

ANNUAL REPORT & AUDITED FINANCIAL STATEMENTS

FRANKLIN TEMPLETON FUNDS

An authorised open-ended investment company with variable
capital

31 March 2020



FRANKLIN
TEMPLETON

General Information

As at March 31, 2020

FRANKLIN TEMPLETON FUNDS

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

AUTHORISED CORPORATE DIRECTOR, ADMINISTRATOR AND REGISTRAR

Franklin Templeton Fund Management Limited
Cannon Place
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DEPOSITARY

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INVESTMENT ADVISERS

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San Mateo, CA 94403, USA

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

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

Templeton Asset Management Limited
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Franklin Templeton Investment Corp.
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INDEPENDENT AUDITORS

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

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

FRANKLIN TEMPLETON FUNDS (the “Company”)

Report of the Authorised Corporate Director

The Company

The Company is registered in the United Kingdom and is an authorised open-ended investment company with variable capital. It has an umbrella structure and as at 31 March 2020 offered shares in 13 Funds: Franklin Absolute Return Bond Fund, Franklin Sterling Corporate Bond Fund, Franklin UK Equity Income Fund, Franklin UK Gilt Fund, Franklin UK Managers’ Focus Fund, Franklin UK Mid Cap Fund, Franklin UK Opportunities Fund, Franklin UK Rising Dividends Fund, Franklin UK Smaller Companies Fund, Franklin US Opportunities Fund, Templeton Global Emerging Markets Fund, Templeton Global Total Return Bond Fund and Templeton Growth Fund.

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

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

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

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

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

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

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

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

Templeton Asset Management Limited (“TAML”) and FTIML are Co Investment Advisers to Templeton Global Emerging Markets Fund.

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

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

FTIML is authorised and regulated by the FCA.

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

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

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

The investment objectives and policies of each Fund can be found in the further information section on pages 234 to 244.

REMUNERATION POLICY

Following the implementation of EU Directive 2014/91/EU amending the Undertaking for Collective Investment in Transferable Securities Directive (EU Directive 2009/65/EC (“UCITS V”) on 18 March 2016, the ACD has been subject to the UCITS Remuneration Code.

PURPOSE AND SCOPE OF THE REMUNERATION POLICY

The Remuneration Policy of FTFML has been designed to align the personal objectives of staff with the long term interests of FTFML and the funds under its management. It aims to mitigate incentive practices that may encourage employees to take unnecessary risk.

The Policy applies to a certain category of staff called the Code Staff which includes the Board of Directors, members of control functions, risk takers, and any employee with remuneration that takes them into the same bracket as risk takers, whose activities have a material impact on the risk profiles of FTFML or the funds it manages.

There are defined procedures in place for the creation, update, review and approval of the Policy as well as for communication and implementation of the Policy. Senior Management, Human Resources, Compliance and other functions are all involved in this process and the Policy is approved by Senior Management and the ACD. There have been no material changes to the Policy for the year ended 30 September 2019.

DESCRIPTION OF THE STRUCTURE OF REMUNERATION

Fixed remuneration is defined as base salary plus material company provided benefits which may include company cars and company pension contributions. Levels of fixed remuneration are set with reference to job complexity, level of responsibility, performance and market benchmarking data. These levels are reviewed on a regular basis.

Variable remuneration is defined as annual bonuses, long term awards in the form of performance, share grants or sales bonus payments. Levels of variable remuneration are set with reference to overall corporate and business unit performance as well as individual performance.

Report of the Authorised Corporate Director (continued)

DESCRIPTION OF THE STRUCTURE OF REMUNERATION (continued)

Details of the Remuneration Policy are available from the ACD's website at:

http://www.franklintempleton.co.uk/en_GB/investor/company/regulatory-information#remuneration

A paper copy of the remuneration information available on the ACD's website is also available free of charge on request from the ACD.

Total amount of fixed remuneration paid by FTFML during year ended 30 September 2019*	£1,055,465
Total amount of variable remuneration paid by FTFML during year ended 30 September 2019*	£1,856,408
Number of FTFML staff as at 30 September 2019	8
Total amount of compensation paid by FTFML to Senior Managers during year ended 30 September 2019*	£1,369,744
Total amount paid by FTFML to other members of staff who have a material impact on the risk profile of the UCITS during year ended 30 September 2019*	£4,823,534

*The total amount of compensation paid by FTFML has been allocated to each UCITS [as ACD/Investment Manager] based on their pro rata share of the average month end total net assets of FTFML for the year ended 30 September 2019, which is the year end of FTFML.

SIGNIFICANT EVENTS

The following significant changes were made to the Prospectus and the Instrument of Incorporation (where applicable):

- Change of name from Franklin UK Corporate Bond Fund to Franklin Sterling Corporate Bond Fund effective 30 September 2019.
- Reduction in management fee for W Shares in respect of Franklin Absolute Return Bond Fund (from 0.55% to 0.35%) effective 1 October 2019;
- Removal of Franklin Templeton Institutional LLC as an Investment Adviser to Franklin Absolute Return Bond Fund effective 15 October 2019;
- Reduction in management fees for A and Z Shares issued by Franklin UK Equity Income Fund, Franklin UK Opportunities Fund and Franklin UK Rising Dividends Fund (A shares from 1.50% to 0.90% and Z shares from 0.95% to 0.60%) effective 30 November 2019;
- Closure of Franklin European Opportunities to investors effective 31 January 2020 and was terminated 5 June 2020;
- Closure of Franklin Mutual Shares Fund to investors effective 31 January 2020;
- Closure of I Share class of Templeton Growth Fund effective 27 January 2020;
- A W Income share class was created for Franklin UK Managers' Focus Fund effective 21 February 2020;
- Delegation by Franklin Templeton Fund Management Limited of certain fund administration services to JP Morgan Chase Bank N.A London Branch effective 22 June 2020; and
- Reduction in management fee for W (Acc) Shares in respect of Templeton Global Emerging Markets Fund (from 1.00% to 0.90%) effective 1 July 2020.

ACD's AUTHORISATION

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

William Jackson

Director, Franklin Templeton Fund Management Limited, Authorised Corporate Director
14 July 2020

Statement of Authorised Corporate Director's Responsibilities

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

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

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

In accordance with rules of the Financial Conduct Authority, the Authorised Corporate Director has performed a detailed assessment of whether the Funds provide value to investors. The outcome of this assessment is included in a separate composite report to be published no later than 31 July 2020. The report will be published to our website and clearly signposted.

Statement of the Depositary's Responsibilities

Statement of the Depositary's Responsibilities in Respect of the Scheme and Report of the Depositary to the Shareholders of the Franklin Templeton Funds ("the Company") for the year ended 31 March 2020

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Open-ended Investment Companies Regulations 2001 (SI 2001/1228), as amended, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Company's Instrument of Incorporation and Prospectus (together "the Scheme documents") as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depositary must ensure that:

- the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, repurchase and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares of the Company are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ("the AFM"), which is the UCITS Management Company, are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Regulations and Scheme documents in relation to the investment and borrowing powers applicable to the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the AFM:

- i. has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Regulations and the Scheme documents of the Company; and
- ii. has observed the investment and borrowing powers and restrictions applicable to the Company.

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

Manager
14 July 2020

Independent auditors' report to the Shareholders of Franklin Templeton Funds

Report on the audit of the financial statements

Opinion

In our opinion, Franklin Templeton Funds' (the "Company") financial statements:

- give a true and fair view of the financial position of the Company and each of the sub-funds as at 31 March 2020 and of the net revenue/(expenses) and the net capital gains/(losses) on the scheme property of the Company and each of the sub-funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

Franklin Templeton Funds is an Open-ended Investment Company ('OEIC') with 14 Funds. The financial statements of the company comprise the financial statements of each of the sub-funds. We have audited the financial statements, included within the Annual Report and Audited Financial Statements (the "Annual Report"), which comprise: the balance sheets as at 31 March 2020; the statements of total return and the statement of change in net assets attributable to shareholders for the year then ended; the distribution tables; the notes to the financial statements applicable to all sub-funds, and the notes to the financial statements for each sub-fund.

Emphasis of matter - financial statements prepared on a basis other than going concern

In forming our opinion on the financial statements, which is not modified, we draw attention to note 1(a) to the financial statements which describes the Authorised Corporate Director's reasons why the financial statements of the Franklin Mutual Shares Fund have been prepared on a basis other than going concern.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

With the exception of the circumstances described in the Emphasis of Matter paragraph above regarding the Franklin Mutual Shares Fund, we have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Authorised Corporate Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Authorised Corporate Director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's or any of the sub-funds' ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's or any of the sub-funds' ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Authorised Corporate Director is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Report of the Authorised Corporate Director

In our opinion, the information given in the Report of the Authorised Corporate Director for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the Shareholders of Franklin Templeton Funds (continued)

Responsibilities for the financial statements and the audit

Responsibilities of the Authorised Corporate Director for the financial statements

As explained more fully in the Statement of Authorised Corporate Director's Responsibilities set out on page 4, the Authorised Corporate Director is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Authorised Corporate Director is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Authorised Corporate Director is responsible for assessing the company's and each of the sub-funds ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Authorised Corporate Director either intends to wind up or terminate the company or individual sub-fund, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's shareholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook as required by paragraph 67(2) of the Open-Ended Investment Companies Regulations 2001 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Opinion on matter required by the Collective Investment Schemes sourcebook

In our opinion, we have obtained all the information and explanations we consider necessary for the purposes of the audit.

Collective Investment Schemes sourcebook exception reporting

Under the Collective Investment Schemes sourcebook we are also required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
14 July 2020

Notes to the Financial Statements Applicable to all Sub-Funds

1. Accounting Policies

(a) Basis of Accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by The Investment Management Association (now the 'The Investment Association') in May 2014 (SORP 2014), and in accordance with United Kingdom Generally Accepted Accounting Practice as defined within FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland. Both of which became effective for the accounting periods commencing 1 January 2015.

The financial statements of Franklin Mutual Shares Fund has ceased trading and is in the process of liquidation. As such, the financial statements have been prepared on a basis other than going concern. No adjustments were required to the financial statements of the Fund to adjust assets or liabilities to their realisable values, reclassify fixed assets and long-term liabilities as current assets and liabilities or to provide for liabilities arising from the decision. All costs in relation the closure of the Fund will be borne by the ACD.

All other Funds have been prepared on a going concern basis.

(b) Basis of Valuation of Investments

Investments in long positions of the Funds have been valued at the bid-market dealing prices (short positions at offer-market dealing prices) at close of business on the last working day of the accounting period.

Securities which are listed on a stock exchange or traded on any organised market are valued at the last available bid or offer price on such exchange or market which is normally the principal market for each security, excluding any accrued interest in the case of debt securities.

Securities not listed on any stock exchange are valued at the last available price, or if such price is not representative of their fair value, they are fair valued based on the ACD's assessment of their net fair value.

(c) Revenue Recognition

Dividends on investments and revenue from offshore collective investment schemes are recognised when the securities are quoted ex-dividend.

Revenue from unquoted securities is recognised when entitlement to the dividend is established.

Interest on debt securities is determined on an effective yield basis. Effective yield is a revenue calculation that reflects the amount of amortisation of any discount or premium on the purchase price over the remaining life of the security.

Bank interest is accounted for on an accruals basis.

The ordinary element of stocks received in lieu of cash dividends (stock dividends) is recognised as revenue of the Fund and where applicable is included in the distribution. Any enhanced element of the stock dividends is taken to capital and not distributed.

Special dividends are treated as repayments of capital or revenue depending on the facts of each particular case.

Dividends received from US REITs are allocated between revenue and capital for distribution purposes. The split is based on the year-end tax reporting date issued by the US REIT. Where the split of revenue and capital has not been announced at the accounting date a provisional split will be used. The provision will be calculated on the prior years aggregated dividend split for each US REIT.

Equalisation earned from Collective Investment Schemes is recorded as capital.

(d) Treatment of derivatives

Motive and circumstances are used to determine whether the return of a derivative should be recognised as capital or revenue. Where positions are adopted to protect or enhance capital, and circumstances support this, the returns are recognised in net capital gain/(loss). Where positions are adopted to protect or enhance revenue, and circumstances support this, the returns are recognised as revenue. Where positions generate total returns, the return is split between capital and revenue based upon the nature of the transaction.

(e) Treatment of Expenses

The ACD's annual fee is charged to the income property of the respective Funds, with the exception of Franklin UK Equity Income Fund and Franklin UK Rising Dividends Fund where the ACD's annual management charge is charged to capital and Franklin Sterling Corporate Bond Fund and Franklin UK Gilt Fund where the ACD's annual fee and expenses are charged to capital.

All other expenses are accounted for on an accruals basis and are charged wholly to revenue.

All costs directly related to the purchase and sale of investments are charged to capital.

Expenses incurred in respect of, or attributable to, the Funds as a whole are allocated when incurred in the proportion of the net asset value of each share class to the total net asset value of the Fund.

(f) Foreign Currencies

Transactions involving foreign currencies are translated at the spot exchange rate ruling on the date of the transaction.

Forward exchange contracts are valued at the forward rate applicable at the Balance Sheet date for the remaining period, until maturity. Gains or losses resulting from forward exchange contracts are recognised in the Statement of Total Return, as either revenue or capital depending on the underlying purposes and nature of the contract.

Other assets and liabilities in foreign currencies are translated at the exchange rates ruling at the end of the year.

Notes to the Financial Statements Applicable to all Sub-Funds (continued)

1. Accounting Policies (continued)

(g) Taxation

Provision is made for corporation tax at the current rate on the excess of taxable revenue over allowable expenses. The charge for taxation is based on taxable income less allowable expenses for the year. UK dividend income is disclosed net of any related tax credit.

Overseas dividends continue to be disclosed gross of any foreign tax suffered, the tax element being separately disclosed in the taxation note.

Deferred tax is provided at current rates of corporation tax on all timing differences, which have originated but not reversed by the Balance Sheet date other than those differences regarded as permanent. Deferred tax assets are recognised only to the extent that it is more likely than not that there will be taxable profits from which underlying timing differences can be deducted. Deferred tax assets and provisions are not discounted to reflect the time value of money.

(h) Equalisation

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

(i) Distribution Policy

Revenue produced by the Funds' investments accumulates during each distribution period. If at the end of the distribution period, revenue exceeds expenses for a share class, the net revenue of the share class is available to be distributed to shareholders.

Franklin Sterling Corporate Bond Fund and Franklin UK Gilt Fund charge all of their charges and expenses to the capital property of the Fund, therefore the distribution is equal to the revenue for the period. Franklin UK Equity Income Fund and Franklin UK Rising Dividends Fund charge only the ACD fee to the capital property of the Fund, therefore the ACD fee is not deducted from the revenue for the period.

Revenue attributed to accumulation shareholders is retained at the end of each distribution period and represents a reinvestment of revenue.

(j) Dilution Adjustment

The cost of purchasing or selling investments for a Fund may deviate from the mid-market value used in calculating the daily price of shares in the Fund due to dealing costs and any spread between the buying and selling prices of the underlying investments. Without adjustment, these dealing costs can have an adverse effect on the value of each Fund. In order to protect shareholders from this impact, the ACD may, at its discretion, make a dilution adjustment on the creation and/or cancellation of shares if, in its opinion, the existing shareholders (for creations) or remaining shareholders (for cancellations) might be adversely affected.

2. Related parties

Franklin Templeton Fund Management Limited, a related party, acted primarily in all transactions in the Funds. The aggregate amounts received through issues and cancellations are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

Amounts charged by the ACD and associates of the ACD in respect of the management and administration fees are disclosed in Note 3 of the individual Funds.

Further details on related parties transactions are disclosed within the related parties note of the individual Funds.

3. Derivatives and Other Financial Instruments

The numerical disclosures for derivatives and other financial instruments are shown within each individual Fund.

Financial Instrument Risks

In accordance with investment objectives, the Funds' may hold certain financial instruments as part of efficient portfolio management, which may comprise:

- securities held in accordance with the Funds' investment objectives and policies;
- cash and short-term assets;
- derivatives.

The Company's overall risk management policy is the responsibility of the ACD. The ACD uses a risk management process, as reviewed by the Depositary, enabling it to monitor and measure as frequently as appropriate the risk of a Fund's positions and their contribution to the overall risk profile of the Fund.

The main risks arising from the Company's financial instruments are market risk (which are comprised of currency risk, interest rate risk and other market price risk), liquidity risk, credit and counterparty risks. The ACD reviews policies for managing each of these risks and these are summarised below.

(a) Market risk

Market risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Company might suffer through holding market positions in the face of price movements.

The ACD monitors on a daily basis the net allocation of the portfolio in order to minimise the risk associated with particular countries and industry sectors whilst continuing to follow the investment objective. An individual fund manager is responsible for monitoring the existing portfolio selected in accordance with the overall asset allocation parameter and seeks to ensure that individual securities also meet the risk reward profile that is acceptable.

Notes to the Financial Statements Applicable to all Sub-Funds (continued)

3. Derivatives and Other Financial Instruments (continued)

(a) Market risk (continued)

The global exposure of the Funds' Templeton Global Total Return Bond Fund is measured through Value-at-Risk ("VaR") calculated using the Monte Carlo approach. VaR is a statistical risk measure that estimates the potential portfolio loss from adverse market moves in an ordinary market environment. VaR analysis reflects the interdependencies between risk variables, unlike a traditional sensitivity analysis. VaR can be defined as the predicted loss a portfolio can experience at a specified confidence level (e.g. 99%) over a given period of time (e.g. 20 days).

The VaR calculations are based on a confidence level of 99% with a holding period of not greater than 1 month (20 days) and a historical observation period of not less than 1 year (250 days). A 99% 1 month VaR means that the expectation is that 99% of the time over a 1 month period the Fund will lose less than this number in percentage terms. Therefore, higher VaR numbers indicate higher risk.

It is noted that the use of this VaR methodology, as any other statistical risk measure, has limitations. There is some probability that the loss could be greater than the VaR amounts and therefore it cannot be guaranteed that losses will neither exceed the VaR indicated, nor that losses in excess of the VaR amounts will not occur more frequently.

The Templeton Global Total Return Bond Fund uses the relative VaR methodology which is the absolute VaR of the portfolio divided by the absolute VaR of the benchmark. The benchmark that is used is the one that is most representative of the Funds' strategy and likely risk exposures. The Franklin Absolute Return Bond Fund uses the absolute VaR methodology.

Please refer to individual Fund's accounts for details of market risk exposure.

Currency risk

The revenue and capital value of the Company's investments can be significantly affected by currency translation movements as some of the Company's assets and revenue are denominated in currencies other than sterling which is the Company's functional currency.

The ACD has identified three principal areas where foreign currency risk could impact the Company:

- Movements in rates affect the value of investments;
- Movements in rates affect short term timing differences; and
- Movements in rates affect revenue received.

Currency exposure is monitored closely and is considered to be part of the overall investment process. Currency hedges via forward exchange contracts will only be used in the event of a specific currency risk being identified or in order to hedge a particular share class

The Company may be subject to short-term exposure to exchange rate movement, for instance, where there is a difference between the date an investment purchase or sale is entered into and the date when settlement of the proceeds occurs. The ACD may elect to hedge against this risk.

The Company receives revenue in currencies other than sterling and the sterling values of the revenue can be affected by movements in exchange rates. The ACD may elect to hedge against this risk.

Please refer to individual Fund's accounts for details of currency risk exposure.

Interest rate risk

The Company holds cash balances which are subject to a floating rate of interest. These cash balances are placed with reputable financial institutions. The Company invests in both fixed and floating rate debt instruments. It is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash-flows. Any change to the interest rates relevant for particular securities may result in either revenue increasing or decreasing or the ACD being unable to secure similar returns on the expiry of contracts or the sale of securities. In addition, changes to prevailing rates or changes in expectations of future rates may result in an increase or decrease in the value of the securities held.

In general, if interest rates rise, the revenue potential of the individual Fund also rises, but the value of the fixed rate securities will decline (along with certain expenses calculated by reference to the assets of the individual Fund). A decline in interest rates will generally have the opposite effect.

Please refer to individual Fund's accounts for details of interest rate risk exposure and interest rate sensitivity analysis, where applicable.

Other price risk

Other risks in using derivative and non derivative securities include the risk of differing valuations of derivatives arising out of different permitted valuation methods and the inability of derivatives to correlate perfectly with underlying securities, rates and indices. Many derivatives, in particular OTC derivatives, are complex and often valued subjectively and the valuation can only be provided by a limited number of market professionals which often are acting as counterparties to the transaction to be valued. Inaccurate valuations can result in increased cash payment requirements to counterparties or a loss of value to the Funds. However, this risk is limited as the valuation method used to value OTC derivatives must be verifiable by an independent auditor.

Derivatives do not always closely track the value of the underlying securities, rates or indices they are designed to track.

Please refer to individual Fund's accounts for details of other price risk sensitivity analysis.

(b) Credit and Counterparty risk

Credit risk

The Company invests in investment grade and sub-investment grade financial debt instruments. Investment grade bonds are rated by Standard & Poor's. Sub-investment grade bonds are subject to a greater risk that such investments could not be readily sold or that the issuer could default on its obligations causing the Company to sustain losses on such investments. The Investment Adviser will seek to limit such risks by in-depth credit research and careful securities selection. Sub-investment grade debt securities are speculative and

Notes to the Financial Statements Applicable to all Sub-Funds (continued)

3. Derivatives and Other Financial Instruments (continued)

Credit risk (continued)

involve a greater risk of default and price changes due to changes in the issuer's creditworthiness. Tables of credit ratings can be seen within the Funds holding such securities.

Counterparty risk

Certain transactions in securities that the Company enters into expose it to the risk that the counterparty will not deliver the investment (purchase) or cash (sale) after the Company has fulfilled its responsibilities. The Company mainly deals, however, on a "delivery versus payment" basis which reduces the counterparty risk. The Company only buys and sells investments through brokers which have been approved by the ACD as an acceptable counterparty. In addition, limits are set as to the maximum exposure to any broker that may exist at any time; these limits are reviewed weekly. Only counterparties that have been approved by Franklin Templeton Investments' Counterparty Credit Committee are used for derivatives transactions. Details of counterparty exposure can be found within each Fund's Portfolio Statement.

Please refer to individual Fund's accounts for details of credit and counterparty risk exposure.

(c) Liquidity risk

The Company's assets comprise mainly readily realisable securities. The main liability of the Company is the redemption of any shares that investors wish to sell.

Liquidity risk exists when a particular instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid, it may not be possible to initiate a transaction or liquidate a position at an advantageous price (however, the Funds will only enter into OTC derivatives if these are allowed to liquidate such transactions, at any time, at fair value).

Please refer to individual Fund's accounts for details of liquidity risk exposure.

4. Portfolio Transaction Costs

The numerical disclosures for portfolio transaction costs are shown within each individual Fund where applicable.

Franklin Absolute Return Bond Fund

Investment Review

Performance

For the year ended 31 March 2020, Franklin Absolute Return Bond Fund (W (acc) shares) returned (10.20%)*, while the LIBOR 3 Month Index + 2% returned 2.77% (both returns in UK sterling).

Overview

Throughout most of the year, global gross domestic product ("GDP") showed signs of continued expansion albeit at a slower pace than the previous year. In the United States ("US"), economic growth continued at a moderate pace with GDP advancing at 2.3% in 2019 with unemployment reaching 50-year lows. As the period progressed, measures of industrial production waned, and business investment fell. The US Federal Reserve ("Fed") reduced its policy rate a total of 75 basis points ("bps") in 2019 as "insurance cuts" to bolster the decade long expansion of the US economy. Measures of economic activity in Europe began to slow and projections of Chinese economic growth were revised downward throughout 2019.

In November 2019, the first reports of an outbreak of the COVID-19 virus emerged from China. The Chinese government took significant steps to reduce the spread of the disease, but the virus was soon found in a number of countries. Health experts predicted that it would continue to spread globally, and drastic actions were necessary to limit the impact. In response, cities, states, and entire countries issued stay at home orders only allowing essential outings. With these measures in place, many countries began to show signs of a sharp decline in economic activity.

Both global fixed income and equity markets reacted strongly to the COVID-19 news causing massive disruptions. Market volatility increased to record levels. Fixed income markets experienced severe liquidity disruptions. In most markets, sellers significantly outnumbered buyers and risk appetites fell over the quarter. All fixed income spread sectors saw large dislocations.

The Fed took substantial measures to combat the economic impact from the spreading COVID-19 virus including slashing short-term interest rates by a total of 150 bps in March and implementing programs designed to provide ample liquidity to fixed income markets. Taking on the role of the "lender of last resort", the Fed intervened in a number of fixed income sectors including US Treasuries ("UST"), agency mortgage-backed securities ("MBS"), and corporate and municipal bonds. The US government passed a US\$2.2 trillion stimulus bill to try to "bridge" the oncoming economic slowdown providing money to taxpayers and businesses, but projections of unemployment levels and economic contraction continued to escalate. Outside the US, responses by both monetary and fiscal authorities took similar steps to lessen the impact of the economic shutdown.

Significant Changes

The top five buys during the year were:

1. FHLMC, 2.50%, 3/01/2035
2. GNMA II, SF, 3.50%, 12/01/2049
3. FHLM, 3.00%, 3/01/2035
4. FHLMC, 3.50%, 10/01/2049
5. FHLMC, 2.50%, 3/01/2035

The top five sells during the year were:

1. GNMA II, SF, 3.50%, 12/01/2049
2. Franklin Flexible Alpha Bond Fund, Class V3
3. FHLM, 3.00%, 3/01/2035
4. FHLMC, 2.50%, 3/01/2035
5. FHLMC, 3.50%, 10/01/2049

Positive/Negative Contributors

The main drivers of underperformance over the period were our holdings in residential MBS ("RMBS"), collateralised loan obligations ("CLOs"), and sovereign emerging market ("EM") debt. Each of these sectors experienced significant dislocation with the market sell-off in March causing prices to move down considerably.

Our RMBS holdings primarily consist of Credit Risk Transfer ("CRT") securities. We have been positioned in this sector to take advantage of the strength of the US housing market that had seen support with strong home price appreciation ("HPA"). Our exposure is focused in seasoned transactions that have accumulated 20-50% HPA which has deleveraged the structure adding to credit support. Although we have seen some recovery in prices, liquidity in the market remains strained. Our view is that fiscal and monetary stimulus, although not directly supporting the CRT markets, will ease liquidity concerns in other sectors which should eventually benefit the liquidity of CRTs.

The CLO market saw substantial disruption in March including affecting the highest quality assets. Despite a strong level of principal protection, even AAA tranches traded down to dollar prices in the low 80s as sellers looked to raise cash. CLOs provide superior levels of carry versus other corporate credit sectors. During the global financial crisis, CLOs rated from AAA down to A suffered no principal losses. We continue to stress-test our CLO holdings and in our base case we project no principal losses. At period-end, prices had already started to recover as liquidity conditions improved.

The sovereign EM sector was amongst those that experienced severe liquidity disruptions. Apart from the impact of COVID-19, Russia and the Organization of the Petroleum Exporting Countries ("OPEC") nations staged a price war dropping energy prices significantly. Over the period, we had a positive outlook for select EM economies that showed strong internal growth characteristics. The outlook for EM has evolved as the ultimate economic impact of the COVID-19 virus becomes more apparent. We constantly monitor the effects that the outbreak has had on local economies given the dependence of many on global trade and energy prices. Our local currency EM lifted returns over the period.

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

Franklin Absolute Return Bond Fund

Investment Review (continued)

Positive/Negative Contributors (continued)

Long positions in corporate credit including investment-grade ("IG"), high-yield ("HY"), and bank loans weighed on relative performance. Although we viewed valuations as stretched towards the end of 2019, we believed that corporate credit provided significant carry over USTs, that we also saw as overvalued. All these sectors saw significant spread widening as part of the market response to the COVID-19 outbreak.

Securitised sectors saw mixed results with contributions to returns from our covered bond exposure, which had support in the European bond market, and negative returns from both MBS and commercial mortgage-backed securities ("CMBS").

Active currency allocations detracted from results led by our euro, Singapore dollar, and Danish krone holdings. In contrast, our Japanese yen exposure, which served as a defensive portfolio hedge against a market sell off, lifted results as did our Chinese yuan exposure. Duration exposure outside the US contributed to performance led by our Canadian, Australian, and Chinese holdings, as global interest rates fell over the period. However, our European duration positioning weighed on returns as did our Treasury Inflation-Protected Securities ("TIPS") positions as US break-even ("BE") inflation rates fell substantially over the period.

Outlook

Our current view is that the US economy is moving into a recession. We face a difficult trade-off between health uncertainty and economic uncertainty. A longer shutdown means more people will lose their jobs and more businesses will throw in the towel, with a greater loss of human and physical capital. We do not foresee the beginning of depression in our baseline forecast.

We remain optimistic a strong economic rebound is possible. We believe the degree of fiscal and monetary response, along with how long the economy remains shut, will be major determinants of the path to recovery.

We believe investors should not panic, and we continue to expect to see more opportunities from COVID-19 related asset selloffs. We continue to position our portfolios to provide us with the maximum amount of flexibility to take advantage of dislocations in the market. We continue to see pockets of illiquidity that can lead to both short-term and long-term gains as financial markets recalibrate to the new economic realities.

We are taking a selective approach to the IG corporate bond sector, as the COVID-19 situation may have a material impact on corporate profits and cash flow over the coming months. Our current investment strategy is to focus on higher quality companies and those in less economically sensitive industries. We are focused on identifying issuers that can sustain themselves while continuing to service their debt. We are continuing to stress-test our portfolio companies' liquidity and viability amid this unprecedented crisis. We continue to believe that higher rated collateralized loan obligations ("CLO") tranches are amongst the most conservative investments in the portfolio due to strong structural support.

Given the market shock related to the COVID-19 virus, the Fed has been actively participating in agency MBS to minimise disruption of the market. This is a tailwind for agency MBS and could lead to spreads tightening and remaining rangebound in the summer months when supply typically increases. Our RMBS holdings are positioned mostly in seasoned transactions and offer defensive characteristics. We expect an increase in delinquencies as people face hardship due to stay at home orders. Fiscal and monetary stimulus will ease liquidity concerns. Over the past few months, we have taken further measures and continue to stress-test the portfolio under various scenarios. We continue to have cautious view of CMBS and favour the top of the capital structure.

David Yuen, CFA, Tina Chou & William Chong

Fund Managers

31 March 2020

Fund Changes

On the 31 July 2019, following some regulatory change, the Fund's investment objective and policy were clarified to make it easier for investors to understand both how the portfolio is managed and how to assess its performance.

More details can be found in the Fund's prospectus available on our website.

Franklin Absolute Return Bond Fund

Comparative Table

	31 March 2020	31 March 2019	31 March 2018
W – Accumulation shares¹			
Change in net assets per share (p)			
Opening net asset value per share	99.84	99.66	100.00
Return before operating charges ²	(9.08)	0.88	0.36
Operating charges ³	(0.48)	(0.70)	(0.70)
Return after operating charges ⁴	(9.56)	0.18	(0.34)
Distribution	(2.6371)	(2.6666)	(0.1258)
Retained distributions on accumulation shares	2.6371	2.6666	0.1258
Closing net asset value per share	90.28	99.84	99.66
After direct transaction costs of ⁵	-	-	-
Performance			
Return after charges ⁶	(9.58%)	0.18%	(0.34%)
Other information			
Closing net asset value (£)	22,569,880	24,958,956	24,915,849
Closing number of shares	25,000,000	25,000,000	25,000,000
Operating charges ratio ⁷	0.48%	0.70%	0.70%
Direct transaction costs ⁵	-	-	-
Prices (p)			
Highest share price	101.97	100.26	100.18
Lowest share price	85.06	97.67	99.58

1 This is from share class launch on 28 February 2018.

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

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

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

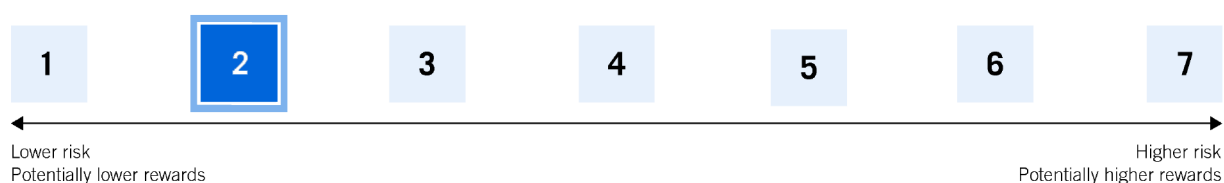
5 The direct transaction costs include all fees and expenses which relate directly to the sales and purchases of securities which include commissions, transfer taxes and duties. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or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

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

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

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

Risk Profile (W(acc) shares)



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

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

Franklin Absolute Return Bond Fund

Portfolio Statement as at 31 March 2020

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
BONDS 88.61% (75.31%)			
AFRICA 0.90% (0.00%)			
GABON			
200,000	Government of Gabon, senior note, Reg S, 6.95%, 6/16/2025#	107	0.48
		107	0.48
SOUTH AFRICA			
700,000	Government of South Africa, senior bond, 7.00%, 2/28/2031#	23	0.10
		23	0.10
TUNISIA			
100,000	Banque Centrale de Tunisie International Bond, senior note, Reg S, 5.625%, 2/17/2024#	73	0.32
		73	0.32
	TOTAL - AFRICA	203	0.90
ASIA 9.89% (10.47%)			
CHINA			
200,000	Baidu Inc., senior note, 4.375%, 5/14/2024#	170	0.75
200,000	CGNPC International Ltd., senior note, Reg S, 3.75%, 12/11/2027#	175	0.78
200,000	China Overseas Finance Cayman VII Ltd., senior note, Reg S, 4.25%, 4/26/2023#	169	0.75
200,000	CNOOC Finance 2015 USA LLC, senior note, 3.50%, 5/05/2025#	170	0.75
200,000	The Export-Import Bank of China, senior note, 144A, 3.625%, 7/31/2024#	174	0.77
200,000	Industrial & Commercial Bank of China Ltd., senior note, Reg S, 2.875%, 2/21/2022#	165	0.73
200,000	Sinopec Group Overseas Development 2016 Ltd., senior note, 144A, 2.75%, 9/29/2026#	165	0.73
200,000	State Grid Overseas Investment 2016 Ltd., senior note, 144A, 3.50%, 5/04/2027#	172	0.76
200,000	Three Gorges Finance I Cayman Islands Ltd., senior note, 144A, 3.15%, 6/02/2026#	169	0.75
		1,529	6.77
INDIA			
200,000	The Export-Import Bank of India, senior note, 144A, 3.875%, 2/01/2028#	148	0.66
		148	0.66
KAZAKHSTAN			
200,000	Government of Kazakhstan, senior bond, Reg S, 4.875%, 10/14/2044#	181	0.80
		181	0.80
SINGAPORE			
154,249	Bayfront Infrastructure Capital Pte Ltd., 2018, A, Reg S, FRN, 3.33%, 1/11/2038#	117	0.52
		117	0.52
SOUTH KOREA			
200,000	The Export-Import Bank of Korea, senior note, 2.875%, 1/21/2025#	171	0.76
100,000	Harvest Operations Corp., senior note, 144A, 4.20%, 6/01/2023#	87	0.38
		258	1.14
	TOTAL - ASIA	2,233	9.89
CENTRAL AMERICA 1.33% (0.00%)			
MEXICO			
200,000	Government of Mexico, senior note, 4.15%, 3/28/2027#	164	0.73
200,000	Mexico City Airport Trust, senior secured bond, Reg S, 5.50%, 7/31/2047#	136	0.60
		300	1.33
EUROPE - NON EU 0.65% (0.00%)			
UKRAINE			
200,000	Government of Ukraine, senior bond, Reg S, 7.375%, 9/25/2032#	146	0.65
		146	0.65

Franklin Absolute Return Bond Fund

Portfolio Statement as at 31 March 2020 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
EUROPE - OTHER EU 10.04% (3.40%)			
FRANCE			
200,000	EDF SA, junior sub. bond, 144A, 5.625% to 1/22/24, FRN thereafter, Perpetual#	155	0.69
		155	0.69
ITALY			
300,000	Banca Monte dei Paschi di Siena SpA, secured note, Reg S, 2.125%, 11/26/2063#	286	1.26
200,000	Banca Popolare di Milano Scarl, secured note, Reg S, 0.875%, 9/14/2023#	180	0.80
300,000	Banco BPM SpA, secured note, Reg S, 0.75%, 3/31/2023#	269	1.19
		735	3.25
REPUBLIC OF IRELAND			
250,000	Adagio CLO VIII DAC, VIII-A, B1, 144A, FRN, 1.65%, 4/15/2032	190	0.84
250,000	Avoca CLO XVII Designated Activity Co., 17A, B1R, 144A, FRN, 1.70%, 10/15/2032	194	0.86
250,000	Carlyle Euro CLO DAC, 2019-2A, A2A, 144A, FRN, 1.80%, 8/15/2032	192	0.85
250,000	Dunedin Park CLO DAC, 1A, A1, 144A, FRN, 1.07%, 10/22/2032	207	0.92
250,000	Dunedin Park CLO DAC, 1A, A2A, 144A, FRN, 1.75%, 10/22/2032	189	0.84
250,000	Sound Point Euro CLO II Funding DAC, 2A, A, 144A, FRN, 1.11%, 10/26/2032	207	0.92
250,000	Sound Point Euro CLO II Funding DAC, 2A, B1, 144A, FRN, 1.85%, 10/26/2032	197	0.87
		1,376	6.10
TOTAL - EUROPE - OTHER EU			
		2,266	10.04
MIDDLE EAST 3.54% (3.06%)			
ISRAEL			
200,000	Israel Electric Corp. Ltd., secured bond, 144A, 4.25%, 8/14/2028#	163	0.72
		163	0.72
SAUDIA ARABIA			
200,000	SABIC Capital II BV, senior note, 144A, 4.50%, 10/10/2028#	168	0.75
200,000	Saudi Electricity Co., senior note, Reg S, 4.723%, 9/27/2028#	169	0.75
		337	1.50
TURKEY			
350,000	Turkiye Vakiflar Bankasi TAO, secured note, Reg S, 2.375%, 11/04/2022#	298	1.32
		298	1.32
TOTAL - MIDDLE EAST			
		798	3.54
NORTH AMERICA 59.59% (57.13%)			
CANADA			
50,000	Canadian Natural Resources Ltd., senior bond, 3.85%, 6/01/2027#	32	0.14
		32	0.14
UNITED STATES			
100,000	AbbVie Inc., senior note, 144A, 2.95%, 11/21/2026#	82	0.36
250,000	AES Corp., senior note, 4.00%, 3/15/2021#	198	0.88
50,000	Allergan Funding SCS, senior bond, 3.80%, 3/15/2025#	41	0.18
90,607	American Homes 4 Rent, 2014-SFR3, A, 144A, 3.678%, 12/17/2036#	71	0.31
236,668	American Homes 4 Rent, 2015-SFR1, A, 144A, 3.467%, 4/17/2052#	185	0.82
218,960	American Homes 4 Rent, 2015-SFR2, A, 144A, 3.732%, 10/17/2052#	175	0.78
250,000	Antares CLO Ltd., 2018-1A, B, 144A, FRN, 3.469%, 4/20/2031	178	0.79
40,000	Antelope Valley Community College District GO, Los Angeles and Kern Counties, Refunding, 2.168%, 8/01/2029#	32	0.14
50,000	Anthem Inc., senior bond, 2.875%, 9/15/2029#	39	0.17
50,000	Aptiv Corp., senior bond, 4.15%, 3/15/2024#	39	0.17
500,000	Ares XLVII CLO Ltd., 2018-47A, C, 144A, FRN, 3.581%, 4/15/2030	325	1.44
100,000	Athene Global Funding, secured note, 144A, 2.75%, 6/25/2024#	81	0.36
500,000	Bain Capital Credit CLO, 2018-1A, A2, 144A, FRN, 2.956%, 4/23/2031	379	1.68
100,000	Bank of America Corp., senior note, 3.50%, 4/19/2026#	86	0.38

Franklin Absolute Return Bond Fund

Portfolio Statement as at 31 March 2020 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
UNITED STATES (continued)			
93,654	Bellemeade Re Ltd., 2018-1A, M1B, 144A, FRN, 2.547%, 4/25/2028	75	0.33
56,546	BX Commercial Mortgage Trust, 2018-IND, A, 144A, FRN, 1.455%, 11/15/2035	43	0.19
160,000	California State University Revenue, Refunding, Series B, 1.901%, 11/01/2026#	129	0.57
500,000	Carlyle Global Market Strategies CLO Ltd., 2014-1A, A1R2, 144A, FRN, 2.806%, 4/17/2031	381	1.69
300,000	CenturyLink Inc., senior note, Series S, 6.45%, 6/15/2021#	245	1.09
50,000	Cigna Corp., senior note, 4.375%, 10/15/2028#	43	0.19
66,382	CIM Trust, 2018-INV1, A4, 144A, FRN, 4.00%, 8/25/2048	54	0.24
500,000	Cook Park CLO Ltd., 2018-1A, C, 144A, FRN, 3.586%, 4/17/2030	327	1.45
50,000	CSX Corp., senior bond, 4.25%, 3/15/2029#	45	0.20
50,000	CVS Health Corp., senior bond, 4.30%, 3/25/2028#	43	0.19
50,000	Dollar Tree Inc., senior bond, 4.20%, 5/15/2028#	40	0.18
150,000	Dominion Energy Inc., senior bond, 2.85%, 8/15/2026#	116	0.51
250,000	Ellington CLO III Ltd., 2018-3A, A1, 144A, FRN, 3.469%, 7/20/2030	196	0.87
1,290,000	FHLMC, 3.00%, 4/01/2035#	1,087	4.82
1,280,000	FHLMC, 2.50%, 4/01/2035#	1,070	4.74
180,949	FHLMC Structured Agency Credit Risk Debt Notes, 2014-HQ1, M3, FRN, 5.046%, 8/25/2024	142	0.63
250,000	FHLMC Structured Agency Credit Risk Debt Notes, 2014-HQ2, M3, FRN, 4.696%, 9/25/2024	186	0.82
142,022	FHLMC Structured Agency Credit Risk Debt Notes, 2014-HQ3, M3, FRN, 5.696%, 10/25/2024	111	0.49
250,000	FHLMC Structured Agency Credit Risk Debt Notes, 2015-DNA1, M3, FRN, 4.247%, 10/25/2027	193	0.85
275,000	FHLMC Structured Agency Credit Risk Debt Notes, 2015-DNA3, M3, FRN, 5.646%, 4/25/2028	203	0.90
250,000	FHLMC Structured Agency Credit Risk Debt Notes, 2015-HQ2, M3, FRN, 4.197%, 5/25/2025	177	0.78
72,909	FHLMC Structured Agency Credit Risk Debt Notes, 2016-DNA4, M2, FRN, 2.247%, 3/25/2029	58	0.26
47,273	FHLMC Structured Agency Credit Risk Debt Notes, 2016-HQA2, M2, FRN, 3.197%, 11/25/2028	38	0.17
114,429	FHLMC Structured Agency Credit Risk Debt Notes, 2016-HQA3, M2, FRN, 2.297%, 3/25/2029	88	0.39
250,000	FHLMC Structured Agency Credit Risk Debt Notes, 2017-DNA1, M2, FRN, 4.197%, 7/25/2029	177	0.78
250,000	FHLMC Structured Agency Credit Risk Debt Notes, 2017-DNA2, M2, FRN, 4.397%, 10/25/2029	179	0.79
250,000	FHLMC Structured Agency Credit Risk Debt Notes, 2017-DNA3, M2, FRN, 3.447%, 3/25/2030	173	0.77
50,000	Fiserv Inc., senior bond, 3.85%, 6/01/2025#	43	0.19
59,144	Flagstar Mortgage Trust, 2018-6RR, 1A3, 144A, FRN, 4.00%, 10/25/2048	47	0.21
243,151	FNMA Connecticut Avenue Securities, 2014-C02, 1M2, FRN, 3.547%, 5/25/2024	176	0.78
177,834	FNMA Connecticut Avenue Securities, 2014-C02, 2M2, FRN, 3.547%, 5/25/2024	130	0.58
199,704	FNMA Connecticut Avenue Securities, 2014-C03, 1M2, FRN, 3.947%, 7/25/2024	147	0.65
165,055	FNMA Connecticut Avenue Securities, 2014-C03, 2M2, FRN, 3.847%, 7/25/2024	123	0.54
114,864	FNMA Connecticut Avenue Securities, 2014-C04, 1M1, FRN, 5.846%, 11/25/2024	88	0.39
114,956	FNMA Connecticut Avenue Securities, 2015-C03, 2M2, FRN, 5.946%, 7/25/2025	89	0.39
60,941	FNMA Connecticut Avenue Securities, 2016-C05, 2M2, FRN, 5.396%, 1/25/2029	47	0.21
30,000	FNMA Connecticut Avenue Securities, 2016-C06, 1M2, FRN, 5.196%, 4/25/2029	23	0.10
46,116	FNMA Connecticut Avenue Securities, 2016-C07, 2M2, FRN, 5.296%, 5/25/2029	35	0.15
240,000	FNMA Connecticut Avenue Securities, 2017-C02, 2M2, FRN, 4.596%, 9/25/2029	140	0.62
280,000	FNMA Connecticut Avenue Securities, 2017-C03, 1M2, FRN, 3.947%, 10/25/2029	200	0.89
220,054	FNMA Connecticut Avenue Securities, 2017-C06, 1M2, FRN, 3.597%, 2/25/2030	156	0.69
500,000	Galaxy XXVII CLO Ltd., 2018-27A, A, 144A, FRN, 2.712%, 5/16/2031	377	1.67
250,000	Galaxy XXVII CLO Ltd., 2018-27A, C, 144A, FRN, 3.492%, 5/16/2031	163	0.72
20,000	Grand Parkway Transportation Corp. System Toll Revenue, Tela Supported, Subordinate Tier, Refunding, Series B, 2.175%, 10/01/2029#	16	0.07
65,000	Greene Township Municipal Authority Revenue, Refunding, Series A, BAM Insured, 2.67%, 12/01/2028#	54	0.24

Franklin Absolute Return Bond Fund

Portfolio Statement as at 31 March 2020 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
UNITED STATES (continued)			
200,000	Harris County MTA Revenue, Sales and Use Tax Revenue, Refunding, Series A, 2.249%, 11/01/2030#	166	0.74
140,285	Invitation Homes Trust, 2018-SFR3, A, 144A, FRN, 1.80%, 7/17/2037	105	0.47
108,584	Invitation Homes Trust, 2018-SFR4, A, 144A, FRN, 1.90%, 1/17/2038	81	0.36
100,000	J.P. Morgan Chase Commercial Mortgage Securities Trust, 2016-NINE, A, 144A, FRN, 2.949%, 9/06/2038	82	0.36
200,000	JP Morgan Chase Commercial Mortgage Securities Trust, 2015-JP1, A5, 3.914%, 1/15/2049#	173	0.77
200,000	JPMBB Commercial Mortgage Securities Trust, 2015-C30, A5, 3.822%, 7/15/2048#	172	0.76
50,000	Kinder Morgan Inc./DE, senior note, 4.30%, 3/01/2028#	40	0.18
50,000	Kraft Heinz Foods Co., senior bond, 4.625%, 1/30/2029#	41	0.18
50,000	Maxim Integrated Products Inc., senior note, 3.45%, 6/15/2027#	41	0.18
166,089	Mill City Mortgage Loan Trust, 2017-3, A1, 144A, FRN, 2.75%, 1/25/2061	134	0.59
100,000	Mill City Mortgage Loan Trust, 2018-4, A1B, 144A, FRN, 3.50%, 4/25/2066	80	0.35
100,000	Morgan Stanley, senior note, 3.70%, 10/23/2024#	85	0.38
200,000	Octagon Investment Partners 18-R Ltd., 2018-18A, C, 144A, FRN, 4.543%, 4/16/2031	121	0.54
500,000	Octagon Investment Partners 36 Ltd., 2018-1A, C, 144A, FRN, 3.531%, 4/15/2031	331	1.47
35,975	Radnor RE Ltd., 2018-1, M1, 144A, FRN, 2.347%, 3/25/2028	29	0.13
100,000	Sealed Air Corp., senior bond, 144A, 5.25%, 4/01/2023#	83	0.37
85,085	Sequoia Mortgage Trust, 2016-2, A4, 144A, FRN, 3.50%, 8/25/2046	69	0.31
205,000	South Central Regional Water Authority Water System Revenue, Thirty-Fourth Series, Refunding, 2.299%, 8/01/2028#	164	0.73
50,000	The Southern Co., senior bond, 3.25%, 7/01/2026#	41	0.18
26,218	Towd Point Mortgage Trust, 2015-1, AE, 144A, 3.00%, 10/25/2053#	21	0.09
91,978	Towd Point Mortgage Trust, 2015-2, 1A1, 144A, FRN, 3.25%, 11/25/2060	74	0.33
132,261	Towd Point Mortgage Trust, 2016-3, A1, 144A, FRN, 2.25%, 4/25/2056	105	0.47
158,524	Towd Point Mortgage Trust, 2016-5, A1, 144A, FRN, 2.50%, 10/25/2056	125	0.55
151,176	Towd Point Mortgage Trust, 2017-2, A1, 144A, FRN, 2.75%, 4/25/2057	119	0.53
127,176	Towd Point Mortgage Trust, 2017-5, A1, 144A, FRN, 1.547%, 2/25/2057	99	0.44
538,042	U.S. Treasury Note, Index Linked, 0.125%, 7/15/2026#	438	1.94
79,879	Virginia State HDA Commonwealth Mortgage Revenue, Pass Through, Series A, 2.85%, 12/25/2049#	65	0.29
700,000	Voya CLO Ltd., 2013-2A, A1R, 144A, FRN, 2.764%, 4/25/2031	532	2.36
200,000	Wells Fargo Commercial Mortgage Trust, 2016-NXS6, A4, 2.918%, 11/15/2049#	161	0.71
71,342	Wells Fargo Mortgage Backed Securities, 2018-1, A3, 144A, FRN, 3.50%, 7/25/2047	57	0.25
		13,418	59.45
	TOTAL - NORTH AMERICA	13,450	59.59
	SOUTH AMERICA 0.87% (0.00%)		
	CHILE		
200,000	Colbun SA, senior note, Reg S, 3.15%, 3/06/2030#	140	0.62
		140	0.62
	COLOMBIA		
123,000,000	Government of Colombia, senior bond, 9.85%, 6/28/2027#	27	0.12
		27	0.12
	URUGUAY		
1,596,023	Government of Uruguay, senior bond, Index Linked, 3.70%, 6/26/2037#	29	0.13
		29	0.13
	TOTAL - SOUTH AMERICA	196	0.87

Franklin Absolute Return Bond Fund

Portfolio Statement as at 31 March 2020 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
UNITED KINGDOM 1.80% (1.25%)			
200,000	Imperial Brands Finance PLC, senior note, 144A, 4.25%, 7/21/2025#	157	0.70
200,000	HSBC Holdings PLC, senior note, 3.60%, 5/25/2023#	163	0.72
60,000	Avon Products Inc., senior bond, 7.00%, 3/15/2023#	40	0.18
50,000	AstraZeneca PLC, senior bond, 4.00%, 1/17/2029#	46	0.20
	TOTAL - UNITED KINGDOM	406	1.80
	TOTAL - BONDS	19,998	88.61
COLLECTIVE INVESTMENT SCHEMES 3.90% (10.01%)			
BOND FUNDS			
94,420	Franklin Flexible Alpha Bond Fund, Class V3#	880	3.90
	TOTAL COLLECTIVE INVESTMENT SCHEMES	880	3.90
DERIVATIVES (5.14%) (1.45%)			
DEBT FUTURES			
21	Australian 3 Yr. Bond, June, 2020	7	0.03
17	Canada 10 Yr. Bond, June, 2020	69	0.30
8	Euro-BTP, June, 2020	(39)	(0.17)
1	Euro-Bund, June, 2020	(3)	(0.01)
28	U.S. Treasury 2 Yr. Note, June, 2020	68	0.30
(15)	U.S. Treasury 5 Yr. Note, June, 2020	(28)	(0.13)
6	U.S. Treasury 10 Yr. Note, June, 2020	2	0.01
(5)	U.S. Treasury 30 Yr. Bond, June, 2020	(39)	(0.17)
(14)	Ultra 10 Yr. U.S. Treasury Note, June, 2020	(50)	(0.22)
		(13)	(0.06)
FORWARD CURRENCY CONTRACTS			
	Buy GBP 980,000 & Sell USD 1,139,093, 7/27/2020	64	0.28
	Buy USD 201,508 & Sell AUD 294,000, 4/27/2020	17	0.08
	Buy USD 866,358 & Sell EUR 770,000, 9/15/2020	10	0.04
	Buy USD 573,693 & Sell SGD 800,000, 8/13/2020	8	0.04
	Buy GBP 450,000 & Sell USD 550,969, 9/15/2020	7	0.03
	Buy USD 85,689 & Sell AUD 125,000, 4/27/2020	7	0.03
	Buy USD 124,000 & Sell CAD 163,000, 4/29/2020	7	0.03
	Buy DKK 1,384,579 & Sell USD 199,343, 7/23/2020	5	0.02
	Buy GBP 250,000 & Sell USD 304,850, 9/15/2020	5	0.02
	Buy JPY 47,200,000 & Sell USD 433,608, 4/28/2020	5	0.02
	Buy USD 412,526 & Sell EUR 366,722, 9/15/2020	5	0.02
	Buy USD 51,612 & Sell AUD 75,000, 4/15/2020	4	0.02
	Buy USD 191,176 & Sell NOK 1,950,000, 9/15/2020	3	0.01
	Buy USD 144,425 & Sell CAD 200,000, 9/15/2020	2	0.01
	Buy USD 140,744 & Sell EUR 125,000, 8/05/2020	2	0.01
	Buy USD 127,551 & Sell NOK 1,300,000, 7/23/2020	2	0.01
	Buy GBP 450,000 & Sell USD 558,781, 7/27/2020	1	0.00
	Buy JPY 42,960,400 & Sell USD 400,000, 7/16/2020	1	0.01
	Buy USD 142,033 & Sell CNH 1,000,000, 8/21/2020	1	0.01
	Buy USD 206,758 & Sell DKK 1,384,579, 7/23/2020	1	0.01
	Buy USD 126,231 & Sell NZD 210,000, 6/17/2020	1	0.00
	Buy AUD 75,000 & Sell USD 45,495, 4/15/2020	-	0.00
	Buy GBP 150,000 & Sell USD 150,000, 9/15/2020	-	0.00
	Buy JPY 35,600,000 & Sell USD 333,896, 8/13/2020	(1)	(0.00)
	Buy TRY 150,000 & Sell USD 23,785, 4/15/2020	(1)	(0.00)
	Buy CNH 1,000,000 & Sell USD 143,281, 8/21/2020	(2)	(0.01)
	Buy JPY 22,000,000 & Sell USD 210,465, 9/14/2020	(4)	(0.02)
	Buy NOK 1,950,000 & Sell USD 193,073, 9/15/2020	(4)	(0.02)
	Buy AUD 125,000 & Sell USD 84,053, 4/27/2020	(6)	(0.03)
	Buy USD 527,760 & Sell GBP 430,000, 9/15/2020	(6)	(0.03)
	Buy USD 302,775 & Sell GBP 250,000, 9/15/2020	(7)	(0.03)

Franklin Absolute Return Bond Fund

Portfolio Statement as at 31 March 2020 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
FORWARD CURRENCY CONTRACTS (continued)			
	Buy IDR 1,200,000,000 & Sell USD 86,238, 5/18/2020	(11)	(0.05)
	Buy JPY 56,600,000 & Sell USD 543,630, 8/13/2020	(12)	(0.05)
	Buy NOK 1,300,000 & Sell USD 143,743, 7/23/2020	(15)	(0.07)
	Buy USD 649,935 & Sell GBP 550,000, 7/27/2020	(27)	(0.12)
	Buy USD 582,525 & Sell GBP 500,000, 9/15/2020	(32)	(0.14)
	Buy USD 577,250 & Sell GBP 500,000, 9/15/2020	(36)	(0.16)
	Buy USD 816,865 & Sell GBP 700,000, 9/15/2020	(43)	(0.19)
	Buy GBP 22,550,000 & Sell USD 28,431,040, 9/15/2020	(307)	(1.36)
FOREIGN EXCHANGE GAIN/LOSS ON OUTSTANDING FORWARD CURRENCY CONTRACTS		(356)	(1.58)
CREDIT DEFAULT SWAPS			
(274,896)	AES Corp., CDS, 5.00%, 3/20/2021#	(9)	(0.04)
(209,353)	Ally Financial Inc., CDS, 5.00%, 12/20/2024#	(12)	(0.05)
(55,056)	Avon Products Inc., CDS, 5.00%, 3/20/2023#	4	0.02
(11,009)	Avon Products Inc., CDS, 5.00%, 3/20/2023#	1	0.00
307,392	CDX.NA.HY.33, Index Swap, 5.00%, 12/20/2024#	(14)	(0.06)
302,233	CDX.NA.IG.33, Index Swap, 1.00%, 12/20/2024#	(1)	(0.00)
(317,728)	CenturyLink Inc., CDS, 5.00%, 6/20/2021#	(9)	(0.04)
(19,013)	Chesapeake Energy Corp., CDS, 5.00%, 6/20/2020#	9	0.04
(4,050)	Chesapeake Energy Corp., CDS, 5.00%, 6/20/2020#	2	0.01
200,000	Citibank Bespoke Bogota Tranche, 1.35%, 6/20/2020#	(3)	(0.01)
45,000	Citibank Bespoke Palma Tranche, 2.30%, 6/20/2021#	(5)	(0.02)
50,000	Citibank Bespoke Phoenix Tranche, 2.90%, 12/20/2021#	(9)	(0.04)
64,464	Citibank Bespoke Singapore Tranche, 1.00%, 6/20/2020#	(17)	(0.08)
4,155	Government of Argentina, CDS, 5.00%, 12/20/2021#	(6)	(0.03)
4,235	Government of Argentina, CDS, 5.00%, 12/20/2021#	(6)	(0.03)
20,450	Government of Argentina, CDS, 5.00%, 12/20/2021#	(29)	(0.13)
85,584	Government of Indonesia, CDS, 1.00%, 12/20/2024#	(3)	(0.01)
(79,073)	Government of Italy, CDS, 1.00%, 6/20/2023#	-	0.00
76,178	Government of Italy, CDS, 1.00%, 6/20/2023#	(1)	(0.01)
80,832	Government of Russia, CDS, 1.00%, 12/20/2024#	(2)	(0.01)
1,111,019	MCDX.NA.31, Index Swap, 1.00%, 12/20/2023#	(1)	(0.01)
178,475	Morgan Stanley, CDS, 1.00%, 12/20/2024#	(2)	(0.01)
(33,614)	Nabors Industries Inc., CDS, 1.00%, 12/20/2021#	12	0.05
(23,528)	Nabors Industries Inc., CDS, 1.00%, 12/20/2021#	9	0.04
(19,237)	Nabors Industries Inc., CDS, 1.00%, 12/20/2021#	7	0.03
17,180	Nabors Industries Inc., CDS, 1.00%, 12/20/2023#	(11)	(0.05)
20,649	Nabors Industries Inc., CDS, 1.00%, 12/20/2023#	(14)	(0.06)
29,939	Nabors Industries Inc., CDS, 1.00%, 12/20/2023#	(19)	(0.08)
178,166	The Goldman Sachs Group Inc., CDS, 1.00%, 12/20/2024#	(1)	(0.00)
		(130)	(0.58)
CROSS CURRENCY SWAPS			
307,500	Receiving floating rate 3-month USD LIBOR + 1.894%, Paying fixed rate, 1.50%, 5/04/2021#	26	0.12
116,200	Receiving floating rate 3-month USD LIBOR + 2.87%, Paying fixed rate, 2.50%, 5/04/2021#	5	0.02
276,750	Receiving floating rate 3-month USD LIBOR + 1.305%, Paying floating rate 3-month EUR LIBOR, 1.11%, 8/20/2021#	1	0.00
555,000	Receiving floating rate 3-month USD LIBOR + 1.31%, Paying floating rate 3-month EUR LIBOR, 1.11%, 8/30/2021#	3	0.01
555,000	Receiving floating rate 3-month USD LIBOR + 1.23%, Paying floating rate 3-month EUR LIBOR, 1.07%, 9/17/2021#	2	0.01
275,000	Receiving floating rate 3-month USD LIBOR + 1.87%, Paying floating rate 3-month EUR LIBOR, 1.70%, 10/15/2021#	-	0.00
277,500	Receiving floating rate 3-month USD LIBOR + 1.25%, Paying floating rate 3-month EUR LIBOR, 1.10%, 10/30/2021#	2	0.01
		39	0.17

Franklin Absolute Return Bond Fund

Portfolio Statement as at 31 March 2020 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
INTEREST RATE SWAPS (USD)			
(2,164,928)	Receiving floating rate 3-month USD LIBOR, Paying fixed rate, 2.00%, 6/20/2025#	(144)	(0.64)
(1,150,000)	Receiving floating rate 3-month USD LIBOR, Paying fixed rate, 2.806%, 4/17/2023#	(66)	(0.29)
(850,000)	Receiving floating rate 3-month USD LIBOR, Paying fixed rate, 2.713%, 3/29/2023#	(46)	(0.20)
(600,000)	Receiving floating rate 3-month USD LIBOR, Paying fixed rate, 3.197%, 11/13/2023#	(47)	(0.21)
		(303)	(1.34)
OPTIONS			
850,000	Buy protection on CDX.NA.IG.33, Premium Rate 1.00%, Strike Price \$120, 5/20/2020#	4	0.02
(850,000)	Buy protection on CDX.NA.IG.33, Premium Rate 1.00%, Strike Price \$160, 5/20/2020#	(2)	(0.01)
200,000	Buy protection on CDX.NA.HY.33, Premium Rate 5.00%, Strike Price \$97, 5/20/2020#	9	0.04
600,000	Buy protection on CDX.NA.HY.33, Premium Rate 5.00%, Strike Price \$107, 5/20/2020#	-	0.00
(200,000)	Buy protection on CDX.NA.HY.33, Premium Rate 5.00%, Strike Price \$92, 5/20/2020#	(5)	(0.02)
1,500,000	Pay fixed 1.66%, Received float 3-month USD LIBOR, 8/11/2020#	1	(0.00)
2,400,000	Pay fixed 1.92%, Received float 3-month USD LIBOR, 7/09/2020#	1	0.01
1,500,000	HSBC Bank PLC, April USD Payer Swaption, 1.95%, 4/22/2020#	-	0.00
		8	0.04
TOTAL RETURN SWAPS			
775,000	Barclays Bank PLC, Markit iBoxx USD Liquid Leveraged Loans, 6/20/2020#	(69)	(0.30)
100,000	Barclays Bank PLC, Markit iBoxx USD Liquid Leveraged Loans, 6/20/2020#	(4)	(0.02)
710,000	Goldman Sachs International, Markit iBoxx USD Liquid Leveraged Loans, 9/20/2020#	(74)	(0.33)
700,000	Goldman Sachs International, Markit iBoxx USD Liquid Leveraged Loans, 12/20/2020#	(73)	(0.32)
300,000	JPMorgan Chase Bank NA, Markit iBoxx USD Liquid Leveraged Loans, 6/20/2020#	(22)	(0.10)
		(242)	(1.07)
INFLATION SWAP CONTRACTS			
850,000	Receiving floating rate, Paying fixed rate, 2.061%, 12/10/2025#	(61)	(0.27)
100,000	Receiving floating rate, Paying fixed rate, 1.719%, 8/14/2026#	(5)	(0.02)
300,000	Receiving floating rate, Paying fixed rate, 1.913%, 1/14/2029#	(22)	(0.10)
1,000,000	Receiving floating rate, Paying fixed rate, 1.942%, 1/15/2029#	(74)	(0.33)
		(162)	(0.72)
TOTAL - DERIVATIVES		(1,159)	(5.14)
TOTAL VALUE OF INVESTMENTS		19,719	87.37
OTHER ASSETS		2,851	12.63
TOTAL NET ASSETS		22,570	100.00

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

‡ These securities are fair valued by the manager.

Traded on an alternative investment market.

Franklin Absolute Return Bond Fund

Securities Financing Transactions Regulation (SFTR)

As defined in Article 3 of Regulation (EU) 2015/2365, securities financing transactions ("SFT") include: repurchase transactions; securities and commodities lending; securities and commodities borrowing; buy-sell back transactions; sell-buy back transactions; and margin lending transactions. Whilst the Fund is not involved in such SFTs, it does engage in Total Return Swaps ("TRS") and therefore, in accordance with Article 13 of the Regulation, the Fund's involvement in and exposures related to TRS for the year ended 31 March 2020 are detailed below.

Amount of assets engaged in TRS

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

	31 March 2020 Value £000	31 March 2020 % of Net Assets	31 March 2019 Value £000	31 March 2019 % of Net Assets
TRS	(242)	(1.07)	30	0.12

Ten largest collateral issuers

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

Counterparties

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

Counterparty	Country of incorporation	31 March 2020 Value £000	31 March 2019 Value £000
Barclays	UK	(73)	-
Citi	UK	-	1
Goldman Sachs	UK	(147)	(1)
JP Morgan	UK	(22)	30

Type, quality of maturity tenor of collateral

As at 31 March 2020, collateral provided by the Fund in respect of Over the Counter ("OTC") derivatives (including TRS) to JP Morgan, Deutsche Bank, Citi and Goldman Sachs was in the form of cash and totalled £1,511,000. The collateral received from JP Morgan was in the form of cash and totalled £34,000. The maturity tenor of the collateral was therefore less than 1 day. (As at 31 March 2019, collateral provided by the Fund in respect of OTC derivatives (including TRS) to JP Morgan and Deutsche Bank was in the form of cash and totalled £483,000. The collateral received from JP Morgan was in the form of cash and totalled £38,000. The maturity tenor of the collateral was therefore less than 1 day).

Currency of collateral

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

	31 March 2020 Collateral received Value £000	31 March 2020 Collateral provided Value £000	31 March 2019 Collateral received Value £000	31 March 2019 Collateral provided Value £000
Australian dollar	3	-	-	20
Canadian dollar	-	55	-	12
Euro	31	-	38	-
US dollar	-	1,456	-	451

Maturity tenor of TRS

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

Maturity	31 March 2020 Value £000	31 March 2019 Value £000
0 - 1 month	-	-
1 - 3 months	(95)	3
4 - 12 months	(147)	27

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

Franklin Absolute Return Bond Fund

Statement of Total Return

For the year ended 31 March 2020

	Note	March 2020 £000	March 2020 £000	March 2019 £000	March 2019 £000
Income					
Net capital gains/(losses)	1		(3,032)		(609)
Revenue	2	807		841	
Expenses	3	(145)		(174)	
Finance costs – interest		(3)		-	
Net revenue before taxation		659		667	
Taxation	4	(16)		(14)	
Net revenue after taxation			643		653
Total return before distributions for the year			(2,389)		44
Distributions	5		(659)		(667)
Change in net assets attributable to shareholders			(3,048)		(623)

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 March 2020

	March 2020 £000	March 2019 £000
Opening net assets attributable to shareholders	24,959	24,915
Change in net assets attributable to shareholders from investment activities (see above)	(3,048)	(623)
Retained distribution on accumulation shares	659	667
Closing net assets attributable to shareholders	22,570	24,959

Balance Sheet

As at 31 March 2020

	Note	March 2020 £000	March 2019 £000
Assets			
Fixed assets			
Investments		21,280	21,450
Current assets			
Debtors	6	127	117
Cash and bank balances		5,813	3,991
Total assets		27,220	25,558
Liabilities			
Investment liabilities		(1,561)	(502)
Creditors			
Other creditors	7	(3,089)	(97)
Total liabilities		(4,650)	(599)
Net assets attributable to shareholders		22,570	24,959

Franklin Absolute Return Bond Fund

Notes to the Financial Statements

	March 2020 £000	March 2019 £000
1. Net capital gains/(losses)		
The net capital gains/(losses) during the year comprise:		
Currency gains/(losses)	(43)	37
Non-derivative securities gains/(losses)	(331)	1,420
Derivative gains/(losses)	<u>(2,658)</u>	<u>(2,066)</u>
	(3,032)	(609)
2. Revenue		
Revenue from debt securities	762	808
Net swap revenue	18	19
Bank and other interest	15	7
Other revenue	8	7
Distributions from regulated collective investment schemes:		
Overseas interest distributions	<u>4</u>	<u>-</u>
	807	841
3. Expenses		
Payable to the ACD, associates of the ACD and agents of either of them		
ACD's periodic charge	113	137
ACD's administration charge	<u>13</u>	<u>12</u>
	126	149
Payable to the Depositary, associates of the Depositary and agents of either of them		
Depositary fees	4	5
Safe custody fees	<u>1</u>	<u>1</u>
	5	6
Other expenses		
Audit fees	11	13
Legal and publication fees	3	12
Printing fees	1	3
Expense cap	<u>(1)</u>	<u>(9)</u>
	14	19
	145	174
4. Taxation		
(a) Analysis of charge in the year		
Adjustments in respect of prior year	1	-
Corporation tax	<u>15</u>	<u>14</u>
Total current tax (note 4(b))	<u>16</u>	<u>14</u>
Total taxation	16	14

Franklin Absolute Return Bond Fund

Notes to the Financial Statements (continued)

	March 2020 £000	March 2019 £000
4. Taxation (continued)		
(b) Factors affecting tax charge for the year		
The tax assessed for the year is lower (2019: lower) than the standard rate of corporation tax in the UK for Open-ended Investment Companies (20% (2019: 20%)).		
The differences are explained below:		
Net revenue before taxation	659	667
Corporation tax of 20% (2019: 20%)	132	133
Effects of:		
Adjustments in respect of prior year	1	-
Non deductible expenses	-	1
Interest distributions	(132)	(133)
Reporting offshore fund deemed distributions	15	13
Current tax charge for year (note 4(a))	16	14

Open-ended Investment Companies are exempt from tax on capital gains in the UK. Therefore, any capital return is not included within the reconciliation above.

5. (a) Distributions

The distribution takes account of income received on the issue of shares and income deducted on the cancellation of shares, and comprise:

Interim dividend distributions

Accumulation	355	317
	<u>355</u>	<u>317</u>

Final dividend distributions

Accumulation	304	350
	<u>304</u>	<u>350</u>

Total distribution	659	667
---------------------------	------------	------------

(b) Difference between net revenue and distribution:

Net revenue after taxation	643	653
Tax charge taken from capital account	16	14
Total distribution for the year	659	667

Details of the distribution in pence per share for this fund are set out in the table on page 31.

6. Debtors

Accrued income	110	117
Sales awaiting settlement	16	-
Capped expenses	1	-
	<u>127</u>	<u>117</u>

7. Other creditors

Purchases awaiting settlement	3,024	25
Net swap expense payable	26	28
Accrued expenses	24	30
Tax payable	15	14
	<u>3,089</u>	<u>97</u>

Franklin Absolute Return Bond Fund

Notes to the Financial Statements (continued)

8. Related parties

During the year, Franklin Templeton Fund Management Limited ("ACD"), a related party, acted primarily in all transactions of the Funds. The aggregate amounts received through issues and cancellations are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

Amounts charged by the ACD and associates of the ACD in respect of the management and administration fees are disclosed in Note 3.

The amounts due to the ACD and associates of the ACD in respect of management and administration fees at 31 March 2020 are £8,000 (£13,000 as at 31 March 2019).

During the year the Fund received £nil (£20,000 for the year to 31 March 2019) in reimbursed expenses from the ACD.

As at 31 March 2020 the Fund was due reimbursed expenses of £nil (£nil as at 31 March 2019) from the ACD.

As at 31 March 2020 Templeton Global Advisors Limited ("TGAL") held 100% of the shares in issue of Class W Accumulation (100% as at 31 March 2019).

9. Risk management policies and disclosures

The risks inherent in the Fund's investment portfolio are as follows:

Market Risk

Please refer to the accounting policies note for details on market risk exposure.

Currency risk

An analysis of assets and liabilities (including equity investments), in foreign currencies at the year end is shown below.

Currency	Net foreign currency assets and (liabilities) 31 March 2020	Net foreign currency assets and (liabilities) 31 March 2019
	Total £000	Total £000
Japanese yen	1,486	67
Euro	1,359	285
Indonesian rupiah	65	70
Columbian peso	29	-
Uruguayan peso	29	-
South African rand	26	-
Danish krone	19	-
Turkish lira	18	-
Norwegian krone	13	9
Chinese yuan	3	(109)
Canadian dollar	(81)	(93)
New Zealand dollar	(100)	-
Australian dollar	(151)	(133)
Singapore dollar	(444)	-
US dollar	(2,223)	19
Mexican peso	-	79
Swedish krona	-	75
Polish zloty	-	28
Indian rupee	-	(1)
South Korean won	-	(44)
	48	252

With reference to the foreign currency assets and liabilities table above, any movement in exchange rates would lead to a corresponding change in the value of the assets.

Franklin Absolute Return Bond Fund

Notes to the Financial Statements (continued)

9. Risk management policies and disclosures (continued)

Interest Rate Risk

Interest rate profile of financial assets and financial liabilities

The tables below detail the interest rate profile of the Fund's assets / liabilities at the year end.

	Floating rate financial assets / liabilities £000	Fixed rate financial assets / liabilities £000	Financial assets / liabilities not carrying interest £000	Total £000
March 2020				
UK sterling	-	-	22,522	22,522
Japanese yen	-	-	1,486	1,486
Euro	1,376	1,107	(1,124)	1,359
Indonesian rupiah	-	-	65	65
Colombian peso	-	27	2	29
Uruguayan peso	-	29	-	29
South African rand	-	23	3	26
Danish krone	-	-	19	19
Turkish lira	-	-	18	18
Norwegian krona	-	-	13	13
Chinese yuan	-	-	3	3
Canadian dollar	-	-	(81)	(81)
New Zealand dollar	-	-	(100)	(100)
Australian dollar	-	-	(151)	(151)
Singapore dollar	-	-	(444)	(444)
US dollar	7,546	9,626	(19,395)	(2,223)
	8,922	10,812	2,836	22,570

	Floating rate financial assets / liabilities £000	Fixed rate financial assets / liabilities £000	Financial assets / liabilities not carrying interest £000	Total £000
March 2019				
UK sterling	-	-	24,706	24,706
Euro	-	986	(701)	285
Mexican peso	-	-	79	79
Swedish krona	-	-	75	75
Indonesian rupiah	-	-	70	70
Japanese yen	-	-	67	67
Polish zloty	-	-	28	28
US dollar	12,675	5,145	(17,799)	21
Norwegian krona	-	-	9	9
Indian rupee	-	-	(1)	(1)
South Korean won	-	-	(44)	(44)
Canadian dollar	-	-	(94)	(94)
Chinese yuan	-	-	(109)	(109)
Australian dollar	-	-	(133)	(133)
	12,675	6,131	6,153	24,959

Franklin Absolute Return Bond Fund

Notes to the Financial Statements (continued)

10. Portfolio Transaction Costs

	2020			2019		
	Purchases £000	% Of Purchases	% of Average Net Asset Value	Purchases £000	% Of Purchases	% of Average Net Asset Value
Derivative purchases in the year before transaction costs	177			88		
Commission	1	0.56	-	1	1.14	-
Total Derivative purchases in the year after direct transaction costs	178			89		

	2020			2019		
	Sales £000	% Of Sales	% of Average Net Asset Value	Sales £000	% Of Sales	% of Average Net Asset Value
Derivative sales in the year before transaction costs	(341)			59		
Commissions	(1)	0.29	-	(1)	1.69	-
Total Derivative sales in the year after transaction costs	(342)			58		

During the year bond purchases amounted to £30,294,000 (2019: £5,743,000), bond sales amounted to £26,750,000 (2019: £6,479,000), collective investment scheme purchases amounted to £1,292,000 (2019: £nil) and collective investment scheme sales amounted to £2,682,000 (2019: £nil). No Direct Transaction Costs were incurred in making these trades during the current or prior year.

In pursuance of its investments objectives the Fund incurs commissions, taxes and other charges when buying and selling investment securities. Share dealing generally incurs broker commission and stamp Duty and these are paid by the Fund on each transaction where appropriate.

In addition there is a dealing spread between the buying and selling prices of the underlying investments. The average dealing spread which is the difference between the quoted bid and offer prices or internal administrative or holding costs, are not included in the calculation of Direct Transaction Costs. As at 31 March 2020, the average dealing spread for the underlying Fund investments is 0.43% (2019: 0.28%).

Comparing portfolio transaction costs for a range of funds may give misleading impression of the relative costs of investing in those funds for the following reasons:

- Historic transaction costs are not an effective indicator of the future impact on performance as it may vary from year to year depending on the investment manager;
- Transaction costs for buying and selling investments due to shareholder activity on the fund are recovered from those investors; and
- Transaction costs will vary depending on the types of securities the fund is investing.

11. Creations and Cancellations of Shares

	W-Accumulation shares
Opening shares	25,000,000
Total closing shares	25,000,000

12. Fair Value Disclosure

In accordance with FRS 102 the Fund classifies fair value measurement under the following levels:

Level 1

Unadjusted quoted market prices in active markets for identical securities.

Level 2

Investments (other than quoted prices included within Level 1) whose fair value is based directly on observable current market prices or is indirectly being derived from market prices; and

Level 3

Investments whose fair value is determined using a valuation technique based on assumptions that are not supported by observable current market prices or are not based on observable market data such as security in default or securities valued by Franklin Templeton

Franklin Absolute Return Bond Fund

Notes to the Financial Statements (continued)

12. Fair Value Disclosure (continued)

Fair Valuation Committee.

Fair Value Hierarchy	Assets	Liabilities	Assets	Liabilities
	31 March 2020 £000	31 March 2020 £000	31 March 2019 £000	31 March 2019 £000
Level 1	1,026	(159)	2,512	(40)
Level 2	19,979	(888)	18,792	(462)
Level 3	117	-	146	-
Total	21,122	(1,047)	21,450	(502)

13. Portfolio Statement by Credit Rating

Standard & Poor's Ratings		Market Value £000	% of Net Assets
March 2020			
Investment grade	BBB or higher	17,991	79.72
Non-investment grade	below BBB	1,903	8.43
Not rated	Not rated	104	0.46
Total Value of Bonds		19,998	88.61
March 2019			
Investment grade	BBB or higher	17,081	68.44
Non-investment grade	below BBB	1,484	5.95
Not rated	Not rated	231	0.92
Total Value of Bonds		18,796	75.31

14. Counterparty and Collateral Exposure

Counterparty	Forward currency contracts £000	Futures £000	Swaps £000	Options £000	Total £000
31 March 2020					
BNP Paribas	-	-	(1)	6	5
HSBC	-	-	(47)	-	(47)
Barclays	-	-	(96)	-	(96)
Citi	1	-	(149)	1	(147)
Goldman Sachs	-	-	(147)	-	(147)
Deutsche Bank	27	-	(251)	1	(223)
JP Morgan	(384)	(13)	(107)	-	(504)
31 March 2019					
Citi	-	27	(1)	4	30
Goldman Sachs	-	-	(1)	-	(1)
Deutsche Bank	12	-	(19)	-	(7)
HSBC	-	-	(18)	-	(18)
Barclays	-	-	(20)	-	(20)
JP Morgan	(295)	-	(39)	3	(331)

As at 31 March 2020, the Fund: pledged £505,000 of US dollar cash collateral and £55,000 of Canadian dollar cash collateral to JP Morgan; held £31,000 of Euro cash collateral and £3,000 Australian dollar cash collateral from JP Morgan; and pledged net £951,000 of US dollar cash collateral to Deutsche Bank, Citi and Goldman Sachs, in respect of its derivative contracts (pledged £326,000 of US dollar cash collateral, £12,000 of Canadian dollar cash collateral, £20,000 of Australian dollar cash collateral to JP Morgan; held £38,000 of Euro cash collateral from JP Morgan; and pledged £125,000 of US dollar cash collateral to Deutsche Bank as at 31 March 2019).

Franklin Absolute Return Bond Fund

Notes to the Financial Statements (continued)

15. Calculation Method of the Risk Exposure Global exposure using the VaR approach

Market Risk	Limit	Lowest	Highest	Average	Reference portfolio	Model type	Confidence Interval	Holding period	Observation period
March 2020									
Absolute VaR	20%	0.61%	2.73%	1.12%	N/A	Monte Carlo Simulation	99th Percentile	20-Day	1 Apr 2019 to 31 March 2020
March 2019									
Absolute VaR	20%	0.57%	0.96%	0.71%	N/A	Monte Carlo Simulation	99th Percentile	20-Day	1 Apr 2018 to 31 Mar 2019

Franklin Absolute Return Bond Fund

Distribution Statement

For the period 1 April 2019 to 30 September 2019

Group 1 – Shares purchased prior to 1 April 2019

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

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

For the period 1 October 2019 to 31 March 2020

Group 1 – Shares purchased prior to 1 October 2019

Group 2 – Shares purchased in the period 1 October 2019 to 31 March 2020

	Net Income p	Equalisation p	31 March 2020 Pence per Share p	31 March 2019 Pence per Share p
W - Accumulation shares				
Group 1	1.2170	-	1.2170	1.3982
Group 2	1.2170	-	1.2170	1.3982

Equalisation

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

Franklin Mutual Shares Fund

Investment Review

Franklin Mutual Shares Fund ceased trading on 31 January 2020.

Performance

For the 10 months to 31 January 2020, Franklin Mutual Shares Fund (W (acc) shares) returned 10.81%*, compared with a return of 14.12% by the S&P 500® Index.

Overview

Stocks were lifted to record highs in 2019 by accommodative central bank monetary policies and progress on a proposed trade deal between the United States and China. However, the coronavirus outbreak that was first reported in December, began to weigh on markets as we moved in to 2020.

In 2019, headlines had been dominated by tariffs, trade battles and geopolitical conflict and were a source of market volatility. The United States and China signed the long-anticipated, phase-one trade agreement on 15 January.

The United Kingdom left the European Union on 31 January without fanfare, but the post-Brexit transition could see a repeat of the acrimony leading up to the separation once the focus on dealing with the key issues of the pandemic fades. On a positive note, armed conflict between the United States and Iran, that seemed likely in late December and early January, was averted. In response, stocks regained ground, until concerns about the coronavirus led to a decline in investor sentiment.

As the Fund closed, equity market valuations were near all-time highs and embedded significant optimism. From a sector perspective, there were few obvious mispriced areas of the market as equities with greater growth potential, or operating businesses considered stable, tended to be highly valued.

Positive/Negative Contributors

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

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

JPMorgan Chase's stock price trended up during the year but rose sharply after it reported third-quarter earnings that beat consensus estimates. The results were broad based, with stronger-than-expected revenues emanating from consumer and investment banking, respectively. A drop in net interest income, which declines when interest rates fall, was less than expected, mitigated by revenue from Chase's diversified banking operation.

Disney shares surged in late 2019, lifted by financial results that beat consensus estimates; the launch of a proprietary streaming service, Disney+; and record-breaking box office receipts for the Frozen II movie. The rally was kicked off by an earnings report characterised by across-the-board outperformance of Disney legacy assets and a better-than-expected outlook for fiscal-year 2020 earnings. The company's stock continued to rise following the successful launch of Disney+, which reported more than 10 million subscribers on the first day of service, exceeding forecasts. Disney's share price retreated in December and in late January. Box office receipts for the latest Star Wars movie disappointed, and the spread of the coronavirus in China led to the closing of theme parks in Shanghai and Hong Kong.

Shares of Fluor, a global engineering and construction company, fell significantly during the period. The company withdrew 2019 guidance after reporting significant project charges and materially lower-than-expected earnings and revenues. Following these disappointing results, the company announced the return of the former CEO as Executive Chairman; promoted the general counsel to CEO; rehired the former CFO; and initiated a strategic review that recommends simplifying the business model by divesting of non-core businesses.

Occidental Petroleum's shares traded lower in 2019 as investors struggled to accept its acquisition of Anadarko Petroleum, during a period in which energy stocks were under pressure from falling crude oil prices. In our view, the acquired Permian Basin assets complement Occidental's existing portfolio, and the considerable free cash flow generated from Anadarko's Gulf of Mexico operations can help reduce debt and support the dividend.

Shares of Walgreens Boots Alliance declined in 2019's first quarter when the chief financial officer cited negative industry trends in drug prices and pharmacy benefit manager ("PBM") reimbursement rates, as well as the company's limited success offsetting those challenges by increasing its volume of drug sales or renegotiating with PBMs. These pressures and weakness in both its US and UK stores resulted in a cut to full-year guidance in April. Walgreens cut costs throughout the enterprise, and reduced exposure to lower margin categories within the front end of the company's stores. The share price rallied in early November on news that KKR had approached the company about taking it private via a leveraged buyout that would likely be the largest in history. However, the stock retraced later when deal terms failed to materialise.

Peter Langerman & Deborah Turner, CFA

Fund Managers

31 March 2020

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

Franklin Mutual Shares Fund

Comparative Table

	31 March 2020	31 March 2019	31 March 2018
A – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	252.41	232.99	262.29
Return before operating charges ¹	n/a	24.82	(22.96)
Operating charges ²	-	(4.42)	(4.42)
Return after operating charges ³	n/a	20.40	(27.38)
Distributions on income shares	(3.3774)	(0.9829)	(1.9184)
Closing net asset value per share	-	252.41	232.99
After direct transaction costs of ⁴	0.14	0.05	0.03
Performance			
Return after charges ⁵	n/a	8.76%	(10.44%)
Other information			
Closing net asset value (£)	32	497,556	711,923
Closing number of shares	-	197,118	305,557
Operating charges ratio ⁶	-	1.75%	1.75%
Direct transaction costs ⁴	0.05%	0.02%	0.01%
Prices (p)			
Highest share price	288.17	271.75	264.35
Lowest share price	-	228.28	226.04

	31 March 2020	31 March 2019	31 March 2018
A – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	268.94	247.29	276.17
Return before operating charges ¹	n/a	26.34	(24.22)
Operating charges ²	-	(4.69)	(4.66)
Return after operating charges ³	n/a	21.65	(28.88)
Closing net asset value per share	-	268.94	247.29
Distributions	(3.3513)	(1.0442)	(2.0271)
Retained distributions on accumulation shares	0.3574	1.0442	2.0271
After direct transaction costs of ⁴	0.14	0.05	0.03
Performance			
Return after charges ⁵	n/a	8.75%	(10.46%)
Other information			
Closing net asset value (£)	174	1,322,851	1,815,434
Closing number of shares	-	491,883	734,143
Operating charges ratio ⁶	-	1.75%	1.75%
Direct transaction costs ⁴	0.05%	0.02%	0.01%
Prices (p)			
Highest share price	307.40	288.42	278.13
Lowest share price	-	242.29	239.24

Franklin Mutual Shares Fund

Comparative Table (continued)

	31 March 2020	31 March 2019	31 March 2018
I – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	300.19	274.10	303.99
Return before operating charges ¹	n/a	29.22	(26.80)
Operating charges ²	-	(3.13)	(3.09)
Return after operating charges ³	n/a	26.09	(29.89)
Closing net asset value per share	-	300.19	274.10
Distributions	(18.5640)	(3.3111)	(4.3608)
Retained distributions on accumulation shares	18.5640	3.3111	4.3608
After direct transaction costs of ⁴	0.16	0.06	0.03
Performance			
Return after charges ⁵	n/a	9.52%	(9.83%)
Other information			
Closing net asset value (£)	-	66,065	64,510
Closing number of shares	-	22,008	23,535
Operating charges ratio ⁶	-	1.05%	1.05%
Direct transaction costs ⁴	0.05%	0.02%	0.01%
Prices (p)			
Highest share price	345.28	320.61	306.21
Lowest share price	-	268.58	265.15
W – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	229.39	209.36	232.06
Return before operating charges ¹	n/a	22.31	(20.43)
Operating charges ²	-	(2.28)	(2.27)
Return after operating charges ³	n/a	20.03	(22.70)
Closing net asset value per share	-	229.39	209.36
Distributions	(4.6069)	(2.5964)	(3.4019)
Retained distributions on accumulation shares	0.7659	2.5964	3.4019
After direct transaction costs of ⁴	0.12	0.05	0.02
Performance			
Return after charges ⁵	n/a	9.57%	(9.78%)
Other information			
Closing net asset value (£)	126	4,699,917	5,363,456
Closing number of shares	-	2,048,846	2,561,840
Operating charges ratio ⁶	-	1.00%	1.01%
Direct transaction costs ⁴	0.05%	0.02%	0.01%
Prices (p)			
Highest share price	263.76	244.92	233.76
Lowest share price	-	205.14	202.53

Franklin Mutual Shares Fund

Comparative Table (continued)

	31 March 2020	31 March 2019	31 March 2018
Y – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	150.72	139.08	156.69
Return before operating charges ¹	n/a	14.88	(13.78)
Operating charges ²	-	(0.30)	(0.33)
Return after operating charges ³	n/a	14.58	(14.11)
Distributions on income shares	(4.1742)	(2.9355)	(3.4971)
Closing net asset value per share	-	150.72	139.08
After direct transaction costs of ⁴	0.08	0.03	0.02
Performance			
Return after charges ⁵	n/a	10.48%	(9.01%)
Other information			
Closing net asset value (£)	1	4,480	4,134
Closing number of shares	-	2,972	2,972
Operating charges ratio ⁶	-	0.20%	0.22%
Direct transaction costs ⁴	0.05%	0.02%	0.01%
Prices (p)			
Highest share price	173.30	163.25	158.00
Lowest share price	-	136.28	136.02
Z – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	226.30	206.95	229.85
Return before operating charges ¹	n/a	22.05	(20.20)
Operating charges ²	-	(2.70)	(2.70)
Return after operating charges ³	n/a	19.35	(22.90)
Closing net asset value per share	-	226.30	206.95
Distributions	(4.2172)	(2.1144)	(2.9154)
Retained distributions on accumulation shares	0.6345	2.1144	2.9154
After direct transaction costs of ⁴	0.12	0.05	0.02
Performance			
Return after charges ⁵	n/a	9.35%	(9.96%)
Other information			
Closing net asset value (£)	2	151,628	125,522
Closing number of shares	-	67,003	60,653
Operating charges ratio ⁶	-	1.20%	1.21%
Direct transaction costs ⁴	0.05%	0.02%	0.01%
Prices (p)			
Highest share price	259.80	241.90	231.53
Lowest share price	-	202.78	200.20

Franklin Mutual Shares Fund

Comparative Table (continued)

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

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

Risk Profile (W(acc) shares)



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

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

Franklin Mutual Shares Fund

Portfolio Statement as at 31 March 2020

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	EQUITIES 0.00% (89.85%)		
	WARRANTS 0.00% (0.02%)		
	BONDS 0.00% (3.04%)		
	NORTH AMERICA 0.00% (3.04%)		
	UNITED STATES		
102,000	Walter Energy Inc., Escrow Account ^{#‡}	0	0.00
	TOTAL - NORTH AMERICA	0	0.00
	TOTAL - BONDS	0	0.00
	TOTAL VALUE OF INVESTMENTS	0	0.00
	OTHER ASSETS	0	0.00
	TOTAL NET ASSETS	0	0.00

[€] These securities are fair valued by the manager.

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

[#] Traded on an alternative investment market.

Franklin Mutual Shares Fund

Statement of Total Return

For the year ended 31 March 2020

	Note	March 2020 £000	March 2020 £000	March 2019 £000	March 2019 £000
Income					
Net capital gains/(losses)	1		674		664
Revenue	2	154		183	
Expenses	3	(63)		(92)	
Net revenue before taxation		91		91	
Taxation	4	(18)		(22)	
Net revenue after taxation			73		69
Total return before distributions for the year			747		733
Distributions	5		(73)		(69)
Change in net assets attributable to shareholders			674		664

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 March 2020

	March 2020 £000	March 2020 £000	March 2019 £000	March 2019 £000
Opening net assets attributable to shareholders		6,742		8,085
Amounts received on creation of shares	100		120	
Amounts paid on cancellation of shares	(7,534)		(2,190)	
		(7,434)		(2,070)
Dilution adjustments		2		-
Change in net assets attributable to shareholders from investment activities (see above)		674		664
Retained distribution on accumulation shares		16		63
Closing net assets attributable to shareholders		-		6,742

Balance Sheet

As at 31 March 2020

	Note	March 2020 £000	March 2019 £000
Assets			
Fixed assets			
Investments		-	6,264
Current assets			
Debtors	6	-	39
Cash and bank balances		9	510
Total assets		9	6,813
Liabilities			
Creditors			
Distribution payable	5	-	(1)
Other creditors	7	(9)	(70)
Total liabilities		(9)	(71)
Net assets attributable to shareholders		-	6,742

Franklin Mutual Shares Fund

Notes to the Financial Statements

	March 2020 £000	March 2019 £000
1. Net capital gains/(losses)		
The net capital gains/(losses) during the year comprise:		
Non-derivative securities gains/(losses)	666	651
Currency gains/(losses)	8	13
	<u>674</u>	<u>664</u>
2. Revenue		
Overseas dividends	119	156
Other revenue	18	-
Revenue from debt securities	16	21
Bank and other interest	1	1
UK dividends	-	5
	<u>154</u>	<u>183</u>
3. Expenses		
Payable to the ACD, associates of the ACD and agents of either of them		
ACD's periodic charge	52	73
ACD's administration charge	3	4
	<u>55</u>	<u>77</u>
Payable to the Depositary, associates of the Depositary and agents of either of them		
Depositary fees	1	1
	<u>1</u>	<u>1</u>
Other expenses		
Audit fees	11	9
Legal and publication fees	1	2
Printing fees	-	3
Expense cap	(5)	-
	<u>7</u>	<u>14</u>
	<u>63</u>	<u>92</u>
4. Taxation		
(a) Analysis of charge in the year		
Irrecoverable overseas tax	18	22
Total current tax (note 4(b))	18	22
Total taxation	<u>18</u>	<u>22</u>
(b) Factors affecting tax charge for the year		
The tax assessed for the year is equal to (2019: higher than) the standard rate of corporation tax in the UK for Open Ended Investment Companies (20% (2019: 20%)).		
The differences are explained below:		
Net revenue before taxation	91	91
Corporation tax of 20% (2019: 20%)	18	18
Effects of:		
Excess management expenses	8	13
Irrecoverable overseas tax	18	22
Non-taxable revenue	(3)	-
UK dividends & non-taxable overseas dividends*	(23)	(31)
Current tax charge for year (note 4(a))	18	22

*As an Open Ended Investment Company these items are not subject to corporation tax.

Franklin Mutual Shares Fund

Notes to the Financial Statements (continued)

	March 2020 £000	March 2019 £000
4. Taxation (continued)		
Open-ended investment companies are exempt from tax on capital gains in the UK. Therefore, any capital return is not included within the reconciliation above.		
At the year end there is a potential deferred tax asset of £281,271 (£273,000 as at 31 March 2019) in relation to excess management fees. It is unlikely the Fund will generate sufficient tax profits in the future to utilise these amounts and therefore no deferred tax assets have been recognised in the year.		
5. (a) Distributions		
The distribution takes account of income received on the issue of shares and income deducted on the cancellation of shares, and comprise:		
Interim dividend distributions		
Income	1	1
Accumulation	16	32
	<u>17</u>	<u>33</u>
Final dividend distributions		
Income	32	1
Accumulation	-	31
	<u>32</u>	<u>32</u>
Add: Income deducted on cancellation of shares	24	4
Total distribution	73	69
(b) Difference between net revenue and distribution:		
Net revenue after taxation	73	69
Total distribution for the year	73	69
Details of the distributions in pence per share for the individual Funds are set out on the tables on page 44.		
6. Debtors		
Amounts receivable for issue of shares	-	4
Sales awaiting settlement	-	26
Accrued income	-	9
	<u>-</u>	<u>39</u>
7. Other creditors		
Accrued expenses	9	19
Amounts payable on cancellation of shares	-	32
Provision for uncertain tax position	-	19
	<u>9</u>	<u>70</u>

Franklin Mutual Shares Fund

Notes to the Financial Statements (continued)

8. Related parties

During the year, Franklin Templeton Fund Management Limited ("ACD"), a related party, acted primarily in all transactions of the Funds. The aggregate amounts received through issues and cancellations are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

Amounts charged by the ACD and associates of the ACD in respect of the management and administration fees are disclosed in Note 3.

The amounts due to the ACD and associates of the ACD in respect of management and administration fees at 31 March 2020 are £nil (£6,000 as at 31 March 2019).

During the year the Fund paid £5,000 (£1,000 during the year to 31 March 2019) to the ACD in respect of an over-reimbursement of expenses.

As at 31 March 2020 Templeton Global Advisors Limited ("TGAL") held 0% (100% as at 31 March 2019) of the shares in issue of Class Y Income.

9. Risk management policies and disclosures

The risks inherent in the Fund's investment portfolio are as follows:

Market Risk

Please refer to the accounting policies note for details on market risk exposure.

Currency risk

An analysis of monetary assets and liabilities (including equity investments), in foreign currencies at the year end is shown below.

Currency	Net foreign currency assets and (liabilities) 31 March 2020	Net foreign currency assets and (liabilities) 31 March 2019
	Total £000	Total £000
US dollar	3	6,708
Euro	-	(18)
UK sterling	(3)	-
	<u>-</u>	<u>6,690</u>

With reference to the foreign currency assets and liabilities table above, any movement in exchange rates would lead to a corresponding change in the value of the assets.

Interest Rate Risk

Interest rate profile of financial assets and financial liabilities

The tables below detail the interest rate profile of the Fund's assets / liabilities at the year end

	Floating rate financial assets / liabilities £000	Fixed rate financial assets / liabilities £000	Financial assets / liabilities not carrying interest £000	Total £000
March 2020				
US dollar	-	-	-	-
UK sterling	-	-	-	-
Euro	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Franklin Mutual Shares Fund

Notes to the Financial Statements (continued)

9. Risk management policies and disclosures (continued)

	Floating rate financial assets / liabilities £000	Fixed rate financial assets / liabilities	Financial assets / liabilities not carrying interest	Total £000
March 2019				
US dollar	-	80	6,627	6,707
UK sterling	-	-	53	53
Euro	-	-	(18)	(18)
	-	80	6,662	6,742

Other price risk

At the year end date, 0.00% (2019: 92.91%) of the net assets of the Fund were invested in ordinary shares or stock units admitted to an official stock exchange. If the market value were to change by 10%, the value of the Fund would change by 0.00% (2019: 9.29%).

There is no material difference between the value of the financial assets and liabilities, as shown in the Balance sheet, and their fair values.

10. Portfolio Transaction Costs

	2020			2019		
	Purchases £000	% Of Purchases	% of Average Net Asset Value	Purchases £000	% Of Purchases	% of Average Net Asset Value
Equity purchases in the year before transaction costs	1,014			1,259		
Commissions	-	-	-	1	0.08	0.01
Total Equity Purchases in the year after direct transaction costs	1,014			1,260		

	2020			2019		
	Sales £000	% Of Sales	% of Average Net Asset Value	Sales £000	% Of Sales	% of Average Net Asset Value
Equity sales in the year before transaction costs	7,580			3,228		
Commissions	(2)	(0.03)	(0.18)	(1)	(0.03)	(0.01)
Total Equity Sales in the year after direct transaction costs	7,578			3,227		

	2020			2019		
	Sales £000	% Of Sales	% of Average Net Asset Value	Sales £000	% Of Sales	% of Average Net Asset Value
Bond sales in the year before transaction costs	125			-		
Other	(1)	(0.80)	(0.09)	-	-	-
Total Bond sales in the year after direct transaction costs	124			-		

In pursuance of its investments objectives the Fund incurs commissions, taxes and other charges when buying and selling investment securities. Share dealing generally incurs broker commission and stamp Duty and these are paid by the Fund on each transaction where appropriate.

In addition there is a dealing spread between the buying and selling prices of the underlying investments. The average dealing spread which is the difference between the quoted bid and offer prices or internal administrative or holding costs, are not included in the calculation of Direct Transaction Costs.

Franklin Mutual Shares Fund

Notes to the Financial Statements (continued)

10. Portfolio Transaction Costs (continued)

Comparing portfolio transaction costs for a range of funds may give misleading impression of the relative costs of investing in those funds for the following reasons:

- Historic transaction costs are not an effective indicator of the future impact on performance as it may vary from year to year depending on the investment manager;
- Transaction costs for buying and selling investments due to shareholder activity on the fund are recovered from those investors; and
- Transaction costs will vary depending on the types of securities the fund is investing.

11. Creations and Cancellations of Shares

	A-Income shares	A-Accumulation shares	I-Accumulation shares	W-Accumulation shares	Y-Income shares	Z-Accumulation shares
Opening shares	197,118	491,883	22,007	2,048,846	2,972	67,003
Creations	110	15,387	-	22,531	-	606
Cancellations	(197,228)	(485,261)	(442)	(2,125,390)	(2,972)	(67,609)
Conversions	-	(22,009)	(21,565)	54,013	-	-
Total closing shares	-	-	-	-	-	-

12. Fair Value Disclosure

In accordance with FRS 102 the Fund classifies fair value measurement under the following levels:

Level 1

Unadjusted quoted market prices in active markets for identical securities.

Level 2

Investments (other than quoted prices included within Level 1) whose fair value is based directly on observable current market prices or is indirectly being derived from market prices; and

Level 3

Investments whose fair value is determined using a valuation technique based on assumptions that are not supported by observable current market prices or are not based on observable market data such as security in default or securities valued by Franklin Templeton Fair Valuation Committee.

Fair Value Hierarchy	Assets	Liabilities	Assets	Liabilities
	31 March 2020 £000	31 March 2020 £000	31 March 2019 £000	31 March 2019 £000
Level 1	-	-	6,046	-
Level 2	-	-	205	-
Level 3	-	-	13	-
Total	-	-	6,264	-

Franklin Mutual Shares Fund

Distribution Statement

For the period 1 April 2019 to 30 September 2019

Group 1 – Shares purchased prior to 1 April 2019

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

	Net Income p	Equalisation p	31 March 2020 Pence per Share p	31 March 2019 Pence per Share p
A - Income shares				
Group 1	0.3360	-	0.3360	0.4539
Group 2	0.2652	0.0708	0.3360	0.4539
A - Accumulation shares				
Group 1	0.3574	-	0.3574	0.4749
Group 2	0.0301	0.3273	0.3574	0.4749
I - Accumulation shares				
Group 1	18.5640	-	18.5640	1.5818
Group 2	18.5640	-	18.5640	1.5818
W - Accumulation shares				
Group 1	0.7659	-	0.7659	1.2638
Group 2	0.5412	0.2247	0.7659	1.2638
Y - Income shares				
Group 1	0.8266	-	0.8266	1.4511
Group 2	0.8266	-	0.8266	1.4511
Z - Accumulation shares				
Group 1	0.6345	-	0.6345	1.0223
Group 2	0.0446	0.5899	0.6345	1.0223

For the period 1 October 2019 to 31 January 2020

Group 1 - Shares purchased prior to 1 October 2019

Group 2 - Shares purchased in the period 1 October 2019 to 31 January 2020

	Net Income p	Equalisation p	31 January 2020* Pence per Share p	31 March 2019 Pence per Share p
A - Income shares				
Group 1	3.0414	-	3.0414	0.5290
Group 2	2.4788	0.5626	3.0414	0.5290
A - Accumulation shares				
Group 1	2.9939	-	2.9939	0.5693
Group 2	2.1846	0.8093	2.9939	0.5693
I - Accumulation shares				
Group 1	n/a	-	n/a	1.7293
Group 2	n/a	n/a	n/a	1.7293
W - Accumulation shares				
Group 1	3.8410	-	3.8410	1.3326
Group 2	1.6483	2.1927	3.8410	1.3326
Y - Income shares				
Group 1	3.3476	-	3.3476	1.4844
Group 2	3.3476	-	3.3476	1.4844
Z - Accumulation shares				
Group 1	3.5827	-	3.5827	1.0921
Group 2	2.3843	1.1984	3.5827	1.0921

* Fund closed to investors on 31 January 2020.

Equalisation

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

Franklin Sterling Corporate Bond Fund

Investment Review

On 30 September 2019, Franklin UK Corporate Bond Fund changed its name to Franklin Sterling Corporate Bond Fund to more accurately describe the Fund's investment universe.

Performance

For the year ended 31 March 2020, Franklin Sterling Corporate Bond Fund (W (acc) shares) returned 0.30%*, compared to the Markit iBoxx Non-Gilts Index, which returned 1.46% (both returns in UK sterling).

Overview

Against a backdrop of falling global yields, UK corporate bonds generally delivered robust returns over the first half of the year. UK Gilt yields also steadily declined, mirroring the trend across other major government bond markets, as concerns about slowing global growth and trade tensions along with renewed monetary easing from leading central banks pushed down interest rates in most countries. In UK markets, the continued political deadlock around Brexit weighed further on sentiment, with the risk of a potentially damaging "no-deal" exit seemingly increasing ahead of an October 31 deadline, as the new UK Prime Minister Boris Johnson continued to stress his commitment to taking the United Kingdom ("UK") out of the European Union. The UK economy's performance underlined the impact of Brexit and global uncertainty, with data showing that third-quarter gross domestic product ("GDP") grew at the slowest rate since 2010. The Bank of England ("BoE") kept interest rates unchanged throughout the rest of 2019, but adopted an increasingly dovish tone, suggesting the possibility of a future rate cut if Brexit uncertainty was prolonged.

Elections held in December saw the incumbent Conservative party win a significant majority; UK Prime Minister Boris Johnson's commitment to higher government spending helped push up yields on UK Gilts. However, the upward move in yields proved short-lived, with UK corporate bonds suffering in the first quarter amid a flight to safety precipitated by concerns about the global spread of COVID-19. The resulting economic shutdown prompted unprecedented central bank and fiscal responses in an attempt to calm financial markets and offset the damage to economies worldwide. As Andrew Bailey took over as Governor of the BoE in March, the central bank swiftly lowered interest rates close to zero, while the UK government announced a sizeable fiscal package to mitigate the impacts of the pandemic on the UK economy.

Significant Changes

The top purchases made by the Fund during the year included United Kingdom Treasury Bond, senior bond, Reg S, 1.625%, 10/22/2071; Berkshire Hathaway Finance Corp., senior bond, 2.625%, 6/19/2059; United Kingdom Treasury Bond, Reg S, 3.50%, 1/22/2045; Bank of Montreal, senior note, Reg S, 1.50%, 12/18/2024; Fiserv Inc., senior bond, 3.00%, 7/01/2031; Diageo Finance PLC, senior note, Reg S, 1.75%, 10/12/2026; Comcast Corp., senior bond, 1.875%, 2/20/2036; ESB Finance DAC, senior bond, Reg S, 1.875%, 7/21/2035; United Kingdom Treasury Bond, Reg S, 3.75%, 7/22/2052 and Lloyds Banking Group PLC, junior sub. bond, 5.125% to 6/27/25, FRN thereafter, Perpetual.

Conversely, the top sales during the year were UBS AG London, senior note, Reg S, 1.25%, 12/10/2020; Annington Funding PLC, senior bond, Reg S, 3.935%, 7/12/2047; BAE Systems PLC, senior note, Reg S, 4.125%, 6/08/2022; Rabobank Capital Funding Trust IV, junior sub. bond, Reg S, 5.556% to 10/29/49, FRN thereafter, Perpetual; ABN AMRO Bank NV, senior note, Reg S, 1.375%, 6/07/2022; SSE PLC, junior sub. bond, Reg S, 3.875% to 9/09/20, FRN thereafter, Perpetual; Westpac Banking Corp., secured note, Reg S, 1.00%, 6/30/2023; Chancellor Masters and Scholars of The University Oxford, senior bond, Reg S, 2.544%, 12/08/2117; The Wellcome Trust Ltd., senior bond, Reg S, 2.517%, 2/07/2118 and Barclays PLC, sub. bond, Reg S, 2.00% to 2/07/23, FRN thereafter, 2/07/2028.

Positive/Negative Contributors

The Fund's sector allocation detracted most from relative performance, hurt by exposures to government-related bonds and corporate investment-grade industrial issues. However, an allocation to Gilts added to relative results.

The Fund's security selection also weighed on relative returns, particularly in government-related agency bonds and corporate high-yield financial issues. In contrast, selection among corporate investment-grade financials contributed to relative results.

Other minor detractors from the Fund's relative results included duration and yield-curve positioning and positions in interest-rate derivatives.

In contrast, the Fund's local market allocation added marginally to relative performance, through an exposure to the eurozone.

Outlook

We anticipate a sizeable economic downturn in the UK due to the economic shutdown caused by the COVID-19 pandemic. As with many countries, the long-term success of UK policymakers' monetary and fiscal response is likely to depend on how long the measures to restrict economic activity are kept in place, and how effective they prove to be in stemming the spread of the virus. Though we anticipate a return to growth in the second half of 2020, the extent of the likely second-quarter contraction and the anticipated time expected for the discovery of a vaccine could lead to periods of disruption persisting and negative growth for the year as a whole. Despite these headwinds, we believe investors should continue to maintain a long-term perspective, as the current dislocations in fixed-income markets are creating opportunities for active managers.

David Zahn, CFA

Fund Manager

31 March 2020

Fund Changes

On 31 July 2019, following some regulatory change, the Fund's investment objective and policy were clarified to make it easier for investors to understand both how the portfolio is managed and how to assess the Fund's performance. More details can be found in the Fund's prospectus available on our website

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

Franklin Sterling Corporate Bond Fund

Comparative Table

	31 March 2020	31 March 2019	31 March 2018
W – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	100.72	99.99	101.60
Return before operating charges ¹	0.56	3.79	1.46
Operating charges ²	(0.47)	(0.45)	(0.46)
Return after operating charges ³	0.09	3.34	1.00
Distribution on income shares	(2.6349)	(2.6089)	(2.6082)
Closing net asset value per share	98.18	100.72	99.99
After direct transaction costs of ⁴	-	-	-
Performance			
Return after charges ⁵	0.09%	3.34%	0.98%
Other information			
Closing net asset value (£)	3,926	4,027	3,998
Closing number of shares	3,998	3,998	3,998
Operating charges ratio ⁶	0.45%	0.45%	0.45%
Direct transaction costs ⁴	-	-	-
Prices (p)			
Highest share price	107.73	101.61	103.91
Lowest share price	93.54	97.12	99.62

	31 March 2020	31 March 2019	31 March 2018
W – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	106.58	102.98	101.93
Return before operating charges ¹	0.55	4.06	1.52
Operating charges ²	(0.50)	(0.46)	(0.47)
Return after operating charges ³	0.05	3.60	1.05
Distribution	(2.8170)	(2.7129)	(2.6412)
Retained distributions on accumulation shares	2.8170	2.7129	2.6412
Closing net asset value per share	106.63	106.58	102.98
After direct transaction costs of ⁴	-	-	-
Performance			
Return after charges ⁵	0.05%	3.50%	1.03%
Other information			
Closing net asset value (£)	41,190,193	45,359,206	47,970,316
Closing number of shares	38,629,714	42,558,804	46,580,641
Operating charges ratio ⁶	0.45%	0.45%	0.45%
Direct transaction costs ⁴	-	-	-
Prices (p)			
Highest share price	116.23	106.84	104.88
Lowest share price	100.91	101.40	101.92

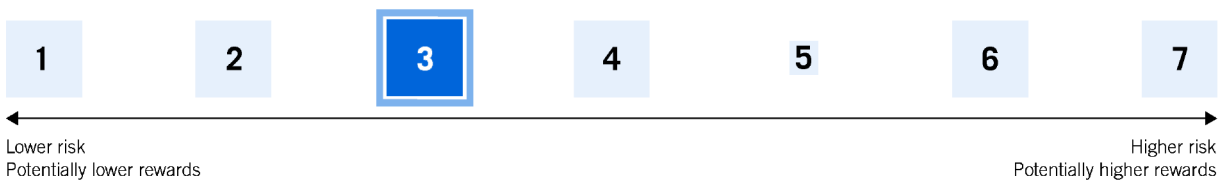
Franklin Sterling Corporate Bond Fund

Comparative Table (continued)

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

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

Risk Profile (W(acc) shares)



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

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

Franklin Sterling Corporate Bond Fund

Portfolio Statement as at 31 March 2020

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
EQUITIES 0.28% (0.00%)			
UNITED KINGDOM 0.28% (0.00%)			
100,000	Lloyds Banking Group PLC	116	0.28
	TOTAL - UNITED KINGDOM	116	0.28
	TOTAL - EQUITIES	116	0.28
BONDS 97.82% (93.47%)			
ASIA 1.82% (1.10%)			
HONG KONG			
300,000	CK Hutchison Group Telecom Finance SA, senior note, Reg S, 2.625%, 10/17/2034#	270	0.65
400,000	Hutchison Whampoa Finance UK PLC, senior bond, Reg S, 5.625%, 11/24/2026#	481	1.17
	TOTAL - ASIA	751	1.82
AUSTRALASIA 3.28% (5.68%)			
AUSTRALIA			
200,000	APT Pipelines Ltd., senior bond, Reg S, 3.50%, 3/22/2030#	201	0.49
300,000	BHP Billiton Finance Ltd., senior bond, 4.30%, 9/25/2042#	353	0.86
300,000	National Australia Bank Ltd., secured note, Reg S, 1.125%, 11/10/2022#	302	0.73
500,000	Toyota Finance Australia Ltd., senior note, Reg S, 1.625%, 7/11/2022#	494	1.20
	TOTAL - AUSTRALASIA	1,350	3.28
CENTRAL AMERICA 3.10% (2.80%)			
MEXICO			
425,000	America Movil SAB de CV, senior bond, 5.75%, 6/28/2030#	547	1.33
700,000	Government of Mexico, senior bond, 5.625%, 3/19/2114#	728	1.77
	TOTAL - CENTRAL AMERICA	1,275	3.10
EUROPE - NON EU 2.71% (3.29%)			
NORWAY			
400,000	DNB Bank ASA, senior note, Reg S, 1.375%, 6/12/2023#	385	0.94
SWITZERLAND			
400,000	Credit Suisse Group AG, senior note, Reg S, 2.125% to 9/12/24, FRN thereafter, 9/12/2025#	378	0.92
400,000	Glencore Finance Europe Ltd., 3.125%, 3/26/2026#	353	0.85
		731	1.77
	TOTAL EUROPE - NON EU	1,116	2.71
EUROPE - OTHER EU 28.36% (25.20%)			
BELGIUM			
400,000	Anheuser-Busch InBev NV, senior bond, Reg S, 4.00%, 9/24/2025#	423	1.02
300,000	Government of Belgium, Reg S, 5.70%, 5/28/2032#	452	1.10
		875	2.12
DENMARK			
200,000	Orsted A/S, senior bond, Reg S, 4.875%, 1/12/2032#	250	0.61
FRANCE			
400,000	AXA SA, junior sub. bond, Reg S, 5.453% to 3/04/26, FRN thereafter, Perpetual#	403	0.98
400,000	Banque Federative du Credit Mutuel SA, senior note, Reg S, 1.25%, 12/05/2025#	366	0.89
400,000	BNP Paribas SA, senior note, Reg S, 3.375%, 1/23/2026#	406	0.99
400,000	Credit Agricole SA, secured note, Reg S, 1.25%, 10/02/2024#	376	0.91
300,000	EDF SA, junior sub. bond, Reg S, 5.87% to 1/22/29, FRN thereafter, Perpetual#	295	0.72
400,000	EDF SA, senior bond, 5.875%, 7/18/2031#	524	1.27
400,000	EDF SA, senior bond, Reg S, 5.50%, 10/17/2041#	540	1.31
300,000	Orange SA, senior bond, Reg S, 8.125%, 11/20/2028#	434	1.05
500,000	Total Capital International SA, senior note, Reg S, 1.75%, 7/07/2025#	482	1.17

Franklin Sterling Corporate Bond Fund

Portfolio Statement as at 31 March 2020 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
FRANCE (continued)			
300,000	Westfield America Management Ltd., senior bond, Reg S, 2.625%, 3/30/2029#	292	0.71
		<u>4,118</u>	<u>10.00</u>
GERMANY			
200,000	ADLER Real Estate AG, senior note, Reg S, 3.00%, 4/27/2026#	154	0.37
300,000	Aroundtown SA, junior sub. bond, Reg S, 4.75% to 6/25/24, FRN thereafter, Perpetual#	275	0.67
300,000	Aroundtown SA, senior bond, Reg S, 3.00%, 10/16/2029#	284	0.69
300,000	Deutsche Telekom International Finance BV, senior bond, 8.875%, 11/27/2028#	455	1.11
350,000	innogy Finance BV, senior bond, Reg S, 6.25%, 6/03/2030#	459	1.11
300,000	Landesbank Baden-Wuerttemberg, senior note, 144A, 1.50%, 2/03/2025#	280	0.68
		<u>1,907</u>	<u>4.63</u>
ITALY			
400,000	Enel SpA, sub. bond, Reg S, 6.625% to 9/15/21, FRN thereafter, 9/15/2076#	408	0.99
500,000	Government of Italy, senior bond, Reg S, 6.00%, 8/04/2028#	615	1.49
		<u>1,023</u>	<u>2.48</u>
NETHERLANDS			
200,000	ABN AMRO Bank NV, senior note, Reg S, 1.375%, 6/07/2022#	195	0.47
400,000	Cooperatieve Rabobank UA, sub. bond, Reg S, 4.625%, 5/23/2029#	419	1.02
500,000	ING Groep NV, senior note, Reg S, 3.00%, 2/18/2026#	488	1.19
		<u>1,102</u>	<u>2.68</u>
REPUBLIC OF IRELAND			
500,000	ESB Finance DAC, senior bond, Reg S, 1.875%, 7/21/2035#	467	1.13
100,000	Ulster Bank Ireland DAC, 11.75% to 11/11/68, FRN thereafter, Perpetual#	164	0.40
		<u>631</u>	<u>1.53</u>
SPAIN			
550,000	Iberdrola Finanzas SA, senior bond, 7.375%, 1/29/2024#	654	1.59
400,000	Telefonica Emisiones SA, senior bond, Reg S, 5.375%, 2/02/2026#	459	1.11
		<u>1,113</u>	<u>2.70</u>
SWEDEN			
220,000	Samhallsbyggnadsbolaget i Norden AB, senior note, Reg S, 1.00%, 8/12/2027#	175	0.42
500,000	Swedbank AB, senior note, Reg S, 1.25%, 12/29/2021#	489	1.19
		<u>664</u>	<u>1.61</u>
TOTAL - EUROPE - OTHER EU		11,683	28.36
MIDDLE EAST 0.59% (0.00%)			
UNITED ARAB EMIRATES			
250,000	First Abu Dhabi Bank PJSC, senior note, 1.375%, 2/19/2023#	243	0.59
TOTAL - MIDDLE EAST		243	0.59
NORTH AMERICA 19.08% (17.56%)			
CANADA			
200,000	Bank of Montreal, senior note, Reg S, 1.50%, 12/18/2024#	189	0.46
400,000	Royal Bank of Canada, senior note, Reg S, 1.125%, 12/15/2025#	369	0.89
		<u>558</u>	<u>1.35</u>
UNITED STATES			
500,000	American International Group Inc., senior bond, Reg S, 5.00%, 4/26/2023#	540	1.31
300,000	Amgen Inc., senior bond, Reg S, 5.50%, 12/07/2026#	351	0.85
400,000	Apple Inc., senior bond, 3.05%, 7/31/2029#	445	1.08
300,000	AT&T Inc., senior note, 2.90%, 12/04/2026#	310	0.75
400,000	Bank of America Corp., senior bond, Reg S, 6.125%, 9/15/2021#	422	1.02
500,000	Berkshire Hathaway Finance Corp., senior bond, 2.625%, 6/19/2059#	516	1.25

Franklin Sterling Corporate Bond Fund

Portfolio Statement as at 31 March 2020 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
UNITED STATES (continued)			
400,000	Citigroup Inc., senior bond, Reg S, 5.15%, 5/21/2026#	445	1.08
500,000	Comcast Corp., senior bond, 1.875%, 2/20/2036#	462	1.12
300,000	Fiserv Inc., senior bond, 3.00%, 7/01/2031#	297	0.72
400,000	General Electric Co., sub. bond, Reg S, 4.875%, 9/18/2037#	366	0.89
180,000	HJ Heinz Finance UK PLC, senior bond, 6.25%, 2/18/2030#	200	0.49
500,000	MetLife Inc., senior bond, Reg S, 5.375%, 12/09/2024#	564	1.37
300,000	Mondelez International Inc., senior bond, 4.50%, 12/03/2035#	352	0.86
100,000	MPT Operating Partnership LP/MPT Finance Corp., senior note, 2.55%, 12/05/2023#	98	0.24
400,000	The Goldman Sachs Group Inc., senior bond, Reg S, 4.25%, 1/29/2026#	411	1.00
225,000	Time Warner Cable LLC, first lien, senior secured bond, 5.75%, 6/02/2031#	260	0.63
400,000	Verizon Communications Inc., senior bond, 4.75%, 2/17/2034#	483	1.17
300,000	Wal-Mart Stores Inc., senior bond, Reg S, 4.875%, 1/19/2039#	420	1.02
350,000	Wells Fargo & Co., senior bond, Reg S, 3.50%, 9/12/2029#	361	0.88
		7,303	17.73
TOTAL - NORTH AMERICA			
		7,861	19.08
UNITED KINGDOM 38.88% (37.84%)			
200,000	Arrow Global Finance PLC, senior note, first lien, Reg S, 5.125%, 9/15/2024#	172	0.42
400,000	Barclays PLC, senior bond, 3.25%, 1/17/2033#	350	0.85
500,000	Bazalgette Finance PLC, secured note, Reg S, 2.375%, 11/29/2027#	519	1.26
100,000	BG Energy Capital PLC, senior bond, Reg S, 5.00%, 11/04/2036#	125	0.30
580,000	BP Capital Markets PLC, senior note, Reg S, 1.177%, 8/12/2023#	554	1.35
250,000	British Telecommunications PLC, senior bond, 5.75%, 12/07/2028#	301	0.73
400,000	Bupa Finance PLC, sub. note, Reg S, 5.00%, 4/25/2023#	419	1.02
700,000	Cadent Finance PLC, senior bond, Reg S, 2.75%, 9/22/2046#	685	1.66
200,000	Compass Group PLC, senior note, Reg S, 2.00%, 9/05/2025#	198	0.48
200,000	Co-Operative Group Ltd., senior note, Reg S, 5.125%, 5/17/2024#	196	0.48
500,000	Diageo Finance PLC, senior note, Reg S, 1.75%, 10/12/2026#	486	1.18
600,000	DWR Cymru Financing UK PLC, senior secured bond, Reg S, 2.50%, 3/31/2036#	622	1.51
400,000	Experian Finance PLC, senior bond, Reg S, 3.25%, 4/07/2032#	397	0.96
100,000	Galaxy Bidco Ltd., senior secured note, Reg S, 6.50%, 7/31/2026#	90	0.22
400,000	Gatwick Funding Ltd., senior secured bond, first lien, Reg S, 4.625%, 3/27/2036#	434	1.05
400,000	GlaxoSmithKline Capital PLC, senior bond, Reg S, 3.375%, 12/20/2027#	440	1.07
100,000	GlaxoSmithKline Capital PLC, senior bond, Reg S, 5.25%, 4/10/2042#	145	0.35
500,000	Heathrow Funding Ltd., first lien, Reg S, 5.875%, 5/13/2043#	651	1.58
200,000	HSBC Bank PLC, sub. bond, Reg S, 6.25%, 1/30/2041#	245	0.60
700,000	HSBC Holdings PLC, senior note, Reg S, 2.256% to 11/13/25, FRN thereafter, 11/13/2026#	671	1.63
400,000	Lloyds Bank PLC, sub. bond, Reg S, 7.625%, 4/22/2025#	466	1.13
400,000	Lloyds Banking Group PLC, junior sub. bond, 5.125% to 6/27/25, FRN thereafter, Perpetual#	298	0.72
500,000	London Power Networks PLC, senior bond, Reg S, 6.125%, 6/07/2027#	621	1.51
400,000	M&G PLC, sub. note, Reg S, 5.625% to 10/20/31, FRN thereafter, 10/20/2051#	390	0.95
500,000	Motability Operations Group PLC, senior bond, Reg S, 2.375%, 3/14/2032#	500	1.21
200,000	Nationwide Building Society, senior sub. bond, Reg S, 5.875% to 6/20/25, FRN thereafter, Perpetual#	162	0.39
470,000	Northern Powergrid Holdings Co., senior bond, 7.25%, 12/15/2022#	541	1.31
400,000	Pension Insurance Corp. PLC, sub. bond, Reg S, 5.625%, 9/20/2030#	403	0.98
200,000	Pinewood Finance Co Ltd., senior secured note, Reg S, 3.25%, 9/30/2025#	186	0.45
300,000	Royal Bank of Scotland Group PLC, senior note, Reg S, 3.125% to 3/27/26, FRN thereafter, 3/28/2027#	290	0.70
300,000	Sky Ltd., senior bond, Reg S, 4.00%, 11/26/2029#	348	0.85
100,000	Tesco Corporate Treasury Services PLC, senior note, Reg S, 2.50%, 5/02/2025#	98	0.24
135,000	Tesco PLC, senior bond, Index Linked, 3.322%, 11/05/2025#	267	0.65
400,000	United Kingdom Treasury Bond, Reg S, 2.25%, 9/07/2023#	429	1.04
550,000	United Kingdom Treasury Bond, Reg S, 3.50%, 1/22/2045#	879	2.13
650,000	United Kingdom Treasury Bond, Reg S, 3.75%, 7/22/2052#	1,206	2.93
400,000	United Kingdom Treasury Bond, senior bond, Reg S, 1.625%, 10/22/2071#	578	1.40

Franklin Sterling Corporate Bond Fund

Portfolio Statement as at 31 March 2020 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	UNITED KINGDOM (continued)		
600,000	Western Power Distribution East Midlands, senior bond, Reg S, 5.25%, 1/17/2023#	653	1.59
	TOTAL - UNITED KINGDOM	16,015	38.88
	TOTAL - BONDS	40,294	97.82
	DERIVATIVES (0.07)% ((0.00)%)		
	FORWARD CURRENCY CONTRACTS		
	Buy EUR 300,000 & Sell GBP 274,869, 6/24/2020	(8)	(0.02)
	Buy GBP 579,892 & Sell EUR 675,000, 6/24/2020	(21)	(0.05)
	FOREIGN EXCHANGE GAIN/LOSS ON OUTSTANDING FORWARD CURRENCY CONTRACTS	(29)	(0.07)
	TOTAL - DERIVATIVES	(29)	(0.07)
	TOTAL VALUE OF INVESTMENTS	40,381	98.03
	OTHER ASSETS	813	1.97
	TOTAL NET ASSETS	41,194	100.00

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

Traded on an alternative investment market.

Franklin Sterling Corporate Bond Fund

Statement of Total Return

For the year ended 31 March 2020

	Note	March 2020 £000	March 2020 £000	March 2019 £000	March 2019 £000
Income					
Net capital gains/(losses)	1		(730)		490
Revenue	2	1,143		1,222	
Expenses	3	(204)		(209)	
Net revenue before taxation		939		1,013	
Net revenue after taxation			939		1,013
Total return before distributions for the year			209		1,503
Distributions	5		(1,143)		(1,222)
Change in net assets attributable to shareholders			(934)		281

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 March 2020

	March 2020 £000	March 2020 £000	March 2019 £000	March 2019 £000
Opening net assets attributable to shareholders		45,363		47,974
Amounts received on creation of shares	2,156		3,591	
Amounts paid on cancellation of shares	(6,522)		(7,693)	
		(4,366)		(4,102)
Change in net assets attributable to shareholders from investment activities (see above)		(934)		281
Retained distribution on accumulation shares		1,131		1,210
Closing net assets attributable to shareholders		41,194		45,363

Balance Sheet

As at 31 March 2020

	Note	March 2020 £000	March 2019 £000
Assets			
Fixed assets			
Investments		40,410	42,401
Current assets			
Debtors	6	559	678
Cash and bank balances		789	2,365
Total assets		41,758	45,444
Liabilities			
Investment liabilities			
		(29)	(1)
Creditors			
Other creditors	7	(535)	(80)
Total liabilities		(564)	(81)
Net assets attributable to shareholders		41,194	45,363

Franklin Sterling Corporate Bond Fund

Notes to the Financial Statements

	March 2020 £000	March 2019 £000
1. Net capital gains/(losses)		
The net capital gains/(losses) during the year comprise:		
Currency gains/(losses)	33	2
Derivative gains/(losses)	(146)	(97)
Non-derivative securities gains/(losses)	<u>(617)</u>	<u>585</u>
	(730)	490
2. Revenue		
Revenue from debt securities	1,141	1,221
Bank and other interest	<u>2</u>	<u>1</u>
	1,143	1,222
3. Expenses		
Payable to the ACD, associates of the ACD and agents of either of them		
ACD's periodic charge	159	163
ACD's administration charge	<u>23</u>	<u>23</u>
	181	186
Payable to the Depositary, associates of the Depositary and agents of either of them		
Depositary fees	10	10
Safe custody fees	<u>3</u>	<u>3</u>
	13	13
Other expenses		
Audit fees	11	11
Legal and publication fees	3	4
Printing fees	2	3
Expense cap	<u>(7)</u>	<u>(8)</u>
	9	10
	204	209
4. Taxation		
Factors affecting tax charge for the year		
The tax assessed for the year is lower (2019: lower) than the standard rate of corporation tax in the UK for Open-ended Investment Companies (20% (2019: 20%)).		
The differences are explained below:		
Net revenue before taxation	<u>939</u>	<u>1,013</u>
Corporation tax of 20% (2019: 20%)	188	203
Effects of:		
Interest distributions	<u>(188)</u>	<u>(203)</u>
Current tax charge for year	-	-
Open-ended Investment Companies are exempt from tax on capital gains in the UK. Therefore, any capital return is not included within the reconciliation above.		

Franklin Sterling Corporate Bond Fund

Notes to the Financial Statements (continued)

	March 2020 £000	March 2019 £000
5. (a) Distributions		
The distribution takes account of income received on the issue of shares and income deducted on the cancellation of shares, and comprise:		
Interim dividend distributions		
Accumulation	858	920
	<u>858</u>	<u>920</u>
Final dividend distributions		
Accumulation	273	290
	<u>273</u>	<u>290</u>
Add: Income deducted on cancellation of shares	21	31
Deduct: Income received on issue of shares	<u>(9)</u>	<u>(19)</u>
Total distribution	1,143	1,222
(b) Difference between net revenue and distribution:		
Net revenue after taxation	939	1,013
ACD's periodic charge taken from capital account	159	163
Expense charge taken from capital account	<u>45</u>	<u>46</u>
Total distribution for the year	1,143	1,222

Details of the distributions in pence per share for the individual Funds are set out on the tables on page 58-59.

6. Debtors		
Accrued income	556	624
Other debtors	2	-
Capped expenses	1	1
Amounts receivable for issue of shares	<u>-</u>	<u>53</u>
	559	678
7. Other creditors		
Purchases awaiting settlement	397	-
Amounts payable on cancellation of shares	109	49
Accrued expenses	<u>29</u>	<u>31</u>
	535	80

8. Related parties

During the year, Franklin Templeton Fund Management Limited ("ACD"), a related party, acted primarily in all transactions of the Funds. The aggregate amounts received through issues and cancellations are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

Amounts charged by the ACD and associates of the ACD in respect of the management and administration fees are disclosed in Note 3.

The amounts due to the ACD and associates of the ACD in respect of management and administration fees at 31 March 2020 are £15,000 (£15,000 as at 31 March 2019).

During the year the Fund received £7,000 (£6,000 for the year to 31 March 2019) in reimbursed expenses from the ACD.

As at 31 March 2020 the Fund was due reimbursed expenses of £1,000 (owed £1,000 to the ACD in respect of an over-reimbursement of expenses as at 31 March 2019).

As at 31 March 2020 Templeton Global Advisors Limited ("TGAL") held 100% of the shares in issue of Class W Income (100% as at 31 March 2019).

Franklin Sterling Corporate Bond Fund

Notes to the Financial Statements (continued)

9. Risk management policies and disclosures

The risks inherent in the Fund's investment portfolio are as follows:

Market Risk

Please refer to the accounting policies note for details on market risk exposure.

Currency Risk

Fluctuations in the foreign exchange rates can adversely affect the value of a portfolio.

At the year end date, 0.08% (2019: 0.03%) of the net assets of the Fund were denominated in currencies other than sterling and as such the currency risk is not considered significant.

Interest Rate Risk

Interest rate profile of financial assets and financial liabilities

The tables below detail the interest rate profile of the Fund's assets / liabilities at the year end.

	Floating rate financial assets / liabilities £000	Fixed rate financial assets / liabilities £000	Financial assets / liabilities not carrying interest £000	Total £000
March 2020				
UK sterling	2,137	37,827	1,199	41,163
Euro	-	329	(298)	31
	2,137	38,156	901	41,194

	Floating rate financial assets / liabilities £000	Fixed rate financial assets / liabilities £000	Financial assets / liabilities not carrying interest £000	Total £000
March 2019				
UK sterling	3,000	38,988	3,362	45,350
Euro	413	-	(400)	13
	3,413	38,988	2,962	45,363

Sensitivity to Interest Rate Risk

A potential interest rate increase of 0.5% has been assumed for the sensitivity analysis and with all other variables held constant, the profit or loss after taxation and equity are expected to change as disclosed below. The actual movements of values could be different due to unpredictable market environment changes impacting the values in parallel.

Category	31 March 2020 £000	31 March 2019 £000
Fixed rate financial assets	(409)	(371)
Floating rate financial assets	-	(9)
Total	(409)	(380)

A potential interest rate decrease of 0.5% has been assumed for the sensitivity analysis and with all other variables held constant, the profit or loss after taxation and equity are expected to change as disclosed below. The actual movements of values could be different due to unpredictable market environment changes impacting the values in parallel.

Category	31 March 2020 £000	31 March 2019 £000
Fixed rate financial assets	444	407
Floating rate financial assets	-	9
Total	444	416

Other price risk

At the year end date, 98.10% (2019: 93.47%) of the net assets of the Fund were invested in bonds, preferred shares and forward contracts. If the market value were to change by 10% (2019: 10%), the value of the Fund would change by 9.81% (2019: 9.35%).

There is no material difference between the value of the financial assets and liabilities, as shown in the Balance sheet, and their fair values.

Franklin Sterling Corporate Bond Fund

Notes to the Financial Statements (continued)

10. Portfolio Transaction Costs

During the year bond purchases amounted to £10,576,000 (2019: £11,276,000), bond sales amounted to £10,648,000 (2019: £14,475,000), equity purchases amounted to £156,000 (2019: £nil) and derivative sales amounted to (£123,000) (2019: (£110,000)). No Direct Transaction Costs were incurred during the current year (2019: £1,000 transaction costs were incurred on derivative sales).

In pursuance of its investments objectives the Fund incurs commissions, taxes and other charges when buying and selling investment securities. Share dealing generally incurs broker commission and stamp Duty and these are paid by the Fund on each transaction where appropriate.

In addition there is a dealing spread between the buying and selling prices of the underlying investments. The average dealing spread which is the difference between the quoted bid and offer prices or internal administrative or holding costs, are not included in the calculation of Direct Transaction Costs. As at 31 March 2020, the average dealing spread for the underlying Fund investments is 0.73% (2019: 0.49%).

Comparing portfolio transaction costs for a range of funds may give misleading impression of the relative costs of investing in those funds for the following reasons:

- Historic transaction costs are not an effective indicator of the future impact on performance as it may vary from year to year depending on the investment manager;
- Transaction costs for buying and selling investments due to shareholder activity on the fund are recovered from those investors; and
- Transaction costs will vary depending on the types of securities the fund is investing.

11. Creations and Cancellations of Shares

	W-Income shares	W-Accumulation shares
Opening shares	3,998	42,558,804
Creations	-	1,930,766
Cancellations	-	(5,859,856)
Total closing shares	3,998	38,629,714

12. Fair Value Disclosure

In accordance with FRS 102 the Fund classifies fair value measurement under the following levels:

Level 1

Unadjusted quoted market prices in active markets for identical securities.

Level 2

Investments (other than quoted prices included within Level 1) whose fair value is based directly on observable current market prices or is indirectly being derived from market prices; and

Level 3

Investments whose fair value is determined using a valuation technique based on assumptions that are not supported by observable current market prices or are not based on observable market data such as security in default or securities valued by Franklin Templeton Fair Valuation Committee.

Fair Value Hierarchy	Assets 31 March 2020 £000	Liabilities 31 March 2020 £000	Assets 31 March 2019 £000	Liabilities 31 March 2019 £000
Level 1	116	-	-	-
Level 2	40,294	-	42,401	(1)
Level 3	-	-	-	-
Total	40,410	-	42,401	(1)

Franklin Sterling Corporate Bond Fund

Notes to the Financial Statements (continued)

13. Portfolio Statement by Credit Rating

Standard & Poor's Ratings		Market Value £000	% of Net Assets
March 2020			
Investment grade	BBB or higher	38,577	93.65
Non-investment grade	below BBB	1,553	3.77
Not Rated	Not Rated	164	0.40
Total Value of Bonds		40,294	97.82
March 2019			
Investment grade	BBB or higher	40,873	90.10
Non-investment grade	below BBB	1,528	3.37
Total Value of Bonds		42,401	93.47

14. Counterparty and Collateral Exposure

Counterparty	Forward currency contracts £000	Total £000
31 March 2020		
Citi	(29)	(29)
31 March 2019		
Citi	1	1

Franklin Sterling Corporate Bond Fund

Distribution Statement

For the period 1 April 2019 to 30 June 2019

Group 1 – Shares purchased prior to 1 April 2019

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

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

For the period 1 July 2019 to 30 September 2019

Group 1 – Shares purchased prior to 1 July 2019

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

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

For the period 1 October 2019 to 31 December 2019

Group 1 – Shares purchased prior to 1 October 2019

Group 2 – Shares purchased in the period 1 October 2019 to 31 December 2019

	Net Income p	Equalisation p	31 December 2019 Pence per Share p	31 December 2018 Pence per Share p
W - Income shares				
Group 1	0.6407	-	0.6407	0.6557
Group 2	0.6407	-	0.6407	0.6557
W - Accumulation shares				
Group 1	0.6885	-	0.6885	0.6838
Group 2	0.1974	0.4911	0.6885	0.6838

For the period 1 January 2020 to 31 March 2020

Group 1 - Shares purchased prior to 1 January 2020

Group 2 - Shares purchased in the period 1 January 2020 to 31 March 2020

	Net Income p	Equalisation p	31 March 2020 Pence per Share p	31 March 2019 Pence per Share p
W - Income shares				
Group 1	0.6532	-	0.6532	0.6472
Group 2	0.6532	-	0.6532	0.6472
W - Accumulation shares				
Group 1	0.7060	-	0.7060	0.6811
Group 2	0.3383	0.3677	0.7060	0.6811

Franklin Sterling Corporate Bond Fund

Distribution Statement (continued)

Equalisation

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

Franklin UK Equity Income Fund

Investment Review

Performance

For the year ended 31 March 2020, Franklin UK Equity Income Fund (W (acc) shares) made a net return (18.07%)*, outperforming the FTSE All-Share Index, which returned (18.45%) (both returns in UK sterling).

Overview

With the market narrative and macroeconomic backdrop abruptly shifting in the opening weeks of 2020, it makes sense to split our overview into two parts.

The first period saw UK equities, as measured by the FTSE UK All-Share Index, down only 0.75% for the nine months ending 31 December 2019.

Much of this period was dominated by the continuation of the deadlock between the European Union ("EU") and United Kingdom ("UK") regarding the Brexit withdrawal agreement. The ruling Conservative party was hindered by a slim majority in a parliament divided on this issue, preventing any legislation from passing into law or progress being made. As the months progressed, a general election seemed increasingly likely. In the summer, Conservative leader Theresa May resigned and was replaced by Boris Johnson. UK sterling then fell, as the new Prime Minister was believed to have a harder stance on Brexit, while the prospect of a general election increased.

In December, the Conservatives won the General Election with an 80-seat majority and an historically significant mandate for power that removed the spectre of a socialist government in the UK for the years ahead but opened the door to a harder Brexit.

Central banks across the globe gradually became more dovish, amid lacklustre macroeconomic data; unemployment was pinned to near all-time lows and inflation remained persistently subdued. Meanwhile, trade talks between the United States and China made little ground, while President Trump publicly put pressure on the US Federal Reserve ("Fed") to ease monetary policy. In line with market expectations, the Fed ultimately cut rates by 25 basis points ("bps") in its July, September and October Federal Open Market Committee meetings.

The second period, covering the first quarter of 2020, saw a significantly higher volatility amid heightened market concerns about the COVID-19 pandemic.

As it became increasingly clear throughout February and March that the disease was spreading globally and that this would require significant restrictions on the movement of people, central banks took early action. The Fed was the first to move, with a rare intra-meeting cut of 50 basis points. This was followed up by a full 100 basis point cut in the middle of March, meaning that the upper bound of the Fed funds rate has fallen from 2.5% to the lower bound of 0.25% over the year under review. At the same time, the Fed has launched wide-ranging easing measures, including a commitment to purchase unlimited government and investment-grade paper. Similar measures have been announced by the Bank of England and the European Central Bank, with the former cutting its benchmark deposit rate to 0.10%.

An unprecedented fiscal response then followed. The UK Chancellor of the Exchequer, Rishi Sunak, announced wide-ranging government spending plans in March, only days after the formal Budget was outlined. The plans include support for employers and employees through a new Job Retention Scheme, which will see the government underwrite the salaries of employees up to 80% capped at £2,500 per month. The Chancellor also launched various loans and grant programmes to help businesses stay solvent and support employees for the foreseeable future. The fiscal response in the United States, albeit more politically charged, has been passed and will see expenditure of US\$2 trillion, equivalent to about 10% of gross domestic product ("GDP"), to support the economy.

The upshot of this has been a classic 'flight to safety' with the UK 10-year gilt yield falling from 1.0% to 0.36%, reaching as low as 0.16% in mid-March. Yields on US 10-year Treasuries have seen a similar collapse, dropping from 2.41% to 0.67% at period end. Credit-spread widening has also been prevalent, with high yield indices showing the most dramatic move relative to sovereigns as default risk increased.

Equities fell significantly in the first three months of 2020, with the FTSE All-Share Index down 26%. The oil and gas sector, down 60.9% in the first three months of the year, suffered most amid demand and supply issues. The travel and leisure segment was also badly hurt, falling 52.4% over the first quarter.

Significant Changes

Over the year, the biggest stock purchases included supermarket chain Tesco, oil and gas company Royal Dutch Shell, cruise operator Carnival, oil and gas company BP and ad agency WPP.

The largest sales included specialist investment manager Ashmore Group, water company United Utilities Group, telecommunications group BT Group, recruiter Hays and housebuilder Vistry Group.

New additions included luxury good brand Burberry, due to its brand strength, the potential for margin progression driven by a reset of product lines, and the net cash position on its balance sheet. We also initiated a position in baker Greggs. We have followed the company closely and have been investors previously. Although we understand the company's operations have been suspended for the foreseeable future and that the vast majority of staff are now furloughed under new government initiatives, we are keen to take advantage of the share price weakness to buy shares in what has been an impressive story.

During the period, we also initiated a position in Carnival, although subsequently sold out of this position in March. Given the unprecedented challenges facing the travel and leisure sectors in the current environment we no longer have conviction in its prospects.

We also sold the position in Vistry towards the end of the year. Uncertainty in the current environment has been the driver of the decision. Cash is more important than ever, as building sites across the country suspend work, and we feel that, on balance, Vistry has fewer levers to pull to improve this metric than their competitors, a factor compounded by a recent acquisition.

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

Franklin UK Equity Income Fund

Investment Review (continued)

Positive/Negative Contributors

At the sector level, underweight exposures to and stock selection in banks and oil and gas boosted relative performance. Selection in the basic resources segment also added relative value. In contrast, security selection in personal and household goods, financial services and travel and leisure weighed on relative returns.

At a stock level, spread-betting firm IG Group Holdings contributed most to relative value. Volatility indices, such as the VIX, are a key forward indication of client-trading activity and therefore of profitability for IG; with the VIX reaching levels not seen since the global financial crisis, the outlook for IG has strengthened.

Carnival, which suffered from the travel ban due to COVID-19, was the most significant detractor over the period. Upholstery retailer DFS Furniture was also a key detractor; its share price was down considerably over the period, after the company was forced to close all its premises for an indeterminate amount of time.

Outlook

UK GDP growth for 2019 was 1.4%, with quarterly data showing a deceleration as we exited 2019. We expect 2020 to be appreciably worse. Indeed, corporate and economic performance forecasts for the coming year have already been written down significantly. However, the depth of the downturn and shape of a recovery remain unclear.

Although we do not know how the pandemic will progress, we believe the commercial and economic damage will depend on the length of time that social measures are enforced. Unfortunately, we are unable to predict from the experience of other European countries how the UK will fare. We anxiously await the effects of social measures that have been implemented and the results of large-scale antibody testing before we can become more comfortable with how an exit strategy plays out, although we believe this will be most likely be through a combination of testing, wider immunity and finally vaccinations.

The dynamics at play for equity investors have changed dramatically in a short period of time. We are seeing government intervention and heavy guidance for companies to temporarily re-think their capital allocation programmes. Share buybacks and dividends have been shelved, and management pay has been curtailed significantly. Companies that are likely to receive government support or will be key to the economy, such as banks and supermarkets, will be most in focus. It seems lessons about public perception have been learnt since the Global Financial Crisis and, for many, this is a time to bolster environmental, social and governance ("ESG") credentials.

We anticipate a heightened level of share issuance in the coming months, as corporates look to manage their liquidity profile through a period that for many may be one of zero revenue. As investors, we remain ready and prepared to back the companies and management teams that we believe will be able to prosper in the long run.

Balance sheets at the country level are also taking a hit. Fiscal deficits have already ballooned, as governments write blank cheques to combat COVID-19 insolvencies and job losses. These spending measures could also reset the public expectation for government expenditure in the future.

Perennial issues regarding Brexit, US-China trade wars and anaemic growth in Europe seem of little concern at present, yet there is hope that, with a common objective in fighting the COVID-19 outbreak, disputes and negotiations between nations may be settled more amicably in the future.

Colin Morton, Ben Russon, CFA & Mark Hall

Fund Managers

31 March 2020

Fund Changes

On 31 July 2019, following some regulatory change, the Fund's investment objective and policy were clarified to make it easier for investors to understand both how the portfolio is managed and how to assess the Fund's performance. More details can be found in the Fund's prospectus available on our website.

Franklin UK Equity Income Fund

Comparative Table

	31 March 2020	31 March 2019	31 March 2018
A – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	238.35	233.46	243.74
Return before operating charges ¹	(39.45)	19.78	4.27
Operating charges ²	(2.34)	(3.76)	(3.88)
Return after operating charges ³	(41.79)	16.02	0.39
Distributions on income shares	(10.9861)	(11.1340)	(10.6727)
Closing net asset value per share	185.57	238.35	233.46
After direct transaction costs of ⁴	0.67	0.65	0.9100
Performance			
Return after charges ⁵	(17.53%)	6.86%	0.16%
Other information			
Closing net asset value (£)	27,341,780	33,969,668	33,086,153
Closing number of shares	14,733,855	14,252,256	14,171,891
Operating charges ratio ⁶	0.98%	1.57%	1.57%
Direct transaction costs ⁴	0.28%	0.27%	0.37%
Prices (p)			
Highest share price	258.54	258.48	256.69
Lowest share price	163.47	215.40	230.77

	31 March 2020	31 March 2019	31 March 2018
A – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	197.19	184.34	184.27
Return before operating charges ¹	(34.17)	15.88	3.07
Operating charges ²	(1.99)	(3.03)	(3.00)
Return after operating charges ³	(36.16)	12.85	0.07
Closing net asset value per share	161.03	197.19	184.34
Distributions	(9.2399)	(8.9438)	(8.1983)
Retained distributions on accumulation shares	9.2399	8.9438	8.1983
After direct transaction costs of ⁴	0.57	0.52	0.70
Performance			
Return after charges ⁵	(18.34%)	6.97%	0.04%
Other information			
Closing net asset value (£)	1,116,510	2,005,743	1,169,238
Closing number of shares	693,362	1,017,181	634,292
Operating charges ratio ⁶	0.98%	1.57%	1.58%
Direct transaction costs ⁴	0.28%	0.27%	0.37%
Prices (p)			
Highest share price	219.92	204.09	199.10
Lowest share price	140.20	174.34	180.36

Franklin UK Equity Income Fund

Comparative Table (continued)

	31 March 2020	31 March 2019	31 March 2018
W – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	157.97	153.11	158.17
Return before operating charges ¹	(25.78)	13.02	2.74
Operating charges ²	(0.84)	(0.82)	(0.84)
Return after operating charges ³	(26.62)	12.20	1.90
Distributions on income shares	(7.3130)	(7.3393)	(6.9599)
Closing net asset value per share	124.04	157.97	153.11
After direct transaction costs of ⁴	0.44	0.43	0.60
Performance			
Return after charges ⁵	(16.85%)	7.97%	1.20%
Other information			
Closing net asset value (£)	403,917,677	390,824,579	287,171,422
Closing number of shares	325,624,109	247,410,307	187,563,788
Operating charges ratio ⁶	0.53%	0.52%	0.52%
Direct transaction costs ⁴	0.28%	0.27%	0.37%
Prices (p)			
Highest share price	172.61	169.76	166.87
Lowest share price	109.26	142.37	151.30
W – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	207.97	192.38	190.30
Return before operating charges ¹	(35.57)	16.64	3.11
Operating charges ²	(1.13)	(1.05)	(1.03)
Return after operating charges ³	(36.70)	15.59	2.08
Closing net asset value per share	171.27	207.97	192.38
Distributions	(9.7880)	(9.3818)	(8.5086)
Retained distributions on accumulation shares	9.7880	9.3818	8.5086
After direct transaction costs of ⁴	0.60	0.54	0.73
Performance			
Return after charges ⁵	(17.65%)	8.10%	1.09%
Other information			
Closing net asset value (£)	273,224,700	212,005,719	147,140,717
Closing number of shares	159,524,734	101,942,374	76,483,292
Operating charges ratio ⁶	0.53%	0.52%	0.52%
Direct transaction costs ⁴	0.28%	0.27%	0.37%
Prices (p)			
Highest share price	233.71	213.31	207.34
Lowest share price	149.10	183.38	188.19

Franklin UK Equity Income Fund

Comparative Table (continued)

Y – Income shares	31 March 2020	31 March 2019	31 March 2018
Change in net assets per share (p)			
Opening net asset value per share	119.70	115.50	118.26
Return before operating charges ¹	(19.62)	9.84	2.02
Operating charges ²	(0.04)	(0.02)	(0.05)
Return after operating charges ³	(19.66)	9.82	1.97
Distributions on income shares	(5.6245)	(5.6184)	(4.7281)
Closing net asset value per share	94.42	119.70	115.50
After direct transaction costs of ⁴	0.34	0.32	0.45
Performance			
Return after charges ⁵	(16.42%)	8.50%	1.67%
Other information			
Closing net asset value (£)	2,911	3,691	3,561
Closing number of shares	3,083	3,083	3,083
Operating charges ratio ⁶	0.03%	0.02%	0.04%
Direct transaction costs ⁴	0.28%	0.27%	0.37%
Prices (p)			
Highest share price	131.26	128.16	125.34
Lowest share price	83.18	107.77	113.88
Z – Income shares	31 March 2020	31 March 2019	31 March 2018
Change in net assets per share (p)			
Opening net asset value per share	153.44	149.46	155.18
Return before operating charges ¹	(25.29)	12.70	2.70
Operating charges ²	(1.04)	(1.57)	(1.61)
Return after operating charges ³	(26.33)	11.13	1.09
Distributions on income shares	(7.0889)	(7.1463)	(6.8112)
Closing net asset value per share	120.02	153.44	149.46
After direct transaction costs of ⁴	0.43	0.42	0.58
Performance			
Return after charges ⁵	(17.16%)	7.45%	0.70%
Other information			
Closing net asset value (£)	5,101,039	5,710,348	2,257,911
Closing number of shares	4,250,043	3,721,668	1,510,667
Operating charges ratio ⁶	0.68%	1.02%	1.02%
Direct transaction costs ⁴	0.28%	0.27%	0.37%
Prices (p)			
Highest share price	167.09	165.61	163.58
Lowest share price	105.72	138.47	147.72

Franklin UK Equity Income Fund

Comparative Table (continued)

	31 March 2020	31 March 2019	31 March 2018
Z – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	203.50	189.19	188.08
Return before operating charges ¹	(35.14)	16.33	3.10
Operating charges ²	(1.41)	(2.02)	(1.99)
Return after operating charges ³	(36.55)	14.31	1.11
Closing net asset value per share	166.95	203.50	189.19
Distributions	(9.5577)	(9.2021)	(8.3901)
Retained distributions on accumulation shares	9.5577	9.2021	8.3901
After direct transaction costs of ⁴	0.58	0.53	0.72
Performance			
Return after charges ⁵	(17.96%)	7.56%	0.59%
Other information			
Closing net asset value (£)	752,543	698,588	610,195
Closing number of shares	450,752	343,293	322,533
Operating charges ratio ⁶	0.68%	1.02%	1.02%
Direct transaction costs ⁴	0.28%	0.27%	0.37%
Prices (p)			
Highest share price	227.88	209.63	204.10
Lowest share price	145.35	179.67	185.09

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

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

Risk Profile (W(acc) shares)



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

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

Franklin UK Equity Income Fund

Portfolio Statement as at 31 March 2020

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
EQUITIES 97.36% (95.64%)			
AEROSPACE & DEFENCE 1.47% (1.51%)			
2,000,000	BAE Systems PLC	10,432	1.47
ASSET MANAGERS 0.91% (0.00%)			
5,750,000	M&G PLC	6,475	0.91
BANKS 3.65% (4.40%)			
875,000	Close Brothers Group PLC	9,835	1.38
3,550,000	HSBC Holdings PLC	16,126	2.27
		25,961	3.65
BEVERAGES 2.75% (3.04%)			
756,000	Diageo PLC	19,543	2.75
CHEMICALS 2.52% (1.49%)			
505,000	Johnson Matthey PLC	9,077	1.27
450,000	Victrex PLC	8,865	1.25
		17,942	2.52
CONSTRUCTION & MATERIALS 0.99% (1.35%)			
4,650,000	Ibstock PLC, Reg S	7,068	0.99
ELECTRICITY 1.94% (1.27%)			
1,060,000	SSE PLC	13,822	1.94
FINANCIAL SERVICES 5.29% (7.31%)			
4,200,000	Brewin Dolphin Holdings PLC	9,198	1.29
1,700,000	IG Group Holdings PLC	11,737	1.65
3,025,000	Jupiter Fund Management PLC	6,050	0.85
428,000	Schroders PLC	10,627	1.50
		37,612	5.29
FIXED LINE TELECOMMUNICATIONS 0.00% (1.27%)			
FOOD & DRUG RETAILERS 3.78% (0.00%)			
500,000	Greggs PLC	8,070	1.14
8,225,000	Tesco PLC	18,802	2.64
		26,872	3.78
FOOD PRODUCERS 1.29% (0.00%)			
505,000	Associated British Foods PLC	9,146	1.29
GAS, WATER & MULTI-UTILITIES 2.19% (2.66%)			
1,645,000	National Grid PLC	15,565	2.19
GENERAL INDUSTRIALS 2.86% (2.98%)			
3,370,000	DS Smith PLC	9,274	1.30
905,000	Smiths Group PLC	11,091	1.56
		20,365	2.86
GENERAL RETAILERS 1.77% (2.72%)			
3,550,000	DFS Furniture PLC	4,132	0.58
207,000	Next PLC	8,429	1.19
		12,561	1.77
HOUSEHOLD GOODS & HOME CONSTRUCTION 4.94% (5.93%)			
380,000	Bellway PLC	8,181	1.15
310,000	Reckitt Benckiser Group PLC	19,062	2.68
6,750,000	Taylor Wimpey PLC	7,928	1.11
		35,171	4.94

Franklin UK Equity Income Fund

Portfolio Statement as at 31 March 2020 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
INDUSTRIAL ENGINEERING 2.50% (3.01%)			
1,670,000	Bodycote PLC	9,419	1.33
1,115,000	IMI PLC	8,333	1.17
		17,752	2.50
LIFE INSURANCE 8.53% (8.43%)			
3,075,000	Aviva PLC	8,253	1.16
7,500,000	Legal & General Group PLC	14,535	2.04
2,800,000	Phoenix Group Holdings PLC	17,542	2.47
1,140,000	Prudential PLC	11,765	1.65
1,135,000	St. James's Place Capital PLC	8,622	1.21
		60,717	8.53
MEDIA 5.46% (4.20%)			
1,875,000	Informa PLC	8,276	1.16
1,250,000	RELX PLC	21,644	3.04
1,625,000	WPP PLC	8,957	1.26
		38,877	5.46
MINING 4.83% (4.85%)			
950,000	BHP Group PLC	11,892	1.67
605,000	Rio Tinto PLC	22,491	3.16
		34,383	4.83
MOBILE TELECOMMUNICATIONS 1.98% (1.66%)			
12,500,000	Vodafone Group PLC	14,122	1.98
NONLIFE INSURANCE 1.61% (1.46%)			
3,875,000	Direct Line Insurance Group PLC	11,447	1.61
OIL & GAS PRODUCERS 8.88% (10.05%)			
9,250,000	BP PLC	31,769	4.46
2,215,000	Royal Dutch Shell PLC, A	31,431	4.42
		63,200	8.88
PERSONAL GOODS 5.39% (3.41%)			
800,000	Burberry Group PLC	10,588	1.49
682,000	Unilever PLC	27,761	3.90
		38,349	5.39
PHARMACEUTICALS & BIOTECHNOLOGY 8.67% (6.85%)			
437,000	AstraZeneca PLC	31,525	4.43
1,990,000	GlaxoSmithKline PLC	30,133	4.24
		61,658	8.67
REAL ESTATE INVESTMENT TRUSTS 1.33% (2.42%)			
1,700,000	Land Securities Group PLC§	9,455	1.33
SUPPORT SERVICES 4.26% (5.71%)			
650,000	Bunzl PLC	10,588	1.49
185,000	Ferguson PLC	9,350	1.31
2,850,000	PageGroup PLC	10,380	1.46
		30,318	4.26
TOBACCO 6.10% (6.14%)			
900,000	British American Tobacco PLC	24,813	3.49
1,240,000	Imperial Brands PLC	18,558	2.61
		43,371	6.10

Franklin UK Equity Income Fund

Portfolio Statement as at 31 March 2020 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	TRAVEL & LEISURE 1.47% (1.52%)		
830,000	Compass Group PLC	10,483	1.47
	TOTAL - EQUITIES	692,667	97.36
	TOTAL VALUE OF INVESTMENTS	692,667	97.36
	OTHER ASSETS	18,790	2.64
	TOTAL NET ASSETS	711,457	100.00

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

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

[§] Real Estate Investment Trust ("REIT").

Franklin UK Equity Income Fund

Statement of Total Return

For the year ended 31 March 2020

	Note	March 2020 £000	March 2020 £000	March 2019 £000	March 2019 £000
Income					
Net capital gains/(losses)	1		(189,904)		18,522
Revenue	2	35,527		26,366	
Expenses	3	(4,359)		(3,312)	
Net revenue before taxation		31,168		23,054	
Taxation	4	(253)		(153)	
Net revenue after taxation			30,915		22,901
Total return before distributions for the year			(158,989)		41,423
Distributions	5		(34,701)		(25,803)
Change in net assets attributable to shareholders			(193,690)		15,620

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 March 2020

	March 2020 £000	March 2020 £000	March 2019 £000	March 2019 £000
Opening net assets attributable to shareholders		645,218		471,439
Amounts received on creation of shares	465,133		303,431	
Amounts paid on cancellation of shares	(217,763)		(154,063)	
		247,370		149,368
Unclaimed distributions		5		4
Change in net assets attributable to shareholders from investment activities (see above)		(193,690)		15,620
Retained distribution on accumulation shares		12,554		8,787
Closing net assets attributable to shareholders		711,457		645,218

Balance Sheet

As at 31 March 2020

	Note	March 2020 £000	March 2019 £000
Assets			
Fixed assets			
Investments		692,667	617,089
Current assets			
Debtors	6	8,332	9,759
Cash and bank balances		18,681	27,410
Total assets		719,680	654,258
Liabilities			
Creditors			
Distribution payable	5	(5,107)	(4,644)
Other creditors	7	(3,116)	(4,396)
Total liabilities		(8,223)	(9,040)
Net assets attributable to shareholders		711,457	645,218

Franklin UK Equity Income Fund

Notes to the Financial Statements

	March 2020 £000	March 2019 £000
1. Net capital gains/(losses)		
The net capital gains/(losses) during the year comprise:		
Non-derivative securities gains/(losses)	(189,904)	18,522
	(189,904)	18,522
2. Revenue		
UK dividends	32,758	24,201
Overseas dividends	2,744	2,151
Bank and other interest	25	14
	35,527	26,366
3. Expenses		
Payable to the ACD, associates of the ACD and agents of either of them		
ACD's periodic charge	3,786	2,902
ACD's administration charge	383	279
	4,169	3,181
Payable to the Depositary, associates of the Depositary and agents of either of them		
Depositary fees	102	72
Safe custody fees	50	39
	152	111
Other expenses		
Legal and publication fees	24	11
Audit fees	10	9
Printing fees	4	4
Expense cap	-	(4)
	38	20
	4,359	3,312
4. Taxation		
(a) Analysis of charge in the year		
Irrecoverable overseas tax	253	153
Total current tax (note 4(b))	253	153
Total taxation	253	153
(b) Factors affecting tax charge for the year		
The tax assessed for the year is lower (2019: lower) than the standard rate of corporation tax in the UK for Open-ended Investment Companies (20% (2019: 20%)).		
The differences are explained below:		
Net revenue before taxation	31,168	23,054
Corporation tax of 20% (2019: 20%)	6,234	4,611
Effects of:		
Excess management expenses	699	533
Irrecoverable overseas tax	253	153
Non-taxable revenue	(1)	-
Revenue taxable in different years	39	(18)
UK dividends & non-taxable overseas dividends*	(6,971)	(5,126)
Current tax charge for year (note 4(a))	253	153

Franklin UK Equity Income Fund

Notes to the Financial Statements (continued)

	March 2020 £000	March 2019 £000
4. Taxation (continued)		
*As an Open-ended Investment Company these items are not subject to corporation tax		
Open-ended investment companies are exempt from tax on capital gains in the UK. Therefore, any capital return is not included within the reconciliation above.		
At the year end there is a potential deferred tax asset of £3,861,000 (£3,162,000 as at 31 March 2019) in relation to excess management fees. It is unlikely the Fund will generate sufficient tax profits in the future to utilise these amounts and therefore no deferred tax assets have been recognised in the year.		
5. (a) Distributions		
The distribution takes account of income received on the issue of shares and income deducted on the cancellation of shares, and comprise:		
Interim dividend distributions		
Income	18,475	13,554
Accumulation	<u>9,378</u>	<u>6,495</u>
	<u>27,853</u>	<u>20,049</u>
Final dividend distributions		
Income	5,108	4,644
Accumulation	<u>3,176</u>	<u>2,291</u>
	<u>8,284</u>	<u>6,935</u>
Add: Income deducted on cancellation of shares	1,510	868
Deduct: Income received on issue of shares	<u>(2,946)</u>	<u>(2,049)</u>
Total distribution	34,701	25,803
(b) Difference between net revenue and distribution:		
Net revenue after taxation	30,915	22,901
ACD's periodic charge taken from capital account	<u>3,786</u>	<u>2,902</u>
Total distribution for the year	34,701	25,803
Details of the distribution in pence per share for this Fund are set out in the table on pages 74-76.		
6. Debtors		
Amounts receivable for issue of shares	4,872	3,191
Accrued income	3,369	4,798
Overseas tax recoverable	91	140
Sales awaiting settlement	-	1,626
Capped expenses	<u>-</u>	<u>4</u>
	8,332	9,759
7. Other creditors		
Amounts payable on cancellation of shares	2,290	2,465
Purchases awaiting settlement	468	1,587
Accrued expenses	<u>358</u>	<u>344</u>
	3,116	4,396

Franklin UK Equity Income Fund

Notes to the Financial Statements (continued)

8. Related parties

During the year, Franklin Templeton Fund Management Limited ("ACD"), a related party, acted primarily in all transactions of the Funds. The aggregate amounts received through issues and cancellations are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

Amounts charged by the ACD and associates of the ACD in respect of the management and administration fees are disclosed in Note 3.

The amounts due to the ACD and associates of the ACD in respect of management and administration fees at 31 March 2020 are £321,000 (£304,000 as at 31 March 2019).

During the year the Fund received £4,000 (£3,000 for the year to 31 March 2019) in reimbursed expenses from the ACD.

As at 31 March 2020 the Fund was due reimbursed expenses of £nil (£4,000 as at 31 March 2019) from the ACD.

As at 31 March 2020 Templeton Global Advisors Limited ("TGAL") held 100% (100% as at 31 March 2019) of the shares in issue of Class Y Income.

9. Risk management policies and disclosures

The risks inherent in the Fund's investment portfolio are as follows:

Market Risk

Please refer to the accounting policies note for details on market risk exposure.

Currency risk

Fluctuations in the foreign exchange rates can adversely affect the value of a portfolio.

At the year end date, 0.01% (2019: 0.02%) of the net assets of the Fund were denominated in currencies other than sterling and as such the currency risk is not considered significant.

Interest rate risk

The Fund does not invest in either fixed or floating rate securities and interest rate risk exposure is restricted to interest receivable on bank deposits or payable on bank overdraft positions which will be affected by fluctuations in interest rates.

Other price risk

At the year end date, 97.36% (2019: 95.64%) of the net assets of the Fund were invested in ordinary shares or stock units admitted to an official stock exchange. If the market value were to change by 10% (2019: 10%), the value of the Fund would change by 9.74% (2019: 9.56%).

There is no material difference between the value of the financial assets and liabilities, as shown in the Balance sheet, and their fair values.

10. Portfolio Transaction Costs

	2020			2019		
	Purchases £000	% Of Purchases	% of Average Net Asset Value	Purchases £000	% Of Purchases	% of Average Net Asset Value
Equity purchases in the year before transaction costs	402,991			268,094		
Commissions	155	0.04	0.02	113	0.04	0.02
Taxes	1,833	0.45	0.24	1,268	0.47	0.23
Other	71	0.02	0.01	47	0.02	0.01
Total Equity purchases in the year after direct transaction costs	405,050			269,522		

	2020			2019		
	Sales £000	% Of Sales	% of Average Net Asset Value	Sales £000	% Of Sales	% of Average Net Asset Value
Equity sales in the year before transaction costs	137,509			124,567		
Commissions	(55)	(0.04)	(0.01)	(68)	(0.05)	(0.01)
Total Equity sales in the year after direct transaction costs	137,454			124,499		

Franklin UK Equity Income Fund

Notes to the Financial Statements (continued)

10. Portfolio Transaction Costs (continued)

In pursuance of its investment objectives the Fund incurs commissions, taxes and other charges when buying and selling investment securities. Share dealing generally incurs broker commission and stamp duty and these are paid by the Fund on each transaction where appropriate.

In addition there is a dealing spread between the buying and selling prices of the underlying investments. The average dealing spread which is the difference between the quoted bid and offer prices or internal administrative or holding costs, are not included in the calculation of Direct Transaction Costs. As at 31 March 2020, the average dealing spread for the underlying Fund investments is 0.07% (2019: 0.06%).

Comparing portfolio transaction costs for a range of funds may give a misleading impression of the relative costs of investing in those funds for the following reasons:

- Historic transaction costs are not an effective indicator of the future impact on performance as it may vary from year to year depending on the investment manager;
- Transaction costs for buying and selling investments due to shareholder activity on the fund are recovered from those investors; and
- Transaction costs will vary depending on the types of securities the fund is investing.

11. Creations and Cancellations of Shares

	A–Income shares	A–Accumulation shares	W–Income shares	W–Accumulation shares	Y–Income shares	Z–Income shares	Z–Accumulation shares
Opening shares	14,252,256	1,017,181	247,410,307	101,942,374	3,083	3,721,668	343,293
Creations	3,732,668	524,929	152,112,065	103,946,331	-	857,334	139,256
Cancellations	(2,942,084)	(810,066)	(73,480,904)	(47,005,200)	-	(391,190)	(31,797)
Conversions	(308,985)	(38,682)	(417,359)	641,229	-	62,231	-
Total closing shares	14,733,855	693,362	325,624,109	159,524,734	3,083	4,250,043	450,752

12. Fair Value Disclosure

In accordance with FRS 102 the Fund classifies fair value measurement under the following levels:

Level 1

Unadjusted quoted market prices in active markets for identical securities.

Level 2

Investments (other than quoted prices included within Level 1) whose fair value is based directly on observable current market prices or is indirectly being derived from market prices; and

Level 3

Investments whose fair value is determined using a valuation technique based on assumptions that are not supported by observable current market prices or are not based on observable market data such as security in default or securities valued by Franklin Templeton Fair Valuation Committee.

Fair Value Hierarchy	Assets	Liabilities	Assets	Liabilities
	31 March 2020 £000	31 March 2020 £000	31 March 2019 £000	31 March 2019 £000
Level 1	692,667	-	617,089	-
Level 2	-	-	-	-
Level 3	-	-	-	-
Total	692,667	-	617,089	-

Franklin UK Equity Income Fund

Distribution Statement

For the period 1 April 2019 to 30 June 2019

Group 1 – Shares purchased prior to 1 April 2019

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

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

For the period 1 July 2019 to 30 September 2019

Group 1 – Shares purchased prior to 1 July 2019

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

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

Franklin UK Equity Income Fund

Distribution Statement (continued)

For the period 1 October 2019 to 31 December 2019

Group 1 - Shares purchased prior to 1 October 2019

Group 2 - Shares purchased in the period 1 October 2019 to 31 December 2019

	Net Income p	Equalisation p	31 December 2019 Pence per Share p	31 December 2018 Pence per Share p
A - Income shares				
Group 1	2.4178	-	2.4178	2.4228
Group 2	0.9541	1.4637	2.4178	2.4228
A - Accumulation shares				
Group 1	2.0545	-	2.0545	1.9606
Group 2	1.2900	0.7645	2.0545	1.9606
W - Income shares				
Group 1	1.6124	-	1.6124	1.5992
Group 2	0.6472	0.9652	1.6124	1.5992
W - Accumulation shares				
Group 1	2.1796	-	2.1796	2.0598
Group 2	0.7718	1.4078	2.1796	2.0598
Y - Income shares				
Group 1	1.2424	-	1.2424	1.2272
Group 2	1.2424	-	1.2424	1.2272
Z - Income shares				
Group 1	1.5616	-	1.5616	1.5564
Group 2	0.5504	1.0112	1.5616	1.5564
Z - Accumulation shares				
Group 1	2.1266	-	2.1266	2.0195
Group 2	1.1728	0.9538	2.1266	2.0195

For the period 1 January 2020 to 31 March 2020

Group 1 – Shares purchased prior to 1 January 2020

Group 2 - Shares purchased in the period 1 January 2020 to 31 March 2020

	Net Income p	Equalisation p	31 March 2020 Pence per Share p	31 March 2019 Pence per Share p
A - Income shares				
Group 1	2.1729	-	2.1729	2.5719
Group 2	0.7050	1.4679	2.1729	2.5719
A - Accumulation shares				
Group 1	1.8595	-	1.8595	2.1060
Group 2	0.6486	1.2109	1.8595	2.1060
W - Income shares				
Group 1	1.4517	-	1.4517	1.7039
Group 2	0.5408	0.9109	1.4517	1.7039
W - Accumulation shares				
Group 1	1.9776	-	1.9776	2.2190
Group 2	0.9795	0.9981	1.9776	2.2190
Y - Income shares				
Group 1	1.1231	-	1.1231	1.3060
Group 2	1.1231	-	1.1231	1.3060
Z - Income shares				
Group 1	1.4049	-	1.4049	1.6543
Group 2	1.0472	0.3577	1.4049	1.6543
Z - Accumulation shares				
Group 1	1.9280	-	1.9280	2.1712
Group 2	0.5816	1.3464	1.9280	2.1712

Franklin UK Equity Income Fund

Distribution Statement (continued)

Equalisation

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

Franklin UK Gilt Fund

Investment Review

Performance

For the year ended 31 March 2020, Franklin UK Gilt Fund (W (acc) shares) returned 9.98%*, compared to the FTSE UK Gilts (ALL) Government TR Index, which returned 9.94% (both returns in UK sterling).

Overview

Against a backdrop of falling global yields, UK Gilt yields also steadily declined, mirroring the trend across other major government bond markets, as concerns about slowing global growth and trade tensions along with renewed monetary easing from leading central banks pushed down interest rates in most countries. In UK markets, the continued political deadlock around Brexit weighed further on sentiment, with the risk of a potentially damaging “no-deal” exit seemingly increasing ahead of an October 31 deadline, as the new UK Prime Minister Boris Johnson continued to stress his commitment to taking the United Kingdom (“UK”) out of the European Union. The UK economy’s performance underlined the impact of Brexit and global uncertainty, with data showing that third-quarter gross domestic product (“GDP”) grew at the slowest rate since 2010. The Bank of England (“BoE”) kept interest rates unchanged throughout the rest of 2019, but adopted an increasingly dovish tone, suggesting the possibility of a future rate cut if Brexit uncertainty was prolonged.

Elections held in December saw the incumbent Conservative party win a significant majority; UK Prime Minister Boris Johnson’s commitment to higher government spending helped push up yields on UK Gilts. However, the upward move in yields proved short-lived amid a flight to safety precipitated by concerns about the global spread of COVID-19. The resulting economic shutdown prompted unprecedented central bank and fiscal responses in an attempt to calm financial markets and offset the damage to economies worldwide. As Andrew Bailey took over as Governor of the BoE in March, the central bank swiftly lowered interest rates close to zero, while the UK government announced a sizeable fiscal package to mitigate the impacts of the pandemic on the UK economy.

Significant Changes

The top purchases made by the Fund during the period included United Kingdom Treasury Bond, Reg S, 4.25%, 3/07/2036; United Kingdom Treasury Bond, senior bond, Reg S, 1.625%, 10/22/2071; United Kingdom Treasury Bond, Reg S, 3.50%, 7/22/2068; Government of Mexico, senior bond, 5.625%, 3/19/2114; Government of Austria, senior bond, 144A, Reg S, 2.10%, 9/20/2117; United Kingdom Treasury Bond, Reg S, 1.75%, 9/07/2022 and United Kingdom Treasury Bond, Reg S, 4.25%, 12/07/2027.

The Fund’s top sales over the period included United Kingdom Treasury Note, Reg S, 2.00%, 7/22/2020; United Kingdom Treasury Bond, Reg S, 3.50%, 7/22/2068; United Kingdom Treasury Note, Reg S, 1.50%, 1/22/2021; United Kingdom Treasury Note, Reg S, 1.75%, 7/22/2019; United Kingdom Treasury Bond, Reg S, 4.25%, 3/07/2036; United Kingdom Treasury Bond, Reg S, 4.00%, 1/22/2060; United Kingdom Treasury Bond, Reg S, 3.75%, 9/07/2021; United Kingdom Treasury Bond, Reg S, 4.25%, 12/07/2040; United Kingdom Treasury Bond, Reg S, 3.25%, 1/22/2044 and United Kingdom Treasury Bond, Reg S, 4.25%, 12/07/2027.

Positive/Negative Contributors

The Fund’s duration and yield-curve positioning contributed to relative performance, as did local market allocation, due to a small position in eurozone bonds.

In contrast, the Fund’s sector allocation detracted most from relative returns, largely due to allocation among maturities of 15 to 25 years. However, allocation among maturities of 3.5 to 7.5 years slightly added to relative results.

The Fund’s security selection also detracted from relative returns, hurt by selection among the shorter-dated maturities.

Outlook

We anticipate a sizeable economic downturn in the UK due to the economic shutdown caused by the COVID-19 pandemic. As with many countries, the long-term success of UK policymakers’ monetary and fiscal response is likely to depend on how long the measures to restrict economic activity are kept in place, and how effective they prove to be in stemming the spread of the virus. Though we anticipate a return to growth in the second half of 2020, the extent of the likely second-quarter contraction and the anticipated time expected for the discovery of a vaccine could lead to periods of disruption persisting and negative growth for the year as a whole. Despite these headwinds, we believe investors should continue to maintain a long-term perspective, as the current dislocations in fixed-income markets are creating opportunities for active managers.

David Zahn, CFA

Fund Manager

March 31, 2020

Fund Changes

On 31 July 2019, following some regulatory change, the Fund’s investment objective and policy were clarified to make it easier for investors to understand both how the portfolio is managed and how to assess the Fund’s performance. More details can be found in the Fund’s prospectus available on our website.

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

Franklin UK Gilt Fund

Comparative Table

	31 March 2020	31 March 2019	31 March 2018
W – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	103.78	101.58	102.26
Return before operating charges ¹	10.17	3.68	0.71
Operating charges ²	(0.38)	(0.35)	(0.35)
Return after operating charges ³	9.79	3.33	0.36
Distribution on income shares	(1.3327)	(1.1272)	(1.0442)
Closing net asset value per share	112.24	103.78	101.58
After direct transaction costs of ⁴	-	-	-
Performance			
Return after charges ⁵	9.43%	3.28%	0.35%
Other information			
Closing net asset value (£)	599,816	63,229	4,062
Closing number of shares	534,391	60,927	3,998
Operating charges ratio ⁶	0.35%	0.35%	0.35%
Direct transaction costs ⁴	-	-	-
Prices (p)			
Highest share price	118.18	104.47	103.20
Lowest share price	101.54	98.14	98.23

	31 March 2020	31 March 2019	31 March 2018
W – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	106.28	102.86	102.42
Return before operating charges ¹	10.48	3.78	0.80
Operating charges ²	(0.39)	(0.36)	(0.36)
Return after operating charges ³	10.09	3.42	0.44
Distribution	(1.3711)	(1.1447)	(1.0511)
Retained distributions on accumulation shares	1.3711	1.1447	1.0511
Closing net asset value per share	116.37	106.28	102.86
After direct transaction costs of ⁴	-	-	-
Performance			
Return after charges ⁵	9.49%	3.32%	0.43%
Other information			
Closing net asset value (£)	73,220,057	87,712,370	89,884,882
Closing number of shares	62,920,656	82,531,584	87,386,613
Operating charges ratio ⁶	0.35%	0.35%	0.35%
Direct transaction costs ⁴	-	-	-
Prices (p)			
Highest share price	122.17	106.67	103.37
Lowest share price	103.99	99.91	99.21

Franklin UK Gilt Fund

Comparative Table (continued)

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

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

Risk Profile (W(acc) shares)



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

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

Franklin UK Gilt Fund

Portfolio Statement as at 31 March 2020

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
BONDS 99.16% (99.23%)			
CENTRAL AMERICA 1.20% (0.00%)			
MEXICO			
850,000	Government of Mexico, senior bond, 5.625%, 3/19/2114#	884	1.20
	TOTAL - CENTRAL AMERICA	884	1.20
EUROPE - OTHER EU 1.22% (0.00%)			
AUSTRIA			
600,000	Government of Austria, senior bond, 144A, Reg S, 2.10%, 9/20/2117#	899	1.22
	TOTAL EUROPE - OTHER EU	899	1.22
UNITED KINGDOM 96.74% (99.23%)			
3,800,000	United Kingdom Treasury Bond, 4.00%, 3/07/2022#	4,084	5.53
3,400,000	United Kingdom Treasury Bond, Reg S, 1.625%, 10/22/2028#	3,803	5.15
1,800,000	United Kingdom Treasury Bond, Reg S, 1.75%, 9/07/2022#	1,870	2.53
3,100,000	United Kingdom Treasury Bond, Reg S, 2.00%, 9/07/2025#	3,413	4.62
900,000	United Kingdom Treasury Bond, Reg S, 2.25%, 9/07/2023#	964	1.31
3,300,000	United Kingdom Treasury Bond, Reg S, 3.25%, 1/22/2044#	5,018	6.80
1,600,000	United Kingdom Treasury Bond, Reg S, 3.50%, 7/22/2068#	3,465	4.69
2,450,000	United Kingdom Treasury Bond, Reg S, 3.50%, 1/22/2045#	3,915	5.30
1,650,000	United Kingdom Treasury Bond, Reg S, 3.75%, 7/22/2052#	3,061	4.15
4,700,000	United Kingdom Treasury Bond, Reg S, 3.75%, 9/07/2021#	4,943	6.70
1,550,000	United Kingdom Treasury Bond, Reg S, 4.00%, 1/22/2060#	3,336	4.52
1,475,000	United Kingdom Treasury Bond, Reg S, 4.25%, 12/07/2055#	3,097	4.19
3,350,000	United Kingdom Treasury Bond, Reg S, 4.25%, 12/07/2027#	4,380	5.93
2,450,000	United Kingdom Treasury Bond, Reg S, 4.25%, 12/07/2049#	4,670	6.33
3,250,000	United Kingdom Treasury Bond, Reg S, 4.25%, 12/07/2040#	5,398	7.31
4,700,000	United Kingdom Treasury Bond, Reg S, 4.25%, 3/07/2036#	7,250	9.82
2,500,000	United Kingdom Treasury Bond, Reg S, 4.75%, 12/07/2030#	3,652	4.95
1,150,000	United Kingdom Treasury Bond, senior bond, Reg S, 1.625%, 10/22/2071#	1,663	2.25
3,400,000	United Kingdom Treasury Note, Reg S, 1.50%, 1/22/2021#	3,437	4.66
	TOTAL - UNITED KINGDOM	71,419	96.74
	TOTAL - BONDS	73,202	99.16
DERIVATIVES (0.04)% (0.00%)			
FORWARD CURRENCY CONTRACTS			
	Buy GBP 816,144 & Sell EUR 950,000, 6/24/2020	(29)	(0.04)
FOREIGN EXCHANGE GAIN/LOSS ON OUTSTANDING FORWARD CURRENCY CONTRACTS			
		(29)	(0.04)
	TOTAL - DERIVATIVES	(29)	(0.04)
	TOTAL VALUE OF INVESTMENTS	73,173	99.12
	OTHER ASSETS	647	0.88
	TOTAL NET ASSETS	73,820	100.00

Traded on an alternative investment market.

Franklin UK Gilt Fund

Statement of Total Return

For the year ended 31 March 2020

	Note	March 2020 £000	March 2020 £000	March 2019 £000	March 2019 £000
Income					
Net capital gains/(losses)	1		6,892		2,109
Revenue	2	1,090		972	
Expenses	3	(306)		(304)	
Net revenue before taxation		784		668	
Net revenue after taxation			784		668
Total return before distributions for the year			7,676		2,777
Distributions	5		(1,090)		(972)
Change in net assets attributable to shareholders			6,586		1,805

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 March 2020

	March 2020 £000	March 2020 £000	March 2019 £000	March 2019 £000
Opening net assets attributable to shareholders		87,776		89,890
Amounts received on creation of shares	8,810		12,214	
Amounts paid on cancellation of shares	(30,558)		(17,097)	
		(21,748)		(4,883)
Dilution adjustments		168		-
Change in net assets attributable to shareholders from investment activities (see above)		6,586		1,805
Retained distribution on accumulation shares		1,038		964
Closing net assets attributable to shareholders		73,820		87,776

Balance Sheet

As at 31 March 2020

	Note	March 2020 £000	March 2019 £000
Assets			
Fixed assets			
Investments		73,202	87,104
Current assets			
Debtors	6	351	460
Cash and bank balances		451	373
Total assets		74,004	87,937
Liabilities			
Investment liabilities			
		(29)	-
Creditors			
Distribution payable	5	(2)	-
Other creditors	7	(153)	(161)
Total liabilities		(184)	(161)
Net assets attributable to shareholders		73,820	87,776

Franklin UK Gilt Fund

Notes to the Financial Statements

	March 2020 £000	March 2019 £000
1. Net capital gains/(losses)		
The net capital gains/(losses) during the year comprise:		
Non-derivative securities gains/(losses)	7,249	2,109
Currency gains/(losses)	(5)	-
Derivative gains/(losses)	(352)	-
	<u>6,892</u>	<u>2,109</u>
2. Revenue		
Revenue from debt securities	1,089	969
Bank and other interest	1	3
	<u>1,090</u>	<u>972</u>
3. Expenses		
Payable to the ACD, associates of the ACD and agents of either of them		
ACD's periodic charge	220	218
ACD's administration charge	44	44
	<u>264</u>	<u>262</u>
Payable to the Depositary, associates of the Depositary and agents of either of them		
Depositary fees	20	19
Safe custody fees	6	6
	<u>26</u>	<u>25</u>
Other expenses		
Audit fees	11	11
Legal and publication fees	4	4
Printing fees	2	3
Expense cap	(1)	(1)
	<u>16</u>	<u>17</u>
	<u>306</u>	<u>304</u>
4. Taxation		
Factors affecting tax charge for the year		
The tax assessed for the year is lower (2019: lower) than the standard rate of corporation tax in the UK for Open-ended Investment Companies (20% (2019: 20%)).		
The differences are explained below:		
Net revenue before taxation	784	668
Corporation tax of 20% (2019: 20%)	157	134
Effects of:		
Interest distributions	(157)	(134)
Current tax charge for year	-	-
Open-ended Investment Companies are exempt from tax on capital gains in the UK. Therefore, any capital return is not included within the reconciliation above.		

Franklin UK Gilt Fund

Notes to the Financial Statements (continued)

	March 2020 £000	March 2019 £000
5. (a) Distributions		
The distribution takes account of income received on the issue of shares and income deducted on the cancellation of shares, and comprise:		
Interim dividend distributions		
Income	2	-
Accumulation	822	705
	<u>824</u>	<u>705</u>
Final dividend distributions		
Income	2	-
Accumulation	216	260
	<u>218</u>	<u>260</u>
Add: Income deducted on cancellation of shares	66	31
Deduct: Income received on issue of shares	<u>(18)</u>	<u>(24)</u>
Total distribution	1,090	972
(b) Difference between net revenue and distribution:		
Net revenue after taxation	784	668
ACD's periodic charge taken from capital account	220	218
Expense charge taken from capital account	<u>86</u>	<u>86</u>
Total distribution for the year	1,090	972

Details of the distributions in pence per share for the individual Funds are set out on the tables on page 87-88.

6. Debtors		
Accrued income	340	429
Amounts receivable for issue of shares	10	31
Capped expenses	<u>1</u>	<u>-</u>
	351	460
7. Other creditors		
Amounts payable on cancellation of shares	115	122
Accrued expenses	<u>38</u>	<u>39</u>
	153	161

8. Related parties

During the year, Franklin Templeton Fund Management Limited ("ACD"), a related party, acted primarily in all transactions of the Funds. The aggregate amounts received through issues and cancellations are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

Amounts charged by the ACD and associates of the ACD in respect of the management and administration fees are disclosed in Note 3.

The amounts due to the ACD and associates of the ACD in respect of management and administration fees at 31 March 2020 are £22,000 (£22,000 as at 31 March 2019).

During the year the Fund received £1,000 (paid £1,000 in reimbursed expenses from the ACD for the year to 31 March 2019) to the ACD in respect of an over-reimbursement of expenses.

As at 31 March 2020 the Fund owed £1,000 to the ACD in respect of an over-reimbursement of expenses (£nil owed as at 31 March 2019).

As at 31 March 2020 Templeton Global Advisors Limited ("TGAL") held 0.75% of the shares in issue of Class W Income (6.56% as at 31 March 2019).

Franklin UK Gilt Fund

Notes to the Financial Statements (continued)

9. Risk management policies and disclosures

The risks inherent in the Fund's investment portfolio are as follows:

Market Risk

Please refer to the accounting policies note for details on market risk exposure.

Currency Risk

Fluctuations in the foreign exchange rates can adversely affect the value of a portfolio.

At the year end date, 0.14% (2019: 0.00%) of the net assets of the Fund were denominated in currencies other than sterling and as such the currency risk is not considered significant.

Interest Rate Risk

Interest rate profile of financial assets and financial liabilities

The tables below detail the interest rate profile of the Fund's assets / liabilities at the year end

	Floating rate financial assets / liabilities £000	Fixed rate financial assets / liabilities £000	Financial assets / liabilities not carrying interest £000	Total £000
March 2020				
UK sterling	-	72,303	1,417	73,720
Euro	-	899	(799)	100
	-	73,202	618	73,820

	Floating rate financial assets / liabilities £000	Fixed rate financial assets / liabilities £000	Financial assets / liabilities not carrying interest £000	Total £000
March 2019				
UK sterling	-	87,104	672	87,776
	-	87,104	672	87,776

Sensitivity to Interest Rate Risk

A potential interest rate increase of 0.5% has been assumed for the sensitivity analysis and with all other variables held constant, the profit or loss after taxation and equity are expected to change as disclosed below. The actual movements of values could be different due to unpredictable market environment changes impacting the values in parallel.

Category	31 March 2020 £000	31 March 2019 £000
Fixed rate financial assets	(663)	(557)
Total	(663)	(557)

A potential interest rate decrease of 0.5% has been assumed for the sensitivity analysis and with all other variables held constant, the profit or loss after taxation and equity are expected to change as disclosed below. The actual movements of values could be different due to unpredictable market environment changes impacting the values in parallel.

Category	31 March 2020 £000	31 March 2019 £000
Fixed rate financial assets	762	627
Total	762	627

Franklin UK Gilt Fund

Notes to the Financial Statements (continued)

10. Portfolio Transaction Costs

During the year bond purchases amounted to £11,074,000 (2019: £56,460,000), bond sales amounted to £31,251,000 (2019: £57,278,000) and derivative sales amounted to (£366,000) (2019: £nil). No Direct Transaction Costs were incurred during the current or prior year.

In pursuance of its investments objectives the Fund incurs commissions, taxes and other charges when buying and selling investment securities. Share dealing generally incurs broker commission and stamp Duty and these are paid by the Fund on each transaction where appropriate.

In addition there is a dealing spread between the buying and selling prices of the underlying investments. The average dealing spread which is the difference between the quoted bid and offer prices or internal administrative or holding costs, are not included in the calculation of Direct Transaction Costs. As at 31 March 2020, the average dealing spread for the underlying Fund investments is 0.11% (2019: 0.07%).

Comparing portfolio transaction costs for a range of funds may give misleading impression of the relative costs of investing in those funds for the following reasons:

- Historic transaction costs are not an effective indicator of the future impact on performance as it may vary from year to year depending on the investment manager;
- Transaction costs for buying and selling investments due to shareholder activity on the fund are recovered from those investors; and
- Transaction costs will vary depending on the types of securities the fund is investing.

11. Creations and Cancellations of Shares

	W-Income shares	W-Accumulation shares
Opening shares	60,927	82,531,584
Creations	512,618	7,513,848
Cancellations	(39,154)	(27,124,776)
Total closing shares	534,391	62,920,656

12. Fair Value Disclosure

In accordance with FRS 102 the Fund classifies fair value measurement under the following levels:

Level 1

Unadjusted quoted market prices in active markets for identical securities.

Level 2

Investments (other than quoted prices included within Level 1) whose fair value is based directly on observable current market prices or is indirectly being derived from market prices; and

Level 3

Investments whose fair value is determined using a valuation technique based on assumptions that are not supported by observable current market prices or are not based on observable market data such as security in default or securities valued by Franklin Templeton Fair Valuation Committee.

Fair Value Hierarchy	Assets 31 March 2020 £000	Liabilities 31 March 2020 £000	Assets 31 March 2019 £000	Liabilities 31 March 2019 £000
Level 1	-	-	-	-
Level 2	73,202	-	87,104	-
Level 3	-	-	-	-
Total	73,202	-	87,104	-

Franklin UK Gilt Fund

Notes to the Financial Statements (continued)

13. Portfolio Statement by Credit Rating

Standard & Poor's Ratings		Market Value £000	% of Net Assets
March 2020			
Investment grade	BBB or higher	73,202	99.16
Total Value of Bonds		73,202	99.16
March 2019			
Investment grade	BBB or higher	87,104	99.23
Total Value of Bonds		87,104	99.23

14. Counterparty and Collateral Exposure

Counterparty	Forward currency contracts £000	Total £000
31 March 2020		
Citi	(29)	(29)

Franklin UK Gilt Fund

Distribution Statement

For the period 1 April 2019 to 30 June 2019

Group 1 – Shares purchased prior to 1 April 2019

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

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

For the period 1 July 2019 to 30 September 2019

Group 1 – Shares purchased prior to 1 July 2019

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

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

For the period 1 October 2019 to 31 December 2019

Group 1 - Shares purchased prior to 1 October 2019

Group 2 - Shares purchased in the period 1 October 2019 to 31 December 2019

	Net Income p	Equalisation p	31 December 2019 Pence per Share p	31 December 2018 Pence per Share p
W - Income shares				
Group 1	0.3365	-	0.3365	0.2944
Group 2	0.2783	0.0582	0.3365	0.2944
W - Accumulation shares				
Group 1	0.3467	-	0.3467	0.2996
Group 2	0.0676	0.2791	0.3467	0.2996

For the period 1 January 2020 to 31 March 2020

Group 1 - Shares purchased prior to 1 January 2020

Group 2 - Shares purchased in the period 1 January 2020 to 31 March 2020

	Net Income p	Equalisation p	31 March 2020 Pence per Share p	31 March 2019 Pence per Share p
W - Income shares				
Group 1	0.3326	-	0.3326	0.3084
Group 2	0.3326	-	0.3326	0.3084
W - Accumulation shares				
Group 1	0.3437	-	0.3437	0.3149
Group 2	0.3437	-	0.3437	0.3149

Franklin UK Gilt Fund

Distribution Statement (continued)

Equalisation

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

Franklin UK Managers' Focus Fund

Investment Review

Performance

For the year ended 31 March 2020, the Franklin UK Manager's Focus Fund (W (acc) shares) recorded a net return of (14.61%)*, outperforming the FTSE All-Share Index, which returned (18.45%) (both returns in UK sterling).

Overview

With the market narrative and macroeconomic backdrop abruptly shifting in the opening weeks of 2020, it makes sense to split our overview into two parts.

The first period saw UK equities, as measured by the FTSE UK All-Share Index, down only 0.75% for the nine months ending 31 December 2019.

Much of this period was dominated by the continuation of the deadlock between the European Union ("EU") and United Kingdom ("UK") regarding the Brexit withdrawal agreement. The ruling Conservative party was hindered by a slim majority in a parliament divided on this issue, preventing any legislation from passing into law or progress being made. As the months progressed, a general election seemed increasingly likely. In the summer, Conservative leader Theresa May resigned and was replaced by Boris Johnson. UK sterling then fell, as the new Prime Minister was believed to have a harder stance on Brexit, while the prospect of a general election increased.

In December, the Conservatives won the General Election with an 80-seat majority and an historically significant mandate for power that removed the spectre of a socialist government in the UK for the years ahead but opened the door to a harder Brexit.

Central banks across the globe gradually became more dovish, amid lacklustre macroeconomic data; unemployment was pinned to near all-time lows and inflation remained persistently subdued. Meanwhile, trade talks between the United States and China made little ground, while President Trump publicly put pressure on the US Federal Reserve ("Fed") to ease monetary policy. In line with market expectations, the Fed ultimately cut rates by 25 basis points ("bps") in its July, September and October Federal Open Market Committee meetings.

The second period, covering the first quarter of 2020, saw a significantly higher volatility amid heightened market concerns about the COVID-19 pandemic.

As it became increasingly clear throughout February and March that the disease was spreading globally and that this would require significant restrictions on the movement of people, central banks took early action. The Fed was the first to move, with a rare intra-meeting cut of 50 bps. This was followed up by a full 100 basis point cut in the middle of March, meaning that the upper bound of the Fed funds rate has fallen from 2.5% to the lower bound of 0.25% over the year under review. At the same time, the Fed has launched wide-ranging easing measures, including a commitment to purchase unlimited government and investment-grade paper. Similar measures have been announced by the Bank of England and the European Central Bank, with the former cutting its benchmark deposit rate to 0.10%.

An unprecedented fiscal response then followed. The UK Chancellor of the Exchequer, Rishi Sunak, announced wide-ranging government spending plans in March, only days after the formal Budget was outlined. The plans include support for employers and employees through a new Job Retention Scheme, which will see the government underwrite the salaries of employees up to 80% capped at £2,500 per month. The Chancellor also launched various loans and grant programmes to help businesses stay solvent and support employees for the foreseeable future. The fiscal response in the United States, albeit more politically charged, has been passed and will see expenditure of US\$2 trillion, equivalent to about 10% of gross domestic product ("GDP"), to support the economy.

The upshot of this has been a classic 'flight to safety' with the UK 10-year gilt yield falling from 1.0% to 0.36%, reaching as low as 0.16% in mid-March. Yields on US 10-year Treasuries have seen a similar collapse, dropping from 2.41% to 0.67% at period end. Credit-spread widening has also been prevalent, with high yield indices showing the most dramatic move relative to sovereigns as default risk increased.

Equities fell significantly in the first three months of 2020, with the FTSE All-Share Index down 26%. The oil and gas sector, down 60.9% in the first three months of the year, suffered most amid demand and supply issues. The travel and leisure segment was also badly hurt, falling 52.4% over the first quarter.

Significant Changes

During the year, the biggest stock purchases included automotive distributor and retailer Inchcape, cruise operator Carnival, pharmaceutical company GlaxoSmithKline, beverage company Diageo and supermarket chain Tesco.

The largest sales included entertainment company Entertainment One, gaming operator GVC Holdings, insurance company Legal & General Group, wealth management business St. James's Place Capital and property investment and development business Derwent London.

This was an active period for the Fund. We initiated a position in leading European Life consolidator Phoenix Group Holdings, which we have held in other funds and offers a high relative dividend yield and impeccable management track record. In the mid-cap pocket, we initiated a position in key government outsourcer Serco Group. We have a high regard for the management team, the balance sheet is conservatively managed, and we believe the business to have durable cash-generation prospects. We also added blue-chip names, such as Diageo and GlaxoSmithKline.

Positions we exited during the year included financials St James' Place Capital and Legal & General, which we sold after a strong run. We also sold packaging and pulp company DS Smith, which we felt would struggle in a benign economic environment. We also had persistent concerns about the health of its balance sheet.

During the period, we also initiated positions in Carnival and transport company National Express, although subsequently sold out of these positions in March. Given the unprecedented challenges facing the travel and leisure sectors in the current environment we no longer have conviction in their prospects.

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

Franklin UK Managers' Focus Fund

Investment Review (continued)

Positive/Negative Contributors

At the sector level, an underweight allocation to and selection in oil and gas contributed to relative returns. Selection within technology and a lack of exposure to banks also added relative value. In contrast, an overweight exposure to and selection in travel and leisure weighed on relative results, as did selection in and underweight exposure to health care.

At the stock level, telecoms testing firm Spirent Communications was the greatest contributor performance; the company remains well placed in its end markets. Specialist manufacture Avon Rubber continues to beat analyst expectations and win business; it was the second largest contributor to the portfolio over the period.

National Express was the largest detractor from portfolio performance over the period. The company has suffered from travel restrictions rolled out as a result of the COVID-19 pandemic. Carnival, the cruise operator, which suffered from the travel ban due to COVID-19, was also among the most significant detractors over the period.

Outlook

UK GDP growth for 2019 was 1.4%, with quarterly data showing a deceleration as we exited 2019. We expect 2020 to be appreciably worse. Indeed, corporate and economic performance forecasts for the coming year have already been written down significantly. However, the depth of the downturn and shape of a recovery remain unclear.

Although we do not know how the pandemic will progress, we believe the commercial and economic damage will depend on the length of time that social measures are enforced. Unfortunately, we are unable to predict from the experience of other European countries how the UK will fare. We anxiously await the effects of social measures that have been implemented and the results of large-scale antibody testing before we can become more comfortable with how an exit strategy plays out, although we believe this will be most likely be through a combination of testing, wider immunity and finally vaccinations.

The dynamics at play for equity investors have changed dramatically in a short period of time. We are seeing government intervention and heavy guidance for companies to temporarily re-think their capital allocation programmes. Share buybacks and dividends have been shelved, and management pay has been curtailed significantly. Companies that are likely to receive government support or will be key to the economy, such as banks and supermarkets, will be most in focus. It seems lessons about public perception have been learnt since the Global Financial Crisis and, for many, this is a time to bolster environmental, social and governance ("ESG") credentials.

We anticipate a heightened level of share issuance in the coming months, as corporates look to manage their liquidity profile through a period that for many may be one of zero revenue. As investors, we remain ready and prepared to back the companies and management teams that we believe will be able to prosper in the long run.

Balance sheets at the country level are also taking a hit. Fiscal deficits have already ballooned, as governments write blank cheques to combat COVID-19 insolvencies and job losses. These spending measures could also reset the public expectation for government expenditure in the future.

Perennial issues regarding Brexit, US-China trade wars and anaemic growth in Europe seem of little concern at present, yet there is hope that, with a common objective in fighting the COVID-19 outbreak, disputes and negotiations between nations may be settled more amicably in the future.

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

Fund Managers

31 March 2020

Fund Changes

On 31 July 2019, following some regulatory change, the Fund's investment objective and policy were clarified to make it easier for investors to understand both how the portfolio is managed and how to assess the Fund's performance. More details can be found in the Fund's prospectus available on our website.

In January 2020, we also announced some changes to the Fund Management team, following Paul Spencer's decision to retire later this year. On 30 June 2020, the revised management team will be Richard Bullas, Daniel Green, Colin Morton, Ben Russon and Mark Hall.

We would like to thank Paul for his dedication and contributions to the firm and wish him well in his retirement.

Franklin UK Managers' Focus Fund

Comparative Table

	31 March 2020	31 March 2019	31 March 2018
A – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	249.83	251.48	238.16
Return before operating charges ¹	(32.79)	2.42	17.32
Operating charges ²	(4.17)	(4.07)	(4.00)
Return after operating charges ³	(36.96)	(1.65)	13.32
Closing net asset value per share	212.87	249.83	251.48
Distributions	(5.4120)	(4.3476)	(3.3343)
Retained distributions on accumulation shares	5.4120	4.3476	3.3343
After direct transaction costs of ⁴	0.47	0.54	0.63
Performance			
Return after charges ⁵	(14.79%)	(0.66%)	5.59%
Other information			
Closing net asset value (£)	12,585,963	18,857,803	26,606,761
Closing number of shares	5,912,390	7,548,322	10,579,930
Operating charges ratio ⁶	1.58%	1.58%	1.58%
Direct transaction costs ⁴	0.18%	0.21%	0.25%
Prices (p)			
Highest share price	294.47	276.85	266.25
Lowest share price	184.15	226.13	239.15

	31 March 2020	31 March 2019	31 March 2018
S – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	123.60	123.24	115.61
Return before operating charges ¹	(16.45)	1.15	8.41
Operating charges ²	(0.83)	(0.79)	(0.78)
Return after operating charges ³	(17.28)	0.36	7.63
Closing net asset value per share	106.32	123.60	123.24
Distributions	(3.9378)	(3.3368)	(2.7984)
Retained distributions on accumulation shares	3.9378	3.3368	2.7984
After direct transaction costs of ⁴	0.24	0.26	0.31
Performance			
Return after charges ⁵	(13.98%)	0.29%	6.60%
Other information			
Closing net asset value (£)	41,921,995	66,053,097	41,478,623
Closing number of shares	39,428,714	53,442,239	33,656,677
Operating charges ratio ⁶	0.63%	0.63%	0.63%
Direct transaction costs ⁴	0.18%	0.21%	0.25%
Prices (p)			
Highest share price	146.79	135.93	130.18
Lowest share price	91.94	111.60	116.10

Franklin UK Managers' Focus Fund

Comparative Table (continued)

	31 March 2020	31 March 2019	31 March 2018
W – Income shares⁷			
Change in net assets per share (p)			
Opening net asset value per share	100.00	n/a	n/a
Return before operating charges ¹	(26.51)	n/a	n/a
Operating charges ²	(0.65)	n/a	n/a
Return after operating charges ³	(27.16)	n/a	n/a
Distributions on income shares	(0.2698)	n/a	n/a
Closing net asset value per share	72.57	n/a	n/a
After direct transaction costs of ⁴	0.14	n/a	n/a
Performance			
Return after charges ⁵	(27.16%)	n/a	n/a
Other information			
Closing net asset value (£)	21,373,727	n/a	n/a
Closing number of shares	29,452,237	n/a	n/a
Operating charges ratio ⁶	0.83%	n/a	n/a
Direct transaction costs ⁴	0.18%	n/a	n/a
Prices (p)			
Highest share price	100.00	n/a	n/a
Lowest share price	62.99	n/a	n/a
W – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	231.94	231.73	217.82
Return before operating charges ¹	(30.78)	2.18	15.84
Operating charges ²	(2.04)	(1.97)	(1.93)
Return after operating charges ³	(32.82)	0.21	13.91
Closing net asset value per share	199.12	231.94	231.73
Distributions	(6.8895)	(5.7943)	(4.7986)
Retained distributions on accumulation shares	6.8895	5.7943	4.7986
After direct transaction costs of ⁴	0.44	0.50	0.58
Performance			
Return after charges ⁵	(14.15%)	0.09%	6.39%
Other information			
Closing net asset value (£)	169,515,796	277,466,426	268,014,159
Closing number of shares	85,130,499	119,628,096	115,656,172
Operating charges ratio ⁶	0.83%	0.83%	0.83%
Direct transaction costs ⁴	0.18%	0.21%	0.25%
Prices (p)			
Highest share price	275.03	255.50	244.91
Lowest share price	172.21	209.53	218.74

Franklin UK Managers' Focus Fund

Comparative Table (continued)

	31 March 2020	31 March 2019	31 March 2018
Y – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	129.75	132.82	127.48
Return before operating charges ¹	(16.88)	1.38	9.28
Operating charges ²	(0.04)	(0.04)	(0.04)
Return after operating charges ³	(16.92)	1.34	9.24
Distributions on income shares	(4.9475)	(4.4051)	(3.8986)
Closing net asset value per share	107.88	129.75	132.82
After direct transaction costs of ⁴	0.25	0.28	0.34
Performance			
Return after charges ⁵	(13.04%)	1.01%	7.25%
Other information			
Closing net asset value (£)	2,924	3,517	3,600
Closing number of shares	2,710	2,710	2,710
Operating charges ratio ⁶	0.03%	0.03%	0.03%
Direct transaction costs ⁴	0.18%	0.21%	0.25%
Prices (p)			
Highest share price	151.76	146.67	141.61
Lowest share price	95.16	118.63	128.04
Z – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	228.82	229.07	215.75
Return before operating charges ¹	(30.27)	2.16	15.66
Operating charges ²	(2.50)	(2.41)	(2.34)
Return after operating charges ³	(32.77)	(0.25)	13.32
Closing net asset value per share	196.05	228.82	229.07
Distributions	(6.3047)	(5.2551)	(4.2071)
Retained distributions on accumulation shares	6.3047	5.2551	4.2071
After direct transaction costs of ⁴	0.44	0.49	0.57
Performance			
Return after charges ⁵	(14.32%)	(0.11%)	6.17%
Other information			
Closing net asset value (£)	738,138	858,260	572,278
Closing number of shares	376,506	375,084	249,825
Operating charges ratio ⁶	1.03%	1.03%	1.03%
Direct transaction costs ⁴	0.18%	0.21%	0.25%
Prices (p)			
Highest share price	270.89	252.46	242.21
Lowest share price	169.56	206.82	216.65

Franklin UK Managers' Focus Fund

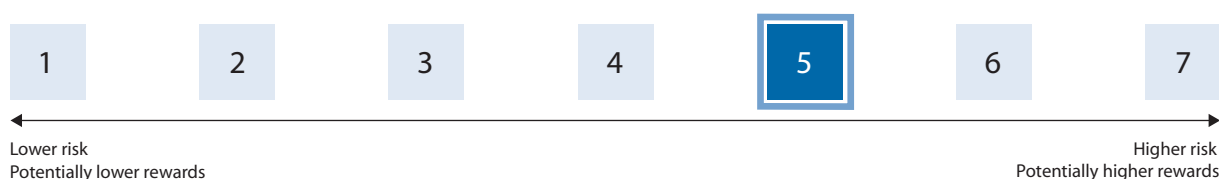
Comparative Table (continued)

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

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

- 7 This is from share class launch on 21 February 2020.

Risk Profile (W(acc) shares)



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

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

Franklin UK Managers' Focus Fund

Portfolio Statement as at 31 March 2020

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
EQUITIES 93.91% (97.56%)			
AEROSPACE & DEFENCE 2.43% (1.19%)			
260,000	Avon Rubber PLC	5,980	2.43
BEVERAGES 2.68% (0.00%)			
255,000	Diageo PLC	6,592	2.68
CHEMICALS 0.00% (1.45%)			
CONSTRUCTION & MATERIALS 0.00% (2.31%)			
ELECTRONIC & ELECTRICAL EQUIPMENT 4.51% (2.75%)			
1,050,000	discoverIE Group PLC	5,155	2.09
335,000	Gooch & Housego PLC	2,848	1.16
2,050,000	TT Electronics PLC	3,106	1.26
		11,109	4.51
FINANCIAL SERVICES 10.35% (10.77%)			
465,000	Intermediate Capital Group PLC	4,166	1.69
1,600,000	JTC PLC, Reg S	6,800	2.77
2,255,000	Jupiter Fund Management PLC	4,510	1.83
1,625,000	Paragon Banking Group PLC	5,395	2.19
4,226,633	XPS Pensions Group PLC, Reg S	4,607	1.87
		25,478	10.35
FOOD & DRUG RETAILERS 2.79% (0.00%)			
3,000,000	Tesco PLC	6,858	2.79
FOOD PRODUCERS 5.17% (4.30%)			
335,000	Associated British Foods PLC	6,067	2.47
180,000	Cranswick PLC	6,656	2.70
		12,723	5.17
GAS, WATER & MULTI-UTILITIES 0.00% (2.52%)			
GENERAL INDUSTRIALS 0.00% (2.31%)			
GENERAL RETAILERS 3.37% (1.62%)			
2,300,000	DFS Furniture PLC	2,677	1.08
1,300,000	Inchcape PLC	5,632	2.29
		8,309	3.37
HEALTH CARE EQUIPMENT & SERVICES 2.61% (2.52%)			
448,000	Smith & Nephew PLC	6,422	2.61
HOUSEHOLD GOODS & HOME CONSTRUCTION 4.51% (2.35%)			
204,000	Bellway PLC	4,392	1.79
109,000	Reckitt Benckiser Group PLC	6,703	2.72
		11,095	4.51
INDUSTRIAL ENGINEERING 5.43% (6.84%)			
990,000	Bodycote PLC	5,583	2.27
567,800	Vitec Group PLC	3,634	1.48
575,000	Weir Group PLC	4,145	1.68
		13,362	5.43
LIFE INSURANCE 5.34% (7.58%)			
1,110,000	Phoenix Group Holdings PLC	6,954	2.82
600,000	Prudential PLC	6,192	2.52
		13,146	5.34
MEDIA 2.90% (5.21%)			
412,000	RELX PLC	7,134	2.90

Franklin UK Managers' Focus Fund

Portfolio Statement as at 31 March 2020 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	MINING 2.72% (2.70%)		
180,000	Rio Tinto PLC	6,691	2.72
	OIL & GAS PRODUCERS 5.26% (5.14%)		
1,810,000	BP PLC	6,217	2.52
475,000	Royal Dutch Shell PLC, A	6,740	2.74
		12,957	5.26
	PERSONAL GOODS 2.69% (2.47%)		
163,000	Unilever PLC	6,635	2.69
	PHARMACEUTICALS & BIOTECHNOLOGY 5.76% (4.42%)		
100,000	AstraZeneca PLC	7,214	2.93
460,000	GlaxoSmithKline PLC	6,965	2.83
		14,179	5.76
	REAL ESTATE INVESTMENT & SERVICES 1.39% (1.26%)		
1,645,000	Urban & Civic PLC	3,422	1.39
	REAL ESTATE INVESTMENT TRUSTS 0.00% (2.44%)		
	SUPPORT SERVICES 13.40% (13.72%)		
414,000	Bunzl PLC	6,744	2.74
115,000	Ferguson PLC	5,812	2.36
1,195,000	Howden Joinery Group PLC	6,107	2.48
1,384,400	Restore PLC	4,776	1.94
1,075,000	RWS Holdings PLC	4,918	2.00
3,800,000	Serco Group PLC	4,636	1.88
		32,993	13.40
	TECHNOLOGY HARDWARE & EQUIPMENT 2.62% (1.97%)		
3,100,000	Spirent Communications PLC	6,448	2.62
	TOBACCO 5.59% (5.23%)		
260,000	British American Tobacco PLC	7,168	2.91
440,000	Imperial Brands PLC	6,585	2.68
		13,753	5.59
	TRAVEL & LEISURE 2.39% (4.49%)		
465,000	Compass Group PLC	5,873	2.39
	TOTAL - EQUITIES	231,159	93.91
	TOTAL VALUE OF INVESTMENTS	231,159	93.91
	OTHER ASSETS	14,979	6.09
	TOTAL NET ASSETS	246,138	100.00

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

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

Franklin UK Managers' Focus Fund

Statement of Total Return

For the year ended 31 March 2020

	Note	March 2020 £000	March 2020 £000	March 2019 £000	March 2019 £000
Income					
Net capital gains/(losses)	1		(47,742)		(10,027)
Revenue	2	12,550		12,087	
Expenses	3	(2,840)		(3,128)	
Net revenue before taxation		9,710		8,959	
Taxation	4	(61)		(59)	
Net revenue after taxation			9,649		8,900
Total return before distributions for the year			(38,093)		(1,127)
Distributions	5		(9,509)		(8,921)
Change in net assets attributable to shareholders			(47,602)		(10,048)

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 March 2020

	March 2020 £000	March 2020 £000	March 2019 £000	March 2019 £000
Opening net assets attributable to shareholders		363,239		336,675
Amounts received on creation of shares	93,329		150,797	
Amounts paid on cancellation of shares	(171,405)		(123,140)	
		(78,076)		27,657
Change in net assets attributable to shareholders from investment activities (see above)		(47,602)		(10,048)
Retained distribution on accumulation shares		8,577		8,955
Closing net assets attributable to shareholders		246,138		363,239

Balance Sheet

As at 31 March 2020

	Note	March 2020 £000	March 2019 £000
Assets			
Fixed assets			
Investments		231,159	354,387
Current assets			
Debtors	6	1,652	4,034
Cash and bank balances		15,163	7,510
Total assets		247,974	365,931
Liabilities			
Creditors			
Distribution payable	5	(80)	-
Other creditors	7	(1,756)	(2,692)
Total liabilities		(1,836)	(2,692)
Net assets attributable to shareholders		246,138	363,239

Franklin UK Managers' Focus Fund

Notes to the Financial Statements

	March 2020 £000	March 2019 £000
1. Net capital gains/(losses)		
The net capital gains/(losses) during the year comprise:		
Non-derivative securities gains/(losses)	(47,742)	(10,027)
	(47,742)	(10,027)
2. Revenue		
UK dividends	11,449	10,930
Overseas dividends	1,093	1,148
Bank and other interest	8	9
	12,550	12,087
3. Expenses		
Payable to the ACD, associates of the ACD and agents of either of them		
ACD's periodic charge	2,570	2,846
ACD's administration charge	170	184
	2,740	3,030
Payable to the Depositary, associates of the Depositary and agents of either of them		
Depositary fees	52	55
Safe custody fees	21	24
	73	79
Other expenses		
Legal and publication fees	14	7
Audit fees	10	9
Printing fees	3	3
	27	19
	2,840	3,128
4. Taxation		
(a) Analysis of charge in the year		
Irrecoverable overseas tax	61	59
Total current tax (note 4(b))	61	59
Total taxation	61	59
(b) Factors affecting tax charge for the year		
The tax assessed for the year is lower (2019: lower) than the standard rate of corporation tax in the UK for Open-ended Investment Companies (20% (2019: 20%)).		
The differences are explained below:		
Net revenue before taxation	9,710	8,959
Corporation tax of 20% (2019: 20%)	1,942	1,792
Effects of:		
Excess management expenses	538	573
Irrecoverable overseas tax	61	59
UK dividends & non-taxable overseas dividends*	(2,480)	(2,365)
Current tax charge for year (note 4(a))	61	59

*As an Open-ended Investment Company these items are not subject to corporation tax.

Open-ended investment companies are exempt from tax on capital gains in the UK. Therefore, any capital return is not included within the reconciliation above.

At the year end there is a potential deferred tax asset of £2,748,000 (£2,209,000 as at 31 March 2019) in relation to excess management fees. It is unlikely the Fund will generate sufficient tax profits in the future to utilise these amounts and therefore no deferred tax assets

Franklin UK Managers' Focus Fund

Notes to the Financial Statements (continued)

	March 2020 £000	March 2019 £000
4. Taxation (continued)		
have been recognised in the year.		
5. (a) Distributions		
The distribution takes account of income received on the issue of shares and income deducted on the cancellation of shares, and comprise:		
Interim dividend distributions		
Accumulation	5,291	5,302
	<u>5,291</u>	<u>5,302</u>
Final dividend distributions		
Income	80	-
Accumulation	3,286	3,653
	<u>3,366</u>	<u>3,653</u>
Add: Income deducted on cancellation of shares	1,507	947
Deduct: Income received on issue of shares	<u>(655)</u>	<u>(981)</u>
Total distribution	9,509	8,921
(b) Difference between net revenue and distribution:		
Net revenue after taxation	9,649	8,900
Net revenue received/(paid) on share class conversions	<u>(140)</u>	<u>21</u>
Total distribution for the year	9,509	8,921
Details of the distribution in pence per share for this Fund are set out in the table on page 102.		
6. Debtors		
Accrued income	1,099	1,811
Amounts receivable for issue of shares	532	600
Overseas tax recoverable	21	44
Sales awaiting settlement	<u>-</u>	<u>1,579</u>
	1,652	4,034
7. Other creditors		
Purchases awaiting settlement	1,140	1,764
Amounts payable on cancellation of shares	415	654
Accrued expenses	<u>201</u>	<u>274</u>
	1,756	2,692
8. Related parties		
During the year, Franklin Templeton Fund Management Limited ("ACD"), a related party, acted primarily in all transactions of the Funds. The aggregate amounts received through issues and cancellations are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.		
Amounts charged by the ACD and associates of the ACD in respect of the management and administration fees are disclosed in Note 3.		
The amounts due to the ACD and associates of the ACD in respect of management and administration fees at 31 March 2020 are £179,000 (£247,000 as at 31 March 2019).		
During the year the Fund received £nil (£2,000 for the year to 31 March 2019) in reimbursed expenses from the ACD.		
As at 31 March 2020 Templeton Global Advisors Limited ("TGAL") held 100% (100% as at 31 March 2019) of the shares in issue of Class Y Income.		

Franklin UK Managers' Focus Fund

Notes to the Financial Statements (continued)

9. Risk management policies and disclosures

The risks inherent in the Fund's investment portfolio are as follows:

Market Risk

Please refer to the accounting policies note for details on market risk exposure.

Currency risk

Fluctuations in the foreign exchange rates can adversely affect the value of a portfolio.

At the year end date, 0.01% (2019: 0.01%) of the net assets of the Fund were denominated in currencies other than sterling and as such the currency risk is not considered significant.

Interest rate risk

The Fund does not invest in either fixed or floating rate securities and interest rate risk exposure is restricted to interest receivable on bank deposits or payable on bank overdraft positions which will be affected by fluctuations in interest rates.

Other price risk

At the year end date, 93.91% (2019: 97.56%) of the net assets of the Fund were invested in ordinary shares or stock units admitted to an official stock exchange. If the market value were to change by 10% (2019: 10%), the value of the Fund would change by 9.39% (2019: 9.76%).

There is no material difference between the value of the financial assets and liabilities, as shown in the Balance sheet, and their fair values.

10. Portfolio Transaction Costs

	2020			2019		
	Purchases £000	% Of Purchases	% of Average Net Asset Value	Purchases £000	% Of Purchases	% of Average Net Asset Value
Equity purchases in the year before transaction costs	99,239			140,477		
Commissions	51	0.05	0.01	77	0.05	0.02
Taxes	459	0.46	0.13	561	0.40	0.15
Other	15	0.02	-	76	0.05	0.02
Total Equity purchases in the year after direct transaction costs	99,764			141,191		

	2020			2019		
	Sales £000	% Of Sales	% of Average Net Asset Value	Sales £000	% Of Sales	% of Average Net Asset Value
Equity sales in the year before transaction costs	174,725			83,063		
Commissions	(95)	(0.05)	(0.03)	(47)	(0.06)	(0.01)
Total Equity sales in the year after direct transaction costs	174,630			83,016		

In pursuance of its investment objectives the Fund incurs commissions, taxes and other charges when buying and selling investment securities. Share dealing generally incurs broker commission and stamp duty and these are paid by the Fund on each transaction where appropriate.

In addition there is a dealing spread between the buying and selling prices of the underlying investments. The average dealing spread which is the difference between the quoted bid and offer prices or internal administrative or holding costs, are not included in the calculation of Direct Transaction Costs. As at 31 March 2020, the average dealing spread for the underlying Fund investments is 0.55% (2019: 0.34%).

Franklin UK Managers' Focus Fund

Notes to the Financial Statements (continued)

10. Portfolio Transaction Costs (continued)

Comparing portfolio transaction costs for a range of funds may give a misleading impression of the relative costs of investing in those funds for the following reasons:

- Historic transaction costs are not an effective indicator of the future impact on performance as it may vary from year to year depending on the investment manager;
- Transaction costs for buying and selling investments due to shareholder activity on the fund are recovered from those investors; and
- Transaction costs will vary depending on the types of securities the fund is investing.

11. Creations and Cancellations of Shares

	A-Accumulation shares	S-Accumulation shares	W-Income shares	W-Accumulation shares	Y-Income shares	Z-Accumulation shares
Opening shares	7,548,321	53,442,239	-	119,628,096	2,710	375,084
Creations	512,881	9,272,256	11,799,361	27,998,248	-	14,679
Cancellations	(1,959,623)	(23,873,918)	-	(55,927,495)	-	(13,257)
Conversions	(189,189)	588,137	17,652,876	(6,568,350)	-	-
Total closing shares	5,912,390	39,428,714	29,452,237	85,130,499	2,710	376,506

12. Fair Value Disclosure

In accordance with FRS 102 the Fund classifies fair value measurement under the following levels:

Level 1

Unadjusted quoted market prices in active markets for identical securities.

Level 2

Investments (other than quoted prices included within Level 1) whose fair value is based directly on observable current market prices or is indirectly being derived from market prices; and

Level 3

Investments whose fair value is determined using a valuation technique based on assumptions that are not supported by observable current market prices or are not based on observable market data such as security in default or securities valued by Franklin Templeton Fair Valuation Committee.

Fair Value Hierarchy	Assets	Liabilities	Assets	Liabilities
	31 March 2020 £000	31 March 2020 £000	31 March 2019 £000	31 March 2019 £000
Level 1	231,159	-	354,387	-
Level 2	-	-	-	-
Level 3	-	-	-	-
Total	231,159	-	354,387	-

Franklin UK Managers' Focus Fund

Distribution Statement

For the period 1 April 2019 to 30 September 2019

Group 1 – Shares purchased prior to 1 April 2019

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

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

For the period 1 October 2019 to 31 March 2020

Group 1 – Shares purchased prior to 1 October 2019

Group 2 – Shares purchased in the period 1 October 2019 to 31 March 2019

	Net Income p	Equalisation p	31 March 2020 Pence per Share p	31 March 2019 Pence per Share p
A - Accumulation shares				
Group 1	2.1132	-	2.1132	1.6072
Group 2	0.9218	1.1914	2.1132	1.6072
S - Accumulation shares				
Group 1	1.6920	-	1.6920	1.3647
Group 2	0.7528	0.9392	1.6920	1.3647
W - Income shares				
Group 1	0.2698	-	0.2698	n/a
Group 2	0.2698	-	0.2698	n/a
W - Accumulation shares				
Group 1	2.9181	-	2.9181	2.3355
Group 2	0.9654	1.9527	2.9181	2.3355
Y - Income shares				
Group 1	2.1738	-	2.1738	1.8395
Group 2	2.1738	-	2.1738	1.8395
Z - Accumulation shares				
Group 1	2.6262	-	2.6262	2.0843
Group 2	1.1727	1.4535	2.6262	2.0843

Equalisation

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

Franklin UK Mid Cap Fund

Investment Review

Performance

For the year ended 31 March 2020, Franklin UK Mid Cap Fund (W (Acc) shares) recorded a net return of (16.30%)*, outperforming the FTSE 250 (excluding Investment Trusts) Index, which returned (21.23%) (both returns in UK sterling).

Overview

With the market narrative and macroeconomic backdrop abruptly shifting in the opening weeks of 2020, it makes sense to split our overview into two parts.

The first period saw UK equities, as measured by the FTSE UK All-Share Index, down only 0.75% for the nine months ending 31 December 2019.

Much of this period was dominated by the continuation of the deadlock between the European Union ("EU") and United Kingdom ("UK") regarding the Brexit withdrawal agreement. The ruling Conservative party was hindered by a slim majority in a parliament divided on this issue, preventing any legislation from passing into law or progress being made. As the months progressed, a general election seemed increasingly likely. In the summer, Conservative leader Theresa May resigned and was replaced by Boris Johnson. UK sterling then fell, as the new Prime Minister was believed to have a harder stance on Brexit, while the prospect of a general election increased.

In December, the Conservatives won the General Election with an 80-seat majority and an historically significant mandate for power that removed the spectre of a socialist government in the UK for the years ahead but opened the door to a harder Brexit.

Central banks across the globe gradually became more dovish, amid lacklustre macroeconomic data; unemployment was pinned to near all-time lows and inflation remained persistently subdued. Meanwhile, trade talks between the United States and China made little ground, while President Trump publicly put pressure on the US Federal Reserve ("Fed") to ease monetary policy. In line with market expectations, the Fed ultimately cut rates by 25 basis points ("bps") in its July, September and October Federal Open Market Committee meetings.

The second period, covering the first quarter of 2020, saw a significantly higher volatility amid heightened market concerns about the COVID-19 pandemic.

As it became increasingly clear throughout February and March that the disease was spreading globally and that this would require significant restrictions on the movement of people, central banks took early action. The Fed was the first to move, with a rare intra-meeting cut of 50 bps. This was followed up by a full 100 basis point cut in the middle of March, meaning that the upper bound of the Fed funds rate has fallen from 2.5% to the lower bound of 0.25% over the year under review. At the same time, the Fed has launched wide-ranging easing measures, including a commitment to purchase unlimited government and investment-grade paper. Similar measures have been announced by the Bank of England and the European Central Bank, with the former cutting its benchmark deposit rate to 0.10%.

An unprecedented fiscal response then followed. The UK Chancellor of the Exchequer, Rishi Sunak, announced wide-ranging government spending plans in March, only days after the formal Budget was outlined. The plans include support for employers and employees through a new Job Retention Scheme, which will see the government underwrite the salaries of employees up to 80% capped at £2,500 per month. The Chancellor also launched various loans and grant programmes to help businesses stay solvent and support employees for the foreseeable future. The fiscal response in the United States, albeit more politically charged, has been passed and will see expenditure of US\$2 trillion, equivalent to about 10% of gross domestic product ("GDP"), to support the economy.

The upshot of this has been a classic 'flight to safety' with the UK 10-year gilt yield falling from 1.0% to 0.36%, reaching as low as 0.16% in mid-March. Yields on US 10-year Treasuries have seen a similar collapse, dropping from 2.41% to 0.67% at period end. Credit-spread widening has also been prevalent, with high yield indices showing the most dramatic move relative to sovereigns as default risk increased.

Equities have fallen significantly in the first three months of 2020, with the FTSE All Share down 26%. The UK mid-cap and smaller companies' area of the market has been the hardest hit, underperforming the wider market, as the FTSE 250 fell 33.7%. This has been due to the sector differences across the indices, with a greater cyclical and domestic exposure, and fewer defensive sectors than those in the FTSE100. In periods of extreme volatility and an increased demand for cash, the reduced liquidity of mid- and small caps is also a headwind.

Significant Changes

Over the year, the biggest stock purchases included automotive distributor and retailer Inchcape, bus company National Express Group, housebuilder Redrow, and industrial flow control equipment manufacturer Rotork. We also initiated new positions in pet supplies retailer Pets at Home, which we see as having robust structural drivers of demand and impressive execution from management, and electronics business Electrocomponents, which we like due to its exposure to attractive end markets, a competent management team that is now turning its attention to underperforming areas of the business, and a conservative balance sheet. We also initiated a position in key government outsourcer Serco Group. We have a high regard for the management team, the balance sheet is conservatively managed, and we believe the business to have durable cash-generation prospects. Other purchases included property group Shaftesbury, builders' merchants Grafton Group, steel production consumable group Vesuvius and defence group QinetiQ.

The largest sales during the period included alternative asset manager Intermediate Capital Group, aerospace components specialist Meggitt and information technology company Aveva Group. All three companies performed well throughout and graduated to the FTSE100 Index, therefore becoming too large to hold. Other disposals included home repairs and improvements provider HomeServe, chemicals firm Elementis, pub group Greene King, engineering firm IMI Student, accommodation operator Unite Group and property group Tritax Big Box REIT. After receiving a cash bid for US toy maker Hasbro, Entertainment One also left the portfolio. National Express was subsequently sold in March 2020, along with gaming group GVC Holdings, after the widespread outbreak of COVID-19 was likely to have far reaching implications for both businesses.

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

Franklin UK Mid Cap Fund

Investment Review (continued)

Positive/Negative Contributors

Performance over the forecast period was dominated by the market and stock-price movement in the final two months of the period. At the sector level, lack of exposure to oil and gas contributed to relative performance, as did stock selection in and an overweight allocation to technology. Selection in industrial goods and services also added relative value. In contrast, lack of exposure to health care and utilities, and selection in travel and leisure weighed on relative performance.

At the stock level, network testing and assurance firm Spirent Communications was the largest contributor. The company reported an excellent financial performance during 2019, and the group is well placed to ride the wave of investment in next-generation telecoms infrastructure and 5G roll out. Pork and poultry producer Cranswick also added to relative performance. The company has undertaken capacity improvements over the last 18 months, making it well placed to supply consumers during a time in which we have seen heightened demand for staple food products. Other good performances came from alternative asset manager Intermediate Capital Group and residential property group Grainger.

National Express was the largest detractor from portfolio performance over the period. The company has suffered from substantial travel restrictions rolled out as a result of the COVID-19 pandemic. Engineering group Weir suffered latterly due to the market sell-off and in particular the collapse in the oil price, as the company has a division selling into the oil market, which it is currently trying to sell. Other domestic, consumer-focused names were also very weak during the March sell-off, including housebuilder Redrow and sofa retailer DFS Furniture. All housebuilding sites have been closed due to the UK wide lock down while DFS were forced to close all its retail outlets for an indeterminate amount of time.

Outlook

UK GDP growth for 2019 was 1.4%, with quarterly data showing a deceleration as we exited 2019. We expect 2020 to be appreciably worse. Indeed, corporate and economic performance forecasts for the coming year have already been written down significantly. However, the depth of the downturn and shape of a recovery remain unclear.

Although we do not know how the pandemic will progress, we believe the commercial and economic damage will depend on the length of time that social measures are enforced. Unfortunately, we are unable to predict from the experience of other European countries how the UK will fare. We anxiously await the effects of social measures that have been implemented and the results of large-scale antibody testing before we can become more comfortable with how an exit strategy plays out, although we believe this will be most likely be through a combination of testing, wider immunity and finally vaccinations.

The dynamics at play for equity investors have changed dramatically in a short period of time. We are seeing government intervention and heavy guidance for companies to temporarily re-think their capital allocation programmes. Share buybacks and dividends have been shelved, and management pay has been curtailed significantly. Companies that are likely to receive government support or will be key to the economy, such as banks and supermarkets, will be most in focus. It seems lessons about public perception have been learnt since the Global Financial Crisis and, for many, this is a time to bolster environmental, social and governance ("ESG") credentials.

We anticipate a heightened level of share issuance in the coming months, as corporates look to manage their liquidity profile through a period that for many may be one of zero revenue. As investors, we remain ready and prepared to back the companies and management teams that we believe will be able to prosper in the long run.

Balance sheets at the country level are also taking a hit. Fiscal deficits have already ballooned, as governments write blank cheques to combat COVID-19 insolvencies and job losses. These spending measures could also reset the public expectation for government expenditure in the future.

Perennial issues regarding Brexit, US-China trade wars and anaemic growth in Europe seem of little concern at present, yet there is hope that, with a common objective in fighting the COVID-19 outbreak, disputes and negotiations between nations may be settled more amicably in the future.

Paul Spencer, Mark Hall & Richard Bullas

Fund Managers

31 March 2020

Fund Changes

On 31 July 2019, following some regulatory change, the Fund's investment objective and policy were clarified to make it easier for investors to understand both how the portfolio is managed and how to assess the Fund's performance. More details can be found in the Fund's prospectus available on our website.

In January we also announced some changes to the Fund Management team, following Paul Spencer's decision to retire later this year. Richard Bullas, who has worked alongside Paul for over 14 years and was a named manager for the Fund, became a Co-Lead Manager alongside Paul in January 2020. Richard will become the Lead Manager for Franklin UK Mid Cap on 30 June 2020 and will be supported by other members of the Franklin UK Small/Mid (SMid) team, Managers: Mark Hall, Richard Bullas and Marcus Tregoning. Richard has 20 years of financial industry experience and joined the firm in January 2000 as a member of the UK SMid team.

We would like to thank Paul for his dedication and contributions to the firm and wish him well in his retirement.

Franklin UK Mid Cap Fund

Comparative Table

	31 March 2020	31 March 2019	31 March 2018
A – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	595.87	614.55	542.46
Return before operating charges ¹	(90.44)	2.51	89.68
Operating charges ²	(10.27)	(9.70)	(9.42)
Return after operating charges ³	(100.71)	(7.19)	80.26
Distributions on income shares	(7.6201)	(11.4910)	(8.1652)
Closing net asset value per share	487.54	595.87	614.55
After direct transaction costs of ⁴	2.02	1.48	1.68
Performance			
Return after charges ⁵	(16.90%)	(1.17%)	14.80%
Other information			
Closing net asset value (£)	50,158,736	66,221,279	87,692,262
Closing number of shares	10,288,167	11,113,342	14,269,356
Operating charges ratio ⁶	1.58%	1.57%	1.57%
Direct transaction costs ⁴	0.31%	0.24%	0.28%
Prices (p)			
Highest share price	751.54	675.15	647.40
Lowest share price	424.30	531.90	544.78

	31 March 2020	31 March 2019	31 March 2018
S – Income shares⁷			
Change in net assets per share (p)			
Opening net asset value per share	100.80	103.98	100.00
Return before operating charges ¹	(17.76)	(2.53)	4.64
Operating charges ²	(0.69)	(0.65)	(0.66)
Return after operating charges ³	(18.45)	(3.18)	3.98
Closing net asset value per share	82.35	100.80	103.98
After direct transaction costs of ⁴	0.34	0.25	0.30
Performance			
Return after charges ⁵	(18.30%)	(3.06%)	3.98%
Other information			
Closing net asset value (£)	211,102,185	220,214,770	231,027,073
Closing number of shares	256,361,933	218,460,409	222,185,905
Operating charges ratio ⁶	0.63%	0.62%	0.62%
Direct transaction costs ⁴	0.31%	0.24%	0.28%
Prices (p)			
Highest share price	127.47	114.46	109.38
Lowest share price	72.11	90.41	99.07

Franklin UK Mid Cap Fund

Comparative Table (continued)

	31 March 2020	31 March 2019	31 March 2018
S – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	128.16	128.47	110.84
Return before operating charges ¹	(20.15)	(0.49)	18.41
Operating charges ²	(0.90)	(0.80)	(0.78)
Return after operating charges ³	(21.05)	(0.31)	17.63
Closing net asset value per share	107.11	128.16	128.47
Distributions	(2.9879)	(3.6481)	(2.8542)
Retained distributions on accumulation shares	2.9879	3.6481	2.8542
After direct transaction costs of ⁴	0.44	0.31	0.35
Performance			
Return after charges ⁵	(16.42%)	(0.24%)	15.91%
Other information			
Closing net asset value (£)	90,334,342	71,704,121	96,611,627
Closing number of shares	84,334,293	55,947,402	75,201,919
Operating charges ratio ⁶	0.63%	0.62%	0.62%
Direct transaction costs ⁴	0.31%	0.24%	0.28%
Prices (p)			
Highest share price	164.60	141.41	133.98
Lowest share price	93.12	112.66	111.32
W – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	177.26	182.83	161.36
Return before operating charges ¹	(27.07)	0.74	26.72
Operating charges ²	(1.61)	(1.51)	(1.47)
Return after operating charges ³	(28.68)	(0.77)	25.25
Distributions on income shares	(3.7264)	(4.8034)	(3.7813)
Closing net asset value per share	144.85	177.26	182.83
After direct transaction costs of ⁴	0.60	0.44	0.50
Performance			
Return after charges ⁵	(16.18%)	(0.42%)	15.65%
Other information			
Closing net asset value (£)	261,696,019	314,865,810	325,146,527
Closing number of shares	180,669,380	177,634,159	177,836,608
Operating charges ratio ⁶	0.83%	0.82%	0.82%
Direct transaction costs ⁴	0.31%	0.24%	0.28%
Prices (p)			
Highest share price	224.03	201.17	193.34
Lowest share price	126.68	158.82	162.07

Franklin UK Mid Cap Fund

Comparative Table (continued)

	31 March 2020	31 March 2019	31 March 2018
W – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	231.02	232.04	200.59
Return before operating charges ¹	(36.21)	0.90	33.29
Operating charges ²	(2.12)	(1.92)	(1.84)
Return after operating charges ³	(38.33)	(1.02)	31.45
Closing net asset value per share	192.69	231.02	232.04
Distributions	(4.8722)	(6.1146)	(4.7110)
Retained distributions on accumulation shares	4.8722	6.1146	4.7110
After direct transaction costs of ⁴	0.79	0.56	0.63
Performance			
Return after charges ⁵	(16.59%)	(0.44%)	15.68%
Other information			
Closing net asset value (£)	273,343,919	255,246,794	238,954,187
Closing number of shares	141,855,414	110,487,606	102,977,786
Operating charges ratio ⁶	0.83%	0.82%	0.82%
Direct transaction costs ⁴	0.31%	0.24%	0.28%
Prices (p)			
Highest share price	296.26	255.32	242.12
Lowest share price	167.53	203.19	201.47
Y – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	133.16	137.39	121.25
Return before operating charges ¹	(20.48)	0.54	20.11
Operating charges ²	(0.04)	(0.03)	(0.03)
Return after operating charges ³	(20.52)	0.51	20.08
Distributions on income shares	(3.9860)	(4.7386)	(3.9432)
Closing net asset value per share	108.65	133.16	137.39
After direct transaction costs of ⁴	0.45	0.33	0.38
Performance			
Return after charges ⁵	(15.41%)	0.37%	16.56%
Other information			
Closing net asset value (£)	3,229	3,958	4,084
Closing number of shares	2,972	2,972	2,972
Operating charges ratio ⁶	0.03%	0.02%	0.02%
Direct transaction costs ⁴	0.31%	0.24%	0.28%
Prices (p)			
Highest share price	168.66	151.43	145.88
Lowest share price	95.52	119.80	121.79

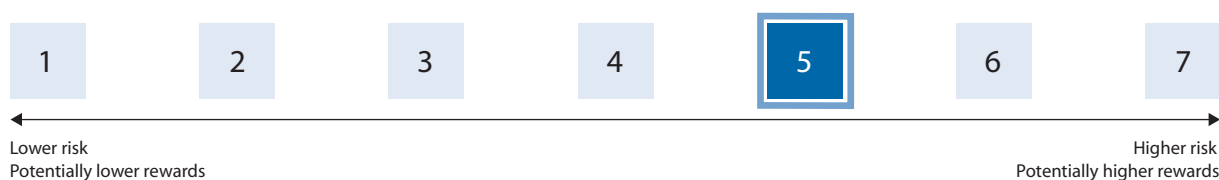
Franklin UK Mid Cap Fund

Comparative Table (continued)

	31 March 2020	31 March 2019	31 March 2018
Z – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	227.91	229.38	198.69
Return before operating charges ¹	(35.59)	0.90	32.96
Operating charges ²	(2.59)	(2.37)	(2.27)
Return after operating charges ³	(38.18)	(1.47)	30.69
Closing net asset value per share	189.73	227.91	229.38
Distributions	(4.3009)	(5.5774)	(4.2189)
Retained distributions on accumulation shares	4.3009	5.5774	4.2189
After direct transaction costs of ⁴	0.78	0.56	0.62
Performance			
Return after charges ⁵	(16.75%)	(0.64%)	15.45%
Other information			
Closing net asset value (£)	3,746,954	5,897,256	7,025,421
Closing number of shares	1,974,938	2,587,488	3,062,743
Operating charges ratio ⁶	1.03%	1.02%	1.02%
Direct transaction costs ⁴	0.31%	0.24%	0.28%
Prices (p)			
Highest share price	291.83	252.29	239.45
Lowest share price	164.96	200.57	199.55

- The "return before operating charges" is calculated as the "return after operating charges" plus the "operating charges".
 - The "operating charges" are calculated with reference to the total expenses for the year divided by the number of shares in issue at each valuation point.
 - The "return after operating charges" is calculated as the "closing net asset value per share" plus the "distributions" (for income share classes only) minus the "opening net asset value per share".
 - The direct transaction costs include all fees and expenses which relate directly to the sales and purchases of securities which include commissions, transfer taxes and duties. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The "direct transaction costs" ratio is calculated by dividing the total transaction costs by the average net assets.
 - The "return after charges" is calculated as the "return after operating charges" per share divided by the "opening net asset value per share". This figure will differ from "performance return" figure disclosed under "Investment Review" section due to alternative calculation methodology used.
 - The "operating charges ratio" represents all operating charges and expenses of the share class in the prior 12 months as a percentage of the share class's average net assets during the year.
- Where ex-post expense information is not a fair representation of future operating costs and where 12 months of information is not available, an estimate is disclosed.
- 7 This is from share class launch on 31 August 2017.

Risk Profile (W(acc) shares)



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

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

Franklin UK Mid Cap Fund

Portfolio Statement as at 31 March 2020

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
EQUITIES 93.36% (96.56%)			
AEROSPACE & DEFENCE 2.71% (3.37%)			
7,500,000	QinetiQ Group PLC	24,135	2.71
AUTOMOBILES & PARTS 3.05% (2.97%)			
18,500,000	TI Fluid Systems PLC, Reg S	27,158	3.05
CHEMICALS 0.00% (2.09%)			
CONSTRUCTION & MATERIALS 5.09% (6.09%)			
12,500,000	Ibstock PLC, Reg S	19,000	2.13
5,750,000	Polypipe Group PLC	26,335	2.96
		45,335	5.09
DIVERSIFIED INDUSTRIALS 1.99% (0.00%)			
5,500,000	Vesuvius PLC	17,721	1.99
ELECTRONIC & ELECTRICAL EQUIPMENT 4.13% (3.36%)			
1,500,000	Spectris PLC	36,795	4.13
FINANCIAL SERVICES 10.96% (17.08%)			
7,500,000	Ashmore Group PLC	26,730	3.00
11,500,000	Jupiter Fund Management PLC	23,000	2.58
9,000,000	Paragon Banking Group PLC	29,880	3.36
1,200,000	Rathbone Brothers PLC	17,976	2.02
		97,586	10.96
FOOD PRODUCERS 4.15% (2.62%)			
1,000,000	Cranswick PLC	36,980	4.15
GENERAL RETAILERS 4.89% (3.05%)			
11,373,929	DFS Furniture PLC	13,239	1.49
7,000,000	Inchcape PLC	30,324	3.40
		43,563	4.89
HOUSEHOLD GOODS & HOME CONSTRUCTION 5.04% (3.91%)			
1,000,000	Bellway PLC	21,530	2.42
6,500,000	Redrow PLC	23,367	2.62
		44,897	5.04
INDUSTRIAL ENGINEERING 8.74% (8.38%)			
5,250,000	Bodycote PLC	29,610	3.33
11,500,000	Rotork PLC	24,736	2.78
3,250,000	Weir Group PLC	23,426	2.63
		77,772	8.74
INDUSTRIAL SUPPLIERS 2.18% (0.00%)			
3,650,000	Grafton Group PLC	19,382	2.18
INDUSTRIAL TRANSPORTATION 2.03% (2.06%)			
11,000,000	Signature Aviation PLC	18,079	2.03
LIFE INSURANCE 0.00% (1.62%)			
MEDIA 2.50% (6.01%)			
2,750,000	Euromoney Institutional Investor PLC	22,248	2.50
NONLIFE INSURANCE 6.11% (5.70%)			
6,000,000	Beazley PLC	23,400	2.63
5,000,000	Lancashire Holdings Ltd.	30,950	3.48
		54,350	6.11
REAL ESTATE INVESTMENT & SERVICES 4.13% (4.10%)			
14,250,000	Grainger PLC	36,793	4.13

Franklin UK Mid Cap Fund

Portfolio Statement as at 31 March 2020 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	REAL ESTATE INVESTMENT TRUSTS 5.38% (5.48%)		
900,000	Derwent London PLC§	29,412	3.30
3,000,000	Shaftesbury PLC§	18,510	2.08
		47,922	5.38
	SOFTWARE & COMPUTER SERVICES 0.00% (2.59%)		
	SPECIALTY RETAILERS 2.66% (0.00%)		
9,250,000	Pets at Home Group PLC	23,699	2.66
	SUPPORT SERVICES 13.41% (8.84%)		
5,500,000	Electrocomponents PLC	28,369	3.19
6,500,000	Howden Joinery Group PLC	33,215	3.73
7,000,000	PageGroup PLC	25,494	2.86
26,500,000	Serco Group PLC	32,330	3.63
		119,408	13.41
	TECHNOLOGY HARDWARE & EQUIPMENT 4.21% (3.07%)		
18,000,000	Spirent Communications PLC	37,440	4.21
	TRAVEL & LEISURE 0.00% (4.17%)		
	TOTAL - EQUITIES	831,263	93.36
	TOTAL VALUE OF INVESTMENTS	831,263	93.36
	OTHER ASSETS	59,122	6.64
	TOTAL NET ASSETS	890,385	100.00

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

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

§ Real Estate Investment Trust ("REIT").

Franklin UK Mid Cap Fund

Statement of Total Return

For the year ended 31 March 2020

	Note	March 2020 £000	March 2020 £000	March 2019 £000	March 2019 £000
Income					
Net capital gains/(losses)	1		(231,815)		(32,032)
Revenue	2	29,808		34,417	
Expenses	3	(8,992)		(8,172)	
Net revenue before taxation		20,816		26,245	
Taxation	4	(34)		(47)	
Net revenue after taxation			20,782		26,198
Total return before distributions for the year			(211,033)		(5,834)
Distributions	5		(20,815)		(26,246)
Change in net assets attributable to shareholders			(231,848)		(32,080)

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 March 2020

	March 2020 £000	March 2020 £000	March 2019 £000	March 2019 £000
Opening net assets attributable to shareholders		934,154		986,461
Amounts received on creation of shares	524,630		217,146	
Amounts paid on cancellation of shares	(344,561)		(197,077)	
In-specie out	-		(49,660)	
		180,069		(29,591)
Unclaimed distributions		1		15
Change in net assets attributable to shareholders from investment activities (see above)		(231,848)		(32,080)
Retained distribution on accumulation shares		8,009		9,349
Closing net assets attributable to shareholders		890,385		934,154

Balance Sheet

As at 31 March 2020

	Note	March 2020 £000	March 2019 £000
Assets			
Fixed assets			
Investments		831,263	902,024
Current assets			
Debtors	6	7,162	13,006
Cash and bank balances		60,565	36,501
Total assets		898,990	951,531
Liabilities			
Creditors			
Distribution payable	5	(3,153)	(11,139)
Other creditors	7	(5,452)	(6,238)
Total liabilities		(8,605)	(17,377)
Net assets attributable to shareholders		890,385	934,154

Franklin UK Mid Cap Fund

Notes to the Financial Statements

	March 2020 £000	March 2019 £000
1. Net capital gains/(losses)		
The net capital gains/(losses) during the year comprise:		
Non-derivative securities gains/(losses)	(231,815)	(32,032)
	<u>(231,815)</u>	<u>(32,032)</u>
2. Revenue		
UK dividends	28,495	32,052
Overseas dividends	1,266	2,333
Bank and other interest	47	32
	<u>29,808</u>	<u>34,417</u>
3. Expenses		
Payable to the ACD, associates of the ACD and agents of either of them		
ACD's periodic charge	8,171	7,457
ACD's administration charge	555	501
	<u>8,726</u>	<u>7,958</u>
Payable to the Depositary, associates of the Depositary and agents of either of them		
Depositary fees	145	123
Safe custody fees	67	64
	<u>212</u>	<u>187</u>
Other expenses		
Legal and publication fees	39	16
Audit fees	10	9
Printing fees	5	3
Expense cap	-	(1)
	<u>54</u>	<u>27</u>
	<u>8,992</u>	<u>8,172</u>
4. Taxation		
(a) Analysis of charge in the year		
Irrecoverable overseas tax	34	47
Total current tax (note 4(b))	34	47
Total taxation	<u>34</u>	<u>47</u>
(b) Factors affecting tax charge for the year		
The tax assessed for the year is lower (2019: lower) than the standard rate of corporation tax in the UK for Open-ended Investment Companies (20% (2019: 20%)).		
The differences are explained below:		
Net revenue before taxation	20,816	26,245
Corporation tax of 20% (2019: 20%)	4,163	5,249
Effects of:		
Excess management expenses	1,522	1,171
Irrecoverable overseas tax	34	47
UK dividends & non-taxable overseas dividends*	(5,685)	(6,420)
Current tax charge for year (note 4(a))	<u>34</u>	<u>47</u>

* As an Open-ended Investment Company these items are not subject to corporation tax.

Open-ended Investment Companies are exempt from tax on capital gains in the UK. Therefore, any capital return is not included within the reconciliation above.

Franklin UK Mid Cap Fund

Notes to the Financial Statements (continued)

	March 2020 £000	March 2019 £000
4. Taxation (continued)		
At the year end there is a potential deferred tax asset of £15,395,000 (£13,873,000 as at 31 March 2019) in relation to excess management expenses. It is unlikely the Fund will generate sufficient tax profits in the future to utilise these amounts and therefore no deferred tax assets have been recognised in the year.		
5. (a) Distributions		
The distribution takes account of income received on the issue of shares and income deducted on the cancellation of shares, and comprise:		
Interim dividend distributions		
Income	9,809	5,160
Accumulation	5,713	3,199
	<u>15,522</u>	<u>8,359</u>
Final dividend distributions		
Income	3,153	11,139
Accumulation	2,296	6,150
	<u>5,449</u>	<u>17,289</u>
Add: Income deducted on cancellation of shares	1,906	3,090
Deduct: Income received on issue of shares	<u>(2,062)</u>	<u>(2,492)</u>
Total distribution	20,815	26,246
(b) Difference between net revenue and distribution:		
Net revenue after taxation	20,782	26,198
Net revenue received on share class conversions	33	48
Total distribution for the year	20,815	26,246
Details of the distribution in pence per share for this Fund are set out in the table on page 116-117.		
6. Debtors		
Amounts receivable for issue of shares	5,549	2,586
Accrued income	1,613	4,035
Sales awaiting settlement	-	6,384
Capped expenses	-	1
	<u>7,162</u>	<u>13,006</u>
7. Other creditors		
Amounts payable on cancellation of shares	4,749	2,957
Accrued expenses	703	693
Purchases awaiting settlement	-	2,588
	<u>5,452</u>	<u>6,238</u>

Franklin UK Mid Cap Fund

Notes to the Financial Statements (continued)

8. Related parties

During the year, Franklin Templeton Fund Management Limited ("ACD"), a related party, acted primarily in all transactions of the Funds. The aggregate amounts received through issues and cancellations are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

Amounts charged by the ACD and associates of the ACD in respect of the management and administration fees are disclosed in Note 3.

The amounts due to the ACD and associates of the ACD in respect of management and administration fees at 31 March 2020 are £657,000 (£643,000 as at 31 March 2019).

During the year the Fund received £1,000 (£3,000 for the year to 31 March 2019) in reimbursed expenses from the ACD.

As at 31 March 2020 the Fund was due reimbursed expenses of £1,000 (£1,000 as at 31 March 2019) from the ACD.

As at 31 March 2020 Templeton Global Advisors Limited ("TGAL") held 100% (100% as at 31 March 2019) of the shares in issue of Class Y income.

9. Risk management policies and disclosures

The risks inherent in the Fund's investment portfolio are as follows:

Market Risk

Please refer to the accounting policies note for details on market risk exposure.

Currency risk

Fluctuations in the foreign exchange rates can adversely affect the value of a portfolio.

At the year end date, 0.00% (2019: 0.00%) of the net assets of the Fund were denominated in currencies other than sterling and as such the currency risk is not considered significant.

Interest rate risk

The Fund does not invest in either fixed or floating rate securities and interest rate risk exposure is restricted to interest receivable on bank deposits or payable on bank overdraft positions which will be affected by fluctuations in interest rates.

Other price risk

At the year end date, 93.36% (2019: 96.56%) of the net assets of the Fund were invested in ordinary shares or stock units admitted to an official stock exchange. If the market value were to change by 10% (2019: 10%), the value of the Fund would change by 9.89% (2019: 9.66%).

There is no material difference between the value of the financial assets and liabilities, as shown in the Balance sheet, and their fair values.

10. Portfolio Transaction Costs

	2020			2019		
	Purchases £000	% Of Purchases	% of Average Net Asset Value	Purchases £000	% Of Purchases	% of Average Net Asset Value
Equity purchases in the year before transaction costs	575,196			445,015		
Commissions	283	0.05	0.03	263	0.06	0.03
Taxes	2,542	0.44	0.23	1,854	0.42	0.19
Other	418	0.07	0.04	137	0.03	0.01
Total Equity purchases in the year after direct transaction costs	578,439			447,269		

	2020			2019		
	Sales £000	% Of Sales	% of Average Net Asset Value	Sales £000	% Of Sales	% of Average Net Asset Value
Equity sales in the year before transaction costs	358,117			347,615		
Commissions	(183)	(0.05)	(0.02)	(198)	(0.06)	(0.02)
Total Equity sales in the year after direct transaction costs	357,934			347,417		

Franklin UK Mid Cap Fund

Notes to the Financial Statements (continued)

10. Portfolio Transaction Costs (continued)

In pursuance of its investment objectives the Fund incurs commissions, taxes and other charges when buying and selling investment securities. Share dealing generally incurs broker commission and stamp duty and these are paid by the Fund on each transaction where appropriate.

In addition there is a dealing spread between the buying and selling prices of the underlying investments. The average dealing spread which is the difference between the quoted bid and offer prices or internal administrative or holding costs, are not included in the calculation of Direct Transaction Costs. As at 31 March 2020, the average dealing spread for the underlying Fund investments is 0.17% (2019: 0.15%).

Comparing portfolio transaction costs for a range of funds may give a misleading impression of the relative costs of investing in those funds for the following reasons:

- Historic transaction costs are not an effective indicator of the future impact on performance as it may vary from year to year depending on the investment manager;
- Transaction costs for buying and selling investments due to shareholder activity on the fund are recovered from those investors; and
- Transaction costs will vary depending on the types of securities the fund is investing.

11. Creations and Cancellations of Shares

	A-Income shares	S-Income shares	S-Accumulation shares	W-Income shares	W-Accumulation shares	Y-Income shares	Z-Accumulation shares
Opening shares	11,113,342	218,460,409	55,947,402	177,634,159	110,487,606	2,972	2,587,488
Creations	1,939,534	45,966,089	56,463,887	66,570,848	94,084,926	-	499,985
Cancellations	(2,604,050)	(38,634,305)	(34,388,541)	(48,708,839)	(57,805,063)	-	(956,422)
Conversions	(160,659)	30,569,740	6,311,545	(14,826,788)	(4,912,055)	-	(156,113)
Total closing shares	10,288,167	256,361,933	84,334,293	180,669,380	141,855,414	2,972	1,974,938

12. Fair Value Disclosure

In accordance with FRS 102 the Fund classifies fair value measurement under the following levels:

Level 1

Unadjusted quoted market prices in active markets for identical securities.

Level 2

Investments (other than quoted prices included within Level 1) whose fair value is based directly on observable current market prices or is indirectly being derived from market prices; and

Level 3

Investments whose fair value is determined using a valuation technique based on assumptions that are not supported by observable current market prices or are not based on observable market data such as security in default or securities valued by Franklin Templeton Fair Valuation Committee.

Fair Value Hierarchy	Assets	Liabilities	Assets	Liabilities
	31 March 2020 £000	31 March 2020 £000	31 March 2019 £000	31 March 2019 £000
Level 1	831,263	-	902,024	-
Level 2	-	-	-	-
Level 3	-	-	-	-
Total	831,263	-	902,024	-

Franklin UK Mid Cap Fund

Distribution Statement

For the period 1 April 2019 to 30 September 2019

Group 1 – Shares purchased prior to 1 April 2019

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

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

For the period 1 October 2019 to 31 March 2020

Group 1 - Shares purchased prior to 1 October 2019

Group 2 - Shares purchased in the period 1 October 2019 to 31 March 2020

	Net Income p	Equalisation p	31 March 2020 Pence per Share p	31 March 2019 Pence per Share p
A - Income shares				
Group 1	0.3667	-	0.3667	7.6453
Group 2	-	0.3667	0.3667	7.6453
S - Income shares				
Group 1	0.6062	-	0.6062	2.0301
Group 2	0.4049	0.2013	0.6062	2.0301
S - Accumulation shares				
Group 1	0.7821	-	0.7821	2.5201
Group 2	0.3522	0.4299	0.7821	2.5201
W - Income shares				
Group 1	0.8640	-	0.8640	3.2955
Group 2	0.1926	0.6714	0.8640	3.2955
W - Accumulation shares				
Group 1	1.1417	-	1.1417	4.2008
Group 2	0.3673	0.7744	1.1417	4.2008
Y - Income shares				
Group 1	1.2627	-	1.2627	3.3094
Group 2	1.2627	-	1.2627	3.3094
Z - Accumulation shares				
Group 1	0.8625	-	0.8625	3.8075
Group 2	0.2808	0.5817	0.8625	3.8075

Franklin UK Mid Cap Fund

Distribution Statement (continued)

Equalisation

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

Franklin UK Opportunities Fund

Investment Review

Performance

For the year ended 31 March 2020, Franklin UK Opportunities Fund (W (acc) shares) recorded a net return of (16.05%)*, outperforming the FTSE All-Share Index, which returned (18.45%) (both returns in UK sterling).

Overview

With the market narrative and macroeconomic backdrop abruptly shifting in the opening weeks of 2020, it makes sense to split our overview into two parts.

The first period saw UK equities, as measured by the FTSE UK All-Share Index, down only 0.75% for the nine months ending 31 December 2019.

Much of this period was dominated by the continuation of the deadlock between the European Union ("EU") and United Kingdom ("UK") regarding the Brexit withdrawal agreement. The ruling Conservative party was hindered by a slim majority in a parliament divided on this issue, preventing any legislation from passing into law or progress being made. As the months progressed, a general election seemed increasingly likely. In the summer, Conservative leader Theresa May resigned and was replaced by Boris Johnson. UK sterling then fell, as the new Prime Minister was believed to have a harder stance on Brexit, while the prospect of a general election increased.

In December, the Conservatives won the General Election with an 80-seat majority and an historically significant mandate for power that removed the spectre of a socialist government in the UK for the years ahead but opened the door to a harder Brexit.

Central banks across the globe gradually became more dovish, amid lacklustre macroeconomic data; unemployment was pinned to near all-time lows and inflation remained persistently subdued. Meanwhile, trade talks between the United States and China made little ground, while President Trump publicly put pressure on the US Federal Reserve ("Fed") to ease monetary policy. In line with market expectations, the Fed ultimately cut rates by 25 basis points ("bps") in its July, September and October Federal Open Market Committee meetings.

The second period, covering the first quarter of 2020, saw a significantly higher volatility amid heightened market concerns about the COVID-19 pandemic.

As it became increasingly clear throughout February and March that the disease was spreading globally and that this would require significant restrictions on the movement of people, central banks took early action. The Fed was the first to move, with a rare intra-meeting cut of 50 bps. This was followed up by a full 100 basis point cut in the middle of March, meaning that the upper bound of the Fed funds rate has fallen from 2.5% to the lower bound of 0.25% over the year under review. At the same time, the Fed has launched wide-ranging easing measures, including a commitment to purchase unlimited government and investment-grade paper. Similar measures have been announced by the Bank of England and the European Central Bank, with the former cutting its benchmark deposit rate to 0.10%.

An unprecedented fiscal response then followed. The UK Chancellor of the Exchequer, Rishi Sunak, announced wide-ranging government spending plans in March, only days after the formal Budget was outlined. The plans include support for employers and employees through a new Job Retention Scheme, which will see the government underwrite the salaries of employees up to 80% capped at £2,500 per month. The Chancellor also launched various loans and grant programmes to help businesses stay solvent and support employees for the foreseeable future. The fiscal response in the United States, albeit more politically charged, has been passed and will see expenditure of US\$2 trillion, equivalent to about 10% of gross domestic product ("GDP"), to support the economy.

The upshot of this has been a classic 'flight to safety' with the UK 10-year gilt yield falling from 1.0% to 0.36%, reaching as low as 0.16% in mid-March. Yields on US 10-year Treasuries have seen a similar collapse, dropping from 2.41% to 0.67% at period end. Credit-spread widening has also been prevalent, with high yield indices showing the most dramatic move relative to sovereigns as default risk increased.

Equities fell significantly in the first three months of 2020, with the FTSE All-Share Index down 26%. The oil and gas sector, down 60.9% in the first three months of the year, suffered most amid demand and supply issues. The travel and leisure segment was also badly hurt, falling 52.4% over the first quarter.

Significant Changes

Over the year, the biggest stock purchases included supermarket chain Tesco, ad agency WPP, transport company National Express Group, savings and investment company M&G PL and aerospace components specialist Meggitt.

The largest sales included entertainment company Entertainment One, financial outsourcing business Equiniti Group, recruiter Hays, automotive fluid systems company TI Fluid Systems and alternative asset manager Intermediate Capital Group.

New additions included baker Greggs. We have followed the company closely and have been investors previously. Although we understand the company's operations have been suspended for the foreseeable future and that the vast majority of staff are now furloughed under new government initiatives, we are keen to take advantage of the share price weakness to buy shares in what has been an impressive story.

During the period, we also initiated a position in National Express, although subsequently sold out of this position in March. Given the unprecedented challenges facing the travel and leisure sectors in the current environment we no longer have conviction in its prospects.

We disposed of the positions in gaming operator GVC Holdings, as the uncertainty in its end market looks set for a considerable period and, therefore, we can have no conviction in its prospects.

Positive/Negative Contributors

At the sector level, an underweight exposure to banks, and underweight exposure to and stock selection in oil and gas boosted relative performance. Selection in the food and beverage segment also added relative value. In contrast, security selection in and underweight exposure to financial services and selection industrial goods and services weighed on relative returns.

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

Franklin UK Opportunities Fund

Investment Review (continued)

Positive/Negative Contributors (continued)

At a stock level, pork and poultry producer Cranswick was the largest contributor. The company has undertaken capacity improvements over the last 18 months, making it well placed to supply consumers during a time in which we have seen heightened demand for staple food products

National Express and Vistry Group were the two largest detractors from portfolio performance over the period. Both companies have suffered from travel restrictions rolled out as a result of the COVID-19 pandemic.

Outlook

UK GDP growth for 2019 was 1.4%, with quarterly data showing a deceleration as we exited 2019. We expect 2020 to be appreciably worse. Indeed, corporate and economic performance forecasts for the coming year have already been written down significantly. However, the depth of the downturn and shape of a recovery remain unclear.

Although we do not know how the pandemic will progress, we believe the commercial and economic damage will depend on the length of time that social measures are enforced. Unfortunately, we are unable to predict from the experience of other European countries how the UK will fare. We anxiously await the effects of social measures that have been implemented and the results of large-scale antibody testing before we can become more comfortable with how an exit strategy plays out, although we believe this will most likely be through a combination of testing, wider immunity and finally vaccinations.

The dynamics at play for equity investors have changed dramatically in a short period of time. We are seeing government intervention and heavy guidance for companies to temporarily re-think their capital allocation programmes. Share buybacks and dividends have been shelved, and management pay has been curtailed significantly. Companies that are likely to receive government support or will be key to the economy, such as banks and supermarkets, will be most in focus. It seems lessons about public perception have been learnt since the Global Financial Crisis and, for many, this is a time to bolster environmental, social and governance ("ESG") credentials.

We anticipate a heightened level of share issuance in the coming months, as corporates look to manage their liquidity profile through a period that for many may be one of zero revenue. As investors, we remain ready and prepared to back the companies and management teams that we believe will be able to prosper in the long run.

Balance sheets at the country level are also taking a hit. Fiscal deficits have already ballooned, as governments write blank cheques to combat COVID-19 insolvencies and job losses. These spending measures could also reset the public expectation for government expenditure in the future.

Perennial issues regarding Brexit, US-China trade wars and anaemic growth in Europe seem of little concern at present, yet there is hope that, with a common objective in fighting the COVID-19 outbreak, disputes and negotiations between nations may be settled more amicably in the future.

Ben Russon, CFA, Mark Hall & Colin Morton

Fund Managers

31 March 2020

Fund Changes

On 31 July 2019, following some regulatory change, the Fund's investment objective and policy were clarified to make it easier for investors to understand both how the portfolio is managed and how to assess the Fund's performance. More details can be found in the Fund's prospectus available on our website.

Franklin UK Opportunities Fund

Comparative Table

	31 March 2020	31 March 2019	31 March 2018
A – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	365.90	357.90	367.88
Return before operating charges ¹	(55.02)	23.12	5.51
Operating charges ²	(3.76)	(5.91)	(6.04)
Return after operating charges ³	(58.78)	17.21	(0.53)
Distributions on income shares	(9.7481)	(9.2145)	(9.4538)
Closing net asset value per share	297.37	365.90	357.90
After direct transaction costs of ⁴	0.19	0.33	0.53
Performance			
Return after charges ⁵	(16.06%)	4.81%	(0.14%)
Other information			
Closing net asset value (£)	11,784,757	17,732,871	22,116,544
Closing number of shares	3,962,998	4,846,429	6,179,572
Operating charges ratio ⁶	1.00%	1.60%	1.60%
Direct transaction costs ⁴	0.05%	0.09%	0.14%
Prices (p)			
Highest share price	409.41	395.22	393.00
Lowest share price	260.10	331.01	353.42

	31 March 2020	31 March 2019	31 March 2018
W – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	113.92	111.41	114.54
Return before operating charges ¹	(16.72)	7.23	1.71
Operating charges ²	(0.65)	(0.63)	(0.65)
Return after operating charges ³	(17.37)	6.60	1.06
Distributions on income shares	(4.0421)	(4.0856)	(4.1902)
Closing net asset value per share	92.51	113.92	111.41
After direct transaction costs of ⁴	0.06	0.10	0.16
Performance			
Return after charges ⁵	(15.25%)	5.92%	0.93%
Other information			
Closing net asset value (£)	16,960,446	25,796,067	32,943,867
Closing number of shares	18,333,862	22,644,990	29,570,777
Operating charges ratio ⁶	0.55%	0.55%	0.55%
Direct transaction costs ⁴	0.05%	0.09%	0.14%
Prices (p)			
Highest share price	127.77	123.21	122.71
Lowest share price	81.24	103.29	110.59

Franklin UK Opportunities Fund

Comparative Table (continued)

	31 March 2020	31 March 2019	31 March 2018
W – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	185.26	174.95	173.49
Return before operating charges ¹	(27.93)	11.32	2.45
Operating charges ²	(1.06)	(1.01)	(0.99)
Return after operating charges ³	(28.99)	10.31	1.46
Closing net asset value per share	156.27	185.26	174.95
Distributions	(6.6251)	(6.4713)	(6.3930)
Retained distributions on accumulation shares	6.6251	6.4713	6.3930
After direct transaction costs of ⁴	0.10	0.16	0.25
Performance			
Return after charges ⁵	(15.65%)	5.89%	0.84%
Other information			
Closing net asset value (£)	9,026,272	10,916,224	17,851,302
Closing number of shares	5,776,153	5,892,284	10,203,385
Operating charges ratio ⁶	0.55%	0.55%	0.55%
Direct transaction costs ⁴	0.05%	0.09%	0.14%
Prices (p)			
Highest share price	211.85	193.48	190.02
Lowest share price	134.69	165.23	171.25
Z – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	181.25	172.03	171.45
Return before operating charges ¹	(27.63)	11.10	2.45
Operating charges ²	(1.32)	(1.88)	(1.87)
Return after operating charges ³	(28.95)	9.22	0.58
Closing net asset value per share	152.30	181.25	172.03
Distributions	(5.7449)	(5.4505)	(5.4193)
Retained distributions on accumulation shares	5.7449	5.4505	5.4193
After direct transaction costs of ⁴	0.09	0.16	0.25
Performance			
Return after charges ⁵	(15.97%)	5.36%	0.34%
Other information			
Closing net asset value (£)	1,216,932	1,484,589	439,605
Closing number of shares	799,059	819,085	255,536
Operating charges ratio ⁶	0.70%	1.05%	1.05%
Direct transaction costs ⁴	0.05%	0.09%	0.14%
Prices (p)			
Highest share price	206.52	190.12	187.06
Lowest share price	131.27	161.86	168.41

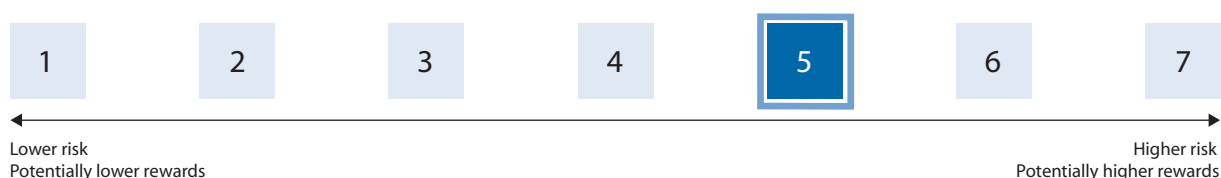
Franklin UK Opportunities Fund

Comparative Table (continued)

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

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

Risk Profile (W(acc) shares)



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

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

Franklin UK Opportunities Fund

Portfolio Statement as at 31 March 2020

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
EQUITIES 97.37% (99.10%)			
AEROSPACE & DEFENCE 0.89% (0.00%)			
120,000	Meggitt PLC	347	0.89
ASSET MANAGERS 0.87% (0.00%)			
300,000	M&G PLC	338	0.87
AUTOMOBILES & PARTS 0.00% (0.98%)			
BEVERAGES 4.04% (3.53%)			
61,000	Diageo PLC	1,577	4.04
CONSTRUCTION & MATERIALS 1.01% (1.59%)			
260,000	Ibstock PLC, Reg S	395	1.01
ELECTRICITY 2.54% (1.87%)			
76,000	SSE PLC	991	2.54
FINANCIAL SERVICES 3.09% (3.84%)			
263,000	Brewin Dolphin Holdings PLC	576	1.48
70,000	Intermediate Capital Group PLC	627	1.61
		1,203	3.09
FOOD & DRUG RETAILERS 3.80% (0.00%)			
28,000	Greggs PLC	452	1.16
450,000	Tesco PLC	1,029	2.64
		1,481	3.80
FOOD PRODUCERS 4.41% (3.60%)			
52,000	Associated British Foods PLC	942	2.42
21,000	Cranswick PLC	776	1.99
		1,718	4.41
GAS, WATER & MULTI-UTILITIES 3.40% (2.80%)			
140,000	National Grid PLC	1,325	3.40
GENERAL INDUSTRIALS 1.62% (2.20%)			
230,000	DS Smith PLC	633	1.62
GENERAL RETAILERS 1.10% (1.59%)			
10,500	Next PLC	428	1.10
HEALTH CARE EQUIPMENT & SERVICES 2.94% (3.02%)			
80,000	Smith & Nephew PLC	1,147	2.94
HOUSEHOLD GOODS & HOME CONSTRUCTION 4.77% (4.37%)			
22,000	Reckitt Benckiser Group PLC	1,353	3.47
88,246	Vistry Group PLC	508	1.30
		1,861	4.77
INDUSTRIAL ENGINEERING 2.35% (4.40%)			
100,000	Bodycote PLC	564	1.45
55,000	Vitec Group PLC	352	0.90
		916	2.35
LIFE INSURANCE 6.32% (6.58%)			
137,000	Phoenix Group Holdings PLC	858	2.20
90,000	Prudential PLC	929	2.38
89,000	St. James's Place Capital PLC	676	1.74
		2,463	6.32
MEDIA 5.32% (5.08%)			
90,000	RELX PLC	1,558	3.99
94,000	WPP PLC	518	1.33
		2,076	5.32

Franklin UK Opportunities Fund

Portfolio Statement as at 31 March 2020 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	MINING 4.34% (4.33%)		
55,000	BHP Group PLC	688	1.76
27,000	Rio Tinto PLC	1,004	2.58
		1,692	4.34
	MOBILE TELECOMMUNICATIONS 1.93% (2.17%)		
665,000	Vodafone Group PLC	751	1.93
	OIL & GAS PRODUCERS 9.33% (10.00%)		
538,000	BP PLC	1,848	4.74
126,000	Royal Dutch Shell PLC, A	1,788	4.59
		3,636	9.33
	PERSONAL GOODS 3.97% (3.38%)		
38,000	Unilever PLC	1,547	3.97
	PHARMACEUTICALS & BIOTECHNOLOGY 11.12% (7.89%)		
32,000	AstraZeneca PLC	2,308	5.92
134,000	GlaxoSmithKline PLC	2,029	5.20
		4,337	11.12
	REAL ESTATE INVESTMENT & SERVICES 1.69% (1.87%)		
82,000	Unite Group PLC§	657	1.69
	REAL ESTATE INVESTMENT TRUSTS 1.21% (2.33%)		
85,000	Land Securities Group PLC§	473	1.21
	SOFTWARE & COMPUTER SERVICES 2.03% (2.55%)		
134,000	The Sage Group PLC	793	2.03
	SUPPORT SERVICES 5.02% (8.71%)		
58,000	Bunzl PLC	945	2.43
20,000	Ferguson PLC	1,011	2.59
		1,956	5.02
	TOBACCO 5.90% (6.42%)		
58,000	British American Tobacco PLC	1,599	4.10
47,000	Imperial Brands PLC	703	1.80
		2,302	5.90
	TRAVEL & LEISURE 2.36% (4.00%)		
73,000	Compass Group PLC	922	2.36
	TOTAL - EQUITIES	37,965	97.37
	TOTAL VALUE OF INVESTMENTS	37,965	97.37
	OTHER ASSETS	1,024	2.63
	TOTAL NET ASSETS	38,989	100.00

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

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

§ Real Estate Investment Trust ("REIT").

Franklin UK Opportunities Fund

Statement of Total Return

For the year ended 31 March 2020

	Note	March 2020 £000	March 2020 £000	March 2019 £000	March 2019 £000
Income					
Net capital gains/(losses)	1		(8,916)		1,723
Revenue	2	2,126		2,725	
Expenses	3	(436)		(586)	
Net revenue before taxation		1,690		2,139	
Taxation	4	(18)		(13)	
Net revenue after taxation			1,672		2,126
Total return before distributions for the year			(7,244)		3,849
Distributions	5		(1,672)		(2,131)
Change in net assets attributable to shareholders			(8,916)		1,718

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 March 2020

	March 2020 £000	March 2020 £000	March 2019 £000	March 2019 £000
Opening net assets attributable to shareholders		55,930		73,351
Amounts received on creation of shares	3,626		3,234	
Amounts paid on cancellation of shares	(12,079)		(22,828)	
		(8,453)		(19,594)
Dilution adjustments		-		3
Unclaimed distributions		1		1
Change in net assets attributable to shareholders from investment activities (see above)		(8,916)		1,718
Retained distribution on accumulation shares		427		451
Closing net assets attributable to shareholders		38,989		55,930

Balance Sheet

As at 31 March 2020

	Note	March 2020 £000	March 2019 £000
Assets			
Fixed assets			
Investments		37,965	55,426
Current assets			
Debtors	6	217	344
Cash and bank balances		1,385	926
Total assets		39,567	56,696
Liabilities			
Creditors			
Distribution payable	5	(488)	(634)
Other creditors	7	(90)	(132)
Total liabilities		(578)	(766)
Net assets attributable to shareholders		38,989	55,930

Franklin UK Opportunities Fund

Notes to the Financial Statements

	March 2020 £000	March 2019 £000
1. Net capital gains/(losses)		
The net capital gains/(losses) during the year comprise:		
Non-derivative securities gains/(losses)	(8,916)	1,723
	(8,916)	1,723
2. Revenue		
UK dividends	1,895	2,386
Overseas dividends	230	338
Bank and other interest	1	1
	2,126	2,725
3. Expenses		
Payable to the ACD, associates of the ACD and agents of either of them		
ACD's periodic charge	384	521
ACD's administration charge	26	33
	410	554
Payable to the Depositary, associates of the Depositary and agents of either of them		
Depositary fees	12	16
Safe custody fees	3	4
	15	20
Other expenses		
Audit fees	10	8
Legal and publication fees	3	2
Printing fees	2	3
Expense cap	(4)	(1)
	11	12
	436	586
4. Taxation		
(a) Analysis of charge in the year		
Irrecoverable overseas tax	18	13
Total current tax (note 4(b))	18	13
Total taxation	18	13
(b) Factors affecting tax charge for the year		
The tax assessed for the year is lower (2019: lower) than the standard rate of corporation tax in the UK for Open-ended Investment Companies (20% (2019: 20%)).		
The differences are explained below:		
Net revenue before taxation	1,690	2,139
Corporation tax of 20% (2019: 20%)	338	428
Effects of:		
Excess management expenses	70	97
Irrecoverable overseas tax	18	13
Revenue taxable in different years	3	(3)
UK dividends & non-taxable overseas dividends*	(411)	(522)
Current tax charge for year (note 4(a))	18	13

*As an Open-ended Investment Company these items are not subject to corporation tax.

Open-ended Investment Companies are exempt from tax on capital gains in the UK. Therefore, any capital return is not included within the reconciliation above.

Franklin UK Opportunities Fund

Notes to the Financial Statements (continued)

	March 2020 £000	March 2019 £000
4. Taxation (continued)		
At the year end there is a potential deferred tax asset of £1,930,000 (£1,860,000 as at 31 March 2019) in relation to excess management fees. It is unlikely the Fund will generate sufficient tax profits in the future to utilise these amounts and therefore no deferred tax assets have been recognised in the year.		
5. (a) Distributions		
The distribution takes account of income received on the issue of shares and income deducted on the cancellation of shares, and comprise:		
Interim dividend distributions		
Income	675	862
Accumulation	241	252
	<u>916</u>	<u>1,114</u>
Final dividend distributions		
Income	488	634
Accumulation	186	199
	<u>674</u>	<u>833</u>
Add: Income deducted on cancellation of shares	117	208
Deduct: Income received on issue of shares	<u>(35)</u>	<u>(24)</u>
Total distribution	1,672	2,131
(b) Difference between net revenue and distribution:		
Net revenue after taxation	1,672	2,126
Net revenue received on share class conversions	<u>-</u>	<u>5</u>
Total distribution for the year	1,672	2,131
Details of the distribution in pence per share for this Fund are set out in the table on page 130.		
6. Debtors		
Accrued income	181	313
Amounts receivable for issue of shares	22	9
Overseas tax recoverable	11	22
Capped expenses	<u>3</u>	<u>-</u>
	217	344
7. Other creditors		
Amounts payable on cancellation of shares	54	77
Accrued expenses	<u>36</u>	<u>55</u>
	90	132
8. Related parties		
During the year, Franklin Templeton Fund Management Limited ("ACD"), a related party, acted primarily in all transactions of the Funds. The aggregate amounts received through issues and cancellations are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.		
Amounts charged by the ACD and associates of the ACD in respect of the management and administration fees are disclosed in Note 3.		
The amounts due to the ACD and associates of the ACD in respect of management and administration fees at 31 March 2020 are £22,000 (£41,000 as at 31 March 2019).		
During the year the Fund received £1,000 (£1,000 for the year to 31 March 2019) in reimbursed expenses from the ACD.		
As at 31 March 2020 the Fund was due reimbursed expenses of £3,000 (£nil as at 31 March 2019) from the ACD.		

Franklin UK Opportunities Fund

Notes to the Financial Statements (continued)

9. Risk management policies and disclosures

The risks inherent in the Fund's investment portfolio are as follows:

Market Risk

Please refer to the accounting policies note for details on market risk exposure.

Currency risk

Fluctuations in the foreign exchange rates can adversely affect the value of a portfolio.

At the year end date, 0.02% (2019: 0.03%) of the net assets of the Fund were denominated in currencies other than sterling and as such the currency risk is not considered significant.

Interest rate risk

The Fund does not invest in either fixed or floating rate securities and interest rate risk exposure is restricted to interest receivable on bank deposits or payable on bank overdraft positions which will be affected by fluctuations in interest rates.

Other price risk

At the year end date, 97.37% (2019: 99.10%) of the net assets of the Fund were invested in ordinary shares or stock units admitted to an official stock exchange. If the market value were to change by 10% (2019: 10%), the value of the Fund would change by 9.74% (2019: 9.91%).

There is no material difference between the value of the financial assets and liabilities, as shown in the Balance sheet, and their fair values.

10. Portfolio Transaction Costs

	2020			2019		
	Purchases £000	% Of Purchases	% of Average Net Asset Value	Purchases £000	% Of Purchases	% of Average Net Asset Value
Equity purchases in the year before transaction costs	5,266			10,435		
Commissions	2	0.04	-	5	0.05	0.01
Taxes	19	0.36	0.04	42	0.40	0.06
Other	-	-	-	1	0.01	-
Total Equity purchases in the year after direct transaction costs	5,287			10,483		

	2020			2019		
	Sales £000	% Of Sales	% of Average Net Asset Value	Sales £000	% Of Sales	% of Average Net Asset Value
Equity sales in the year before transaction costs	13,811			28,038		
Commissions	(6)	(0.04)	(0.01)	(13)	(0.05)	(0.02)
Total Equity sales in the year after direct transaction costs	13,805			28,025		

In pursuance of its investment objectives the Fund incurs commissions, taxes and other charges when buying and selling investment securities. Share dealing generally incurs broker commission and stamp duty and these are paid by the Fund on each transaction where appropriate.

In addition there is a dealing spread between the buying and selling prices of the underlying investments. The average dealing spread which is the difference between the quoted bid and offer prices or internal administrative or holding costs, are not included in the calculation of Direct Transaction Costs. As at 31 March 2019, the average dealing spread for the underlying Fund investments is 0.07% (2019: 0.06%).

Franklin UK Opportunities Fund

Notes to the Financial Statements (continued)

10. Portfolio Transaction Costs (continued)

Comparing portfolio transaction costs for a range of funds may give a misleading impression of the relative costs of investing in those funds for the following reasons:

- Historic transaction costs are not an effective indicator of the future impact on performance as it may vary from year to year depending on the investment manager;
- Transaction costs for buying and selling investments due to shareholder activity on the fund are recovered from those investors; and
- Transaction costs will vary depending on the types of securities the fund is investing.

11. Creations and Cancellations of Shares

	A–Income shares	W–Income shares	W–Accumulation shares	Z–Accumulation shares
Opening shares	4,846,429	22,644,990	5,892,284	819,085
Creations	130,786	929,078	1,042,699	22,670
Cancellations	(867,337)	(5,611,337)	(1,211,339)	(50,645)
Conversions	(146,880)	371,131	52,509	7,949
Total closing shares	3,962,998	18,333,862	5,776,153	799,059

12. Fair Value Disclosure

In accordance with FRS 102 the Fund classifies fair value measurement under the following levels:

Level 1

Unadjusted quoted market prices in active markets for identical securities.

Level 2

Investments (other than quoted prices included within Level 1) whose fair value is based directly on observable current market prices or is indirectly being derived from market prices; and

Level 3

Investments whose fair value is determined using a valuation technique based on assumptions that are not supported by observable current market prices or are not based on observable market data such as security in default or securities valued by Franklin Templeton Fair Valuation Committee.

Fair Value Hierarchy	Assets 31 March 2020 £000	Liabilities 31 March 2020 £000	Assets 31 March 2019 £000	Liabilities 31 March 2019 £000
Level 1	37,965	-	55,426	-
Level 2	-	-	-	-
Level 3	-	-	-	-
Total	37,965	-	55,426	-

Franklin UK Opportunities Fund

Distribution Statement

For the period 1 April 2019 to 30 September 2019

Group 1 – Shares purchased prior to 1 April 2019

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

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

For the period 1 October 2019 to 31 March 2020

Group 1 – Shares purchased prior to 1 October 2019

Group 2 – Shares purchased in the period 1 October 2019 to 31 March 2020

	Net Income p	Equalisation p	31 March 2020 Pence per Share p	31 March 2019 Pence per Share p
A - Income shares				
Group 1	4.3149	-	4.3149	4.2165
Group 2	2.0285	2.2864	4.3149	4.2165
W - Income shares				
Group 1	1.7311	-	1.7311	1.8951
Group 2	0.9117	0.8194	1.7311	1.8951
W - Accumulation shares				
Group 1	2.8659	-	2.8659	3.0312
Group 2	1.4307	1.4352	2.8659	3.0312
Z - Accumulation shares				
Group 1	2.5376	-	2.5376	2.5363
Group 2	1.6294	0.9082	2.5376	2.5363

Equalisation

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

Franklin UK Rising Dividends Fund

Investment Review

Performance

For the year ended 31 March 2020, Franklin UK Rising Dividends Fund (W (acc) shares), recorded a net return of (13.12%)*, outperforming the FTSE All-Share Index, which returned (18.45%) (both returns in UK sterling).

Overview

With the market narrative and macroeconomic backdrop abruptly shifting in the opening weeks of 2020, it makes sense to split our overview into two parts.

The first period saw UK equities, as measured by the FTSE UK All-Share Index, down only 0.75% for the nine months ending 31 December 2019.

Much of this period was dominated by the continuation of the deadlock between the European Union ("EU") and United Kingdom ("UK") regarding the Brexit withdrawal agreement. The ruling Conservative party was hindered by a slim majority in a parliament divided on this issue, preventing any legislation from passing into law or progress being made. As the months progressed, a general election seemed increasingly likely. In the summer, Conservative leader Theresa May resigned and was replaced by Boris Johnson. UK sterling then fell, as the new Prime Minister was believed to have a harder stance on Brexit, while the prospect of a general election increased.

In December, the Conservatives won the General Election with an 80-seat majority and an historically significant mandate for power that removed the spectre of a socialist government in the UK for the years ahead but opened the door to a harder Brexit.

Central banks across the globe gradually became more dovish, amid lacklustre macroeconomic data; unemployment was pinned to near all-time lows and inflation remained persistently subdued. Meanwhile, trade talks between the United States and China made little ground, while President Trump publicly put pressure on the US Federal Reserve ("Fed") to ease monetary policy. In line with market expectations, the Fed ultimately cut rates by 25 basis points ("bps") in its July, September and October Federal Open Market Committee meetings.

The second period, covering the first quarter of 2020, saw a significantly higher volatility amid heightened market concerns about the COVID-19 pandemic.

As it became increasingly clear throughout February and March that the disease was spreading globally and that this would require significant restrictions on the movement of people, central banks took early action. The Fed was the first to move, with a rare intra-meeting cut of 50 bps. This was followed up by a full 100 basis point cut in the middle of March, meaning that the upper bound of the Fed funds rate has fallen from 2.5% to the lower bound of 0.25% over the year under review. At the same time, the Fed has launched wide-ranging easing measures, including a commitment to purchase unlimited government and investment-grade paper. Similar measures have been announced by the Bank of England and the European Central Bank, with the former cutting its benchmark deposit rate to 0.10%.

An unprecedented fiscal response then followed. The UK Chancellor of the Exchequer, Rishi Sunak, announced wide-ranging government spending plans in March, only days after the formal Budget was outlined. The plans include support for employers and employees through a new Job Retention Scheme, which will see the government underwrite the salaries of employees up to 80% capped at £2,500 per month. The Chancellor also launched various loans and grant programmes to help businesses stay solvent and support employees for the foreseeable future. The fiscal response in the United States, albeit more politically charged, has been passed and will see expenditure of US\$2 trillion, equivalent to about 10% of gross domestic product ("GDP"), to support the economy.

The upshot of this has been a classic 'flight to safety' with the UK 10-year gilt yield falling from 1.0% to 0.36%, reaching as low as 0.16% in mid-March. Yields on US 10-year Treasuries have seen a similar collapse, dropping from 2.41% to 0.67% at period end. Credit-spread widening has also been prevalent, with high yield indices showing the most dramatic move relative to sovereigns as default risk increased.

Equities fell significantly in the first three months of 2020, with the FTSE All-Share Index down 26%. The oil and gas sector, down 60.9% in the first three months of the year, suffered most amid demand and supply issues. The travel and leisure segment was also badly hurt, falling 52.4% over the first quarter.

Significant Changes

Over the year, the biggest stock purchases included luxury goods brand Burberry Group, insurance company Phoenix Group Holdings, oil and gas company Royal Dutch Shell, financial information firm Euromoney Institutional Investor and ad agency WPP.

The largest sales included consumer goods company Unilever, water utility and waste management company Pennon Group, brewer Greene King, environmental consultancy firm RPS Group and polymer solutions provider Victrex.

New additions included Burberry, due to its brand strength, the potential for margin progression driven by a reset of product lines, and the net cash position on its balance sheet. We also initiated a position in baker Greggs. We have followed the company closely and have been investors previously. Although we understand the company's operations have been suspended for the foreseeable future and that the vast majority of staff are now furloughed under new government initiatives, we are keen to take advantage of the share price weakness to buy shares in what has been an impressive story.

We exited the position in brewer Greene King, which was acquired in late 2019 by Hong Kong-based property empire CK Noble (UK) Ltd. We also sold out of RPS, after recent struggles, and Pennon.

Positive/Negative Contributors

At the sector level, underweight exposures to and stock selection in oil and gas, and banks boosted relative performance. Selection in the travel and leisure segment also added relative value. In contrast, security selection in media, health care and retail weighed on relative returns.

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

Franklin UK Rising Dividends Fund

Investment Review (continued)

Positive/Negative Contributors (continued)

At a stock level, pork and poultry producer Cranswick was the largest contributor. The company has undertaken capacity improvements over the last 18 months, making it well placed to supply consumers during a time in which we have seen heightened demand for staple food products. Spread-betting firm IG Group Holdings also contributed relative value. Volatility indices, such as the VIX, are a key forward indication of client-trading activity and therefore of profitability for IG; with the VIX reaching levels not seen since the global financial crisis, the outlook for IG has strengthened.

The most notable detractor from performance was RPS, which saw full-year profits fall significantly in 2019, amid trouble in its Australian business. Camera equipment manufacturer and supplier Vitec Group was also among the largest detractors. Exceptional factors earlier in the period prompted management to warn investors that profits for 2019 would fall below expectations. Events and exhibitions company Informa, which has suffered from the restrictions due to COVID-19, was also among the most significant detractors.

Outlook

UK GDP growth for 2019 was 1.4%, with quarterly data showing a deceleration as we exited 2019. We expect 2020 to be appreciably worse. Indeed, corporate and economic performance forecasts for the coming year have already been written down significantly. However, the depth of the downturn and shape of a recovery remain unclear.

Although we do not know how the pandemic will progress, we believe the commercial and economic damage will depend on the length of time that social measures are enforced. Unfortunately, we are unable to predict from the experience of other European countries how the UK will fare. We anxiously await the effects of social measures that have been implemented and the results of large-scale antibody testing before we can become more comfortable with how an exit strategy plays out, although we believe this will be most likely be through a combination of testing, wider immunity and finally vaccinations.

The dynamics at play for equity investors have changed dramatically in a short period of time. We are seeing government intervention and heavy guidance for companies to temporarily re-think their capital allocation programmes. Share buybacks and dividends have been shelved, and management pay has been curtailed significantly. Companies that are likely to receive government support or will be key to the economy, such as banks and supermarkets, will be most in focus. It seems lessons about public perception have been learnt since the Global Financial Crisis and, for many, this is a time to bolster environmental, social and governance ("ESG") credentials.

We anticipate a heightened level of share issuance in the coming months, as corporates look to manage their liquidity profile through a period that for many may be one of zero revenue. As investors, we remain ready and prepared to back the companies and management teams that we believe will be able to prosper in the long run.

Balance sheets at the country level are also taking a hit. Fiscal deficits have already ballooned, as governments write blank cheques to combat COVID-19 insolvencies and job losses. These spending measures could also reset the public expectation for government expenditure in the future.

Perennial issues regarding Brexit, US-China trade wars and anaemic growth in Europe seem of little concern at present, yet there is hope that, with a common objective in fighting the COVID-19 outbreak, disputes and negotiations between nations may be settled more amicably in the future.

Colin Morton, Ben Russon, CFA & Mark Hall

Fund Managers

31 March 2020

Fund Changes

On 31 July 2019, following some regulatory change, the Fund's investment objective and policy were clarified to make it easier for investors to understand both how the portfolio is managed and how to assess the Fund's performance. More details can be found in the Fund's prospectus available on our website.

Franklin UK Rising Dividends Fund

Comparative Table

	31 March 2020	31 March 2019	31 March 2018
A – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	507.13	492.61	515.92
Return before operating charges ¹	(62.77)	41.36	3.34
Operating charges ²	(5.10)	(8.12)	(8.36)
Return after operating charges ³	(67.87)	33.24	(5.02)
Distributions on income shares	(18.4329)	(18.7208)	(18.2946)
Closing net asset value per share	420.83	507.13	492.61
After direct transaction costs of ⁴	1.19	1.22	1.62
Performance			
Return after charges ⁵	(13.38%)	6.75%	(0.97%)
Other information			
Closing net asset value (£)	4,412,337	6,065,192	8,952,785
Closing number of shares	1,048,494	1,195,989	1,817,427
Operating charges ratio ⁶	0.99%	1.60%	1.60%
Direct transaction costs ⁴	0.23%	0.24%	0.31%
Prices (p)			
Highest share price	556.21	538.07	546.78
Lowest share price	370.75	463.07	487.98

	31 March 2020	31 March 2019	31 March 2018
W – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	115.54	111.06	115.09
Return before operating charges ¹	(13.98)	9.35	0.71
Operating charges ²	(0.64)	(0.63)	(0.64)
Return after operating charges ³	(14.62)	8.72	0.07
Distributions on income shares	(4.2188)	(4.2433)	(4.1005)
Closing net asset value per share	96.70	115.54	111.06
After direct transaction costs of ⁴	0.27	0.28	0.36
Performance			
Return after charges ⁵	(12.65%)	7.85%	0.06%
Other information			
Closing net asset value (£)	41,055,866	38,476,678	29,091,121
Closing number of shares	42,458,539	33,302,094	26,194,963
Operating charges ratio ⁶	0.54%	0.55%	0.55%
Direct transaction costs ⁴	0.23%	0.24%	0.31%
Prices (p)			
Highest share price	127.65	121.52	122.20
Lowest share price	85.17	105.21	109.98

Franklin UK Rising Dividends Fund

Comparative Table (continued)

	31 March 2020	31 March 2019	31 March 2018
W – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	204.90	189.81	189.90
Return before operating charges ¹	(25.83)	16.19	0.99
Operating charges ²	(1.15)	(1.10)	(1.08)
Return after operating charges ³	(26.98)	15.09	(0.09)
Closing net asset value per share	177.92	204.90	189.81
Distributions	(7.5802)	(7.3519)	(6.8534)
Retained distributions on accumulation shares	7.5802	7.3519	6.8534
After direct transaction costs of ⁴	0.49	0.48	0.61
Performance			
Return after charges ⁵	(13.17%)	7.95%	(0.05%)
Other information			
Closing net asset value (£)	50,817,760	40,243,122	30,057,479
Closing number of shares	28,562,243	19,640,238	15,835,856
Operating charges ratio ⁶	0.54%	0.55%	0.55%
Direct transaction costs ⁴	0.23%	0.24%	0.31%
Prices (p)			
Highest share price	231.08	208.75	204.16
Lowest share price	155.24	183.35	186.46
Z – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	113.62	109.77	114.33
Return before operating charges ¹	(13.95)	9.22	0.72
Operating charges ²	(0.80)	(1.19)	(1.22)
Return after operating charges ³	(14.75)	8.03	(0.50)
Distributions on income shares	(4.1400)	(4.1840)	(4.0641)
Closing net asset value per share	94.73	113.62	109.77
After direct transaction costs of ⁴	0.27	0.27	0.36
Performance			
Return after charges ⁵	(12.98%)	7.32%	(0.44%)
Other information			
Closing net asset value (£)	2,353,554	2,900,999	267,082
Closing number of shares	2,484,618	2,553,308	243,317
Operating charges ratio ⁶	0.69%	1.05%	1.05%
Direct transaction costs ⁴	0.23%	0.24%	0.31%
Prices (p)			
Highest share price	125.10	119.99	121.28
Lowest share price	83.44	103.61	108.72

Franklin UK Rising Dividends Fund

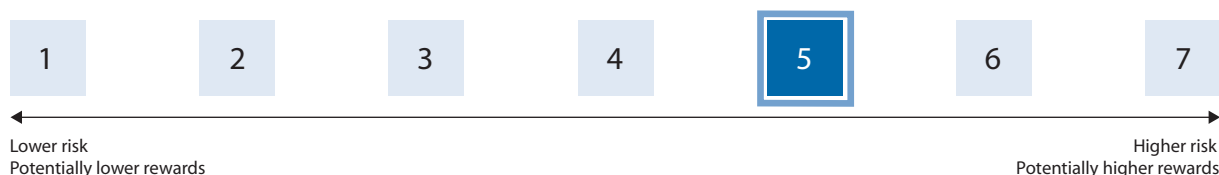
Comparative Table (continued)

	31 March 2020	31 March 2019	31 March 2018
Z – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	200.47	186.63	187.66
Return before operating charges ¹	(25.64)	15.89	1.00
Operating charges ²	(1.43)	(2.05)	(2.03)
Return after operating charges ³	(27.07)	13.84	(1.03)
Closing net asset value per share	173.40	200.47	186.63
Distributions	(7.4002)	(7.2115)	(6.7567)
Retained distributions on accumulation shares	7.4002	7.2115	6.7567
After direct transaction costs of ⁴	0.48	0.47	0.60
Performance			
Return after charges ⁵	(13.50%)	7.42%	(0.55%)
Other information			
Closing net asset value (£)	231,514	314,329	296,605
Closing number of shares	133,511	156,799	158,928
Operating charges ratio ⁶	0.69%	1.05%	1.05%
Direct transaction costs ⁴	0.23%	0.24%	0.31%
Prices (p)			
Highest share price	225.31	204.89	200.97
Lowest share price	151.30	179.61	183.36

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

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

Risk Profile (W(acc) shares)



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

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

Franklin UK Rising Dividends Fund

Portfolio Statement as at 31 March 2020

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
EQUITIES 96.12% (96.32%)			
AEROSPACE & DEFENCE 2.00% (2.14%)			
380,000	BAE Systems PLC	1,982	2.00
BANKS 1.99% (2.40%)			
175,000	Close Brothers Group PLC	1,967	1.99
BEVERAGES 6.03% (6.91%)			
250,000	Britvic PLC	1,749	1.77
163,000	Diageo PLC	4,213	4.26
		5,962	6.03
CHEMICALS 3.26% (4.03%)			
86,000	Johnson Matthey PLC	1,546	1.57
85,000	Victrex PLC	1,674	1.69
		3,220	3.26
ELECTRICITY 1.70% (1.42%)			
129,000	SSE PLC	1,682	1.70
ELECTRONIC & ELECTRICAL EQUIPMENT 1.86% (2.05%)			
75,000	Spectris PLC	1,840	1.86
FINANCIAL SERVICES 6.87% (6.88%)			
650,000	Brewin Dolphin Holdings PLC	1,423	1.44
260,000	IG Group Holdings PLC	1,795	1.82
98,000	Rathbone Brothers PLC	1,468	1.48
85,000	Schroders PLC	2,111	2.13
		6,797	6.87
FOOD & DRUG RETAILERS 1.39% (0.00%)			
85,000	Greggs PLC	1,372	1.39
FOOD PRODUCERS 4.00% (4.14%)			
100,000	Associated British Foods PLC	1,811	1.83
58,000	Cranswick PLC	2,145	2.17
		3,956	4.00
GAS, WATER & MULTI-UTILITIES 1.82% (2.80%)			
230,000	National Grid PLC	1,798	1.82
GENERAL RETAILERS 1.40% (1.90%)			
34,000	Next PLC	1,385	1.40
HEALTH CARE EQUIPMENT & SERVICES 1.81% (1.73%)			
125,000	Smith & Nephew PLC	1,792	1.81
HOTELS 1.49% (0.00%)			
42,000	InterContinental Hotels Group PLC	1,475	1.49
HOUSEHOLD GOODS & HOME CONSTRUCTION 3.23% (2.97%)			
52,000	Reckitt Benckiser Group PLC	3,198	3.23
INDUSTRIAL ENGINEERING 4.07% (5.97%)			
252,000	Bodycote PLC	1,421	1.44
190,000	IMI PLC	1,420	1.43
185,000	Vitec Group PLC	1,184	1.20
		4,025	4.07
INDUSTRIAL TRANSPORTATION 1.50% (1.57%)			
64,000	Clarkson PLC	1,478	1.50

Franklin UK Rising Dividends Fund

Portfolio Statement as at 31 March 2020 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
LIFE INSURANCE 6.89% (5.45%)			
400,000	Phoenix Group Holdings PLC	2,506	2.54
235,000	Prudential PLC	2,425	2.45
247,000	St. James's Place Capital PLC	1,876	1.90
		6,807	6.89
MEDIA 9.67% (5.28%)			
700,000	Bloomsbury Publishing PLC	1,505	1.52
180,000	Euromoney Institutional Investor PLC	1,456	1.48
285,000	Informa PLC	1,258	1.27
235,000	RELX PLC	4,069	4.12
230,000	WPP PLC	1,268	1.28
		9,556	9.67
NONLIFE INSURANCE 1.76% (2.02%)			
445,000	Beazley PLC	1,736	1.76
OIL & GAS PRODUCERS 4.19% (4.93%)			
292,000	Royal Dutch Shell PLC, A	4,144	4.19
PERSONAL GOODS 6.08% (4.89%)			
134,500	Burberry Group PLC	1,780	1.80
104,000	Unilever PLC	4,233	4.28
		6,013	6.08
PHARMACEUTICALS & BIOTECHNOLOGY 8.21% (6.67%)			
59,000	AstraZeneca PLC	4,257	4.31
255,000	GlaxoSmithKline PLC	3,861	3.90
		8,118	8.21
SOFTWARE & COMPUTER SERVICES 1.74% (2.07%)			
290,000	The Sage Group PLC	1,716	1.74
SUPPORT SERVICES 3.45% (5.26%)			
115,000	Bunzl PLC	1,874	1.90
95,000	Diploma PLC	1,532	1.55
		3,406	3.45
TOBACCO 6.05% (6.69%)			
128,000	British American Tobacco PLC	3,529	3.57
164,000	Imperial Brands PLC	2,454	2.48
		5,983	6.05
TRAVEL & LEISURE 3.66% (6.15%)			
183,000	Compass Group PLC	2,311	2.34
18,000	Flutter Entertainment PLC	1,312	1.32
		3,623	3.66
TOTAL - EQUITIES		95,031	96.12
TOTAL VALUE OF INVESTMENTS		95,031	96.12
OTHER ASSETS		3,840	3.88
TOTAL NET ASSETS		98,871	100.00

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

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

Franklin UK Rising Dividends Fund

Statement of Total Return

For the year ended 31 March 2020

	Note	March 2020 £000	March 2020 £000	March 2019 £000	March 2019 £000
Income					
Net capital gains/(losses)	1		(18,985)		2,972
Revenue	2	3,648		3,143	
Expenses	3	(605)		(548)	
Net revenue before taxation		3,043		2,595	
Taxation	4	(30)		(22)	
Net revenue after taxation			3,013		2,573
Total return before distributions for the year			(15,972)		5,545
Distributions	5		(3,523)		(3,042)
Change in net assets attributable to shareholders			(19,495)		2,503

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 March 2020

	March 2020 £000	March 2020 £000	March 2019 £000	March 2019 £000
Opening net assets attributable to shareholders		88,000		68,665
Amounts received on creation of shares	54,008		34,943	
Amounts paid on cancellation of shares	(25,428)		(19,549)	
		28,580		15,394
Unclaimed distributions		2		2
Change in net assets attributable to shareholders from investment activities (see above)		(19,495)		2,503
Retained distribution on accumulation shares		1,784		1,436
Closing net assets attributable to shareholders		98,871		88,000

Balance Sheet

As at 31 March 2020

	Note	March 2020 £000	March 2019 £000
Assets			
Fixed assets			
Investments		95,031	84,762
Current assets			
Debtors	6	1,146	1,041
Cash and bank balances		4,114	3,092
Total assets		100,291	88,895
Liabilities			
Creditors			
Distribution payable	5	(457)	(436)
Other creditors	7	(963)	(459)
Total liabilities		(1,420)	(895)
Net assets attributable to shareholders		98,871	88,000

Franklin UK Rising Dividends Fund

Notes to the Financial Statements

	March 2020 £000	March 2019 £000
1. Net capital gains/(losses)		
The net capital gains/(losses) during the year comprise:		
Non-derivative securities gains/(losses)	(18,985)	2,972
	(18,985)	2,972
2. Revenue		
UK dividends	3,285	2,869
Overseas dividends	360	266
Bank and other interest	3	2
Other revenue	-	6
	3,648	3,143
3. Expenses		
Payable to the ACD, associates of the ACD and agents of either of them		
ACD's periodic charge	510	469
ACD's administration charge	51	41
	561	510
Payable to the Depositary, associates of the Depositary and agents of either of them		
Depositary fees	22	18
Safe custody fees	7	6
	29	24
Other expenses		
Audit fees	9	9
Legal and publication fees	5	3
Printing fees	2	3
Expense cap	(1)	(1)
	15	14
	605	548
4. Taxation		
(a) Analysis of charge in the year		
Irrecoverable overseas tax	30	22
Total current tax (note 4(b))	30	22
Total taxation	30	22
(b) Factors affecting tax charge for the year		
The tax assessed for the year is lower (2019: lower) than the standard rate of corporation tax in the UK for Open-ended Investment Companies (20% (2019: 20%)).		
The differences are explained below:		
Net revenue before taxation	3,043	2,595
Corporation tax of 20% (2019: 20%)	609	519
Effects of:		
Excess management expenses	120	108
Irrecoverable overseas tax	30	22
UK dividends & non-taxable overseas dividends*	(729)	(627)
Current tax charge for year (note 4(a))	30	22

*As an Open-ended Investment Company these items are not subject to corporation tax

Open-ended Investment Companies are exempt from tax on capital gains in the UK. Therefore, any capital return is not included within the reconciliation above.

Franklin UK Rising Dividends Fund

Notes to the Financial Statements (continued)

	March 2020 £000	March 2019 £000
4. Taxation (continued)		
At the year end there is a potential deferred tax asset of £705,000 (£584,000 as at 31 March 2019) in relation to excess management fees. It is unlikely the Fund will generate sufficient tax profits in the future to utilise these amounts and therefore no deferred tax assets have been recognised in the year.		
5. (a) Distributions		
The distribution takes account of income received on the issue of shares and income deducted on the cancellation of shares, and comprise:		
Interim dividend distributions		
Income	1,435	1,225
Accumulation	<u>1,301</u>	<u>1,067</u>
	<u>2,736</u>	<u>2,292</u>
Final dividend distributions		
Income	457	436
Accumulation	<u>483</u>	<u>369</u>
	<u>940</u>	<u>805</u>
Add: Income deducted on cancellation of shares	117	97
Deduct: Income received on issue of shares	<u>(270)</u>	<u>(152)</u>
Total distribution	3,523	3,042
(b) Difference between net revenue and distribution:		
Net revenue after taxation	3,013	2,573
ACD's periodic charge taken from capital account	<u>510</u>	<u>469</u>
Total distribution for the year	3,523	3,042
Details of the distribution in pence per share for this Fund are set out in the table on pages from 143-144.		
6. Debtors		
Amounts receivable for issue of shares	826	424
Accrued income	289	281
Overseas tax recoverable	30	23
Capped expenses	1	-
Sales awaiting settlement	<u>-</u>	<u>313</u>
	1,146	1,041
7. Other creditors		
Amounts payable on cancellation of shares	489	397
Purchases awaiting settlement	414	-
Accrued expenses	<u>60</u>	<u>62</u>
	963	459

Franklin UK Rising Dividends Fund

Notes to the Financial Statements (continued)

8. Related parties

During the year, Franklin Templeton Fund Management Limited ("ACD"), a related party, acted primarily in all transactions of the Funds. The aggregate amounts received through issues and cancellations are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

Amounts charged by the ACD and associates of the ACD in respect of the management and administration fees are disclosed in Note 3.

The amounts due to the ACD and associates of the ACD in respect of management and administration fees at 31 March 2020 are £43,000 (£45,000 as at 31 March 2019).

As at 31 March 2020 the Fund owed £1,000 to the ACD in respect of an over-reimbursement of expenses (£nil owed to the ACD as at 31 March 2019).

9. Risk management policies and disclosures

The risks inherent in the Fund's investment portfolio are as follows:

Market Risk

Please refer to the accounting policies note for details on market risk exposure.

Currency risk

Fluctuations in the foreign exchange rates can adversely affect the value of a portfolio.

At the year end date, 0.01% (2019: 0.02%) of the net assets of the Fund were denominated in currencies other than sterling and as such the currency risk is not considered significant.

Interest rate risk

The Fund does not invest in either fixed or floating rate securities and interest rate risk exposure is restricted to interest receivable on bank deposits or payable on bank overdraft positions which will be affected by fluctuations in interest rates.

Other price risk

At the year end date, 96.12% (2019: 96.32%) of the net assets of the Fund were invested in ordinary shares or stock units admitted to an official stock exchange. If the market value were to change by 10% (2019: 10%), the value of the Fund would change by 9.61% (2019: 9.63%).

There is no material difference between the value of the financial assets and liabilities, as shown in the Balance sheet, and their fair values.

10. Portfolio Transaction Costs

	2020			2019		
	Purchases £000	% Of Purchases	% of Average Net Asset Value	Purchases £000	% Of Purchases	% of Average Net Asset Value
Equity purchases in the year before transaction costs	44,455			34,000		
Commissions	17	0.04	0.02	14	0.04	0.02
Taxes	198	0.45	0.20	170	0.50	0.21
Other	12	0.03	0.01	2	0.01	-
Total Equity purchases in the year after direct transaction costs	44,682			34,186		

	2020			2019		
	Sales £000	% Of Sales	% of Average Net Asset Value	Sales £000	% Of Sales	% of Average Net Asset Value
Equity sales in the year before transaction costs	15,201			17,332		
Commissions	(7)	(0.05)	(0.01)	(10)	(0.06)	(0.01)
Total Equity sales in the year after direct transaction costs	15,194			17,322		

In pursuance of its investment objectives the Fund incurs commissions, taxes and other charges when buying and selling investment securities. Share dealing generally incurs broker commission and stamp duty and these are paid by the Fund on each transaction where appropriate.

Franklin UK Rising Dividends Fund

Notes to the Financial Statements (continued)

10. Portfolio Transaction Costs (continued)

In addition there is a dealing spread between the buying and selling prices of the underlying investments. The average dealing spread which is the difference between the quoted bid and offer prices or internal administrative or holding costs, are not included in the calculation of Direct Transaction Costs. As at 31 March 2020, the average dealing spread for the underlying Fund investments is 0.16% (2019: 0.15%).

Comparing portfolio transaction costs for a range of funds may give a misleading impression of the relative costs of investing in those funds for the following reasons:

- Historic transaction costs are not an effective indicator of the future impact on performance as it may vary from year to year depending on the investment manager;
- Transaction costs for buying and selling investments due to shareholder activity on the fund are recovered from those investors; and
- Transaction costs will vary depending on the types of securities the fund is investing.

11. Creations and Cancellations of Shares

	A-Income shares	W-Income shares	W-Accumulation shares	Z-Income shares	Z-Accumulation shares
Opening shares	1,195,989	33,302,094	19,640,238	2,553,308	156,799
Creations	148,921	17,844,851	15,451,702	75,297	5,089
Cancellations	(146,977)	(9,339,328)	(6,531,215)	(143,010)	(28,377)
Conversions	(149,439)	650,922	1,518	(977)	-
Total Closing shares	1,048,494	42,458,539	28,562,243	2,484,618	133,511

12. Fair Value Disclosure

In accordance with FRS 102 the Fund classifies fair value measurement under the following levels:

Level 1

Unadjusted quoted market prices in active markets for identical securities.

Level 2

Investments (other than quoted prices included within Level 1) whose fair value is based directly on observable current market prices or is indirectly being derived from market prices; and

Level 3

Investments whose fair value is determined using a valuation technique based on assumptions that are not supported by observable current market prices or are not based on observable market data such as security in default or securities valued by Franklin Templeton Fair Valuation Committee.

Fair Value Hierarchy	Assets	Liabilities	Assets	Liabilities
	31 March 2020 £000	31 March 2020 £000	31 March 2019 £000	31 March 2019 £000
Level 1	95,031	-	84,762	-
Level 2	-	-	-	-
Level 3	-	-	-	-
Total	95,031	-	84,762	-

Franklin UK Rising Dividends Fund

Distribution Statement

For the period 1 April 2019 to 30 June 2019

Group 1 - Shares purchased prior to 1 April 2019

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

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

For the period 1 July 2019 to 30 September 2019

Group 1 – Shares purchased prior to 1 July 2019

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

	Net Income p	Equalisation p	30 September 2019 Pence per Share p	30 September 2018 Pence per Share p
A - Income shares				
Group 1	4.9427	-	4.9427	4.8553
Group 2	0.9270	4.0157	4.9427	4.8553
W - Income shares				
Group 1	1.1314	-	1.1314	1.0990
Group 2	0.6761	0.4553	1.1314	1.0990
W - Accumulation shares				
Group 1	2.0290	-	2.0290	1.8971
Group 2	1.1188	0.9102	2.0290	1.8971
Z - Income shares				
Group 1	1.1106	-	1.1106	1.0842
Group 2	0.2185	0.8921	1.1106	1.0842
Z - Accumulation shares				
Group 1	1.9812	-	1.9812	1.8621
Group 2	0.6774	1.3038	1.9812	1.8621

Franklin UK Rising Dividends Fund

Distribution Statement (continued)

For the period 1 October 2019 to 31 December 2019

Group 1 - Shares purchased prior to 1 October 2019

Group 2 - Shares purchased in the period 1 October 2019 to 31 December 2019

	Net Income p	Equalisation p	31 December 2019 Pence per Share p	31 December 2018 Pence per Share p
A - Income shares				
Group 1	3.6975	-	3.6975	3.9188
Group 2	1.1621	2.5354	3.6975	3.9188
W - Income shares				
Group 1	0.8477	-	0.8477	0.8894
Group 2	0.2347	0.6130	0.8477	0.8894
W - Accumulation shares				
Group 1	1.5346	-	1.5346	1.5499
Group 2	0.5362	0.9984	1.5346	1.5499
Z - Income shares				
Group 1	0.8310	-	0.8310	0.8763
Group 2	0.1870	0.6440	0.8310	0.8763
Z - Accumulation shares				
Group 1	1.4967	-	1.4967	1.5192
Group 2	0.5201	0.9766	1.4967	1.5192

For the period 1 January 2020 to 31 March 2020

Group 1 - Shares purchased prior to 1 January 2020

Group 2 - Shares purchased in the period 1 January 2020 to 31 March 2020

	Net Income p	Equalisation p	31 March 2020 Pence per Share p	31 March 2019 Pence per Share p
A - Income shares				
Group 1	4.0218	-	4.0218	4.6566
Group 2	0.8273	3.1945	4.0218	4.6566
W - Income shares				
Group 1	0.9235	-	0.9235	1.0612
Group 2	0.4342	0.4893	0.9235	1.0612
W - Accumulation shares				
Group 1	1.6824	-	1.6824	1.8646
Group 2	0.6246	1.0578	1.6824	1.8646
Z - Income shares				
Group 1	0.9048	-	0.9048	1.0442
Group 2	0.1851	0.7197	0.9048	1.0442
Z - Accumulation shares				
Group 1	1.6398	-	1.6398	1.8252
Group 2	0.7604	0.8794	1.6398	1.8252

Equalisation

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

Franklin UK Smaller Companies Fund

Investment Review

Performance

For the year ended 31 March 2020, the Franklin UK Smaller Companies Fund (W (acc) shares) recorded a net return of (10.77%)*, outperforming the Numis Smaller Companies (ex-Investment Trusts) Index, which returned (25.91%) (both returns in UK sterling).

Overview

With the market narrative and macroeconomic backdrop abruptly shifting in the opening weeks of 2020, it makes sense to split our overview into two parts.

The first period saw the broader UK equity market, as measured by the FTSE UK All-Share Index, down only 0.75% for the nine months ending 31 December 2019.

Much of this period was dominated by the continuation of the deadlock between the European Union ("EU") and United Kingdom ("UK") regarding the Brexit withdrawal agreement. The ruling Conservative party was hindered by a slim majority in a parliament divided on this issue, preventing any legislation from passing into law or progress being made. As the months progressed, a general election seemed increasingly likely. In the summer, Conservative leader Theresa May resigned and was replaced by Boris Johnson. UK sterling then fell, as the new Prime Minister was believed to have a harder stance on Brexit, while the prospect of a general election increased.

In December, the Conservatives won the General Election with an 80-seat majority and an historically significant mandate for power that removed the spectre of a socialist government in the UK for the years ahead but opened the door to a harder Brexit.

Central banks across the globe gradually became more dovish, amid lacklustre macroeconomic data; unemployment was pinned to near all-time lows and inflation remained persistently subdued. Meanwhile, trade talks between the United States ("US") and China made little ground, while President Trump publicly put pressure on the US Federal Reserve ("Fed") to ease monetary policy. In line with market expectations, the Fed ultimately cut rates by 25 basis points ("bps") in its July, September and October Federal Open Market Committee meetings.

The second period, covering the first quarter of 2020, saw a significantly higher volatility amid heightened market concerns about the COVID-19 pandemic.

As it became increasingly clear throughout February and March that the disease was spreading globally and that this would require significant restrictions on the movement of people, central banks took early action. The Fed was the first to move, with a rare intra-meeting cut of 50 bps. This was followed up by a full 100 bps cut in the middle of March, meaning that the upper bound of the Fed funds rate has fallen from 2.5% to the lower bound of 0.25% over the year under review. At the same time, the Fed has launched wide-ranging easing measures, including a commitment to purchase unlimited government and investment-grade paper. Similar measures have been announced by the Bank of England and the European Central Bank, with the former cutting its benchmark deposit rate to 0.10%.

An unprecedented fiscal response then followed. The UK Chancellor of the Exchequer, Rishi Sunak, announced wide-ranging government spending plans in March, only days after the formal Budget was outlined. The plans include support for employers and employees through a new Job Retention Scheme, which will see the government underwrite the salaries of employees up to 80% capped at £2,500 per month. The Chancellor also launched various loans and grant programmes to help businesses stay solvent and support employees for the foreseeable future. The fiscal response in the US, albeit more politically charged, has been passed and will see expenditure of US\$2 trillion, equivalent to 10% of gross domestic product ("GDP"), to support the economy.

The upshot of this has been a classic 'flight to safety' with the UK 10-year Gilt yield falling from 1.0% to 0.36%, reaching as low as 0.16% in mid-March. Yields on US 10-year Treasuries have seen a similar collapse, dropping from 2.41% to 0.67%. Credit-spread widening has also been prevalent, with high yield indices showing the most dramatic move relative to sovereigns as default risk increased.

Equities have fallen significantly in the first three months of 2020, with the FTSE All-Share down 26%. The oil and gas sector, down 60.9% in the first three months of the year, has suffered most amid demand and supply issues. The travel and leisure segment has also been badly hurt, falling 52.4% over the first quarter.

Small-caps have fared badly in the flight to safety, with the Numis Smaller Companies (ex-Investment Trusts) Index falling 35.6% over the first three months of 2020.

Significant Changes

Over the year, the biggest stock purchases included provider of tools and equipment hire Speedy Hire, construction and development company Watkin Jones, distribution and logistic facilities specialist Urban Logistics REIT, video game developer Codemasters Group Holdings and specialist audio visual distributor Midwich Group.

The largest sales included specialist logistics and retail REIT Londonmetric Property, specialist pharmaceutical business Clinigen Group, student accommodation provider Unite Group, retail logistics firm Clipper Logistics and entertainment company Entertainment One.

Over the period, we exited our holding in retailer Topps Tiles, having started selling in February after the company released a worse-than-forecast trading update. Clinigen was also sold; we were uncomfortable with the level of debt in the business and felt the success of the company was also too reliant on one pharmaceutical product, at odds with our initial decision to invest in a diversified pharmaceutical services provider. We sold smart metering systems firm Smart Metering Systems at an attractive price in March. We exited Londonmetric Property, recycling the proceeds into Urban Logistics REIT, which is benefiting from the shift from High Street to online consumer habits. We also initiated a position in alternative asset manager Gresham House, attracted to the non-correlated nature of its assets, including forestry funds, and its emerging Environmental, Social and Governance ("ESG") credentials.

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

Franklin UK Smaller Companies Fund

Investment Review (continued)

Positive/Negative Contributors

At the sector level, security selection in the industrial goods and services, and personal and household good sectors contributed to relative performance. An overweight exposure to and stock selection in technology also bolstered relative returns. In contrast, lack of exposure to both insurance and telecommunications, and selection in health care detracted from relative results.

Private client services provider JTC was the largest contributor. The company benefitted from an improved revenue outlook after it announced the acquisition of a Jersey-based private client business. Pork and poultry producer Cranswick was also a top stock-level contributor over the period. The company has undertaken capacity improvements over the last 18 months, making it well placed to supply consumers during a time in which we have seen heightened demand for staple food products. Smart Metering Systems Group also added relative value; the company has seen a continuation of the rally that began early in the fourth quarter of 2019.

Asset manager Premier Miton Group was the most significant detractor over the period. Recruitment specialist Robert Walters, which has been hurt by fears of a prolonged global recession, also weighed on relative returns. Pub group City Pub Group was also among the most significant detractors; it has suffered from the social lockdowns imposed by the spread of the COVID-19 virus and has been forced to close nearly 50 of its pubs. Camera equipment manufacturer and supplier Vitec Group had a detrimental impact on portfolio performance. Exceptional factors earlier in the period prompted management to warn investors that profits for 2019 would fall below expectations.

Outlook

UK GDP growth for 2019 was 1.4%, with quarterly data showing a deceleration as we exited 2019. We expect 2020 to be appreciably worse. Indeed, corporate and economic performance forecasts for the coming year have already been written down significantly. However, the depth of the downturn and shape of a recovery remain unclear.

Although we do not know how the pandemic will progress, we believe the commercial and economic damage will depend on the length of time that social measures are enforced. Unfortunately, we are unable to predict from the experience of other European countries how the UK will fare. We anxiously await the effects of social measures that have been implemented and the results of large-scale antibody testing before we can become more comfortable with how an exit strategy plays out, although we believe this will be most likely be through a combination of testing, wider immunity and finally vaccinations.

The dynamics at play for equity investors have changed dramatically in a short period of time. We are seeing government intervention and heavy guidance for companies to temporarily re-think their capital allocation programmes. Share buybacks and dividends have been shelved, and management pay has been curtailed significantly. Companies that are likely to receive government support or will be key to the economy, such as banks and supermarkets, will be most in focus. It seems lessons about public perception have been learnt since the Global Financial Crisis and, for many, this is a time to bolster environmental, social and governance ("ESG") credentials.

We anticipate a heightened level of share issuance in the coming months, as corporates look to manage their liquidity profile through a period that for many may be one of zero revenue. As investors, we remain ready and prepared to back the companies and management teams that we believe will be able to prosper in the long run.

Balance sheets at the country level are also taking a hit. Fiscal deficits have already ballooned, as governments write blank cheques to combat COVID-19 insolvencies and job losses. These spending measures could also reset the public expectation for government expenditure in the future.

Perennial issues regarding Brexit, US-China trade wars and anaemic growth in Europe seem of little concern at present, yet there is hope that, with a common objective in fighting the COVID-19 outbreak, disputes and negotiations between nations may be settled more amicably in the future.

Richard Bullas, Mark Hall & Dan Green, CFA

Fund Managers

31 March 2020

Fund Changes

On 31 July 2019, following some regulatory change, the Fund's investment objective and policy were clarified to make it easier for investors to understand both how the portfolio is managed and how to assess the Fund's performance. More details can be found in the Fund's prospectus available on our website.

In January 2020, Paul Spencer, who co-managed the Fund with Richard Bullas announced his plans to retire later in the year. Paul stepped away from management of the Fund in January and Richard was joined as Lead Manager by Daniel Green. Daniel was already a named Manager on the Fund and had been working Franklin UK Equity Team, specializing in small and mid-cap stocks, since 2015.

In June 2020, Marcus Tregoning will also join the management team, so the new Fund management team will be Richard Bullas and Daniel Green (Co-Lead Managers), Mark Hall (Manager) and Marcus Tregoning (Manager).

Franklin UK Smaller Companies Fund

Comparative Table

	31 March 2020	31 March 2019	31 March 2018
A – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	1,055.31	1,146.65	970.87
Return before operating charges ¹	(93.84)	(67.06)	197.32
Operating charges ²	(17.93)	(18.25)	(17.58)
Return after operating charges ³	(111.77)	(85.31)	179.74
Distributions on income shares	(8.0912)	(6.0317)	(3.9625)
Closing net asset value per share	935.45	1,055.31	1,146.65
After direct transaction costs of ⁴	0.68	1.62	0.78
Performance			
Return after charges ⁵	(10.59%)	(7.44%)	18.51%
Other information			
Closing net asset value (£)	6,667,025	13,196,250	30,584,963
Closing number of shares	712,708	1,250,463	2,667,322
Operating charges ratio ⁶	1.58%	1.58%	1.58%
Direct transaction costs ⁴	0.06%	0.14%	0.07%
Prices (p)			
Highest share price	1,312.84	1,256.18	1,216.89
Lowest share price	821.16	985.41	977.34

	31 March 2020	31 March 2019	31 March 2018
W – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	116.63	126.76	107.31
Return before operating charges ¹	(10.48)	(7.48)	21.84
Operating charges ²	(1.05)	(1.04)	(1.03)
Return after operating charges ³	(11.53)	(8.52)	20.81
Distributions on income shares	(1.8474)	(1.6125)	(1.3628)
Closing net asset value per share	103.25	116.63	126.76
After direct transaction costs of ⁴	0.08	0.17	0.09
Performance			
Return after charges ⁵	(9.89%)	(6.72%)	19.39%
Other information			
Closing net asset value (£)	95,922,816	96,536,969	37,435,565
Closing number of shares	92,907,245	82,771,843	29,531,718
Operating charges ratio ⁶	0.83%	0.83%	0.83%
Direct transaction costs ⁴	0.06%	0.14%	0.07%
Prices (p)			
Highest share price	145.79	139.08	135.05
Lowest share price	91.24	109.33	108.03

Franklin UK Smaller Companies Fund

Comparative Table (continued)

	31 March 2020	31 March 2019	31 March 2018
W – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	240.58	258.07	216.10
Return before operating charges ¹	(21.83)	(15.36)	44.04
Operating charges ²	(2.18)	(2.13)	(2.07)
Return after operating charges ³	(24.01)	(17.49)	41.97
Closing net asset value per share	216.57	240.58	258.07
Distributions	(3.8154)	(3.2859)	(2.7476)
Retained distributions on accumulation shares	3.8154	3.2859	2.7476
After direct transaction costs of ⁴	0.16	0.36	0.17
Performance			
Return after charges ⁵	(9.98%)	(6.78%)	19.42%
Other information			
Closing net asset value (£)	139,845,667	186,355,313	235,623,092
Closing number of shares	64,572,764	77,461,117	91,303,686
Operating charges ratio ⁶	0.83%	0.83%	0.83%
Direct transaction costs ⁴	0.06%	0.14%	0.07%
Prices (p)			
Highest share price	302.47	283.15	273.08
Lowest share price	189.30	223.62	217.55
Z – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	237.30	255.06	214.01
Return before operating charges ¹	(21.45)	(15.15)	43.59
Operating charges ²	(2.66)	(2.61)	(2.54)
Return after operating charges ³	(24.11)	(17.76)	41.05
Closing net asset value per share	213.19	237.30	255.06
Distributions	(3.2438)	(2.7393)	(2.2253)
Retained distributions on accumulation shares	3.2438	2.7393	2.2253
After direct transaction costs of ⁴	0.15	0.35	0.17
Performance			
Return after charges ⁵	(10.16%)	(6.96%)	19.18%
Other information			
Closing net asset value (£)	4,084,480	4,911,261	2,228,952
Closing number of shares	1,915,900	2,069,664	873,902
Operating charges ratio ⁶	1.03%	1.03%	1.03%
Direct transaction costs ⁴	0.06%	0.14%	0.07%
Prices (p)			
Highest share price	297.81	279.74	270.01
Lowest share price	186.35	220.68	215.44

Franklin UK Smaller Companies Fund

Comparative Table (continued)

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

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

Risk Profile (W(acc) shares)



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

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

Franklin UK Smaller Companies Fund

Portfolio Statement as at 31 March 2020

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
EQUITIES 94.87% (94.66%)			
INDUSTRIAL & OFFICE REITS 2.31% (0.00%)			
5,000,000	Urban Logistics REIT PLC§	5,700	2.31
AEROSPACE & DEFENCE 5.65% (2.68%)			
327,000	Avon Rubber PLC	7,521	3.05
3,198,500	Chemring Group PLC	6,397	2.60
		13,918	5.65
BUSINESS SUPPORT SERVICES 3.64% (0.00%)			
1,030,000	Midwich Group PLC	4,069	1.65
10,000,000	Speedy Hire PLC	4,910	1.99
		8,979	3.64
CHEMICALS 0.00% (3.36%)			
CONSTRUCTION & MATERIALS 6.10% (6.32%)			
2,400,000	Ibstock PLC, Reg S	3,648	1.48
1,300,000	Polypipe Group PLC	5,954	2.42
3,550,000	Volution Group PLC	5,432	2.20
		15,034	6.10
ELECTRONIC & ELECTRICAL EQUIPMENT 8.83% (8.46%)			
2,500,000	discoverIE Group PLC	12,275	4.98
450,000	Gooch & Housego PLC	3,825	1.55
3,750,000	TT Electronics PLC	5,681	2.30
		21,781	8.83
EQUITY INVESTMENT INSTRUMENTS 1.16% (0.00%)			
550,000	Gresham House PLC	2,860	1.16
FINANCIAL SERVICES 12.98% (10.87%)			
1,100,000	IntegraFin Holdings PLC, Reg S	4,785	1.94
2,680,000	JTC PLC, Reg S	11,390	4.62
1,600,000	Polar Capital Holdings PLC	6,160	2.50
3,500,000	Premier Miton Group PLC	2,905	1.18
6,193,000	XPS Pensions Group PLC, Reg S	6,750	2.74
		31,990	12.98
FOOD PRODUCERS 4.55% (3.48%)			
230,000	Cranswick PLC	8,505	3.45
1,022,222	Hotel Chocolat Group PLC	2,709	1.10
		11,214	4.55
GENERAL RETAILERS 1.32% (3.63%)			
2,795,071	DFS Furniture PLC	3,253	1.32
HOUSEHOLD GOODS & HOME CONSTRUCTION 4.70% (1.76%)			
1,268,266	IG Design Group PLC	6,392	2.59
3,368,585	Watkin Jones PLC	5,208	2.11
		11,600	4.70
INDUSTRIAL ENGINEERING 4.62% (5.57%)			
800,000	Bodycote PLC	4,512	1.83
1,075,000	Vitec Group PLC	6,880	2.79
		11,392	4.62
INDUSTRIAL TRANSPORTATION 3.05% (4.10%)			
210,906	Clarkson PLC	4,872	1.98
210,000	James Fisher & Sons PLC	2,642	1.07
		7,514	3.05

Franklin UK Smaller Companies Fund

Portfolio Statement as at 31 March 2020 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
LEISURE GOODS 5.54% (1.76%)			
2,872,300	Codemasters Group Holdings PLC, Reg S	6,750	2.74
4,400,000	Sumo Group PLC	6,908	2.80
		13,658	5.54
MEDIA 0.00% (2.75%)			
PHARMACEUTICALS & BIOTECHNOLOGY 1.98% (4.70%)			
7,500,000	Alliance Pharma PLC	4,875	1.98
REAL ESTATE INVESTMENT & SERVICES 1.69% (3.67%)			
2,009,632	Urban & Civic PLC	4,180	1.69
REAL ESTATE INVESTMENT TRUSTS 1.85% (4.44%)			
600,000	Workspace Group PLC§	4,551	1.85
SOFTWARE & COMPUTER SERVICES 7.89% (6.76%)			
9,000,000	Dotdigital Group PLC	8,010	3.25
1,226,847	iomart Group PLC	3,312	1.34
2,500,000	NCC Group PLC	4,150	1.68
680,300	Tracsis PLC	3,980	1.62
		19,452	7.89
SUPPORT SERVICES 12.67% (16.67%)			
1,960,000	Equiniti Group PLC, Reg S	3,469	1.41
2,524,074	Restore PLC	8,708	3.53
910,000	Ricardo PLC	3,722	1.51
1,480,000	Robert Walters PLC	4,336	1.76
1,575,000	RWS Holdings PLC	7,206	2.92
2,702,628	The Simplybiz Group PLC	3,784	1.54
		31,225	12.67
TECHNOLOGY HARDWARE & EQUIPMENT 3.08% (1.67%)			
3,650,000	Spirent Communications PLC	7,592	3.08
TRAVEL & LEISURE 1.26% (2.01%)			
1,077,428	Patisserie Holdings PLC¢	-	0.00
4,543,874	The City Pub Group PLC, Reg S	2,999	1.21
650,000	The City Pub Group PLC, rts.#	117	0.05
		3,116	1.26
TOTAL - EQUITIES		233,884	94.87
TOTAL VALUE OF INVESTMENTS		233,884	94.87
OTHER ASSETS		12,636	5.13
TOTAL NET ASSETS		246,520	100.00

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

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

¢ These securities are fair valued by the manager.

§ Real Estate Investment Trust ("REIT").

Traded on an alternative investment market.

Franklin UK Smaller Companies Fund

Statement of Total Return

For the year ended 31 March 2020

	Note	March 2020 £000	March 2020 £000	March 2019 £000	March 2019 £000
Income					
Net capital gains/(losses)	1		(33,749)		(34,953)
Revenue	2	7,277		7,413	
Expenses	3	(2,712)		(3,131)	
Net revenue before taxation		4,565		4,282	
Taxation	4	(8)		(11)	
Net revenue after taxation			4,557		4,271
Total return before distributions for the year			(29,192)		(30,682)
Distributions	5		(4,566)		(4,286)
Change in net assets attributable to shareholders			(33,758)		(34,968)

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 March 2020

	March 2020 £000	March 2020 £000	March 2019 £000	March 2019 £000
Opening net assets attributable to shareholders		301,000		305,873
Amounts received on creation of shares	93,119		154,792	
Amounts paid on cancellation of shares	(116,423)		(97,481)	
In-specie out	-		(30,242)	
		(23,304)		27,069
Dilution adjustments		-		198
Change in net assets attributable to shareholders from investment activities (see above)		(33,758)		(34,968)
Retained distribution on accumulation shares		2,582		2,828
Closing net assets attributable to shareholders		246,520		301,000

Balance Sheet

As at 31 March 2020

	Note	March 2020 £000	March 2019 £000
Assets			
Fixed assets			
Investments		233,884	284,913
Current assets			
Debtors	6	737	1,786
Cash and bank balances		15,786	16,421
Total assets		250,407	303,120
Liabilities			
Creditors			
Distribution payable	5	(1,084)	(866)
Other creditors	7	(2,803)	(1,254)
Total liabilities		(3,887)	(2,120)
Net assets attributable to shareholders		246,520	301,000

Franklin UK Smaller Companies Fund

Notes to the Financial Statements

	March 2020 £000	March 2019 £000
1. Net capital gains/(losses)		
The net capital gains/(losses) during the year comprise:		
Non-derivative securities gains/(losses)	(33,749)	(34,953)
	(33,749)	(34,953)
2. Revenue		
UK dividends	6,893	6,974
Overseas dividends	368	424
Bank and other interest	16	15
	7,277	7,413
3. Expenses		
Payable to the ACD, associates of the ACD and agents of either of them		
ACD's periodic charge	2,462	2,862
ACD's administration charge	158	176
	2,620	3,038
Payable to the Depositary, associates of the Depositary and agents of either of them		
Depositary fees	48	53
Safe custody fees	19	22
	67	75
Other expenses		
Legal and publication fees	12	6
Audit fees	10	9
Printing fees	3	3
	25	18
	2,712	3,131
4. Taxation		
(a) Analysis of charge in the year		
Irrecoverable overseas tax	8	11
Total current tax (note 4(b))	8	11
Total taxation	8	11
(b) Factors affecting tax charge for the year		
The tax assessed for the year is lower (2019: lower) than the standard rate of corporation tax in the UK for Open-ended Investment Companies (20% (2019: 20%)).		
The differences are explained below:		
Net revenue before taxation	4,565	4,282
Corporation tax of 20% (2019: 20%)	913	856
Effects of:		
Excess management expenses	435	498
Irrecoverable overseas tax	8	11
Revenue taxable in different year	15	(5)
UK dividends & non-taxable overseas dividends*	(1,363)	(1,349)
Current tax charge for year (note 4(a))	8	11

*As an Open-ended Investment Company these items are not subject to corporation tax

Open-ended investment companies are exempt from tax on capital gains in the UK. Therefore, any capital return is not included within the reconciliation above.

At the year end there is a potential deferred tax asset of £2,700,000 (£2,266,000 as at 31 March 2019) in relation to excess

Franklin UK Smaller Companies Fund

Notes to the Financial Statements (continued)

	March 2020 £000	March 2019 £000
4. Taxation (continued)		
management fees. It is unlikely the Fund will generate sufficient tax profits in the future to utilise these amounts and therefore no deferred tax assets have been recognised in the year.		
5. (a) Distributions		
The distribution takes account of income received on the issue of shares and income deducted on the cancellation of shares, and comprise:		
Interim dividend distributions		
Income	661	566
Accumulation	<u>1,026</u>	<u>1,208</u>
	<u>1,687</u>	<u>1,774</u>
Final dividend distributions		
Income	1,084	866
Accumulation	<u>1,556</u>	<u>1,620</u>
	<u>2,640</u>	<u>2,486</u>
Add: Income deducted on cancellation of shares	861	764
Deduct: Income received on issue of shares	<u>(622)</u>	<u>(738)</u>
Total distribution	4,566	4,286
(b) Difference between net revenue and distribution:		
Net revenue after taxation	4,557	4,271
Net revenue received on share class conversions	<u>9</u>	<u>15</u>
Total distribution for the year	4,566	4,286
Details of the distribution in pence per share for this Fund are set out in the table on page 157.		
6. Debtors		
Amounts receivable for issue of shares	484	1,088
Accrued income	253	257
Sales awaiting settlement	<u>-</u>	<u>441</u>
	737	1,786
7. Other creditors		
Amounts payable on cancellation of shares	1,435	1,014
Purchases awaiting settlement	1,156	-
Accrued expenses	<u>212</u>	<u>240</u>
	2,803	1,254
8. Related parties		
During the year, Franklin Templeton Fund Management Limited ("ACD"), a related party, acted primarily in all transactions of the Funds. The aggregate amounts received through issues and cancellations are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.		
Amounts charged by the ACD and associates of the ACD in respect of the management and administration fees are disclosed in Note 3.		
The amounts due to the ACD and associates of the ACD in respect of management and administration fees at 31 March 2020 are £190,000 (£215,000 as at 31 March 2019).		

Franklin UK Smaller Companies Fund

Notes to the Financial Statements (continued)

9. Risk management policies and disclosures

The risks inherent in the Fund's investment portfolio are as follows:

Market Risk

Please refer to the accounting policies note for details on market risk exposure.

Currency risk

Fluctuations in the foreign exchange rates can adversely affect the value of a portfolio.

At the year end date, 0.00% (2019: 0.00%) of the net assets of the Fund were denominated in currencies other than sterling and as such the currency risk is not considered significant.

Interest rate risk

The Fund does not invest in either fixed or floating rate securities and interest rate risk exposure is restricted to interest receivable on bank deposits or payable on bank overdraft positions which will be affected by fluctuations in interest rates.

Other price risk

At the year end date, 94.87% (2019: 94.66%) of the net assets of the Fund were invested in ordinary shares or stock units admitted to an official stock exchange. If the market value were to change by 10% (2019: 10%), the value of the Fund would change by 9.49% (2019: 9.47%).

There is no material difference between the value of the financial assets and liabilities, as shown in the Balance sheet, and their fair values.

10. Portfolio Transaction Costs

	2020			2019		
	Purchases £000	% Of Purchases	% of Average Net Asset Value	Purchases £000	% Of Purchases	% of Average Net Asset Value
Equity purchases in the year before transaction costs	68,919			121,836		
Commissions	37	0.05	0.01	70	0.06	0.02
Taxes	93	0.13	0.03	328	0.27	0.09
Other	4	0.01	-	63	0.05	0.02
Total Equity purchases in the year after direct transaction costs	69,053			122,297		

	2020			2019		
	Sales £000	% Of Sales	% of Average Net Asset Value	Sales £000	% Of Sales	% of Average Net Asset Value
Equity sales in the year before transaction costs	80,039			59,913		
Commissions	(47)	(0.06)	(0.01)	(35)	(0.06)	(0.01)
Total Equity sales in the year after direct transaction costs	79,992			59,878		

In pursuance of its investments objectives the Fund incurs commissions, taxes and other charges when buying and selling investment securities. Share dealing generally incurs broker commission and stamp Duty and these are paid by the Fund on each transaction where appropriate.

In addition there is a dealing spread between the buying and selling prices of the underlying investments. The average dealing spread which is the difference between the quoted bid and offer prices or internal administrative or holding costs, are not included in the calculation of Direct Transaction Costs. As at 31 March 2020, the average dealing spread for the underlying Fund investments is 1.50% (2019: 1.37%).

Franklin UK Smaller Companies Fund

Notes to the Financial Statements (continued)

10. Portfolio Transaction Costs (continued)

Comparing portfolio transaction costs for a range of funds may give misleading impression of the relative costs of investing in those funds for the following reasons:

- Historic transaction costs are not an effective indicator of the future impact on performance as it may vary from year to year depending on the investment manager;
- Transaction costs for buying and selling investments due to shareholder activity on the fund are recovered from those investors; and
- Transaction costs will vary depending on the types of securities the fund is investing.

11. Creations and Cancellations of Shares

	A–Income shares	W–Income shares	W–Accumulation shares	Z–Accumulation shares
Opening shares	1,250,463	82,771,843	77,461,117	2,069,664
Creations	33,007	30,575,969	20,412,066	54,303
Cancellations	(347,988)	(22,273,378)	(33,367,732)	(226,240)
Conversions	(222,774)	1,832,811	67,313	18,173
Total closing shares	712,708	92,907,245	64,572,764	1,915,900

12. Fair Value Disclosure

In accordance with FRS 102 the Fund classifies fair value measurement under the following levels:

Level 1

Unadjusted quoted market prices in active markets for identical securities.

Level 2

Investments (other than quoted prices included within Level 1) whose fair value is based directly on observable current market prices or is indirectly being derived from market prices; and

Level 3

Investments whose fair value is determined using a valuation technique based on assumptions that are not supported by observable current market prices or are not based on observable market data such as security in default or securities valued by Franklin Templeton Fair Valuation Committee.

Fair Value Hierarchy	Assets 31 March 2020 £000	Liabilities 31 March 2020 £000	Assets 31 March 2019 £000	Liabilities 31 March 2019 £000
Level 1	233,767	-	284,913	-
Level 2	117	-	-	-
Level 3	-	-	-	-
Total	233,884	-	284,913	-

Franklin UK Smaller Companies Fund

Distribution Statement

For the period 1 April 2019 to 30 September 2019

Group 1 – Shares purchased prior to 1 April 2019

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

	Net Income p	Equalisation p	30 September 2019 Pence per Share p	30 September 2018 Pence per Share p
A - Income shares				
Group 1	4.3293	-	4.3293	3.2182
Group 2	0.5012	3.8281	4.3293	3.2182
W - Income shares				
Group 1	0.7095	-	0.7095	0.6085
Group 2	0.1436	0.5659	0.7095	0.6085
W - Accumulation shares				
Group 1	1.4633	-	1.4633	1.2387
Group 2	-	1.4633	1.4633	1.2387
Z - Accumulation shares				
Group 1	1.3180	-	1.3180	1.0884
Group 2	-	1.3180	1.3180	1.0884

For the period 1 October 2019 to 31 March 2020

Group 1 - Shares purchased prior to 1 October 2019

Group 2 - Shares purchased in the period 1 October 2019 to 31 March 2020

	Net Income p	Equalisation p	31 March 2020 Pence per Share p	31 March 2019 Pence per Share p
A - Income shares				
Group 1	3.7619	-	3.7619	2.8135
Group 2	0.8954	2.8665	3.7619	2.8135
W - Income shares				
Group 1	1.1379	-	1.1379	1.0040
Group 2	0.2234	0.9145	1.1379	1.0040
W - Accumulation shares				
Group 1	2.3521	-	2.3521	2.0472
Group 2	0.1354	2.2167	2.3521	2.0472
Z - Accumulation shares				
Group 1	1.9258	-	1.9258	1.6509
Group 2	0.1698	1.7560	1.9258	1.6509

Equalisation

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

Franklin US Opportunities Fund

Investment Review

Performance

For the year ended 31 March 2020, Franklin US Opportunities Fund (W(acc) share class) returned 5.78%*, while its benchmark, the Russell 3000® Growth Index, returned 4.48% (both returns in UK sterling).

Overview

US stocks (equities), as measured by the Standard & Poor's® 500 Index ("S&P 500"), declined during the year under review. Equities posted strong gains for most of the reporting period, aided by relatively steady economic growth, easing trade tensions and the US Federal Reserve's ("Fed's") supportive monetary policy. However, a sharp sell-off began in late February 2020 amidst investor fears of a global economic slowdown due to the novel coronavirus ("COVID-19") pandemic. Concerns about global supply chain disruptions, business and personal restrictions, and subdued consumer spending drove many investors to sell equity holdings in favour of perceived safe investments such as government bonds and cash.

Prior to the rapid spread of COVID-19 in the country, US equities, as measured by the S&P 500, repeatedly reached new highs through mid-February 2020, supported by solid domestic economic growth, the US-China phase one trade agreement and the Fed's accommodative monetary policy. The Fed lowered the federal funds target rate (the overnight interest rate at which banks borrow/lend funds) three times in 2019 to a range of 1.50% - 1.75%. The labour market remained strong through February 2020 and supported consumer spending, though some parts of the economy struggled as annual industrial production contracted and capital spending declined.

However, economic activity weakened considerably as the COVID-19 pandemic spread across the US and many state and local governments issued stay-at-home orders, which included business closures and other restrictions. Weekly unemployment claims surged near period-end, reflecting layoffs in many industries, particularly retail, restaurant and hospitality. As a result, the unemployment rate jumped from a 50-year low of 3.5% in February 2020 to 4.4% at period-end.

Market volatility persisted at a heightened level throughout March 2020, as social-distancing measures intended to mitigate the pandemic severely weakened the economy. In an effort to boost the US economy and aid businesses and individuals directly impacted by the pandemic, the federal government passed an unprecedented US\$2 trillion stimulus package. Furthermore, the Fed cut the federal funds target rate to a range of 0.00% - 0.25% and announced sweeping quantitative easing measures aimed at stimulating lending and credit availability. Many investors were encouraged by policymakers' swift and decisive fiscal and monetary stimulus measures. US stocks, as measured by the S&P 500, bounced from multi-year lows, but still finished the reporting period with negative returns.

Significant Changes

For the year ended 31 March 2020, the portfolio's weightings increased in the information technology, real estate and consumer discretionary sectors and decreased in the communication services, consumer staples and industrials sectors. Our small exposure to the energy sector was eliminated. The remaining sectors in the portfolio remained relatively stable over the period. These changes reflected a combination of performance by existing holdings as well as purchases and sales. The information technology, health care, industrials and consumer discretionary sectors were the Fund's largest areas of investment during the period.

The following positions were added or increased during the reporting period: Workday, TRU, Black Knight, Chipotle Mexican Grill, GW Pharmaceuticals.

Workday provides enterprise cloud applications for finance and human resources ("HR") management for companies, educational institutions and government agencies. After generating significant traction with their HR-focused applications, we believe Workday will be able to successfully capitalise on the trend of enterprise resource planning ("ERP") application migration to the cloud as companies become more comfortable with cloud-based solutions. We view Workday as a high-quality business that can potentially perform well as the economy reboots, hiring resumes and digital transformation ERP replacement projects come back online post-pandemic shutdown.

TransUnion ("TRU") provides information and risk management solutions. It also provides consumer reports, risk scores, analytical services and decision-making capabilities to businesses. TRU has reported strong results with growth and earnings upside across the core US and international business-to-business segments. Growth has been broad-based, and the core growth and margin expansion framework are consistent with TRU's long-term framework. Maybe more important, in our view, TRU announced a US\$150-175 million three-year accelerated technology investment to fully migrate its cloud architecture to a public/private global cloud infrastructure that should support and enhance organic growth.

Black Knight is a leading provider of integrated software, data and analytics solutions that facilitate and automate many of the business processes across the homeownership lifecycle. Black Knight's core growth drivers of cross-selling, winning new clients, launching new products, loan growth and pricing remain intact. Black Knight renewed clients representing more than one-third of the loans on its platform to long-term contracts, including Wells Fargo, US Bank, Quicken and SPS. While the servicing software segment faced headwinds, the origination software and data segments both delivered above-average performance. We believe Black Knight warrants its premium valuation given the quality and scarcity of the asset and because there are multiple potential strategic acquirers, which should provide some downside protection for the stock.

Chipotle Mexican Grill operates Chipotle Mexican Grill restaurants, which feature a menu of burritos, burrito bowls, tacos and salads. We believe Chipotle is well-positioned with several tangible comparative sales drivers including digital, delivery, marketing, loyalty and innovation. Chipotle has quadrupled its digital business in just three years. Thus, we took advantage of share price weakness in the first quarter of 2020 to initiate our position.

GW Pharmaceuticals has established a world-leading position in the development of plant-derived cannabinoid therapeutics. GW has developed an oral formulation of purified cannabidiol ("CBD"), approved as EPIDIOLEX® in the United States by the US Food and Drug

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

Franklin US Opportunities Fund

Investment Review (continued)

Significant Changes (continued)

Administration ("FDA") for seizures associated with Lennox-Gastaut syndrome or Dravet Syndrome, two rare and severe early onset, drug-resistant epilepsy syndromes. Epidiolex has delivered a very impressive first year of sales of nearly US\$300 million. We believe physicians are beginning to broaden the use of this therapy and that there is room for GW to capture even more of the large audience for adult refractory epilepsy treatment. Furthermore, the company has a large cannabinoid clinical pipeline, with trials in multiple sclerosis, autism, schizophrenia, spinal cord injury, PTSD and other rare genetic epilepsies.

Notable sales for the Fund during the year were: Amazon.com, Alphabet, InterXion Holding, Mastercard, Microsoft.

Amazon.com provides online retail shopping services, electronic storage and database services for start-ups, enterprises, government agencies and academic institutions via its Amazon Web Services division. Amazon remains our top holding as at 31 March 2020. However, over the period we took steps to mitigate risk from single stock exposure owing to outsized performance for the stock.

Under parent company Alphabet, Google is the leading provider of internet search, with related businesses in advertising, cloud computing and software. The core business of Google, including search, YouTube, Google Maps and others, have demonstrated impressive growth and high margins. Additionally, we remain positive on Google's earnings prospects. The company is still taking share of the advertising market as it migrates to the digital realm. Meanwhile, earnings upside has recently been driven by Google's ancillary businesses. We think that valuations are reasonable considering the strong growth. Google also has a good history of launching new products which are accretive to earnings, and we think their continuing investments in other emerging products should pay off over the long-term. We believe Google's cloud computing platform can be a meaningful growth driver but decided to trim the position to capitalise on share-price strength during the period.

InterXion was the second-largest carrier-neutral data centre operator in European markets behind Equinix, with their four largest markets in France, Germany, Netherlands and the UK. In October of 2019, Digital Reality Trust announced its intention to acquire InterXion for a substantial premium. The transaction was completed during the reporting period and, as a result, we exited the position.

Mastercard is a global payment processing network that connects consumers, financial institutions, merchants, governments and businesses in more than 200 countries. There is a global secular trend of cash transactions moving to electronic, either through credit cards or mobile devices. Our constructive thesis on Mastercard remains intact and it is amongst our top holdings as at 31 March 2020. However, we trimmed our position in the period to control portfolio risk via position sizing.

Microsoft is a multinational corporation that offers a variety of technological services, including software (Microsoft Windows and Microsoft Office), hardware, cloud computing and business services. Microsoft is one of the world's largest cloud/software-as-a-surface companies and is focused on driving gross margin expansion in its growing cloud business. We see the company as having a rock-solid balance sheet and good cash generation characteristics. While we remain positive about Microsoft's long-term prospects, we took steps to mitigate risk from single-stock exposure owing to outsized performance for the stock.

Positive/Negative Contributors

The Fund outperformed its benchmark index for the year ended 31 March 2020, with stock selection in the real estate, financials and industrials sectors, as well as an underweighting in the consumer discretionary sector, meaningfully contributing to relative returns. In contrast, stock selection in the information technology, health care and communication services sectors detracted from relative performance.

Wireless telecom tower operator SBA Communications was a top Fund contributor in the real estate sector. Solid momentum in tower growth and leasing activity in the US and internationally has been a revenue driver for the company. Furthermore, accelerated mobile-carrier spending on 5G network upgrades is expected to drive long-term growth for tower operators overall.

The shift to passive investing and greater demand for environmental, social and governance data for investment decisions have been growth drivers for data provider MSCI in the financials sector.

In the industrials sector, real estate data and analytics company CoStar Group was a contributor to the Fund's annual performance. We believe CoStar is well-positioned to benefit from digitisation and increasing use of data and analytics in commercial real estate and multifamily realty markets.

In contrast, underweightings in technology giants Apple and Microsoft proved adverse for relative performance in the information technology sector. The shares of both companies rallied over the period as they demonstrated impressive growth metrics across their businesses. Also dampening results was education technology provider 2U, which faced broad challenges across its graduate and short-course portfolios.

Results in the health care sector were pressured by holdings in Heron Therapeutics and GW Pharmaceuticals. The shares of Heron Therapeutics struggled over the period as the company awaited US FDA approval for its leading pain management treatment. A sales shortfall of its epilepsy treatment drove down the shares of GW Pharmaceuticals. In contrast, medical device manufacturers Nevro and West Pharmaceutical Services drove positive performance in the sector.

Outlook

The swift and severe sell-off of stocks (equities) and most asset classes around the globe has been unprecedented. We believe the COVID-19 pandemic, albeit tragic, stressful and disruptive, will ultimately pass and the economic damage, while severe in the short term, will subside as consumers release pent-up demand for goods and services.

When we look out over the next one to two years and think about the investment themes we are focused on, we are finding many of the highest-quality growth companies trading below what we think is their long-term fair value. Technology companies have been getting much attention as businesses and consumers fundamentally change the way they operate during this crisis. Innovative technologies are being used to remotely access work, education and healthcare. E-commerce is being adopted more broadly as brick-and-mortar businesses are shuttered. Underlying these capabilities are robust and pervasive cloud computing platforms.

Franklin US Opportunities Fund

Investment Review (continued)

Outlook (continued)

Our analysts are focused on high-quality ideas that we believe will be best positioned for the recovery and can create the most economic value over the medium- to long-term. We are already seeing opportunities to initiate or add to positions in what we consider to be best-in-class growth companies levered to multi-year growth trends in areas such as cloud computing; cybersecurity; digital payments and the connected world.

Grant Bowers & Sara Araghi, CFA

Fund Managers

31 March 2020

Fund Changes

On 31 July 2019, following some regulatory change, the Fund's investment objective and policy were clarified to make it easier for investors to understand both how the portfolio is managed and how to assess the Fund's performance. More details can be found in the Fund's prospectus available on our website.

Franklin US Opportunities Fund

Comparative Table

	31 March 2020	31 March 2019	31 March 2018
A – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	459.13	392.46	364.36
Return before operating charges ¹	13.18	73.58	34.15
Operating charges ²	(7.95)	(6.91)	(6.05)
Return after operating charges ³	5.23	66.67	28.10
Closing net asset value per share	464.36	459.13	392.46
After direct transaction costs of ⁴	0.05	0.09	0.08
Performance			
Return after charges ⁵	1.14%	16.99%	7.71%
Other information			
Closing net asset value (£)	7,378,342	9,089,479	7,734,388
Closing number of shares	1,588,931	1,979,721	1,970,724
Operating charges ratio ⁶	1.59%	1.59%	1.58%
Direct transaction costs ⁴	0.01%	0.02%	0.02%
Prices (p)			
Highest share price	575.71	479.80	419.63
Lowest share price	429.07	377.36	352.95
W – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	291.39	247.22	227.80
Return before operating charges ¹	8.21	46.48	21.42
Operating charges ²	(2.67)	(2.31)	(2.00)
Return after operating charges ³	5.54	44.17	19.42
Closing net asset value per share	296.93	291.39	247.22
After direct transaction costs of ⁴	0.03	0.05	0.05
Performance			
Return after charges ⁵	1.90%	17.87%	8.53%
Other information			
Closing net asset value (£)	60,465,136	73,860,079	95,162,838
Closing number of shares	20,363,536	25,347,632	38,493,366
Operating charges ratio ⁶	0.84%	0.84%	0.83%
Direct transaction costs ⁴	0.01%	0.02%	0.02%
Prices (p)			
Highest share price	367.83	303.22	264.22
Lowest share price	274.32	239.02	220.75

Franklin US Opportunities Fund

Comparative Table (continued)

	31 March 2020	31 March 2019	31 March 2018
Y – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	222.69	188.33	172.99
Return before operating charges ¹	6.15	35.52	16.51
Operating charges ²	(0.10)	(0.08)	(0.07)
Return after operating charges ³	6.05	35.44	16.44
Distributions on income shares	(1.0595)	(1.0834)	(1.0951)
Closing net asset value per share	227.68	222.69	188.33
After direct transaction costs of ⁴	0.02	0.04	0.04
Performance			
Return after charges ⁵	2.72%	18.82%	9.50%
Other information			
Closing net asset value (£)	4,476	4,378	3,703
Closing number of shares	1,966	1,966	1,966
Operating charges ratio ⁶	0.04%	0.04%	0.04%
Direct transaction costs ⁴	0.01%	0.02%	0.02%
Prices (p)			
Highest share price	283.08	231.80	202.39
Lowest share price	211.26	183.17	167.70
Z – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	487.17	414.16	382.39
Return before operating charges ¹	13.79	77.80	35.92
Operating charges ²	(5.51)	(4.79)	(4.15)
Return after operating charges ³	8.28	73.01	31.77
Closing net asset value per share	495.45	487.17	414.16
After direct transaction costs of ⁴	0.05	0.09	0.08
Performance			
Return after charges ⁵	1.70%	17.63%	8.31%
Other information			
Closing net asset value (£)	512,757	978,101	481,090
Closing number of shares	103,492	200,772	116,162
Operating charges ratio ⁶	1.04%	1.04%	1.03%
Direct transaction costs ⁴	0.01%	0.02%	0.02%
Prices (p)			
Highest share price	613.89	507.53	442.69
Lowest share price	457.75	399.83	370.52

Franklin US Opportunities Fund

Comparative Table (continued)

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

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

Risk Profile (W(acc) shares)



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

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

Franklin US Opportunities Fund

Portfolio Statement as at 31 March 2020

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
EQUITIES 99.14% (99.35%)			
AEROSPACE & DEFENCE 0.84% (2.84%)			
5,432	Raytheon Co.	574	0.84
APPAREL RETAIL 0.24% (0.00%)			
1,267	Burlington Stores Inc.	162	0.24
APPAREL, ACCESSORIES & LUXURY GOODS 0.23% (0.20%)			
15,411	Levi Strauss & Co., A	154	0.23
APPLICATION SOFTWARE 9.09% (9.95%)			
6,353	Adobe Inc.	1,628	2.38
1,772	Atlassian Corp. PLC	196	0.29
2,284	Autodesk Inc.	287	0.42
5,927	Bill.Com Holdings Inc.	163	0.24
2,505	Intuit Inc.	464	0.68
10,804	PTC Inc.	531	0.78
6,620	salesforce.com Inc.	768	1.12
3,223	Synopsys Inc.	334	0.49
2,085	Tyler Technologies Inc.	497	0.73
5,818	Workday Inc., A	610	0.89
10,002	Zendesk Inc.	515	0.75
1,867	Zoom Video Communications Inc., A	220	0.32
		6,213	9.09
AUTO PARTS & EQUIPMENT 0.27% (0.82%)			
4,611	Aptiv PLC	183	0.27
AUTOMOBILE MANUFACTURERS 0.25% (0.00%)			
406	Tesla Inc.	171	0.25
BIOTECHNOLOGY 1.67% (2.76%)			
67,341	Heron Therapeutics Inc.	636	0.93
14,104	PTC Therapeutics Inc.	506	0.74
		1,142	1.67
CABLE & SATELLITE 1.11% (0.98%)			
8,499	Liberty Broadband Corp., C	757	1.11
CONSTRUCTION MATERIALS 0.11% (0.00%)			
480	Martin Marietta Materials Inc.	73	0.11
DATA PROCESSING & OUTSOURCED SERVICES 12.93% (11.58%)			
10,315	Black Knight Inc.	482	0.70
7,067	Fiserv Inc.	541	0.79
19,283	Mastercard Inc., A	3,759	5.50
10,602	PayPal Holdings Inc.	817	1.20
24,999	Visa Inc., A	3,242	4.74
		8,841	12.93
DISTILLERS & VINTNERS 0.77% (1.01%)			
4,558	Constellation Brands Inc., A	526	0.77
ELECTRICAL COMPONENTS & EQUIPMENT 0.00% (0.80%)			
ENVIRONMENTAL & FACILITIES SERVICES 0.35% (0.00%)			
3,916	Republic Services Inc.	237	0.35
FINANCIAL EXCHANGES & DATA 6.04% (4.65%)			
15,286	Intercontinental Exchange Inc.	994	1.46
2,955	MarketAxess Holdings Inc.	791	1.16
5,663	MSCI Inc.	1,315	1.92
5,206	S&P Global Inc.	1,028	1.50
		4,128	6.04

Franklin US Opportunities Fund

Portfolio Statement as at 31 March 2020 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	FOOTWEAR 0.81% (0.00%)		
8,354	NIKE Inc., B	557	0.81
	HEALTH CARE EQUIPMENT 4.20% (4.95%)		
1,588	Danaher Corp.	177	0.26
6,641	Edwards Lifesciences Corp.	1,009	1.48
545	IDEXX Laboratories Inc.	106	0.15
1,710	Intuitive Surgical Inc.	682	1.00
11,138	Nevro Corp.	897	1.31
		2,871	4.20
	HEALTH CARE SERVICES 0.44% (0.52%)		
5,368	Guardant Health Inc.	301	0.44
	HEALTH CARE SUPPLIES 1.65% (1.26%)		
9,211	West Pharmaceutical Services Inc.	1,130	1.65
	HEALTH CARE TECHNOLOGY 1.88% (1.38%)		
10,241	Veeva Systems Inc.	1,288	1.88
	HOME ENTERTAINMENT SOFTWARE 0.00% (0.73%)		
	INDUSTRIAL CONGLOMERATES 2.31% (2.14%)		
6,501	Honeywell International Inc.	701	1.03
3,490	Roper Technologies Inc.	876	1.28
		1,577	2.31
	INDUSTRIAL MACHINERY 0.00% (0.83%)		
	INTEGRATED TELECOMMUNICATION SERVICES 3.88% (2.72%)		
12,183	SBA Communications Corp., A §	2,650	3.88
	INTERACTIVE MEDIA & SERVICES 4.15% (0.00%)		
2,412	Alphabet Inc., A	2,257	3.30
4,315	Facebook Inc., A	580	0.85
		2,837	4.15
	INTERNET RETAIL 7.96% (9.14%)		
3,469	Amazon.com Inc.	5,438	7.96
	INTERNET SERVICES & INFRASTRUCTURE 1.25% (1.30%)		
2,047	Okta Inc., A	202	0.29
9,088	Twilio Inc., A	655	0.96
		857	1.25
	INTERNET SOFTWARE & SERVICES 0.00% (4.60%)		
	INVESTMENT BANKING & BROKERAGE 0.72% (1.04%)		
18,195	The Charles Schwab Corp.	492	0.72
	IT CONSULTING & OTHER SERVICES 0.00% (1.02%)		
	LEISURE PRODUCTS 0.53% (0.00%)		
17,005	Peloton Interactive Inc., A	364	0.53
	LIFE & HEALTH INSURANCE 0.00% (0.43%)		
	LIFE SCIENCES TOOLS & SERVICES 0.91% (0.98%)		
2,846	Illumina Inc.	625	0.91
	MANAGED HEALTH CARE 2.64% (2.92%)		
8,994	UnitedHealth Group Inc.	1,806	2.64
	MOVIES & ENTERTAINMENT 1.01% (0.74%)		
8,892	The Walt Disney Co.	692	1.01
	OIL & GAS EXPLORATION & PRODUCTION 0.00% (0.74%)		

Franklin US Opportunities Fund

Portfolio Statement as at 31 March 2020 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
PACKAGED FOODS & MEATS 1.88% (2.06%)			
4,300	Freshpet Inc.	221	0.33
14,020	Lamb Weston Holdings Inc.	644	0.94
27,940	Nomad Foods Ltd.	418	0.61
		1,283	1.88
PHARMACEUTICALS 2.30% (0.87%)			
16,790	AstraZeneca PLC, ADR †	604	0.89
7,171	GW Pharmaceuticals PLC, ADR †	506	0.74
3,949	Reata Pharmaceuticals Inc.	459	0.67
		1,569	2.30
RAILROADS 0.65% (0.00%)			
3,904	Union Pacific Corp.	443	0.65
REGIONAL BANKS 0.00% (0.46%)			
RESEARCH & CONSULTING SERVICES 6.35% (4.55%)			
3,911	CoStar Group Inc.	1,850	2.70
12,981	IHS Markit Ltd.	627	0.92
9,710	TransUnion	518	0.76
12,009	Verisk Analytics Inc.	1,348	1.97
		4,343	6.35
RESTAURANTS 0.76% (0.00%)			
993	Chipotle Mexican Grill Inc.	522	0.76
SEMICONDUCTORS 3.63% (4.67%)			
6,758	Analog Devices Inc.	487	0.71
5,326	Monolithic Power Systems	718	1.05
4,818	NVIDIA Corp.	1,023	1.50
4,082	Xilinx Inc.	256	0.37
		2,484	3.63
SOFT DRINKS 0.59% (0.94%)			
8,968	Monster Beverage Corp.	406	0.59
SPECIALIZED REIT'S 0.91% (1.04%)			
3,559	American Tower Corp. §	624	0.91
SPECIALTY CHEMICALS 0.21% (0.54%)			
5,056	Ingevity Corp.	143	0.21
SYSTEMS SOFTWARE 9.81% (7.62%)			
37,062	Microsoft Corp.	4,706	6.88
8,671	ServiceNow Inc.	1,999	2.93
		6,705	9.81
TECHNOLOGY HARDWARE, STORAGE & PERIPHERALS 3.47% (2.80%)			
11,569	Apple Inc.	2,370	3.47
TRADING COMPANIES & DISTRIBUTORS 0.34% (0.61%)			
27,032	Univar Solutions Inc.	233	0.34
TRUCKING 0.00% (0.16%)			
	TOTAL - EQUITIES	67,771	99.14
	TOTAL VALUE OF INVESTMENTS	67,771	99.14
	OTHER ASSETS	590	0.86
	TOTAL NET ASSETS	68,361	100.00

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

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

† American Depositary Receipt.

§ Real Estate Investment Trust ("REIT").

Franklin US Opportunities Fund

Statement of Total Return

For the year ended 31 March 2020

	Note	March 2020 £000	March 2020 £000	March 2019 £000	March 2019 £000
Income					
Net capital gains/(losses)	1		3,289		20,264
Revenue	2	472		631	
Expenses	3	(776)		(906)	
Finance costs – interest		-		(1)	
Net expense before taxation		(304)		(276)	
Taxation	4	(67)		(91)	
Net expense after taxation			(371)		(367)
Total return before distributions for the year			2,918		19,897
Change in net assets attributable to shareholders			2,918		19,897

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 March 2020

	March 2020 £000	March 2020 £000	March 2019 £000	March 2019 £000
Opening net assets attributable to shareholders		83,932		103,383
Amounts received on creation of shares	69,931		71,356	
Amounts paid on cancellation of shares	(88,422)		(110,708)	
		(18,491)		(39,352)
Dilution adjustments		2		4
Change in net assets attributable to shareholders from investment activities (see above)		2,918		19,897
Closing net assets attributable to shareholders		68,361		83,932

Balance Sheet

As at 31 March 2020

	Note	March 2020 £000	March 2019 £000
Assets			
Fixed assets			
Investments		67,771	83,389
Current assets			
Debtors	6	554	1,367
Cash and bank balances		654	413
Total assets		68,979	85,169
Liabilities			
Creditors			
Other creditors	7	(618)	(1,237)
Total liabilities		(618)	(1,237)
Net assets attributable to shareholders		68,361	83,932

Franklin US Opportunities Fund

Notes to the Financial Statements

	March 2020 £000	March 2019 £000
1. Net capital gains/(losses)		
The net capital gains/(losses) during the year comprise:		
Non-derivative securities gains/(losses)	3,219	20,416
Currency gains/(losses)	70	(152)
	<u>3,289</u>	<u>20,264</u>
2. Revenue		
Overseas dividends	470	628
Bank and other interest	2	3
	<u>472</u>	<u>631</u>
3. Expenses		
Payable to the ACD, associates of the ACD and agents of either of them		
ACD's periodic charge	702	822
ACD's administration charge	42	50
	<u>744</u>	<u>872</u>
Payable to the Depositary, associates of the Depositary and agents of either of them		
Depositary fees	16	19
Safe custody fees	1	1
	<u>17</u>	<u>20</u>
Other expenses		
Audit fees	8	8
Legal and publication fees	6	3
Printing fees	1	3
	<u>15</u>	<u>14</u>
	<u>776</u>	<u>906</u>
4. Taxation		
(a) Analysis of charge in the year		
Irrecoverable overseas tax	67	91
Total current tax (note 4(b))	67	91
Total taxation	<u>67</u>	<u>91</u>
(b) Factors affecting tax charge for the year		
The tax assessed for the year is higher (2019: higher) than the standard rate of corporation tax in the UK for Open-ended Investment Companies (20% (2019: 20%)).		
The differences are explained below:		
Net revenue before taxation	(304)	(276)
Corporation tax of 20% (2019: 20%)	(61)	(55)
Effects of:		
Excess management expenses	151	177
Irrecoverable overseas tax	67	91
Overseas tax expensed	(1)	(1)
UK dividends & non-taxable overseas dividends*	(89)	(121)
Current tax charge for year (note 4(a))	<u>67</u>	<u>91</u>

*As an Open-ended Investment Company these items are not subject to corporation tax.

Open-ended Investment Companies are exempt from tax on capital gains in the UK. Therefore, any capital return is not included within the reconciliation above.

Franklin US Opportunities Fund

Notes to the Financial Statements (continued)

	March 2020 £000	March 2019 £000
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4. Taxation (continued)

At the year end there is a potential deferred tax asset of £1,177,000 (£1,026,000 as at 31 March 2019) in relation to excess management expenses. It is unlikely the Fund will generate sufficient tax profits in the future to utilise these amounts and therefore no deferred tax assets have been recognised in the year.

5. (a) Distributions

The distribution takes account of income received on the issue of shares and income deducted on the cancellation of shares. The distributions in the year to 31 March 2020 amounted to £nil (31 March 2019: £nil).

(b) Difference between net revenue and distribution:

Revenue deficit payable from capital	371	367
Net expense after taxation	(371)	(367)
Total distribution for the year	-	-

Details of the distribution in pence per share for this Fund are set out in the table on page 172.

6. Debtors

Amounts receivable for issue of shares	550	216
Accrued income	4	6
Sales awaiting settlement	-	1,145
	554	1,367

7. Other creditors

Amounts payable on cancellation of shares	476	936
Purchases awaiting settlement	74	225
Accrued expenses	68	76
	618	1,237

8. Related parties

During the year, Franklin Templeton Fund Management Limited ("ACD"), a related party, acted primarily in all transactions of the Funds. The aggregate amounts received through issues and cancellations are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

Amounts charged by the ACD and associates of the ACD in respect of the management and administration fees are disclosed in Note 3.

The amounts due to the ACD and associates of the ACD in respect of management and administration fees at 31 March 2020 are £53,000 (£62,000 as at 31 March 2019).

As at 31 March 2020 Templeton Global Advisors Limited ("TGAL") held 100% (100% as at 31 March 2019) of the shares in issue of Class Y income.

9. Risk management policies and disclosures

The risks inherent in the Fund's investment portfolio are as follows:

Market Risk

Please refer to the accounting policies note for details on market risk exposure.

Franklin US Opportunities Fund

Notes to the Financial Statements (continued)

9. Risk management policies and disclosures (continued)

Currency Risk

An analysis of monetary assets and liabilities (including equity investments), in foreign currencies at the year end is shown below.

Currency	Net foreign currency assets and (liabilities) 31 March 2020	Net foreign currency assets and (liabilities) 31 March 2019
	Total £000	Total £000
US dollar	67,701	83,734
	67,701	83,734

With reference to the foreign currency assets and liabilities table above, any movement in exchange rates would lead to a corresponding change in the value of the assets.

Interest rate risk

The Fund does not invest in either fixed or floating rate securities and interest rate risk exposure is restricted to interest receivable on bank deposits or payable on bank overdraft positions which will be affected by fluctuations in interest rates.

Other price risk

At the year end date, 99.14% (2019: 99.35%) of the net assets of the Fund were invested in ordinary shares or stock units admitted to an official stock exchange. If the market value were to change by 10% (2019: 10%), the value of the Fund would change by 9.91% (2019: 9.93%).

There is no material difference between the value of the financial assets and liabilities, as shown in the Balance sheet, and their fair values.

10. Portfolio Transaction Costs

	2020			2019		
	Purchases £000	% Of Purchases	% of Average Net Asset Value	Purchases £000	% Of Purchases	% of Average Net Asset Value
Equity purchases in the year before transaction costs	17,671			53,441		
Commissions	3	0.02	0.01	8	0.01	0.01
Total Equity purchases in the year after direct transaction costs	17,674			53,449		

	2020			2019		
	Sales £000	% Of Sales	% of Average Net Asset Value	Sales £000	% Of Sales	% of Average Net Asset Value
Equity sales in the year before transaction costs	36,027			88,387		
Commissions	(6)	(0.02)	(0.01)	(9)	(0.01)	(0.01)
Other	(1)	-	-	(1)	-	-
Total Equity sales in the year after direct transaction costs	36,020			88,377		

In pursuance of its investment objectives the Fund incurs commissions, taxes and other charges when buying and selling investment securities. Share dealing generally incurs broker commission and stamp duty and these are paid by the Fund on each transaction where appropriate.

In addition there is a dealing spread between the buying and selling prices of the underlying investments. The average dealing spread which is the difference between the quoted bid and offer prices or internal administrative or holding costs, are not included in the calculation of Direct Transaction Costs. As at 31 March 2020, the average dealing spread for the underlying Fund investments is 0.08% (2019: 0.03%).

Franklin US Opportunities Fund

Notes to the Financial Statements (continued)

10. Portfolio Transaction Costs (continued)

Comparing portfolio transaction costs for a range of funds may give a misleading impression of the relative costs of investing in those funds for the following reasons:

- Historic transaction costs are not an effective indicator of the future impact on performance as it may vary from year to year depending on the investment manager;
- Transaction costs for buying and selling investments due to shareholder activity on the fund are recovered from those investors; and
- Transaction costs will vary depending on the types of securities the fund is investing.

11. Creations and Cancellations of Shares

	A-Accumulation shares	W-Accumulation shares	Y-Income shares	Z-Accumulation shares
Opening shares	1,979,721	25,347,632	1,966	200,772
Creations	2,397,354	16,829,223	-	853,183
Cancellations	(2,766,176)	(21,877,308)	-	(932,877)
Conversions	(21,968)	63,989	-	(17,586)
Total closing shares	1,588,931	20,363,536	1,966	103,492

12. Fair Value Disclosure

In accordance with FRS 102 the Fund classifies fair value measurement under the following levels:

Level 1

Unadjusted quoted market prices in active markets for identical securities.

Level 2

Investments (other than quoted prices included within Level 1) whose fair value is based directly on observable current market prices or is indirectly being derived from market prices; and

Level 3

Investments whose fair value is determined using a valuation technique based on assumptions that are not supported by observable current market prices or are not based on observable market data such as security in default or securities valued by Franklin Templeton Fair Valuation Committee.

Fair Value Hierarchy	Assets 31 March 2020 £000	Liabilities 31 March 2020 £000	Assets 31 March 2019 £000	Liabilities 31 March 2019 £000
Level 1	67,771	-	83,389	-
Level 2	-	-	-	-
Level 3	-	-	-	-
Total	67,771	-	83,389	-

Franklin US Opportunities Fund

Distribution Statement

For the period 1 April 2019 to 31 March 2020

Group 1 - Shares purchased prior to 1 April 2019

Group 2 - Shares purchased in the period 1 April 2019 to 31 March 2020

	Net Income p	Equalisation p	31 March 2020 Pence per Share p	31 March 2019 Pence per Share p
A - Accumulation shares				
Group 1	-	-	-	-
Group 2	-	-	-	-
W - Accumulation shares				
Group 1	-	-	-	-
Group 2	-	-	-	-
Y - Income shares				
Group 1	1.0595	-	1.0595	1.0834
Group 2	1.0595	-	1.0595	1.0834
Z - Accumulation shares				
Group 1	-	-	-	-
Group 2	-	-	-	-

Equalisation

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

Templeton Global Emerging Markets Fund

Investment Review

Performance

For the year ended 31 March 2020, Templeton Global Emerging Markets Fund (W (acc) shares) returned (12.01%)*, while the MSCI Emerging Markets Index returned (13.16%) (both returns in UK sterling).

Overview

Emerging-market ("EM") equities fell back over the year, underperforming developed-market stocks. The US-China trade dispute dominated investor attention throughout most of 2019. Financial markets were buoyed as key central banks in developed and emerging markets cut interest rates or indicated a readiness to do so if needed to sustain economic growth. Late in 2019, support came from signs of easing US-China trade tensions, including news of the initial phase of a trade deal, as well as greater clarity on Brexit and hopes for continued accommodative policies by major central banks.

However, sentiment deteriorated during the first calendar quarter of 2020 as it became clear that the coronavirus outbreak and its effects had spread well beyond China, posing a worldwide health threat with global economic ramifications. Oil prices also fell sharply as the Organization of the Petroleum Exporting Countries and Russia failed to reach an agreement to reduce production and help offset falling demand.

In EMs, economies were heavily pressured by the coronavirus pandemic, amidst the disruption of supply chains and population lockdowns across the world. China, where the outbreak started, saw very weak economic data during the first calendar quarter of 2020, but there were encouraging signs by period-end that the country was normalising after virus-related lockdowns, and that the impact from its monetary and fiscal policies could be filtering through to the economy. Meanwhile, EM countries across the board were taking individual measures to slow the spread of the virus and provide support to their economies during the outbreak, including rate cuts and support for certain industries.

Significant Changes

During the year, we took the opportunity to invest in companies that we believed demonstrated sustainable earnings power, and at valuations that we found attractive. These included China-based internet services business Tencent Holdings, which we believe has long term-growth opportunities across multiple areas, ranging from online gaming to social advertising, financial technology and cloud services. In addition, we added to information technology ("IT") services business, Cognizant Technology Solutions, which has substantial operations in India. Amongst financials, we added to Samsung Life Insurance, which is based in South Korea, and China Merchants Bank. In Brazil, we invested in metals and mining business Vale.

We sold positions in favour of what we believed were more compelling investment opportunities elsewhere. These sales included South Africa-based Naspers, which has a substantial stake in Tencent. Amongst financials, we reduced China Construction Bank, China-based Ping An Bank and the Brazilian stock-exchange business B3 (Brazil Bolsa Bolcao). In addition, we sold down Prosus, a consumer internet company that was spun off from Naspers.

Positive/Negative Contributors

The Fund finished the reporting period lower in absolute terms. From a relative perspective, the Fund performed better than the benchmark index, which also declined over the year.

From a sector perspective, stock selection and an overweight to the communication services sector, an overweight to IT, along with stock selection and an underweight to materials bolstered relative returns the most. In contrast, stock selection in financials, consumer discretionary and health care detracted over the period.

In the communication services sector, South Korea-based Naver and China-based Tencent added to returns. In part, Tencent benefitted from relative strength towards period-end as demand for its mobile games and other online services surged as people stayed home to avoid the COVID-19 pandemic. In contrast, cinema entertainment technology business IMAX, which has seen strong growth in China in recent years, saw its shares fall back over the period.

Amongst IT holdings, Taiwan Semiconductor Manufacturing Company ("TSMC") proved helpful for performance. Towards the end of the 2019 calendar year, TSMC was boosted by robust demand for its semiconductors and easing US-China trade friction also boosted market sentiment towards companies within the global technology supply chain. We believe that TSMC has a technological lead that it can sustain so its products remain in demand within increasingly power mobile devices, high-performance computing and other advanced applications. Also, in IT, Samsung Electronics, which is a Korea-based producer of smartphones, displays and semiconductors, bolstered returns, along with Sunny Optical Technology, a China-based optical lens maker.

Although the portfolio's underweight to materials was beneficial, there was also a robust contribution from an individual position in this sector, China Resources Cement Holdings, over the year.

The financial sector detracted from relative returns, with Banco Santander Mexico, Brazil Based firms Itau Unibanco Holding and Banco Bradesco, as well as Thailand-based Kasikornbank amongst the negative influences in this sector. In addition, India-based ICICI Bank hampered progress. We remain positive on this private-sector bank's longer-term prospects, as we believe it has a large and high-quality deposit base, technology-driven cross-selling capabilities, robust risk management practices, and ongoing organisational changes that can help build a more sustainable franchise. In contrast, Ping An Bank added to performance within financials.

In the consumer discretionary sector, South Korea-based sportswear company Fila Holdings was a detractor, along with Indonesia-based conglomerate Astra International, which has an automobile business amongst its holdings. However, there were several positive offsets within the sector as Brilliance China Automotive Holdings added to relative performance, as did South Africa-based media firm Naspers.

In health care, Glenmark Pharmaceuticals detracted the most. Elsewhere, in the consumer staples sector, South Africa-based food retailer Massmart Holdings detracted from relative performance, while UK-based consumer goods company Unilever, which generates a significant proportion of its sales in emerging markets, contributed.

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

Templeton Global Emerging Markets Fund

Investment Review (continued)

Outlook

China appears to be containing the coronavirus domestically, while developed markets are just starting to confront its spread. Policymakers globally have unveiled massive monetary and fiscal packages, though the extent to which they can offset demand destruction remains to be seen.

We expect significant corporate earnings downgrades for 2020 across most EM countries and sectors, though we also anticipate significant earnings recoveries in the future, as the virus outbreak eventually passes. Stock valuations look more appealing to us than they have for some time, although we recognise that we are also likely to see volatility in earnings forecasts in the coming months.

We entered the crisis with a portfolio that we consider well-diversified, consisting of stocks that reflect our philosophy of investing in companies with sustainable earnings power, trading at a discount to our perception of their intrinsic worth. Reflecting our risk-aware approach, we favoured well-capitalised companies with low leverage.

Meanwhile, we are assessing the longer-term implications of the crisis, such as the potential impact on supply chains of key technology, health care and other products, and the degree to which end-customers are willing to pay more for greater security of supply. We are also seeking companies that could benefit from any permanent behavioural changes in society as technology adoption accelerates, in areas such as e-commerce and cloud computing.

Chetan Sehgal, CFA & Andrew Ness, CFA

Fund Managers

31 March 2020

Fund Changes

On 31 July 2019, following some regulatory change, the Fund's investment objective and policy were clarified to make it easier for investors to understand both how the portfolio is managed and how to assess the Fund's performance. More details can be found in the Fund's prospectus available on our website.

Templeton Global Emerging Markets Fund

Comparative Table

	31 March 2020	31 March 2019	31 March 2018
A – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	268.59	263.60	238.53
Return before operating charges ¹	(30.63)	9.11	29.28
Operating charges ²	(4.45)	(4.12)	(4.21)
Return after operating charges ³	(35.08)	4.99	25.07
Closing net asset value per share	233.51	268.59	263.60
Distributions	(3.7287)	(1.8339)	(0.1435)
Retained distributions on accumulation shares	3.7287	1.8339	0.1435
After direct transaction costs of ⁴	0.14	0.18	0.47
Performance			
Return after charges ⁵	(13.06%)	1.89%	10.51%
Other information			
Closing net asset value (£)	4,721,090	6,366,987	7,077,493
Closing number of shares	2,021,786	2,370,529	2,684,896
Operating charges ratio ⁶	1.60%	1.60%	1.60%
Direct transaction costs ⁴	0.05%	0.07%	0.18%
Prices (p)			
Highest share price	306.96	270.49	286.66
Lowest share price	222.95	236.68	234.46
W – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	136.19	132.99	119.64
Return before operating charges ¹	(15.63)	4.63	14.83
Operating charges ²	(1.56)	(1.43)	(1.48)
Return after operating charges ³	(17.19)	3.20	13.35
Closing net asset value per share	119.00	136.19	132.99
Distributions	(2.6020)	(1.5772)	(0.8568)
Retained distributions on accumulation shares	2.6020	1.5772	0.8568
After direct transaction costs of ⁴	0.07	0.09	0.24
Performance			
Return after charges ⁵	(12.62%)	2.41%	11.16%
Other information			
Closing net asset value (£)	12,488,252	14,400,833	14,741,893
Closing number of shares	10,494,618	10,574,165	11,084,655
Operating charges ratio ⁶	1.10%	1.10%	1.10%
Direct transaction costs ⁴	0.05%	0.07%	0.18%
Prices (p)			
Highest share price	156.27	136.59	144.50
Lowest share price	113.60	119.73	117.63

Templeton Global Emerging Markets Fund

Comparative Table (continued)

	31 March 2020	31 March 2019	31 March 2018
Y – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	132.00	130.38	118.02
Return before operating charges ¹	(15.35)	4.58	14.68
Operating charges ²	(0.22)	(0.15)	(0.17)
Return after operating charges ³	(15.57)	4.43	14.51
Distributions on income shares	(3.8290)	(2.8063)	(2.1494)
Closing net asset value per share	112.60	132.00	130.38
After direct transaction costs of ⁴	0.07	0.09	0.24
Performance			
Return after charges ⁵	(11.80%)	3.40%	12.29%
Other information			
Closing net asset value (£)	12,838,251	15,050,312	14,865,288
Closing number of shares	11,401,763	11,401,763	11,401,763
Operating charges ratio ⁶	0.16%	0.12%	0.13%
Direct transaction costs ⁴	0.05%	0.07%	0.18%
Prices (p)			
Highest share price	152.66	134.66	143.78
Lowest share price	111.16	117.98	116.12
Z – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	135.28	132.24	119.08
Return before operating charges ¹	(15.52)	4.59	14.74
Operating charges ²	(1.68)	(1.55)	(1.58)
Return after operating charges ³	(17.20)	3.04	13.16
Closing net asset value per share	118.08	135.28	132.24
Distributions	(2.4427)	(1.4402)	(0.7167)
Retained distributions on accumulation shares	2.4427	1.4402	0.7167
After direct transaction costs of ⁴	0.07	0.09	0.24
Performance			
Return after charges ⁵	(12.71%)	2.30%	11.05%
Other information			
Closing net asset value (£)	422,551	485,655	187,936
Closing number of shares	357,848	359,008	142,117
Operating charges ratio ⁶	1.20%	1.20%	1.20%
Direct transaction costs ⁴	0.05%	0.07%	0.18%
Prices (p)			
Highest share price	155.10	135.79	143.71
Lowest share price	112.73	118.98	117.08

Templeton Global Emerging Markets Fund

Comparative Table (continued)

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

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

Risk Profile (W(acc) shares)



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

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

Templeton Global Emerging Markets Fund

Portfolio Statement as at 31 March 2020

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
EQUITIES 98.14% (98.27%)			
AFRICA 3.34% (7.25%)			
KENYA			
47,500	East African Breweries Ltd.	54	0.18
SOUTH AFRICA			
90,581	Massmart Holdings Ltd.	112	0.36
7,438	Naspers Ltd., N	853	2.80
		965	3.16
	TOTAL - AFRICA	1,019	3.34
ASIA 72.47% (64.97%)			
CAMBODIA			
269,600	NagaCorp Ltd.	221	0.72
CHINA			
1,900	Alibaba Group Holding Ltd.	36	0.12
14,192	Alibaba Group Holding Ltd., ADR †	2,222	7.29
510,400	BAIC Motor Corp. Ltd., H	163	0.54
2,156	Baidu Inc., ADR †	175	0.57
1,413,000	Brilliance China Automotive Holdings Ltd.	935	3.07
58,700	China Merchants Bank Co. Ltd., A	216	0.71
80,500	China Merchants Bank Co. Ltd., H	292	0.96
71,000	China Mobile Ltd.	424	1.39
395,600	China Resources Cement Holdings Ltd.	380	1.25
397,300	CNOOC Ltd.	335	1.10
5,215	COSCO SHIPPING Ports Ltd.	2	0.01
62,500	Health & Happiness H&H International Holdings Ltd.	186	0.61
652	NetEase Inc., ADR †	168	0.55
143,200	Ping An Bank Co. Ltd., A	209	0.69
40,000	Ping An Insurance (Group) Co. of China Ltd., H	316	1.04
3,108	Prosus NV	174	0.57
25,000	Sunny Optical Technology Group Co. Ltd.	271	0.89
73,500	Tencent Holdings Ltd.	2,902	9.52
145,400	Uni-President China Holdings Ltd.	114	0.37
52,112	Weifu High-Technology Co. Ltd., B	65	0.21
		9,585	31.46
HONG KONG			
8,200	Dairy Farm International Holdings Ltd.	30	0.10
INDIA			
9,798	Bajaj Holdings & Investment Ltd.	188	0.62
68,461	Coal India Ltd.	102	0.34
47,102	Glenmark Pharmaceuticals Ltd.	104	0.34
318,248	ICICI Bank Ltd.	1,102	3.62
45,547	Infosys Ltd.	312	1.02
29,600	Tata Chemicals Ltd.	71	0.23
33,744	Tata Consumer Products Ltd.	106	0.35
39,666	Tata Investment Corp. Ltd.	281	0.92
		2,266	7.44
INDONESIA			
1,137,500	Astra International Tbk PT	216	0.71
MACAO			
142,800	MGM China Holdings Ltd.	118	0.39

Templeton Global Emerging Markets Fund

Portfolio Statement as at 31 March 2020 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
PAKISTAN			
50,068	MCB Bank Ltd.	36	0.12
170,300	United Bank Ltd.	83	0.27
		<u>119</u>	<u>0.39</u>
PHILIPPINES			
17,405	BDO Unibank Inc.	28	0.09
SOUTH KOREA			
9,930	Fila Holdings Corp.	191	0.63
1,230	GS Home Shopping Inc.	86	0.28
11,500	Hankook Technology Group Co. Ltd.	65	0.21
997	Hankook Tire & Technology Co. Ltd.	13	0.04
19,939	KT Skylife Co. Ltd.	80	0.26
15,147	LG Corp.	590	1.94
9,605	Naver Corp.	1,076	3.53
2,219	POSCO	236	0.77
82,911	Samsung Electronics Co. Ltd.	2,616	8.59
11,873	Samsung Life Insurance Co. Ltd.	337	1.11
9,662	Sebang Global Battery Co. Ltd.	166	0.55
4,895	SK Hynix Inc.	269	0.88
		<u>5,725</u>	<u>18.79</u>
TAIWAN			
18,000	Catcher Technology Co. Ltd.	93	0.31
6,200	CTBC Financial Holding Co. Ltd.	3	0.01
186,400	FIT Hon Teng Ltd.	32	0.10
204,044	Hon Hai Precision Industry Co. Ltd.	379	1.24
40,506	PChome Online Inc.	76	0.25
386,200	Taiwan Semiconductor Manufacturing Co. Ltd.	2,805	9.21
		<u>3,388</u>	<u>11.12</u>
THAILAND			
105,200	Kasikornbank PCL, fgn.	235	0.77
105,700	Kiatnakin Bank PCL, fgn.	101	0.33
142,800	Thai Beverage PCL, fgn.	48	0.16
		<u>384</u>	<u>1.26</u>
TOTAL - ASIA		<u>22,080</u>	<u>72.47</u>
CENTRAL AMERICA 1.32% (2.07%)			
MEXICO			
138,358	Banco Santander Mexico SA Institucion de Banca Multiple Grupo Financiero Santander, ADR †	360	1.18
310,988	Nemak SAB de CV	42	0.14
TOTAL - CENTRAL AMERICA		<u>402</u>	<u>1.32</u>
EUROPE - NON EU 7.03% (7.71%)			
RUSSIA			
35,500	Gazprom PJSC, ADR#†	133	0.43
14,020	LUKOIL PJSC, ADR †	677	2.22
14,839	Mail.Ru Group Ltd., GDR^	194	0.64
74,078	Sberbank of Russia PJSC, ADR †	569	1.87
27,037	TMK PAO, GDR^	45	0.15
19,154	Yandex NV, A	525	1.72
TOTAL EUROPE - NON EU		<u>2,143</u>	<u>7.03</u>
EUROPE - OTHER EU 1.61% (1.45%)			
CZECH REPUBLIC			
72,390	Moneta Money Bank AS	122	0.40

Templeton Global Emerging Markets Fund

Portfolio Statement as at 31 March 2020 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	HUNGARY		
24,210	Richter Gedeon Nyrt	367	1.21
	TOTAL - EUROPE - OTHER EU	489	1.61
	MIDDLE EAST 0.25% (0.55%)		
	TURKEY		
28,000	Migros Ticaret AS	77	0.25
	TOTAL - MIDDLE EAST	77	0.25
	NORTH AMERICA 2.34% (2.51%)		
	UNITED STATES		
15,597	Cognizant Technology Solutions Corp., A	584	1.91
17,850	IMAX Corp.	130	0.43
	TOTAL - NORTH AMERICA	714	2.34
	SOUTH AMERICA 6.67% (8.41%)		
	BRAZIL		
11,000	B2W Cia Digital	82	0.27
25,800	B3 SA - Brasil Bolsa Balcao	144	0.47
138,782	Banco Bradesco SA, ADR, pfd. †	453	1.49
149,511	Itau Unibanco Holding SA, ADR, pfd. †	540	1.77
96,140	Lojas Americanas SA	215	0.71
7,200	M Dias Branco SA	32	0.10
10,800	Petroleo Brasileiro SA, ADR, pfd. †	47	0.15
2,900	Totvs SA	21	0.07
47,200	Vale SA	316	1.04
		1,850	6.07
	PERU		
7,570	Intercorp Financial Services Inc.	183	0.60
	TOTAL - SOUTH AMERICA	2,033	6.67
	UNITED KINGDOM 3.11% (3.35%)		
23,249	Unilever PLC	946	3.11
	TOTAL - UNITED KINGDOM	946	3.11
	TOTAL - EQUITIES	29,903	98.14
	TOTAL VALUE OF INVESTMENTS	29,903	98.14
	OTHER ASSETS	567	1.86
	TOTAL NET ASSETS	30,470	100.00

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

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

^ Global Depository Receipt.

† American Depository Receipt.

Traded on an alternative investment market.

Templeton Global Emerging Markets Fund

Statement of Total Return

For the year ended 31 March 2020

	Note	March 2020 £000	March 2020 £000	March 2019 £000	March 2019 £000
Income					
Net capital gains/(losses)	1		(5,059)		633
Revenue	2	1,200		861	
Expenses	3	(294)		(266)	
Net revenue before taxation		906		595	
Taxation	4	(73)		(116)	
Net revenue after taxation			833		479
Total return before distributions for the year			(4,226)		1,112
Distributions	5		(806)		(522)
Change in net assets attributable to shareholders			(5,032)		590

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 March 2020

	March 2020 £000	March 2020 £000	March 2019 £000	March 2019 £000
Opening net assets attributable to shareholders		36,304		36,872
Amounts received on creation of shares	4,798		5,970	
Amounts paid on cancellation of shares	(5,957)		(7,348)	
		(1,159)		(1,378)
Dilution adjustments		-		5
Change in net assets attributable to shareholders from investment activities (see above)		(5,032)		590
Retained distribution on accumulation shares		357		215
Closing net assets attributable to shareholders		30,470		36,304

Balance Sheet

As at 31 March 2020

	Note	March 2020 £000	March 2019 £000
Assets			
Fixed assets			
Investments		29,903	35,677
Current assets			
Debtors	6	205	249
Cash and bank balances		864	971
Total assets		30,972	36,897
Liabilities			
Creditors			
Distribution payable	5	(437)	(320)
Other creditors	7	(65)	(273)
Total liabilities		(502)	(593)
Net assets attributable to shareholders		30,470	36,304

Templeton Global Emerging Markets Fund

Notes to the Financial Statements

	March 2020 £000	March 2019 £000
1. Net capital gains/(losses)		
The net capital gains/(losses) during the year comprise:		
Currency gains/(losses)	7	(7)
Non-derivative securities gains/(losses)	(5,066)	640
	<u>(5,059)</u>	<u>633</u>
2. Revenue		
Overseas dividends	1,097	771
Interest on capital	66	54
UK dividends	36	35
Bank and other interest	1	1
	<u>1,200</u>	<u>861</u>
3. Expenses		
Payable to the ACD, associates of the ACD and agents of either of them		
ACD's periodic charge	247	228
ACD's administration charge	11	10
	<u>258</u>	<u>238</u>
Payable to the Depositary, associates of the Depositary and agents of either of them		
Safe custody fees	15	13
Depositary fees	8	7
	<u>23</u>	<u>20</u>
Other expenses		
Legal and publication fees	26	9
Audit fees	9	10
Printing fees	1	3
Expense cap	(23)	(14)
	<u>13</u>	<u>8</u>
	<u>294</u>	<u>266</u>
4. Taxation		
(a) Analysis of charge in the year		
Irrecoverable overseas tax	100	75
Overseas capital tax	49	-
Total current tax (note 4(b))	<u>149</u>	<u>75</u>
Current year reversal of timing differences	(76)	41
Total deferred tax (note 4(c))	<u>(76)</u>	<u>41</u>
Total taxation	<u>73</u>	<u>116</u>

Templeton Global Emerging Markets Fund

Notes to the Financial Statements (continued)

	March 2020 £000	March 2019 £000
4. Taxation (continued)		
(b) Factors affecting tax charge for the year		
The tax assessed for the year is lower (2019: lower) than the standard rate of corporation tax in the UK for Open-ended Investment Companies (20% (2019: 20%)).		
The differences are explained below:		
Net revenue before taxation	906	595
Corporation tax of 20% (2019: 20%)	181	119
Effects of:		
Overseas capital tax	49	-
Excess management expenses	25	28
Irrecoverable overseas tax	100	75
Revenue taxable in different years	(2)	-
Overseas tax expensed	(5)	(4)
UK dividends & non-taxable overseas dividends*	(199)	(143)
Current tax charge for year (note 4(a))	149	75
(c) Provision for deferred tax		
Current year reversal of timing differences	(76)	41
Deferred tax for the year (note 4(a))	(76)	41

*As an Open-ended Investment Company these items are not subject to corporation tax.

Open-ended Investment Companies are exempt from tax on capital gains in the UK. Therefore, any capital return is not included within the reconciliation above.

At the year end there is a potential deferred tax asset of £455,000 (£430,000 as at 31 March 2019) in relation to excess management expenses. It is unlikely the Fund will generate sufficient tax profits in the future to utilise these amounts and therefore no deferred tax assets have been recognised in the year.

5. (a) Distributions

The distribution takes account of income received on the issue of shares and income deducted on the cancellation of shares, and comprise:

Final dividend distributions

Income	437	320
Accumulation	357	215
	794	535
Add: Income deducted on cancellation of shares	66	38
Deduct: Income received on issue of shares	(54)	(51)
Total distribution	806	522

(b) Difference between net revenue and distribution:

Net revenue after taxation	833	479
Net revenue received on share class conversions	-	2
Tax charge taken from capital account	(27)	41
Total distribution for the year	806	522

Details of the distribution in pence per share for this Fund are set out in the table on page 188.

Templeton Global Emerging Markets Fund

Notes to the Financial Statements (continued)

	March 2020 £000	March 2019 £000
6. Debtors		
Accrued income	127	100
Overseas tax recoverable	45	26
Amounts receivable for issue of shares	23	72
Capped expenses	9	2
Sales awaiting settlement	1	49
	<u>205</u>	<u>249</u>
7. Other creditors		
Accrued expenses	37	41
Amounts payable on cancellation of shares	28	62
Purchases awaiting settlement	-	94
Tax payable	-	76
	<u>65</u>	<u>273</u>

8. Related parties

During the year, Franklin Templeton Fund Management Limited ("ACD"), a related party, acted primarily in all transactions of the Funds. The aggregate amounts received through issues and cancellations are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

Amounts charged by the ACD and associates of the ACD in respect of the management and administration fees are disclosed in Note 3.

The amounts due to the ACD and associates of the ACD in respect of management and administration fees at 31 March 2020 are £19,000 (£21,000 as at 31 March 2019).

During the year the Fund received £16,000 (£14,000 for the year to 31 March 2019) in reimbursed expenses from the ACD.

As at 31 March 2020 the Fund was due reimbursed expenses of £9,000 (£2,000 as at 31 March 2019) from the ACD.

As at 31 March 2020 Templeton Global Advisors Limited ("TGAL") held 100% (100% as at 31 March 2019) of the shares in issue of Class Y income.

9. Risk management policies and disclosures

The risks inherent in the Fund's investment portfolio are as follows:

Market Risk

Please refer to the accounting policies note for details on market risk exposure.

Templeton Global Emerging Markets Fund

Notes to the Financial Statements (continued)

9. Risk management policies and disclosures (continued)

Currency Risk

An analysis of monetary assets and liabilities (including equity investments), in foreign currencies at the year end is shown below.

Currency	Net foreign currency assets and (liabilities) 31 March 2020	Net foreign currency assets and (liabilities) 31 March 2019
	Total £000	Total £000
US dollar	7,036	8,728
Hong Kong dollar	6,792	6,409
South Korean won	5,809	6,466
Taiwanese dollar	3,423	3,190
Indian rupee	2,266	3,162
South African rand	965	2,559
Brazilian real	825	969
Chinese yuan	424	756
Hungarian forint	367	335
Thai baht	336	651
Indonesian rupiah	216	460
Euro	174	-
Pakistani rupee	123	232
Czech koruna	122	192
Turkish lira	77	52
Kenyan shilling	54	76
Singapore dollar	49	68
Mexican peso	43	36
Philippine peso	28	34
Saudi riyal	-	147
Peruvian Sol	-	(54)
	29,129	34,468

With reference to the foreign currency assets and liabilities table above, any movement in exchange rates would lead to a corresponding change in the value of the assets.

Interest rate risk

The Fund does not invest in either fixed or floating rate securities and interest rate risk exposure is restricted to interest receivable on bank deposits or payable on bank overdraft positions which will be affected by fluctuations in interest rates.

Other price risk

At the year end date, 98.14% (2019: 98.27%) of the net assets of the Fund were invested in ordinary shares or stock units admitted to an official stock exchange. If the market value were to change by 10% (2019: 10%), the value of the Fund would change by 9.81% (2019: 9.83%).

There is no material difference between the value of the financial assets and liabilities, as shown in the Balance sheet, and their fair values.

Templeton Global Emerging Markets Fund

Notes to the Financial Statements (continued)

10. Portfolio Transaction Costs

	2020			2019		
	Purchases £000	% of Purchases	% of Average Net Asset Value	Purchases £000	% of Purchases	% of Average Net Asset Value
Equity purchases in the year before transaction costs	6,576			5,528		
Commissions	3	0.05	0.01	4	0.07	0.01
Taxes	3	0.05	0.01	4	0.07	0.01
Total Equity purchases in the year after direct transaction costs	6,582			5,536		

	2020			2019		
	Sales £000	% Of Sales	% of Average Net Asset Value	Sales £000	% Of Sales	% of Average Net Asset Value
Equity sales in the year before transaction costs	7,285			7,662		
Commissions	(5)	(0.07)	(0.01)	(6)	(0.08)	(0.02)
Taxes	(6)	(0.08)	(0.02)	(10)	(0.13)	(0.03)
Other	(1)	(0.01)	-	(1)	(0.01)	-
Total Equity sales in the year after direct transaction costs	7,273			7,645		

In pursuance of its investments objectives the Fund incurs commissions, taxes and other charges when buying and selling investment securities. Share dealing generally incurs broker commission and stamp Duty and these are paid by the Fund on each transaction where appropriate.

In addition there is a dealing spread between the buying and selling prices of the underlying investments. The average dealing spread which is the difference between the quoted bid and offer prices or internal administrative or holding costs, are not included in the calculation of Direct Transaction Costs. As at 31 March 2020, the average dealing spread for the underlying Fund investments is 0.17% (2019: 0.19%).

Comparing portfolio transaction costs for a range of funds may give misleading impression of the relative costs of investing in those funds for the following reasons:

- Historic transaction costs are not an effective indicator of the future impact on performance as it may vary from year to year depending on the investment manager;
- Transaction costs for buying and selling investments due to shareholder activity on the fund are recovered from those investors; and
- Transaction costs will vary depending on the types of securities the fund is investing.

11. Creations and Cancellations of Shares

	A-Accumulation shares	W-Accumulation shares	Y-Income shares	Z-Accumulation shares
Opening shares	2,370,529	10,574,165	11,401,763	359,008
Creations	145,061	3,200,766	-	9,483
Cancellations	(454,472)	(3,357,775)	-	(10,643)
Conversions	(39,332)	77,462	-	-
Total closing shares	2,021,786	10,494,618	11,401,763	357,848

Templeton Global Emerging Markets Fund

Notes to the Financial Statements (continued)

12. Fair Value Disclosure

In accordance with FRS 102 the Fund classifies fair value measurement under the following levels:

Level 1

Unadjusted quoted market prices in active markets for identical securities.

Level 2

Investments (other than quoted prices included within Level 1) whose fair value is based directly on observable current market prices or is indirectly being derived from market prices; and

Level 3

Investments whose fair value is determined using a valuation technique based on assumptions that are not supported by observable current market prices or are not based on observable market data such as security in default or securities valued by Franklin Templeton Fair Valuation Committee.

Fair Value Hierarchy	Assets 31 March 2020 £000	Liabilities 31 March 2020 £000	Assets 31 March 2019 £000	Liabilities 31 March 2019 £000
Level 1	29,770	-	35,677	-
Level 2	133	-	-	-
Level 3	-	-	-	-
Total	29,903	-	35,677	-

Templeton Global Emerging Markets Fund

Distribution Statement

For the period 1 April 2019 to 31 March 2020

Group 1 - Shares purchased prior to 1 April 2019

Group 2 - Shares purchased in the period 1 April 2019 to 31 March 2020

	Net Income p	Equalisation p	31 March 2020 Pence per Share p	31 March 2019 Pence per Share p
A - Accumulation shares				
Group 1	3.7287	-	3.7287	1.8339
Group 2	1.6214	2.1073	3.7287	1.8339
W - Accumulation shares				
Group 1	2.6020	-	2.6020	1.5772
Group 2	1.0241	1.5779	2.6020	1.5772
Y - Income shares				
Group 1	3.8290	-	3.8290	2.8063
Group 2	3.8290	-	3.8290	2.8063
Z - Accumulation shares				
Group 1	2.4427	-	2.4427	1.4402
Group 2	0.5887	1.8540	2.4427	1.4402

Equalisation

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

Templeton Global Total Return Bond Fund

Investment Review

Performance

For the year ended 31 March 2020, Templeton Global Total Return Bond Fund (W(acc) shares) returned (5.54%)* (in UK sterling), while the benchmark Bloomberg Barclays Multiverse Index returned 3.47% (in US dollars).

Overview

Escalating trade tensions between the US and China sporadically resurfaced throughout 2019, leading to broad resurgences in global risk aversion that intermittently affected market valuations. Both the US Federal Reserve ("Fed") and the European Central Bank ("ECB") increasingly cited trade uncertainties and global risks as policy concerns.

The Fed ultimately kept its federal funds target rate unchanged at its May and June meetings before cutting rates (by 25 basis points ("bps")) for the first time in more than a decade at its July meeting. It then consecutively cut rates 25 bps at its September and October meetings (to a range of 1.50% to 1.75%), before signalling that it would likely keep rates unchanged going forward, barring a material change in the economic outlook.

Despite escalating trade disputes between the US and China during much of 2019, including a peak in retaliatory measures by each country in August, the US and China appeared to reach agreement on a "phase one" trade deal in December, which was ratified on 15 January 2020. The resolution bolstered market sentiment, driving valuations higher in several markets across the globe. Despite the positive developments on trade policy, risks for additional disputes remained elevated, in our view. We continued to monitor the broader implications of trade tensions on multiple fronts and the potential ramifications to financial assets in various regions.

In Europe, the ECB kept monetary policy largely unchanged until the fall of 2019 when it delivered on its anticipated stimulus package at its September meeting, and dropped the deposit rate to 0.5%. It also re-scheduled the re-start of its quantitative easing ("QE") programme in November, at a pace of €20 billion in bond purchases per month. Mario Draghi kept rates unchanged at his final meeting as ECB president in October before Christine Lagarde took over in November, holding her first policy meeting in December, where she kept rates and the QE programme unchanged, as largely expected.

A number of central banks around the world followed the dovish directions of the Fed and the ECB in 2019, taking the opportunity to cut their own domestic rates. Notably, Mexico and Indonesia cut their policy rates by 100 bps, India cut by 110 bps and Brazil cut by 200 bps.

Financial market conditions changed rapidly and severely in the first quarter of 2020, as the escalating COVID-19 pandemic profoundly impacted economies and global financial markets. Lockdown orders from governments trying to "flatten the curve" (i.e., stem the rate of infection) brought entire countries, regions and continents to an economic standstill in March. The speed and pervasiveness of the economic shocks were unprecedented. There is no historical comparison for the magnitude of aggregate demand that has been destroyed, nor the magnitude of job losses in such a compressed timescale. In the US alone, 10 million jobless claims were filed in a matter of weeks in March 2020.

The US's longest economic expansion on record came to an abrupt end in March 2020, as economies around the world fell into recession. The Fed responded quickly to the deepening crisis with two emergency rate cuts.

Strains in fixed income markets were not exclusive to corporate credit markets in March, as primary dealers struggled to make markets even for US Treasuries in the middle of the month. The Fed responded by reprising its role as the "lender of last resort," re-starting liquidity programmes that had been created during the global financial crisis ("GFC"), such as the Commercial Paper Funding Facility ("CPFF") and the Primary Dealer Credit Facility ("PDCF").

On 23 March, the Fed took its financial market interventions beyond the scope of the GFC programmes by creating corporate lending programmes—the Primary Market Corporate Credit Facility ("PMCCF") and Secondary Market Corporate Credit Facility ("SMCCF"). It also announced intentions to support lending to small- and medium-sized businesses through the newly created Main Street Business Lending Program ("MSBLP"). Supplementing the massive programmes, the Fed pledged to buy unlimited government bonds, abandoning the previous QE targets of US\$500 billion in USTs and US\$200 billion in mortgage-backed securities it had just announced a week earlier on 15 March.

On the US fiscal side, Congress passed the CARES Act (Coronavirus Aid, Relief, and Economic Security) on 27 March, a US\$2.2 trillion fiscal relief programme designed to provide loans to businesses, income support and unemployment benefits to individuals, and funding for hospitals and public health services. It's the largest economic relief bill in US history. However, the goal of the package is not to encourage consumption, but to act as an economic stopgap for social distancing policies. The social assistance is vital; however, the fiscal measures are insufficient to cover the demand side, in our assessment.

In Europe, growth had already been constrained by weakness in manufacturing and investment. The coronavirus pandemic has now pushed the region into a sharp recession. Italy has unsustainable debt levels and a fragile economy that is at risk of collapsing if it does not receive help from eurozone states. The regional economic crisis is quickly escalating into a test of European solidarity. So far, there are far more COVID-19 cases in Italy and Spain than in other countries, necessitating assistance from other states to address the health crisis. There are also massive fiscal differences, with Germany running around a 60% debt-to-GDP (gross domestic product) ratio, France around 99% and Italy around 135%, according to the International Monetary Fund. Northern countries are resisting the demands to share fiscal burdens, with the proposal for a "coronavirus bond" by Italy and Spain being opposed by Germany and the Netherlands.

On the monetary front, the ECB pledged another €120 billion of bond purchases to support financial markets at its scheduled 12 March meeting, adding to its existing €20 billion per month asset purchase programme. A week later, ECB President Christine Lagarde unveiled the €750 billion Pandemic Emergency Purchase Programme ("PEPP") in an unscheduled mid-week announcement (18 March). Lagarde

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

Templeton Global Total Return Bond Fund

Investment Review (continued)

Overview (continued)

commented that, “there are no limits to our commitment to the euro. We are determined to use the full potential of our tools, within our mandate.” PEPP appears geared to support the more vulnerable states, as the programme has unprecedented flexibility to buy a wide range of eligible securities, including Greek and Italian sovereign debt, as well as corporate commercial paper.

The Bank of Japan (“BOJ”) kept monetary policy unchanged at its 20 January meeting, retaining its 0.0% yield target on the 10-year Japanese government bond and its -0.1% target on the overnight rate. Additionally, the government’s fiscal stimulus programme started in January, echoing a return to the high-spending stimulus seen at the beginning of Abenomics in 2013. The BOJ moderately expanded monetary accommodation in March by doubling the size of its equity-buying programme to ¥12 trillion and launching a lending facility for struggling businesses. The moves appeared to be in response to emergency measures from the Fed. However, the comparatively modest intervention reflects the fact that the BOJ has reached the limits of its monetary accommodation, after a decade of zero-to-negative rate policies and massive QE. BOJ Governor Haruhiko Kuroda indicated a willingness to cut rates further into negative territory, but the effectiveness of such a move appears limited. For now, the BOJ continues to target a 0.0% yield on the 10-year Japanese government bond.

Significant Changes

The top five buys during the year were:

1. U.S. Treasury Bill, 11/29/19
2. U.S. Treasury Bill, 08/29/19
3. Government of Mexico, senior bond, M, 6.50%, 6/09/2022
4. Government of Mexico, senior note, M, 7.25%, 12/09/2021
5. United States Treasury Note, 1.75%, 12/31/2024

The top five sells during the year were:

1. Government of Mexico, senior note, M, 5.00%, 12/11/2019
2. Government of India, senior bond, 8.33%, 7/09/2026
3. Mexico Treasury Bill, 5/23/2019
4. U.S. Treasury Bill, 11/29/19
5. Government of Indonesia, senior bond, FR56, 8.375%, 9/15/2026

Positive/Negative Contributors

For the year ended 31 March 2020, interest-rate strategies detracted from the fund’s relative performance, followed by currency positions. Overall credit exposures contributed to relative results.

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

Amongst currencies, overweight positions in Latin America (the Brazilian real, Argentine peso and Colombian peso), Asia ex Japan (the Indonesian rupiah), and Africa (the Ghanaian cedi) detracted from relative results, as did overweighted positions in northern European currencies (the Norwegian krone). The Fund’s overweight position in the Japanese yen also detracted from relative performance. However, the Fund’s underweight positions in the Australian dollar and the euro contributed to relative performance.

Amongst credit exposures, underweighted exposure to investment-grade corporate bonds contributed to relative results.

Outlook

We think it is too early to pursue additional risk as the world is still in the initial stages of the economic repercussions of the pandemic. We’re currently focusing on specific perceived safe-haven investments, while emphasising a select set of higher-yielding emerging markets that have relatively resilient domestic economies. We’re aiming to benefit from different sources than the low-to-negative yielding developed fixed income markets, which have limited upside potential left as yields grind to historic lows.

Our aim is to position our strategies to be uncorrelated to vulnerable asset classes while delivering high income and defending capital. We are also emphasising elevated levels of cash and short-term US Treasuries to be able to quickly pursue opportunities as they arise. We employed a similar playbook during the 2008 GFC, as we built a defensive stance heading into the peak of the crisis and then shifted to an opportunistic pursuit of price distortions in the early phases of the eventual recovery.

Some areas of the markets appear to be expecting a V-shaped recovery, as we had after the 2008 GFC—that’s possible, but not probable in our view. We are expecting an eventual U-shaped recovery, with some ongoing uncertainties over just how wide that U will be. There are still unknowns over how long the pandemic will last, how prolific it will be and how long lockdown orders will be needed.

It also remains unclear how governments will pay for these massive relief programmes, as existing fiscal deficits surge to unfathomable levels. Unorthodox policies such as modern monetary theory and debt monetisation are likely to see greater political interest. There is a strong likelihood of significant structural changes to the global economy and everyday life around the world. All of these concerns will shape financial markets in the post-COVID-19 era.

Adding to the complexity of the current crisis is the precarious state of the world that existed before the COVID-19 pandemic. Escalating geopolitical risks, trade tensions, political polarisations, unrestrained deficit spending in the developed world, perpetually low rates in the major economies and over-levered credit sectors created an environment that was highly vulnerable to an economic or a financial market shock. We had been concerned about those risks for several quarters and accordingly re-positioned our strategies in 2019 by adding perceived

Templeton Global Total Return Bond Fund

Investment Review (continued)

Outlook (continued)

safe-haven investments and adjusting the risk sizing of various emerging market exposures. While we were not explicitly anticipating the COVID-19 crisis or the recent collapse in oil prices, we were concerned that these types of unknown triggers could push a fragile system over the brink.

We currently remain cautious on the broad outlook for emerging markets as a whole, but we see value in specific countries. It remains crucial to be selective. Countries that were in stronger fundamental shape before the crisis generally have better prospects to endure the substantial economic headwinds. Domestically oriented economies have comparatively better prospects than externally dependent economies. The opportunities in emerging markets remain highly idiosyncratic, as some countries have inherent resiliencies while others are highly vulnerable to external and internal shocks. We continue to monitor conditions and expect that the impacts of the COVID-19 pandemic could persist for several months, potentially pushing out the timeline for when certain investment opportunities may become suitable.

Michael Hasenstab, PhD & Calvin Ho, PhD

Fund Managers

31 March 2020

Fund Changes

On 31 July 2019, following some regulatory change, the Fund's investment objective and policy were clarified to make it easier for investors to understand both how the portfolio is managed and how to assess the Fund's performance. More details can be found in the Fund's prospectus available on our website.

Templeton Global Total Return Bond Fund

Comparative Table

	31 March 2020	31 March 2019	31 March 2018
A – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	142.01	144.47	170.02
Return before operating charges ¹	(6.80)	10.14	(15.91)
Operating charges ²	(1.87)	(1.97)	(2.13)
Return after operating charges ³	(8.67)	8.17	(18.04)
Distribution on income shares	(8.8197)	(10.6311)	(7.5145)
Closing net asset value per share	124.52	142.01	144.47
After direct transaction costs of ⁴	-	-	-
Performance			
Return after charges ⁵	(6.11%)	5.66%	(10.61%)
Other information			
Closing net asset value (£)	1,381,220	2,141,636	2,480,860
Closing number of shares	1,109,239	1,508,117	1,717,265
Operating charges ratio ⁶	1.34%	1.34%	1.35%
Direct transaction costs ⁴	-	-	-
Prices (p)			
Highest share price	155.16	154.30	173.33
Lowest share price	124.51	140.97	142.35

	31 March 2020	31 March 2019	31 March 2018
A – Income Hedge shares			
Change in net assets per share (p)			
Opening net asset value per share	96.05	107.49	114.68
Return before operating charges ¹	(10.80)	(2.73)	(0.38)
Operating charges ²	(1.22)	(1.37)	(1.52)
Return after operating charges ³	(12.02)	(4.10)	(1.90)
Distribution on income shares	(5.8394)	(7.3408)	(5.2896)
Closing net asset value per share	78.19	96.05	107.49
After direct transaction costs of ⁴	-	-	-
Performance			
Return after charges ⁵	(12.51%)	(3.81%)	(1.66%)
Other information			
Closing net asset value (£)	808,874	1,013,927	2,204,808
Closing number of shares	1,034,561	1,055,678	2,051,212
Operating charges ratio ⁶	1.34%	1.34%	1.37%
Direct transaction costs ⁴	-	-	-
Prices (p)			
Highest share price	99.11	108.10	115.75
Lowest share price	78.18	96.04	106.61

Templeton Global Total Return Bond Fund

Comparative Table (continued)

	31 March 2020	31 March 2019	31 March 2018
A – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	220.07	208.11	233.18
Return before operating charges ¹	(11.16)	14.87	(22.11)
Operating charges ²	(2.98)	(2.91)	(2.96)
Return after operating charges ³	(14.14)	11.96	(25.07)
Distribution	(13.8697)	(15.7482)	(10.4644)
Retained distributions on accumulation shares	13.8697	15.7482	10.4644
Closing net asset value per share	205.93	220.07	208.11
After direct transaction costs of ⁴	-	-	-
Performance			
Return after charges ⁵	(6.43%)	5.75%	(10.75%)
Other information			
Closing net asset value (£)	2,228,398	3,286,698	3,730,097
Closing number of shares	1,082,139	1,493,450	1,792,410
Operating charges ratio ⁶	1.34%	1.34%	1.35%
Direct transaction costs ⁴	-	-	-
Prices (p)			
Highest share price	245.32	229.87	237.73
Lowest share price	204.01	204.05	202.45
A – Accumulation Hedge shares			
Change in net assets per share (p)			
Opening net asset value per share	124.75	129.32	131.72
Return before operating charges ¹	(14.39)	(2.89)	(0.62)
Operating charges ²	(1.62)	(1.68)	(1.78)
Return after operating charges ³	(16.01)	(4.57)	(2.40)
Distribution	(7.7379)	(9.0828)	(6.1556)
Retained distributions on accumulation shares	7.7379	9.0828	6.1556
Closing net asset value per share	108.74	124.75	129.32
After direct transaction costs of ⁴	-	-	-
Performance			
Return after charges ⁵	(12.83%)	(3.53%)	(1.82%)
Other information			
Closing net asset value (£)	8,716,096	11,368,558	15,152,761
Closing number of shares	8,015,209	9,112,799	11,717,134
Operating charges ratio ⁶	1.34%	1.34%	1.37%
Direct transaction costs ⁴	-	-	-
Prices (p)			
Highest share price	129.95	130.10	132.95
Lowest share price	107.94	118.16	126.73

Templeton Global Total Return Bond Fund

Comparative Table (continued)

	31 March 2020	31 March 2019	31 March 2018
W – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	95.75	97.42	114.65
Return before operating charges ¹	(4.58)	6.83	(10.74)
Operating charges ²	(0.74)	(0.78)	(0.87)
Return after operating charges ³	(5.32)	6.05	(11.61)
Distribution on income shares	(6.4796)	(7.7208)	(5.6176)
Closing net asset value per share	83.95	95.75	97.42
After direct transaction costs of ⁴	-	-	-
Performance			
Return after charges ⁵	(5.56%)	6.21%	(10.13%)
Other information			
Closing net asset value (£)	14,070,036	23,845,563	37,338,760
Closing number of shares	16,759,537	24,902,837	38,328,695
Operating charges ratio ⁶	0.79%	0.79%	0.82%
Direct transaction costs ⁴	-	-	-
Prices (p)			
Highest share price	104.67	104.13	116.90
Lowest share price	83.95	95.19	96.11
W – Income Hedge shares			
Change in net assets per share (p)			
Opening net asset value per share	89.10	99.66	106.57
Return before operating charges ¹	(9.81)	(2.48)	(0.60)
Operating charges ²	(0.67)	(0.75)	(0.85)
Return after operating charges ³	(10.48)	(3.23)	(1.45)
Distribution on income shares	(5.8742)	(7.3310)	(5.4595)
Closing net asset value per share	72.75	89.10	99.66
After direct transaction costs of ⁴	-	-	-
Performance			
Return after charges ⁵	(11.76%)	(3.24%)	(1.36%)
Other information			
Closing net asset value (£)	34,305,760	53,653,323	76,810,548
Closing number of shares	47,152,842	60,219,358	77,068,998
Operating charges ratio ⁶	0.79%	0.79%	0.82%
Direct transaction costs ⁴	-	-	-
Prices (p)			
Highest share price	91.98	100.24	107.57
Lowest share price	72.75	89.09	98.98

Templeton Global Total Return Bond Fund

Comparative Table (continued)

	31 March 2020	31 March 2019	31 March 2018
W – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	123.92	116.54	129.89
Return before operating charges ¹	(6.34)	8.34	(12.35)
Operating charges ²	(0.99)	(0.96)	(1.00)
Return after operating charges ³	(7.33)	7.38	(13.35)
Distribution	(8.6029)	(9.5166)	(6.4914)
Retained distributions on accumulation shares	8.6029	9.5166	6.4914
Closing net asset value per share	116.59	123.92	116.54
After direct transaction costs of ⁴	-	-	-
Performance			
Return after charges ⁵	(5.92%)	6.33%	(10.28%)
Other information			
Closing net asset value (£)	45,548,758	69,348,274	90,821,532
Closing number of shares	39,066,578	55,962,801	77,933,243
Operating charges ratio ⁶	0.79%	0.79%	0.82%
Direct transaction costs ⁴	-	-	-
Prices (p)			
Highest share price	138.39	129.34	132.45
Lowest share price	115.31	114.29	113.36
W – Accumulation Hedge shares			
Change in net assets per share (p)			
Opening net asset value per share	101.79	104.90	106.06
Return before operating charges ¹	(11.64)	(2.30)	(0.30)
Operating charges ²	(0.78)	(0.81)	(0.86)
Return after operating charges ³	(12.42)	(3.11)	(1.16)
Distribution	(6.8978)	(7.9593)	(5.5484)
Retained distributions on accumulation shares	6.8978	7.9593	5.5484
Closing net asset value per share	89.37	101.79	104.90
After direct transaction costs of ⁴	-	-	-
Performance			
Return after charges ⁵	(12.20%)	(2.96%)	(1.09%)
Other information			
Closing net asset value (£)	8,051,288	10,730,200	12,209,272
Closing number of shares	9,009,033	10,541,280	11,639,498
Operating charges ratio ⁶	0.79%	0.79%	0.82%
Direct transaction costs ⁴	-	-	-
Prices (p)			
Highest share price	106.18	105.53	107.08
Lowest share price	88.70	96.16	102.74

Templeton Global Total Return Bond Fund

Comparative Table (continued)

	31 March 2020	31 March 2019	31 March 2018
Y – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	104.68	106.51	125.38
Return before operating charges ¹	(5.02)	7.48	(11.77)
Operating charges ²	(0.09)	(0.10)	(0.15)
Return after operating charges ³	(5.11)	7.38	(11.92)
Distribution on income shares	(7.8114)	(9.2100)	(6.9544)
Closing net asset value per share	91.76	104.68	106.51
After direct transaction costs of ⁴	-	-	-
Performance			
Return after charges ⁵	(4.88%)	6.93%	(9.51%)
Other information			
Closing net asset value (£)	2,727	3,111	3,166
Closing number of shares	2,972	2,972	2,972
Operating charges ratio ⁶	0.09%	0.09%	0.13%
Direct transaction costs ⁴	-	-	-
Prices (p)			
Highest share price	114.50	113.92	127.86
Lowest share price	91.75	104.22	105.26
Z – Income Hedge shares			
Change in net assets per share (p)			
Opening net asset value per share	89.91	100.44	107.09
Return before operating charges ¹	(10.00)	(2.39)	(0.31)
Operating charges ²	(0.85)	(0.94)	(1.06)
Return after operating charges ³	(10.85)	(3.33)	(1.37)
Distribution on income shares	(5.7636)	(7.1989)	(5.2828)
Closing net asset value per share	73.30	89.91	100.44
After direct transaction costs of ⁴	-	-	-
Performance			
Return after charges ⁵	(12.07%)	(3.32%)	(1.28%)
Other information			
Closing net asset value (£)	118,232	245,371	236,497
Closing number of shares	161,293	272,919	235,456
Operating charges ratio ⁶	0.99%	0.99%	1.02%
Direct transaction costs ⁴	-	-	-
Prices (p)			
Highest share price	92.79	101.02	108.09
Lowest share price	73.30	89.90	99.74

Templeton Global Total Return Bond Fund

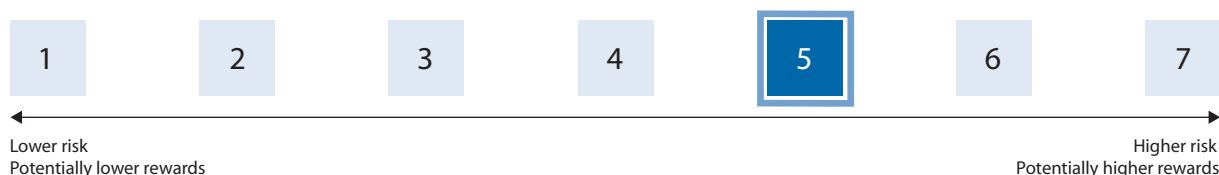
Comparative Table (continued)

	31 March 2020	31 March 2019	31 March 2018
Z – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	209.93	197.82	220.94
Return before operating charges ¹	(10.72)	14.16	(20.99)
Operating charges ²	(2.09)	(2.05)	(2.13)
Return after operating charges ³	(12.81)	12.11	(23.12)
Distribution	(14.2042)	(15.7146)	(10.6506)
Retained distributions on accumulation shares	14.2042	15.7146	10.6506
Closing net asset value per share	197.12	209.93	197.82
After direct transaction costs of ⁴	-	-	-
Performance			
Return after charges ⁵	(6.10%)	6.12%	(10.46%)
Other information			
Closing net asset value (£)	434,668	537,908	776,770
Closing number of shares	220,510	256,236	392,666
Operating charges ratio ⁶	0.99%	0.99%	1.02%
Direct transaction costs ⁴	-	-	-
Prices (p)			
Highest share price	234.29	219.17	225.27
Lowest share price	195.08	194.00	192.43

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

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

Risk Profile (W(acc) shares)



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

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

Templeton Global Total Return Bond Fund

Portfolio Statement as at 31 March 2020

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
EQUITIES 0.00% (0.02%)			
AFRICA 0.00% (0.00%)			
SOUTH AFRICA			
12,082,204	K2016470219 South Africa Ltd., A#¢	5	0.00
1,447,454	K2016470219 South Africa Ltd., B#¢	1	0.00
TOTAL - AFRICA		6	0.00
TOTAL - EQUITIES		6	0.00
BONDS 71.37% (82.14%)			
AFRICA 4.86% (5.37%)			
GHANA			
460,000	Government of Ghana, 16.50%, 2/06/2023#	57	0.05
80,000	Government of Ghana, 17.60%, 11/28/2022#	10	0.01
2,240,000	Government of Ghana, 18.75%, 1/24/2022#	302	0.26
11,040,000	Government of Ghana, 24.50%, 6/21/2021#	1,635	1.41
100,000	Government of Ghana, 24.75%, 3/01/2021#	15	0.01
8,000,000	Government of Ghana, 24.75%, 7/19/2021#	1,187	1.03
6,240,000	Government of Ghana, senior bond, 19.75%, 3/15/2032#	769	0.66
250,000	Government of Ghana, senior note, 16.25%, 4/07/2025#	29	0.03
50,000	Government of Ghana, senior note, 16.50%, 3/22/2021#	7	0.01
570,000	Government of Ghana, senior note, 18.25%, 9/21/2020#	80	0.07
980,000	Government of Ghana, senior note, 18.50%, 6/01/2020#	137	0.12
9,540,000	Government of Ghana, senior note, 24.00%, 11/23/2020#	1,389	1.20
		5,617	4.86
SOUTH AFRICA			
430,017	K2016470219 South Africa Ltd., senior secured note, Reg S, PIK, 12/31/2022#	1	0.00
971,937	K2016470219 South Africa Ltd., senior secured note, Reg S, PIK, 12/31/2022#	1	0.00
308,133	K2016470260 South Africa Ltd., senior secured note, Reg S, PIK, 12/31/2022#	1	0.00
		3	0.00
TOTAL - AFRICA		5,620	4.86
ASIA 28.90% (33.09%)			
INDIA			
383,170,000	Government of India, senior bond, 8.24%, 2/15/2027#	4,478	3.87
110,000,000	Government of India, senior bond, 8.33%, 7/09/2026#	1,281	1.11
		5,759	4.98
INDONESIA			
1,225,000,000	Government of Indonesia, senior bond, FR39, 11.75%, 8/15/2023#	69	0.06
350,000,000	Government of Indonesia, senior bond, FR40, 11.00%, 9/15/2025#	20	0.02
306,000,000	Government of Indonesia, senior bond, FR43, 10.25%, 7/15/2022#	16	0.01
733,000,000	Government of Indonesia, senior bond, FR44, 10.00%, 9/15/2024#	40	0.04
9,760,000,000	Government of Indonesia, senior bond, FR46, 9.50%, 7/15/2023#	518	0.45
11,684,000,000	Government of Indonesia, senior bond, FR53, 8.25%, 7/15/2021#	595	0.51
58,773,000,000	Government of Indonesia, senior bond, FR56, 8.375%, 9/15/2026#	2,996	2.59
5,860,000,000	Government of Indonesia, senior bond, FR61, 7.00%, 5/15/2022#	294	0.25
7,296,000,000	Government of Indonesia, senior bond, FR63, 5.625%, 5/15/2023#	349	0.30
60,488,000,000	Government of Indonesia, senior bond, FR70, 8.375%, 3/15/2024#	3,107	2.69
		8,004	6.92
JAPAN			
479,600,000	Japan Treasury Discount Bill, 4/06/2020#	3,592	3.11
121,750,000	Japan Treasury Discount Bill, 4/10/2020#	912	0.79
152,800,000	Japan Treasury Discount Bill, 5/07/2020#	1,145	0.99
102,500,000	Japan Treasury Discount Bill, 5/11/2020#	768	0.66
9,500,000	Japan Treasury Discount Bill, 5/20/2020#	71	0.06
260,700,000	Japan Treasury Discount Bill, 5/25/2020#	1,953	1.69
142,800,000	Japan Treasury Discount Bill, 7/10/2020#	1,070	0.93

Templeton Global Total Return Bond Fund

Portfolio Statement as at 31 March 2020 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
JAPAN (continued)			
374,000,000	Japan Treasury Discount Bill, 8/11/2020#	2,804	2.43
117,300,000	Japan Treasury Discount Bill, 9/10/2020#	880	0.76
110,000,000	Japan Treasury Discount Bill, 9/23/2020#	825	0.71
		<u>14,020</u>	<u>12.13</u>
SOUTH KOREA			
5,340,800,000	Korea Treasury Bond, senior bond, 4.25%, 6/10/2021#	3,664	3.17
3,029,100,000	Korea Treasury Bond, senior note, 1.375%, 12/10/2029#	1,966	1.70
		<u>5,630</u>	<u>4.87</u>
TOTAL - ASIA		<u>33,413</u>	<u>28.90</u>
CENTRAL AMERICA 12.13% (18.87%)			
MEXICO			
696,800	Government of Mexico, senior bond, M, 6.50%, 6/10/2021#	2,364	2.04
1,328,900	Government of Mexico, senior bond, M, 6.50%, 6/09/2022#	4,516	3.90
395,100	Government of Mexico, senior bond, M, 8.00%, 6/11/2020#	1,342	1.16
373,500	Government of Mexico, senior bond, M, 8.00%, 12/07/2023#	1,328	1.15
14,400	Government of Mexico, senior bond, M 20, 10.00%, 12/05/2024#	55	0.05
1,231,200	Government of Mexico, senior note, M, 7.25%, 12/09/2021#	4,242	3.67
19,822	Mexican Udibonos, Index Linked, 2.50%, 12/10/2020#	66	0.06
335,250	Mexico Treasury Bill, 4/02/2020#	114	0.10
TOTAL - CENTRAL AMERICA		<u>14,027</u>	<u>12.13</u>
EUROPE - NON EU 0.15% (0.50%)			
NORWAY			
2,060,000	Government of Norway, 144A, Reg S, 3.00%, 3/14/2024#	176	0.15
TOTAL EUROPE - NON EU		<u>176</u>	<u>0.15</u>
NORTH AMERICA 9.63% (0.00%)			
UNITED STATES			
1,140,000	U.S. Treasury Note, 1.50%, 10/31/2024#	966	0.84
1,550,000	U.S. Treasury Note, 1.625%, 2/15/2026#	1,330	1.15
1,550,000	U.S. Treasury Note, 1.625%, 10/31/2026#	1,337	1.16
3,542,000	U.S. Treasury Note, 1.75%, 12/31/2024#	3,038	2.63
709,000	U.S. Treasury Note, 2.125%, 5/31/2026#	627	0.54
2,871,000	U.S. Treasury Note, 2.625%, 12/31/2025#	2,596	2.24
1,360,000	U.S. Treasury Note, 2.875%, 5/31/2025#	1,233	1.07
TOTAL - NORTH AMERICA		<u>11,127</u>	<u>9.63</u>
SOUTH AMERICA 15.70% (24.31%)			
ARGENTINA			
17,514,840	Argentina Treasury Bill, 4/08/2020#	66	0.06
8,654,930	Argentina Treasury Bill, 5/13/2020#	33	0.03
17,211,000	Argentina Treasury Bill, 5/13/2020#	79	0.07
26,296,510	Argentina Treasury Bill, 10/29/2020#	173	0.15
46,116,950	Argentina Treasury Bill, FRN, 0.000%, 5/28/2020#	227	0.20
26,108,770	Argentina Treasury Bill, FRN, 0.000%, 8/28/2020#	126	0.11
10,408,100	Argentina Treasury Bill, Strip, 4/30/2020#	78	0.07
12,061,330	Argentina Treasury Bill, Strip, 8/27/2020#	75	0.06
85,986,000	Argentina Treasury Bill, Strip, 4/28/20#	415	0.36
4,189,700	Argentina Treasury Bill, Strip, 5/28/20#	23	0.02
158,014,066	Argentina Treasury Bond BONCER, Index Linked, 1.20%, 3/18/2022#	301	0.26
158,671,410	Argentina Treasury Bond BONCER, Index Linked, 1.40%, 3/25/2023#	271	0.23
158,671,415	Argentina Treasury Bond BONCER, Index Linked, 1.50%, 3/25/2024#	259	0.22
172,943,100	Argentine Bonos del Tesoro, 16.00%, 10/17/2023#	623	0.54
116,618,000	Argentine Bonos del Tesoro, 18.20%, 10/03/2021#	536	0.46
305,215,900	Argentine Bonos del Tesoro, senior note, 15.50%, 10/17/2026#	1,020	0.88
5,096,770	Government of Argentina, FRN, 42.819%, 6/21/2020#	26	0.02
		<u>4,331</u>	<u>3.74</u>

Templeton Global Total Return Bond Fund

Portfolio Statement as at 31 March 2020 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
BRAZIL			
12,140	Letra Tesouro Nacional, Strip, 4/01/2020#	1,882	1.63
11,059	Letra Tesouro Nacional, Strip, 7/01/2020#	1,701	1.47
5,740	Letra Tesouro Nacional, Strip, 4/01/2021#	861	0.75
2,840	Letra Tesouro Nacional, Strip, 7/01/2021#	421	0.36
590	Letra Tesouro Nacional, Strip, 10/01/2020#	90	0.08
36,495	Nota do Tesouro Nacional, 10.00%, 1/01/2021#	5,925	5.12
		10,880	9.41
COLOMBIA			
111,000,000	Government of Colombia, senior bond, 4.375%, 3/21/2023#	21	0.02
1,650,000,000	Government of Colombia, senior bond, 7.75%, 4/14/2021#	335	0.29
176,000,000	Government of Colombia, senior bond, 9.85%, 6/28/2027#	39	0.04
1,649,000,000	Titulos de Tesoreria, senior bond, B, 7.00%, 5/04/2022#	338	0.29
2,822,700,000	Titulos de Tesoreria, senior bond, B, 7.50%, 8/26/2026#	568	0.49
7,305,000,000	Titulos de Tesoreria, senior bond, B, 10.00%, 7/24/2024#	1,645	1.42
		2,946	2.55
TOTAL - SOUTH AMERICA		18,157	15.70
TOTAL - BONDS		82,520	71.37
DERIVATIVES 7.95% ((2.10)%)			
FORWARD CURRENCY CONTRACTS			
	Buy GBP 22,014,368 & Sell USD 25,539,000, 4/27/2020	1,453	1.26
	Buy GBP 16,019,107 & Sell USD 18,599,000, 4/27/2020	1,045	0.90
	Buy USD 5,559,718 & Sell MXN 113,240,000, 4/06/2020	642	0.56
	Buy USD 4,046,526 & Sell MXN 84,440,000, 10/07/2020	473	0.41
	Buy USD 4,309,723 & Sell AUD 6,234,500, 7/23/2020	385	0.33
	Buy GBP 5,610,770 & Sell USD 6,503,000, 4/27/2020	375	0.32
	Buy USD 4,265,146 & Sell AUD 6,234,500, 5/22/2020	350	0.30
	Buy USD 1,599,217 & Sell BRL 6,628,900, 5/05/2020	263	0.23
	Buy USD 2,810,766 & Sell AUD 4,088,000, 5/14/2020	241	0.21
	Buy GBP 3,437,842 & Sell USD 3,980,000, 4/27/2020	234	0.20
	Buy USD 1,646,832 & Sell MXN 33,931,000, 10/15/2020	208	0.18
	Buy USD 1,521,819 & Sell MXN 31,069,000, 10/16/2020	202	0.17
	Buy USD 1,364,668 & Sell BRL 5,844,600, 6/02/2020	196	0.17
	Buy USD 2,532,002 & Sell AUD 3,730,500, 4/15/2020	193	0.17
	Buy GBP 2,873,013 & Sell USD 3,333,000, 4/27/2020	190	0.16
	Buy JPY 212,072,740 & Sell AUD 2,840,000, 7/14/2020	190	0.16
	Buy USD 1,622,764 & Sell BRL 7,328,400, 8/04/2020	179	0.15
	Buy USD 3,736,445 & Sell INR 269,173,481, 4/30/2020	165	0.14
	Buy GBP 2,179,921 & Sell USD 2,524,000, 4/27/2020	148	0.13
	Buy GBP 1,966,186 & Sell USD 2,280,000, 4/27/2020	131	0.11
	Buy JPY 146,234,282 & Sell AUD 1,970,000, 6/12/2020	124	0.11
	Buy JPY 158,975,950 & Sell AUD 2,165,000, 6/12/2020	123	0.11
	Buy USD 2,495,709 & Sell INR 179,872,000, 5/20/2020	118	0.10
	Buy JPY 143,961,020 & Sell AUD 1,960,000, 6/12/2020	112	0.10
	Buy JPY 422,970,500 & Sell USD 3,823,808, 8/26/2020	106	0.09
	Buy USD 5,264,219 & Sell EUR 4,636,240, 7/23/2020	105	0.09
	Buy USD 2,169,018 & Sell INR 156,191,000, 5/18/2020	103	0.09
	Buy USD 1,151,888 & Sell AUD 1,681,000, 5/21/2020	96	0.08
	Buy USD 4,672,603 & Sell EUR 4,115,000, 7/23/2020	94	0.08
	Buy USD 5,620,626 & Sell EUR 4,985,808, 5/04/2020	93	0.08
	Buy USD 734,726 & Sell MXN 15,184,000, 10/13/2020	91	0.08
	Buy USD 734,727 & Sell MXN 14,932,000, 6/17/2020	91	0.08
	Buy USD 1,768,629 & Sell INR 127,267,000, 5/13/2020	83	0.07
	Buy EUR 4,985,808 & Sell USD 5,403,234, 5/04/2020	82	0.07
	Buy GBP 1,203,682 & Sell USD 1,395,000, 4/27/2020	81	0.07
	Buy USD 857,655 & Sell AUD 1,236,500, 7/15/2020	79	0.07
	Buy USD 912,917 & Sell AUD 1,327,107, 5/14/2020	78	0.07

Templeton Global Total Return Bond Fund

Portfolio Statement as at 31 March 2020 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
FORWARD CURRENCY CONTRACTS (continued)			
	Buy USD 2,074,332 & Sell KRW 2,411,203,317, 4/08/2020	77	0.07
	Buy USD 909,997 & Sell AUD 1,327,107, 5/12/2020	76	0.07
	Buy JPY 83,040,720 & Sell AUD 1,120,000, 6/12/2020	70	0.06
	Buy USD 904,283 & Sell AUD 1,331,787, 4/15/2020	69	0.06
	Buy JPY 81,476,890 & Sell AUD 1,100,000, 6/12/2020	68	0.06
	Buy USD 1,612,295 & Sell INR 116,149,700, 4/07/2020	60	0.05
	Buy USD 1,367,145 & Sell INR 98,701,000, 5/04/2020	59	0.05
	Buy JPY 329,316,000 & Sell USD 3,007,452, 8/31/2020	58	0.05
	Buy NOK 6,156,000 & Sell USD 521,562, 4/24/2020	58	0.05
	Buy USD 446,739 & Sell MXN 8,972,000, 4/08/2020	56	0.05
	Buy USD 446,697 & Sell MXN 9,205,000, 10/08/2020	56	0.05
	Buy USD 443,377 & Sell MXN 9,026,000, 6/17/2020	55	0.05
	Buy USD 1,285,708 & Sell INR 93,066,000, 5/05/2020	53	0.05
	Buy JPY 410,700,000 & Sell USD 3,770,657, 6/24/2020	51	0.04
	Buy NOK 8,183,000 & Sell USD 729,323, 6/22/2020	48	0.04
	Buy USD 380,023 & Sell MXN 7,867,000, 10/13/2020	47	0.04
	Buy USD 1,216,406 & Sell INR 87,854,900, 4/16/2020	46	0.04
	Buy JPY 459,456,200 & Sell USD 4,244,987, 9/24/2020	45	0.04
	Buy USD 5,702,078 & Sell EUR 5,112,000, 5/14/2020	45	0.04
	Buy USD 4,114,904 & Sell EUR 3,674,409, 5/20/2020	45	0.04
	Buy JPY 173,803,648 & Sell AUD 2,560,000, 9/14/2020	43	0.04
	Buy USD 335,040 & Sell MXN 6,805,000, 6/17/2020	42	0.04
	Buy USD 335,037 & Sell MXN 6,914,000, 10/09/2020	42	0.04
	Buy USD 1,600,843 & Sell INR 117,119,300, 4/07/2020	41	0.04
	Buy USD 2,269,468 & Sell KRW 2,690,000,000, 8/07/2020	41	0.04
	Buy USD 836,336 & Sell INR 60,153,500, 5/14/2020	40	0.03
	Buy USD 1,025,421 & Sell KRW 1,189,693,886, 7/29/2020	36	0.03
	Buy CHF 1,238,768 & Sell EUR 1,128,338, 5/08/2020	34	0.03
	Buy CHF 1,238,768 & Sell EUR 1,129,232, 8/10/2020	34	0.03
	Buy CHF 1,238,769 & Sell EUR 1,130,099, 11/09/2020	34	0.03
	Buy CHF 1,215,732 & Sell EUR 1,107,728, 5/12/2020	34	0.03
	Buy CHF 1,215,732 & Sell EUR 1,109,447, 11/12/2020	34	0.03
	Buy JPY 146,685,245 & Sell AUD 2,165,000, 9/14/2020	34	0.03
	Buy CHF 1,215,732 & Sell EUR 1,108,637, 8/12/2020	33	0.03
	Buy USD 3,339,038 & Sell EUR 2,984,668, 5/20/2020	33	0.03
	Buy USD 2,887,321 & Sell EUR 2,576,654, 5/21/2020	33	0.03
	Buy GBP 579,981 & Sell USD 682,000, 4/27/2020	31	0.03
	Buy JPY 169,486,700 & Sell USD 1,547,435, 8/27/2020	30	0.03
	Buy GBP 437,244 & Sell USD 507,000, 4/27/2020	29	0.02
	Buy GBP 431,427 & Sell USD 500,000, 4/27/2020	29	0.02
	Buy USD 380,380 & Sell AUD 561,500, 4/14/2020	29	0.02
	Buy JPY 316,929,000 & Sell USD 2,923,025, 6/18/2020	28	0.02
	Buy USD 4,527,899 & Sell EUR 4,074,471, 4/14/2020	26	0.02
	Buy GBP 385,857 & Sell USD 448,000, 4/27/2020	25	0.02
	Buy EUR 961,678 & Sell USD 1,031,207, 4/29/2020	24	0.02
	Buy GBP 356,359 & Sell USD 413,000, 4/27/2020	24	0.02
	Buy USD 1,121,685 & Sell EUR 985,300, 10/26/2020	22	0.02
	Buy USD 2,156,051 & Sell EUR 1,926,654, 5/22/2020	22	0.02
	Buy USD 247,465 & Sell AUD 362,000, 5/20/2020	20	0.02
	Buy JPY 217,730,000 & Sell USD 2,009,108, 6/22/2020	19	0.02
	Buy USD 211,200 & Sell AUD 308,000, 5/21/2020	18	0.02
	Buy USD 979,005 & Sell EUR 867,067, 4/23/2020	18	0.02
	Buy USD 983,511 & Sell INR 73,478,100, 5/15/2020	18	0.02
	Buy EUR 961,678 & Sell USD 1,041,988, 4/30/2020	16	0.01
	Buy USD 1,205,184 & Sell EUR 1,068,236, 10/15/2020	16	0.01
	Buy USD 1,079,849 & Sell EUR 961,678, 4/29/2020	15	0.01
	Buy USD 1,080,109 & Sell EUR 961,678, 4/30/2020	15	0.01
	Buy USD 849,445 & Sell KRW 1,007,612,227, 8/26/2020	15	0.01
	Buy GBP 216,562 & Sell USD 251,000, 4/27/2020	14	0.01
	Buy JPY 311,026,630 & Sell USD 2,894,062, 9/23/2020	14	0.01
	Buy USD 1,594,711 & Sell EUR 1,429,375, 4/15/2020	14	0.01

Templeton Global Total Return Bond Fund

Portfolio Statement as at 31 March 2020 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
FORWARD CURRENCY CONTRACTS (continued)			
	Buy USD 876,105 & Sell EUR 778,345, 4/27/2020	14	0.01
	Buy EUR 1,429,375 & Sell USD 1,560,416, 4/15/2020	13	0.01
	Buy JPY 155,680,630 & Sell USD 1,436,546, 6/22/2020	13	0.01
	Buy USD 768,426 & Sell EUR 682,000, 4/24/2020	13	0.01
	Buy EUR 4,570,000 & Sell USD 5,033,581, 5/14/2020	11	0.01
	Buy USD 135,406 & Sell AUD 199,150, 4/09/2020	11	0.01
	Buy USD 135,601 & Sell AUD 199,150, 5/27/2020	11	0.01
	Buy JPY 80,724,470 & Sell USD 739,100, 4/24/2020	10	0.01
	Buy CHF 1,238,768 & Sell EUR 1,157,916, 8/10/2020	9	0.01
	Buy EUR 524,431 & Sell USD 567,828, 4/30/2020	9	0.01
	Buy EUR 867,067 & Sell USD 946,784, 4/23/2020	8	0.01
	Buy USD 1,172,041 & Sell EUR 1,053,426, 4/09/2020	8	0.01
	Buy USD 588,883 & Sell EUR 524,431, 4/30/2020	8	0.01
	Buy EUR 778,345 & Sell USD 849,938, 4/27/2020	7	0.01
	Buy GBP 107,850 & Sell USD 125,000, 4/27/2020	7	0.01
	Buy USD 1,089,428 & Sell EUR 980,186, 4/08/2020	7	0.01
	Buy USD 422,409 & Sell EUR 375,161, 4/27/2020	7	0.01
	Buy EUR 682,000 & Sell USD 744,716, 4/24/2020	6	0.01
	Buy USD 492,031 & Sell EUR 439,000, 5/21/2020	6	0.01
	Buy USD 597,635 & Sell EUR 534,089, 5/29/2020	6	0.01
	Buy CHF 1,215,732 & Sell EUR 1,140,087, 8/12/2020	5	0.00
	Buy EUR 319,458 & Sell USD 345,942, 4/29/2020	5	0.00
	Buy EUR 302,450 & Sell USD 327,737, 4/29/2020	5	0.00
	Buy GBP 74,168 & Sell USD 86,000, 4/27/2020	5	0.00
	Buy USD 899,207 & Sell EUR 809,243, 4/08/2020	5	0.00
	Buy USD 359,080 & Sell EUR 319,458, 4/29/2020	5	0.00
	Buy USD 339,869 & Sell EUR 302,450, 4/29/2020	5	0.00
	Buy USD 621,159 & Sell EUR 556,993, 5/27/2020	5	0.00
	Buy USD 730,844 & Sell EUR 656,000, 5/27/2020	5	0.00
	Buy EUR 232,250 & Sell USD 251,561, 4/30/2020	4	0.00
	Buy USD 260,787 & Sell EUR 232,250, 4/30/2020	4	0.00
	Buy USD 395,439 & Sell EUR 352,837, 5/21/2020	4	0.00
	Buy EUR 375,161 & Sell USD 409,839, 4/27/2020	3	0.00
	Buy USD 214,942 & Sell EUR 190,000, 10/16/2020	3	0.00
	Buy USD 985,989 & Sell KRW 1,189,693,887, 8/31/2020	3	0.00
	Buy EUR 161,869 & Sell USD 176,649, 4/15/2020	2	0.00
	Buy EUR 93,000 & Sell USD 99,694, 5/14/2020	2	0.00
	Buy JPY 288,903,110 & Sell USD 2,700,281, 9/08/2020	2	0.00
	Buy JPY 97,851,600 & Sell USD 910,159, 6/08/2020	2	0.00
	Buy USD 180,578 & Sell EUR 161,869, 4/15/2020	2	0.00
	Buy USD 146,568 & Sell EUR 129,500, 10/16/2020	2	0.00
	Buy EUR 34,118 & Sell USD 36,554, 4/30/2020	1	0.00
	Buy GBP 17,226 & Sell USD 20,000, 4/27/2020	1	0.00
	Buy JPY 169,483,500 & Sell USD 1,578,353, 5/26/2020	1	0.00
	Buy JPY 238,377,700 & Sell USD 2,221,364, 5/26/2020	1	0.00
	Buy USD 139,725 & Sell EUR 124,875, 10/05/2020	1	0.00
	Buy USD 78,662 & Sell EUR 70,000, 10/13/2020	1	0.00
	Buy USD 36,348 & Sell EUR 32,000, 10/29/2020	1	0.00
	Buy USD 38,376 & Sell EUR 34,118, 4/30/2020	1	0.00
	Buy USD 103,643 & Sell EUR 93,000, 5/14/2020	1	0.00
	Buy EUR 16,000 & Sell USD 17,832, 4/14/2020	-	0.00
	Buy EUR 15,843 & Sell USD 17,165, 4/29/2020	-	0.00
	Buy GBP 273,477 & Sell USD 340,000, 4/27/2020	-	0.00
	Buy GBP 6,040 & Sell USD 7,000, 4/27/2020	-	0.00
	Buy JPY 112,584,600 & Sell USD 1,049,080, 4/30/2020	-	0.00
	Buy USD 17,788 & Sell EUR 16,000, 4/14/2020	-	0.00
	Buy USD 17,801 & Sell EUR 15,843, 4/29/2020	-	0.00
	Buy INR 43,824,000 & Sell USD 43,824,000, 4/07/2020	(1)	(0.00)
	Buy JPY 192,179,670 & Sell USD 1,789,757, 4/21/2020	(1)	(0.00)
	Buy USD 18,000 & Sell GBP 15,158, 4/27/2020	(1)	(0.00)
	Buy EUR 611,387 & Sell SEK 6,720,000, 6/15/2020	(2)	(0.00)

Templeton Global Total Return Bond Fund

Portfolio Statement as at 31 March 2020 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
FORWARD CURRENCY CONTRACTS (continued)			
	Buy JPY 72,842,640 & Sell AUD 1,110,000, 6/16/2020	(2)	(0.00)
	Buy JPY 305,032,250 & Sell USD 2,841,739, 4/21/2020	(2)	(0.00)
	Buy JPY 107,532,290 & Sell USD 1,009,243, 9/08/2020	(3)	(0.00)
	Buy USD 86,000 & Sell GBP 72,424, 4/27/2020	(3)	(0.00)
	Buy EUR 1,447,269 & Sell SEK 15,890,800, 4/15/2020	(5)	(0.00)
	Buy EUR 1,446,525 & Sell SEK 15,890,800, 5/13/2020	(5)	(0.00)
	Buy JPY 113,221,760 & Sell USD 1,066,510, 9/09/2020	(6)	(0.01)
	Buy SEK 15,890,800 & Sell EUR 1,462,016, 4/15/2020	(8)	(0.01)
	Buy SEK 15,890,900 & Sell EUR 1,460,681, 6/16/2020	(9)	(0.01)
	Buy EUR 809,243 & Sell USD 904,901, 4/08/2020	(10)	(0.01)
	Buy INR 60,153,500 & Sell USD 799,456, 5/14/2020	(10)	(0.01)
	Buy EUR 980,186 & Sell USD 1,095,969, 4/08/2020	(12)	(0.01)
	Buy EUR 1,053,426 & Sell USD 1,178,072, 4/09/2020	(13)	(0.01)
	Buy INR 87,854,900 & Sell USD 1,175,316, 4/16/2020	(13)	(0.01)
	Buy JPY 113,221,770 & Sell USD 1,073,400, 6/08/2020	(14)	(0.01)
	Buy JPY 107,532,290 & Sell USD 1,020,647, 6/08/2020	(14)	(0.01)
	Buy JPY 155,680,620 & Sell USD 1,472,131, 6/22/2020	(15)	(0.01)
	Buy INR 93,066,000 & Sell USD 1,240,417, 5/05/2020	(17)	(0.01)
	Buy INR 98,701,000 & Sell USD 1,315,873, 5/04/2020	(18)	(0.02)
	Buy JPY 97,273,490 & Sell USD 936,831, 9/08/2020	(22)	(0.02)
	Buy INR 189,445,000 & Sell USD 2,537,063, 4/07/2020	(24)	(0.02)
	Buy JPY 113,221,770 & Sell USD 1,090,926, 9/08/2020	(25)	(0.02)
	Buy SEK 15,890,800 & Sell EUR 1,486,038, 6/15/2020	(31)	(0.03)
	Buy NOK 3,342,000 & Sell USD 363,371, 5/18/2020	(33)	(0.03)
	Buy SEK 15,890,800 & Sell EUR 1,492,809, 5/13/2020	(37)	(0.03)
	Buy USD 1,191,000 & Sell GBP 1,002,950, 4/27/2020	(44)	(0.04)
	Buy USD 1,220,000 & Sell GBP 1,027,404, 4/27/2020	(45)	(0.04)
	Buy INR 269,173,482 & Sell USD 3,593,628, 4/30/2020	(50)	(0.04)
	Buy EUR 4,074,471 & Sell USD 4,557,878, 4/14/2020	(51)	(0.04)
	Buy NOK 4,088,000 & Sell USD 457,011, 6/30/2020	(51)	(0.04)
	Buy SEK 15,890,800 & Sell EUR 1,506,918, 8/13/2020	(51)	(0.04)
	Buy JPY 206,334,000 & Sell USD 1,996,467, 8/31/2020	(54)	(0.05)
	Buy SEK 15,890,900 & Sell EUR 1,514,284, 6/15/2020	(56)	(0.05)
	Buy JPY 393,420,530 & Sell USD 3,757,629, 6/24/2020	(69)	(0.06)
	Buy USD 1,195,000 & Sell GBP 1,036,565, 4/27/2020	(74)	(0.06)
	Buy NOK 8,099,000 & Sell USD 885,911, 11/16/2020	(84)	(0.07)
	Buy NOK 10,019,000 & Sell USD 1,072,905, 8/26/2020	(86)	(0.07)
	Buy NOK 8,183,000 & Sell USD 906,905, 9/24/2020	(95)	(0.08)
	Buy NOK 10,019,000 & Sell USD 1,099,959, 5/27/2020	(108)	(0.09)
	Buy NOK 11,510,500 & Sell USD 1,257,848, 6/15/2020	(119)	(0.10)
	Buy NOK 10,269,500 & Sell USD 1,138,231, 9/21/2020	(119)	(0.10)
	Buy NOK 11,440,400 & Sell USD 1,257,842, 6/16/2020	(125)	(0.11)
	Buy NOK 11,719,600 & Sell USD 1,300,343, 6/19/2020	(137)	(0.12)
	Buy NOK 13,515,500 & Sell USD 1,487,410, 5/19/2020	(148)	(0.13)
	Buy NOK 13,515,500 & Sell USD 1,501,038, 6/19/2020	(159)	(0.14)
	Buy USD 4,956,000 & Sell GBP 4,173,484, 4/27/2020	(183)	(0.16)
	FOREIGN EXCHANGE GAIN/LOSS ON OUTSTANDING FORWARD CURRENCY CONTRACTS	9,190	7.95
	TOTAL - DERIVATIVES	9,190	7.95
	TOTAL VALUE OF INVESTMENTS	91,716	79.32
	OTHER ASSETS	23,910	20.68
	TOTAL NET ASSETS	115,626	100.00

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

‡ These securities are fair valued by the manager.

Traded on an alternative investment market.

Templeton Global Total Return Bond Fund

Statement of Total Return

For the year ended 31 March 2020

	Note	March 2020 £000	March 2020 £000	March 2019 £000	March 2019 £000
Income					
Net capital gains/(losses)	1		(23,781)		(11,743)
Revenue	2	12,843		17,724	
Expenses	3	(1,562)		(1,826)	
Finance costs – interest		(15)		(46)	
Net revenue before taxation		11,266		15,852	
Taxation	4	(255)		(576)	
Net revenue after taxation			11,011		15,276
Total return before distributions for the year			(12,770)		3,533
Distributions	5		(11,022)		(15,400)
Change in net assets attributable to shareholders			(23,792)		(11,867)

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 March 2020

	March 2020 £000	March 2020 £000	March 2019 £000	March 2019 £000
Opening net assets attributable to shareholders		176,175		241,765
Amounts received on creation of shares	46,724		51,385	
Amounts paid on cancellation of shares	(89,262)		(112,782)	
		(42,538)		(61,397)
Change in net assets attributable to shareholders from investment activities (see above)		(23,792)		(11,867)
Retained distribution on accumulation shares		5,781		7,674
Closing net assets attributable to shareholders		115,626		176,175

Balance Sheet

As at 31 March 2020

	Note	March 2020 £000	March 2019 £000
Assets			
Fixed assets			
Investments		93,980	147,012
Current assets			
Debtors	6	2,938	3,415
Cash and bank balances		22,644	34,867
Total assets		119,562	185,294
Liabilities			
Investment liabilities			
		(2,264)	(5,959)
Creditors			
Distribution payable	5	(824)	(1,662)
Other creditors	7	(848)	(1,498)
Total liabilities		(3,936)	(9,119)
Net assets attributable to shareholders		115,626	176,175

Templeton Global Total Return Bond Fund

Notes to the Financial Statements

	March 2020 £000	March 2019 £000
1. Net capital gains/(losses)		
The net capital gains/(losses) during the year comprise:		
Currency gains/(losses)	(80)	1,854
Non-derivative securities gains/(losses)	(9,513)	(19,486)
Derivative gains/(losses)	<u>(14,188)</u>	<u>5,889</u>
	(23,781)	(11,743)
2. Revenue		
Revenue from debt securities	12,529	17,601
Bank and other interest	174	123
Other revenue	141	-
Overseas dividends	<u>(1)</u>	<u>-</u>
	12,843	17,724
3. Expenses		
Payable to the ACD, associates of the ACD and agents of either of them		
ACD's periodic charge	1,133	1,429
ACD's administration charge	<u>80</u>	<u>101</u>
	1,213	1,530
Payable to the Depositary, associates of the Depositary and agents of either of them		
Safe custody fees	83	138
Depositary fees	<u>25</u>	<u>29</u>
	108	167
Other expenses		
Net interest rate swaps expense	211	110
Legal and publication fees	17	5
Audit fees	11	11
Printing fees	<u>2</u>	<u>3</u>
	241	129
	1,562	1,826
4. Taxation		
(a) Analysis of charge in the year		
Irrecoverable overseas tax	244	452
Overseas Capital Tax	<u>197</u>	<u>254</u>
Total current tax (note 4(b))	441	706
Current year reversal of timing differences	<u>(186)</u>	<u>(130)</u>
Total deferred tax (note 4(c))	<u>(186)</u>	<u>(130)</u>
Total taxation	255	576

Templeton Global Total Return Bond Fund

Notes to the Financial Statements (continued)

	March 2020 £000	March 2019 £000
4. Taxation (continued)		
(b) Factors affecting tax charge for the year		
The tax assessed for the year is lower (2019: lower) than the standard rate of corporation tax in the UK for Open-ended Investment Companies (20% (2019: 20%)).		
The differences are explained below:		
Net revenue before taxation	11,266	15,852
Corporate Tax at 20% (2019: 20%)	2,253	3,170
Effects of:		
Overseas Capital Tax	197	254
Irrecoverable overseas tax	195	452
Interest distributions	(2,204)	(3,170)
Current tax charge for year (note 4(a))	441	706
(c) Provision for deferred tax		
Current year reversal of timing differences	(186)	(130)
Deferred tax for the year (note 4(a))	(186)	(130)
Open-ended Investment Companies are exempt from tax on capital gains in the UK. Therefore, any capital return is not included within the reconciliation above.		
5. (a) Distributions		
The distribution takes account of income received on the issue of shares and income deducted on the cancellation of shares, and comprise:		
Interim interest distributions		
Income	3,976	5,477
Accumulation	4,774	5,769
	8,750	11,246
Final interest distributions		
Income	824	1,662
Accumulation	1,007	1,905
	1,831	3,567
Add: Income deducted on cancellation of shares	854	1,127
Deduct: Income received on issue of shares	(413)	(540)
Total distribution	11,022	15,400
(b) Difference between net revenue and distribution:		
Net revenue after taxation	11,011	15,276
Tax charge taken from capital account	11	124
Total distribution for the year	11,022	15,400
Details of the distribution in pence per share for this Fund are set out in the table on pages 213-216.		
6. Debtors		
Accrued income	1,550	2,800
Sales awaiting settlement	951	-
Amounts receivable for issue of shares	437	556
Overseas tax recoverable	-	59
	2,938	3,415

Templeton Global Total Return Bond Fund

Notes to the Financial Statements (continued)

	March 2020 £000	March 2019 £000
7. Other creditors		
Amounts payable on cancellation of shares	581	741
Tax payable	144	311
Accrued expenses	123	182
Net swap expense payable	-	264
	<u>848</u>	<u>1,498</u>

8. Related parties

During the year, Franklin Templeton Fund Management Limited ("ACD"), a related party, acted primarily in all transactions of the Funds. The aggregate amounts received through issues and cancellations are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

Amounts charged by the ACD and associates of the ACD in respect of the management and administration fees are disclosed in Note 3.

The amounts due to the ACD and associates of the ACD in respect of management and administration fees at 31 March 2020 are £82,000 (£116,000 as at 31 March 2019).

As at 31 March 2020 Templeton Global Advisors Limited ("T GAL") held 100% (100% as at 31 March 2019) of the shares in issue of Class Y Income.

9. Risk management policies and disclosures

The risks inherent in the Fund's investment portfolio are as follows:

Market Risk

Please refer to the accounting policies note for details on market risk exposure.

Templeton Global Total Return Bond Fund

Notes to the Financial Statements (continued)

9. Risk management policies and disclosures (continued)

Currency Risk

An analysis of monetary assets and liabilities (including equity investments), in foreign currencies at the year end is shown below.

Currency	Net foreign currency assets and (liabilities) 31 March 2020	Net foreign currency assets and (liabilities) 31 March 2019
	Total £000	Total £000
Japanese yen	64,981	(50,673)
Norwegian krone	10,934	-
Indonesian rupiah	8,353	16,396
Swiss franc	7,839	33
Brazilian real	7,641	24,910
Ghanaian cedi	6,029	8,702
Argentine peso	5,390	15,442
Swedish krona	4,574	-
Columbian peso	3,143	4,137
Mexican peso	1,691	33,363
Indian rupee	1,009	981
South Korean won	230	71
Polish zloty	29	-
South African rand	6	7
US dollar	(8,407)	123,072
Australian dollar	(24,239)	(17,279)
Euro	(34,214)	(72,144)
Thai baht	-	9,772
Philippine peso	-	1,633
	54,989	98,423

Templeton Global Total Return Bond Fund

Notes to the Financial Statements (continued)

9. Risk management policies and disclosures (continued)

Interest Rate Risk

Interest rate profile of financial assets and financial liabilities

The tables below detail the interest rate profile of the Fund's assets / liabilities at the year end

	Floating rate financial assets / liabilities £000	Fixed rate financial assets / liabilities £000	Financial assets / liabilities not carrying interest £000	Total £000
March 2020				
Japanese yen	-	-	64,981	64,981
UK sterling	-	-	60,637	60,637
Norwegian krone	-	176	10,758	10,934
Indonesian rupiah	-	8,004	349	8,353
Swiss franc	-	-	7,839	7,839
Brazilian real	-	5,925	1,716	7,641
Ghanaian cedi	-	5,618	411	6,029
Argentinian peso	379	3,011	2,000	5,390
Swedish krona	-	-	4,574	4,574
Colombian peso	-	2,946	197	3,143
Mexican peso	-	13,914	(12,223)	1,691
Indian rupee	-	5,759	(4,750)	1,009
South Korean won	-	5,631	(5,401)	230
Polish zloty	-	-	29	29
South African rand	-	-	6	6
US dollar	-	11,127	(19,534)	(8,407)
Australian dollar	-	-	(24,239)	(24,239)
Euro	-	-	(34,214)	(34,214)
	379	62,111	53,136	115,626

	Floating rate financial assets / liabilities £000	Fixed rate financial assets / liabilities £000	Financial assets / liabilities not carrying interest £000	Total £000
March 2019				
US dollar	(3,683)	1,552	125,203	123,072
UK sterling	-	-	77,751	77,751
Mexican peso	169	18,682	14,513	33,364
Brazilian real	-	14,825	10,085	24,910
Indonesian rupiah	-	16,341	55	16,396
Argentinian peso	28	7,502	7,912	15,442
Thai baht	-	8,518	1,254	9,772
Ghanaian cedi	-	7,889	813	8,702
Colombian peso	-	3,736	401	4,137
Philippine peso	-	1,561	72	1,633
Indian rupee	-	24,795	(23,814)	981
South Korean won	-	5,853	(5,782)	71
Swiss franc	-	-	33	33
South African rand	-	-	7	7
Australian dollar	-	-	(17,279)	(17,279)
Japanese yen	-	-	(50,673)	(50,673)
Euro	-	-	(72,144)	(72,144)
	(3,486)	111,254	68,407	176,175

Templeton Global Total Return Bond Fund

Notes to the Financial Statements (continued)

10. Portfolio Transaction Costs

During the year bond purchases amounted to £107,897,000 (2019: £36,648,000) and bond sales amounted to £119,140,000 (2019: £81,886,000). No Direct Transaction Costs were incurred during the current or prior year.

In pursuance of its investment objectives the Fund incurs commissions, taxes and other charges when buying and selling investment securities. Share dealing generally incurs broker commission and Stamp duty and these are paid by the Fund on each transaction where appropriate.

In addition, there is a dealing spread between the buying and selling prices of the underlying investments. The average dealing spread which is the difference between the quoted bid and offer prices or internal administrative or holding costs, are not included in the calculation of Direct Transaction Costs. As at 31 March 2020, the average dealing spread for the underlying Fund investments is 0.34% (2019: 0.37%).

Comparing portfolio transaction costs for a range of funds may give a misleading impression of the relative costs of investing in those funds for the following reasons:

- Historic transaction costs are not an effective indicator of the future impact on performance as it may vary from year to year depending on the investment manager;
- Transaction costs for buying and selling investments due to shareholder activity on the fund are recovered from those investors; and
- Transaction costs will vary depending on the types of securities the fund is investing.

11. Creations and Cancellations of Shares

	A–Income shares	A–Income Hedge shares	A–Accumulation shares	A–Accumulation Hedge shares	W–Income shares	W–Income Hedge shares
Opening shares	1,508,117	1,055,678	1,493,450	9,112,799	24,902,837	60,219,358
Creations	91,177	436,256	764,532	2,065,801	8,758,482	13,632,934
Cancellations	(368,337)	(457,373)	(1,134,260)	(3,163,391)	(17,076,365)	(26,587,419)
Conversions	(121,718)	-	(41,583)	-	174,583	(112,031)
Total closing shares	1,109,239	1,034,561	1,082,139	8,015,209	16,759,537	47,152,842

	W–Accumulation shares	W–Accumulation Hedge shares	Y–Income shares	Z–Income Hedge shares	Z–Accumulation shares
Opening shares	55,962,801	10,541,280	2,972	272,919	256,236
Creations	14,821,594	3,603,638	-	25,662	16,009
Cancellations	(31,795,961)	(5,231,600)	-	(137,288)	(51,735)
Conversions	78,144	95,715	-	-	-
Total closing shares	39,066,578	9,009,033	2,972	161,293	220,510

12. Fair Value Disclosure

In accordance with FRS 102 the Fund classifies fair value measurement under the following levels:

Level 1

Unadjusted quoted market prices in active markets for identical securities.

Level 2

Investments (other than quoted prices included within Level 1) whose fair value is based directly on observable current market prices or is indirectly being derived from market prices; and

Level 3

Investments whose fair value is determined using a valuation technique based on assumptions that are not supported by observable current market prices or are not based on observable market data such as security in default or securities valued by Franklin Templeton Fair Valuation Committee.

Fair Value Hierarchy	Assets	Liabilities	Assets	Liabilities
	31 March 2020 £000	31 March 2020 £000	31 March 2019 £000	31 March 2019 £000
Level 1	-	-	33	-
Level 2	78,189	-	146,972	(5,959)
Level 3	4,337	-	7	-
Total	82,526	-	147,012	(5,959)

The fair value of the Company's holding in Argentina Government Bonds as at 31 March 2019 was £9,432,000. The onshore foreign exchange rate for the Argentina Peso is considered to be unreliable and the Blue-Chip Swap rate, a parallel foreign currency exchange

Templeton Global Total Return Bond Fund

Notes to the Financial Statements (continued)

12. Fair Value Disclosure (continued)

rate is used as it is the most accurate and representative rate of the value. The securities themselves are not considered fair valued, only the foreign exchange rate is considered fair valued.

The year-end balance comprises of £2,894,000 transferred out of level 2 into level 3.

New holdings in Argentine government bonds who fall under level 3 amounted to £1,443,000. These were not held in the prior reporting year.

The unobservable input used in this technique was the Blue-Chip Swap rate used to convert the value of the Argentina Government Bonds from Argentinian Peso's to GBP.

13. Portfolio Statement by Credit Rating

Standard & Poor's Ratings		Market Value £000	% of Net Assets
March 2020			
Investment grade	BBB or higher	44,378	38.38
Non-investment grade	below BBB	15,890	12.99
Not rated	Not rated	<u>22,252</u>	<u>20.00</u>
Total Value of Bonds		82,520	71.37
March 2019			
Investment grade	BBB or higher	55,479	31.49
Non-investment grade	below BBB	40,791	23.16
Not rated	Not rated	<u>48,440</u>	<u>27.49</u>
Total Value of Bonds		144,710	82.14

Templeton Global Total Return Bond Fund

Notes to the Financial Statements (continued)

14. Counterparty and Collateral Exposure

Counterparty	Forward currency contracts £000	Swaps £000	Total £000
31 March 2020			
JP Morgan	3,533	-	3,533
Citi	2,037	-	2,037
HSBC	1,937	-	1,937
Bank of America	1,205	-	1,205
UBS	470	-	470
Barclays	354	-	354
Goldman Sachs	278	-	278
BNP Paribas	96	-	96
Morgan Stanley	5	-	5
Standard Chartered	1	-	1
Deutsche Bank	(726)	-	(726)
31 March 2019			
Bank of America	363	-	363
UBS	143	-	143
Goldman Sachs	94	-	94
Deutsche Bank	84	-	84
Standard Chartered	15	-	15
Morgan Stanley	7	-	7
Barclays	(39)	-	(39)
BNP Paribas	(84)	-	(84)
HSBC	(136)	-	(136)
JP Morgan	270	(1,910)	(1,640)
Citi	157	(2,661)	(2,504)

As at 31 March 2020, the Fund: pledged £797,000 of US dollar cash collateral to Deutsche Bank; held net £7,081,000 of US dollar cash from JP Morgan, Citi, Bank of America, Goldman Sachs and Barclays; and held £852,000 of UK Treasury Bonds and £246,000 of US Treasury Bonds from HSBC, in respect of its derivative contracts (pledged net £7,577,000 of US dollar cash collateral to Deutsche Bank, HSBC, Goldman Sachs and JP Morgan; and held £442,000 of US Treasury Bonds from Bank of America as at 31 March 2019).

15. Calculation Method of the Risk Exposure

Global exposure using the VaR approach

Market Risk	Limit	Lowest	Highest	Average	Reference portfolio	Model type	Confidence Interval	Holding period	Observation period
March 2020									
Relative VaR	200%	110%	139%	119%	50% Barclays Capital Multiverse Index + 25% Barclays Capital Global High-Yield Index + 12.5% JP Morgan Emerging Markets Bond Index Global (EMBIG) + 12.5% JP Morgan Government Bond Index-Emerging Markets (GBI-EM)	Monte Carlo Simulation	99th Percentile	20-Day	1 Apr 2019 to 31 March 2020
March 2019									
Relative VaR	200%	116%	136%	126%	50% Barclays Capital Multiverse Index + 25% Barclays Capital Global High-Yield Index + 12.5% JP Morgan Emerging Markets Bond Index Global (EMBIG) + 12.5% JP Morgan Government Bond Index-Emerging Markets (GBI-EM)	Monte Carlo Simulation	99th Percentile	20-Day	1 Apr 2018 to 31 March 2019

Templeton Global Total Return Bond Fund

Distribution Statement

For the period 1 April 2019 to 30 June 2019

Group 1 – Shares purchased prior to 1 April 2019

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

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

Templeton Global Total Return Bond Fund

Distribution Statement (continued)

For the period 1 July 2019 to 30 September 2019

Group 1 – Shares purchased prior to 1 July 2019

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

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

Templeton Global Total Return Bond Fund

Distribution Statement (continued)

For the period 1 October 2019 to 31 December 2019

Group 1 - Shares purchased prior to 1 October 2019

Group 2 - Shares purchased in the period 1 October 2019 to 31 December 2019

	Net Income p	Equalisation p	31 December 2019 Pence per Share p	31 December 2018 Pence per Share p
A - Income shares				
Group 1	1.8150	-	1.8150	3.1788
Group 2	0.7664	1.0486	1.8150	3.1788
A - Income hedge shares				
Group 1	1.2283	-	1.2283	2.1608
Group 2	0.5669	0.6614	1.2283	2.1608
A - Accumulation shares				
Group 1	2.7964	-	2.7964	4.7309
Group 2	1.0496	1.7468	2.7964	4.7309
A - Accumulation hedge shares				
Group 1	1.6304	-	1.6304	2.6886
Group 2	0.6209	1.0095	1.6304	2.6886
W - Income shares				
Group 1	1.3611	-	1.3611	2.2806
Group 2	0.5979	0.7632	1.3611	2.2806
W - Income hedge shares				
Group 1	1.2405	-	1.2405	2.1339
Group 2	0.4481	0.7924	1.2405	2.1339
W - Accumulation shares				
Group 1	1.8356	-	1.8356	2.8265
Group 2	0.7414	1.0942	1.8356	2.8265
W - Accumulation hedge shares				
Group 1	1.4903	-	1.4903	2.3329
Group 2	0.6694	0.8209	1.4903	2.3329
Y - Income shares				
Group 1	1.6722	-	1.6722	2.6916
Group 2	1.6722	-	1.6722	2.6916
Z - Income hedge shares				
Group 1	1.2200	-	1.2200	2.1040
Group 2	0.6373	0.5827	1.2200	2.1040
Z - Accumulation shares				
Group 1	3.0694	-	3.0694	4.6849
Group 2	1.2626	1.8068	3.0694	4.6849

Templeton Global Total Return Bond Fund

Distribution Statement (continued)

For the period 1 January 2020 to 31 March 2020

Group 1 - Shares purchased prior to 1 January 2020

Group 2 - Shares purchased in the period 1 January 2020 to 31 March 2020

	Net Income p	Equalisation p	31 March 2020 Pence per Share p	31 March 2019 Pence per Share p
A - Income shares				
Group 1	1.7883	-	1.7883	2.7248
Group 2	0.7222	1.0661	1.7883	2.7248
A - Income hedge shares				
Group 1	1.1802	-	1.1802	1.8405
Group 2	0.0019	1.1783	1.1802	1.8405
A - Accumulation shares				
Group 1	2.9128	-	2.9128	4.1434
Group 2	1.9142	0.9986	2.9128	4.1434
A - Accumulation hedge shares				
Group 1	1.6115	-	1.6115	2.3438
Group 2	0.1766	1.4349	1.6115	2.3438
W - Income shares				
Group 1	1.3271	-	1.3271	1.9772
Group 2	0.6925	0.6346	1.3271	1.9772
W - Income hedge shares				
Group 1	1.2037	-	1.2037	1.8329
Group 2	0.5004	0.7033	1.2037	1.8329
W - Accumulation shares				
Group 1	1.8140	-	1.8140	2.5068
Group 2	0.7617	1.0523	1.8140	2.5068
W - Accumulation hedge shares				
Group 1	1.4513	-	1.4513	2.0521
Group 2	0.5192	0.9321	1.4513	2.0521
Y - Income shares				
Group 1	1.6210	-	1.6210	2.3532
Group 2	1.6210	-	1.6210	2.3532
Z - Income hedge shares				
Group 1	1.1699	-	1.1699	1.8027
Group 2	0.5847	0.5852	1.1699	1.8027
Z - Accumulation shares				
Group 1	2.9662	-	2.9662	4.1424
Group 2	2.3600	0.6062	2.9662	4.1424

Equalisation

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

Templeton Growth Fund

Investment Review

Performance

For the year ended 31 March 2020, Templeton Growth Fund (W (acc) shares) returned (7.57%)*, while the MSCI All Country World Index ("MSCI ACWI") returned (6.22%) (both returns in UK sterling).

Overview

Global developed and emerging market equities, as measured by the MSCI All Country World Index, declined significantly during the year under review. Stocks generally rose during the period's first nine months, but fell sharply in the first three months of 2020 as countries around the world imposed lockdowns and stay-at-home measures, which impacted many businesses, in an effort to slow the spread of the novel coronavirus ("COVID-19"). Concerns about global supply chain disruptions, business and personal restrictions, and subdued consumer spending drove many investors to sell equity holdings in favour of perceived safe investments such as government bonds and cash.

In the United States, economic growth was relatively steady through February 2020, supported by a strong labour market and solid consumer spending growth. However, stay-at-home orders, which included business closures and restrictions, issued by many state and local governments in an effort to mitigate the COVID-19 pandemic, severely impacted the US economy beginning in March 2020. As a result, the unemployment rate surged from a 50-year low of 3.5% in February 2020 to 4.4% at period-end, as many businesses, particularly those involved in hospitality, retail and travel, began mass layoffs. Furthermore, consumer spending, a major economic growth engine through most of the reporting period, was expected by many economic forecasters to slow substantially.

The US Federal Reserve ("Fed") made efforts to support the US economy both before and during the pandemic. The Fed cut the federal funds target rate three times in 2019, lowering it to a range of 1.50%-1.75%. In March 2020, as the pandemic began to severely impact the economy and financial markets, the Fed implemented two emergency rate cuts, lowering the federal funds target rate to a range of 0.00%-0.25%. In addition, the Fed announced an emergency plan to purchase government, government-backed and corporate bonds to help keep markets functioning during the economic downturn.

In the eurozone, economic growth had slowed significantly by the end of 2019, raising concerns that the region was on the verge of a recession. As the magnitude of the disruption caused by the COVID-19 pandemic became apparent, some analysts forecasted a significant economic contraction in 2020's first and second quarters. Several European countries were impacted significantly by the pandemic, particularly Italy and Spain. European developed market equities, as measured by the MSCI Europe Index, declined significantly for the period, as gains resulting from easing trade tensions and a Brexit agreement were more than offset by the market downturn in 2020's first quarter.

Asian developed and emerging market equities, as measured by the MSCI All Country Asia Index, also declined significantly during the year. Before the pandemic, Asian stocks advanced, aided by easing trade tensions and the eventual US-China phase one trade agreement. However, following the onset of the pandemic, economic activity in Asia slowed dramatically as many businesses temporarily halted operations in heavily affected countries and manufacturing activity plummeted in the region's major economies, notably China, South Korea and Japan. In addition, export-focused Asian economies were hurt by a contraction in demand from other parts of the world.

Emerging market stocks, as measured by the MSCI Emerging Markets Index, rose for the period's first nine months, but declined substantially during the rest of the year in the wake of the COVID-19 pandemic. A sharp decline in prices for oil and other natural resources also hurt emerging market economies reliant on these exports.

Significant Changes

During the year under review, we added to our existing position (which was ultimately liquidated later in the period) in US-based bank Wells Fargo. Over the same period, we opened a new investment in Verizon Communications, the largest mobile wireless carrier and second-largest phone company in the United States. Overall, Verizon looks well-positioned to us as a defensive holding with a leading nationwide wireless platform and improving leverage profile. Potential industry consolidation could be an added plus. Management has been focused on sustaining a strong balance sheet to support their dividend growth mode. We added to our new investment in Verizon throughout the reporting period. We also added to our investment in BAE Systems, one of the largest defence contractors in the world. The market has appeared focused on the possibility of negative business impacts from Brexit, potentially lower US defence spending and tensions between Saudi Arabia and the United States along with countries in Europe. The stock appears to have priced in many negatives and offers what we view as an attractive dividend yield of close to 5%. Many of BAE's programmes are long-term and should be relatively resilient over time, despite fluctuations in shorter-term government spending or cyclical pressures in the broader economy. Brexit is not expected to have a material impact on BAE's participation in broader European defence initiatives due to contractual commitments and BAE's significant role in defence programmes. Over the past 12 months, we have added to our existing positions in Japanese beverage company Kirin Holdings as well as Germany-based Deutsche Telekom. Shares of Kirin underperformed after the company booked an impairment loss for its Australian subsidiary. However, as the company uses normalised earnings-per-share as the basis for its dividend pay-out, there should be no impact on dividends, in our view. We believe a lot of pessimism has been built into the share price, and yet the earnings trend has been firm, driven by domestic alcoholic beverages. The potential sale of its Australian dairy business towards the end of 2020 would support share buybacks. Deutsche Telekom is the incumbent telecom operator in Germany with what we believe to be the best network quality amongst its competitors and a position as market leader in one of the best-structured markets in Europe.

Early in the year, we sold a small portion of our investment in Samsung Electronics. We also closed our position in Swiss company, UBS Group, one of the largest global wealth managers. The company has made progress in restructuring over the last seven years by reducing its exposure to the volatile investment banking business, integrating the US and international wealth management divisions, and investing in technology to become more competitive in the marketplace. Some of these changes are starting to flow through into the results, but various exogenous factors have offset UBS's progress: falling interest rates, uncertainty surrounding the China-US trade dispute, wealthy clients reducing risk and ongoing legal matters. We also closed our position in French firm BNP Paribas, Europe's largest bank. BNP has proven to be an excellent credit risk manager and is one of the very few European banks that have remained profitable over the past 15 years, through two

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

Templeton Growth Fund

Investment Review (continued)

Significant Changes (continued)

major crises. Costs have also declined as the three-year Digital Transformation Plan was completed in 2019, and BNP had been a steady compounder of tangible book value per share. We believe the COVID-19 crisis and upcoming recession will change that trajectory as 2020 earnings are going to get slashed and the dividend has been put on hold for now. We sold our stake of BNP in early March as we were concerned that the central banks' response to COVID-19 would include cutting interest rates, which weighs disproportionately on bank earnings and capital generation. Over the year, we also exited our investment in US bank Wells Fargo. Given the dramatic change in the underlying economic landscape and the Fed's 150 basis point emergency cut in rates, the risk/reward profile looks less attractive to us for Wells Fargo compared to other similar companies. Previously, we liked the self-help potential at Wells given the bloated expense base driven by the Fed's consent order. We believe Wells' restructuring will be more difficult to complete in a lower interest rate and lower revenue growth environment. We also closed our position in US oil and gas exploration and production firm Apache. Although we maintain an overweighting in the energy sector, we have sought to diversify the energy overweight into other areas of the market that have been severely punished but may bounce back fundamentally quicker and with fewer structural challenges.

Positive/Negative Contributors

The Fund underperformed its benchmark index during the year ending 31 March 2020 in an overall market environment of significant value headwinds. The information technology sector delivered positive absolute gains, but it detracted relative to the benchmark due to the Fund's stock selection and underweight position. US communications equipment firm CommScope was the only technology stock held amongst the Fund's 10 biggest detractors. Its shares slumped after investors overlooked better-than-expected profits and focused instead on disappointing guidance attributed to weaker anticipated spending from cable operators. CommScope's fundamentals have been affected by a myriad of issues including the integration of the Arris International acquisition, cost containment in declining segments, uncertain investment plans from large telecommunications customers and component delays from China due to the COVID-19 effects on businesses. We remain significantly underweight the technology sector more generally, as years of sustained outperformance and frothy valuations have significantly increased the risk profile of the sector, in our view. We have sold into strength a number of technology holdings that looked fairly valued and subject to risks associated with slowing revenue growth and greater regulatory scrutiny. With sector strength driven by multiple expansion, not earnings growth, we've avoided high-flying stocks that looked vulnerable to a shift in sentiment. Instead, we've found opportunities amongst hardware companies with restructuring potential, semiconductor manufacturers pressured by supply concerns and mature software firms with healthy cash flows and new growth levers. More recently, we've used volatility to gain exposure to a handful of stocks that we believe were excessively punished by end-market concerns.

Security selection in the communication services sector also hampered results. Shares of Deutsche Telekom drifted lower during the period due, in part, to uncertainty around the US government approval of the merger between T-Mobile, which is 63% owned by Deutsche, and Sprint (T-Mobile and Sprint are not held by the Fund). Amongst telecoms, we look for lowly valued firms with strong balance sheets, declining capital intensity and attractive dividends operating in markets with stable competitive dynamics and regulatory structures. The sector's defensiveness and yield profile should help in a low interest rate, elevated risk environment, though valuation recognition may require a catalyst. The other part of this sector grouping—media and entertainment—is home to a number of technology, gaming and consumer stocks we have previously avoided on valuation grounds. However, recent volatility has begun to create opportunities amongst select media companies with quality franchises and strong competitive positions.

Relative Fund returns were pressured further by an overweighting in the energy sector and by security selection in the consumer discretionary sector. The energy sector was responsible for several of the Fund's biggest stock detractors including Royal Dutch Shell, Eni, UK-based BP and Exxon Mobil. Shares of Exxon Mobil declined as sharply lower oil prices raised concerns about cash flow pressures and balance sheet dynamics. Within the sector, we have favoured large integrated oil producers with attractive dividends and improved capital discipline. However, we didn't envisage that an exogenous demand shock would be compounded by a Russia-Saudi oil war, decimating oil prices. We did re-size sector positioning through recent turbulence, reducing oil exposure in favour of beaten-down opportunities elsewhere to diversify portfolio value drivers and reduce commodity price risk. However, we didn't want to throw the baby out with the bath water, and so retain a meaningful position in integrated oil companies. Our focus now is on producers we think have adequate financial health and sufficient levers to pull to weather a period of low prices with balance sheets and dividends intact. We've long since cut exposure to more leveraged and price-sensitive energy names and are left with stocks that we believe are fundamentally sound - if not profitable - at recent prices. Such stocks could generate significant alpha should oil prices eventually surprise to the upside.

Performance was also dampened by stock selection in the health care and financials sectors. Within financials, significant detractors included US-based Wells Fargo. We began trimming our banks exposure last November on strength before cutting more aggressively in the first quarter after realising the gravity of the COVID-19 impact. In short, the market skipped the part of the cycle where full employment leads to upward wage pressures, rising interest rates and improved bank earnings, and moved straight into the recessionary environment in which the opposite would be true. Amongst our remaining bank holdings, we favour what we consider to be well-capitalised, well-managed companies with sound balance sheets, healthy dividends and strong competitive positions in stable markets trading at undemanding valuations.

Conversely, security selection and an underweighting in the industrials sector contributed to relative Fund performance during the year, with UK-based defence contractor BAE Systems amongst the Fund's top performers. Shares of BAE, one of the world's largest defence contractors, strengthened over the past few months, recovering from a period pressured by sluggish financial results. The outlook for BAE has improved as the company increased manufacturing efficiencies for some product lines and benefits from a diverse portfolio of stable long-term contracts. More broadly, volatility has created opportunity throughout most parts of the industrials sector, allowing us to broaden our exposure across electrical equipment, factory automation, shipping, diversified conglomerates, infrastructure and construction industries, amongst other areas. We have avoided what we view as expensive companies that failed to reflect the maturity of their business cycles. We have prioritised liquidity analysis in the capital-intensive sector, which the market clearly takes seriously given the sharp underperformance of leveraged industrials in the first quarter of 2020.

Some traditionally defensive consumer staples stocks enhanced relative results over the year and most notably in the first quarter of 2020, with US grocer The Kroger and US-based discount retailer Dollar Tree both finishing amongst the Fund's top-performing holdings. Both companies benefitted from consumer stockpiling ahead of an extended period of stay-at-home social distancing measures. The coronavirus

Templeton Growth Fund

Investment Review (continued)

Positive/Negative Contributors (continued)

pandemic is causing a lot of demand for essential consumer goods to be temporarily pulled forward, and valuations of some of these companies are no longer cheap, in our analysis. Other contributors in the sector included Japanese pharmacy operator Matsumotokiyoshi Holdings. Matsumotokiyoshi is a top-five drug store operator in Japan with 1,600 stores and around 9% market share. The current young and nimble management team has done a good job improving the profitability of the existing business over the last five years, and the transformation process is largely complete with the company now focused on growth, particularly through acquisitions. We believe the company has a strong balance sheet and solid cash flow generation and has the willingness and ability to invest excess capital back into the sole industry it operates within in a value-accretive manner (which distinguishes it from many other cash-rich companies in Japan).

Fund returns were supported further by stock selection in the materials sector and by security selection and an overweighting in the utilities sector. From the former sector, shares of Canadian mine financing firm Wheaton Precious Metals finished amongst the top contributors to performance, holding up well during a period of market volatility and rising for the period overall. When we initiated a position in Wheaton several years ago, gold was firmly out of favour and stuck in a range-bound trading pattern following a long decline from its 2011 peak price of US\$1900 per ounce. We liked precious metals exposure as a portfolio hedge and diversifier, and liked Wheaton in particular for its unique, asset-light financing model, which provides the benefits of gold and silver ownership without the drawbacks of actually operating capital-intensive and problem-prone mines.

Although health care was a comparatively modest detractor at the sector level during the past 12 months, the sector delivered several of the Fund's top contributors to relative performance including US specialty pharmaceutical company Allergan, Swiss pharmaceuticals firm Roche Holding, US-based biotechnology firm Gilead Sciences and US health care giant Johnson & Johnson. Shares of Allergan performed well over the reporting period largely due to investor optimism regarding a deal for AbbVie (not held by the Fund) to acquire Allergan (70% cash and 30% stock). Shares of Gilead Sciences surged after the World Health Organization identified its antiviral drug, remdesivir, which was originally developed to treat Ebola patients, as the most promising therapeutic candidate for the coronavirus. Aside from the promise of this particular drug in the current environment, we continue to like the company for its cheap equity valuations, leadership in high-margin treatments and the optionality of its growing cash hoard.

From a geographic standpoint, positioning in Europe (particularly the United Kingdom, Italy, Netherlands, Germany and Luxembourg) detracted from relative performance. Stock selection and an underweighting in the United States also hampered results. In Asia, relative returns were dampened by security selection in China and Japan. In contrast, performance was supported primarily by stock selection in Canada. Stock selection in France also enhanced results, as did security selection and an overweighting in Switzerland.

Outlook

Two key portfolio themes that we have focused on recently are resilience and diversification. While it would have been difficult to predict the exogenous coronavirus shock, we have long been expecting an eventual market dislocation and positioned the portfolios more defensively over the past several quarters. We've also enhanced our in-house risk analysis to help better identify and understand thematic portfolio exposures and risk profiles. We believe these efforts put us in a comparatively good position going into this period of crisis and volatility. Operationally, we have reorganised our research and management structure to improve efficiency and increase specialised expertise so that we can capitalise on a wide array of emerging opportunities. We've also been building a "reserve list" of desirable stocks that had previously been beyond our reach valuation-wise, including quality and growth names. Additionally, we have several dedicated teams pursuing special situations in the current environment, including one researching opportunities amongst the firms hardest hit by coronavirus effects and another that is analysing credit and liquidity conditions to determine who is most likely to weather the storm. This advanced preparation should allow us to use volatility to reposition the portfolios and diversify amongst different types of value, risk clusters and thematic exposures. We are encouraged by the significant increase in productivity with new idea generation and the decisive moves that are being made in the portfolios, which should emerge from this tumultuous period stronger and better balanced.

Dylan Ball, Katherine Owen, CFA & Tina Sadler, CFA

Fund Managers

31 March 2020

Fund Changes

On 31 July 2019, following some regulatory change, the Fund's investment objective and policy were clarified to make it easier for investors to understand both how the portfolio is managed and how to assess the Fund's performance. More details can be found in the Fund's prospectus available on our website.

Templeton Growth Fund

Comparative Table

	31 March 2020	31 March 2019	31 March 2018
A – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	719.82	715.75	725.05
Return before operating charges ¹	(56.61)	23.27	9.05
Operating charges ²	(11.79)	(11.75)	(11.79)
Return after operating charges ³	(68.40)	11.52	(2.74)
Distributions on income shares	(27.9714)	(7.4458)	(6.5600)
Closing net asset value per share	623.45	719.82	715.75
After direct transaction costs of ⁴	0.95	0.52	0.52
Performance			
Return after charges ⁵	(9.50%)	1.61%	(0.38%)
Other information			
Closing net asset value (£)	983,935	1,329,017	2,524,678
Closing number of shares	157,820	184,632	352,732
Operating charges ratio ⁶	1.61%	1.58%	1.59%
Direct transaction costs ⁴	0.13%	0.07%	0.07%
Prices (p)			
Highest share price	774.50	801.56	780.77
Lowest share price	603.95	672.51	697.40

	31 March 2020	31 March 2019	31 March 2018
A – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	1,099.62	1,082.68	1,087.00
Return before operating charges ¹	(88.99)	34.77	13.44
Operating charges ²	(18.15)	(17.83)	(17.76)
Return after operating charges ³	(107.14)	16.94	(4.32)
Closing net asset value per share	992.48	1,099.62	1,082.68
Distributions	(43.1262)	(11.2960)	(9.8252)
Retained distributions on accumulation shares	43.1262	11.2960	9.8252
After direct transaction costs of ⁴	1.47	0.79	0.78
Performance			
Return after charges ⁵	(9.74%)	1.56%	(0.40%)
Other information			
Closing net asset value (£)	8,421,057	9,953,699	14,667,199
Closing number of shares	848,490	905,194	1,354,709
Operating charges ratio ⁶	1.61%	1.58%	1.59%
Direct transaction costs ⁴	0.13%	0.07%	0.07%
Prices (p)			
Highest share price	1,201.43	1,212.49	1,179.64
Lowest share price	936.87	1,023.13	1,045.47

Templeton Growth Fund

Comparative Table (continued)

	31 March 2020	31 March 2019	31 March 2018
I – Accumulation shares⁷			
Change in net assets per share (p)			
Opening net asset value per share	3,645.92	3,564.73	3,553.99
Return before operating charges ¹	(3,611.93)	113.99	43.37
Operating charges ²	(33.99)	(32.80)	(32.63)
Return after operating charges ³	(3,645.92)	81.19	10.74
Closing net asset value per share	-	3,645.92	3,564.73
Distributions	(71.1838)	(63.3540)	(57.8178)
Retained distributions on accumulation shares	71.1838	63.3540	57.8178
After direct transaction costs of ⁴	4.86	2.61	2.57
Performance			
Return after charges ⁵	-	2.28%	0.30%
Other information			
Closing net asset value (£)	-	197,865,876	208,700,319
Closing number of shares	-	5,427,054	5,854,589
Operating charges ratio ⁶	-	0.88%	0.89%
Direct transaction costs ⁴	0.13%	0.07%	0.07%
Prices (p)			
Highest share price	3,994.52	4,002.08	3,878.45
Lowest share price	3,532.60	3,386.04	3,419.45
W – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	229.16	223.94	223.15
Return before operating charges ¹	(18.74)	7.17	2.72
Operating charges ²	(2.03)	(1.95)	(1.93)
Return after operating charges ³	(20.77)	5.22	0.79
Closing net asset value per share	208.39	229.16	223.94
Distributions	(10.7945)	(4.0975)	(3.7453)
Retained distributions on accumulation shares	10.7945	4.0975	3.7453
After direct transaction costs of ⁴	0.31	0.16	0.16
Performance			
Return after charges ⁵	(9.06%)	2.33%	0.35%
Other information			
Closing net asset value (£)	13,297,728	16,256,686	19,441,355
Closing number of shares	6,381,283	7,094,173	8,681,504
Operating charges ratio ⁶	0.86%	0.83%	0.84%
Direct transaction costs ⁴	0.13%	0.07%	0.07%
Prices (p)			
Highest share price	252.05	251.46	243.62
Lowest share price	196.65	212.79	214.71

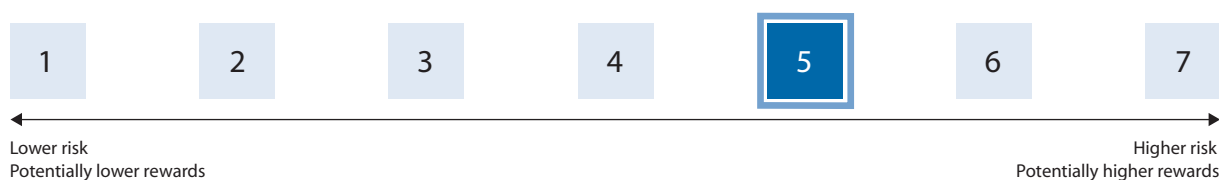
Templeton Growth Fund

Comparative Table (continued)

	31 March 2020	31 March 2019	31 March 2018
Z – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	226.06	221.36	221.03
Return before operating charges ¹	(18.44)	7.08	2.70
Operating charges ²	(2.46)	(2.38)	(2.37)
Return after operating charges ³	(20.90)	4.70	0.33
Closing net asset value per share	205.16	226.06	221.36
Distributions	(10.1743)	(3.5855)	(3.2514)
Retained distributions on accumulation shares	10.1743	3.5855	3.2514
After direct transaction costs of ⁴	0.30	0.16	0.16
Performance			
Return after charges ⁵	(9.25%)	2.12%	0.15%
Other information			
Closing net asset value (£)	5,818,607	6,713,778	2,378,928
Closing number of shares	2,836,090	2,969,867	1,074,667
Operating charges ratio ⁶	1.06%	1.03%	1.04%
Direct transaction costs ⁴	0.13%	0.07%	0.07%
Prices (p)			
Highest share price	248.20	248.39	240.92
Lowest share price	193.62	210.03	212.64

- The "return before operating charges" is calculated as the "return after operating charges" plus the "operating charges".
- The "operating charges" are calculated with reference to the total expenses for the year divided by the number of shares in issue at each valuation point.
- The "return after operating charges" is calculated as the "closing net asset value per share" plus the "distributions" (for income share classes only) minus the "opening net asset value per share".
- The direct transaction costs include all fees and expenses which relate directly to the sales and purchases of securities which include commissions, transfer taxes and duties. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The "direct transaction costs" ratio is calculated by dividing the total transaction costs by the average net assets.
- The "return after charges" is calculated as the "return after operating charges" per share divided by the "opening net asset value per share". This figure will differ from "performance return" figure disclosed under "Investment Review" section due to alternative calculation methodology used.
- The "operating charges ratio" represents all operating charges and expenses of the share class in the prior 12 months as a percentage of the share class's average net assets during the year.
- Where ex-post expense information is not a fair representation of future operating costs and where 12 months of information is not available, an estimate is disclosed.
- This share class closed to W Accumulation shares from 27 January 2020.

Risk Profile (W(acc) shares)



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

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

Templeton Growth Fund

Portfolio Statement as at 31 March 2020

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
EQUITIES 95.08% (96.82%)			
ASIA 32.06% (22.03%)			
CHINA			
893,035	China Telecom Corp. Ltd., H	218	0.76
47,100	Gree Electric Appliances Inc. of Zhuhai	280	0.98
50,700	Midea Group Co. Ltd., A	279	0.98
8,900	Yum China Holdings Inc.	305	1.07
		<u>1,082</u>	<u>3.79</u>
HONG KONG			
41,800	AIA Group Ltd.	305	1.07
59,500	CK Asset Holdings Ltd.	262	0.92
78,675	CK Hutchison Holdings Ltd.	427	1.50
220,000	Shangri-La Asia Ltd.	120	0.42
27,500	Sun Hung Kai Properties Ltd.	290	1.01
59,000	Swire Pacific Ltd., A	306	1.07
		<u>1,710</u>	<u>5.99</u>
JAPAN			
7,600	East Japan Railway Co.	465	1.63
8,000	Honda Motor Co. Ltd.	145	0.51
44,600	Isuzu Motors Ltd.	239	0.84
4,500	Japan Airlines Co. Ltd.	67	0.23
6,200	Keisei Electric Railway Co. Ltd.	145	0.51
33,292	Kirin Holdings Co. Ltd.	530	1.86
9,500	Kyocera Corp.	456	1.60
3,500	Makita Corp.	88	0.31
17,400	Matsumotokiyoshi Holdings Co. Ltd.	510	1.79
24,500	Mitsubishi Electric Corp.	245	0.86
24,975	Mitsui Fudosan Co. Ltd.	348	1.22
17,830	Seven & i Holdings Co. Ltd.	477	1.67
3,100	Sony Corp.	148	0.52
16,100	Sumitomo Metal Mining Co. Ltd.	265	0.93
22,338	Takeda Pharmaceutical Co. Ltd.	550	1.93
12,500	Tokyo Broadcasting System Holdings Inc.	141	0.49
		<u>4,819</u>	<u>16.90</u>
MACAO			
14,000	Galaxy Entertainment Group Ltd.	60	0.21
SOUTH KOREA			
400	LG Household & Health Care Ltd.	296	1.04
20,409	Samsung Electronics Co. Ltd.	644	2.26
		<u>940</u>	<u>3.30</u>
TAIWAN			
10,814	Taiwan Semiconductor Manufacturing Co. Ltd., ADR †	416	1.46
THAILAND			
47,200	Bangkok Bank PCL, fgn.	117	0.41
	TOTAL - ASIA	<u>9,144</u>	<u>32.06</u>
EUROPE - NON EU 3.67% (5.92%)			
SWITZERLAND			
4,387	Novartis AG	293	1.03
2,870	Roche Holding AG	754	2.64
	TOTAL EUROPE - NON EU	<u>1,047</u>	<u>3.67</u>

Templeton Growth Fund

Portfolio Statement as at 31 March 2020 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
EUROPE - OTHER EU 14.71% (29.54%)			
FRANCE			
5,355	Sanofi	381	1.34
14,326	Total SA	449	1.57
22,665	Veolia Environnement SA	392	1.37
		<u>1,222</u>	<u>4.28</u>
GERMANY			
1,313	Adidas AG	240	0.84
11,623	Bayer AG	545	1.91
47,168	Deutsche Telekom AG	495	1.74
74,477	E.ON SE	624	2.19
7,888	Fresenius Medical Care AG & Co. KGaA	422	1.48
11,979	Infineon Technologies AG	137	0.48
		<u>2,463</u>	<u>8.64</u>
ITALY			
6,114	Tenaris SA	30	0.11
LUXEMBOURG			
9,385	SES SA, IDR	44	0.15
NETHERLANDS			
6,538	NXP Semiconductors NV	436	1.53
TOTAL - EUROPE - OTHER EU		<u>4,195</u>	<u>14.71</u>
NORTH AMERICA 38.06% (25.82%)			
CANADA			
18,800	Barrick Gold Corp.	278	0.97
24,200	Wheaton Precious Metals Corp.	536	1.88
		<u>814</u>	<u>2.85</u>
UNITED STATES			
5,900	Albemarle Corp.	267	0.94
4,281	Allergan PLC	611	2.14
4,000	Berkshire Hathaway Inc., B	589	2.06
300	Booking Holdings Inc.	325	1.14
6,922	Citigroup Inc.	235	0.82
17,935	Comcast Corp., A	496	1.74
5,900	Crown Holdings Inc.	276	0.97
10,700	Dollar Tree Inc.	633	2.22
10,241	Exxon Mobil Corp.	313	1.10
2,600	F5 Networks Inc.	223	0.78
6,611	Gilead Sciences Inc.	398	1.40
4,100	HCA Healthcare Inc.	297	1.04
6,200	Johnson & Johnson	654	2.29
6,600	JPMorgan Chase & Co.	479	1.68
7,066	Kellogg Co.	341	1.20
4,700	Laboratory Corp. of America Holdings	478	1.68
4,100	Medtronic PLC	298	1.04
14,378	Oracle Corp.	560	1.96
1,000	Ross Stores Inc.	70	0.25
19,535	The Kroger Co.	474	1.66
3,700	The TJX Cos. Inc.	142	0.50
5,491	United Parcel Service Inc., B	413	1.45
1,400	UnitedHealth Group Inc.	281	0.98
20,700	Verizon Communications Inc.	896	3.14
3,600	Zimmer Biomet Holdings Inc.	293	1.03
		<u>10,042</u>	<u>35.21</u>
TOTAL - NORTH AMERICA		<u>10,856</u>	<u>38.06</u>

Templeton Growth Fund

Portfolio Statement as at 31 March 2020 (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	UNITED KINGDOM 6.58% (12.39%)		
49,461	B&M European Value Retail SA	136	0.48
106,172	BAE Systems PLC	554	1.94
125,629	BP PLC	432	1.51
12,251	Burberry Group PLC	162	0.57
3,960	InterContinental Hotels Group PLC	139	0.49
101,563	Standard Chartered PLC	453	1.59
	TOTAL - UNITED KINGDOM	1,876	6.58
	TOTAL - EQUITIES	27,118	95.08
	TOTAL VALUE OF INVESTMENTS	27,118	95.08
	OTHER ASSETS	1,403	4.92
	TOTAL NET ASSETS	28,521	100.00

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

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

† American Depositary Receipt.

Templeton Growth Fund

Statement of Total Return

For the year ended 31 March 2020

	Note	March 2020 £000	March 2020 £000	March 2019 £000	March 2019 £000
Income					
Net capital gains/(losses)	1		(3,513)		1,713
Revenue	2	3,279		7,112	
Expenses	3	(705)		(2,310)	
Net revenue before taxation		2,574		4,802	
Taxation	4	(45)		(641)	
Net revenue after taxation			2,529		4,161
Total return before distributions for the year			(984)		5,874
Distributions	5		(2,529)		(4,175)
Change in net assets attributable to shareholders			(3,513)		1,699

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 March 2020

	March 2020 £000	March 2020 £000	March 2019 £000	March 2019 £000
Opening net assets attributable to shareholders		232,119		247,713
Amounts received on creation of shares	740		3,274	
Amounts paid on cancellation of shares	(45,821)		(24,602)	
In-specie out	(156,684)		-	
		(201,765)		(21,328)
Dilution adjustments		24		-
Change in net assets attributable to shareholders from investment activities (see above)		(3,513)		1,699
Retained distribution on accumulation shares		1,656		4,035
Closing net assets attributable to shareholders		28,521		232,119

Balance Sheet

As at 31 March 2020

	Note	March 2020 £000	March 2019 £000
Assets			
Fixed assets			
Investments		27,118	224,730
Current assets			
Debtors	6	744	940
Cash and bank balances		2,208	7,422
Total assets		30,070	233,092
Liabilities			
Creditors			
Bank overdraft		-	(16)
Distribution payable	5	(26)	(5)
Other creditors	7	(1,523)	(952)
Total liabilities		(1,549)	(973)
Net assets attributable to shareholders		28,521	232,119

Templeton Growth Fund

Notes to the Financial Statements

	March 2020 £000	March 2019 £000
1. Net capital gains/(losses)		
The net capital gains/(losses) during the year comprise:		
Currency gains/(losses)	(35)	(8)
Non-derivative securities gains/(losses)	<u>(3,478)</u>	<u>1,721</u>
	(3,513)	1,713
2. Revenue		
Overseas dividends	2,309	6,273
Other revenue	661	-
UK dividends	291	790
Bank and other interest	<u>18</u>	<u>49</u>
	3,279	7,112
3. Expenses		
Payable to the ACD, associates of the ACD and agents of either of them		
ACD's periodic charge	624	2,108
ACD's administration charge	<u>34</u>	<u>125</u>
	658	2,233
Payable to the Depositary, associates of the Depositary and agents of either of them		
Depositary fees	13	36
Safe custody fees	<u>6</u>	<u>21</u>
	19	57
Other expenses		
Legal and publication fees	15	7
Audit fees	11	10
Printing fees	<u>2</u>	<u>3</u>
	28	20
	705	2,310
4. Taxation		
(a) Analysis of charge in the year		
Irrecoverable overseas tax	<u>45</u>	<u>668</u>
Adjustments in respect of prior year	<u>-</u>	<u>(27)</u>
Total current tax (note 4(b))	<u>45</u>	<u>641</u>
Total taxation	45	641

Templeton Growth Fund

Notes to the Financial Statements (continued)

	March 2020 £000	March 2019 £000
4. Taxation (continued)		
(b) Factors affecting tax charge for the year		
The tax assessed for the year is lower (2019: lower) than the standard rate of corporation tax in the UK for Open-ended Investment Companies (20% (2019: 20%)).		
The differences are explained below:		
Net revenue before taxation	2,574	4,802
Corporation tax of 20% (2019: 20%)	515	960
Effects of:		
Excess management expenses	138	446
Irrecoverable overseas tax	45	668
Adjustments in respect of prior year**	-	(27)
Non-taxable revenue	(140)	(5)
Overseas tax expensed		(1)
UK dividends & non-taxable overseas dividends*	(513)	(1,400)
Current tax charge for year (note 4(a))	45	641

*As an Open-ended Investment Company these items are not subject to corporation tax.

Open-ended Investment Companies are exempt from tax on capital gains in the UK. Therefore, any capital return is not included within the reconciliation above.

At the year end there is a potential deferred tax asset of £3,640,000 (£3,502,000 as at 31 March 2019) in relation to excess management fees. It is unlikely the Fund will generate sufficient tax profits in the future to utilise these amounts and therefore no deferred tax assets have been recognised in the year.

**The prior year adjustment relates to amounts received in relation to withholding tax suffered in previous years refunded under the reclaim process.

5. (a) Distributions

The distribution takes account of income received on the issue of shares and income deducted on the cancellation of shares, and comprise:

Interim dividend distributions

Income	20	16
Accumulation	870	2,165
	<u>890</u>	<u>2,181</u>

Final dividend distributions

Income	26	5
Accumulation	786	1,870
	<u>812</u>	<u>1,875</u>

Add: Income deducted on cancellation of shares	833	134
Deduct: Income received on issue of shares	(6)	(15)

Total distribution	2,529	4,175
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(b) Difference between net revenue and distribution:

Net revenue after taxation	2,529	4,161
Net revenue received on share class conversions	-	14
Total distribution for the year	2,529	4,175

Details of the distribution in pence per share for this Fund are set out in the table on page 233.

Templeton Growth Fund

Notes to the Financial Statements (continued)

	March 2020 £000	March 2019 £000
6. Debtors		
Sales awaiting settlement	501	42
Accrued income	92	756
Overseas tax recoverable	75	137
Other debtors	74	-
Amounts receivable for issue of shares	<u>2</u>	<u>5</u>
	744	940
7. Other creditors		
Purchases awaiting settlement	1,453	-
Accrued expenses	43	201
Amounts payable on cancellation of shares	27	66
Provision for uncertain tax position	<u>-</u>	<u>685</u>
	1,523	952

8. Related parties

During the year, Franklin Templeton Fund Management Limited ("ACD"), a related party, acted primarily in all transactions of the Funds. The aggregate amounts received through issues and cancellations are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

Amounts charged by the ACD and associates of the ACD in respect of the management and administration fees are disclosed in Note 3.

The amounts due to the ACD and associates of the ACD in respect of management and administration fees at 31 March 2020 are £27,000 (£175,000 as at 31 March 2019).

During the year the Fund received £nil (£nil for the year to 31 March 2019) in reimbursed expenses from the ACD.

As at 31 March 2020 the Fund was due reimbursed expenses of £nil (£1,000 as at 31 March 2019) from the ACD.

9. Risk management policies and disclosures

The risks inherent in the Fund's investment portfolio are as follows:

Market Risk

Please refer to the accounting policies note for details on market risk exposure.

Templeton Growth Fund

Notes to the Financial Statements (continued)

9. Risk management policies and disclosures (continued)

Currency Risk

An analysis of monetary assets and liabilities (including equity investments), in foreign currencies at the year end is shown below.

Currency	Net foreign currency assets and (liabilities) 31 March 2020	Net foreign currency assets and (liabilities) 31 March 2019
	Total £000	Total £000
US Dollar	11,225	72,904
Japanese yen	4,872	23,389
Euro	3,793	59,674
Hong Kong dollar	1,988	14,121
Swiss franc	1,046	11,499
South Korean won	660	4,919
Chinese yuan	559	-
Canadian dollar	538	-
Thai baht	117	2,139
Danish krone	12	5,398
Singapore dollar	-	3,060
Norwegian krone	-	2,230
	24,810	199,333

With reference to the foreign currency assets and liabilities table above, any movement in exchange rates would lead to a corresponding change in the value of the assets.

Interest rate risk

The Fund does not invest in either fixed or floating rate securities and interest rate risk exposure is restricted to interest receivable on bank deposits or payable on bank overdraft positions which will be affected by fluctuations in interest rates.

Other price risk

At the year end date, 95.08% (2019: 96.82%) of the net assets of the Fund were invested in ordinary shares or stock units admitted to an official stock exchange. If the market value were to change by 10% (2019: 10%), the value of the Fund would change by 9.51% (2019: 9.68%).

There is no material difference between the value of the financial assets and liabilities, as shown in the Balance sheet, and their fair values.

10. Portfolio Transaction Costs

	2020			2019		
	Purchases £000	% Of Purchases	% of Average Net Asset Value	Purchases £000	% Of Purchases	% of Average Net Asset Value
Equity purchases in the year before transaction costs	35,168			109,675		
Commissions	15	0.04	0.02	41	0.04	0.02
Taxes	22	0.06	0.03	86	0.08	0.03
Other	2	0.01	-	1	-	-
Total Equity purchases in the year after direct transaction costs	35,207			109,803		

Templeton Growth Fund

Notes to the Financial Statements (continued)

10. Portfolio Transaction Costs (continued)

	2020			2019		
	Sales £000	% Of Sales	% of Average Net Asset Value	Sales £000	% Of Sales	% of Average Net Asset Value
Equity sales in the year before transaction costs	72,256			124,829		
Commissions	(26)	(0.04)	(0.04)	(45)	(0.04)	(0.02)
Taxes	(16)	(0.02)	(0.02)	(8)	(0.01)	-
Other	(2)	-	-	(2)	-	-
Total Equity sales in the year after direct transaction costs	72,212			124,774		

In pursuance of its investments objectives the Fund incurs commissions, taxes and other charges when buying and selling investment securities. Share dealing generally incurs broker commission and stamp Duty and these are paid by the Fund on each transaction where appropriate.

In addition there is a dealing spread between the buying and selling prices of the underlying investments. The average dealing spread which is the difference between the quoted bid and offer prices or internal administrative or holding costs, are not included in the calculation of Direct Transaction Costs. As at 31 March 2020, the average dealing spread for the underlying Fund investments is 0.09% (2019: 0.06%).

Comparing portfolio transaction costs for a range of funds may give misleading impression of the relative costs of investing in those funds for the following reasons:

- Historic transaction costs are not an effective indicator of the future impact on performance as it may vary from year to year depending on the investment manager;
- Transaction costs for buying and selling investments due to shareholder activity on the fund are recovered from those investors; and
- Transaction costs will vary depending on the types of securities the fund is investing.

11. Creations and Cancellations of Shares

	A–Income shares	A–Accumulation shares	I–Accumulation shares	W–Accumulation shares	Z–Accumulation shares
Opening shares	184,632	905,194	5,427,054	7,094,173	2,969,867
Creations	605	19,256	3,198	154,090	17,355
Cancellations	(27,417)	(60,769)	(5,430,252)	(910,332)	(180,941)
Conversions	-	(15,191)	-	43,352	29,809
Total closing shares	157,820	848,490	-	6,381,283	2,836,090

Templeton Growth Fund

Notes to the Financial Statements (continued)

12. Fair Value Disclosure

In accordance with FRS 102 the Fund classifies fair value measurement under the following levels:

Level 1

Unadjusted quoted market prices in active markets for identical securities.

Level 2

Investments (other than quoted prices included within Level 1) whose fair value is based directly on observable current market prices or is indirectly being derived from market prices; and

Level 3

Investments whose fair value is determined using a valuation technique based on assumptions that are not supported by observable current market prices or are not based on observable market data such as security in default or securities valued by Franklin Templeton Fair Valuation Committee.

Fair Value Hierarchy	Assets 31 March 2020 £000	Liabilities 31 March 2020 £000	Assets 31 March 2019 £000	Liabilities 31 March 2019 £000
Level 1	27,118	-	224,730	-
Level 2	-	-	-	-
Level 3	-	-	-	-
Total	27,118	-	224,730	-

Templeton Growth Fund

Distribution Statement

For the period 1 April 2019 to 30 September 2019

Group 1 – Shares purchased prior to 1 April 2019

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

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

For the period 1 October 2019 to 31 March 2020

Group 1 - Shares purchased prior to 1 October 2019

Group 2 - Shares purchased in the period 1 October 2019 to 31 March 2020

	Net Income p	Equalisation p	31 March 2020 Pence per Share p	31 March 2019 Pence per Share p
A - Income shares				
Group 1	16.5126	-	16.5126	2.9515
Group 2	15.7319	0.7807	16.5126	2.9515
A - Accumulation shares				
Group 1	25.6220	-	25.6220	4.4920
Group 2	23.4574	2.1646	25.6220	4.4920
I - Accumulation shares				
Group 1	n/a	-	n/a	30.2185
Group 2	n/a	n/a	n/a	30.2185
W - Accumulation shares				
Group 1	6.2650	-	6.2650	1.9678
Group 2	3.3513	2.9137	6.2650	1.9678
Z Accumulation shares				
Group 1	5.9364	-	5.9364	1.6703
Group 2	5.2655	0.6709	5.9364	1.6703

Equalisation

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

Further Information

Investment objectives and policy

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

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

The Funds established by the Company are Franklin Absolute Return Bond Fund, Franklin Mutual Shares Fund (no longer available for investment), Franklin Sterling Corporate Bond Fund, Franklin UK Equity Income Fund, Franklin UK Gilt Fund, Franklin UK Managers' Focus Fund, Franklin UK Mid Cap Fund, Franklin UK Opportunities Fund, Franklin UK Rising Dividends Fund, Franklin UK Smaller Companies Fund, Franklin US Opportunities Fund, Templeton Global Emerging Markets Fund, Templeton Global Total Return Bond Fund and Templeton Growth Fund.

Franklin Absolute Return Bond Fund

Investment Objective: The Fund seeks a positive return (through a combination of income and capital growth) each calendar year. In addition, over a three to five-year period, the Fund aims to outperform the London Interbank Offered Rate (LIBOR) 3 Month (GBP) Index by 2% after all fees and costs are deducted.

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

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

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

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

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

The Fund uses derivatives with the aim of growing capital, providing cost-effective access to different types of investment, reducing short term changes in value or risk and preserving capital and to increase the efficiency of managing the portfolio. The types of derivatives used include but are not limited to: options, futures, forward currency contracts, credit default swaps, interest rate swaps, total return swaps and contracts for difference. The Fund may take long and short positions in currencies, debt related markets, securities, groups of securities and indices through derivative and forward currency contracts.

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

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

The Fund may also invest in

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

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

How we measure performance

- We measure performance and price shares in the Fund in UK sterling.
- The Fund's performance target is the London Interbank Offered Rate (LIBOR) 3 Month (GBP) Index plus 2% (The London Interbank Offered Rate (LIBOR) 3 Month (GBP) reflects the rate of return investors could typically expect from money markets. The Fund seeks to outperform this rate by 2% over a three to five-year period after allowing for management fees).

The base currency of the Fund is UK sterling.

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

Further Information (continued)

Investment objectives and policy (continued)

Franklin Mutual Shares Fund (no longer available for investment)

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

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

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

(a) Undervalued equities—common and preferred stock, and securities convertible into common or preferred stock, trading at a discount to intrinsic value;

to a lesser extent, the Fund also invests in:

(b) Merger arbitrage and companies undergoing restructuring – equity and debt securities of companies that are involved in restructurings such as mergers, acquisitions, consolidations, liquidations, spin-offs, or tender or exchange offers; and

(c) Distressed securities – debt securities of companies that are, or are about to be, involved in reorganisations, financial restructurings or bankruptcy.

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

The Investment Adviser employs a research-driven fundamental value strategy for the Fund. In choosing equity investments, the Investment Adviser focuses on the market price of a company's securities relative to the Investment Adviser's own evaluation of the company's asset value, including an analysis of book value, cash flow potential, long term earnings, and multiples of earnings of comparable securities of both public and private companies. Value stock prices are considered "cheap" relative to the company's perceived value and are often out of favour with other investors. The prices of debt obligations of distressed companies also may be "cheap" relative to the value of the company's assets. The Fund invests in such securities if the Investment Adviser believes the market may have over-reacted to adverse developments or failed to appreciate positive changes. The Investment Adviser examines each investment separately and there are no set criteria as to specific value parameters, asset size, earnings or industry type. A portion of the assets of the Fund, which will generally be not more than 20% of its net asset value, may be invested in the securities of non-US issuers, including issuers in emerging markets.

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

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

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

How we measure performance

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

The base currency of the Fund is UK sterling.

Franklin Sterling Corporate Bond Fund

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

The Fund invests at least two thirds (but typically significantly more) in corporate bonds (a type of debt obligation issued by a company) denominated in sterling.

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

Further Information (continued)

Investment objectives and policy (continued)

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

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

How we measure performance.

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

The base currency of the Fund is UK sterling.

Franklin UK Equity Income Fund

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

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

Typically, the number of holdings in the Fund will vary between 40 to 60 company shares and most of these will be the shares of large (such as those making up the FTSE 100 Index) companies.

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

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

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

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

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

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

How we measure performance.

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

The base currency of the Fund is UK sterling.

Franklin UK Gilt Fund

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

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

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

All the investments will be in investment grade securities, (bonds that have been rated by independent agencies as high quality). In addition, the Fund's managers make their own assessment of bonds to determine whether they believe investors will be adequately rewarded for any risk taken.

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

Further Information (continued)

Investment objectives and policy (continued)

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

How we measure performance.

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

The base currency of the Fund is UK sterling.

Franklin UK Managers' Focus Fund

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

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

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

- 10-20 large companies (such as those making up the FTSE 100 Index)
- 10-20 medium sized companies (such as those making up the FTSE 250 Index)
- 20 smaller companies (such as those making up the Numis Smaller Companies ex- Investment Trusts Index or the Alternative Investment Market (AIM))

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

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

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

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

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

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

How we measure performance.

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

The base currency of the Fund is UK sterling.

Franklin UK Mid Cap Fund

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

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

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

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

Further Information (continued)

Investment objectives and policy (continued)

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

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

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

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

How we measure performance

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

The base currency of the Fund is UK sterling.

Franklin UK Opportunities Fund

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

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

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

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

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

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

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

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

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

How we measure performance.

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

The base currency of the Fund is UK sterling.

Franklin UK Rising Dividends Fund

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

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

Further Information (continued)

Investment objectives and policy (continued)

have grown their dividend in at least 8 of the past 10 years and not reduced the dividend during that period. Typically, most of these investments will be in the shares of large or medium sized companies (such as those making up the FTSE 350 Index).

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

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

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

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

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

How we measure performance

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

The base currency of the Fund is UK sterling.

Franklin UK Smaller Companies Fund

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

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

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

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

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

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

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

How we measure performance

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

The base currency of the Fund is UK sterling.

Franklin US Opportunities Fund

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

Further Information (continued)

Investment objectives and policy (continued)

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

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

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

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

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

How we measure performance

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

The base currency of the Fund is UK sterling.

Templeton Global Emerging Markets Fund

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

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

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

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

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

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

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

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

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

How we measure performance

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

The base currency of the Fund is UK sterling.

Further Information (continued)

Investment objectives and policy (continued)

Templeton Global Total Return Bond Fund

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

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

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

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

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

To a lesser extent the Fund may also invest in:

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

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

How we measure performance.

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

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

The base currency of the Fund is UK sterling.

Templeton Growth Fund

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

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

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

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

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

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

How we measure performance

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

Further Information (continued)

Investment objectives and policy (continued)

The base currency of the Fund is UK sterling.

Accounting reference and other dates

Subject to the FCA Rules, the accounting reference dates, interim accounting reference dates, distribution pay dates, grouping periods and dates of publication of annual and interim reports of each of the Funds are as follows:

Accounting Reference Date (i.e. the financial year end) and Interim Accounting Period: 31 March and 1 April to 30 September.

Publication of Annual and Interim Reports: by 31 July and 30 November.

Distribution pay dates*

	31 May	31 August	30 November	28 February**
Franklin Absolute Return Bond Fund	X		X	
Franklin Mutual Shares Fund***	X		X	
Franklin Sterling Corporate Bond Fund	X	X	X	X
Franklin UK Equity Income Fund	X	X	X	X
Franklin UK Gilt Fund	X	X	X	X
Franklin UK Managers' Focus Fund	X		X	
Franklin UK Mid Cap Fund	X		X	
Franklin UK Opportunities Fund	X		X	
Franklin UK Rising Dividends Fund	X	X	X	X
Franklin UK Smaller Companies Fund	X		X	
Franklin US Opportunities Fund	X			
Templeton Global Emerging Markets Fund	X			
Templeton Global Total Return Bond Fund	X	X	X	X
Templeton Growth Fund	X		X	

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

** 29 February in a leap year.

*** No longer available for investment closed to investors 31 January 2020.

Shares

Shares are available in the Funds as follows:

Fund	Class	
Franklin Absolute Return Bond Fund	W	Accumulation
Franklin Sterling Corporate Bond Fund	W	Accumulation and Income
Franklin UK Equity Income Fund	A	Net Accumulation and Net Income
	W	Net Accumulation and Net Income
	Z	Net Accumulation and Net Income
Franklin UK Gilt Fund	W	Accumulation and Income
Franklin UK Managers' Focus Fund	A	Net Accumulation
	S	Net Accumulation
	W	Net Accumulation and Net Income
	Z	Net Accumulation
Franklin UK Mid Cap Fund	A	Net Income
	S	Net Accumulation and Net Income
	W	Net Accumulation and Net Income
	Z	Net Accumulation
Franklin UK Opportunities Fund	A	Net Income
	W	Net Accumulation and Net Income
	Z	Net Accumulation and Net Income
Franklin UK Rising Dividends Fund	A	Net Income
	W	Net Accumulation and Net Income
	Z	Net Accumulation and Net Income

Further Information (continued)

Shares (continued)

Fund	Class	
Franklin UK Smaller Companies Fund	A	Net Income
	W	Net Accumulation and Net Income
	Z	Net Accumulation
Franklin US Opportunities Fund	A	Net Accumulation
	W	Net Accumulation
	Z	Net Accumulation
Templeton Global Emerging Markets Fund	A	Net Accumulation
	W	Net Accumulation
	Z	Net Accumulation
Templeton Global Total Return Bond Fund	A	Accumulation and Income
	A-H3	Accumulation and Income
	W	Accumulation and Income
	W-H3	Accumulation and Income
	Z	Accumulation
	Z-H3	Income
Templeton Growth Fund	A	Net Accumulation and Net Income
	W	Net Accumulation
	Z	Net Accumulation

A net Income Share is a Share in respect of which net income is to be distributed in accordance with its share in the property of the relevant Fund. Cash distributions of income are made in respect of Net Income Shares.

A Net Accumulation Share is a Share in respect of which the net income allocated after the date of issue thereof is to be accumulated in the proportion of the value of the property of the relevant Fund as may from time to time apply thereto. Where net Accumulation Shares are in issue, no cash distributions are made and no additional Shares are issued. Instead, the income available for distribution is re-invested and the re-investment reflected in the price of the Net Accumulation Share.

A Shares have low "entry levels" for investment and simple charges.. S Shares and W Shares have higher "entry levels" and are not available to retail investors.

Charges

The ACD's periodic remuneration

The ACD is entitled to receive out of the scheme property of each Fund for its own account, monthly on the last Business Day of each month or as soon as possible thereafter, the amount of the annual management charge accrued to it during that month. Under current VAT legislation, no VAT is payable on the ACD's remuneration. This annual management charge is calculated daily based on the assets of each Fund at the pricing valuation point of 12.00 noon UK time.

The table below summarises the rates of the ACD's annual management charge for each of the Funds.

Fund	A Shares (per annum)	S Shares (per annum)	W Shares (per annum)	Z Shares (per annum)	Charge Taken from Income or Capital
Franklin Absolute Return Bond Fund	N/A	N/A	0.35%	N/A	Income
Franklin Mutual Shares Fund***	1.50%	N/A	0.75%	0.95%	Income
Franklin Sterling Corporate Bond Fund	N/A	N/A	0.35%	N/A	Capital
Franklin UK Equity Income Fund	0.90%	N/A	0.45%	0.60%	Capital
Franklin UK Gilt Fund	N/A	N/A	0.25%	N/A	Capital
Franklin UK Managers' Focus Fund	1.50%	0.55%	0.75%	0.95%	Income
Franklin UK Mid Cap Fund	1.50%	0.55%	0.75%	0.95%	Income
Franklin UK Opportunities Fund	0.90%	N/A	0.45%	0.60%	Income
Franklin UK Rising Dividends Fund	0.90%	N/A	0.45%	0.60%	Capital
Franklin UK Smaller Companies Fund	1.50%	N/A	0.75%	0.95%	Income
Franklin US Opportunities Fund	1.50%	N/A	0.75%	0.95%	Income
Templeton Global Emerging Markets Fund	1.50%	N/A	1.00%	1.10%	Income
Templeton Global Total Return Bond Fund	1.20%	N/A	0.65%	0.85%	Income
Templeton Growth Fund	1.50%	N/A	0.75%	0.95%	Income

*** No longer available for investment closed to investors 31 January 2020.

Further Information (continued)

Charges (continued)

The ACD's periodic remuneration (continued)

Such periodic remuneration is taken in each case at the rate of one-twelfth thereof each month. These rates are calculated by reference to the Net Asset Value of a Fund referable to the A Shares, I Shares, S Shares, W Shares and Z Shares respectively.

The ACD is entitled to receive a monthly administration charge out of property of each Fund to be calculated, accrued and payable in the same manner and at the same time as the ACD's annual management charge.

The current administration charge in respect of all Class A, Class I, Class S, Class W and Class Z Shares is 0.05% per annum (plus any VAT or any equivalent tax thereon), and the maximum permitted administration charge in the case of all Funds is 0.10% per annum (plus any VAT or any equivalent tax thereon).

Any increase of the ACD's annual management charge may be made by the ACD, if it is deemed by the ACD to be a significant rather than a fundamental change (as set out in the provisions of the FCA Rules) only after:

- (a) giving 60 days' written notice to all Shareholders; or
- (b) the ACD revises the prospectus to reflect the proposed increase.

If such a change is deemed fundamental it will require the approval of the Shareholders.

Additional Information

Full written details of the terms of Franklin Templeton Funds are contained in the Prospectus, Instrument of Incorporation and Key Investor Information Documents, copies of which are available free of charge from:

Franklin Templeton Investments
Cannon Place
78 Cannon Street
London, EC4N 6HL
United Kingdom

Client Dealer Services

Freephone:	0800 305 306
Telephone:	+44 (0)20 7073 8690
Fax:	+44 (0)20 7839 8701

Note for Investors

The value of shares and the income therefrom may go down as well as up and is not guaranteed. Past performance is not necessarily a guide to future performance.

In particular, some investments held may be designated in currencies other than Sterling and so may rise and fall purely on account of exchange rate fluctuations.

Investors should be aware of the risks associated with this type of investment and should take a medium to long-term view of returns.

Emerging markets can be riskier than developed markets.

