	0.332	0.419	0.391
Net realized and unrealized gains (losses)	(0.201)	(0.378)	(0.156)	0.221	(0.184)	(0.270)
Total from investment operations	0.057	0.082	0.242	0.553	0.235	0.121
Less distributions from:						
Net investment income	(0.257)	(0.442)	(0.392)	(0.333)	(0.415)	(0.391)
Net asset value, end of period	\$ 7.98	\$ 8.18	\$ 8.54	\$ 8.69	\$ 8.47	\$ 8.65
Total return <sup>b</sup>	0.75%	0.98%	2.73%	6.71%	3.07%	1.30%
<b>Ratios to average net assets<sup>c</sup></b>						
Expenses before waiver and payments by affiliates	0.56%	0.55%	0.55%	0.55%	0.55%	0.77%
Expenses net of waiver and payments by affiliates <sup>d</sup>	0.53%	0.53%	0.53%	0.53%	0.53%	0.67%
Net investment income	6.08%	5.29%	4.60%	3.78%	5.03%	4.43%
<b>Supplemental data</b>						
Net assets, end of period (000's)	\$660,995	\$1,054,679	\$1,760,544	\$2,090,626	\$1,363,955	\$1,959,681
Portfolio turnover rate	7.44%	27.92% <sup>e</sup>	49.97%	67.00%	28.94%	62.43%

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

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

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

<sup>d</sup> Benefit of expense reduction rounds to less than 0.01%.

<sup>e</sup> Excludes the value of portfolio activity as a result of in-kind transactions.

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

APPENDIX A (CONTINUED)  
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST  
 Franklin Floating Rate Master Series  
 Statement of Investments, January 31, 2020 (unaudited)

	Country	Shares	Value	% of Net Assets
<b>Common Stocks</b>				
<b>Diversified Support Services</b>				
<sup>a,b</sup> Remington Outdoor Co. Inc.	United States	1,048,435	\$655,272	0.10
<b>Forest Products</b>				
<sup>a,b,c,d</sup> Appvion Operations Inc.	United States	563,596	8,180,963	1.24
<b>Oil &amp; Gas Exploration &amp; Production</b>				
<sup>a</sup> Samson Resources II LLC	United States	155,501	3,090,582	0.46
<b>Total Common Stocks (Cost \$50,132,461)</b>			<u>11,926,817</u>	<u>1.80</u>
<b>Management Investment Companies</b>				
<b>Other Diversified Financial Services</b>				
<sup>e</sup> Franklin Floating Rate Income Fund	United States	3,457,563	28,939,790	4.38
<sup>e</sup> Franklin Liberty Senior Loan ETF	United States	1,093,000	27,341,395	4.14
<b>Total Management Investment Companies (Cost \$61,593,342)</b>			<u>56,281,185</u>	<u>8.52</u>
		<u>Principal Amount*</u>		
<b>Corporate Bonds (Cost \$9,535,968)</b>				
<b>Industrial Machinery</b>				
<sup>f</sup> Onsite Rental Group Operations Pty. Ltd., secured note, PIK, 6.10%, Principal Amount* 10/26/23	Australia	\$10,725,759	9,840,884	1.49
<b>Senior Floating Rate Interests</b>				
<b>Aerospace &amp; Defense</b>				
<sup>ij</sup> AI Convoy US Borrower LLC, Term Loan B, TBD, 2/04/27	United States	1,241,000	1,241,000	0.19
Doncasters U.S. Finance LLC, Second-Lien Term Loans, 10.195%, (3-month USD LIBOR + 8.25%), 10/09/20	United States	7,681,655	888,191	0.13
Term B Loans, 5.445%, (3-month USD LIBOR + 3.50%), 4/09/20	United States	14,666,180	12,422,255	1.88
			<u>14,551,446</u>	<u>2.20</u>
<b>Air Freight &amp; Logistics</b>				
XPO Logistics Inc., Refinanced Term Loan, 3.645%, (1-month USD LIBOR + 2.00%), 2/24/25	United States	5,000,000	5,028,435	0.76
<b>Airlines</b>				
Air Canada, Term Loans, 3.408%, (1-month USD LIBOR + 1.75%), 10/06/23	Canada	2,990,822	3,003,907	0.45
Allegiant Travel Co., Class B Term Loans, 6.394%, (3-month USD LIBOR + 4.50%), 2/05/24	United States	7,543,000	7,576,001	1.15
Kestrel Bidco Inc & WestJet, Initial Term Loan, 4.684%, (1-month USD LIBOR + 3.00%), 12/11/26	Canada	2,926,118	2,949,632	0.45
			<u>13,529,540</u>	<u>2.05</u>

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

APPENDIX A (CONTINUED)  
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST  
 Franklin Floating Rate Master Series  
**Statement of Investments, January 31, 2020 (unaudited)**

	Country	Shares	Value	% of Net Assets
<b>Senior Floating Rate Interests (continued)</b>				
<b>Alternative Carriers</b>				
<sup>ij</sup> Lineage Logistics LLC, Term Loans, TBD, 2/27/25	United States	800,000	802,166	0.12
<b>Apparel Retail</b>				
Ascena Retail Group Inc., Tranche B Term Loan, 6.188%, (1-month USD LIBOR + 4.50%), 8/21/22	United States	\$ 7,239,946	\$4,941,263	0.75
<b>Apparel, Accessories &amp; Luxury Goods</b>				
<sup>ij</sup> Champ Acquisition Corp., Initial Term Loan, TBD, 12/21/25	United States	1,100,000	1,101,032	0.17
<b>Asset Management &amp; Custody Banks</b>				
Russell Investments U.S. Institutional Holdco Inc., Initial Term Loan, 4.895%, (1-month USD LIBOR + 3.25%), 6/01/23	United States	4,741,899	4,755,532	0.72
<b>Auto Parts &amp; Equipment</b>				
Adient U.S. LLC, Initial Term Loans, 6.144% - 6.195%, (3-month USD LIBOR + 4.25%), 5/06/24	United States	5,945,595	5,962,939	0.90
American Axle & Manufacturing Inc., Tranche B Term Loan, 3.92%, (1-month USD LIBOR + 2.25%), 4/06/24	United States	1,459,514	1,461,452	0.22
Clarios Global LP (Power Solutions), Initial Dollar Term Loan, 5.16%, (1-month USD LIBOR + 3.50%), 4/30/26	United States	7,123,911	7,178,765	1.09
TI Group Automotive Systems LLC, Initial US Term Loan, 4.145%, (1-month USD LIBOR + 2.50%), 6/30/22	United States	5,575,397	5,597,464	0.85
			20,200,620	3.06
<b>Automobile Manufacturers</b>				
Thor Industries Inc., Initial USD Term Loans, 5.438%, (1-month USD LIBOR + 3.75%), 2/01/26	United States	6,567,668	6,597,715	1.00
<b>Automotive Retail</b>				
Wand NewCo. 3 Inc. (Caliber Collision), Initial Term Loan, 5.299%, (3-month USD LIBOR + 3.50%), 2/05/26	United States	1,492,500	1,502,139	0.23

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APPENDIX A (CONTINUED)  
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST  
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	Country	Shares	Value	% of Net Assets
<b>Senior Floating Rate Interests (continued)</b>				
<b>Broadcasting</b>				
Diamond Sports Group LLC, Term Loan, 4.91%, (1-month USD LIBOR + 3.25%), 8/24/26	United States	3,850,523	3,845,710	0.58
Gray Television Inc., Term B-2 Loan, 4.031%, (1-month USD LIBOR + 2.25%), 2/07/24	United States	10,404,652	10,448,009	1.58
Term C Loan, 4.281%, (1-month USD LIBOR + 2.50%), 1/02/26	United States	2,447,743	2,462,786	0.37
Mission Broadcasting Inc., Term B-3 Loan, 4.031%, (1-month USD LIBOR + 2.25%), 1/17/24	United States	1,558,011	1,562,491	0.24
Nexstar Broadcasting Inc., Term B-3 Loan, 3.90%, (1-month USD LIBOR + 2.25%), 10/26/25	United States	7,653,543	7,675,547	1.16
Sinclair Television Group Inc., Tranche B Term Loans, 3.90%, (1-month USD LIBOR + 2.25%), 1/03/24	United States	9,678,870	9,723,150	1.47
			<u>35,717,693</u>	<u>5.40</u>
<b>Building Products</b>				
Resideo Funding Inc., Tranche A Term Loan, 4.20%, (3-month USD LIBOR + 2.25%), 10/25/23	United States	8,170,000	8,129,150	1.23
<b>Cable &amp; Satellite</b>				
Charter Communications Operating LLC (CCO Safari III, LLC), Term B-2 Loan, 3.40%, (1-month USD LIBOR + 1.75%), 2/01/27	United States	820,854	825,300	0.12
CSC Holdings LLC, March 2017 Incremental Term Loans, 3.926%, (1-month USD LIBOR + 2.25%), 7/17/25	United States	9,851,527	9,894,588	1.50
			<u>10,719,888</u>	<u>1.62</u>
<b>Casinos &amp; Gaming</b>				
Aristocrat Technologies Inc., Term B-3 Loans, 3.577%, (3-month USD LIBOR + 1.75%), 10/19/24	United States	\$3,005,411	\$ 3,017,535	0.46
Boyd Gaming Corp., Refinancing Term B Loans, 3.811%, (1-week USD LIBOR + 2.25%), 9/15/23	United States	5,353,058	5,378,372	0.81
Term A Loan, 3.561%, (1-week USD LIBOR + 2.00%), 9/15/21	United States	2,000,411	1,995,410	0.30
Caesars Resort Collection LLC, Term B Loans, 4.395%, (1-month USD LIBOR + 2.75%), 12/22/24	United States	6,238,596	6,245,509	0.94
Eldorado Resorts Inc., Initial Term Loan, 3.938%, (1-month USD LIBOR + 2.25%), 4/17/24	United States	3,166,970	3,168,931	0.48
Kingpin Intermediate Holdings LLC, Amendment No. 2 Term Loans, 5.15%, (1-month USD LIBOR + 3.50%), 7/03/24	United States	1,564,200	1,574,628	0.24
Station Casinos LLC, Term B Facility Loans, 4.15%, (1-month USD LIBOR + 2.50%), 6/08/23	United States	5,897,159	5,920,612	0.90
<sup>iv</sup> Term Loan B, TBD, 1/31/27	United States	5,900,000	5,900,000	0.89
			<u>33,200,997</u>	<u>5.02</u>

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APPENDIX A (CONTINUED)  
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST  
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	Country	Shares	Value	% of Net Assets
<b>Senior Floating Rate Interests (continued)</b>				
<b>Commodity Chemicals</b>				
Univar Solutions USA Inc., first lien, Term B-5 Loans, 3.645%, (1-month USD LIBOR + 2.00%), 7/01/26	United States	354,128	356,508	0.05
Univar USA Inc., Term B-3 Loans, 3.895%, (1-month USD LIBOR + 2.25%), 7/01/24	United States	2,922,270	2,938,707	0.45
			<u>3,295,215</u>	<u>0.50</u>
<b>Communications Equipment</b>				
CommScope Inc., Initial Term Loans, 4.895%, (1-month USD LIBOR + 3.25%), 4/04/26	United States	5,049,060	5,064,182	0.77
<b>Consumer Finance</b>				
Realogy Group LLC, Initial Term A Loan, 3.895%, (1-month USD LIBOR + 2.25%), 2/08/23	United States	357,662	352,297	0.05
Initial Term B Loans, 3.895%, (1-month USD LIBOR + 2.25%), 2/08/25	United States	538,626	534,811	0.08
			<u>887,108</u>	<u>0.13</u>
<b>Data Processing &amp; Outsourced Services</b>				
Iron Mountain Information Management LLC, Term B Loan, 3.395%, (1-month USD LIBOR + 1.75%), 1/26/26	United States	1,650,913	1,649,538	0.25
Neustar Inc., TLB4, 5.145%, (1-month USD LIBOR + 3.50%), 8/08/24	United States	1,488,578	1,399,728	0.21
TLB5, 6.145%, (1-month USD LIBOR + 4.50%), 8/08/24	United States	6,263,778	6,075,864	0.92
WEX Inc., Term B-3 Loan, 3.895%, (1-month USD LIBOR + 2.25%), 5/17/26	United States	7,190,694	7,247,321	1.10
			<u>16,372,451</u>	<u>2.48</u>
<b>Diversified Support Services</b>				
Ventia Pty. Ltd., Term B Loans, 5.445%, (3-month USD LIBOR + 3.50%), 5/21/26	Australia	8,321,157	8,341,960	1.26
<b>Electric Utilities</b>				
EFS Cogen Holdings I LLC (Linden), Term B Advance, 4.90%, (1-month USD LIBOR + 3.25%), 6/28/23	United States	\$ 1,584,624	\$ 1,583,963	0.24
Term B Advance, 5.20%, (3-month USD LIBOR + 3.25%), 6/28/23	United States	3,846,190	3,844,586	0.58
Vistra Operations Company LLC, 2018 Incremental Term Loans, 3.395% – 3.419%, (1-month USD LIBOR + 1.75%), 12/31/25	United States	238,005	239,716	0.04
			<u>5,668,265</u>	<u>0.86</u>

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APPENDIX A (CONTINUED)  
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST  
 Franklin Floating Rate Master Series  
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	Country	Shares	Value	% of Net Assets
<b>Senior Floating Rate Interests (continued)</b>				
<b>Environmental &amp; Facilities Services</b>				
Harsco Corp., Term Loan B-2, 3.938%, (1-month USD LIBOR + 2.25%), 12/10/24	United States	4,413,672	4,438,499	0.67
<b>Food Distributors</b>				
Aramark Corp., U.S. Term B-3 Loan, 3.395%, (1-month USD LIBOR + 1.75%), 3/11/25	United States	1,579,533	1,588,418	0.24
Nutraceutical International Corp., Term Loans, 4.895%, (1-month USD LIBOR + 3.25%), 8/22/23	United States	2,860,429	2,769,253	0.42
			4,357,671	0.66
<b>Food Retail</b>				
BI-LO LLC (Southeastern Grocers), FILO Loan (ABL), 7.159%, (3-month USD LIBOR + 5.25%), 5/31/22	United States	3,875,000	3,884,687	0.59
Whatabrands LLC (Whataburger), Term Loan B, 4.984%, (1-month USD LIBOR + 3.25%), 8/02/26	United States	1,540,209	1,546,948	0.23
			5,431,635	0.82
<b>Forest Products</b>				
<sup>b</sup> Appvion Operations, Inc., Term Loan, 7.79%, (1-month USD LIBOR + 6.00%), 6/15/26	United States	3,082,250	3,113,072	0.47
Term Loan, 7.91%, (3-month USD LIBOR + 6.00%), 6/15/26	United States	5,469,089	5,523,780	0.84
			8,636,852	1.31
<b>General Merchandise Stores</b>				
<sup>f</sup> 99 Cents Only Stores, First Lien Term Loan, PIK, 8.445%, (3-month USD LIBOR + 6.50%), 1/13/22	United States	10,097,632	8,431,523	1.27
First Lien Term Loan, PIK, 8.535%, (6-month USD LIBOR + 6.50%), 1/13/22	United States	7,581,225	6,330,323	0.96
			14,761,846	2.23
<b>Health Care Distributors</b>				
Mallinckrodt International Finance SA & Mallinckrodt CB LLC, 2017 Term B Loans, 4.695%, (3-month USD LIBOR + 2.75%), 9/24/24	Luxembourg	2,956,320	2,485,772	0.37
<b>Health Care Facilities</b>				
<sup>ij</sup> US Anesthesia Partners Inc., First Lien Term Loan, TBD, 6/23/24	United States	300,000	299,125	0.04

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APPENDIX A (CONTINUED)  
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST  
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	Country	Shares	Value	% of Net Assets
<b>Senior Floating Rate Interests (continued)</b>				
<b>Health Care Services</b>				
Air Medical Group Holdings Inc., 2018				
New Term Loans,				
5.895%, (1-month USD LIBOR + 4.25%), 3/14/25	United States	\$ 5,377,877	\$ 5,224,941	0.79
Catalent Pharma Solutions Inc.,				
Dollar Term B-2 Loan, 3.895%,				
(1-month USD LIBOR + 2.25%), 5/17/26	United States	2,874,001	2,893,135	0.44
DaVita Inc., Tranche B Term Loan, 3.895%,				
(1-month USD LIBOR + 2.25%), 8/12/26	United States	2,340,504	2,350,952	0.36
National Mentor Holdings Inc.,				
Initial Term C Loans, 5.65%,				
(1-month USD LIBOR + 4.00%), 3/08/26	United States	140,205	141,415	0.02
Initial Term Loans, 5.65%,				
(1-month USD LIBOR + 4.00%), 3/08/26	United States	2,519,675	2,541,407	0.38
			<u>13,151,850</u>	<u>1.99</u>
<b>Health Care Technology</b>				
IQVIA Inc., Term B-1 Dollar Loans, 3.695%,				
(3-month USD LIBOR + 1.75%), 3/07/24	United States	5,681,250	5,716,758	0.86
<b>Industrial Machinery</b>				
Altra Industrial Motion Corp., Term Loan, 3.645%,				
(1-month USD LIBOR + 2.00%), 10/01/25	United States	6,479,055	6,512,228	0.99
Navistar Inc., Tranche B Term Loan, 5.17%,				
(1-month USD LIBOR + 3.50%), 11/06/24	United States	10,812,791	10,856,648	1.64
Onsite Rental Group Operations Pty. Ltd.,				
Term Loan, 6.16%, (1-month				
USD LIBOR + 4.50%), 10/25/22	Australia	7,844,960	7,609,611	1.15
RBS Global Inc. (Rexnord), Term Loan B, 3.41%,				
(1-month USD LIBOR + 1.75%), 8/21/24	United States	3,359,375	3,380,942	0.51
			<u>28,359,429</u>	<u>4.29</u>
<b>Insurance Brokers</b>				
<sup>g,h</sup> Alliant Holdings Intermediate LLC,				
Initial Term Loan, TBD, 5/10/25				
	United States	1,570,000	1,570,736	0.24
<b>Integrated Telecommunication Services</b>				
Global Tel*Link Corp.,				
First Lien Term Loan, 5.895%,				
(1-month USD LIBOR + 4.25%), 11/29/25	United States	4,837,382	4,642,678	0.70
Second Lien Term Loan, 9.895%,				
(1-month USD LIBOR + 8.25%), 11/29/26	United States	3,809,967	3,386,900	0.51
Securus Technologies Holdings Inc.,				
Initial Term Loan, 6.145%,				
(1-month USD LIBOR + 4.50%), 11/01/24	United States	989,899	778,616	0.12
Second Lien Initial Loan, 9.895%,				
(1-month USD LIBOR + 8.25%), 11/01/25	United States	2,238,910	1,089,510	0.17
			<u>9,897,704</u>	<u>1.50</u>

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APPENDIX A (CONTINUED)  
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST  
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	Country	Shares	Value	% of Net Assets
<b>Senior Floating Rate Interests (continued)</b>				
<b>Internet Services &amp; Infrastructure</b>				
LegalZoom.com Inc., 2018 Term Loans, 6.145%, (1-month USD LIBOR + 4.50%), 11/21/24	United States	4,051,771	4,082,159	0.62
TIBCO Software Inc., Term B-2 Loans, 5.74%, (1-month USD LIBOR + 4.00%), 6/30/26	United States	8,094,188	8,144,712	1.23
			<u>12,226,871</u>	<u>1.85</u>
<b>Leisure Facilities</b>				
24 Hour Fitness Worldwide Inc., Term Loan, 5.145%, (1-month USD LIBOR + 3.50%), 5/30/25	United States	\$ 9,249,615	\$ 7,242,449	1.10
Equinox Holdings Inc., Term B-1 Loans, 4.645%, (1-month USD LIBOR + 3.00%), 3/08/24	United States	5,323,375	5,321,378	0.80
NASCAR Holdings Inc., Initial Term Loans, 4.408%, (1-month USD LIBOR + 2.75%), 10/18/26	United States	2,921,609	2,954,477	0.45
			<u>15,518,304</u>	<u>2.35</u>
<b>Leisure Products</b>				
Playtika Holding Corp., Term B Loans, 7.645%, 1-month USD LIBOR + 6.00%), 12/10/24	United States	1,690,000	1,708,485	0.26
<sup>ij</sup> PUG LLC (Viagogo/StubHub), Term B Loan, TBD, 2/13/27	United States	1,260,000	1,258,425	0.19
			<u>2,966,910</u>	<u>0.45</u>
<b>Life Sciences Tools &amp; Services</b>				
Syneos Health Inc., (INC Research, LLC), Initial Term B Loans, 3.645%, (1-month USD LIBOR + 2.00%), 8/01/24	United States	1,929,993	1,941,091	0.29
<b>Managed Health Care</b>				
<sup>ij</sup> Phoenix Guarantor Inc., Tranche B-1 Term Loan, TBD, 3/05/26	United States	1,296,954	1,303,439	0.20
<b>Mortgage REITs</b>				
Blackstone Mortgage Trust Inc., 2019 New Term Loans, 3.895%, (1-month USD LIBOR + 2.25%), 4/23/26	United States	665,192	668,518	0.10
<b>Movies &amp; Entertainment</b>				
Lions Gate Capital Holdings LLC, Term A Loan, 3.395%, (1-month USD LIBOR + 1.75%), 3/22/23	Canada	4,277,331	4,250,598	0.64
<b>Office Services &amp; Supplies</b>				
<sup>ij</sup> Pitney Bowes Inc., Term Loan B, TBD, 1/15/25	United States	1,700,000	1,692,902	0.26
West Corp., Term B Loans, 5.645%, (1-month USD LIBOR + 4.00%), 10/10/24	United States	1,723,134	1,474,510	0.22
			<u>3,167,412</u>	<u>0.48</u>

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APPENDIX A (CONTINUED)  
**FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST**  
 Franklin Floating Rate Master Series  
**Statement of Investments, January 31, 2020 (unaudited)**

	Country	Shares	Value	% of Net Assets
<b>Senior Floating Rate Interests (continued)</b>				
<b>Oil &amp; Gas Exploration &amp; Production</b>				
Fieldwood Energy LLC, Closing Date Loans, 7.027%, (3-month USD LIBOR + 5.25%), 4/11/22	United States	25,460,344	22,033,814	3.33
Utex Industries Inc., Initial Term Loan (First Lien), 5.645%, (1-month USD LIBOR + 4.00%), 5/21/21	United States	14,135,978	12,121,601	1.84
Second Lien Initial Term Loan, 8.895%, (1-month USD LIBOR + 7.25%), 5/20/22	United States	128,288	71,414	0.01
			<u>34,226,829</u>	<u>5.18</u>
<b>Oil &amp; Gas Storage &amp; Transportation</b>				
Buckeye Partners LP, Initial Term Loans, 4.531%, (1-month USD LIBOR + 2.75%), 11/01/26	United States	\$ 2,893,062	\$ 2,925,308	0.44
Centurion Pipeline Co. LLC, Initial Term Loans, 4.895%, (1-month USD LIBOR + 3.25%), 9/28/25	United States	3,100,926	3,110,616	0.47
<sup>ij</sup> Equitrans Midstream Corp., Loans, TBD, 1/31/24	United States	300,000	294,500	0.05
Strike LLC, Term Loan, 10.064%, (6-month USD LIBOR + 8.00%), 11/30/22	United States	6,626,887	6,618,604	1.00
			<u>12,949,028</u>	<u>1.96</u>
<b>Other Diversified Financial Services</b>				
Asurion LLC, AM No. 14 Replacement B-4 Term Loans, 4.645%, (1-month USD LIBOR + 3.00%), 8/04/22	United States	3,495,136	3,507,806	0.53
Replacement B-6 Term Loans, 4.645%, (1-month USD LIBOR + 3.00%), 11/03/23	United States	3,037,834	3,051,124	0.46
Second Lien Replacement B-2 Term Loans, 8.145%, (1-month USD LIBOR + 6.50%), 8/04/25	United States	85,525	86,787	0.01
<sup>ij</sup> Maverick Purchaser Sub LLC, first lien, Term Loan, TBD, 1/31/27	United States	900,000	906,750	0.14
			<u>7,552,467</u>	<u>1.14</u>
<b>Packaged Foods &amp; Meats</b>				
B&G Foods Inc., Tranche B-4 Term Loan, 4.145%, (1-month USD LIBOR + 2.50%), 10/10/26	United States	686,175	689,178	0.10
CSM Bakery Supplies LLC, Second Lien Term Loan, 9.62%, (3-month USD LIBOR + 7.75%), 7/03/21	United States	5,669,378	5,431,973	0.82
Term Loans, 5.87%, (3-month USD LIBOR + 4.00%), 7/03/20	United States	9,903,933	9,652,204	1.46
JBS USA Lux SA, New Term Loans, 3.645%, (1-month USD LIBOR + 2.00%), 5/01/26	United States	11,848,106	11,927,097	1.81
			<u>27,700,452</u>	<u>4.19</u>
<b>Paper Packaging</b>				
Berry Global Inc., Term W Loans, 3.677%, (1-month USD LIBOR + 2.00%), 10/01/22	United States	2,940,881	2,962,020	0.45
Term Y Loans, 3.781%, (1-month USD LIBOR + 2.00%), 7/01/26	United States	6,699,143	6,743,806	1.02
			<u>9,705,826</u>	<u>1.47</u>

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APPENDIX A (CONTINUED)  
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	Country	Shares	Value	% of Net Assets
<b>Senior Floating Rate Interests (continued)</b>				
<b>Personal Products</b>				
<sup>c</sup> FGI Operating Co. LLC (Freedom Group),				
<sup>f</sup> Term Loan, PIK, 12.00%, (3-month USD LIBOR + 10.00%), 5/15/22	United States	11,513,813	10,881,652	1.65
Term Loan FILO, 9.409% – 9.50%, (3-month USD LIBOR + 7.50%), 5/15/21	United States	6,848,631	6,860,639	1.04
<sup>ij</sup> Knowlton Development Corp.,				
Initial Term Loan, TBD, 12/21/25	United States	1,069,660	1,072,780	0.16
<sup>i</sup> Sunshine Luxembourg VII SARL (Nestle Skin Health),				
Facility B1 Commitments, 6.195%, (3-month USD LIBOR + 4.25%), 9/25/26	Luxembourg	1,330,000	1,336,816	0.20
			<u>20,151,887</u>	<u>3.05</u>
<b>Pharmaceuticals</b>				
Endo Luxembourg Finance Co. I S.A.R.L. and Endo LLC, Initial Term Loans, 5.938%, (1-month USD LIBOR + 4.25%), 4/29/24				
	United States	\$ 1,476,105	\$ 1,430,715	0.22
Grifols Worldwide Operations USA Inc., Dollar Tranche B Term Loan, 3.561%, (1-week USD LIBOR + 2.00%), 11/15/27				
	United States	8,311,097	8,397,042	1.27
Horizon Pharma Inc., Seventh Amendment Refinancing Term Loans, 4.00%, (1-month USD LIBOR + 2.25%), 5/22/26				
	United States	8,574,271	8,649,295	1.31
Valeant Pharmaceuticals International, Initial Term Loans, 4.67%, (1-month USD LIBOR + 3.00%), 6/02/25				
	United States	7,864,426	7,907,193	1.19
			<u>26,384,245</u>	<u>3.99</u>
<b>Railroads</b>				
Genesee & Wyoming Inc., Initial Term Loan, 3.906%, (3-month USD LIBOR + 2.00%), 12/30/26				
	United States	645,152	650,931	0.10
<b>Research &amp; Consulting Services</b>				
Nielsen Finance LLC (VNU Inc.), Class B-4 Term Loans (VNU Inc.), 3.699%, (1-month USD LIBOR + 2.00%), 10/04/23				
	United States	1,682,697	1,687,956	0.25
<b>Restaurants</b>				
NPC International Inc., Second Lien Initial Term Loan, 9.277%, (3-month USD LIBOR + 7.50%), 4/20/25				
	United States	4,842,941	193,718	0.03
<b>Semiconductor Equipment</b>				
MKS Instruments Inc., Tranche B-6 Term Loans, 3.395%, (1-month USD LIBOR + 1.75%), 2/02/26				
	United States	2,422,229	2,428,284	0.37

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

APPENDIX A (CONTINUED)  
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST  
 Franklin Floating Rate Master Series  
 Statement of Investments, January 31, 2020 (unaudited)

	Country	Shares	Value	% of Net Assets
<sup>g,h</sup> Senior Floating Rate Interests (continued)				
<b>Specialized Consumer Services</b>				
NVA Holdings Inc.,				
Term B-3 Loan, 6.50%, (Prime + 1.75%), 2/02/25	United States	5,094,909	5,100,085	0.77
Term B-4 Loan, 7.25%, (Prime + 2.50%), 2/02/25	United States	881,849	885,156	0.13
Sabre GBL Inc.,				
2017 Other Term A Loans, 3.895%, (1-month USD LIBOR + 2.25%), 7/01/22	United States	2,353,101	2,359,965	0.36
2018 Other Term B Loans, 3.645%, (1-month USD LIBOR + 2.00%), 2/22/24	United States	363,958	365,778	0.06
			<u>8,710,984</u>	<u>1.32</u>
<b>Specialty Chemicals</b>				
Axalta Coating Systems U.S. Holdings Inc. (DuPont Performance Coatings), Term B-3 Dollar Loan, 3.695%, (3-month USD LIBOR + 1.75%), 6/01/24				
	United States	6,181,531	6,189,258	0.93
Oxbow Carbon LLC, Tranche B Term Loan, 5.395%, (1-month USD LIBOR + 3.75%), 1/04/23				
	United States	3,343,068	3,351,426	0.51
			<u>9,540,684</u>	<u>1.44</u>
<b>Specialty Stores</b>				
<sup>i</sup> Bass Pro Group LLC, Initial Term Loans, 6.645%, (1-month USD LIBOR + 5.00%), 9/25/24				
	United States	\$ 1,700,000	\$ 1,698,584	0.26
General Nutrition Centers Inc., FILO Term Loan (ABL), 8.65%, (1-month USD LIBOR + 7.00%), 12/31/22				
	United States	1,155,266	1,158,293	0.17
Tranche B-2 Term Loans, 10.40%, (1-month USD LIBOR + 8.75%), 3/04/21				
	United States	18,983,599	18,046,283	2.73
Harbor Freight Tools USA Inc., Refinancing Loans, 4.145%, (1-month USD LIBOR + 2.50%), 8/19/23				
	United States	1,637,061	1,628,466	0.25
Jo-Ann Stores Inc., Initial Loans, 6.66%, (1-month USD LIBOR + 5.00%), 10/23/23				
	United States	2,743,560	2,023,376	0.30
Michaels Stores Inc., 2018 New Replacement Term B Loan, 4.15% - 4.161%, (1-month USD LIBOR + 2.50%), 1/28/23				
	United States	7,615,010	7,383,841	1.12
PetSmart Inc., Amended Loan, 5.67%, (1-month USD LIBOR + 4.00%), 3/11/22				
	United States	66,731	66,683	0.01
<sup>ij</sup> Staples Inc., 2019 Refinancing Term B-1 Loans, TBD, 4/12/26				
	United States	1,663,966	1,635,541	0.25
			<u>33,641,067</u>	<u>5.09</u>

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

APPENDIX A (CONTINUED)  
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST  
 Franklin Floating Rate Master Series  
 Statement of Investments, January 31, 2020 (unaudited)

	Country	Shares	Value	% of Net Assets
<b>Senior Floating Rate Interests (continued)</b>				
<b>Systems Software</b>				
<sup>i</sup> Dcert Buyer Inc., Initial Term Loans, 5.645%, (1-month USD LIBOR + 4.00%), 10/16/26	United States	2,290,778	2,296,505	0.35
<sup>i</sup> Finastra USA Inc., Dollar Term Loan, 5.277%, (3-month USD LIBOR + 3.50%), 6/13/24	United States	3,395,059	3,366,867	0.51
Go Daddy Operating Co. LLC, Tranche B-2 Term Loan, 3.395%, (1-month USD LIBOR + 1.75%), 2/15/24	United States	4,102,679	4,117,744	0.62
<sup>i</sup> Infor (U.S.) Inc. (Lawson), Tranche B-6 Term Loan, 4.695%, (3-month USD LIBOR + 2.75%), 2/01/22	United States	1,660,000	1,673,280	0.25
<sup>ij</sup> Perforce Software Inc., First Lien Term Loan, TBD, 7/08/26	United States	1,190,000	1,192,975	0.18
<sup>ij</sup> Quest Software US Holdings Inc., Term Loan B, TBD, 5/18/25	United States	650,000	650,745	0.10
<sup>ij</sup> Sophos (Surf Holdings LLC), Term Loan B, TBD, 3/31/27	United States	1,302,410	1,312,178	0.20
<sup>ij</sup> Vertafore Inc., Initial Term Loans, TBD, 7/02/25	United States	481,928	477,108	0.07
			<u>15,087,402</u>	<u>2.28</u>
<b>Trucking</b>				
Avis Budget Car Rental LLC, Tranche B Term Loans, 3.65%, (1-month USD LIBOR + 2.00%), 2/13/25	United States	9,643,333	9,673,391	1.46
Hertz Corp., Tranche B-1 Term Loan, 4.395%, (1-month USD LIBOR + 2.75%), 6/30/23	United States	4,069,654	4,099,330	0.62
<sup>ij</sup> The Kenan Advantage Group, Inc., Initial Canadian Term Loan, TBD, 7/29/22	United States	322,755	322,621	0.05
<sup>ij</sup> Kenan Advantage Group, Inc., Initial U.S. Term Loans, TBD, 7/31/22	United States	1,357,245	1,356,679	0.21
			<u>15,452,021</u>	<u>2.34</u>
<b>Total Senior Floating Rate Interests</b> (Cost \$594,642,026)			<u>567,621,598</u>	<u>85.87</u>
<b>Escrows and Litigation Trusts</b>				
<sup>a,c</sup> Millennium Corporate Claim Trust, Escrow Account	United States	6,589,710	\$—	0.00
<sup>a,c</sup> Millennium Lender Claim Trust, Escrow Account	United States	6,589,709	—	0.00
<sup>a,b,c,d</sup> Remington Outdoor Co. Inc., Litigation Units	United States	98,704	—	0.00
<b>Total Escrows and Litigation Trusts (Cost \$—)</b>			<u>—</u>	<u>0.00</u>
<b>Total Investments before Short Term Investments</b> (Cost \$715,903,797)			<u>645,670,484</u>	<u>97.68</u>

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

APPENDIX A (CONTINUED)  
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST  
 Franklin Floating Rate Master Series  
**Statement of Investments, January 31, 2020 (unaudited)**

	Country	Shares	Value	% of Net Assets
<b>Short Term Investments (Cost \$29,972,621)</b>				
<b>Repurchase Agreements</b>				
<sup>k</sup> Joint Repurchase Agreement, 1.568%, 2/03/20 (Maturity Value \$29,976,538)				
BNP Paribas Securities Corp. (Maturity Value \$13,894,125)				
Deutsche Bank Securities Inc. (Maturity Value \$4,503,975)				
HSBC Securities (USA) Inc. (Maturity Value \$11,578,438)				
Collateralized by U.S. Government Agency Securities, 2.625% - 5.00%, 9/06/24 - 12/20/49; U.S. Government Agency Strips, 5/15/21 - 11/15/39; <sup>l</sup> U.S. Treasury Bills, 2/06/20 - 1/28/21; U.S. Treasury Bonds, 2.875% - 4.375%, 11/15/39 - 8/15/45; U.S. Treasury Bonds, Index Linked, 2.00%, 1/15/26; and U.S. Treasury Notes, 1.375% - 2.625%, 3/31/21 - 12/31/25 (valued at \$ 30,574,088)				
	United States	\$29,972,621	29,972,621	4.54
<b>Total Investments (Cost \$745,876,418)</b>			<u>675,643,105</u>	<u>102.22</u>
<b>Other Assets, less Liabilities</b>			<u>(14,648,605)</u>	<u>(2.22)</u>
<b>Net Assets</b>			<u>\$660,994,500</u>	<u>100.00</u>

See Abbreviations on page 50.

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

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

<sup>b</sup> See Note 10 regarding holdings of 5% voting securities.

<sup>c</sup> Fair valued using significant unobservable inputs. See Note 13 regarding fair value measurements.

<sup>d</sup> See Note 8 regarding restricted securities.

<sup>e</sup> See Note 3(d) regarding investments in affiliated management investment companies.

<sup>f</sup> Income may be received in additional securities and/or cash.

<sup>g</sup> The coupon rate shown represents the rate at period end.

<sup>h</sup> See Note 1(e) regarding senior floating rate interests.

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

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

<sup>k</sup> See Note 1(b) regarding joint repurchase agreement.

<sup>l</sup> The security was issued on a discount basis with no stated coupon rate.

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

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

Statement of Assets and Liabilities, January 31, 2020 (unaudited)

	For the Year Ended January 31, 2020 USD
Assets:	
Investments in securities:	
Cost – Unaffiliated issuers	\$ 596,338,672
Cost – Controlled affiliates (Note 3d and 10)	27,581,168
Cost – Non-controlled affiliates (Note 3d and 10)	91,983,957
Cost – Unaffiliated repurchase agreements	29,972,621
Value – Unaffiliated issuers	\$571,916,212
Value – Controlled affiliates (Note 3d and 10)	27,341,395
Value – Non-controlled affiliates (Note 3d and 10)	46,412,877
Value – Unaffiliated repurchase agreements	29,972,621
Cash	1,730,346
Receivables:	
Investment securities sold	14,752,214
Dividends and interest	4,380,409
Other assets	37
Total assets	<u>696,506,111</u>
Liabilities:	
Payables:	
Investment securities purchased	31,495,421
Management fees	284,431
Trustees' fees and expenses	10,341
Distributions to shareholders	3,652,056
Accrued expenses and other liabilities	69,362
Total liabilities	<u>35,511,611</u>
Net assets, at value	\$ 660,994,500
Net assets consist of:	
Paid-in capital	\$982,021,396
Total distributable earnings (losses)	<u>(321,026,896)</u>
Net assets, at value	<u>\$660,994,500</u>
Shares outstanding	<u>82,796,583</u>
Net asset value and maximum offering price per share ( $\$660,994,500 \div 82,796,583$ shares outstanding)	<u>\$7.98</u>

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

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

Statement of Operations, for the six months ended January 31, 2020 (unaudited)

	Six Months Ended January 31, 2020 USD
Investment income:	
Dividends:	
Unaffiliated issuers	\$311,002
Controlled affiliates (Note 3d and 10)	530,837
Non-controlled affiliates (Note 3d and 10)	939,433
Interest:	
Unaffiliated issuers	24,231,903
Non-controlled affiliates (Note 10)	283,136
Total investment income	<u>26,296,311</u>
Expenses:	
Management fees (Note 3a)	2,114,389
Custodian fees (Note 4)	2,908
Reports to shareholders	3,384
Registration and filing fees	62
Professional fees	64,366
Trustees' fees and expenses	39,057
Other	28,500
Total expenses	<u>2,252,666</u>
Expense reductions (Note 4)	(1,879)
Expenses waived/paid by affiliates (Note 3d and 3e)	(136,312)
Net expenses	<u>2,114,475</u>
Net investment income	<u>24,181,836</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	(32,634,718)
Non-controlled affiliates (Note 3d and 10)	(1,376)
Swap contracts	(483,560)
Net realized gain (loss)	<u>(33,119,654)</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	11,702,596
Controlled affiliates (Note 3d and 10)	143,948
Non-controlled affiliates (Note 3d and 10)	(535,762)
Swap contracts	503,467
Net change in unrealized appreciation (depreciation)	<u>11,814,249</u>
Net realized and unrealized gain (loss)	<u>(21,305,405)</u>
Net increase (decrease) in net assets resulting from operations	<u>\$2,876,431</u>

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



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

**Statements of Changes in Net Assets**

	Six Months Ended January 31, 2020 (unaudited)	Year Ended July 31, 2019
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$24,181,836	\$83,279,983
Net realized gain (loss)	(33,119,654)	(15,933,395)
Net change in unrealized appreciation (depreciation)	11,814,249	(52,981,926)
Net increase (decrease) in net assets resulting from operations	<u>2,876,431</u>	<u>14,364,662</u>
Distributions to shareholders	<u>(25,279,938)</u>	<u>(81,930,270)</u>
Capital share transactions (Note 2)	<u>(371,281,466)</u>	<u>(638,298,735)</u>
Net increase (decrease) in net assets	(393,684,973)	(705,864,343)
Net assets:		
Beginning of period	1,054,679,473	1,760,543,816
End of period	<u>\$660,994,500</u>	<u>\$1,054,679,473</u>

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

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

**1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

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

The following summarizes the Fund's significant accounting policies.

**a. Financial Instrument Valuation**

The Fund's investments in financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Fund calculates the net asset value (NAV) per share each business day as of 4 p.m. Eastern time or the regularly scheduled close of the New York Stock Exchange (NYSE), whichever is earlier. Under compliance policies and procedures approved by the Trust's Board of Trustees (the Board), the Fund's administrator has responsibility for oversight of valuation, including leading the cross-functional Valuation Committee (VC). The Fund may utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

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

Debt securities generally trade in the OTC market rather than on a securities exchange. The Fund's pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services may utilize a market-based approach through which quotes from market makers are used to determine fair value.

In instances where sufficient market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value.

Investments in open-end mutual funds are valued at the closing NAV. Investments in repurchase agreements are valued at cost, which approximates fair value.

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

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

1. **ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

b. **Joint Repurchase Agreement**

The Fund enters into a joint repurchase agreement whereby its uninvested cash balance is deposited into a joint cash account with other funds managed by the investment manager or an affiliate of the investment manager and is used to invest in one or more repurchase agreements. The value and face amount of the joint repurchase agreement are allocated to the funds based on their pro-rata interest. A repurchase agreement is accounted for as a loan by the Fund to the seller, collateralized by securities which are delivered to the Fund's custodian. The fair value, including accrued interest, of the initial collateralization is required to be at least 102% of the dollar amount invested by the funds, with the value of the underlying securities marked to market daily to maintain coverage of at least 100%. Repurchase agreements are subject to the terms of Master Repurchase Agreements (MRAs) with approved counterparties (sellers). The MRAs contain various provisions, including but not limited to events of default and maintenance of collateral for repurchase agreements. In the event of default by either the seller or the Fund, certain MRAs may permit the non-defaulting party to net and close-out all transactions, if any, traded under such agreements. The Fund may sell securities it holds as collateral and apply the proceeds towards the repurchase price and any other amounts owed by the seller to the Fund in the event of default by the seller. This could involve costs or delays in addition to a loss on the securities if their value falls below the repurchase price owed by the seller. The joint repurchase agreement held by the Fund at period end, as indicated in the Statement of Investments, had been entered into on January 31, 2020.

c. **Securities Purchased on a Delayed Delivery Basis**

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

d. **Derivative Financial Instruments**

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

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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Derivative Financial Instruments (continued)

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

See Note 9 regarding other derivative information.

e. Senior Floating Rate Interests

The Fund invests in senior secured corporate loans that pay interest at rates which are periodically reset by reference to a base lending rate plus a spread. These base lending rates are generally the prime rate offered by a designated U.S. bank or the London InterBank Offered Rate (LIBOR). Senior secured corporate loans often require prepayment of principal from excess cash flows or at the discretion of the borrower. As a result, actual maturity may be substantially less than the stated maturity. Senior secured corporate loans in which the Fund invests are generally readily marketable, but may be subject to certain restrictions on resale. On July 27, 2017, the United Kingdom's Financial Conduct Authority announced its intention to cease sustaining LIBOR after 2021. There remains uncertainty regarding the future utilization of LIBOR and the nature of any replacement rate. As such, the potential effect of a transition away from LIBOR on the Fund or the Fund's investments that use or may use a floating rate based on LIBOR cannot yet be determined.

f. Income Taxes

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

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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Facility fees are recognized as income over the expected term of the loan. Dividend income is recorded on the ex-dividend date. Effective, September 23, 2019, the Fund's gross investment income is distributed to the owner daily and paid monthly. Prior to that date, the Fund's net investment income was distributed to the owner daily and paid monthly. Net capital gains (or losses) realized by the Fund will not be distributed. Distributable earnings are determined according to income tax regulations (tax basis) and may differ from earnings recorded in accordance with U.S. GAAP. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

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

h. Accounting Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

i. Guarantees and Indemnifications

Under the Trust's organizational documents, its officers and trustees are indemnified by the Trust against certain liabilities arising out of the performance of their duties to the Trust. Additionally, in the normal course of business, the Trust, on behalf of the Fund, enters into contracts with service providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. Currently, the Trust expects the risk of loss to be remote.

2. SHARES OF BENEFICIAL INTEREST

At January 31, 2020, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Six Months Ended January 31, 2020		Year Ended July 31, 2019	
	Shares	Amount	Shares	Amount
Shares sold	3,367,145	\$27,161,750	24,158,998	\$204,399,612
Shares redeemed	(49,582,282)	(398,443,216)	(101,353,074)	(842,698,347)
Net increase (decrease)	(46,215,137)	\$(371,281,466)	(77,194,076)	\$(638,298,735)

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

3. TRANSACTIONS WITH AFFILIATES

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

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

a. Management Fees

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

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

b. Administrative Fees

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

c. Transfer Agent Fees

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

d. Investments in Affiliated Management Investment Companies

The Fund invests in one or more affiliated management investment companies for purposes other than exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the period ended January 31, 2020, the Fund held investments in affiliated management investment companies as follows:

	Value at Beginning of Period	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Period	Number of Shares Held at End of Period	Dividend Income
<b>Controlled Affiliates</b>								
Franklin Liberty Senior Loan ETF	\$27,197,447	\$—	\$—	\$—	\$ 143,948	\$27,341,395	1,093,000	\$ 530,837
<b>Non-Controlled Affiliates</b>								
Franklin Floating Rate Income Fund	29,769,605	—	—	—	(829,815)	28,939,790	3,457,56	939,433
<b>Total Affiliated Securities</b>	<b>\$56,967,052</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$(685,867)</b>	<b>\$56,281,185</b>		<b>\$1,470,270</b>

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3. TRANSACTIONS WITH AFFILIATES (continued)

e. Waiver and Expense Reimbursements

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

f. Other Affiliated Transactions

At January 31, 2020, Franklin Floating Rate Fund, PLC owned 100% of the Fund's outstanding shares. Investment activities of this shareholder could have a material impact on the Fund.

4. EXPENSE OFFSET ARRANGEMENT

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the period ended January 31, 2020, the custodian fees were reduced as noted in the Statement of Operations.

5. INCOME TAXES

At January 31, 2020, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	\$746,102,146
Unrealized appreciation	<u>\$ 8,111,379</u>
Unrealized depreciation	<u>(78,570,420)</u>
Net unrealized appreciation (depreciation)	<u>\$(70,459,041)</u>

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

6. INVESTMENT TRANSACTIONS

Purchases and sales of investments (excluding short term securities) for the period ended January 31, 2020, aggregated \$57,121,748 and \$349,450,367, respectively.

7. CREDIT RISK

At January 31, 2020, the Fund had 82.7% of its portfolio invested in high yield securities, senior secured floating rate loans, or other securities rated below investment grade and unrated securities, if any. These securities may be more sensitive to economic conditions causing greater price volatility and are potentially subject to a greater risk of loss due to default than higher rated securities.

8. RESTRICTED SECURITIES

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

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8. RESTRICTED SECURITIES (continued)

At January 31, 2020, investments in restricted securities, excluding securities exempt from registration under the 1933 Act, were as follows:

Shares/ Units	Issuer	Acquisition Date	Cost	Value
563,596	<sup>a</sup> Appvion Operations Inc	6/14/18 – 4/12/19	\$5,922,238	\$8,180,963
98,704	<sup>b</sup> Remington Outdoor Co. Inc., Litigation Units	5/16/18 – 4/12/19	—	—
<b>Total Restricted Securities</b> (Value is 1.24% of Net Assets)			<u>\$5,922,238</u>	<u>\$8,180,963</u>

<sup>a</sup> The Fund also invests in unrestricted securities of the issuer, valued at \$8,636,852 as of January 31, 2020.

<sup>b</sup> The Fund also invests in unrestricted securities of the issuer, valued at \$655,272 as of January 31, 2020.

9. OTHER DERIVATIVE INFORMATION

For the period ended January 31, 2020, the effect of derivative contracts in the Statement of Operations was as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Statement of Operations Location	Net Realized Gain (Loss) for the Period	Statement of Operations Location	Net Change in Unrealized Appreciation (Depreciation) for the Period
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
Credit contracts	Swap contracts	\$(483,560)	Swap contracts	\$503,467

For the period ended January 31, 2020, the average month end notional amount of swap contracts represented \$13,280,857. See Note 1(d) regarding derivative financial instruments.

10. HOLDINGS OF 5% VOTING SECURITIES OF PORTFOLIO COMPANIES

The 1940 Act defines “affiliated companies” to include investments in portfolio companies in which a fund owns 5% or more of the outstanding voting securities. During the period ended January 31, 2020, investments in “affiliated companies” were as follows:

Name of Issuer	Value at Beginning of Period	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Period	Number of Shares/ Principal Amount Held at End of Period	Investment Income
<b>Non-Controlled Affiliates</b>								
Appvion Operations Inc	\$6,443,971	\$—	\$—	\$—	\$1,736,992	\$8,180,963	563,596	<u>Dividends</u> \$—
Remington Outdoor Co. Inc.	2,227,925	—	—	—	\$(1,572,653)	655,272	1,048,435	—
Remington Outdoor Co. Inc., Litigation Units	—	—	—	—	\$—	—	98,704	—
	<u>\$8,671,896</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$ 164,339</u>	<u>\$8,836,235</u>		<u>Interest</u> \$—
Appvion Operations, Inc., Term Loan, 6/15/26	\$ 8,668,314	—	\$(159,800) <sup>a</sup>	\$(1,376)	\$ 129,714	\$ 8,636,852	8,551,339	<u>\$283,136</u>
<b>Total Affiliated Securities</b> (Value is 2.6% of Net Assets)	<u>\$17,340,210</u>	<u>\$—</u>	<u>\$(159,800)</u>	<u>\$(1,376)</u>	<u>\$ 294,053</u>	<u>\$17,473,087</u>		<u>\$283,136</u>

<sup>a</sup>May include accretion, amortization, partnership adjustments, and/or corporate actions.



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**11. SHAREHOLDER DISTRIBUTIONS**

For the period ended January 31, 2020, the Fund made the following distributions:

Payment Date	Amount Per Share
8/29/2019	\$0.042239
9/30/2019	0.040877
10/31/2019	0.044829
11/29/2019	0.040981
12/31/2019	0.044719
1/31/2020	0.042976
<b>Total</b>	<b>\$0.256621</b>

**12. CREDIT FACILITY**

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2 billion (Global Credit Facility) which matured on February 7, 2020. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests. Effective February 7, 2020, the Borrowers renewed the Global Credit Facility for a one year term, maturing February 5, 2021, for a total of \$2 billion.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the period ended January 31, 2020, the Fund did not use the Global Credit Facility.

**13. FAIR VALUE MEASUREMENTS**

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

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments)

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

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## 13. FAIR VALUE MEASUREMENTS (continued)

A summary of inputs used as of January 31, 2020, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Investments in Securities: <sup>a</sup>				
Equity Investments: <sup>b</sup>				
Diversified Support Services	\$—	\$655,272	\$—	\$655,272
Forest Products	—	—	8,180,963	8,180,963
Oil & Gas Exploration & Production	—	3,090,582	—	3,090,582
All Other Equity Investments	56,281,185	—	—	56,281,185
Corporate Bonds	—	9,840,884	—	9,840,884
Senior Floating Rate Interests:				
Personal Products	—	2,409,596	17,742,291	20,151,887
All Other Senior Floating Rate Interests	—	547,469,711	—	547,469,711
Escrows and Litigation Trusts	—	—	— <sup>c</sup>	—
Short Term Investments	—	29,972,621	—	29,972,621
<b>Total Investments in Securities</b>	<b>\$56,281,185</b>	<b>\$593,438,666</b>	<b>\$25,923,254</b>	<b>\$675,643,105</b>

a For detailed categories, see the accompanying Statement of Investments.

b Includes common stocks and management investment companies.

c Includes securities determined to have no value at January 31, 2020.

A reconciliation of assets in which Level 3 inputs are used in determining fair value is presented when there are significant Level 3 financial instruments at the beginning and/or end of the period. At January 31, 2020, the reconciliation of assets, is as follows:

	Balance at Beginning of Period	Purchases	Sales	Transfer Into (Out of) Level 3	Cost Basis Adjustments <sup>a</sup>	Net Realized Gain (Loss)	Net Unrealized Appreciation (Depreciation)	Balance at End of Period	Net Change in Unrealized Appreciation (Depreciation) on Assets Held at Period End
<b>Assets:</b>									
Investments in Securities:									
Equity Investments:									
Forest Products	\$6,443,971	\$—	\$—	\$—	\$—	\$—	\$1,736,992	\$8,180,963	\$1,736,992
Senior Floating Rate Interests:									
Oil & Gas Exploration & Production	3,977,013	—	(3,978,246)	—	497	14,677	(13,941)	—	—
Personal Products	17,407,172	—	—	—	566,405	—	(231,286)	17,742,291	(231,286)
Escrows and Litigation Trusts	— <sup>b</sup>	— <sup>b</sup>	—	—	—	—	—	—	—
<b>Total Investments in Securities</b>	<b>\$27,828,156</b>	<b>\$—</b>	<b>\$(3,978,246)</b>	<b>\$—</b>	<b>\$566,902</b>	<b>\$14,677</b>	<b>\$1,491,765</b>	<b>\$25,923,254</b>	<b>\$1,505,706</b>

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

b Includes securities determined to have no value.

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13. FAIR VALUE MEASUREMENTS (continued)

Significant unobservable valuation inputs for material Level 3 financial instruments and impact to fair value as a result of changes in unobservable valuation inputs as of January 31, 2020, are as follows:

Description	Fair Value at End of Year	Valuation Technique	Unobservable Inputs	Amount/Range (Weighted Average <sup>a</sup> )	Impact to Fair Value if Input Increases <sup>b</sup>
<b>Assets:</b>					
<b>Investments in Securities:</b>					
<b>Equity Investments:</b>					
Forest Products	\$ 8,180,963	Discounted cash flow	Weighted average cost of capital	16.8%	Decrease <sup>c</sup>
			Total unlevered free cashflows	\$152.5 mil	Increase <sup>c</sup>
			Discount for lack of marketability	20.0%	Decrease <sup>d</sup>
			Long term growth	0.0%	Increase
<b>Senior Floating Rate Interests:</b>					
Personal Products	17,742,291	Discounted cash flow	Discount rate	10.6%-15.0% (13.3%)	Decrease <sup>c</sup>
			Free cash flow	\$7.9 – \$14.9 mil (\$12.2 mil)	Increase
All other investments	— <sup>f</sup>				
<b>Total</b>	<b>\$25,923,254</b>				

- a Weighted based on the relative fair value of the financial instruments.
- b Represents the directional change in the fair value of the Level 3 financial instruments that would result from a significant and reasonable increase in the corresponding input. A significant and reasonable decrease in the input would have the opposite effect. Significant impacts, if any, to fair value and/or net assets have been indicated.
- c Represents a significant impact to fair value and net assets.
- d Represents a significant impact to fair value but not net assets.
- e Includes fair value of immaterial financial instruments developed using various valuation techniques and unobservable inputs. May also include financial instruments with values derived using private transaction prices or non-public third party pricing information which is unobservable.
- f Includes securities determined to have no value.

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14. SUBSEQUENT EVENTS

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

Abbreviations

Currency	Selected Portfolio
USD      United States Dollar	ETF      Exchange Traded Fund
	LIBOR    London InterBank Offered Rate
	PIK      Payment-In-Kind
	TBD      To Be Determined



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