



FRANKLIN TEMPLETON
INVESTMENTS

FRANKLIN TEMPLETON PORTFOLIO ADVISORS, INC.

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INVESTMENT ADVISER REGISTRATION FORM ADV PART 2A: FIRM BROCHURE

This brochure provides information about the qualifications and business practices of Franklin Templeton Portfolio Advisors, Inc. If you have any questions about the contents of this brochure, please contact FTPA Account Services at (800) 822-8464 (option 2) or via email at FTPAServices@franklintempleton.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Franklin Templeton Portfolio Advisors, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

ANY REFERENCE TO FRANKLIN TEMPLETON PORTFOLIO ADVISORS, INC. AS BEING A REGISTERED INVESTMENT ADVISER DOES NOT IMPLY A CERTAIN LEVEL OF SKILL OR TRAINING.

Item 2 Material Changes

Material changes made on or after the date of the last annual update of the Adviser's brochure on September 30, 2017 are summarized below:

Item 4: Advisory Business – Updated the Adviser's assets under management.

Item 5: Fees and Compensation – Updated standard fee schedule for separate accounts.

Item 6: Performance-Based Fees and Side-By-Side Management – Updated the types of fee arrangements the Adviser enters into.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss – Updated disclosure regarding risk factors.

Item 12: Brokerage Practices – Updated disclosure regarding client commission sharing arrangements.

Item 15: Custody – Clarified disclosure of when the Adviser may be deemed to have custody.

Clients may request a copy of the current version of our brochure at no cost by contacting FTPA Account Services at (800) 822-8464 (option 2) or via email at **FTPAServices@franklintempleton.com**.

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Item 4 Advisory Business

INTRODUCTION TO FRANKLIN TEMPLETON PORTFOLIO ADVISORS, INC.

Franklin Templeton Portfolio Advisors, Inc. (the “Adviser”), is a California corporation formed on February 23, 1978 and based in San Mateo, California. The Adviser is a wholly-owned subsidiary of Franklin Resources, Inc. (“Franklin Resources”), a holding company that, together with its various subsidiaries, is referred to as Franklin Templeton Investments® (“FTI”), a global investment management organization offering investment services under the Franklin®, Templeton®, Franklin Mutual Series®, Franklin Bissett®, Fiduciary Trust™, Darby®, Balanced Equity Management®, K2®, LibertyShares® and Edinburgh Partners™ brand names among others. Franklin Templeton Investments, through current and predecessor subsidiaries, has been engaged in the investment management and related services business since 1947.

The common stock of Franklin Resources is traded on the New York Stock Exchange (“NYSE”) under the ticker symbol “BEN,” and is included in the Standard & Poor’s 500 Index.

ADVISORY SERVICES

The Adviser provides investment advisory services to a number of individual and institutional separate account clients and in connection with third-party separately managed accounts (“SMAs”), unified managed accounts (“UMAs”) or other “wrap fee” programs (collectively, “SMA Programs”). Where FTI participates in U.S.-based SMA Programs, the Adviser serves as the contracting adviser. The Adviser may provide investment advisory services directly to clients and sponsors of SMA Programs (“Sponsors”). Additionally, with respect to certain investment mandates, the Adviser from time to time hires one or more of its affiliated advisers to serve as sub-advisers in such SMA Programs. The Adviser provides continuous and regular supervisory services for any accounts for which it has delegated management services to an affiliated adviser. The SMA and UMA programs in which the Adviser and its affiliated sub-advisers currently participate are identified under Item 5 of the Adviser’s Form ADV, Part 1A.

The Adviser and its affiliated sub-advisers provide investment management services under agreements in effect governing each of the accounts that it manages (“Accounts”). Investment management services include services to Accounts with full investment discretion, and may also include services to Accounts with no investment discretion. Accounts for which the Adviser and its affiliated sub-advisers do not have investment discretion may or may not include the authority to trade for the Account. The management fee on an Account varies with the types of services provided for the Account, among other things.

With respect to the Accounts for which the Adviser and its affiliated sub-advisers provide discretionary investment management services, the portfolio managers will perform investment research and determine which securities the Accounts will purchase, hold or sell. In addition, the portfolio managers may take all appropriate steps to implement such decisions, including arranging for the selection of broker-dealers and the execution and settlement of trades in accordance with detailed criteria set forth in the management agreement for each Account, internal policies, the policies of an SMA Program Sponsor, where applicable, commercial practice, and applicable law.

Individual and Institutional Separate Accounts

An individual or institutional separate account client typically consults with the Adviser at the outset of the adviser-client relationship to establish customized investment guidelines applicable to the Adviser’s management of the Account, and such guidelines may vary significantly among Accounts with the same investment objective.

The Adviser offers equity, fixed-income and balanced advice to individuals and institutions. With respect to fixed income securities, the Adviser provides investment advisory services directly through its Franklin Separately Managed Accounts operating division. The Adviser first assesses the appropriate maturity and duration structure under current market conditions, then performs market research and credit analysis and evaluates the differences in creditworthiness, liquidity and value among similar securities. With respect to equity securities, the Adviser’s affiliated advisers use a “bottom-up” approach, which includes analysis of a company’s balance sheet, revenues, cash flow and long-term prospects as well as general industry sectors and economic trends. The above security selection and analysis processes are performed in accordance with the stated

investment objectives and guidelines of the client. Clients are typically provided with Account performance statements on a quarterly basis, unless otherwise agreed.

Prior to accepting a client's funds for investment, the Adviser will review the client's investment objectives and other information obtained from the client that provides Adviser and its affiliated sub-advisers with direction and a framework within which to manage the Account. The Adviser and its affiliated sub-advisers supervise and direct the investment of the assets under their management, subject to such limitations as the client may impose by written notice.

Please see Item 16 ("Investment Discretion") for details of the circumstances in which clients may place limitations on the Adviser's discretionary authority.

SMA Programs

The Adviser and its affiliated sub-advisers may require a minimum Account size for their investment strategies, which may vary among SMA Programs. In most SMA Programs, the Sponsor is responsible for establishing the financial circumstances, investment objectives and investment restrictions applicable to each client, often through a client questionnaire or profile and discussions between the client and the Sponsor's personnel, including executing a SMA Program contract with the Sponsor. The Adviser and its affiliated sub-advisers will undertake to provide advice pursuant to the terms of an investment management agreement executed with the Sponsor.

In some SMA Programs (often referred to as "Dual Contract SMA Programs"), clients also may be required to execute a separate agreement directly with the Adviser or the Adviser may be made a party to the client/Sponsor agreement. The client's program agreement with the Sponsor generally establishes the services to be provided to the client by or on behalf of the Sponsor, which may include, among other things: (i) manager selection; (ii) trade execution for transactions executed through the Sponsor, often without a transaction-specific commission or charge; (iii) custodial services; (iv) periodic monitoring of investment managers; and (v) performance reporting. Please see "Separately Managed Account Brokerage Transactions" section in Item 12 for further discussion.

Generally, the Sponsor charges the client a comprehensive or wrap fee calculated as a percentage of the value of the assets under management to cover such services. The wrap fee often, but not always, includes the advisory fees charged by the Adviser through the program. Where the services provided by the Adviser are included in the wrap fee, the Sponsor generally collects the wrap fee from the client and remits the advisory fee to the Adviser. In Dual Contract SMA Programs, the Adviser's fee typically is paid directly by the client pursuant to a separate agreement between the Adviser and the client. In SMA Programs typically known as Unified Managed Account programs, the Adviser receives a fee from the Sponsor for non-discretionary services provided to the Sponsor, rather than program clients. Where the Adviser hires an affiliated sub-adviser, the Adviser pays a portion of its fee to the affiliated sub-adviser, and clients are not charged any additional fees. Please see Item 5 ("Fees and Compensation") for further explanation.

An SMA Program client typically selects (in its program agreement) an investment strategy for the Adviser (or its affiliated sub-advisers) to utilize in connection with its management of the Account. SMA Program accounts following the same investment strategy typically hold to a large extent the same or similar securities. In addition, since the comprehensive or wrap fee covers trades executed through the Sponsor, the Adviser and its affiliated sub-advisers may frequently effect transactions for SMA Program accounts with the program's designated broker-dealer, whereas the Adviser and its affiliated sub-advisers usually effect equity transactions for institutional accounts with a variety of broker-dealers. Please see Item 12 ("Brokerage Practices") for more information.

The Adviser and its affiliated sub-advisers may also provide non-discretionary services, through UMA programs or otherwise, generally providing one or more "model" portfolios on an ongoing basis. The UMA Sponsor or an "overlay" manager, rather than the Adviser or its affiliated sub-advisers, makes discretionary investment decisions and executes trades on behalf of its underlying clients, and is the investment adviser and fiduciary for the accounts of such underlying clients. The Adviser does not individualize the model portfolio to the needs of any specific UMA Sponsor client or account type, and has no control over whether or how the UMA Sponsor chooses to use the model portfolio. To the extent consistent with applicable law, the Adviser does not treat a UMA Sponsor's underlying accounts or clients as the Adviser's own advisory clients. The assets under such UMA programs are included under the "Non-Discretionary" category below. The Adviser and

its affiliated sub-advisers have adopted policies and procedures designed to help ensure that any model portfolio is communicated to SMA Sponsors and/or clients on a timely basis so that trades can be executed for both the Adviser’s discretionary clients and by the UMA Sponsor for its clients in a fair manner. Please see “Separately Managed Account Brokerage Transactions” under Item 12 (“Brokerage Practices”) for more information.

Potential or actual conflicts of interest may arise in the allocation of investment opportunities among the Adviser’s Accounts. Some of these are discussed in more detail in Item 11 (“Code of Ethics, Participation or Interest in Client Transactions and Personal Trading”).

SERVICES OF AFFILIATES

Franklin Templeton Investments operates its investment management business through the Adviser, as well as through multiple affiliates of the Adviser, some of which are registered with non-U.S. regulatory authorities and some of which are registered with multiple regulatory authorities, including the SEC. The Adviser uses the services of appropriate personnel of one or more of its affiliates for investment advice, portfolio execution and trading, and client servicing in their local or regional markets or in their areas of special expertise, except to the extent restricted by the client under its investment management agreement, or inconsistent with applicable law. Arrangements among affiliates take a variety of forms, including delegation arrangements, formal sub-advisory and servicing agreements. In these circumstances, the client with whom the Adviser has executed the investment management agreement will typically require that the Adviser remains fully responsible for the Account from a legal and contractual perspective. No additional fees are charged for the affiliates’ services except as disclosed in the investment management agreement. Please see Item 10 (“Other Financial Industry Activities and Affiliations”) for more details.

ASSETS UNDER MANAGEMENT

The Adviser provides management services or continuous and regular supervisory services for the Accounts that it manages. As part of these overall services, the Adviser will typically provide one or more of the following: (i) management services as an adviser to an Account; (ii) management services as a sub-adviser to an affiliated adviser managing or supervising an Account; (iii) management services under delegated authority by an affiliated adviser; (iv) continuous and regular supervisory services for an Account where management services have been delegated by the Adviser to an affiliated adviser; (v) management services as a co-manager to an Account for which an affiliated adviser also provides management services; or (vi) non-discretionary management services, typically under a UMA or similar program. Assets under management described in this item may include all of these types of Accounts, and may include Accounts and assets that an affiliated adviser is also reporting on its Form ADV.

As of September 30, 2018, the Adviser managed the following amounts on a discretionary and non-discretionary basis:

	U.S. Dollar Amount
Discretionary	\$ 4,135,200,273
Non-Discretionary*	\$ 399,824,824
Total**	\$ 4,535,025,097

*Non-discretionary assets under management described in this item will reflect Account assets for which the Adviser has neither discretionary authority nor responsibility for arranging or effecting the purchase or sale of recommendations provided to and accepted by the client or Sponsor. Any Account assets for which the Adviser provides solely asset allocation recommendations without continuous and regular monitoring of holdings within the client’s portfolio are not included in this item.

**May differ from Regulatory Assets Under Management disclosed in Item 5.F of Adviser’s Form ADV Part 1A due to specific calculation instructions for Regulatory Assets Under Management.

Item 5 Fees and Compensation

ADVISORY FEES

Investment management fees are generally calculated under contractual arrangements with each Account as a percentage of the market value of assets under management. Annual rates vary by investment objective and type of services provided. Fee arrangements for separate accounts vary by client, and are based on a number of different factors, including investment mandate, services performed, and account/relationship size. To the extent permitted under the Investment Advisers Act of 1940 (the “Advisers Act”) and other applicable law, the Adviser may negotiate and charge performance fees, as well as asset based fees. In addition, fees may be fixed, fixed plus performance or performance only. Please refer to Item 6 (“Performance-Based Fees and Side-by-Side Management”) for additional discussion of performance-based fees.

The Adviser is not generally required to provide notice to, or obtain the consent of, one client when waiving, reducing or varying fees or modifying other contractual terms with any other client. However, some separate Account clients may from time to time seek to negotiate most favored nation (“MFN”) clauses in their investment management agreements with the Adviser. These clauses typically require the Adviser to notify a client with an MFN clause if the Adviser subsequently enters into an agreement with a comparable client that provides a more favorable fee rate or certain other contractual terms than those in place with the client who has an MFN clause at that time. Individual investors in certain funds may seek to negotiate similar MFN provisions as a condition of their investment. Once notified, the client can elect to either adopt or reject the more favorable terms or, usually when the MFN clause relates only to fees, may require that any more favorable fee terms be extended automatically to the client. The applicability of an MFN clause will typically depend on the degree of similarity between clients. The Adviser will consider a number of factors when determining similarity between Accounts, including the type of client, the scope of investment discretion, reporting and other servicing requirements, the amount of assets under management, the fee structure and the particular investment strategy selected by each client. The Adviser does not under normal circumstances apply an MFN clause negotiated with its own client to investment management agreements between the Adviser’s affiliates and their clients. The Adviser has sole discretion over whether or not to grant any MFN clause in all circumstances.

As discussed in more detail in Item 4 (“Advisory Services - SMA Programs”), the Adviser may participate as an investment manager in SMA Programs, including as a model provider in UMA programs sponsored by various Sponsors. The Sponsor’s program brochure generally contains information on minimum account sizes and fees payable to the Sponsor and participating investment managers and/or model providers, such as the Adviser. Accordingly, the Adviser’s minimum Account size and fees may vary from program to program or within a single program based on, among other things, the investment strategies offered by the Adviser. The Adviser’s fees for managing SMA Program accounts, or providing model portfolios in UMA, programs may be less than the fees it receives for managing similar Accounts outside of an SMA Program. However, SMA Program clients should be aware that the total fees and expenses associated with an SMA Program may exceed those which might be available if the services were acquired separately. SMA Program clients should contact their SMA Program Sponsor for more information on the fees payable to the Adviser in connection with such program.

With respect to the wrap fee programs, the Adviser receives an annualized fee from the wrap-fee Sponsors, typically paid quarterly, based on the value of the assets in the clients’ Accounts. With respect to UMA programs, the Adviser’s fee from the UMA Sponsor is based on the value of the assets in accounts managed by the UMA Sponsor utilizing the Adviser’s model portfolio(s).

From time to time, some SMA Sponsors may from time to time seek to negotiate MFN clauses in their agreements with the Adviser requiring the Adviser to notify the Sponsor if the Adviser subsequently enters into arrangement with another SMA Sponsor that offers more favorable pricing or other contractual terms than those currently offered through the MFN Sponsor’s SMA Program. As with MFN clients, such clauses may require notification or automatic extension of more favorable fee terms to the MFN Sponsor’s program, and will typically depend on the degree of similarity between the SMA Programs, such as the type of client, the scope of investment discretion, reporting and other servicing requirements, the amount of assets under management, the fee structure and the particular investment strategy.

FEES SCHEDULES

Generally, the Adviser's fee schedules for individual and institutional separate accounts are set out below (normally calculated as a percentage of the value of assets under management, and typically calculated monthly or quarterly, or as agreed with each client). Fees can vary from the fee schedules below and may be negotiated based upon factors that include, but are not limited to: (i) the amount and/or composition of the assets in the client's Account, (ii) the number of Accounts and/or total amount of assets that the client has with the Adviser and/or the program Sponsor, (iii) the range and extent of services provided to the client, and (iv) whether the client is an employee of the Adviser or the program Sponsor. Moreover, fees, minimum Account sizes and other Account requirements may vary as a result of prior policies and the date the relevant Account opened, or if Account assets are custodied at firms other than the Sponsor. The Adviser may, from time to time, agree to a lower effective rate for clients, or clients of certain financial advisors, that place large amounts of assets under the Adviser's management, or that agree to place specified levels of assets under the Adviser's management by specified future dates.

Types of Mandates	Standard Investment Advisory Fee ¹
Small Cap Growth ²	90 bps to 75 bps
World Balanced ³	75 bps to 55 bps
Global Equity ⁴ International Equity	75 bps to 30 bps
Intermediate Fixed Income	35 bps to 20 bps
Intermediate Municipal Fixed Limited Maturity Municipal Fixed	30 bps to 15 bps
Short Ladder Municipal Intermediate Ladder Municipal Long Ladder Municipal	17 bps to 13 bps

TIMING AND PAYMENT OF ADVISORY FEES

The timing of fee payments will be negotiated with each client or SMA Sponsor. Asset based fees generally are paid monthly or quarterly and are calculated on a percentage of the value of the Account's net assets.

The Adviser's investment management agreements with clients and Sponsors generally do not have termination dates. Rather, investment management agreements often include automatic renewal provisions, but the agreement may also include a provision stating that the Adviser or client may terminate with advance notice.

In some situations, clients may arrange to pay fees in advance. In the event of the termination of a relationship, unearned fees, if any, paid in advance will be refunded to the client. To the extent fees have been earned but not yet billed, such fees will be prorated and paid by the client upon termination.

The advisory agreements generally may be terminated at any time by either party by giving advance written notice of such termination to the other party. Management fees paid in advance will be prorated to the date of termination specified in the notice of termination, and any unearned

¹ Fees are generally calculated on a tiered fee schedule based on the level of assets in a separate account.

² Adviser's affiliate, Franklin Advisers, Inc., currently serves as sub-adviser with respect to the Small-Cap Growth mandate.

³ Adviser's affiliate, Templeton Investment Counsel, LLC, currently serves as sub-adviser with respect to the equity portion of World Balanced mandate.

⁴ Adviser's affiliate, Templeton Investment Counsel, LLC, currently serves as sub-adviser with respect to Global Equity and International Equity mandates.

portion of the fee will be refunded to the client. In certain cases, fees may continue to be paid after termination of the relationship in accordance with the investment management agreement.

Except as separately negotiated or as otherwise disclosed, fees are calculated in most cases as a percentage of assets under management and are payable monthly or quarterly in advance or in arrears (i.e. after the services are rendered) based on the month or quarter-end market value or on the average value for the fee period. Where the Adviser has agreed with a separate account client to calculate fees based on the value of assets at the end of a particular fee period, the Adviser will typically unless otherwise instructed prorate its fees to take into account capital contributions or withdrawals made by the client (with the exception of contributions or withdrawals below a threshold amount determined by the Adviser) during the relevant month or quarter.

Although separate account clients typically elect to pay fees by authorizing their custodian to pay the Adviser out of their account assets pursuant to a pre-agreed fee schedule, some clients request the Adviser to bill them directly for fees incurred. If the Adviser manages multiple Accounts for a client (or group of related clients), the assets of these Accounts may be aggregated for purposes of taking advantage of available breakpoint fee reductions.

OTHER FEES AND EXPENSES

In addition to the fees described above, clients of the Adviser typically bear other costs associated with investments or separate accounts including but not limited to: (i) custodial charges, brokerage fees, commissions and related costs; (ii) interest expenses; (iii) taxes, duties and other governmental charges; (iv) transfer and registration fees or similar expenses; (v) costs associated with foreign exchange transactions; (vi) other portfolio expenses; and (vii) costs, expenses and fees (including investment advisory and other fees charged by the investment advisers of funds in which the client invests) associated with products or services that may be necessary or incidental to such investments. With respect to such services (which may include, but are not limited to, custodial, securities lending, brokerage, futures, banking, consulting or third-party advisory services) each client will be required to establish business relationships with relevant service providers or other counterparties based on the client's own credit standing. The Adviser will not have any obligation to allow its credit to be used in connection with the establishment of such relationships, nor is it expected that such service providers or counterparties will consider or rely on the Adviser's credit in evaluating the client's creditworthiness. Clients will generally incur brokerage and other transaction costs. See Item 12 ("Brokerage Practices") for discussion on brokerage.

SMA Program clients are also subject to fees, expenses and charges in addition to the Sponsor's comprehensive or wrap fee (e.g., commissions on transactions executed by a broker-dealer other than the Sponsor or the program's designated broker-dealer(s), expenses with respect to investments in pooled vehicles, dealer mark-ups or mark-downs on principal transactions, and certain costs or charges imposed by the Sponsor or a third-party, such as odd-lot differentials, exchange fees and transfer taxes mandated by law).

The Adviser may, on behalf of certain clients, invest in pooled investment vehicles, including mutual funds and exchange traded funds. Subject to applicable law and regulation and the terms of their agreements, clients may bear the costs and expenses charged by these investment vehicles to their investors, such as management and administrative fees, in addition to the Adviser's management fees or any wrap fee under a SMA program. In some cases it may be appropriate for the Adviser to invest a portion of a client's separate account assets in funds for which the Adviser or its affiliate serves as investment adviser or sub-adviser ("Affiliated Funds"). This may be appropriate where, for example, the Affiliated Fund provides a more efficient and cost-effective way to diversify an account. Such arrangement may create a conflict of interest for the Adviser to the extent that it recommends investments in one of the Affiliated Funds rather than in unaffiliated mutual funds or other securities. The Adviser or its affiliates may receive investment advisory and other fees from the Affiliated Funds but not from unaffiliated mutual funds or other securities (although any investments in such securities would generally be subject to the advisory fees applicable to the securities). The Adviser seeks to mitigate any potential conflict by excluding any assets invested in Affiliated Funds from the management fee charged by the Adviser to the rest of the Account, unless otherwise agreed with a client (for example, where a client requests additional allocation services at the Account level) or disclosed to a client, subject to applicable law. Those assets are instead subject to the Affiliated Fund's fees and charges applicable to all investors in

such fund, as disclosed in the fund's current prospectus or other relevant document. As a result, the Adviser or its affiliates will indirectly receive advisory and other fees paid by those clients as investors of an Affiliated Fund. This and other conflicts are further discussed in Item 11 ("Code of Ethics, Participation or Interest in Client Transactions and Personal Trading").

Item 6 Performance-Based Fees and Side-By-Side Management

The Adviser manages different types of Accounts with a variety of fee arrangements. These are described in more detail under Item 5 ("Fees and Compensation") above. Some Accounts pay management fees based on a fixed percentage of assets under management, while others may have more varied fee structures.

Side-by-side management by the Adviser of Accounts creates potential conflicts of interest, including those associated with any differences in fee structures, as well as other economic interests the Adviser or its supervised persons may have in an Account managed by the Adviser.

If the Adviser receives performance-based fees or allocations for an Account, the search for strong investment returns can incentivize the Adviser to make investments that are riskier or more speculative than it would otherwise make. The prospect of achieving higher compensation from an Account with performance fees than from an asset based fee account may provide the Adviser with an incentive to favor the Account with performance-based fees when, for example, placing securities transactions that the Adviser believes could more likely result in favorable performance. Similarly, a significant proprietary investment held by the Adviser or an affiliate in an Account may create an incentive for the Adviser to favor that Account to the detriment of other Accounts.

The Adviser seeks to conduct its business by treating all clients equally and by appropriately managing conflicts of interest that may arise when conducting transactions involving multiple clients. The Adviser does this by disclosing potential conflicts to its clients and by implementing policies and procedures reasonably designed to address those conflicts. The Adviser has implemented a number of policies and procedures designed to address side-by-side management and the potential conflicts of interest that may arise when a portfolio manager or different portfolio managers within a single investment adviser or investment group manage multiple funds and investment accounts for advisory clients. Specific examples of situations that may create the potential for conflicts of interest are discussed below.

A potential conflict of interest can arise if the Adviser sells short a security in one Account while simultaneously arranging for another Account to hold the same security long. The Adviser may have a legitimate reason for engaging in such inconsistent transactions. For example, the investment objectives of the two Accounts may differ. Nonetheless, the Adviser could be viewed as harming the performance of the Account with the long position for the benefit of the Account with the short position if the short sale caused the market value of the security to drop. To mitigate this potential conflict of interest, the Adviser has implemented a Short Sale Policy to deny a short sale request in certain circumstances.

Cross trades are another area that may present potential conflicts of interest in that they may be viewed as favoring one client over another. For example, an adviser making a cross trade that is expected to increase in value from an Account with an asset based fee to an Account with a performance fee could be perceived as doing so merely to increase the performance-based compensation it receives. The reverse is true with respect to securities expected to decrease in value. The Adviser has implemented inter-account transaction procedures to address these potential conflicts of interest by, among other things, requiring pre-clearance of all cross-trades.

Advisers may have a different valuation process for the accounts they or their affiliates advise. Consequently, two investment accounts that hold the same security may value that security differently. Different valuations of the same security could lead to questions about whether an adviser acted appropriately. For example, an adviser could be perceived as placing a higher valuation on a security held in an investment account merely to increase its performance-based compensation from that account. To address this conflict, the Adviser must document an explanation for any differences in the valuation of securities held by, for example, both a fund and an investment account managed by the Adviser and/or its affiliates. The explanation provided must

be reviewed and approved by a valuation committee formed to provide oversight and administration of the fair valuation and liquidity policies and procedures adopted by the Adviser.

Aggregation and allocation of transactions may create conflicts of interest for the Adviser. The Adviser may aggregate orders of its clients to effect a larger transaction with the aim of reducing transaction costs. The Adviser must then allocate the securities among the participating Accounts. Although aggregation of transactions is permissible, potential conflicts of interest exist in the aggregation and allocation of client transactions. For example, an adviser could be viewed as allocating securities that it anticipates will increase in value to certain favored clients, especially those that pay a performance-based fee to that adviser. Similarly, if a portfolio manager identifies a limited investment opportunity that may be suitable for several funds or Accounts, a single fund or Account may not be able to take full advantage of that opportunity due to an allocation of that opportunity across all eligible funds and other Accounts.

The Adviser has implemented trade aggregation and allocation procedures designed to address these potential conflicts of interest. These procedures require that an average price be used for multiple executions of a particular security through the same broker on the same terms on the same day and describe the allocation methodologies to be applied as well as permissible exceptions from standard allocation methods that must be pre-approved by a designated trading desk compliance officer. Please see Item 12 (“Brokerage Practices”) for further discussion of allocation of investment opportunities.

Item 7 Types of Clients

As discussed in Item 4 (“Advisory Business”), the Adviser’s investment management services and portfolio management services are offered to individuals and institutional investors through separate account management and discretionary and non-discretionary advisory programs. The Adviser’s minimum Account size for fixed income, balanced and equity (non-wrap fee) Accounts is generally \$1,000,000. In general, the minimum wrap fee Account size for municipal accounts is \$250,000; for taxable fixed income and equity accounts it is \$100,000. In some cases, Account minimums may be negotiated or waived at the Adviser’s discretion.

SEPARATELY MANAGED ACCOUNTS

As discussed in Item 4 (“Advisory Services – Separately Managed Accounts”), the Adviser participates as an investment manager in SMA Programs sponsored by various firms.

INSTITUTIONAL SEPARATE ACCOUNTS

The Adviser generally provides investment management services to institutional separate account clients in accordance with the investment guidelines and restrictions that are agreed to between the client and Adviser in the investment management agreement, which may be amended from time to time when mutually agreed in writing.

Each client’s guidelines are tailored to reflect their particular investment needs. The Adviser provides a broad array of investment management services to institutional clients, which may include, from time to time, corporations, charitable foundations, endowment funds and government and corporate defined contribution and pension plans.

Use and Provision of Client Information and Confidentiality Clauses in Investment Management Agreements

The Adviser may include a separate account client’s name in a representative or sample client list prepared by the Adviser with the client’s consent.

The Adviser is not generally required to provide notice to, or obtain the consent of, any client for use or disclosure of Account information to third parties, provided such use does not disclose the client’s name or other personal information. This may include information relating to the Adviser’s investment experience with respect to an Account or an Account’s performance, composite and representative Account performance presentations, marketing materials, attribution and research analyses, statistical and data compilations, or similar materials.

In certain circumstances, the Adviser may disclose information to third parties that includes a client’s name, account number or other account information (including non-public information) if

this is required (i) in connection with the performance of its services under the respective investment management agreement (including, but not limited to, providing trading and other account information to brokers and third-party administrators, and the preparation and printing of client account statements and reports by third parties), or (ii) by law or regulatory authority, including but not limited to any subpoena, administrative, regulatory or judicial demand or court order, or (iii) by the bylaws or equivalent governing documents of any issuer in which the Account is invested. While the Adviser is not generally required to provide notice or obtain consent in these situations, certain clients may request advance notice of a regulatory request, to the extent permitted by applicable law or regulation.

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

The investment strategies that the Adviser offers accommodate a variety of investment goals, and risk tolerance. In seeking to achieve such objectives, each portfolio emphasizes different strategies and invests in different types of securities. The Adviser does not typically seek to recommend a particular type of security to individual clients.

Portfolios seeking income generally focus on one or more of the following securities: taxable and tax-exempt money market instruments; tax-exempt municipal bonds; and fixed-income debt securities of corporations, of the U.S. government and its sponsored agencies and instrumentalities, such as the Government National Mortgage Association, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation, or of the various states in the United States.

Equity investment strategies (offered through the Adviser's affiliated sub-advisers) may include some that are considered value-oriented, others that are considered growth-oriented, and some that use a combination of growth and value characteristics, generally identified as blend or core products. Value investing focuses on identifying companies that the research analysts and portfolio managers believe are undervalued based on a number of different factors, usually put in the context of historical ratios such as price-to-earnings or price-to-book value; however, the portfolio managers also consider the future earnings potential of each individual company on a multi-year basis. Growth investing focuses on identifying companies that the research analysts and portfolio managers believe have sustainable growth characteristics, meeting criteria for sustainable growth potential, quality and valuation. In this effort, the key variables the portfolio managers examine include: market opportunity (overall size and growth); competitive positioning of the company; assessment of management (strength, breadth, depth and integrity) and execution of plans; and the general financial strength and profitability of the enterprise, to determine whether the growth and quality aspects are properly reflected in the current share price. Paramount to all of the different equity strategies is the incorporation of independent, fundamental research through a collaborative in-house group of investment professionals. The sub-advisers' approach, across the variety of equity strategies, emphasizes bottom-up stock selection within a disciplined portfolio construction process, and is complemented by an ongoing assessment of risk at both the security and portfolio levels.

INVESTMENT STRATEGIES

Significant strategies offered by the Adviser include:

FIXED INCOME TAX-FREE MANDATES

Franklin Separately Managed Accounts, a division of the Adviser, offers tax-free fixed income mandates comprised primarily of high quality intermediate term municipal bonds. The Adviser seeks to offer investors with a high level of current tax-free income consistent with prudent investment management and capital preservation. Franklin Separately Managed Account conducts both top-down and bottom-up analysis to select bonds through a disciplined investment process while adhering to client specific goals and objectives. From a top-down standpoint, the Adviser incorporates the broad political and economic themes from the Franklin Fixed Income Policy Committee ("FIPC") affecting the fixed income markets to help optimize the portfolio building process. The Franklin Separately Managed Accounts municipal bond portfolio management team then reviews specific factors likely to affect the municipal bond market. From a bottom-up standpoint, credit analysis is performed by the members of Franklin Separately Managed Account's

municipal bond team in conjunction with the Franklin Templeton Fixed Income Group's municipal bond department. Based on these research results, managers construct portfolios that seek to maximize tax-free income while managing risk independent of interest rate movements. The Adviser does not manage portfolios in anticipation of interest rate movements. Rather, focus is on maximizing tax-exempt income by investing in high-quality intermediate maturity bonds where the Adviser believes the best balance of risk and reward exist. Once constructed, portfolios are then monitored on a periodic basis by the municipal bond team to ensure investments are consistent with investment guidelines and client restrictions.

FIXED INCOME TAXABLE MANDATES

Franklin Separately Managed Accounts' taxable mandates invest in high quality bonds, seeking to take advantage of relative valuation differences between sectors, issuers and individual bond issues, with the objective of producing a high level of current income and generating total return opportunities. In choosing investments, the intermediate fixed income team follows a disciplined, client-specific process that includes using proprietary, relative value analysis to make top-down allocation decisions among U.S. Treasury securities, U.S. agency securities and corporate bonds based on the guidance provided by the FIPC. Portfolio managers and analysts then perform bottom-up, fundamental research that emphasizes credit quality and liquidity. Portfolios are constructed targeting benchmark neutral duration seeking to add value primarily through sector allocation and security selection. Further, each Account is evaluated for risk tolerance, income and liquidity needs, maturity date and other restrictions.

EQUITY MANDATES

Through its affiliated sub-advisers, the Adviser offers a broad range of equity strategies that vary according to investment style, market capitalization and geography. The portfolio managers and analysts apply a disciplined, bottom-up approach to selecting stocks. Franklin Separately Managed Accounts offers certain mandates sub-advised by affiliated entities, and may leverage the investment management, trading and research resources of its affiliates, including members of the Franklin Equity Group.

Templeton Separately Managed Accounts, also a division of the Adviser, offers equity mandates sub-advised by affiliated entities, leveraging the investment management, trading, and research resources of the Templeton Global Equity Group. The objective of this group's equity strategies is to identify stocks it believes to be significantly undervalued in markets across the globe. The strategies are managed in accordance with Templeton Separately Managed Accounts' investment philosophy and approach, which are based on three tenets: value, patience, and bottom-up stock selection. Combining time-proven fundamental analysis with original research, the Adviser searches for companies that meet its criteria of quality and valuation. When choosing equity investments for the strategies, the investment manager applies a bottom-up, value-oriented, long-term approach, focusing on the market price of a company's securities relative to the evaluation of the company's long-term earnings, asset value and cash flow potential. Based on these research results, portfolio managers construct individual portfolios within established parameters for the mandate as well as for diversification. Portfolio managers continually review portfolios to assess sector and industry risk exposure in response to changing market conditions.

Templeton seeks to apply a sell discipline based on the valuation thresholds mentioned above. Stocks are generally sold if the current security price exceeds the analyst's estimation of full value, if significantly greater value exists in another similar security, or if a fundamental change occurs at a company to alter the analyst's forecasts. All holdings are regularly reviewed in an effort to ensure that analyst recommendations are up-to-date and accurately reflect any changes in company fundamentals. In this way, ongoing fundamental research drives all buy and sell decisions.

The highly disciplined selling strategy is designed to pursue capital appreciation opportunities. A stock may be sold when the price reaches an established target, the company's fundamentals deteriorate, the downside risk is greater than the upside potential or if the stock displays relative weakness versus its industry group or the overall market.

INVESTMENT RISKS

Particular investment strategies or investments in different types of securities or other investments involve specific risks that clients should be prepared to bear. The risks involved for different client

Accounts will vary based on each client's investment strategy and the type of securities or other investments held in the client's Account. The following are descriptions of a number of the material risks related to the significant investment strategies used by the Adviser. Not all possible risks are described below.

Market – The market value of securities or other investments managed by the Adviser will go up, and down, sometimes rapidly or unpredictably. A security's or other investments market value may be reduced by market activity or other results of supply and demand unrelated to the issuer. This is a basic risk associated with all securities. When there are more sellers than buyers, prices tend to fall. Likewise, when there are more buyers than sellers, prices tend to rise. The market value of securities may also go up or down due to factors that affect an individual issuer or particular sector. When markets perform well, there can be no assurance that securities or other investments will participate in or otherwise benefit from the advance.

Stock prices tend to go up and down more dramatically than those of debt securities. A slower-growth or recessionary economic environment could have an adverse effect on the prices of the various stocks held by a portfolio managed by the Adviser.

Equity Securities – Equity securities represent a proportionate share of the ownership of a company. Their value is based on the success of the company's business and the value of its assets, as well as general market conditions. The purchaser of an equity security typically receives an ownership interest in the company as well as certain voting rights. The owner of an equity security may participate in a company's success through the receipt of dividends, which are distributions of earnings by the company to its owners. Equity security owners may also participate in a company's success or lack of success through increases or decreases in the value of the company's shares.

Debt Securities - In general, a debt security represents a loan of money to the issuer by the purchaser of the security. A debt security typically has a fixed payment schedule that obligates the issuer to pay interest to the lender and to return the lender's money over a certain time period. Debt securities are all generally subject to interest rate, credit, income and prepayment risks and, like all investments, are subject to liquidity and market risks to varying degrees depending upon the specific terms and type of security. The Adviser attempts to reduce credit and market risk through diversification and ongoing credit analysis of each issuer, as well as by monitoring economic developments, but there can be no assurance that it will be successful at doing so.

Credit – An issuer of debt securities may fail to make interest payments and repay principal when due, in whole or in part. Changes in an issuer's financial strength, the market's perception of the issuer's financial strength or in an issuer's security's or a government's credit rating may affect a security's value. While some securities are backed by the full faith and credit of the U.S. government or other issuing government, guarantees of principal and interest do not apply to market values or yields. Substantial losses may be incurred on debt securities that are inaccurately perceived to present a different amount of credit risk by the market, the Adviser or the rating agencies than such securities actually do.

Prepayment – An issuer of debt securities may make unscheduled prepayments of principal, which means the holder of those debt securities loses anticipated interest. Prepayments generally increase when interest rates fall.

Interest Rate – When interest rates rise, debt security prices generally fall. The opposite is also generally true: debt security prices rise when interest rates fall. Interest rate changes on the whole are influenced by a number of factors including government policy, monetary policy, inflation expectations, perceptions of risk, and supply and demand of bonds. In general, securities with longer maturities are more sensitive to these interest rate changes.

Non-U.S. Securities – Investing in non-U.S. securities typically involves more risks than investing in U.S. securities, and includes risks associated with: (i) political and economic developments – the political, economic and social policies or structures of some countries may be less stable and more volatile than those in the United States, (ii) trading practices – government supervision and regulation of non-U.S. security and currency markets, trading systems and brokers may be less than in the United States, (iii) availability of information – non-U.S. issuers may not be subject to the same disclosure, accounting and financial reporting standards and practices as U.S. issuers and information may be less timely and/or reliable than information provided by U.S. issuers, (iv)

limited markets – the securities of certain non-U.S. issuers may be less liquid (harder to sell) and more volatile, (v) currency exchange rate fluctuations and policies, and (vi) unfavorable tax policies – such as substantial punitive or confiscatory tax increases. Although not typically subject to currency exchange rate risk, depositary receipts may generally be subject to the same risks as non-U.S. securities. The risks of investments outside the United States may be greater in developing countries or emerging market countries.

Developing Market Countries – The Adviser may make investments in developing market countries. These investments are subject to all of the risks of investing in non-U.S. securities generally, and have additional heightened risks due to a lack of established legal, political, business and social frameworks to support securities markets, including: delays in settling portfolio securities transactions; currency and capital controls; greater sensitivity to interest rate changes; pervasiveness of corruption and crime; currency exchange rate volatility; and inflation, deflation or currency devaluation.

Smaller and Midsize Companies – Securities issued by smaller and midsize companies may be more volatile in price than those of larger companies, involve substantial risks and should be considered speculative. Such risks may include greater sensitivity to economic conditions, less certain growth prospects, lack of depth of management and funds for growth and development and limited or less developed product lines and markets. In addition, smaller and midsize companies may be particularly affected by interest rate increases, as they may find it more difficult to borrow money to continue or expand operations, or may have difficulty in repaying any loans.

Non-Diversification – Non-diversification of investments means a portfolio may invest a large percentage of its assets in securities issued by or representing a small number of issuers. As a result, the portfolio's performance may depend on the performance of a smaller number of issuers.

State and U.S. Territories – Certain Accounts advised by the Adviser may invest predominantly in state-specific municipal securities, in which case events in that specific state are likely to affect the Account's investments and its performance by increasing price volatility, market yield and taxes owed on income earned. These events may include economic or political policy changes, uncertainties related to the tax status of such municipal securities, tax base erosion, state constitutional limits on tax increases, budget deficits and other financial difficulties, and changes in the credit ratings assigned to municipal issuers of that state.

Concentration – Concentrating investments in a particular country, region, market, industry or asset class means that performance will be more susceptible to loss due to adverse occurrences affecting that country, region, market, industry or asset class. A portfolio concentrating in a single state or jurisdiction is subject to greater risk of adverse economic, political or social conditions and regulatory changes than a portfolio with broader geographical diversification.

Liquidity – Liquidity risk exists when the markets for particular securities or types of securities are or become relatively illiquid so that it is or becomes more difficult to sell the security, partially or in full, at the price at which the security was valued. Illiquidity may result from political, economic or issuer-specific events; changes in a specific market's size or structure, including the number of participants; or overall market disruptions. Securities with reduced liquidity or that become illiquid involve greater risk than securities with more liquid markets. Market quotations for illiquid securities may be volatile and/or subject to large spreads between bid and ask prices. Reduced liquidity may have an adverse impact on market price and the ability to sell particular securities when necessary to meet liquidity needs or in response to a specific economic event or because of a desire to purchase particular investments or a belief that a higher level of liquidity would be advantageous. To the extent that a significant portion of an issuer's outstanding securities is held, greater liquidity risk will exist than if the issuer's securities were more widely held.

Growth Style Investing – Growth stock prices reflect projections of future earnings or revenues, and can, therefore, fall dramatically if the company fails to meet those projections. Prices of these companies' securities may be more volatile than other securities, particularly over the short term.

Value Style Investing – A value stock may not increase in price as anticipated by the Adviser if other investors fail to recognize the company's value and bid up the price, the markets favor faster-growing companies, or the factors that the Adviser believes will increase the price of the security do not occur.

Management – The investment strategies, techniques and risk analyses employed, while designed to enhance returns, may not produce the desired results. The assessment of a particular security or assessment of market, interest rate or other trends could be incorrect, which can result in losses (realized or unrealized).

Item 9 Disciplinary Information

None.

Item 10 Other Financial Industry Activities and Affiliations

The Adviser is a wholly-owned subsidiary of Franklin Resources, a holding company that, together with its various subsidiaries is referred to as Franklin Templeton Investments.

The Adviser may have business arrangements with related persons/companies that are material to the Adviser's advisory business or to its clients. In some cases, these business arrangements may create a potential conflict of interest, or appearance of a conflict of interest between the Adviser and a client. Please see Item 4 ("Advisory Business") for additional information on services of affiliates.

Recognized conflicts of interest are discussed in Item 6 ("Performance-Based Fees and Side-By-Side Management") above, Item 11 ("Code of Ethics, Participation or Interest in Client Transactions and Personal Trading"), and Item 12 ("Brokerage Practices") below.

The Adviser has arrangements with one or more of the following types of related persons that may be considered material to its advisory business or to its clients.

RELATED BROKER-DEALERS

One or more of the Adviser's management persons are registered with the Financial Industry Regulatory Authority ("FINRA") as a registered representative of an affiliated broker-dealer of the Adviser.

The Adviser is under common control with Franklin/Templeton Distributors, Inc. ("FTDI"), Franklin Templeton Financial Services Corp. ("FTFSC") and Templeton/Franklin Investment Services, Inc. ("TFIS"), all of which are registered broker-dealers.

FTDI is registered with the U.S. Securities and Exchange Commission ("SEC") as a broker-dealer and is a member of FINRA. FTDI's primary business is underwriter and distributor for the Franklin Templeton funds registered with the SEC pursuant to the Investment Company Act of 1940 (the "1940 Act") (the "U.S. Registered Funds"), including exchange traded funds. Most of its distribution activities occur through independent third-party broker-dealers, who have the primary day-to-day direct contact with shareholders. FTDI is also the underwriter of the Franklin Templeton 529 College Savings Plan and the NJBEST 529 College Savings Plan (collectively, "529 Plans"). In addition, FTDI acts as program manager and distributor for the two 529 Plans, which are municipal fund securities. As a result, FTDI is registered as a municipal securities dealer, subject to regulation by the Municipal Securities Rulemaking Board. In certain instances, shareholders bypass a third-party broker-dealer and establish unsolicited accounts directly with FTDI, who becomes the broker-dealer of record by default. FTDI does not make recommendations to purchase or sell fund shares to retail investors.

Underwriting and distribution fees are earned primarily by distributing our funds pursuant to distribution agreements between FTDI and the funds. Under each distribution agreement, the fund's shares are offered and sold on a continuous basis and certain costs associated with underwriting and distributing the fund's shares may be incurred, including the costs of developing and producing sales literature, shareholder reports and prospectuses.

FTFSC is registered with the SEC as a broker-dealer and is a member of FINRA. In addition, FTFSC is registered with the Commodity Futures Trading Commission ("CFTC") as an introducing broker and is a member of the National Futures Association ("NFA"). FTFSC, in conjunction with other investment advisory affiliates, provides the broker-dealer platform to offer pooled investment vehicles that are exempt from registration under the Investment Company Act of 1940 Act (the "Private Funds"). As such, FTFSC personnel are also associated with Franklin Templeton

Investments (“FTI”) investment advisers (“FTI Advisers”) so that they may utilize the FTFSC broker-dealer platform when offering private placement and mutual fund securities products to their clients.

TFIS is registered with the SEC as a broker-dealer and is a member of FINRA. TFIS offers private placement and mutual fund products. Many of TFIS’ registered associated persons are also dually registered with FTDI to support joint program initiatives, such as marketing U.S. mutual fund products. TFIS also has some dually registered associated persons with FTFS.

RELATED INVESTMENT ADVISERS

The Adviser may enter into a sub-advisory arrangement with, or may refer a client to, an investment adviser affiliate capable of meeting the client’s specific investment needs. The Adviser is affiliated with other registered investment advisers which are under common control with the Adviser, and the Adviser may share certain portfolio management personnel and investment research with such affiliated investment advisers. In certain cases, the Adviser may hire one or more of its affiliated advisers to serve as a discretionary sub-adviser in certain SMA Programs.

The Adviser may use the services of appropriate personnel of one or more of its affiliates for investment advice, portfolio execution and trading, and client servicing in their local or regional markets or their areas of special expertise, except to the extent restricted by the client or pursuant to its investment management agreement, or inconsistent with applicable law. Arrangements among affiliates take a variety of forms, including delegation arrangements, formal sub-advisory or servicing agreements. In these circumstances, the client with whom the Adviser has executed the investment management agreement will typically require that the Adviser remains fully responsible for the Account from a legal and contractual perspective. No additional fees are charged for the affiliates’ services except as disclosed in the investment management agreement.

Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

CODE OF ETHICS SUMMARY

Franklin Resources has adopted a code of ethics and business conduct (the “Code of Ethics”), which is applicable to all officers, directors, and employees of Franklin Resources and its U.S. and non-U.S. subsidiaries and affiliates, including the Adviser. The Adviser is also subject to a personal investments and insider trading policy (the “Personal Investments Policy”), which serves a code of ethics adopted by FTI pursuant to Rule 204A-1 under the Advisers Act and Rule 17j-1 of the 1940 Act. A brief description of the main provisions of the Personal Investments Policy follows.

The Personal Investments Policy states that the interests of the Adviser’s clients are paramount and come before any employee. All Covered Employees (as defined below) are required to conduct themselves in a lawful, honest and ethical manner in their business practices and to maintain an environment that fosters fairness, respect and integrity.

Covered Employees include the Adviser’s partners, officers, directors (or other persons occupying a similar status or performing similar functions), and employees, as well as any other person who provides advice on behalf of the Adviser and are subject to the supervision and control of the Adviser. The personal investing activities of Covered Employees must be conducted in a manner that avoids actual or potential conflicts of interest with the clients of the Adviser. Covered Employees are required to use their positions with the Adviser and any investment opportunities they learn of because of their positions with the Adviser in a manner consistent with their fiduciary duties to use such opportunities and information for the benefit of the Adviser’s clients and applicable laws, rules and regulations. In addition, the Personal Investments Policy states that information concerning the security holdings and financial circumstances of the Adviser’s clients is confidential and Covered Employees are required to safeguard this information.

Additionally, Access Persons, a subset of Covered Employees, are required to provide certain periodic reports on their personal securities transactions and holdings. Access Persons are those persons who have access to non-public information regarding the securities transactions of the Adviser’s funds or clients; are involved in making securities recommendations to clients; have access to recommendations that are non-public; or have access to non-public information regarding the portfolio holdings of funds for which a FTI Adviser serves as an investment adviser or a sub-adviser or any fund whose investment adviser or principal underwriter controls an FTI Adviser, is

controlled by an FTI Adviser or is under common control with an FTI Adviser. The Adviser's Access Persons must obtain pre-clearance from the Compliance Department before buying or selling any security (other than those not requiring pre-clearance under the Personal Investments Policy). The Personal Investments Policy also requires pre-clearance before investing in a private investment or purchasing securities in a limited offering. The Personal Investments Policy prohibits Access Persons from investing in initial public offerings ("IPOs").

To avoid actual or potential conflicts of interest with the Adviser's clients, certain transactions and practices are prohibited by the Personal Investments Policy. These include: front-running, trading parallel to a client, trading against a client, using proprietary information for personal transactions, market timing, and short selling Franklin Resources stock and the securities of Franklin Templeton closed-end funds.

The Personal Investments Policy requires prompt internal reporting of suspected and actual violations of the Personal Investments Policy. In addition, violations of the Personal Investments Policy are referred to the Director of Global Compliance and/or the Chief Compliance Officer as well as the relevant management personnel. No Covered Employee or Access Person may trade while in possession of material, non-public information or communicate material non-public information to others.

Information is considered material if there is a substantial likelihood that a reasonable investor would consider the information to be important in making his or her investment decision, or if it is reasonably certain to have a substantial effect on the price of the company's securities. Information is non-public until it has been effectively communicated to the marketplace. If the information has been obtained from someone who is betraying an obligation not to share the information (e.g., a company insider), that information is very likely to be non-public.

The Adviser has implemented a substantial set of trading procedures designed to avoid violation of the Personal Investments Policy.

Copies of the Personal Investments Policy are available to any client or prospective client upon request.

POTENTIAL CONFLICTS RELATING TO ADVISORY ACTIVITIES

Participation or Interest in Client Transactions

The Adviser or its affiliates may from time to time recommend to clients or buy or sell for Accounts, securities in which the Adviser or its affiliates have a material financial interest. Such financial interests may include the contribution by the Adviser or an affiliate of seed capital to a fund it manages, or an actual investment by the Adviser or an affiliate in the fund or in third-party vehicles in which the Adviser or a related person has a financial interest. The Adviser or its related persons may also purchase or sell for themselves securities or other investments which one or more advisory clients own, previously owned, or may own in the future.

The Adviser is not itself a general partner of any limited partnership, but one or more of its affiliates may serve as a manager, general partner or trustee or in a similar capacity, of a partnership, trust or other collective investment vehicle in which clients are solicited to invest. These entities generally invest in stocks and/or fixed income securities of domestic and/or foreign companies or in other funds that invest in such securities or in other partnerships, trusts or other investment vehicles that generally are engaged in the business of investing in, purchasing, selling, developing or re-developing commercial and residential real estate properties and interests.

Potential conflicts of interest may arise in (i) the allocation of investment opportunities among the Adviser's clients, (ii) the investment by clients in entities in which the Adviser or its related persons have a financial interest, and (iii) investments by the Adviser or its employees for their personal accounts.

The Adviser and/or its affiliates manage numerous funds and accounts. The Adviser may give advice and take action with respect to one Account it manages, or for its own account, that may differ from action taken by the Adviser on behalf any of the other accounts it manages. This gives rise to certain potential conflicts of interest, as discussed below.

The Adviser's management of its clients may benefit members of the Adviser and its affiliates. For example, the Adviser's clients may, to the extent permitted by applicable law, invest directly or

indirectly in the securities of companies in which a member of the Adviser, or the Adviser's other clients, or the Adviser's affiliate, for itself or its clients, has an equity, debt, or other interest.

The advisory contracts entered into by the Adviser with each client do not entitle clients to obtain the benefit of any particular investment opportunities developed by the Adviser or its officers or employees in which the Adviser, acting in good faith, does not cause such client to invest. The Adviser has discretion to allocate investment opportunities among its clients subject only to each Account's respective investment guidelines and the Adviser's duty to act in good faith.

Similarly, with respect to a particular Account, the Adviser is not obligated to recommend, buy or sell, or to refrain from recommending, buying or selling any security that the Adviser and "access persons," as defined by applicable federal securities laws, may buy or sell for its or their own account or for the accounts of any other fund. The Adviser is not obligated to refrain from investing in securities held by any Accounts it manages.

Allocations to any account in which the interests of the Adviser, its officers, directors, employees or affiliates collectively exceed 5% of the account's economic value shall be governed by procedures and policies adopted by Franklin Templeton Investments designed to ensure that buy and sell opportunities are allocated fairly among clients (the "Equity Trade Allocation Policy and Procedures").

These accounts may be deemed affiliated persons of the Adviser by reason of the collective 5% or greater ownership interest of the Adviser's insiders and the Adviser's mutual fund clients, if any. Transactions for and allocations to these accounts are given special scrutiny because of the inherent conflict of interest involved. All exceptions to standard allocation/rotation procedures involving such affiliated accounts must be monitored and recorded.

If securities traded for affiliated accounts are also the subject of trading activity (i) by an Adviser's advised mutual fund, or (ii) by other non-mutual fund client accounts, the securities traded for the affiliated accounts are generally aggregated for trading with the Adviser's advised mutual fund or other non-mutual fund client accounts.

Finally, the management of personal accounts by a portfolio manager may give rise to potential conflicts of interest. While the Adviser has adopted the Personal Investments Policy, which they believe contains provisions reasonably necessary to prevent a wide range of prohibited activities by portfolio managers and others with respect to their personal trading activities, there can be no assurance that the Personal Investments Policy addresses all individual conduct that could result in conflicts of interest. The Adviser has adopted certain additional compliance procedures that are designed to address these and other types of conflicts. However, there is no guarantee that such procedures will detect all situations where an actual or potential conflict arises.

OTHER POTENTIAL CONFLICTS RELATING TO ADVISORY ACTIVITIES

The Adviser, where appropriate and in accordance with applicable laws, may purchase on behalf of the Adviser's clients, or recommend to the Adviser's clients that they purchase, shares of Affiliated Funds, or invest their assets in other portfolios managed by the Adviser or an affiliate ("Affiliated Accounts").

The Adviser faces potential conflicts when allocating the assets of its clients to one or more Affiliated Funds or Affiliated Accounts. For example, in hindsight and despite intent or innocent purpose, circumstances could be construed that such allocation conferred a benefit upon the Affiliated Fund, Affiliated Account or an adviser to the detriment of the Adviser's client, or vice versa.

As a shareholder in a pooled investment vehicle, a client of the Adviser will pay a proportionate share of the vehicle's fees and expenses. Investment by a client in an Affiliated Fund means that the Adviser may, directly or indirectly, receive, subject to applicable laws, advisory (or other) fees from the Affiliated Fund in addition to any other fees it receives from the Adviser's client for managing the client's Account. Similarly, the Adviser's clients who invest through a separate account managed by another related adviser are subject to advisory fees charged by that adviser. The Adviser's clients should notify the Adviser if they do not want their separate account assets to be invested in Affiliated Funds. The Adviser's clients may invest directly in certain Affiliated Funds or other U.S. Registered Funds independently without paying additional separate account management fees to the Adviser.

The separate account management fees paid by certain retirement accounts (including those subject to the Employee Retirement Income Security Act of 1974 (“ERISA”)) that invest in U.S. Registered Funds from which the Adviser or its affiliate receives compensation (“Affiliated Registered Funds”) will, in order to avoid duplication of fees, exclude account assets invested in such Affiliated Registered Funds to the extent required by law when calculating the Adviser’s separate account management fees. Accordingly, the assets of such accounts invested in Affiliated Registered Funds will pay their pro rata share of such applicable Affiliated Registered Fund fees, to the extent not prohibited by law. Alternatively, the Adviser may elect to provide a credit representing the respective account’s pro rata share of fees paid with respect to any assets of a client invested in shares of any such U.S. Registered Funds or other pooled investment vehicles, or separately managed accounts of another related adviser.

In certain circumstances, the Adviser may conclude that it is appropriate to sell securities held in one client Account to another client Account. Consistent with its fiduciary duty to each client (including the duty to seek best execution), the Adviser may (but is not required to) effect purchases and sales between clients or clients of affiliates (“cross trades”) if the Adviser believes such transactions are appropriate based on each client’s investment objectives, subject to applicable law and regulation. The Adviser will not receive compensation (other than its normal advisory fee for managing the Account), directly or indirectly, for effecting a cross trade between advisory clients, and accordingly will not be deemed to have acted as a broker with respect to such transactions. The Adviser seeks to ensure that the price paid or amount received by a client in a cross trade is fair and appropriate, which may be based on independent dealer quotes or information obtained from recognized pricing services. Since, in such cross trades, the Adviser will represent both the selling client and the buying client, the Adviser may have a perceived conflict of interest. There are possible costs or other disadvantages of this potential conflict versus the potential benefit of obtaining reduced transaction or execution costs that may be obtained from such cross trades. Any cross trades effected with respect to U.S. Registered Fund clients are subject to Rule 17a-7 under the 1940 Act.

Potential Restrictions on Investment Adviser Activity

From time to time, the Adviser may be restricted from purchasing or selling securities or other instruments on behalf of its clients because of regulatory or legal requirements applicable to the Adviser, its affiliates or its clients (as determined by the Adviser in its sole discretion) and/or its internal policies including those designed to comply with, limit the applicability of, or otherwise relate to such requirements.

There may be periods when the Adviser may not initiate or recommend certain types of transactions, or may otherwise restrict or limit their advice with respect to securities or instruments issued by or related to companies for which the Adviser is performing advisory or other services. For example, if the Adviser is provided with material non-public information with respect to a potential portfolio company as described under the heading “The Personal Investments Policy” above, such restrictions or limitations will apply.

In other circumstances where the Adviser invests in securities issued by companies that operate in certain regulated industries or in certain emerging or international markets, or are subject to corporate or regulatory ownership restrictions, there may be limits on the aggregate amount that the Adviser can invest. For instance, the Adviser may be prohibited from investing an amount that would require the grant of a license or other regulatory or corporate consent, or if doing so would violate the Adviser’s internal policies. As a result, the Adviser on behalf of its clients may limit purchases, sell existing investments, or otherwise restrict or limit the exercise of rights (including voting rights) when the Adviser, in its sole discretion, deems it appropriate in light of potential regulatory or other restrictions on ownership or other consequences resulting from reaching investment thresholds or investment restrictions.

In those circumstances where ownership thresholds or limitations must be observed, the Adviser seeks to equitably allocate limited investment opportunities among its Accounts. If the Accounts’ holdings of an issuer exceed an applicable threshold and the Adviser is unable to obtain relief to enable the continued holding of such investments, it may be necessary to sell down these positions to meet the applicable limitations, possibly during deteriorating market conditions and/or at a loss to the client. Please see further discussion of allocation of investment opportunities under Item 12 (Brokerage Practices).

Other ownership thresholds may trigger reporting requirements to governmental and regulatory authorities, and such reports may entail the disclosure of the identity of the Adviser's client or its intended strategy with respect to such security or asset.

The Adviser's services are not exclusive to any of its clients, and the Adviser is free to render, and does render, similar or other services to other persons and entities. The Adviser and its related persons may give advice or take action with respect to a client Account, or for its or their own account(s), that may differ from the advice given or action taken by the Adviser for another Account.

The Adviser has no obligation to provide the same investment advice or purchase or sell the same securities for each Account. In general, the Adviser has discretion to determine whether a particular security or instrument is an appropriate investment for each Account, based on the Account's investment objectives, investment restrictions and trading strategies. Accounts with investment restrictions that preclude investing in new, unseasoned or small capitalization issuers will generally not participate in IPOs or private equity transactions, including those that are expected to trade at a premium in the secondary market. Even an Account that is permitted to make such investments may not participate if doing so would be inconsistent with its investment practices. In addition, Accounts with a specific mandate may receive first priority for securities falling within that mandate. As a result, certain Accounts managed by the Adviser or its affiliates may have greater opportunities to invest in private equity transactions or IPOs. In the event that an IPO or private equity transaction is oversubscribed, securities will be allocated among eligible Accounts according to procedures designed to comply with the requirements and restrictions of applicable law and provide equitable treatment to all such Accounts. Subject to the above, allocation is done for each Account on a pro rata basis or other objective basis. Please see Item 6 ("Performance-Based Fees and Side-By-Side Management") for details of the trade aggregation and allocation policy adopted by the Adviser.

Political Contributions

It is the Adviser's policy to not make, and to prohibit its employees from making on behalf of the Adviser, any political contributions for the purpose of influencing an existing or potential client, a public official or his or her agency. However, employees may make personal political contributions in accordance with the requirements and restrictions of applicable law and the Adviser's policies. To help ensure compliance with SEC rules, and the many state and local pay-to-play rules, all of the Adviser's employees subject to those rules must pre-clear and obtain prior approval from the legal and compliance departments before they make any contributions (*i.e.*, any monetary contribution or contribution of goods or services) to a political candidate, government official, political party or political action committee.

Item 12 Brokerage Practices

BEST EXECUTION

The Adviser has adopted policies and procedures that address best execution with respect to equity and fixed income investments and provide guidance on brokerage allocation. The policies and procedures are designed to ensure (i) that execution services meet the quality standards established by the Adviser's trading team and are consistent with established policies, (ii) the broadest flexibility in selecting which broker-dealers may provide best execution, (iii) evaluation of the execution capabilities of, and the quality of execution services received from, broker-dealers effecting portfolio transactions for the Adviser's clients, and (iv) the identification and resolution of potential conflicts of interest.

The policies and procedures for equity transactions outline the criteria that the trading team at each global location use to determine which broker-dealer(s) have provided the highest quality execution services over a particular time period. These include a periodic review of brokerage allocations, the rationale for selecting certain broker-dealers, and a review of historical broker-dealer transactions to test application of the Adviser's best execution procedures.

While the Adviser generally seeks competitive commission rates for equity transactions, it does not necessarily pay the lowest commission or commission equivalent; nor will it select broker-dealers solely on the basis of purported or posted commission rates, or seek competitive bidding for the most favorable commission rate in advance. In an effort to maximize value for its clients, the Adviser will seek to obtain the best combination of low commission rates relative to the quality of

execution received. Transactions involving specialized services or expertise on the part of the broker-dealer may result in higher commissions or their equivalents.

The policies and procedures for fixed income transactions reflect the same general fiduciary principles that are covered in the equity transaction policies and procedures, but also address the special considerations for executing transactions in fixed income securities. Since trading fixed income securities is fundamentally different from trading in equity securities, in that the Adviser will generally deal directly with market makers, the Adviser considers different factors when assessing best execution. In these transactions, the Adviser typically effects trades on a net basis, and does not pay the market maker any commission, commission equivalent or markup/markdown other than the spread.

The Adviser's traders for both fixed income and equity investments are responsible for determining which qualified broker-dealers will provide best execution, taking into account the best combination of price and intermediary value given the client's strategies and objectives.

The Adviser may also engage in derivative transactions that are entered into under a negotiated agreement with a counterparty or futures commission merchant, including but not limited to swaps, futures, forwards, and options. The agreements to trade these instruments must be in place prior to effecting a transaction. If the Adviser is unable to negotiate acceptable terms with a counterparty or is restricted from engaging certain counterparties for an Account, for example based on the Adviser's assessment of a counterparty's creditworthiness and financial stability at any given time, the universe of counterparties that the Adviser can choose from will be limited and the standard for best execution may vary with the type of security or instrument involved in a particular transaction. The policies and procedures for equity and fixed income transactions also address the aggregation and allocation principles established by the Adviser for derivatives trading.

BROKERAGE FOR CLIENT REFERRALS

If consistent with its duty to seek best execution, the Adviser may use broker-dealers that refer account clients to the Adviser or an affiliate. To the extent that these referrals result in an increase in assets under management, the Adviser or its affiliates may benefit. Therefore, a potential conflict exists that the Adviser could have an incentive to select or recommend a broker-dealer based on its interest in receiving client referrals rather than obtaining best execution on behalf of its clients.

In order to manage this potential conflict of interest, the Adviser does not enter into agreements with, or make commitments to, any broker-dealer that would bind the Adviser to compensate that broker-dealer through increased brokerage transactions for client referrals or sales efforts; nor will the Adviser use step-out transactions or similar arrangements to compensate selling brokers for their sales efforts. In addition, the FTI U.S. Registered Funds have adopted procedures pursuant to Rule 12b-1(h) under the 1940 Act ("Prohibition on the Use of Brokerage Commissions to Finance Distribution"), which provide that neither such funds nor the Adviser may direct brokerage in recognition of the sale of fund shares. Consistent with those procedures, the Adviser does not consider the sale of mutual fund shares in selecting broker-dealers to execute portfolio transactions. However, whether or not a particular broker or dealer sells shares of the Adviser's mutual funds neither qualifies nor disqualifies such broker or dealer to execute transactions for those mutual funds.

POLICY ON USE OF CLIENT COMMISSIONS

When appropriate under its discretionary authority and consistent with its duty to seek best execution, the Adviser or its related persons may direct brokerage transactions for Accounts to broker-dealers that provide the Adviser with research and/or brokerage products and services. The brokerage commissions from client transactions that are used to pay for research or brokerage services in addition to basic execution services are referred to here as client commissions.

In the United States, broker-dealers typically bundle research with their trade execution services. The research provided can be either proprietary (created and provided by the executing broker-dealer, including tangible research products as well as access to analysts and traders) or third-party (created by a third-party but provided by the executing broker-dealer). To the extent permitted by applicable law, the Adviser may use client commissions to obtain both proprietary and third-party research as well as certain brokerage products and services. The receipt of research in exchange for client commissions benefits the Adviser by allowing the Adviser to supplement its

own research and analysis and also gain access to specialists from a variety of securities firms with expertise on certain companies, industries, areas of the economy, and market factors. The Adviser believes that this research provides an overall benefit to its clients.

The Adviser becomes eligible for client commission credits by sending trading and paying trade commissions to broker-dealers ("CCA broker-dealers") who both execute the trades and provide the Adviser with research and other brokerage products and services. These products and services come in a variety of forms including: (1) research reports generated by the broker-dealer, (2) conferences with representatives of issuers, and/or (3) client commission credits that can be used to obtain research reports or services from others. The portion of any trade commission on a particular trade attributable to the client commission research or other brokerage products and services cannot be identified at an individual account level.

The current list of CCA broker-dealers includes the following, and is subject to change periodically:

Bank of America/Merrill Lynch
Citigroup Global Markets Inc.
Credit Suisse Securities (USA) LLC
Deutsche Bank Securities Inc.
Goldman Sachs & Co.
Instinet LLC
Investment Technology Group (ITG)
JP Morgan Securities Inc.
Liquidnet
Morgan Stanley & Co. Inc.
UBS Securities LLC
Virtu Financial (pka KCG Capital Americas LLC)

Section 28(e) of the U.S. Securities Exchange Act of 1934 provides a safe harbor that allows an investment adviser to pay for research and brokerage services with the client commission dollars generated by Account transactions. The Adviser currently acquires only the types of products or services that qualify for the safe harbor. Research and brokerage services acquired with client commissions permitted under the safe harbor may include:

- reports, statistical data, publications and other information on the economy, industries, sectors, individual companies or issuers, which may include research provided by proxy voting services;
- software and communications services related to the execution, clearing and settlement of securities transactions;
- software that provides analyses of securities portfolios;
- statistical trade analysis;
- reports on legal developments affecting portfolio securities;
- registration fees for conferences and seminars;
- consultation with analysts, including research conference calls and access to financial models;
- investment risk analyses, including political and credit risk;
- investment risk measurement systems and software;
- analyses of corporate responsibility issues; and
- market data services, such as those which provide price quotes, last sale prices and trading volumes.

Examples of specific products and services received within the last year include those provided by Bloomberg, Thomson Reuters, FactSet, MSCI/Barra and Standard and Poor's. Services may also include access to information providers who are part of what may be referred to as an "expert network". Firms providing such a service often facilitate consultations among researchers, investment professionals, and individuals with expertise in a particular field or industry, such as doctors, academics and consultants. Access to expert networks is particularly helpful in understanding sectors of the market that are highly complex or technical in nature. The Adviser has developed controls in support of existing policies and procedures governing the use of any information acquired from expert networks.

If a product or service used by the Adviser provides both research and non-research benefits, the Adviser will generally consider it as a mixed use item and will pay for the non-research portion with cash from its own resources, rather than client commissions. The Adviser will then allocate the cost of the product between client commissions and cash according to its anticipated use. Although the allocation between client commissions and cash is not a precise calculation, the Adviser makes a good faith effort to reasonably allocate such services, and maintains records detailing the mixed use research, services and products received and the allocation between the research and non-research portions, including payments made by client commissions and cash. It is not ordinarily possible to place an exact dollar value on the special execution or on the research services the Adviser receives from dealers effecting transactions in portfolio securities.

The Adviser may select broker-dealers based on its assessment of their trade execution services and its belief that the research, information and other services they provide will benefit Accounts. As a result, broker-dealers selected by the Adviser may be paid a commission rate for effecting portfolio transactions for Accounts in excess of amounts other broker-dealers would have charged for effecting similar transactions if the Adviser determines that the commission is reasonable in relation to the value of the brokerage and/or research services provided, viewed either in terms of a particular transaction or the Adviser's overall duty to its discretionary Accounts.

While the Adviser may negotiate commission rates and prices with certain broker-dealers with the expectation that they will be providing brokerage or research services, the Adviser will not enter into any agreement or understanding with any broker-dealer that would obligate the Adviser to direct a specific amount of brokerage transactions or commissions in return for such services. Research services are one of the factors considered when determining the amount of commissions to be allocated to a specific broker-dealer. As a result, the Adviser may have an incentive to select or recommend a broker-dealer based on the Adviser's interest in receiving research or other products or services, rather than on a client's interest in receiving the most favorable commission rate.

Certain broker-dealers may state in advance the amount of brokerage commissions they require for particular services. If the Adviser does not meet the threshold for a desired product, it may either direct accumulated research commissions as part of a client commission arrangement with an executing broker-dealer to pay the research provider or the Adviser may pay cash.

The Adviser, to the extent consistent with best execution and applicable regulations, may direct trades to a broker-dealer with instructions to execute the transaction and have a third party broker-dealer or research provider provide client commission products and/or services to the Adviser. This type of commission sharing arrangement allows the Adviser to pay part of the commission on the trade to a broker-dealer that can provide better execution and part to another broker-dealer from which the Adviser receives research or other services.

Some clients permit the Adviser to use CCA broker-dealers but prohibit the Adviser from using the commissions generated by their Accounts to acquire third party and proprietary research services. While these clients may not experience lower transaction costs than other clients, they are likely to benefit from the research acquired using other clients' commissions because most research services are available to all investment personnel, regardless of whether they work on Accounts that generate client commissions eligible for research acquisition. The Adviser does not seek to use research services obtained with client commissions solely for the specific Account that generated the client commissions and may share that research with the Adviser's affiliates. As a result, the Adviser's Accounts benefit from research services obtained with client commissions generated by client accounts of other advisers within Franklin Templeton Investments. The Adviser does not attempt to allocate the relative costs or benefits of research among Accounts because it believes that, in the aggregate, the research it receives assists the Adviser in fulfilling its overall duty to all clients.

Regulations outside of the United States that apply to some Accounts may subject the Adviser to additional requirements, restrictions or prohibitions on paying for research and brokerage with the client commission dollars generated by Account transactions. Franklin Templeton Investments uses its own resources to pay for third-party investment research for Accounts covered by the European Union's revised Markets in Financial Instruments Directive ("MiFID II"). To the extent these Accounts' orders are aggregated with the orders of clients whose commissions pay for

research, the non-research paying clients may realize the price and execution benefits of the aggregated order while benefiting from the research acquired by Franklin Templeton Investments.

Aggregation of Trades

Generally, all same day client trades in the same security for Accounts under the management of the Adviser's portfolio management team will be aggregated in a single order (sometimes called "block trading") unless aggregation is inefficient or is restricted by client direction, type of Account or other limitation. All Accounts that participate in a block transaction will participate on a pro rata, relative order size, percentage, or other objective basis. Potential conflicts of interest exist with respect to the aggregation and allocation of client transactions. For example, the Adviser could be viewed as allocating securities that it anticipates will increase in value to certain favored clients, especially those that pay a performance-based fee.

There may be instances where purchase or sale orders, or both, are placed simultaneously on behalf of the Adviser's Accounts and by accounts advised by the Adviser's affiliates. In these instances, the Adviser may aggregate the order in a block trade for execution in accordance with established procedures. Generally, for each participating account, the block transactions are averaged as to price and allocated as to amount in accordance with daily purchase or sale orders actually placed for the account. All accounts that are aggregated will participate on a pro rata, relative order size, percentage, or other objective basis. Orders may be aggregated to facilitate best execution, as well as to aid in negotiating more favorable brokerage commissions beneficial to all accounts. The Adviser may also aggregated orders for clients that permit client commission arrangements with clients that do not permit such arrangements. In these cases, the Adviser aggregates the orders to obtain best execution and does not seek a research credit for the portion of the trade that is executed for clients that do not permit such arrangements. As noted above, such circumstances may result in the non-research paying clients (including those covered by MiFID II) realizing the price and execution benefits of the aggregated order while benefiting from the research acquired by Franklin Templeton Investments.

In making allocations of fixed income opportunities, the Adviser must address specific considerations in the fixed income market. For example, the Adviser may not be able to acquire the same security at the same time for more than one Account, may not be able to acquire the amount of the security to meet the desired allocation amounts for each Account, or alternatively, in order to meet the desired allocation amount for each Account, the Adviser may be required to pay a higher price or obtain a lower yield for the security. As a result, the Adviser may take into consideration one or more of the following factors in making such allocations as part of its standard methodology:

- Investment objectives
- Relative cash position of Accounts
- Client tax status
- Regulatory restrictions
- Emphasis or focus of particular Accounts
- Risk position of the Accounts
- Specific overriding client instructions
- Existing portfolio composition and applicable industry, sector, or capitalization weightings
- Client sensitivity to turnover

While pro rata allocation by order size is the most common form of allocation, to help ensure that the Adviser's clients have fair access to trading opportunities over time, both equity and fixed income trades may be placed by an alternative standard allocation or an objective methodology other than the standard methodology. Other objective methodologies are permissible provided they are employed with general consistency, operate fairly and are properly documented. In situations where orders cannot be aggregated, greater transaction costs may result and prices may vary among Accounts. See Client-Directed Brokerage Transactions below. In addition, certain non-U.S. markets may require trades to be executed on an account-by-account basis. As portfolio transactions in such markets cannot be block traded, prices may vary among accounts.

Client-Directed Brokerage Transactions

The Adviser does not routinely recommend, request or require that a client direct trading orders to any specific broker-dealer. The Adviser may, however, accommodate special requests from a client directing the Adviser to use a particular broker-dealer to execute portfolio transactions for its Account. This may include the use of expense reimbursement and commission recapture arrangements, where certain broker-dealers rebate a portion of an Account's brokerage commissions (or spreads on fixed income or principal trades) directly to the client's Account, or apply the amount against an Account's expenses. Clients may also ask the Adviser to seek reduced brokerage commissions with some or all broker-dealers used to execute their trades.

Specific client instructions on the use of a particular broker-dealer limit the Adviser's discretionary authority and the Adviser may not be in a position to freely negotiate commission rates or spreads, or select broker-dealers on the basis of best price and execution. In addition, transactions for a client that directs brokerage may not be combined or blocked with orders for the same securities for other Accounts managed by the Adviser. These trades will generally be placed at the end of block trading activity for a particular security and executed after discretionary trades. Accordingly, client directed transactions are vulnerable to price movements, particularly in volatile markets, that may result in the client receiving a price that is less favorable than the price obtained for the block order. Under these circumstances, the client may be subject to higher commissions, greater spreads, or less favorable net prices than might be the case if the Adviser had the authority to negotiate commission rates or spreads, or to select broker-dealers based solely on best execution considerations. Therefore, where a client directs the Adviser to use a particular broker-dealer to execute trades, or imposes limits on the terms under which the Adviser may engage a particular broker-dealer, the Adviser may not be able to obtain best execution for such client-directed trades.

FOREIGN EXCHANGE TRANSACTIONS

Some clients require transactions in currencies other than the base currency of their Account to permit the purchase or sale of foreign securities and to repatriate the proceeds of such trades (as well as related dividends, interest payments or tax reclaims) back to the base currency of the Account. Typically, these foreign exchange ("FX") transactions will be conducted either by the client's custodian bank as part of the FX transaction services offered to its custody clients, or by the client's investment adviser through a third-party broker. In some cases, a client may require that its custodian bank execute all FX transactions for its Account or particular markets may be restricted such that FX transactions in those currencies can only be executed by the client's custodian bank.

Generally, FX transactions related to portfolio trades in unrestricted markets are performed by the Adviser for its clients. FX transactions related to portfolio trades in restricted markets, and for income repatriation, are generally the responsibility of the respective client's custodian bank.

For certain Accounts, the Adviser may be responsible for the repatriation of income (including, for some of these Accounts, the decision whether to repatriate the income or leave it in local currency based on investment outlook) and for arranging FX transactions in one or more restricted markets. The Adviser will typically perform the income repatriation for these Accounts in unrestricted markets and the client's custodian bank will generally carry out FX transactions and repatriation (through a sub-custodian bank domiciled in the foreign country) in restricted markets. The Adviser does not have the ability to control any FX transactions performed by the client's custodian bank and assumes no responsibility for the execution or oversight of FX transactions conducted by the client's custodian bank.

Whether a market is considered to be restricted will depend on a number of factors, including country specific statutory requirements, structural risks, and operational issues. Whether a market is restricted or unrestricted may also change over time and varies depending on the type of transaction. The Adviser may consult with third parties, including broker-dealers and custodians to determine, in good faith, whether a market is considered restricted.

SEPARATELY MANAGED ACCOUNT BROKERAGE TRANSACTIONS

The Adviser has been engaged to provide discretionary investment management services through a wrap fee or SMA Program. Generally, the all-inclusive SMA fee charged to clients by the Sponsor of the SMA Program (usually a broker-dealer, bank or other financial institution) covers execution

charges only when transactions are executed through the SMA Sponsor. Clients will be responsible for, in addition to the SMA fee, any and all commissions, commission equivalents, markup/markdown charges, and fees charged by the executing broker-dealer, as well as any trade away fees charged by the SMA Sponsor, on transactions with broker-dealers other than the SMA Sponsor. Commissions, commission equivalents, markup/markdown charges, and other fees charged by an executing broker-dealer other than the SMA Sponsor are typically reflected in the total net price for the SMA trade (as opposed to broken out separately for non-SMA orders) to provide a means to compensate the broker-dealer for its services in executing the trade. In this circumstance, these other fees are not separately identified on the trade confirmations the client or the SMA Sponsor receives.

Franklin Templeton trading personnel consider these SMA arrangements when attempting to secure the best combination of price and intermediary value given the strategies and objectives of the client. This process can be highly subjective because of the inherent difficulties in measuring and assessing execution quality and best execution, especially in SMA programs. As a result, the Adviser may only be able to assess execution quality by evaluating the trading process and trade data over a period of time, rather than on a trade-by-trade basis, which could lead to disparities between execution price and/or quality relative to other accounts managed by the Adviser or its affiliates.

The relevant trading personnel may determine that, despite the SMA fee only covering execution charges through the SMA Sponsor, best execution under the circumstances favors placing trades through broker-dealers other than the SMA Sponsor. In this case, orders for trades executed through broker-dealers other than the SMA Sponsor may be aggregated or blocked for execution in accordance with established procedures. Generally, for each account, such block transactions are averaged as to price and allocated as to amount in accordance with daily purchase or sale orders actually placed for such account. However, as discussed above, in such cases clients may be responsible for, in addition to the SMA fee, any and all commissions, commission equivalents, markup/markdown charges, trade-away fees and other fees on such trades, whether broken out separately or reflected in the total net price for the trade.

It is possible that transactions executed through the SMA Sponsor will not be aggregated for execution purposes with orders for the same securities for other accounts managed by the Adviser or its affiliates through other broker-dealers. Transactions executed through the SMA Sponsor generally will be placed at the end of other trading activity for a particular security. This method may be used where trading personnel determine that it is likely to produce the best execution under the circumstances for the broadest segment of clients (typically measured by assets and/or number of accounts), or that a rotation system is otherwise not feasible based on practical, execution quality or other considerations. In these circumstances, it is possible that transactions executed through the SMA Sponsor will be subject to price movements (particularly for large orders or orders in more thinly traded securities) that can result in clients receiving a price that is less favorable than the price obtained for other orders. Clients may therefore pay higher net prices or receive lower net prices than would be the case if transactions were placed without regard to the SMA arrangements or restrictions. Alternatively, these transactions may be placed according to an alternating sequence or rotation system. As a result, prices may vary among clients, and the first accounts to trade may or may not receive a more favorable price than later-traded accounts. Similar considerations apply with respect to the model portfolios provided under UMA programs (more fully described in Item 4) where updates to model portfolios are communicated at the end of trading activity for a particular security or communicated as part of an alternating sequence or rotation system.

ALLOCATION IN IPOs AND SECONDARY OFFERINGS

From time to time, the Adviser may wish to participate in initial public offerings, secondary offerings, or acquire other stocks for an Account that are experiencing unusual trading activity and may only be available in limited quantities at the desired price. In determining which Accounts may participate in such special situations, the Adviser may take into account the investment emphasis or focus of individual Accounts on particular industries or geographic areas provided the approach used is consistently applied and results in a generally equitable treatment of all Accounts over time. The Adviser has implemented equity trade allocation procedures designed to provide that all clients over time receive a fair opportunity to participate in such special situations. Additional care and

caution is exercised if one of the Accounts participating in a limited investment opportunity is an affiliated account, including specific compliance approval when affiliated accounts are participating in an IPO or secondary offer.

Item 13 Review of Accounts

The Adviser manages investment portfolios for each of its clients. Generally, the portfolios under the Adviser's management are reviewed by one or more portfolio managers who are responsible to their respective Chief Investment Officer, either directly or indirectly. Such review may be made with respect to the Adviser's investment objectives and policies, limitations on the types of instruments in which each of its clients may invest and concentration of investments in particular industries or types of issues. There is no general rule regarding the number of Accounts assigned to a portfolio manager.

The frequency, depth, and nature of Account reviews are often determined by negotiation with individual clients pursuant to the terms of each client's written investment management agreement or by the mandate selected by the client and the particular needs of each client.

Written reports of portfolio breakdown, transactions and performance are provided to clients no less frequently than quarterly. Additional trade reports may be available upon request.

Item 14 Client Referrals and Other Compensation

The Adviser or a related person may enter into referral fee arrangements to compensate affiliated and non-affiliated persons for referring or otherwise recommending its investment advisory services to potential clients. To the extent required, such arrangements would be governed by the policy on use of solicitors and client referrals adopted by the Adviser and entered into in accordance with Rule 206(4)-3 under the Advisers Act and other applicable law. The compensation paid may consist of a cash payment computed as a flat fee, a percentage of the Adviser's advisory fee, or some other method of computation agreed upon between the parties.

To the extent allowed under applicable law, the Adviser's Code of Ethics and the policies and procedures (including the Anti-Corruption Policy) of the Adviser, its affiliates, and/or a particular broker/dealer, the Adviser or a related person may (i) pay broker-dealer sponsors for training seminars, conferences and other educational events, (ii) pay travel and lodging expenses relating to financial advisers' attendance at the Adviser's due diligence meetings, (iii) give certain business-related gifts or gratuities, and/or pay reasonable expenses relating to meals and/or entertainment, for financial advisers, and (iv) make a contribution in connection with a charitable event or to a charitable organization sponsored, organized or supported by a broker-dealer or its representatives, on behalf of such broker-dealer or its representatives, or to which such broker-dealer or its affiliates provides professional services.

Item 15 Custody

The Adviser generally does not have the authority to hold, obtain possession or otherwise have custody of its clients' assets. However, because certain institutional clients may authorize the Adviser to receive its advisory fees out of the assets in such clients' Accounts by sending invoices to the respective custodians of those Accounts, the Adviser may be deemed by the SEC to have custody of the assets in those Accounts. Where required, these clients will receive account statements directly from their third-party custodians for the Accounts and should carefully review these statements. Such clients should contact the Adviser immediately if they do not receive account statements from their custodian on at least a quarterly basis. In addition to account statements delivered by their third-party custodians, the Adviser may provide clients with separate reports or account statements containing information about the Account. Clients should compare these carefully to the account statements received from the custodian and report any discrepancies to the Adviser and custodian immediately.

From time to time, funds or securities of a small number of clients of the Adviser, or for which the Adviser serves as a discretionary sub-adviser, may be held by Fiduciary Trust Company International ("FTCI"), a bank affiliate of the Adviser which is a Qualified Custodian for the purposes of the Advisers Act. When this occurs, the Adviser is deemed by the SEC to have custody of those assets under the Advisers Act because the adviser provides investment advice to one or more

clients whose funds or securities are held by a bank affiliate of the Adviser. In order to demonstrate that it has taken proper steps to protect its clients' interests in this situation, the Adviser must take a number of additional steps detailed in the Advisers Act. However, in situations where the Adviser can demonstrate that it is operationally independent from its affiliated custodian, the Advisers Act provides that the Adviser may determine that the additional requirements are not necessary because structural and organizational safeguards already exist to protect client assets to an equal extent. The Adviser has made a determination that it is operationally independent from FTCI with respect to its clients whose funds and securities are from time to time held by FTCI.

While this means that the Adviser does not have to undergo an annual surprise examination and verification of those assets by an independent accountant, it is required to have FTCI obtain an internal control report from an independent accountant registered and subject to inspection by the Public Accounting Oversight Board (PCAOB) attesting to FTCI's controls as a qualified custodian in relation to safekeeping of client assets. PricewaterhouseCoopers LLC has prepared this report for the Adviser when required.

Item 16 Investment Discretion

Generally, the Adviser has discretionary authority to supervise and direct the investment of the assets under its management, without obtaining prior specific client consent for each transaction. However, this investment discretion is granted by written authority of the client in the investment management agreement between the client and the Adviser and is subject to such limitations as a client may impose by notice in writing. Under its discretionary authority, the Adviser may make the following determinations in accordance with the investment management agreement, the client's investment restrictions, the Adviser's internal policies, commercial practice and applicable law, without prior consultation or consent before a transaction is effected:

- Which securities or other instruments to buy or sell;
- The total amount of securities or other instruments to buy or sell;
- The broker-dealer or counterparty used to buy or sell securities or other instruments; and/or
- The prices and commission rates at which transactions are effected.

When the Adviser believes engagement may be beneficial, it may, in its sole discretion unless otherwise agreed, submit a shareholder proposal to, or otherwise actively engage with, the issuer of securities held in one or more Accounts or delegate its discretionary authority to a sub-adviser. The Adviser will consider a variety of factors including, but not limited to, costs when considering whether to engage in such activities.

LIMITATIONS ON DISCRETION

The Adviser may also provide non-discretionary services to Accounts, pursuant to which the Adviser may provide a client with research, model portfolios or advice with respect to purchasing, selling, or holding particular investments. Accounts for which the Adviser does not have investment discretion may or may not include the authority to trade for the Account and are subject to any additional limitations as are imposed by a client in writing. For certain Accounts where the Adviser does not have investment discretion or trading authority, a conflict of interest may exist for the Adviser to delay a recommendation to buy or sell if the Adviser believes that the execution of such recommendation could have a material impact on pending trades for Accounts for which the Adviser holds investment discretion.

The Adviser may, in its sole discretion, accept one or more categories of investment restrictions requested in writing by clients. In the case of investment restrictions based on social, environmental or other criteria, unless otherwise agreed to with a client, the Adviser's compliance with such restrictions will be based on good faith efforts and can be satisfied by using either a third-party service to screen issuers against such restrictions, or a combination of other market data services such as Bloomberg and FactSet and internal research.

The Adviser may, in its sole discretion, accept the initial funding of an Account with one or more securities-in-kind. Subject to the terms of the investment management agreement and applicable law, the Adviser will use good faith efforts to liquidate any securities-in-kind that the Adviser does

not elect to keep as part of such Account, and shall not be liable for any investment losses or market risk associated with such liquidation.

The investment guidelines applicable to an Account are typically based on the Account being fully funded and, during funding or transition phases, the Adviser's inability to comply with restrictions related to holding limitations, sector allocations and investment diversification shall not, unless otherwise agreed with a client, be considered a breach of the investment management agreement between the Adviser and the client. Moreover, investment restrictions are looked to at the time of investment unless otherwise agreed with the client in writing, and variances to the investment guidelines such as market movements (including exchange rates), the exercise of subscription rights, late settlement as a result of custodial action or inaction, a material increase or reduction in assets due to contributions or withdrawals by the client or a change in the nature of an investment are generally not considered to be a breach of the investment management agreement between the Adviser and the client unless specifically agreed to in writing.

SWEEP VEHICLES

Unless the Adviser is specifically directed otherwise either in its investment management agreement with a client or by separate instruction, uninvested cash held by the Adviser's clients generally will be automatically moved or "swept" temporarily into one or more money market mutual funds or other short-term investment vehicles offered by the client's custodian. Generally, sweep arrangements are made between the client and the client's custodian, and the client is responsible for selecting the sweep vehicle. The Adviser's sole responsibility in this regard is to issue standing instructions to the custodian to sweep excess cash in the client's Account into the sweep vehicle. In circumstances where the client has not made arrangements with its custodian, the Adviser may consult with the client regarding an appropriate sweep vehicle from those made available by the custodian; however, the client will ultimately select the desired sweep vehicle. In exceptional circumstances, the Adviser will select the appropriate sweep vehicle from those made available by the custodian. However, the Adviser does not actively manage the residual cash in Accounts and will not be responsible for monitoring the sweep vehicle into which such residual cash is swept.

Whether sweep arrangements are made between the client and its custodian or in consultation with the Adviser, any client whose assets are swept into an unaffiliated money market mutual fund or other short-term investment vehicle will continue to pay the Adviser's regular advisory fee plus the client may pay a management fee to the manager of such fund or short-term investment vehicle on the portion of the Account's assets invested in the money market mutual fund or short-term investment vehicle.

PARTICIPATION IN LEGAL PROCEEDINGS

Unless otherwise specifically agreed with a client, the Adviser shall not be required, or be liable for any failure, to take any action with respect to lawsuits or other legal proceedings involving securities presently or formerly held in a client's Account, or involving issuers of such securities or related parties, including but not limited to filing proofs of claim on behalf of a client to participate in any class action settlement or judgment, regulatory recovery fund, or bankruptcy proceedings for which a client may be eligible.

Where the Adviser has specifically agreed with a client to do so, the Adviser, through its delegates (which may include, without limitation, personnel of an affiliate, a law firm, or other claim filing service), uses good faith efforts to file proofs of claim on behalf of the client in class action lawsuit settlements or judgments and regulatory recovery funds pending in the U.S. and Canada, involving issuers of securities presently or formerly held in the client's Account, or related parties of such issuers, of which the Adviser learns and for which the client is eligible during the term of the agreement governing the client's Account with the Adviser (the "Claim Service"). Infrequently, such U.S. and Canadian class action lawsuits may require investors affirmatively to "opt in" to the class and may subject investors to public identification and to participation in discovery ("Opt-In Actions"). Unless otherwise specifically agreed, the Adviser shall not be required, or be liable for any failure to, but may, without undertaking any obligation to do so file any required documentation in any Opt-In Actions.

While the Claim Service is focused on recovery opportunities in the U.S. and Canada (the jurisdictions in which class action lawsuits and regulatory recovery funds predominate), it is

possible that, as class action laws in legal systems in jurisdictions outside of the U.S. and Canada continue to evolve, the Adviser may learn of recovery opportunities in those other jurisdictions that similarly require only the filing of a proof of claim or its equivalent to recover, referred to here as “Foreign Actions.” The Adviser does not assume any obligation to identify, research, or file proofs of claim in, any Foreign Actions. In the event that the Adviser does learn of Foreign Actions, the Adviser has complete discretion to determine, on a case-by-case basis, whether to file proofs of claim for the client in such Foreign Actions. Foreign Actions do not include any other type of collective action outside of the U.S. and Canada, such as representative actions. Those other actions require individual analysis as to whether participation is in an investor’s best interest and often require participants to agree to funding agreements or to pay the costs of the litigation directly, to enter into agreements with representative organizations, and to commit to participation in discovery and may require participants to be identified publicly as plaintiffs in the action. The Adviser does not assume any obligation to identify or take any action with respect to such offshore collective or representative actions for its clients.

In connection with the Claim Service, where provided, the Adviser may disclose information about an Account, whether by including such information in any proofs of claim or otherwise disclosing such information in any related manner. By filing a proof of claim on behalf of a client, the Adviser may waive the client’s right to pursue separate litigation with respect to the subject matter of the class action lawsuit or regulatory recovery fund. Where the Adviser does provide the Claim Service, the Adviser may (subject to the agreement governing the Account), at any time, terminate the Claim Service by giving notice of such termination to the client (by any method the Adviser chooses, including electronic mail), and such service will, if not sooner terminated, automatically terminate upon the termination of the governing agreement.

Further, unless otherwise specifically agreed with a client, the Adviser shall not be required, or be liable for any failure, to participate in any bankruptcy proceedings involving issuers of securities presently or formerly held in an Account, or related parties of such issuers. Without limiting the foregoing, the Adviser shall not be responsible for filing proofs of claim in bankruptcy proceedings, notifying clients of any applicable deadlines, or participating in any committees of creditors or other stakeholders on behalf of clients.

With respect to the FTI U.S. Registered Funds or other pooled or collective investment vehicles managed by the Adviser’s affiliates (collectively, “Funds”), the Adviser’s affiliates, on behalf of and in the name of the Funds, use good faith efforts to provide the Claim Service, as described above, during each Fund’s existence. In addition, from time to time the Adviser’s affiliates may recommend that one or more of the Funds pursue litigation against an issuer or related parties (whether, for example, by opting out of an existing class action lawsuit, participating in a representative action in a foreign jurisdiction, or otherwise). Neither the Adviser nor its affiliates will provide the Adviser’s clients notice of, or the opportunity to participate in, any litigation against an issuer or related parties. The Adviser’s affiliates or the Funds may also participate in bankruptcy proceedings involving issuers of securities presently or formerly held in the Funds’ portfolios, or related parties of such issuers, and join official or ad hoc committees of creditors or other stakeholders.

Item 17 Voting Client Securities

PROXY VOTING POLICIES & PROCEDURE

The Adviser has delegated its administrative duties with respect to voting proxies for client equity securities to the proxy group within Franklin Templeton Companies, LLC (the “Proxy Group”), an affiliate and wholly owned subsidiary of Franklin Resources.

All proxies received by the Proxy Group will be voted based upon the Adviser’s instructions and/or policies. To assist it in analyzing proxies, the Adviser subscribes to one or more unaffiliated third-party corporate governance research services that provides in-depth analyses of shareholder meeting agendas, vote recommendations, recordkeeping and vote disclosure services (each a “Proxy Service”). Although Proxy Service analyses are thoroughly reviewed and considered in making a final voting decision, the Adviser does not consider recommendations from a Proxy Service or any other third party to be determinative of the Adviser’s ultimate decision. Rather, the Adviser exercises its independent judgment in making voting decisions. The Adviser votes proxies solely in the best interests of the client, the Adviser-managed fund investors or, where employee benefit plan assets subject to ERISA are involved, in the best interests of plan participants and

beneficiaries (collectively, "Advisory Clients") unless (i) the power has been specifically retained by the named fiduciary in the documents in which the named fiduciary appointed the Adviser or (ii) the documents otherwise expressly prohibit the Adviser from voting proxies. As a matter of policy, the officers, directors and Access Persons of the Adviser and the Proxy Group will not be influenced by outside sources whose interests conflict with the interests of Advisory Clients. In situations where a material conflict of interest is identified, the Proxy Group may vote consistently with the voting recommendation of a Proxy Service or send the proxy directly to the relevant Advisory Clients with the Adviser's recommendation regarding the vote for approval.

As a matter of practice, the votes with respect to most issues are cast in accordance with the position of the management of the company in which the equity securities are held. Each issue, however, is considered on its own merits, and the Adviser will not support the position of the company's management in any situation where it deems that the ratification of management's position would adversely affect the investment merits of owning that company's shares.

The Proxy Group is part of the Franklin Templeton Companies, LLC Corporate Legal Department and is overseen by legal counsel. For each shareholder meeting, a member of the Proxy Group will consult with the research analyst(s) that follows the security and will provide the analyst(s) with the agenda, Proxy Service analyses, recommendations and any other information provided to the Proxy Group. Except in situations identified as presenting material conflicts of interest, the Adviser's research analyst(s) and relevant portfolio manager(s) are responsible for making the final voting decision based on their review of the agenda, Proxy Service analyses, proxy statements, their knowledge of the company and any other information publicly available. In the case of a material conflict of interest, the final voting decision will be made in accordance with the conflict procedures, as described above. Except in cases where the Proxy Group is voting consistently with the voting recommendations of an independent third-party service provider, the Proxy Group must obtain voting instructions from the Adviser's research analyst(s), relevant portfolio manager(s), legal counsel and/or an Advisory Client prior to submitting the vote.

The Adviser has adopted general proxy voting guidelines that are reviewed periodically by various members of the Adviser's organization, including portfolio management, legal counsel and the Adviser's officers, and are subject to change. These guidelines cannot provide an exhaustive list of all the issues that may arise nor can the Adviser anticipate all future situations. The guidelines cover such agenda items as the election of directors, ratification of auditors, management and director compensation, anti-takeover mechanisms, changes to capital structure, mergers and corporate restructuring, environmental and social issues, governance matters, and global corporate governance.

The Adviser will attempt to process every proxy it receives for all U.S. and non-U.S. securities. However, there may be situations in which the Adviser may be unable to successfully vote a proxy, or may choose to not vote a proxy, such as where: (i) a proxy ballot was not received from the custodian bank, (ii) a meeting notice was received too late, (iii) there are fees imposed upon the exercise of a vote and the Adviser has determined that such fees outweigh the benefit of voting, (iv) there are legal encumbrances to voting, including blocking restrictions in certain markets that preclude the ability to dispose of a security if the Adviser votes a proxy or where the Adviser is prohibited from voting by applicable law, economic or other sanctions or other regulatory or market requirements, including but not limited to, effective powers of attorney, (v) additional documentation or the disclosure of beneficial owner details is required, (vi) the Adviser held shares on the record date but has sold them prior to the meeting date, (vii) proxy voting service is not offered by the custodian in the market, (viii) due to either system error or human error, the Adviser's intended vote is not correctly submitted, (ix) the Adviser believes it is not in the best interests of the Advisory Client to vote the proxy for any other reason not enumerated herein, or (x) a security is subject to a securities lending or similar program that has transferred legal title to the security to another person.

In some non-U.S. jurisdictions, even if the Adviser uses reasonable efforts to vote a proxy on behalf of its Advisory Clients, such vote or proxy may be rejected because of (i) operational or procedural issues experienced by one or more third parties involved in voting proxies in such jurisdictions, (ii) changes in the process or agenda for the meeting by the issuer for which the Adviser does not have sufficient notice, or (iii) the exercise by the issuer of its discretion to reject the vote of the Adviser. In addition, despite the best efforts of the Proxy Group and its agents, there may be

situations where the Adviser's votes are not received, or properly tabulated, by an issuer or the issuer's agent.

The Adviser or its affiliates may, on behalf of one or more of the U.S. and non-U.S. registered investment companies advised by the Adviser or its affiliates, determine to use its best efforts to recall any security on loan where the Adviser or its affiliates (i) learn of a vote on a material event that may affect a security on loan, and (ii) determine that it is in the best interests of such registered investment companies to recall the security for voting purposes. The Adviser will not generally make such efforts on behalf of other Advisory Clients, or notify such clients or their custodians that the Adviser or its affiliates has learned of such a vote.

The Proxy Group is responsible for maintaining the documentation that supports the Adviser's voting decision. Such documentation may include, but is not limited to, any information provided by Proxy Services and, with respect to any issuer that presents a potential conflict of interest, any board or audit committee memoranda describing the position it has taken. The Proxy Group may use an outside service such as a Proxy Service to support this recordkeeping function. All records will be retained in either hard copy or electronically for at least five years, the first two of which will be on-site at the offices of Franklin Templeton Companies, LLC. Advisory Clients may view the Adviser's complete proxy voting policies and procedures on-line at www.franklintempleton.com, request copies of their proxy voting records and the Adviser's complete proxy voting policies and procedures by calling the Proxy Group at 1-954-527-7678 or send a written request to: Franklin Templeton Companies, LLC, 300 S.E. 2nd Street, Fort Lauderdale, FL 33301, Attention: Proxy Group. For U.S. Registered Funds, an annual proxy voting record for the period ending June 30 of each year will be posted to www.franklintempleton.com no later than August 31 of each year. In addition, the Proxy Group is responsible for ensuring that the proxy voting policies, procedures and records of the U.S. Registered Funds are made available as required by law and is responsible for overseeing the filing of such U.S. Registered Fund voting records with the SEC.

Item 18 Financial Information

No relevant information to disclose.

SEPARATOR PAGE

FAV 2A Franklin Stratgey

Item 1 Cover Page



FRANKLIN TEMPLETON
INVESTMENTS

FRANKLIN ADVISERS, INC.

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INVESTMENT ADVISER REGISTRATION FORM ADV PART 2A: FIRM BROCHURE

This brochure provides information about the qualifications and business practices of Franklin Advisers, Inc. If you have any questions about the contents of this brochure, please contact Global Client Service Support ("GCSS") via email at GlobalClientServiceSupportAmericas@franklintempleton.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Franklin Advisers, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

ANY REFERENCE TO FRANKLIN ADVISERS, INC. AS BEING A REGISTERED INVESTMENT ADVISER DOES NOT IMPLY A CERTAIN LEVEL OF SKILL OR TRAINING.

September 30, 2018

Item 2 Material Changes

Material changes made on or after the date of the last annual update of the Adviser's brochure on September 30, 2017 are summarized below:

Item 4: Advisory Services – Added information about additional types of advisory service offered and updated the Adviser's assets under management.

Item 5: Fees and Compensation – Revised standard fee schedule for Adviser's separate accounts.

Item 6: Performance-Based Fees and Side-By-Side Management – Added additional information regarding allocation of limited investment opportunities.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss – Updated disclosure regarding investment strategies and risk factors.

Item 12: Brokerage Practices – Updated disclosure regarding client commission sharing arrangements.

Item 16: Investment Discretion – Update disclosure regarding limitations and granting investment discretion.

Clients may request a copy of the current version of our brochure at no cost by contacting GCSS via email at **GlobalClientServiceSupportAmericas@franklintempleton.com**.

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Item 4 Advisory Business

INTRODUCTION TO FRANKLIN ADVISERS, INC.

Franklin Advisers, Inc. (the “Adviser”), is a California corporation formed on October 31, 1985 and based in San Mateo, California. The Adviser is a wholly-owned subsidiary of Franklin Resources, Inc. (“Franklin Resources”), a holding company that, together with its various subsidiaries, is referred to as Franklin Templeton Investments® (“FTI”), a global investment management organization offering investment services under the Franklin®, Templeton®, Franklin Mutual Series®, Franklin Bissett®, Fiduciary Trust™, Darby®, Balanced Equity Management®, K2® LibertyShares® and Edinburgh Partners™ brand names, among others. Franklin Templeton Investments, through current and predecessor subsidiaries, has been engaged in the investment management and related services business since 1947.

The common stock of Franklin Resources is traded on the New York Stock Exchange (“NYSE”) under the ticker symbol “BEN,” and is included in the Standard & Poor’s 500 Index.

ADVISORY SERVICES

The Adviser provides investment advisory and portfolio management services under investment management agreements with clients in jurisdictions worldwide, which include U.S. and non-U.S. registered open-end and closed-end funds and unregistered funds (collectively, our “Funds”), as well as separate accounts (“Separate Accounts”), which may include Separate Accounts for institutional and high net-worth clients. In the United States, the Adviser provides advice to investment companies, including exchange-traded funds (“ETFs”), registered with the U.S. Securities and Exchange Commission (“SEC”) pursuant to the Investment Company Act of 1940 (the “1940 Act”) (the “U.S. Registered Funds”), pooled investment vehicles that are exempt from registration under the 1940 Act (the “Private Funds”), and Separate Accounts. The Adviser manages, advises or sub-advises certain investment products sponsored by other companies (“Sub-Advised Products”), which may be sold to investors under the brand names of those other companies or on a co-branded basis. Please see Item 7 (“Types of Clients”) for greater detail.

The Adviser provides investment management services under agreements with each of its Fund, Sub-Advised Product and Separate Account clients (collectively, “Accounts”). Investment management services include services to managed accounts with full investment discretion, and to advisory accounts with no investment discretion. Typically, Accounts are managed on a fully discretionary basis.

With respect to Accounts for which the Adviser has been appointed to provide discretionary investment management services, the Adviser will determine which securities the Accounts will purchase, hold or sell. In the context of a Fund, the Adviser will do this under the supervision and oversight of a board of directors, general partner or trustee, as applicable. In addition, the Adviser may take various steps to implement such decisions, including arranging for the selection of broker-dealers and the execution and settlement of trades in accordance with applicable criteria set forth in the management agreement for each Account, internal policies, commercial practice, and applicable law. With respect to any Account for which the Adviser has been appointed to provide non-discretionary investment management services, the Adviser will make recommendations as to which securities the Accounts should purchase, hold or sell. In such cases, the Adviser may or may not perform trading activities for an Account depending on the authority provided by the client. When providing investment management services, the Adviser will perform or obtain research as it deems necessary or as agreed with the client.

Certain Accounts managed by the Adviser may invest in funds and accounts managed by affiliated or unaffiliated investment advisers.

The Adviser provides investment advice to Separate Account clients in accordance with the investment objectives, guidelines and restrictions which form part of the investment management agreement negotiated with the client or are otherwise developed in consultation with the client. The Adviser considers each prospective Separate Account client on an individual basis. Please see Item 16 (“Investment Discretion”) for details of the circumstances in which clients may place limitations on the Adviser’s discretionary authority.

Potential or actual conflicts of interest may arise in the allocation of investment opportunities among the Adviser's Accounts. Conflicts of interest are discussed in greater detail in Item 11 ("Code of Ethics, Participation or Interest in Client Transactions and Personal Trading").

Wrap Fee Programs

In addition to the investment management services described above, which account for most of its advisory business, the Adviser acts as a sub-adviser to its affiliate, Franklin Templeton Portfolio Advisors, Inc. ("FTPA") with respect to a limited number of clients and program sponsors in connection with third-party broker-dealer separately managed accounts ("SMAs"), unified managed accounts ("UMAs") or other wrap fee programs (collectively, "SMA Programs"). The SMA and UMA programs in which the Adviser currently serves as a sub-adviser are identified under Item 5 of the Adviser's Form ADV, Part 1A.

The Adviser or its affiliates may require a minimum account size for the Adviser's investment strategies, which may vary among programs. In most SMA or UMA programs, the program's sponsor (the "Sponsor") is responsible for establishing the financial circumstances, investment objectives and investment restrictions applicable to each client, often through a client questionnaire or profile and discussions with the client, including executing a program contract with the Sponsor. The Adviser will provide advice pursuant to the terms of an investment management agreement executed with the Sponsor.

In some programs (often referred to as "Dual Contract SMA Programs"), clients also may be required to execute a separate agreement directly with FTPA or FTPA may be made a party to the client/Sponsor agreement.

Generally, the Sponsor charges the client a comprehensive or wrap fee calculated as a percentage of the value of the assets under management to cover such services. The wrap fee often, but not always, includes the advisory fees charged by FTPA through the program. Where the services provided by FTPA and the Adviser are included in the wrap fee, the Sponsor generally collects the wrap fee from the client and remits the advisory fee to FTPA, who pays a portion to the Adviser. In Dual Contract SMA Programs, FTPA's fee typically is paid directly by the client pursuant to a separate agreement between FTPA and the client, and FTPA then pays a portion to the Adviser. Please see Item 5 ("Fees and Compensation") for further explanation.

The Adviser may also provide non-discretionary services as a sub-adviser to FTPA, through UMA programs where the Adviser generally provides one or more "model" portfolios on an ongoing basis, and the Sponsor or an "overlay" manager, rather than FTPA or the Adviser, makes discretionary investment decisions and executes trades on behalf of its underlying clients. In these UMA programs, FTPA receives a fee from the Sponsor, and pays a portion to the Adviser, for non-discretionary services provided to the Sponsor, rather than program clients. The Sponsor or overlay manager, and not FTPA or the Adviser, is the investment adviser and fiduciary for the accounts of clients of such programs. The Adviser does not individualize the model portfolio needs of any specific UMA Sponsor client or account type, and has no control over whether or how the UMA Sponsor chooses to use the model portfolio. To the extent consistent with applicable law, the Adviser and FTPA do not treat a UMA Sponsor's underlying accounts or clients as the Adviser's own advisory clients. FTPA and the Adviser have adopted policies and procedures designed to help ensure that any non-discretionary investment advice is communicated to Sponsors and/or clients on a timely basis so that trades can be executed for both FTPA and/or the Adviser's discretionary clients, and by the Sponsor for its clients, in a fair manner. Please see "Separately Managed Account Brokerage Transactions" under Item 12 ("Brokerage Practices") for more information.

For additional information on the SMA and UMA programs, please refer to the Form ADV Part 2A of Franklin Templeton Portfolio Advisors, Inc.

Model Fund of Fund Programs

Certain investment advisers and other financial institutions unaffiliated with the Adviser ("Model Program Sponsors") have retained the Adviser to provide model investment portfolios ("Model Portfolios") for use in connection with advisory service programs ("Model Programs") they provide to their clients. In some cases, the Model Program Sponsor may retain the Adviser to provide periodic or ongoing advice, research and asset allocation services to update the Model Portfolio.

The Model Portfolios may consist of a portfolio of funds sponsored by the Adviser or its affiliates or other securities and investment products, including third party funds. The Adviser generally creates the Model Portfolios for a hypothetical investor with investment objectives specified by the Model Program Sponsor and specifically does not customize the model with any particular investor in mind. As a general matter, an investor in the Model Program or the investor's adviser has the responsibility to (i) determine whether a Model Portfolio is suitable and appropriate for the investor and (ii) tailor the Model Portfolio, as necessary, to fit an investor's financial situation and objectives. Under the terms of the Model Programs, the Model Program Sponsor or another adviser of the investor generally has the ability to modify the Model Portfolios or require that certain investment products be included. For providing these services, the Model Program Sponsor pays the Adviser a fee, typically quarterly based on an annual percentage of assets in the Model Program managed pursuant to the Model Portfolios. Subject to applicable law and regulation, these fees are in addition to the fees the Adviser and its affiliates earn for providing services to the funds that comprise the Model Portfolios and any fees charged by the Model Program and Model Program Sponsor.

The Adviser may have interests that conflict with the interests of investors investing in a Model Portfolio pursuant to a Model Program. For example, the Adviser and its affiliates receive asset based and other fees for providing advisory and other services to the Funds that they manage, including those Funds that it may select to form a part of a Model Portfolio. The Adviser therefore may have an incentive to include one or more funds for which the Adviser or its affiliate serves as investment adviser or sub-adviser ("Affiliated Funds") in any Model Portfolio. In addition, to the extent the profitability of a particular Fund is greater than the profitability of another product, the Adviser will have an incentive to include the most profitable product in the Model Portfolio.

Electronic Advisory Programs

The Adviser provides discretionary advisory services through an electronic program (the "Electronic Program"), which uses a proprietary investment algorithm (the "Algorithm") to develop a portfolio ("the Client Portfolio") for the client based on information provided by the client relating to its investment experience, risk tolerance and investment time horizon. The Electronic Program, accessible by downloading the MyFi mobile device application, is intended for residents of the United States only. The Client Portfolio will consist of one or more Affiliated Funds. Depending on the data provided by the client, the Algorithm will direct the Client Portfolio to the Affiliated Funds that we believe would best meet the needs of clients that have similar time horizons, investment experience, and risk tolerance. In January of each year, and/or at a time the client provides updated information, the Algorithm will reassess, and, if necessary, rebalance the Client Portfolio. No fees are charged for providing the Electronic Program service. However, the Adviser and its affiliates earn fees for providing services to the Affiliated Funds which comprise the Client Portfolio.

The Adviser may have interests that conflict with the interests of clients investing through the Electronic Program. For example, the Adviser and its affiliates receive asset based and other fees for providing advisory and other services to the Affiliated Funds. The Adviser therefore may have an incentive to include funds that have higher fees or profitability in any Client Portfolio.

SERVICES OF AFFILIATES

Franklin Templeton Investments operates its investment management business through the Adviser, as well as through multiple affiliates of the Adviser, some of which are registered with non-U.S. regulatory authorities and some of which are registered with multiple regulatory authorities, including the SEC. The Adviser uses the services of appropriate personnel of one or more of its affiliates for investment advice, portfolio execution and trading, and/or client servicing in their local or regional markets or in their areas of special expertise, except to the extent restricted by the client under its investment management agreement, or if inconsistent with applicable law. Arrangements among affiliates take a variety of forms, including delegation arrangements, formal sub-advisory and servicing agreements. In these circumstances, the client with whom the Adviser has executed the investment management agreement will typically require that the Adviser remains fully responsible for the Account from a legal and contractual perspective. No additional fees are charged for the affiliates' services except as disclosed in the investment management agreement. Please see Item 10 ("Other Financial Industry Activities and Affiliations") for more details.

ASSETS UNDER MANAGEMENT

The Adviser provides management services or continuous and regular supervisory services for the Accounts that it manages. As part of these overall services, the Adviser will typically provide one or more of the following: (i) management services as an adviser to an Account, (ii) management services as a sub-adviser to an affiliated or unaffiliated adviser managing or supervising an Account, (iii) continuous and regular supervisory services for an Account where management services have been delegated by the Adviser to an affiliated adviser, (iv) management services as a co-manager to an Account for which an affiliated adviser also provides management services or (v) non-discretionary management services, typically under a UMA or similar program. Assets under management described in this item may include all of these types of Accounts, and may include Accounts and assets that an affiliated adviser is also reporting on its Form ADV.

As of September 30, 2018, the Adviser managed the following amounts on a discretionary and non-discretionary basis:

	U.S. Dollar Amount
Discretionary	\$ 421,252,008,316
Non-Discretionary*	\$ 380,446,389
Total**	\$ 421,632,454,705

* Non-discretionary assets under management described in this item will reflect Account assets for which the Adviser has neither discretionary authority nor responsibility for arranging or effecting the purchase or sale of recommendations provided to and accepted by the client or Sponsor. Any Account assets for which the Adviser provides solely asset allocation recommendations without continuous and regular monitoring of holdings within the client's portfolio are not included in this item.

** May differ from Regulatory Assets Under Management ("RAUM") disclosed in Item 5.F of Adviser's Form ADV Part 1A due to specific calculation instructions for RAUM.

Item 5 Fees and Compensation

ADVISORY FEES

Investment management fees are generally calculated under contractual arrangements with the Adviser's Accounts as a percentage of the market value of assets under management. Annual rates vary by investment objective and type of services provided. Fee arrangements for Separate Accounts vary by client, and are based on a number of different factors, including investment mandate, services performed, and account/relationship size. To the extent permitted under the Investment Advisers Act of 1940 (the "Advisers Act") and other applicable law, the Adviser may negotiate and charge performance fees as well as asset based fees in connection with Accounts. In addition, fees may be fixed, fixed plus performance or performance only. Please refer to Item 6 ("Performance-Based Fees and Side-by-Side Management") for additional discussion of performance-based fees.

The Adviser is not generally required to provide notice to, or obtain the consent of, one client when waiving, reducing or varying fees or modifying other contractual terms with any other client. However, some Separate Account and Sub-Advised Product clients may from time to time seek to negotiate most favored nation ("MFN") clauses in their investment management agreements with the Adviser. These clauses typically require the Adviser to notify a client with an MFN clause if the Adviser subsequently enters into an agreement with a comparable client that provides a more favorable fee rate or certain other contractual terms than those in place with the client who has the MFN clause at that time. Individual investors in certain funds may seek to negotiate similar MFN provisions as a condition of their investment. Once notified, the client can elect to either adopt or reject the more favorable terms or, usually when the MFN clause relates only to fees, may require that any more favorable fee rate terms be extended automatically to the client. The applicability of an MFN clause will typically depend on the degree of similarity between clients. The Adviser will consider a number of factors when determining similarity between Accounts, including the type of

client, the scope of investment discretion, reporting and other servicing requirements, the amount of assets under management, the fee structure and the particular investment strategy selected by each client. The Adviser does not under normal circumstances apply an MFN clause negotiated with its own client to investment management agreements between the Adviser's affiliates and their clients. The Adviser has sole discretion over whether or not to grant any MFN clause in all circumstances.

As discussed in more detail in Item 4 ("Advisory Services - SMA Programs"), the Adviser may participate as a sub-adviser to FTPA in a limited number of SMA programs, or as a model provider in UMA programs sponsored by various Sponsors. The Sponsor's program brochure generally contains information on minimum account sizes and fees payable to the Sponsor and participating investment managers and/or model providers. Accordingly, minimum account size and fees may vary from program to program or within a single program based on, among other things, investment strategy. With respect to the wrap fee programs, the Adviser receives from FTPA a portion of the annualized fee received by FTPA from the wrap fee Sponsors, typically paid quarterly, based on the value of the assets in the clients' accounts.

FEE SCHEDULES

Generally, the Adviser's standard fee schedules for Separate Account clients are set out below (normally calculated as a percentage of the value of assets under management, and typically calculated monthly or quarterly, or as agreed with each client). In some cases, fees may be negotiated.

Types of Mandates	Standard Investment Advisory Fee
Indian Equity	95 bps to 70 bps
U.S. Small Cap Growth Small Mid Cap Growth	90 bps to 65 bps
Small Cap Core	80 bps to 60 bps
Risk Premia	90 bps to 40 bps Or Performance fee 60 bps-25 bps + 10% over cash with high water mark
U.S. All Cap Growth U.S. Opportunities	75 bps to 50 bps
Franklin Dynatech	75 bps to 45 bps
Franklin U.S. Large Cap Value Franklin U.S. Large Cap Growth Equity	65 bps to 45 bps
Convertible Securities Fund	65 bps to 45 bps
Emerging Market Debt Local Currency Emerging Markets Fixed	70 bps to 40 bps
Focused Core Equity	60 bps to 45 bps
Rising Dividends	60 bps to 40 bps
Global High Yield Short Duration Global High Income European High Yield	55 bps to 40 bps
Franklin Japan Equity	60 bps to 30 bps

Types of Mandates	Standard Investment Advisory Fee
U.S High Yield Fixed Income U.S. Floating Rate Bank Loans	50 bps to 35 bps
Global Bond Plus Global Multisector Asian Bond	45 bps to 30 bps
US High Yield BB/B	45 bps to 30 bps
Asia Credit	45 bps to 25 bps
Franklin Strategic Multi Sector	40 bps to 25 bps
Global Absolute Return Bond	40 bps to 25 bps
U.S. Strategic Mortgage Global Securitized	35 bps to 20 bps
US Investment Grade Corporate US Long Investment Grade	30 bps to 20 bps
Systematic Emerging Market Equity	25 bps to 15 bps
Municipal Bond Institutional	25 bps to 15 bps
Franklin Balanced Allocation	25 bps to 10 bps
Franklin Balanced Allocation	25 bps to 10 bps
Systematic Global Equity	20 bps to 10 bps
Systematic Developed Market Equity	15 bps to 8 bps

In situations where the Adviser currently serves as sub-adviser to FTPA through certain SMA and UMA programs, the Adviser's fees may be less than the fees it receives for advising similar Accounts outside of these programs. However, clients should be aware that the total fees and expenses associated with an SMA or UMA program may exceed those which might be available if the services were acquired separately. Clients should contact their program Sponsor for more information on the fees payable to FTPA and the Adviser in connection with a program.

U.S. REGISTERED FUNDS

With respect to the Adviser's management of U.S. Registered Funds, investors should consult the U.S. Registered Funds' offering documents and/or shareholder reports for specific fee information on those products. The compensation paid by each U.S. Registered Fund is described in its prospectus, statement of additional information, and/or shareholder reports. Under their investment management agreements, the funds typically pay their advisers a monthly fee in arrears (*i.e.*, after the services are rendered) based upon a percentage of the fund's average daily net assets. Annual fee rates under the various agreements are often reduced as net assets exceed various threshold levels. Annual rates also vary by investment objective and type of services provided. Investment management agreements generally permit advisers to provide investment management services to more than one fund and to other clients as long as the advisers' ability to render services to each of the funds is not impaired, and so long as purchases and sales of portfolio securities for various advised funds are made on an equitable basis.

PRIVATE FUNDS

Each Private Fund's private placement memorandum ("PPM"), subscription agreement and/or other governing document discloses the applicable fees and expenses. Fees charged to Private Fund investors ("Private Fund Investors") will typically differ from fees charged to other Account clients even where a similar investment mandate is followed. Fees disclosed in the offering

documents of Private Funds may be negotiated in certain circumstances by a particular investor in those Private Funds.

TIMING AND PAYMENT OF ADVISORY FEES

The timing of fee payments will be negotiated with each client or, with respect to the Adviser's Funds, as set forth in the relevant Fund's offering documents or PPM. Asset based fees generally are paid monthly or quarterly and are calculated on the value of the Account's net assets under management or, in the case of certain closed-end funds and Private Funds, committed capital or invested capital.

With respect to certain Private Funds (and similarly managed Separate Accounts), performance fees or other performance-based compensation will be generally based on exceeding specified yield or total return benchmarks or other hurdles and generally are payable: (i) on a quarterly or annual basis, (ii) at the time of an investor's withdrawal or redemption with respect to the amount withdrawn or redeemed, and/or (iii) as investments are realized and/or capital is distributed. Certain Private Funds charge performance fees based on the relevant Private Fund's net profits without regard to any benchmark or performance hurdle. In some cases, arrangements may be subject to a cumulative high water mark or other provisions intended to ensure that prior losses are recouped before giving effect to any performance fees. In other cases, certain Private Funds may have periodic or cumulative performance hurdles prior to the Adviser receiving a performance fee. The timing and amount of performance fees are described in the relevant offering documents or PPM. Please see Item 6 ("Performance-Based Fees and Side-By-Side Management") for additional information.

For the most part, the investment management agreements between the Adviser and U.S. Registered Funds must be renewed each year (after an initial two-year term), and must be specifically approved at least annually by a vote of each fund's board of directors or trustees as a whole and separately by the directors/trustees that are not interested persons of such fund under the 1940 Act, or by a vote of the holders of a majority of such fund's outstanding voting securities.

The Adviser's investment management agreements with clients other than U.S. Registered Funds, including certain closed-end funds, generally do not have termination dates. Rather, investment management agreements often include automatic renewal provisions, but the agreement may also include a provision stating that the Adviser or client may terminate with advance notice. In some situations, clients may arrange to pay fees in advance. In the event of the termination of a relationship, unearned fees, if any, paid in advance will be refunded to the client. To the extent fees have been earned but not yet billed, such fees will be pro-rated and paid by the client upon termination.

Except as separately negotiated or as otherwise disclosed, fees are calculated in most cases as a percentage of assets under management and are payable monthly or quarterly in arrears based on the month or quarter-end market value or on the average value for the fee period. Where the Adviser has agreed with a Separate Account client to calculate fees based on the value of assets at the end of a particular fee period, the Adviser will typically, unless otherwise instructed, prorate its fees to take into account capital contributions or withdrawals made by the client (with the exception of contributions or withdrawals below a threshold amount determined by the Adviser) during the relevant month or quarter. Although Separate Account clients typically elect to pay fees by authorizing their custodian to pay the Adviser out of their account assets pursuant to a pre-agreed fee schedule, some clients request the Adviser to bill them directly for fees incurred. Separate Accounts generally are subject to a minimum fee, determined by applying the client's fee schedule to the applicable minimum portfolio size. If the Adviser manages multiple Accounts for a client (or group of related clients), the assets of these Accounts may be aggregated for purposes of taking advantage of available breakpoint fee reductions.

With respect to Accounts for which the Adviser serves as a sub-adviser to FTPA through certain SMA and UMA programs, the timing of fee payments will be negotiated with each client or Sponsor. Asset based fees generally are paid monthly or quarterly and are calculated on a percentage of the value of the Account's net assets or, with respect to UMA programs, the value of the assets in accounts managed by the Sponsor utilizing the Adviser's model portfolio(s). In certain cases (e.g., Separate Accounts with performance-based fees), fees may continue to be paid after termination of the relationship in accordance with the investment management agreement.

OTHER FEES AND EXPENSES

In addition to the fees described above, clients of the Adviser typically bear other costs associated with investments or Separate Accounts, including but not limited to: (i) custodial charges, brokerage fees/costs, commissions and related costs, (ii) interest expenses, (iii) taxes, duties and other governmental charges, (iv) transfer and registration fees or similar expenses, (v) costs associated with foreign exchange transactions, (vi) other portfolio expenses, and (vii) costs, expenses and fees (including investment advisory and other fees charged by the investment advisers of funds in which the client invests) associated with products or services that may be necessary or incidental to such investments. With respect to such services (which may include, but are not limited to, custodial, securities lending, brokerage, futures, banking, consulting or third-party advisory services) each client will be required to establish business relationships with relevant service providers or other counterparties based on the client's own credit standing. The Adviser will not have any obligation to allow its credit to be used in connection with the establishment of such relationships, nor is it expected that such service providers or counterparties will consider or rely on the Adviser's credit in evaluating the client's creditworthiness. Clients will also generally incur brokerage and other transaction costs. See Item 12 ("Brokerage Practices") for discussion on brokerage. Funds also generally bear their own operating and other expenses including, but not limited to, in addition to those listed above: (i) sales expenses, (ii) legal expenses, (iii) internal and external accounting, audit and tax preparation expenses, (iv) insurance, and (v) organizational expenses.

The Adviser uses a master/feeder structure for certain Private Funds, which allows an investment adviser to manage a single portfolio of securities at the master fund level and have multiple feeder funds that invest substantially all of their respective assets into the master fund. Individual and institutional investors typically invest in the feeder funds. A management fee (and performance fee or carried interest, if applicable) is charged either at the master fund level or the feeder fund level depending on the specific circumstances of the master/feeder fund. Administrative, shareholder servicing and custodian fees (when all portfolio securities are held in the master fund) are often waived at the feeder fund level and only charged at the master fund level, although the feeder funds will indirectly bear their pro rata share of the expenses of the master fund as an investor in the master fund. Fees and expenses specific to a feeder fund are usually charged only to that feeder fund.

SMA program clients are also subject to fees, expenses and charges in addition to the Sponsor's comprehensive or wrap fee (e.g., commissions on transactions executed by a broker-dealer other than the Sponsor or the program's designated broker-dealer(s), expenses with respect to investments in pooled vehicles, dealer mark-ups or mark-downs on principal transactions, and certain costs or charges imposed by the Sponsor or a third-party, such as odd-lot differentials, exchange fees and transfer taxes mandated by law).

The Adviser may, on behalf of certain clients, invest in pooled investment vehicles, including mutual funds and ETFs. Subject to applicable law and regulation and the terms of their agreements, clients will generally bear the costs and expenses charged by these investment vehicles to their investors, such as management and administrative fees, in addition to the Adviser's management fees. In some cases it may be appropriate for the Adviser to invest a portion of a client's assets into Affiliated Funds. This may be appropriate where, for example, the Affiliated Fund provides a more efficient and cost-effective way to diversify an account. Such arrangement may create a conflict of interest for the Adviser to the extent that it recommends investments in one of the Affiliated Funds rather than in unaffiliated mutual funds or other securities. The Adviser or its affiliates may receive investment advisory and other fees from the Affiliated Funds but not from unaffiliated mutual funds or other securities (although any investments in such securities would generally be subject to the advisory fees applicable to the securities). The Adviser seeks to mitigate any potential conflict by excluding any assets invested in Affiliated Funds from the management fee charged by the Adviser to the rest of the Account, unless otherwise agreed with a client (for example, where a client requests additional allocation services at the Account level) or disclosed to a client, subject to applicable law. Those assets are instead subject to the Affiliated Fund's fees and charges applicable to all investors in such fund, as disclosed in the fund's current prospectus or other relevant document. As a result, the Adviser or its affiliates will indirectly receive advisory and other fees paid by those clients as investors of an Affiliated Fund. This and other conflicts are further

discussed in Item 11 (“Code of Ethics, Participation or Interest in Client Transactions and Personal Trading”).

Item 6 Performance-Based Fees and Side-By-Side Management

The Adviser manages different types of Accounts with a variety of fee arrangements and charges performance-based fees or allocations with respect to certain clients in addition to management fees. These are described in more detail under Item 5 (“Fees and Compensation”) above. U.S. Registered Funds, for example, generally pay management fees based on a fixed percentage of assets under management, whereas Separate Accounts and Private Funds typically have more varied fee structures, including potentially a combination of asset-and performance-based compensation.

Side-by-side management by the Adviser of U.S. Registered Funds, Private Funds and other Funds with Sub-Advised Products and Separate Accounts creates potential conflicts of interest, including those associated with any differences in fee structures, as well as other economic interests the Adviser or its supervised persons may have in an Account managed by the Adviser.

When the Adviser receives performance-based fees or allocations, the search for strong investment returns can incentivize the Adviser to make investments that are riskier or more speculative than it would otherwise make. The prospect of achieving higher compensation from a Private Fund or Separate Account than from a U.S. Registered Fund may provide the Adviser with an incentive to favor the Private Fund or Separate Account over the U.S. Registered Fund when, for example, placing securities transactions that the Adviser believes could more likely result in favorable performance. Similarly, a significant proprietary investment held by the Adviser or an affiliate in an Account may create an incentive for the Adviser to favor such Account to the detriment of other Accounts.

The Adviser seeks to conduct its business by treating all clients equally and by appropriately managing conflicts of interest that may arise when conducting transactions involving multiple clients. The Adviser does this by disclosing potential conflicts to its clients and by implementing policies and procedures reasonably designed to address those conflicts. The Adviser has implemented a number of policies and procedures designed to address side-by-side management and the potential conflicts of interest that may arise when a portfolio manager or different portfolio managers within a single investment adviser or investment group manage multiple funds and investment accounts for advisory clients. Specific examples of situations that may create the potential for conflicts of interest are discussed below.

A potential conflict of interest can arise if the Adviser sells short a security in one Account while simultaneously arranging for another Account to hold the same security long. The Adviser may have a legitimate reason for engaging in such inconsistent transactions. For example, the investment objectives of the two Accounts may differ. Nonetheless, the Adviser could be viewed as harming the performance of the Account with the long position for the benefit of the Account with the short position if the short sale caused the market value of the security to drop. To mitigate this potential conflict of interest, the Adviser has implemented a Short Sale Policy to deny a short sale request in certain circumstances.

Cross trades are another area that may present potential conflicts of interest in that they may be viewed as favoring one client over another. For example, an adviser making a cross trade that is expected to increase in value from a U.S. Registered Fund (with an asset based fee) to an investment account (with a performance fee) could be perceived as doing so merely to increase the performance-based compensation it receives from the investment account. The reverse is true with respect to securities expected to decrease in value. The Adviser has implemented inter-account transaction procedures to address these potential conflicts of interest by, among other things, requiring pre-clearance of all cross-trades.

Advisers may have a different valuation process for the accounts they or their affiliates advise. Consequently, a U.S. Registered Fund and an investment account that hold the same security may value that security differently. Different valuations of the same security could lead to questions about whether an adviser acted appropriately. For example, an adviser could be perceived as placing a higher valuation on a security held in an investment account merely to increase its

performance-based compensation from that account. To address this conflict, the Adviser must document an explanation for any differences in the valuation of securities held by, for example, both a U.S. Registered Fund and an investment account managed by the Adviser and/or its affiliates. The explanation provided must be reviewed and approved by the Valuation Committee formed to provide oversight and administration of the fair valuation and liquidity policies and procedures adopted by the Adviser.

Aggregation and allocation of transactions may create conflicts of interest for the Adviser. The Adviser may aggregate orders of its clients to effect a larger transaction with the aim of reducing transaction costs. The Adviser must then allocate the securities among the participating Accounts. Although aggregation of transactions is permissible, potential conflicts of interest exist in the aggregation and allocation of client transactions. For example, an adviser could be viewed as allocating securities that it anticipates will increase in value to certain favored clients, especially those that pay a performance-based fee to that adviser. Similarly, if a portfolio manager identifies a limited investment opportunity that may be suitable for several funds or Accounts, a single fund or Account may not be able to take full advantage of that opportunity due to an allocation of that opportunity across all eligible funds and other Accounts. In other limited investment opportunities, including some privately offered investments, where the investment opportunity may be suitable for multiple and different types of clients, allocation may be based on alternative methodologies designed to comply with applicable law and ensure fair and consistent treatment of such clients.

The Adviser has implemented trade aggregation and allocation procedures designed to address these potential conflicts of interest. These procedures require that an average price be used for multiple executions of a particular security through the same broker on the same terms on the same day and describe the allocation methodologies to be applied as well as permissible exceptions from standard allocation methods that must be pre-approved by a designated trading desk compliance officer. Please see Item 12 (“Brokerage Practices”) for further discussion of allocation of investment opportunities.

Item 7 Types of Clients

The Adviser currently provides investment advisory and portfolio management services under investment management agreements with clients in jurisdictions worldwide, which include U.S. and non-U.S. registered open-end and closed-end funds and unregistered funds, as well as Separate Accounts. The Adviser may also provide sub-advisory services to Sub-Advised Products sponsored by other companies, which may be sold to the public under the brand names of those other companies or on a co-branded basis.

The Adviser generally will not accept management of a new client Separate Account of less than \$10 million unless special circumstances are present. Special circumstances include the existence of a related account already managed by the Adviser or an affiliate. Minimum investment requirements for U.S. Registered Funds, Private Funds or other pooled investment vehicles managed by the Adviser are generally set forth in the prospectus, PPM or other offering document. In some cases, Account minimums are negotiated or waived at the Adviser’s discretion.

U.S. REGISTERED FUNDS

Franklin Templeton Investments’ proprietary retail open-end and closed-end investment companies are registered under the 1940 Act and their securities are registered under the Securities Act of 1933 (“Securities Act”), and are offered under one of the Franklin Templeton Investments brand names. These funds consist of various open-end investment companies serving the institutional and retail market, including variable insurance funds and smart beta, passive and actively managed ETFs. The Franklin and Templeton management groups also advise a smaller number of publicly traded closed-end investment companies, and the Franklin management group advises a number of money market funds. Funds managed by separate management groups may have a common board of directors/board of trustees.

The Adviser may also provide sub-advisory services to a variety of products sponsored by third-parties.

INSTITUTIONAL SEPARATE ACCOUNTS

The Adviser generally provides investment management services to institutional Separate Account clients in accordance with the investment guidelines and restrictions that are agreed to between the client and Adviser in the investment management agreement, which may be amended from time to time when mutually agreed to in writing.

Each client's guidelines are tailored to reflect their particular investment needs. The Adviser provides a broad array of investment management services to institutional clients, which may include, from time to time, corporations, charitable foundations, endowment funds and government and corporate defined contribution and pension plans.

As discussed in greater detail in Item 4 ("Advisory Services – SMA Programs"), the Adviser also participates as a sub-adviser to FTPA in a limited number of SMA Programs sponsored by various firms.

Use and Provision of Client Information and Confidentiality Clauses in Investment Management Agreements

The Adviser may include a Separate Account client's name in a representative or sample client list prepared by the Adviser with the client's consent.

The Adviser is not generally required to provide notice to, or obtain the consent of, any client for use or disclosure of Account information to third parties, provided such use does not disclose the client's name or other personal information. This may include information relating to the Adviser's investment experience with respect to an Account or an Account's performance, composite and representative Account performance presentations, marketing materials, attribution and research analyses, statistical and data compilations, or similar materials.

In certain circumstances, the Adviser may disclose information to third parties that includes a client's name, account number or other account information (including non-public information) if this is required (i) in connection with the performance of its services under the respective investment management agreement (including, but not limited to, providing trading and other account information to brokers and third-party administrators, and the preparation and printing of client account statements and reports by third parties), (ii) by law or regulatory authority, including but not limited to any subpoena, administrative, regulatory or judicial demand or court order, or (iii) by the bylaws or equivalent governing documents of any issuer in which the Account is invested. While the Adviser is not generally required to provide notice or obtain consent in these situations, certain clients may request advance notice of a regulatory request, to the extent permitted by applicable law or regulation.

PRIVATE FUNDS

As a general matter, each Private Fund is managed in accordance with its investment objectives, strategies and guidelines, as described within the Private Fund's PPM, and is not tailored to the needs of any particular Private Fund Investor. In addition, an investment in a Private Fund does not, in and of itself, create an advisory relationship between the Private Fund Investor and the Adviser. Therefore, Private Fund Investors must consider whether the Private Fund meets their investment objectives and risk tolerance prior to making an investment. Information about each Private Fund can be found in its PPM, which is available to current and prospective Private Fund Investors only through a broker-dealer affiliated with the Adviser or another authorized party. In some limited cases, a Private Fund may be established for the benefit of a single Private Fund Investor, in which case the Private Fund may be tailored to the individualized needs of that Private Fund Investor. Certain non-U.S. affiliates of the Adviser may act as placement agents with respect to the distribution of Private Funds to Private Fund Investors outside the United States. While this brochure may be provided to, and include information relevant to Private Fund Investors, it is designed solely to provide information about the Adviser and should not be considered to be an offer of interests in any Private Fund.

U.S. domiciled Private Funds advised by the Adviser are generally organized as limited liability companies or limited partnerships under the laws of jurisdictions within the United States (collectively the "U.S. Private Funds") and typically are excluded from the definition of an "investment company" pursuant to Section 3(c)(1) or 3(c)(7) of the 1940 Act. Private Funds that

are organized under the laws of jurisdictions outside of the United States (the “Offshore Funds”) are typically offered to persons who are not “U.S. Persons,” as defined under Regulation S of the Securities Act, but may also be offered on a private placement basis to certain U.S. Persons (typically tax-exempt institutions) pursuant to Section 7(d) of the 1940 Act and relevant related SEC guidance. Private Fund Investors are subject to certain eligibility requirements which are disclosed in the PPM for each of the U.S. Private Funds and Offshore Funds.

Certain Private Funds operate using master/feeder structures, where trading operations reside in a master fund while Private Fund Investors typically invest through one or more feeder funds that, in turn, invest (directly or indirectly) in the master fund. Private Funds may include, but are not limited to, funds of funds that invest primarily in other affiliated or unaffiliated investment vehicles (each a “Fund of Funds”).

OTHER POOLED INVESTMENT VEHICLES

The Adviser also provides investment management and related services to a number of closed-end investment companies whose shares are traded on various major U.S. stock exchanges.

In addition, the Adviser’s assets under management include assets in funds that are sold outside of the United States, and whose investment objectives vary, but are largely international, global equity and global fixed-income oriented. Together with its affiliates, the Adviser provides investment management, marketing and distribution services to vehicles, including SICAV funds, contract-type funds and open ended investment companies organized in Luxembourg and the United Kingdom, which are distributed in non-U.S. marketplaces, as well as to locally organized funds in various countries outside the United States.

The Adviser provides advisory services to one or more collective investment trusts excluded from the definition of an “investment company” pursuant to Section 3(c)(11) of the 1940 Act.

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

The Adviser’s Accounts utilize various investment strategies including, but not limited to, equity, fixed income, core, hybrid, and multi-asset strategies. The Adviser’s investment management services incorporate fundamental investment research and valuation analyses, including original economic, political, industry and company research, and analyses of suppliers, customers and competitors. Company research includes the utilization of such sources as company public records and other publicly available information, management interviews, company prepared information, and company visits and inspections. In addition, research services provided by brokerage firms are used to support the Adviser’s findings.

The Accounts advised by the Adviser accommodate a variety of investment goals and risk tolerance – from capital appreciation (with more growth-oriented strategies) to capital preservation (with fixed-income strategies). In seeking to achieve an Account’s specific investment objectives, each portfolio emphasizes different strategies and invests in different types of securities. The Adviser does not typically seek to recommend a particular type of security to individual clients.

INVESTMENT STRATEGIES

Significant strategies used by the Adviser include:

U.S. AND GLOBAL FIXED INCOME

The Adviser offers actively managed fixed income strategies ranging from a broad global multi-sector perspective to regionally focused, as well as sector specific styles of investing. Such strategies emphasize rotation among different types of debt on a relative value basis, specific security selection, quantitative analysis of each security and the portfolio as a whole, as well as intensive credit analysis and review.

Portfolios seeking income generally focus on one or more of the following securities: (i) taxable and tax-exempt money market instruments, (ii) tax-exempt and taxable municipal securities, (iii) global fixed-income securities, and (iv) taxable fixed-income debt securities of corporations, of the U.S. government and its sponsored agencies and instrumentalities, of foreign governments, and non-government structured securities, such as residential mortgage backed securities or unsecured

consumer loans. In addition, certain products will focus on investments in particular countries and regions. Some portfolios also use machine learning and statistical algorithms to analyze data gleaned from primarily non-bank, tech-focused, web-based platforms that originate secured and unsecured debt securities to support access to private lending investment opportunities.

The Adviser's investment process begins with frequent meetings, where senior fixed income and equity professionals from across the organization gather to discuss macroeconomic conditions, market events and relative value across sectors, markets and currencies. Sector teams representing the major fixed income markets provide bottom-up views on events and valuations within each sector. Utilizing this information, the policy committee formulates a general framework to guide fixed income portfolio positioning.

All allocation decisions for fixed income portfolios are determined by the portfolio strategy teams. Once the broad investment themes that are used across all fixed income strategies have been developed, the individual strategy teams are responsible for formulating investment strategy and developing the model portfolio for their respective strategies, including targeted duration and yield curve positioning, industry and sector exposure.

FRANKLIN CORE and HYBRID

The Franklin Core and Hybrid investment strategies employ bottom-up, fundamental analysis and seek to exploit a view that differs from the market consensus regarding growth potential or valuation. The Core and Hybrid strategies take a long-term investment view and utilize a flexible and diversified approach to managing portfolios, searching across a wide range of asset classes including equities, fixed income, and convertibles to meet each portfolio's investment objective. Generally speaking, these strategies often seek to take advantage of price dislocations that result from the market's short-term focus, and are offered across market capitalization, sector, and specific styles of investing.

FRANKLIN U.S. GROWTH EQUITY

The Franklin U.S. Growth Equity strategies seek to provide long-term capital appreciation by investing in companies meeting the Adviser's criteria of growth, quality and valuation. Franklin U.S. Growth Equity strategies employed by the Adviser utilize bottom-up, fundamental security analysis and focus on high quality companies that can produce sustainable earnings and cash flow growth. The Adviser looks for long-term investment opportunities and seeks to deliver attractive risk-adjusted returns by identifying companies with potential for sustainable growth that is not already reflected in current stock prices. Equity strategies are complemented by an ongoing assessment of risk at both the security and portfolio levels.

In this effort, the key variables examined include: market opportunity (overall size and growth); competitive positioning of the company; assessment of management (strength, breadth, depth and integrity) and execution of plans; and the general financial strength and profitability of the enterprise, to determine whether the growth and quality aspects are properly reflected in the current share price.

Certain strategies are focused primarily on companies within specific market capitalizations, such as small, small-mid, and large, while others invest across the entire market capitalization spectrum.

FRANKLIN SECTOR STRATEGIES

The Franklin Sector Strategies employ fundamental, bottom-up investment analysis to select securities within a specific sector or industry which the Adviser believes will help achieve the strategy's primary investment goal. Depending on the strategy, the Adviser's investment goal may be capital appreciation, current income, or a combination of these. The sector strategies employ a flexible approach and invest in different asset classes, including equities, convertibles, or fixed income and may invest in companies across the market cap spectrum. Additionally, strategies may focus on certain industry segments, for example venture capital investing in private companies within the technology industry.

MULTI-ASSET STRATEGIES

The Adviser offers various multi asset strategies utilizing a combination of Strategic, Tactical and Manager Research capabilities, including long term strategic advisory mandates, packaged target date and target risk strategies, static allocation strategies, Real Return strategies, and others.

These multi-asset strategies may combine strategies from various advisers both internal and external to Franklin Templeton Investments, or which may be outcome oriented in nature.

The Adviser's Franklin Templeton Multi-Asset Solutions team ("FTMAS") seeks to provide risk adjusted returns within the asset allocation framework of individual mandates. The FTMAS investment approach combines long-term strategic allocation decisions designed to provide investment solutions to client needs with shorter-term tactical allocation adjustments to take advantage of the current market environment. Asset class views are built on proprietary evaluations of the relative attractiveness of equity, fixed income, cash and alternative investments from both within FTMAS and the broader Franklin Templeton organization. In addition to asset class views, FTMAS may also take regional or country views within asset classes depending on strategy flexibility. The Mandate Research team within FTMAS provides recommendations on individual funds to be used within our multi-asset and multi-strategy portfolios based on a qualitative and quantitative review of performance, risk, management and investment process.

SMART BETA

The smart beta portfolios managed by the Adviser use internally developed indices that employ a research-driven approach in customizing factor weightings. These indices are either constructed to include four factors (quality, value, momentum and low volatility), or to provide exposure to high quality companies paying sustainable and above average dividends. They are also designed to pursue higher risk-adjusted returns or higher quality equity income over the long term relative to a cap-weighted index. Certain products, including a number of ETFs offered on the Franklin LibertyShares platform, are designed to employ this methodology.

INVESTMENT RISKS

Particular investment strategies or investments in different types of securities or other investments involve specific risks that clients should be prepared to bear. The risks involved for different client Accounts will vary based on each client's investment strategy and the type of securities or other investments held in the client's Account. The following are descriptions of a number of the material risks related to the significant investment strategies used by the Adviser. Not all possible risks are described below.

Market – The market value of securities or other investments managed by the Adviser will go up and down, sometimes rapidly or unpredictably. A security's or other investment's market value may be reduced by market activity or other results of supply and demand unrelated to the issuer. This is a basic risk associated with all securities. When there are more sellers than buyers, prices tend to fall. Likewise, when there are more buyers than sellers, prices tend to rise. The market value of securities may also go up or down due to factors that affect an individual issuer or a particular industry or sector. When markets perform well, there can be no assurance that securities or other investments will participate in or otherwise benefit from the advance.

Stock prices tend to go up and down more dramatically than those of debt securities. A slower-growth or recessionary economic environment could have an adverse effect on the prices of the various stocks held by a portfolio managed by the Adviser.

Equity Securities – Equity securities represent a proportionate share of the ownership of a company. Their value is based on the success of the company's business and the value of its assets, as well as general market conditions. The purchaser of an equity security typically receives an ownership interest in the company as well as certain voting rights. The owner of an equity security may participate in a company's success through the receipt of dividends, which are distributions of earnings by the company to its owners. Equity security owners may also participate in a company's success or lack of success through increases or decreases in the value of the company's shares.

Debt Securities – In general, a debt security represents a loan of money to the issuer by the purchaser of the security. A debt security typically has a fixed payment schedule that obligates the issuer to pay interest to the lender and to return the lender's money over a certain time period. Debt securities are all generally subject to interest rate, credit, income and prepayment risks and, like all investments, are subject to liquidity and market risks to varying degrees depending upon the specific terms and type of security. The Adviser attempts to reduce credit and market risk

through diversification and ongoing credit analysis of each issuer, as well as by monitoring economic developments, but there can be no assurance that it will be successful at doing so.

Credit – An issuer of debt securities may fail to make interest payments and repay principal when due, in whole or in part. Changes in an issuer's financial strength, the market's perception of the issuer's financial strength or in an issuer's security's or a government's credit rating may affect a security's value. While some securities are backed by the full faith and credit of the U.S. government or other issuing government, guarantees of principal and interest do not apply to market values or yields. Substantial losses may be incurred on debt securities that are inaccurately perceived to present a different amount of credit risk by the market, the Adviser or the rating agencies than such securities actually do.

Prepayment – An issuer of debt securities may make unscheduled prepayments of principal, which means the holder of those debt securities loses anticipated interest. Prepayments generally increase when interest rates fall.

Interest Rate – When interest rates rise, debt security prices generally fall. The opposite is also generally true: debt security prices rise when interest rates fall. Interest rate changes on the whole are influenced by a number of factors including government policy, monetary policy, inflation expectations, perceptions of risk, and supply and demand of bonds. In general, securities with longer maturities are more sensitive to these interest rate changes.

Non-U.S. Securities – Investing in non-U.S. securities typically involves more risks than investing in U.S. securities, and includes risks associated with: (i) political and economic developments – the political, economic and social policies or structures of some countries may be less stable and more volatile than those in the U.S., (ii) trading practices – government supervision and regulation of non-U.S. security and currency markets, trading systems and brokers may be less than in the U.S., (iii) availability of information – non-U.S. issuers may not be subject to the same disclosure, accounting and financial reporting standards and practices as U.S. issuers and information may be less timely and/or reliable than information provided by U.S. issuers, (iv) limited markets – the securities of certain non-U.S. issuers may be less liquid (harder to sell) and more volatile, (v) currency exchange rate fluctuations and policies, and (vi) unfavorable tax policies – such as substantial, punitive or confiscatory tax increases. Although not typically subject to currency exchange rate risk, depository receipts may be subject to the same risks as non-U.S. securities generally. The risks of investments outside the U.S. may be greater in developing countries or emerging market countries.

Developing Market Countries – The Adviser may make investments in developing market countries. These investments are subject to all of the risks of investing in non-U.S. securities generally, and have additional heightened risks due to a lack of established legal, political, business and social frameworks to support securities markets, including: delays in settling portfolio securities transactions; currency and capital controls; greater sensitivity to interest rate changes; pervasiveness of corruption and crime; currency exchange rate volatility; and inflation, deflation or currency devaluation.

Sovereign Debt Securities – Sovereign debt securities are subject to various risks in addition to those relating to debt securities and non-U.S. securities generally, including, but not limited to, the risk that a governmental entity may be unwilling or unable to pay interest and repay principal on its sovereign debt, or otherwise meet its obligations when due because of cash flow problems, insufficient foreign reserves, the relative size of the debt service burden to the economy as a whole, the government's policy towards principal international lenders such as the International Monetary Fund, or the political considerations to which the government may be subject. If a sovereign debtor defaults (or threatens to default) on its sovereign debt obligations, the indebtedness may be restructured. Some sovereign debtors have in the past been able to restructure their debt payments without the approval of some or all debt holders or to declare moratoria on payments. In the event of a default on sovereign debt, there may also be limited legal recourse against the defaulting government entity.

Asset Allocation – The Adviser's ability to achieve its investment goal may depend upon its skill in determining a portfolio's asset allocation mix and/or selecting sub-advisers. There is the possibility that the Adviser's evaluations and assumptions regarding asset classes and the selected sub-advisers will not be successful in view of actual market trends.

Smaller and Midsize Companies – Securities issued by smaller and midsize companies may be more volatile in price than those of larger companies, involve substantial risks and should be considered speculative. Such risks may include greater sensitivity to economic conditions, less certain growth prospects, lack of depth of management and funds for growth and development and limited or less developed product lines and markets. In addition, smaller and midsize companies may be particularly affected by interest rate increases, as they may find it more difficult to borrow money to continue or expand operations, or may have difficulty in repaying any loans.

Unlisted Securities – Unlisted securities (i.e., securities not listed on a stock exchange or other markets and for which no liquid secondary trading market exists) may involve a high degree of business and financial risk and which may result in substantial losses. The companies underlying such securities may have relatively limited operating and profit histories. Many of these companies may also need substantial additional capital to support expansion or to achieve or maintain a competitive position and there is no assurance that capital will be available to finance such needs. In the absence of a liquid trading market for unlisted securities, they will be difficult to value. It is also possible that such investments will be difficult to liquidate when desired, which may limit the ability to realize their full value. Although it is generally desirable that unlisted securities become listed in due course, there can be no assurance that this will be the case, or that sufficient liquidity for substantial shareholdings will be available following listing. Additionally, companies whose securities are not publicly-traded generally are not subject to the same disclosure and investor protection requirements that apply to publicly-traded companies. As a consequence, the information available to security holders of such companies may be less complete and less reliable than would be the case with a publicly-traded company.

Currency Management Strategies – Currency management strategies may substantially change exposure to currency exchange rates and could result in losses to an Account if currencies do not perform as the Adviser expects. In addition, currency management strategies, to the extent that they reduce exposure to currency risks, may also reduce the ability to benefit from favorable changes in currency exchange rates. There is no assurance that the Adviser's use of currency management strategies will benefit a particular Account or that they will be, or can be, used at appropriate times. Furthermore, there may not be perfect correlation between the amount of exposure to a particular currency and the amount of securities in the portfolio denominated in that currency. Investing in foreign currencies for purposes of gaining from projected changes in exchange rates, as opposed to hedging currency risks applicable to a portfolio's holdings, further increases the exposure of an Account to foreign securities losses.

Non-Diversification – Non-diversification of investments means a portfolio may invest a large percentage of its assets in securities issued by or representing a small number of issuers. As a result, the portfolio's performance may depend on the performance of a smaller number of issuers.

Short Sell – Short selling entails special risks. If a portfolio makes short sales in securities that increase in value, the portfolio will lose value. Any loss on short positions may or may not be offset by investing short sale proceeds in other investments.

Concentration – Concentrating investments in a particular country, region, market, industry or asset class means that performance will be more susceptible to loss due to adverse occurrences affecting that country, region, market, industry or asset class. A portfolio concentrating in a single state or jurisdiction is subject to greater risk of adverse economic, political or social conditions and regulatory changes than a fund with broader geographical diversification.

Liquidity – Liquidity risk exists when the markets for particular securities or types of securities are or become relatively illiquid so that it is or becomes more difficult to sell the security, partially or in full, at the price at which the security was valued. Illiquidity may result from political, economic or issuer-specific events; changes in a specific market's size or structure, including the number of participants; or overall market disruptions. Securities with reduced liquidity or that become illiquid involve greater risk than securities with more liquid markets. Market quotations for illiquid securities may be volatile and/or subject to large spreads between bid and ask prices. Reduced liquidity may have an adverse impact on market price and the ability to sell particular securities when necessary to meet liquidity needs, which may arise or increase in response to a specific economic event or because of a desire to purchase particular investments or a belief that a higher level of liquidity would be advantageous. To the extent that a significant portion of an issuer's outstanding securities is held, greater liquidity risk will exist than if the issuer's securities were more widely held.

High-Yield Debt Securities – Issuers of lower-rated or high-yield debt securities (including loans) and unrated securities of similar credit quality (“high-yield debt instruments” or “junk bonds”) are not as strong financially as those issuing higher credit quality debt securities. These issuers are more likely to encounter financial difficulties because they may be more highly leveraged, or because of other considerations. In addition, high yield debt securities generally are more vulnerable to changes in the relevant economy, such as a recession or a sustained period of rising interest rates, that could affect their ability to make interest and principal payments when due. The prices of high-yield debt instruments generally fluctuate more than higher-quality securities. High-yield debt instruments are generally more illiquid (harder to sell) and harder to value. Less public information and independent credit analysis are typically available about high-yield debt securities, and therefore they may be subject to greater risk of default.

Mortgage Securities – Mortgage securities differ from conventional debt securities because principal is paid back periodically over the life of the security rather than at maturity. Investors may receive unscheduled payments of principal due to voluntary prepayments, refinancings or foreclosures on the underlying mortgage loans. Because of prepayments, mortgage securities may be less effective than some other types of debt securities as a means of “locking in” long-term interest rates and may have less potential for capital appreciation during periods of falling interest rates. A reduction in the anticipated rate of principal prepayments, especially during periods of rising interest rates, may increase or extend the effective maturity of mortgage securities, making them more sensitive to interest rate changes, subject to greater price volatility, and more susceptible than some other debt securities to a decline in market value when interest rates rise.

Marketplace Loans – Marketplace loans are originated through online platforms that provide a marketplace for lending and match consumers, small and mid-sized enterprises or companies, and other borrowers seeking loans with investors willing to provide the funding for such loans (“Marketplace Loans”). Marketplace Loans are subject to the risks associated with debt investments generally, including but not limited to, interest rate, credit, liquidity, high yield debt, market and income risks. A platform operator is not obligated to make any payments due on a Marketplace Loan except to the extent that the operator actually receives payments from the borrower on the related loan. Accordingly, lenders and investors assume all of the credit risk on the loans they fund or purchase from a platform operator and are not entitled to recover any deficiency of principal or interest from the platform operator if the underlying borrower defaults on its payments due with respect to a loan. In addition, Marketplace Loans may represent obligations of consumers who would not otherwise qualify for, or would have difficulty qualifying for, credit from traditional sources of lending, or that are unable to effectively access public equity or debt markets, as a result of, among other things, limited assets, adverse income characteristics, limited credit or operating history or an impaired credit record. As a result of the credit profile of the borrowers and the interest rates on Marketplace Loans, the delinquency and default experience on the Marketplace Loans may be significantly higher than those experienced by financial products arising from traditional sources of lending. A platform may be unable, or may not seek, to verify all of the borrower information obtained by it. Moreover, the platforms’ credit decisions and scoring models are based on algorithms that could potentially contain programming or other errors or prove to be ineffective or otherwise flawed. In addition, courts have recently considered the regulatory environment applicable to marketplace lending platforms and purchasers of Marketplace Loans. In light of recent decisions, if upheld and widely applied, certain marketplace lending platforms could be required to restructure their operations and certain loans previously made by them through funding banks may not be enforceable, whether in whole or in part, by investors holding such loans or such loans could be subject to reduced returns and/or the platform subject to fines and penalties.

State and U.S. Territories – Certain Accounts may invest predominantly in state-specific municipal securities, in which case, events in that specific state are likely to affect the Account’s investments and its performance. These events may include economic or political policy changes, tax base erosion, state constitutional limits on tax increases, budget deficits and other financial difficulties, and changes in the credit ratings assigned to municipal issuers of that state.

Growth Style Investing – Growth stock prices reflect projections of future earnings or revenues, and can, therefore, fall dramatically if the company fails to meet those projections. Prices of these companies’ securities may be more volatile than other securities, particularly over the short term.

Value Style Investing – A value stock may not increase in price as anticipated by the Adviser if other investors fail to recognize the company's value and bid up the price, the markets favor faster-growing companies, or the factors that the Adviser believes will increase the price of the security do not occur.

Management – The investment strategies, techniques and risk analyses employed, while designed to enhance returns, may not produce the desired results. The assessment of a particular security or assessment of market, interest rate or other trends could be incorrect, which can result in losses (realized and unrealized).

Derivative Instruments – The performance of derivative instruments depends largely on the performance of an underlying instrument, such as a currency, security, interest rate or index, and such derivatives often have risks similar to their underlying instrument, in addition to other risks. Derivatives involve costs and can create economic leverage in an Account portfolio which may result in significant volatility and cause the Account to participate in losses (as well as enable gains) in an amount that exceeds the initial investment. Certain derivatives have the potential for unlimited loss, regardless of the size of the initial investment. Other risks include illiquidity, mispricing or improper valuation of the derivative instrument, and imperfect correlation between the value of the derivative and the underlying instrument so that the intended benefits may not be realized. Their successful use will usually depend on the Adviser's ability to accurately forecast movements in the market relating to the underlying instrument. Should a market or markets, or prices of particular classes of investments, move in an unexpected manner, especially in unusual or extreme market conditions, the Account may not achieve the anticipated benefits of the transaction and it may realize losses, which could be significant. If the Adviser is not successful in using such derivative instruments, the Account's performance may be worse than if the Adviser had not used such derivative instruments at all. When a derivative is used for hedging, the change in value of the derivative may also not correlate specifically with the currency, security, interest rate, index or other risk being hedged. There is also the risk, especially under extreme market conditions, that an instrument, which usually would operate as a hedge, provides no hedging benefits at all. In addition, there is the risk that a counterparty will not settle a transaction in accordance with its terms for reasons such as the counterparty has a credit or liquidity problem. This risk is heightened if the Account buys and sells derivative instruments in over the counter markets.

Investing in Underlying Funds – Because the investments made by a Fund of Funds are concentrated in the underlying funds it selects, and the Fund of Funds performance is directly related to the performance of the underlying funds held by it, the ability of a Fund of Funds to achieve its investment goal is directly related to the ability of the underlying funds to meet their investment goals. In addition, shareholders of a Fund of Funds will indirectly bear the fees and expenses of the underlying funds. To the extent that an underlying fund may engage in frequent trading of its portfolio securities, which may indirectly impact the Fund of Funds' investment performance, particularly through increased brokerage and other transaction costs and taxes. Additionally, when valuing Funds of Funds and other products or accounts which invest in privately placed pooled investment vehicles managed by third-parties or other underlying funds sponsored by third-party managers, the Adviser generally relies on pricing information provided by the private fund or the fund's manager or other service provider. While the Adviser expects that such persons will provide appropriate valuations, certain investments may be complex or difficult to value. The Adviser may also perform its own valuation analysis, but generally will not independently assess the accuracy of such valuations. The investment risks described above are the principal risks of the Fund of Funds and the underlying funds in which it invests.

Leverage – The Adviser may cause the Accounts that it advises to leverage their capital if the Adviser believes it may enable the Accounts to achieve a higher rate of return. This is particularly with respect to Accounts that are not U.S. Registered Funds, as they are not generally subject to the regulatory restrictions that apply to borrowing by U.S. Registered Funds. However, the use of leverage means that a decline in value of an Account's investment could result in a substantial loss that would be greater than if the Account were not leveraged. In addition, leveraging by means of borrowing may exaggerate the effect of any increase or decrease in the value of portfolio securities on an Account's net asset value, and money borrowed will be subject to interest and other costs (which may include commitment fees and/or the cost of maintaining minimum average balances), which may or may not exceed the income or gains received from the securities purchased with borrowed assets.

Tracking Error and ETF Management Risk – ETFs trade like stocks, fluctuate in market value and may trade at prices above or below the ETF’s net asset value. ETF shares may be bought or sold throughout the day at their market price on the exchange on which they are listed. However, there can be no guarantee that an active trading market for ETF shares will develop or be maintained, or that their listing will continue or remain unchanged. While the shares of ETFs are tradable on secondary markets, they may not readily trade in all market conditions and may trade at significant discounts due to market forces. Certain ETFs are designed to track a specified market index; however, in some cases an ETF’s return may deviate from the specified index. Other ETFs are actively managed and are therefore subject to management risk. Furthermore, unlike traditional open-end funds, investors generally cannot purchase ETF shares from, or redeem ETF shares with, the ETF sponsor. Rather, only specified large blocks of ETF shares called “creation units” can be purchased from, or redeemed with, the ETF sponsor. For more information on any ETF, investors should carefully consider the ETF’s investment goals, risks, sales charges and expenses before investing. The prospectus contains this and other information.

Quantitative Model Risk – When executing an investment strategy using various proprietary quantitative or investment models, securities or other financial instruments selected can perform differently than expected, or from the market as a whole, as a result of a model’s component factors, the weight placed on each factor, changes from the factors’ historical trends, and technical issues in the construction, implementation and maintenance of the models (e.g., data problems, software issues, etc.). There can be no assurance that a model will achieve its objective.

Item 9 Disciplinary Information

None.

Item 10 Other Financial Industry Activities and Affiliations

The Adviser is a wholly-owned subsidiary of Franklin Resources, a holding company that, together with its various subsidiaries is referred to as Franklin Templeton Investments.

The Adviser may have business arrangements with related persons/companies that are material to the Adviser’s advisory business or to its clients. In some cases, these business arrangements may create a potential conflict of interest, or appearance of a conflict of interest between the Adviser and a client. Please see Item 4 (“Advisory Business”) for additional information on services of affiliates.

Recognized conflicts of interest are discussed in Item 6 (“Performance-Based Fees and Side-By-Side Management”) above, Item 11 (“Code of Ethics, Participation or Interest in Client Transactions and Personal Trading”), and Item 12 (“Brokerage Practices”) below.

The Adviser has arrangements with one or more of the following types of related persons that may be considered material to its advisory business or to its clients.

RELATED BROKER-DEALERS

One or more of the Adviser’s management persons are registered with the Financial Industry Regulatory Authority (“FINRA”) as a registered representative of an affiliated broker-dealer of the Adviser.

The Adviser is under common control with Franklin/Templeton Distributors, Inc. (“FTDI”), Franklin Templeton Financial Services Corp. (“FTFSC”) and Templeton/Franklin Investment Services, Inc. (“TFIS”), all of which are registered broker-dealers.

FTDI is registered with the SEC as a broker-dealer and is a member of FINRA. FTDI’s primary business is being the underwriter and distributor for the U.S. Registered Funds, including the Franklin Templeton ETFs. Most of its distribution activities occur through independent third-party broker-dealers, who have the primary day-to-day direct contact with shareholders. FTDI is also the underwriter of the Franklin Templeton 529 College Savings Plan and the NJBEST 529 College Savings Plan (collectively, “529 Plans”). In addition, FTDI acts as program manager and distributor for the two 529 Plans, which are municipal fund securities. As a result, FTDI is registered as a municipal securities dealer, subject to regulation by the Municipal Securities Rulemaking Board. In certain instances, shareholders bypass a third-party broker-dealer and establish unsolicited

accounts directly with FTDI, who becomes the broker-dealer of record by default. FTDI does not make recommendations to purchase or sell fund shares to retail investors.

Underwriting and distribution fees are earned primarily by distributing our funds pursuant to distribution agreements between FTDI and the funds. Under each distribution agreement, the fund's shares are offered and sold on a continuous basis and certain costs associated with underwriting and distributing the fund's shares may be incurred, including the costs of developing and producing sales literature, shareholder reports and prospectuses.

FTFSC is registered with the SEC as a broker-dealer and is a member of FINRA. In addition, FTFSC is registered with the Commodity Futures Trading Commission ("CFTC") as an introducing broker and is a member of the National Futures Association ("NFA"). FTFSC, in conjunction with other investment advisory affiliates, provides the broker-dealer platform to Private Funds. As such, FTFSC personnel are also associated with Franklin Templeton Investments investment advisers ("FTI Advisers") so that they may utilize the FTFSC broker-dealer platform when offering private placement and mutual fund securities products to their clients.

TFIS is registered with the SEC as a broker-dealer and is a member of FINRA. TFIS offers private placement and mutual fund products. Many of TFIS' registered associated persons are also dually registered with FTDI to support joint program initiatives, such as marketing U.S. mutual fund products. TFIS also has some dually registered associated persons with FTFSC.

SERVICES TO U.S. REGISTERED FUNDS

The Adviser serves as investment adviser to one or more U.S. Registered Funds.

RELATED INVESTMENT ADVISERS

The Adviser may enter into a sub-advisory arrangement with, or may refer a client to, an investment adviser affiliate capable of meeting the client's specific investment needs. One or more of these affiliated investment advisers may be serving as a commodity trading advisor ("CTA") that is registered or exempt from registration with the CFTC. The Adviser is affiliated with other registered investment advisers which are under common control with the Adviser, and the Adviser may share certain portfolio management personnel and investment research with such affiliated investment advisers. In certain cases, the Adviser serves as a sub-adviser to FTPA with respect to certain SMA Programs.

The Adviser may use the services of appropriate personnel of one or more of its affiliates for investment advice, portfolio execution and trading, and client servicing in their local or regional markets or their areas of special expertise, except to the extent restricted by the client or pursuant to its investment management agreement, or inconsistent with applicable law. Arrangements among affiliates take a variety of forms, including delegation arrangements, formal sub-advisory or servicing agreements. In these circumstances, the client with whom the Adviser has executed the investment management agreement will typically require that the Adviser remains fully responsible for the Account from a legal and contractual perspective. No additional fees are charged for the affiliates' services except as disclosed in the investment management agreement or Fund offering documents.

LIMITED PARTNERSHIPS AND PRIVATE FUNDS

The Adviser manages a number of Private Funds that are typically structured as U.S. and non-U.S. limited partnerships, limited liability companies or limited companies in order to meet the legal, regulatory and tax demands of clients. The Adviser or an affiliate acts as general partner, managing member, investment manager and/or otherwise exercises investment discretion with respect to these Private Funds in which clients are solicited to invest. Entities affiliated with the Adviser may invest in and may provide services other than advice (including, but not limited to, administration, organizing and managing the business affairs, executing and reconciling trades, preparing financial statements and providing audit support, preparing tax related schedules or documents, and sales and investor relations support, diligence and valuation services) to such funds, in some cases for a fee separate and apart from the advisory fee. Franklin Templeton Investments' personnel, including employees of the Adviser, may also serve on the board of directors of a Private Fund. A Private Fund may pay or reimburse the Adviser or its affiliates for certain organizational and initial offering expenses related to the Private Fund. Further information can be found in the PPM for each Private Fund.

CFTC REGISTRATIONS

The Adviser is a member of the NFA, and is registered with the CFTC as a CTA. However, the Adviser is generally exempt from the CFTC's disclosure and recordkeeping requirements applicable to registered CTAs under various exemptions on which it relies, including but not limited to CFTC Rule 4.7.

Certain of the U.S. Registered Funds and Private Funds managed by the Adviser are commodity pools for which the Adviser is the commodity pool operator ("CPO"). As the CPO for certain U.S. Registered Funds, the Adviser is either (i) registered as a CPO with the CFTC, or (ii) excluded from the need to register and the related requirements pursuant to Rule 4.5 under the Commodity Exchange Act ("CEA") or other provisions under the CEA and the rules of the CFTC. As the CPO for certain Private Funds, the Adviser is either (i) registered as a CPO, but exempt from certain reporting, recordkeeping and disclosure requirements pursuant to Rule 4.7 under the CEA, or (ii) exempt from the need to register and related requirements pursuant to CEA Rule 4.13(a)(3) or other provisions under the CEA and the rules of the CFTC.

In addition, certain of the Adviser's management persons have also registered as associated persons of the Adviser to the extent necessary or appropriate to perform their responsibilities, and/or as associated persons of an affiliated entity that is registered with the CFTC as a CPO and CTA.

Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

CODE OF ETHICS SUMMARY

Franklin Resources has adopted a code of ethics and business conduct (the "Code of Ethics"), which is applicable to all officers, directors, and employees of Franklin Resources and its U.S. and non-U.S. subsidiaries and affiliates, including the Adviser. The Adviser is also subject to a personal investments and insider trading policy (the "Personal Investments Policy"), which serves a code of ethics adopted by FTI pursuant to Rule 204A-1 under the Advisers Act and Rule 17j-1 of the 1940 Act. A brief description of the main provisions of the Personal Investments Policy follows.

The Personal Investments Policy states that the interests of the Adviser's clients are paramount and come before any employee. All Covered Employees (as defined below) are required to conduct themselves in a lawful, honest and ethical manner in their business practices and to maintain an environment that fosters fairness, respect and integrity.

"Covered Employees" include the Adviser's partners, officers, directors (or other persons occupying a similar status or performing similar functions), and employees, as well as any other person who provides advice on behalf of the Adviser and are subject to the supervision and control of the Adviser. The personal investing activities of Covered Employees must be conducted in a manner that avoids actual or potential conflicts of interest with the clients of the Adviser. Covered Employees are required to use their positions with the Adviser and any investment opportunities they learn of because of their positions with the Adviser in a manner consistent with their fiduciary duties to use such opportunities and information for the benefit of the Adviser's clients and applicable laws, rules and regulations. In addition, the Personal Investments Policy states that information concerning the security holdings and financial circumstances of the Adviser's clients is confidential and Covered Employees are required to safeguard this information.

Additionally, Access Persons, a subset of Covered Employees, are required to provide certain periodic reports on their personal securities transactions and holdings. "Access Persons" are those persons who have access to non-public information regarding the securities transactions of the Adviser's funds or clients; are involved in making securities recommendations to clients; have access to recommendations that are non-public; or have access to non-public information regarding the portfolio holdings of funds for which a FTI Adviser serves as an investment adviser or a sub-adviser or any fund whose investment adviser or principal underwriter controls an FTI Adviser, is controlled by an FTI Adviser or is under common control with an FTI Adviser. The Adviser's Access Persons must obtain pre-clearance from the Compliance Department before buying or selling any security (other than those not requiring pre-clearance under the Personal Investments Policy). The Personal Investments Policy also requires pre-clearance before investing in a private investment

or purchasing securities in a limited offering. The Personal Investments Policy prohibits Access Persons from investing in initial public offerings (“IPOs”).

To avoid actual or potential conflicts of interest with the Adviser’s clients, certain transactions and practices are prohibited by the Personal Investments Policy. These include: front-running, trading parallel to a client, trading against a client, using proprietary information for personal transactions, market timing, and short selling Franklin Resources stock and the securities of Franklin Templeton closed-end funds.

The Personal Investments Policy requires prompt internal reporting of suspected and actual violations of the Personal Investments Policy. In addition, violations of the Personal Investments Policy are referred to the Director of Global Compliance and/or the Chief Compliance Officer as well as the relevant management personnel. No Covered Employee or Access Person may trade while in possession of material, non-public information or communicate material non-public information to others.

Information is considered material if there is a substantial likelihood that a reasonable investor would consider the information to be important in making his or her investment decision, or if it is reasonably certain to have a substantial effect on the price of the company’s securities. Information is non-public until it has been effectively communicated to the marketplace. If the information has been obtained from someone who is betraying an obligation not to share the information (e.g., a company insider), that information is very likely to be non-public.

The Adviser has implemented a substantial set of trading procedures designed to avoid violation of the Personal Investments Policy.

Copies of the Personal Investments Policy are available to any client or prospective client upon request.

POTENTIAL CONFLICTS RELATING TO ADVISORY ACTIVITIES

Participation or Interest in Client Transactions

The Adviser or its affiliates may from time to time recommend to clients or buy or sell for Accounts, securities in which the Adviser or its affiliates have a material financial interest. Such financial interests may include the contribution by the Adviser or an affiliate of seed capital to a fund it manages, or an actual investment by the Adviser or an affiliate in the fund or in third-party vehicles in which the Adviser or a related person has a financial interest. The Adviser or its related persons may also purchase or sell for themselves securities or other investments which one or more advisory clients own, previously owned, or may own in the future.

The Adviser is not itself a general partner of any limited partnership, but one or more of its affiliates may serve as a manager, general partner or trustee or in a similar capacity, of a partnership, trust or other collective investment vehicle in which clients are solicited to invest. These entities generally invest in stocks and/or fixed income securities of domestic and/or foreign companies or in other funds that invest in such securities or in other partnerships, trusts or other investment vehicles that generally are engaged in the business of investing in, purchasing, selling, developing or re-developing commercial and residential real estate properties and interests.

Potential conflicts of interest may arise in (i) the allocation of investment opportunities among the Adviser’s clients, (ii) the investment by clients in entities in which the Adviser or its related persons have a financial interest, and (iii) investments by the Adviser or its employees for their personal accounts.

The Adviser and its affiliates manage numerous funds and accounts. The Adviser may give advice and take action with respect to one Account it manages, or for its own account, that may differ from action taken by the Adviser on behalf of any of the other Accounts it manages. This gives rise to certain potential conflicts of interest, as discussed below.

The Adviser’s management of its clients may benefit members of the Adviser and its affiliates. For example, the Adviser’s clients may, to the extent permitted by applicable law, invest directly or indirectly in the securities of companies in which a member of the Adviser, or the Adviser’s other clients, or the Adviser’s affiliate, for itself or its clients, has an equity, debt, or other interest.

The advisory contracts entered into by the Adviser with each client do not entitle clients to obtain

the benefit of any particular investment opportunities developed by the Adviser or its officers or employees in which the Adviser, acting in good faith, does not cause such client to invest. The Adviser has discretion to allocate investment opportunities among its clients subject only to each Account's respective investment guidelines, the Adviser's duty to act in good faith and applicable law.

Similarly, with respect to a particular Account, the Adviser is not obligated to recommend, buy or sell, or to refrain from recommending, buying or selling any security that the Adviser and "access persons," as defined by applicable federal securities laws, may buy or sell for its or their own account or for the accounts of any other fund. The Adviser is not obligated to refrain from investing in securities held by any Accounts it manages.

Allocations to any account in which the interests of the Adviser, its officers, directors, employees or affiliates collectively exceed 5% of the account's economic value shall be governed by procedures and policies adopted by Franklin Templeton Investments designed to ensure that buy and sell opportunities are allocated fairly among clients (the "Equity Trade Allocation Policy and Procedures").

These accounts may be deemed affiliated persons of the Adviser by reason of the collective 5% or greater ownership interest of the Adviser's insiders and the Adviser's registered mutual fund clients, if any. Transactions for and allocations to these accounts are given special scrutiny because of the inherent conflict of interest involved. All exceptions to standard allocation/rotation procedures involving such affiliated accounts are monitored and recorded.

If securities traded for affiliated accounts are also the subject of trading activity (i) by an Adviser's advised mutual fund, or (ii) by other non-mutual fund client accounts, the securities traded for the affiliated accounts are generally aggregated for trading with the Adviser's advised mutual fund or other non-mutual fund client accounts.

Finally, the management of personal accounts by a portfolio manager may give rise to potential conflicts of interest. While the Funds and the Adviser have adopted the Personal Investments Policy, which they believe contains provisions reasonably necessary to prevent a wide range of prohibited activities by portfolio managers and others with respect to their personal trading activities, there can be no assurance that the Personal Investments Policy addresses all individual conduct that could result in conflicts of interest. The Adviser has adopted certain additional compliance procedures that are designed to address these and other types of conflicts. However, there is no guarantee that such procedures will detect all situations where an actual or potential conflict arises.

OTHER POTENTIAL CONFLICTS RELATING TO ADVISORY ACTIVITIES

The Adviser, where appropriate and in accordance with applicable laws, may purchase on behalf of the Adviser's clients, or recommend to the Adviser's clients that they purchase, shares of Affiliated Funds, or invest their assets in other portfolios managed by the Adviser or its affiliates ("Affiliated Accounts"). In the case of private accounts managed in a similar style, this may take the form of an investment in other Private Funds managed by the Adviser.

The Adviser faces potential conflicts when allocating the assets of a client or Private Fund to one or more Affiliated Funds or Affiliated Accounts. For example, in hindsight and despite intent or innocent purpose, circumstances could be construed that such allocation conferred a benefit upon the Affiliated Fund, Affiliated Account or an adviser to the detriment of the Adviser's client or Private Fund, or vice versa.

As a shareholder in a pooled investment vehicle, a client of the Adviser will pay a proportionate share of the vehicle's fees and expenses. Investment by a client in an Affiliated Fund means that the Adviser may, directly or indirectly, receive, subject to applicable laws, advisory (or other) fees from the Affiliated Fund in addition to any other fees it receives from the Adviser's client for managing the client's Account. Similarly, the Adviser's clients who invest through a separate account managed by another related adviser are subject to advisory fees charged by that adviser. The Adviser's clients should notify the Adviser if they do not want their Separate Account assets to be invested in Affiliated Funds. The Adviser's clients may invest directly in certain Affiliated Funds or other U.S. Registered Funds independently without paying additional Separate Account management fees to the Adviser.

The separate account management fees paid by certain retirement accounts (including those subject to the Employee Retirement Income Security Act of 1974 (“ERISA”)) that invest in U.S. Registered Funds from which the Adviser or its affiliate receives compensation (“Affiliated Registered Funds”) will, in order to avoid duplication of fees, exclude account assets invested in such Affiliated Registered Funds to the extent required by law when calculating the Adviser’s Separate Account management fees. Accordingly, the assets of such accounts invested in Affiliated Registered Funds will pay their pro rata share of such applicable Affiliated Registered Fund fees, to the extent not prohibited by law. Alternatively, the Adviser may elect to provide a credit representing the respective account’s pro rata share of fees paid with respect to any assets of a client invested in shares of any such U.S. Registered Funds or other pooled investment vehicles, or separately managed accounts of another related adviser.

The Adviser and its affiliates may, to the extent permitted by applicable laws, make payments to financial intermediaries relating to the placement of interests/shares in Private Funds. These payments may be in addition to or in lieu of any placement fees payable by investors in those Private Funds. These payments, which may be significant, to the financial intermediary and/or its representatives may create an incentive for the financial intermediary to recommend the Private Fund over other products.

The Adviser serves as investment sub-adviser to various Sub-Advised Products, some of which have an investment goal and strategy similar to that of U.S. Registered Funds for which the Adviser or its affiliates serve as investment adviser. Even when there is similarity in investment goal and strategy, investment performance and portfolio holdings may vary between these funds and products, potentially significantly, as a result of, among other things, differences in: inception dates, cash flows, asset allocation, security selection, liquidity, income distribution or income retention, fees, fair value pricing procedures, diversification methodology, use of different foreign exchange rates, use of different pricing vendors, ability to access certain markets due to country registration requirements, legal restrictions or custodial issues, legacy holdings in the fund, availability of applicable trading agreements such as ISDAs, futures agreements or other trading documentation, restrictions placed on the account (including country, industry or environmental and social governance restrictions) and other operational issues that impact the ability of a fund to trade in certain instruments or markets.

In certain circumstances, the Adviser may conclude that it is appropriate to sell securities held in one client Account to another client Account. Consistent with its fiduciary duty to each client (including the duty to seek best execution), the Adviser may (but is not required to) effect purchases and sales between clients or clients of affiliates (“cross trades”) if the Adviser believes such transactions are appropriate based on each client’s investment objectives, subject to applicable law and regulation. The Adviser will not receive compensation (other than its normal advisory fee for managing the Account), directly or indirectly, for effecting a cross trade between advisory clients, and accordingly will not be deemed to have acted as a broker with respect to such transactions. The Adviser seeks to ensure that the price paid or amount received by a client in a cross trade is fair and appropriate, which may be based on independent dealer quotes or information obtained from recognized pricing services. Since, in such cross trades, the Adviser will represent both the selling client and the buying client, the Adviser may have a perceived conflict of interest. There are possible costs or other disadvantages of this potential conflict versus the potential benefit of obtaining reduced transaction or execution costs that may be obtained from such cross trades. Any cross trades effected with respect to U.S. Registered Fund clients are subject to Rule 17a-7 under the 1940 Act.

Potential Restrictions on Investment Adviser Activity

From time to time, the Adviser may be restricted from purchasing or selling securities or other instruments on behalf of its clients because of regulatory or legal requirements applicable to the Adviser, its affiliates or its clients (as determined by the Adviser in its sole discretion) and/or its internal policies including those designed to comply with, limit the applicability of, or otherwise relate to such requirements.

There may be periods when the Adviser may not initiate or recommend certain types of transactions, or may otherwise restrict or limit their advice with respect to securities or instruments issued by or related to companies for which the Adviser is performing advisory or other services. For example, if the Adviser is provided with material non-public information with respect to a

potential portfolio company as described under the heading “The Personal Investments Policy” above, such restrictions or limitations will apply.

In other circumstances where the Adviser invests in securities issued by companies that operate in certain regulated industries or in certain emerging or international markets, or are subject to corporate or regulatory ownership restrictions, there may be limits on the aggregate amount that the Adviser can invest. For instance, the Adviser may be restricted from investing an amount that would require the grant of a license or other regulatory or corporate consent, or if doing so would violate the Adviser’s internal policies. As a result, the Adviser on behalf of its clients may limit purchases, sell existing investments, or otherwise restrict or limit the exercise of rights (including voting rights) when the Adviser, in its sole discretion, deems it appropriate in light of potential regulatory or other restrictions on ownership or other consequences resulting from reaching investment thresholds or investment restrictions.

In those circumstances where ownership thresholds or limitations must be observed, the Adviser seeks to equitably allocate limited investment opportunities among its Accounts. If the Accounts’ holdings of an issuer exceed an applicable threshold and the Adviser is unable to obtain relief to enable the continued holding of such investments, it may be necessary to sell down these positions to meet the applicable limitations, possibly during deteriorating market conditions and/or at a loss to the client. Please see further discussion of allocation of investment opportunities under Item 12 (“Brokerage Practices”).

Other ownership thresholds may trigger reporting requirements to governmental and regulatory authorities, and such reports may entail the disclosure of the identity of the Adviser’s client or its intended strategy with respect to such security or asset.

The Adviser’s services are not exclusive to any of its clients, and the Adviser is free to render, and does render, similar or other services to other persons and entities. The Adviser and its related persons may give advice or take action with respect to a client Account, or for its or their own account(s), that may differ from the advice given or action taken by the Adviser for another Account. The Adviser has no obligation to provide the same investment advice or purchase or sell the same securities for each Account. In general, the Adviser has discretion to determine whether a particular security or instrument is an appropriate investment for each Account, based on the Account’s investment objectives, investment restrictions and trading strategies. Accounts with investment restrictions that preclude investing in new, unseasoned or small capitalization issuers will generally not participate in IPOs or private equity transactions, including those that are expected to trade at a premium in the secondary market. Even an Account that is permitted to make such investments may not participate if doing so would be inconsistent with its investment practices. In addition, Accounts with a specific mandate may receive first priority for securities falling within that mandate. As a result, certain Accounts managed by the Adviser or its affiliates may have greater opportunities to invest in private equity transactions or IPOs. In the event that an IPO or private equity transaction is oversubscribed, securities will be allocated among eligible Accounts according to procedures designed to comply with the requirements and restrictions of applicable law and provide equitable treatment to all such Accounts. Subject to the above, allocation is done for each Account on a pro rata or other objective basis. Please see Item 6 (“Performance-Based Fees and Side-By-Side Management”) for details of the trade aggregation and allocation policy adopted by the Adviser.

Political Contributions

It is the Adviser’s policy to not make, and to prohibit its employees from making on behalf of the Adviser, any political contributions for the purpose of influencing an existing or potential client, a public official or his or her agency. However, employees may make personal political contributions in accordance with the requirements and restrictions of applicable law and the Adviser’s policies. To help ensure compliance with SEC rules, and many state and local pay-to-play rules, the Adviser’s employees subject to those rules must pre-clear and obtain prior approval from the legal and compliance departments before they make any contributions (*i.e.*, any monetary contribution or contribution of goods or services) to a political candidate, government official, political party or political action committee.

Item 12 Brokerage Practices

BEST EXECUTION

The Adviser has adopted policies and procedures that address best execution with respect to equity and fixed income investments and provide guidance on brokerage allocation. The policies and procedures are designed to ensure (i) that execution services meet the quality standards established by the Adviser's trading team and are consistent with established policies, (ii) the broadest flexibility in selecting which broker-dealers may provide best execution, (iii) evaluation of the execution capabilities of, and the quality of execution services received from, broker-dealers effecting portfolio transactions for the Adviser's clients, and (iv) the identification and resolution of potential conflicts of interest.

The policies and procedures for equity transactions outline the criteria that the trading team at each global location use to determine which broker-dealer(s) have provided the highest quality execution services over a particular time period. These include a periodic review of brokerage allocations, the rationale for selecting certain broker-dealers, and a review of historical broker-dealer transactions to test application of the Adviser's best execution procedures.

While the Adviser generally seeks competitive commission rates for equity transactions, it does not necessarily pay the lowest commission or commission equivalent; nor will it select broker-dealers solely on the basis of purported or posted commission rates, or seek competitive bidding for the most favorable commission rate in advance. In an effort to maximize value for its clients, the Adviser will seek to obtain the best combination of low commission rates relative to the quality of execution received. Transactions involving specialized services or expertise on the part of the broker-dealer may result in higher commissions or their equivalents.

The policies and procedures for fixed income transactions reflect the same general fiduciary principles that are covered in the equity transaction policies and procedures, but also address the special considerations for executing transactions in fixed income securities. Since trading fixed income securities is fundamentally different from trading in equity securities in that the Adviser will generally deal directly with market makers, the Adviser considers different factors when assessing best execution. In these transactions, the Adviser typically effects trades on a net basis, and does not pay the market maker any commission, commission equivalent or markup/markdown other than the spread.

The Adviser's traders for both fixed income and equity investments are responsible for determining which qualified broker-dealers will provide best execution, taking into account the best combination of price and intermediary value given the client's strategies and objectives.

The Adviser may also engage in derivative transactions that are entered into under a negotiated agreement with a counterparty or futures commission merchant, including but not limited to swaps, futures, forwards and options. The agreements to trade these instruments must be in place prior to effecting a transaction. If the Adviser is unable to negotiate acceptable terms with a counterparty or is restricted from engaging certain counterparties for an Account, for example based on the Adviser's assessment of a counterparty's creditworthiness and financial stability at any given time, the universe of counterparties that the Adviser can choose from will be limited and the standard for best execution may vary with the type of security or instrument involved in a particular transaction. The policies and procedures for equity and fixed income transactions also address the aggregation and allocation principles established by the Adviser for derivatives trading.

BROKERAGE FOR CLIENT REFERRALS

If consistent with its duty to seek best execution, the Adviser may use broker-dealers that refer account clients to the Adviser or an affiliate. To the extent that these referrals result in an increase in assets under management, the Adviser or its affiliates may benefit. Therefore, a potential conflict exists that the Adviser could have an incentive to select or recommend a broker-dealer based on its interest in receiving client referrals rather than obtaining best execution on behalf of its clients.

In order to manage this potential conflict of interest, the Adviser does not enter into agreements with, or make commitments to, any broker-dealer that would bind the Adviser to compensate that broker-dealer through increased brokerage transactions for client referrals or sales efforts; nor will the Adviser use step-out transactions or similar arrangements to compensate selling brokers for

their sales efforts. In addition, the FTI U.S. Registered Funds have adopted procedures pursuant to Rule 12b-1(h) under the 1940 Act (“Prohibition on the Use of Brokerage Commissions to Finance Distribution”), which provide that neither such funds nor the Adviser may direct brokerage in recognition of the sale of fund shares. Consistent with those procedures, the Adviser does not consider the sale of mutual fund shares in selecting broker-dealers to execute portfolio transactions. However, whether or not a particular broker or dealer sells shares of the Adviser’s mutual funds neither qualifies nor disqualifies such broker or dealer to execute transactions for those mutual funds.

POLICY ON USE OF CLIENT COMMISSIONS

When appropriate under its discretionary authority and consistent with its duty to seek best execution, the Adviser or its related persons may direct brokerage transactions for Accounts to broker-dealers that provide the Adviser with research and/or brokerage products and services. The brokerage commissions from client transactions that are used to pay for research or brokerage services in addition to basic execution services are referred to here as client commissions.

In the United States, broker-dealers typically bundle research with their trade execution services. The research provided can be either proprietary (created and provided by the executing broker-dealer, including tangible research products as well as access to analysts and traders) or third-party (created by a third-party but provided by the executing broker-dealer). To the extent permitted by applicable law, the Adviser may use client commissions to obtain both proprietary and third-party research as well as certain brokerage products and services. The receipt of research in exchange for client commissions benefits the Adviser by allowing the Adviser to supplement its own research and analysis and also gain access to specialists from a variety of securities firms with expertise on certain companies, industries, areas of the economy, and market factors. The Adviser believes that this research provides an overall benefit to its clients.

The Adviser becomes eligible for client commission credits by sending trading and paying trade commissions to broker-dealers (“CCA broker-dealers”) who both execute the trades and provide the Adviser with research and other brokerage products and services. These products and services come in a variety of forms including: (1) research reports generated by the broker-dealer, (2) conferences with representatives of issuers, and/or (3) client commission credits that can be used to obtain research reports or services from others. The portion of any trade commission on a particular trade attributable to the client commission research or other brokerage products and services cannot be identified at an individual account level.

The current list of CCA broker-dealers includes the following, and is subject to change periodically:

Bank of America/Merrill Lynch
Citigroup Global Markets Inc.
Credit Suisse Securities (USA) LLC
Deutsche Bank Securities Inc.
Goldman Sachs & Co.
Instinet LLC
Investment Technology Group (ITG)
JP Morgan Securities Inc.
Liquidnet
Morgan Stanley & Co. Inc.
UBS Securities LLC
Virtu Financial (pka KCG Capital Americas LLC)

Section 28(e) of the U.S. Securities Exchange Act of 1934, provides a safe harbor that allows an investment adviser to pay for research and brokerage services with the client commission dollars generated by Account transactions. The Adviser currently acquires only the types of products or services that qualify for the safe harbor. Research and brokerage services acquired with client commissions permitted under the safe harbor may include:

- reports, statistical data, publications and other information on the economy, industries, sectors, individual companies or issuers, which may include research provided by proxy voting services;

- software and communications services related to the execution, clearing and settlement of securities transactions;
- software that provides analyses of securities portfolios;
- statistical trade analysis;
- reports on legal developments affecting portfolio securities;
- registration fees for conferences and seminars;
- consultation with analysts, including research conference calls and access to financial models;
- investment risk analyses, including political and credit risk;
- investment risk measurement systems and software;
- analyses of corporate responsibility issues; and
- market data services, such as those which provide price quotes, last sale prices and trading volumes.

Examples of specific products and services received within the last year include those provided by Bloomberg, Thomson Reuters, FactSet, MSCI/Barra and Standard and Poor's. Services may also include access to information providers who are part of what may be referred to as an "expert network". Firms providing such a service often facilitate consultations among researchers, investment professionals, and individuals with expertise in a particular field or industry, such as doctors, academics and consultants. Access to expert networks is particularly helpful in understanding sectors of the market that are highly complex or technical in nature. The Adviser has developed controls in support of existing policies and procedures governing the use of any information acquired from expert networks.

If a product or service used by the Adviser provides both research and non-research benefits, the Adviser will generally consider it as a mixed use item and will pay for the non-research portion with cash from its own resources, rather than client commissions. The Adviser will then allocate the cost of the product between client commissions and cash according to its anticipated use. Although the allocation between client commissions and cash is not a precise calculation, the Adviser makes a good faith effort to reasonably allocate such services, and maintains records detailing the mixed use research, services and products received and the allocation between the research and non-research portions, including payments made by client commissions and cash. It is not ordinarily possible to place an exact dollar value on the special execution or on the research services the Adviser receives from dealers effecting transactions in portfolio securities.

The Adviser may select broker-dealers based on its assessment of their trade execution services and its belief that the research, information and other services they provide will benefit Accounts. As a result, broker-dealers selected by the Adviser may be paid a commission rate for effecting portfolio transactions for Accounts in excess of amounts other broker-dealers would have charged for effecting similar transactions if the Adviser determines that the commission is reasonable in relation to the value of the brokerage and/or research services provided, viewed either in terms of a particular transaction or the Adviser's overall duty to its discretionary Accounts.

While the Adviser may negotiate commission rates and prices with certain broker-dealers with the expectation that they will be providing brokerage or research services, the Adviser will not enter into any agreement or understanding with any broker-dealer that would obligate the Adviser to direct a specific amount of brokerage transactions or commissions in return for such services. Research services are one of the factors considered when determining the amount of commissions to be allocated to a specific broker-dealer. As a result, the Adviser may have an incentive to select or recommend a broker-dealer based on the Adviser's interest in receiving research or other products or services, rather than on a client's interest in receiving the most favorable commission rate.

Certain broker-dealers may state in advance the amount of brokerage commissions they require for particular services. If the Adviser does not meet the threshold for a desired product, it may either direct accumulated research commissions as part of a client commission arrangement with an executing broker-dealer to pay the research provider or the Adviser may pay cash.

The Adviser, to the extent consistent with best execution and applicable regulations, may direct trades to a broker-dealer with instructions to execute the transaction and have a third party broker-dealer or research provider provide client commission products and/or services to the Adviser. This

type of commission sharing arrangement allows the Adviser to pay part of the commission on the trade to a broker-dealer that can provide better execution and part to another broker-dealer from which the Adviser receives research or other services.

Some clients permit the Adviser to use CCA broker-dealers but prohibit the Adviser from using the commissions generated by their Accounts to acquire third party and proprietary research services. While these clients may not experience lower transaction costs than other clients, they are likely to benefit from the research acquired using other clients' commissions because most research services are available to all investment personnel, regardless of whether they work on Accounts that generate client commissions eligible for research acquisition. The Adviser does not seek to use research services obtained with client commissions solely for the specific Account that generated the client commissions and may share that research with the Adviser's affiliates. As a result, the Adviser's Accounts benefit from research services obtained with client commissions generated by client accounts of other advisers within Franklin Templeton Investments. The Adviser does not attempt to allocate the relative costs or benefits of research among Accounts because it believes that, in the aggregate, the research it receives assists the Adviser in fulfilling its overall duty to all clients.

Regulations outside of the United States that apply to some Accounts may subject the Adviser to additional requirements, restrictions or prohibitions on paying for research and brokerage with the client commission dollars generated by Account transactions. Franklin Templeton Investments uses its own resources to pay for third-party investment research for Accounts covered by the European Union's revised Markets in Financial Instruments Directive ("MiFID II"). To the extent these Accounts' orders are aggregated with the orders of clients whose commissions pay for research, the non-research paying clients may realize the price and execution benefits of the aggregated order while benefiting from the research acquired by Franklin Templeton Investments.

Aggregation of Trades

Generally, all same day client trades in the same security for Accounts under the management of the Adviser's portfolio management team will be aggregated in a single order (sometimes called "block trading") unless aggregation is inefficient or is restricted by client direction, type of Account or other limitation. All Accounts that participate in a block transaction will participate on a pro rata, relative order size, percentage, or other objective basis. Potential conflicts of interest exist with respect to the aggregation and allocation of client transactions. For example, the Adviser could be viewed as allocating securities that it anticipates will increase in value to certain favored clients, especially those that pay a performance-based fee.

There may be instances where purchase or sale orders, or both, are placed simultaneously on behalf of the Adviser's Accounts and by accounts advised by the Adviser's affiliates. In these instances, the Adviser may aggregate the order in a block trade for execution in accordance with established procedures. Generally, for each participating account, the block transactions are averaged as to price and allocated as to amount in accordance with daily purchase or sale orders actually placed for the account. All accounts that are aggregated will participate on a pro rata, relative order size, percentage, or other objective basis. Orders may be aggregated to facilitate best execution, as well as to aid in negotiating more favorable brokerage commissions beneficial to all accounts. The Adviser may also aggregate orders for clients that permit client commission arrangements with clients that do not permit such arrangements. In these cases, the Adviser aggregates the orders to obtain best execution and does not seek a research credit for the portion of the trade that is executed for clients that do not permit such arrangements. As noted above, such circumstances may result in the non-research paying clients (including those covered by MiFID II) realizing the price and execution benefits of the aggregated order while benefiting from the research acquired by Franklin Templeton Investments.

In making allocations of fixed income opportunities, the Adviser must address specific considerations in the fixed income market. For example, the Adviser may not be able to acquire the same security at the same time for more than one Account, may not be able to acquire the amount of the security to meet the desired allocation amounts for each Account, or alternatively, in order to meet the desired allocation amount for each Account, the Adviser may be required to pay a higher price or obtain a lower yield for the security. As a result, the Adviser may take into consideration one or more of the following factors in making such allocations as part of its standard methodology:

- Investment objectives
- Relative cash position of Accounts
- Client tax status
- Regulatory restrictions
- Emphasis or focus of particular Accounts
- Risk position of the Accounts
- Specific overriding client instructions
- Existing portfolio composition and applicable industry, sector, or capitalization weightings
- Client sensitivity to turnover

While pro rata allocation by order size is the most common form of allocation, to help ensure that the Adviser's clients have fair access to trading opportunities over time, both equity and fixed income trades may be placed by an alternative standard allocation or an objective methodology other than the standard methodology. Other objective methodologies are permissible provided they are employed with general consistency, operate fairly and are properly documented. In situations where orders cannot be aggregated, greater transaction costs may result and prices may vary among Accounts. See Client-Directed Brokerage Transactions below. In addition, certain non-U.S. markets may require trades to be executed on an account-by-account basis. As portfolio transactions in such markets cannot be block traded, prices may vary among accounts.

Client-Directed Brokerage Transactions

The Adviser does not routinely recommend, request or require that a client direct trading orders to any specific broker-dealer. The Adviser may, however, accommodate special requests from a client directing the Adviser to use a particular broker-dealer to execute portfolio transactions for its Account. This may include the use of expense reimbursement and commission recapture arrangements, where certain broker-dealers rebate a portion of an Account's brokerage commissions (or spreads on fixed income or principal trades) directly to the client's Account, or apply the amount against an Account's expenses. Clients may also ask the Adviser to seek reduced brokerage commissions with some or all broker-dealers used to execute their trades.

Specific client instructions on the use of a particular broker-dealer limit the Adviser's discretionary authority and the Adviser may not be in a position to freely negotiate commission rates or spreads, or select broker-dealers on the basis of best price and execution. In addition, transactions for a client that directs brokerage may not be combined or blocked with orders for the same securities for other Accounts managed by the Adviser. These trades will generally be placed at the end of block trading activity for a particular security and executed after discretionary trades. Accordingly, client directed transactions are vulnerable to price movements, particularly in volatile markets, that may result in the client receiving a price that is less favorable than the price obtained for the block order. Under these circumstances, the client may be subject to higher commissions, greater spreads, or less favorable net prices than might be the case if the Adviser had the authority to negotiate commission rates or spreads, or to select broker-dealers based solely on best execution considerations. Therefore, where a client directs the Adviser to use a particular broker-dealer to execute trades, or imposes limits on the terms under which the Adviser may engage a particular broker-dealer, the Adviser may not be able to obtain best execution for such client-directed trades.

FOREIGN EXCHANGE TRANSACTIONS

Some clients require transactions in currencies other than the base currency of their Account to permit the purchase or sale of foreign securities and to repatriate the proceeds of such trades (as well as related dividends, interest payments or tax reclaims) back to the base currency of the Account. Typically, these foreign exchange ("FX") transactions will be conducted either by the client's custodian bank as part of the FX transaction services offered to its custody clients, or by the client's investment adviser through a third-party broker. In some cases, a client may require that its custodian bank execute all FX transactions for its Account or particular markets may be restricted such that FX transactions in those currencies can only be executed by the client's custodian bank.

Generally, FX transactions related to portfolio trades in unrestricted markets are performed by the Adviser for its clients. FX transactions related to portfolio trades in restricted markets, and for income repatriation, are generally the responsibility of the respective client's custodian bank.

For certain Accounts, the Adviser may be responsible for the repatriation of income (including, for some of these Accounts, the decision whether to repatriate the income or leave it in local currency based on investment outlook) and for arranging FX transactions in one or more restricted markets. The Adviser will typically perform the income repatriation for these Accounts in unrestricted markets and the client's custodian bank will generally carry out FX transactions and repatriation (through a sub-custodian bank domiciled in the foreign country) in restricted markets. The Adviser does not have the ability to control any FX transactions performed by the client's custodian bank and assumes no responsibility for the execution or oversight of FX transactions conducted by the client's custodian bank.

Whether a market is considered to be restricted will depend on a number of factors, including country specific statutory requirements, structural risks, and operational issues. Whether a market is restricted or unrestricted may also change over time and varies depending on the type of transaction. The Adviser may consult with third parties, including broker-dealers and custodians to determine, in good faith, whether a market is considered restricted.

For certain Funds, including U.S. Registered Funds, where the custodian is appointed by the Fund, the Adviser reviews FX activity performed by the custodian. In its review, the Adviser may rely on information provided by a third-party industry vendor. Typically, the analysis is carried out on a post-trade basis only and seeks to focus on trends over a period of time as an indicator of FX execution quality, rather than on individual transactions in a fund's portfolio. However, with respect to Accounts for which FX transactions are performed by the client's custodian bank, the Adviser does not monitor the execution quality of the FX transactions performed by the client's custodian bank. In exceptional circumstances, the Adviser may agree with a client to monitor certain FX activity performed by the client's custodian bank for that Account. In doing so, the Adviser may rely on information provided by a third-party.

SEPARATELY MANAGED ACCOUNT BROKERAGE TRANSACTIONS

The Adviser has been engaged to provide discretionary sub-advisory investment management services to FTPA through a wrap fee or SMA program. Generally, the all-inclusive wrap fee charged to clients by the Sponsor of the SMA program (usually a broker-dealer, bank or other financial institution) covers execution charges only when transactions are executed through the Sponsor. Clients will be responsible for, in addition to the wrap fee, any and all commissions, commission equivalents, markup/markdown charges, and fees charged by the executing broker-dealer, as well as any trade away fees charged by the Sponsor, on transactions with broker-dealers other than the Sponsor. Commissions, commission equivalents, markup/markdown charges, and other fees charged by an executing broker-dealer other than the Sponsor are typically reflected in the total net price for the SMA trade (as opposed to broken out separately for non-SMA orders) to provide a means to compensate the broker-dealer for its services in executing the trade. In this circumstance, these other fees are not separately identified on the trade confirmations the client or the Sponsor receives.

Franklin Templeton trading personnel consider these SMA arrangements when attempting to secure the best combination of price and intermediary value given the strategies and objectives of the client. This process can be highly subjective because of the inherent difficulties in measuring and assessing execution quality and best execution, especially in SMA programs. As a result, the Adviser may only be able to assess execution quality by evaluating the trading process and trade data over a period of time, rather than on a trade-by-trade basis, which could lead to disparities between execution price and/or quality relative to other accounts managed by the Adviser or its affiliates.

The relevant trading personnel may determine that, despite the wrap fee only covering execution charges through the Sponsor, best execution under the circumstances favors placing trades through broker-dealers other than the Sponsor. In this case, orders for trades executed through broker-dealers other than the Sponsor may be aggregated or blocked for execution in accordance with established procedures. Generally, for each account, such block transactions are averaged as to price and allocated as to amount in accordance with daily purchase or sale orders actually placed for such account. However, as discussed above, in such cases clients may be responsible for, in addition to the wrap fee, any and all commissions, commission equivalents, markup/markdown charges, trade away fees and other fees on such trades, whether broken out separately or reflected in the total net price for the trade.

It is possible that transactions executed through the Sponsor will not be aggregated for execution purposes with orders for the same securities for other accounts managed by the Adviser or its affiliates through other broker-dealers. Transactions executed through the Sponsor generally will be placed at the end of other trading activity for a particular security. This method may be used where trading personnel determine that it is likely to produce the best execution under the circumstances for the broadest segment of clients (typically measured by assets and/or number of accounts), or that a rotation system is otherwise not feasible based on practical, execution quality or other considerations. In these circumstances, it is possible that transactions executed through the Sponsor will be subject to price movements (particularly for large orders or orders in more thinly traded securities) that can result in clients receiving a price that is less favorable than the price obtained for other orders. Clients may therefore pay higher net prices or receive lower net prices than would be the case if transactions were placed without regard to the SMA arrangements or restrictions. Alternatively, these transactions may be placed according to an alternating sequence or rotation system. As a result, prices may vary among clients, and the first accounts to trade may or may not receive a more favorable price than later-traded accounts. Similar considerations apply with respect to the model portfolios provided under UMA programs (more fully described in Item 4) where updates to model portfolios are communicated at the end of trading activity for a particular security or communicated as part of an alternating sequence or rotation system.

For additional information on separately managed account brokerage transactions, please refer to the Form ADV Part 2A of Franklin Templeton Portfolio Advisors, Inc.

ALLOCATION IN IPOs AND SECONDARY OFFERINGS

From time to time, the Adviser may wish to participate in initial public offerings, secondary offerings, or acquire other stocks for an Account that are experiencing unusual trading activity and may only be available in limited quantities at the desired price. In determining which Accounts may participate in such special situations, the Adviser may take into account the investment emphasis or focus of individual Accounts on particular industries or geographic areas provided the approach used is consistently applied and results in a generally equitable treatment of all Accounts over time. The Adviser has implemented equity trade allocation procedures designed to provide that all clients over time receive a fair opportunity to participate in such special situations. Additional care and caution is exercised if one of the Accounts participating in a limited investment opportunity is an affiliated account, including specific compliance approval when affiliated accounts are participating in an IPO or secondary offer.

Item 13 Review of Accounts

The Adviser manages investment portfolios for each of its clients. Generally, the portfolios under the Adviser's management are reviewed by one or more portfolio managers who are responsible to their respective Chief Investment Officer, either directly or indirectly. Such review may be made with respect to the Adviser's clients' investment objectives and policies, limitations on the types of instruments in which each of its clients may invest and concentration of investments in particular industries or types of issues. There is no general rule regarding the number of Accounts assigned to a portfolio manager. The frequency, depth, and nature of Account reviews are often determined by negotiation with individual clients pursuant to the terms of each client's written investment management agreement or by the mandate selected by the client and the particular needs of each client.

Written reports of portfolio breakdown, transactions and performance are provided to clients no less frequently than quarterly. Additional trade reports may be available upon request.

Item 14 Client Referrals and Other Compensation

The Adviser or a related person may enter into referral fee arrangements to compensate affiliated and non-affiliated persons for referring or otherwise recommending its investment advisory services to potential clients. To the extent required, such arrangements would be governed by the policy on use of solicitors and client referrals adopted by the Adviser and entered into in accordance with Rule 206(4)-3 under the Advisers Act and other applicable law. The compensation paid may consist of a cash payment computed as a flat fee, a percentage of the Adviser's advisory fee, or some other method of computation agreed upon between the parties. To the extent allowed under applicable law, the Adviser's Code of Ethics and the policies and procedures (including the Anti-

Corruption Policy) of the Adviser, its affiliates, and/or a particular broker-dealer, the Adviser or a related person may (i) pay broker-dealer sponsors for training seminars, conferences and other educational events, (ii) pay travel and lodging expenses relating to financial advisers' attendance at the Adviser's due diligence meetings, (iii) give certain business-related gifts or gratuities, and/or pay reasonable expenses relating to meals and/or entertainment, for financial advisers, and (iv) make a contribution in connection with a charitable event or to a charitable organization sponsored, organized or supported by a broker-dealer or its representatives, on behalf of such broker-dealer or its representatives, or to which such broker-dealer or its affiliates provides professional services.

Item 15 Custody

The Adviser generally does not have the authority to hold, obtain possession or otherwise have custody of its clients' assets. However, because certain Separate Account clients may authorize the Adviser to receive its advisory fees out of the assets in such clients' Accounts by sending invoices to the respective custodians of those Accounts, the Adviser may be deemed by the SEC to have custody of the assets in those Accounts. Where required, these clients will receive account statements directly from their third-party custodians for the Accounts and should carefully review these statements. Such clients should contact the Adviser immediately if they do not receive account statements from their custodian on at least a quarterly basis. In addition to account statements delivered by their third-party custodians, the Adviser may provide such clients with separate reports or account statements containing information about the Account. Clients should compare these carefully to the account statements received from the custodian and report any discrepancies to the Adviser and custodian immediately. The Adviser may also be deemed to have custody of certain Private Funds for which it or its related person serves as general partner (or in a comparable position for other types of pooled investment vehicles). Investors in these pooled investment vehicles will receive the fund's annual audited financial statements in accordance with the Advisers Act. Such investors should review these statements carefully and should contact the Adviser immediately if they do not receive audited financial statements in a timely manner.

To the extent that a pooled investment vehicle for which the Adviser or its related person serves as general partner (or in a comparable position) does not provide investors with its annual financial statements as described above, such fund's custodian will deliver to the investor a quarterly statement as required under the Advisers Act, and the pooled investment vehicle will be subject to an independent examination in accordance with the Advisers Act.

Item 16 Investment Discretion

Generally, the Adviser has discretionary authority to supervise and direct the investment of the assets under its management, without obtaining prior specific client consent for each transaction. However, this investment discretion is granted by written authority of the client in the investment management agreement between the client and the Adviser and is subject to such limitations as a client may impose by notice in writing. With respect to the Electronic Program, the Adviser's granted investment discretion when the client accepts the Terms of Use to begin using the Electronic Program. Under its discretionary authority, the Adviser may make the following determinations in accordance with the investment management agreement, the client's investment restrictions, the Adviser's internal policies, commercial practice and applicable law, without prior consultation or consent before a transaction is effected:

- Which securities or other instruments to buy or sell;
- The total amount of securities or other instruments to buy or sell;
- The broker-dealer or counterparty used to buy or sell securities or other instruments; and/or
- The prices and commission rates at which transactions are effected.

When the Adviser believes engagement may be beneficial, it may, in its sole discretion unless otherwise agreed, submit a shareholder proposal to, or otherwise actively engage with, the issuer of securities held in one or more Accounts or delegate its discretionary authority to a sub-adviser. The Adviser will consider a variety of factors including, but not limited to, costs when considering whether to engage in such activities.

LIMITATIONS ON DISCRETION

The Adviser may also provide non-discretionary services to Accounts, pursuant to which the Adviser may provide a client with research, model portfolios or advice with respect to purchasing, selling, or holding particular investments. Accounts for which the Adviser does not have investment discretion may or may not include the authority to trade for the Account and are subject to any additional limitations as are imposed by a client in writing. For certain Accounts where the Adviser does not have investment discretion or trading authority, a conflict of interest may exist for the Adviser to delay a recommendation to buy or sell if the Adviser believes that the execution of such recommendation could have a material impact on pending trades for Accounts for which the Adviser holds investment discretion.

The Adviser may, in its sole discretion, accept one or more categories of investment restrictions requested in writing by clients. In the case of investment restrictions based on social, environmental or other criteria, unless otherwise agreed to with a client, the Adviser's compliance with such restrictions will be based on good faith efforts and can be satisfied by using either a third-party service to screen issuers against such restrictions, or a combination of other market data services, such as Bloomberg and FactSet, and internal research.

The Adviser may, in its sole discretion, accept the initial funding of an Account with one or more securities-in-kind. Subject to the terms of the investment management agreement and applicable law, the Adviser will use good faith efforts to liquidate any securities-in-kind that the Adviser does not elect to keep as part of such Account, and shall not be liable for any investment losses or market risk associated with such liquidation.

The investment guidelines applicable to an Account are typically based on the Account being fully funded and, during funding or transition phases, the Adviser's inability to comply with restrictions related to holding limitations, sector allocations and investment diversification shall not, unless otherwise agreed with a client, be considered a breach of the investment management agreement between the Adviser and the client. Moreover, investment restrictions are looked to at the time of investment unless otherwise agreed with the client in writing, and variances to the investment guidelines such as market movements (including exchange rates), the exercise of subscription rights, late settlement as a result of custodial action or inaction, a material increase or reduction in assets due to contributions or withdrawals by the client or a change in the nature of an investment are generally not considered to be a breach of the investment management agreement between the Adviser and the client unless specifically agreed to in writing.

SWEEP VEHICLES

Unless the Adviser is specifically directed otherwise, either in its investment management agreement with a client or by separate instruction, uninvested cash held by the Adviser's clients generally will be automatically moved or "swept" temporarily into one or more money market mutual funds or other short-term investment vehicles offered by the client's custodian. Generally, sweep arrangements are made between the client and the client's custodian, and the client is responsible for selecting the sweep vehicle. The Adviser's sole responsibility in this regard is to issue standing instructions to the custodian to sweep excess cash in the client's Account into the sweep vehicle. In circumstances where the client has not made arrangements with its custodian, the Adviser may consult with the client regarding an appropriate sweep vehicle from those made available by the custodian; however, the client will ultimately select the desired sweep vehicle. In exceptional circumstances, the Adviser will select the appropriate sweep vehicle from those made available by the custodian. However, the Adviser does not actively manage the residual cash in Accounts and will not be responsible for monitoring the sweep vehicle into which such residual cash is swept.

Whether sweep arrangements are made between the client and its custodian or in consultation with the Adviser, any client whose assets are swept into an unaffiliated money market mutual fund or other short-term investment vehicle will continue to pay the Adviser's regular advisory fee plus the client may pay a management fee to the manager of such fund or short-term investment vehicle on the portion of the Account's assets invested in the money market mutual fund or short-term investment vehicle.

PARTICIPATION IN LEGAL PROCEEDINGS

Funds. With respect to the Funds that the Adviser manages, advises, or sub-advises, the Adviser,

through its delegates (which may include, without limitation, personnel of an affiliate, a law firm, custodian or other claim filing service), uses good faith efforts to file proofs of claim on behalf of the Funds in class action lawsuit settlements or judgments and regulatory recovery funds pending in the U.S. and Canada, involving issuers of securities presently or formerly held in the Funds' portfolios, or related parties of such issuers, of which the Adviser learns and for which the Funds are eligible during each Fund's existence (the "Claim Service"). Infrequently, such U.S. and Canadian class action lawsuits may require investors affirmatively to "opt in" to the class and may subject investors to public identification and to participation in discovery ("Opt-In Actions"). The Adviser has complete discretion to determine, on a case-by-case basis, whether to file proofs of claim and any other required documentation for the Funds in any Opt-In Actions of which the Adviser learns.

While the Claim Service is focused on recovery opportunities in the U.S. and Canada (the jurisdictions in which class action lawsuits and regulatory recovery funds predominate), it is possible that, as class action laws in legal systems in jurisdictions outside of the U.S. and Canada continue to evolve, the Adviser may learn of recovery opportunities in those other jurisdictions that similarly require only the filing of a proof of claim or its equivalent to recover, referred to here as "Foreign Actions." The Adviser does not assume any obligation to identify, research, or file proofs of claim in any such Foreign Actions. In the event that the Adviser does learn of any Foreign Actions, the Adviser has complete discretion to determine, on a case-by-case basis, whether to file proofs of claim for the Funds in such Foreign Actions.

In addition, from time to time, the Adviser may recommend that one or more of the Funds pursue litigation against an issuer or related parties (whether, for example, by opting out of an existing class action lawsuit, participating in a representative action in a foreign jurisdiction, or otherwise). The Adviser or the Funds may also participate in bankruptcy proceedings involving issuers of securities presently or formerly held in the Funds' portfolios, or related parties of such issuers, and join official and *ad hoc* committees of creditors or other stakeholders. Similarly, the Adviser's affiliates may recommend that the Funds they manage participate in litigation, bankruptcy proceedings or committees of creditors or other stakeholders. Neither the Adviser nor the Adviser's affiliates will provide notice of, or the opportunity to participate in, any litigation against an issuer or related parties to the Adviser's Separate Account/ Third-Party Fund Clients (defined below).

Separate Account/ Third-Party Fund Clients. With respect to Separate Accounts and Sub-Advised Products (collectively, "Separate Account/ Third-Party Fund Clients"), unless otherwise specifically agreed, the Adviser shall not be required, or be liable for any failure to, but may, without undertaking any obligation to do so, (i) provide the Claim Service, (ii) file proofs of claim in Foreign Actions, and/or (iii) file any required documentation in any Opt-In Actions, as described above. Foreign Actions do not include any other type of collective action outside of the U.S. and Canada, such as representative actions, as those types of other actions require individual analysis as to whether participation is in an investor's best interest and often require participants to agree to funding agreements or to pay the costs of the litigation directly, to enter into agreements with representative organizations, to commit to participation in discovery, and may require participants to be identified publicly as plaintiffs in the action. The Adviser does not assume any obligation to identify or take any action with respect to such offshore collective or representative actions for its Separate Account/ Third-Party Fund Clients.

Further, unless otherwise specifically agreed, the Adviser shall not be required, or be liable for any failure to, but may, participate in any bankruptcy proceedings involving issuers of securities presently or formerly held in Separate Account/ Third-Party Fund Client accounts or related parties of such issuers. Without limiting the foregoing, unless otherwise specifically agreed, the Adviser shall not be required, or be liable for any failure to, but may in its discretion: (i) file proofs of claim in bankruptcy proceedings, (ii) notify Separate Account/ Third-Party Fund Clients of any applicable deadlines or other events relating to bankruptcy proceedings, or (iii) participate in any committees of creditors or other stakeholders on behalf of Separate Account/ Third-Party Fund Clients.

In connection with the Claim Service and the Adviser's involvement in bankruptcy proceedings on behalf of Separate Account/ Third-Party Fund Clients, where applicable, the Adviser may disclose information about a Separate Account/ Third-Party Fund Client or the client's Account, whether by including such information in any proofs of claim or otherwise disclosing such information in any related manner. By filing a proof of claim on behalf of a Separate Account/ Third-Party Fund Client,

the Adviser may waive the Separate Account/ Third-Party Fund Client's right to pursue separate litigation with respect to the subject matter of the class action lawsuit or regulatory recovery fund, or the right to a jury trial in a bankruptcy proceeding, as applicable. Where the Adviser does provide the Claim Service or agrees to participate in bankruptcy proceedings on behalf of Separate Account/ Third-Party Fund Clients, the Adviser may (subject to the governing investment advisory or management agreement), at any time, terminate provision of such services by giving notice of such termination to the Separate Account/ Third-Party Fund Client (by any method the Adviser chooses, including electronic mail), and such services will, if not sooner terminated, automatically terminate upon the termination of the governing investment advisory or management agreement.

Item 17 Voting Client Securities

PROXY VOTING POLICIES & PROCEDURE

The Adviser has delegated its administrative duties with respect to voting proxies for client equity securities to the proxy group within Franklin Templeton Companies, LLC (the "Proxy Group"), an affiliate and wholly owned subsidiary of Franklin Resources.

All proxies received by the Proxy Group will be voted based upon the Adviser's instructions and/or policies. To assist it in analyzing proxies, the Adviser subscribes to one or more unaffiliated third-party corporate governance research services that provides in-depth analyses of shareholder meeting agendas, vote recommendations, recordkeeping and vote disclosure services (each a "Proxy Service"). Although Proxy Service analyses are thoroughly reviewed and considered in making a final voting decision, the Adviser does not consider recommendations from a Proxy Service or any other third party to be determinative of the Adviser's ultimate decision (except as discussed in paragraph 4 of this section). Rather, the Adviser exercises its independent judgment in making voting decisions. The Adviser votes proxies solely in the best interests of the client, the Fund investors or, where employee benefit plan assets subject to ERISA are involved, in the best interests of plan participants and beneficiaries (collectively, "Advisory Clients") unless (i) the power has been specifically retained by the named fiduciary in the documents in which the named fiduciary appointed the Adviser or (ii) the documents otherwise expressly prohibit the Adviser from voting proxies. As a matter of policy, the officers, directors and Access Persons of the Adviser and the Proxy Group will not be influenced by outside sources whose interests conflict with the interests of Advisory Clients. In situations where a material conflict of interest is identified, the Proxy Group may vote consistently with the voting recommendation of a Proxy Service or send the proxy directly to the relevant Advisory Clients with the Adviser's recommendation regarding the vote for approval.

As a matter of practice, the votes with respect to most issues are cast in accordance with the position of the management of the company in which the equity securities are held. Each issue, however, is considered on its own merits, and the Adviser will not support the position of the company's management in any situation where it deems that the ratification of management's position would adversely affect the investment merits of owning that company's shares.

Notwithstanding the foregoing, with respect to the smart beta and passive ETFs of Franklin Templeton ETF Trust that seek to track a particular securities index, the Adviser may review the Proxy Voting Guidelines of Institutional Shareholder Services Inc. ("ISS") and Glass, Lewis & Co., LLC ("Glass Lewis") and determine to instruct the Proxy Group to generally vote proxies consistent with the recommendations of ISS with respect to international securities, and Glass Lewis with respect to U.S. securities, rather than analyze each individual proxy vote. Permitting the Adviser of the ETFs to defer its judgment for voting on a proxy to the recommendations of ISS or Glass Lewis may result in a proxy related to the securities of a particular issuer held by an ETF being voted differently from the same proxy that is voted on by other funds managed by the Adviser. The Adviser, however, will retain the ability to vote a proxy differently than how ISS or Glass Lewis recommends if the Adviser determines that it would be in the best interests of an ETF and its shareholders.

The Proxy Group is part of the Franklin Templeton Companies, LLC Corporate Legal Department and is overseen by legal counsel. For each shareholder meeting, a member of the Proxy Group will consult with the research analyst(s) that follows the security and will provide the analyst(s) with the agenda, Proxy Service analyses, recommendations and any other information provided to the Proxy Group. Except in situations identified as presenting material conflicts of interest and as discussed above with respect to the ETFs, the Adviser's research analyst(s) and relevant portfolio

manager(s) are responsible for making the final voting decision based on their review of the agenda, Proxy Service analyses, proxy statements, their knowledge of the company and any other information publicly available. In the case of a material conflict of interest, the final voting decision will be made in accordance with the conflict procedures, as described above. Except in cases where the Proxy Group is voting consistently with the voting recommendations of an independent third-party service provider, the Proxy Group must obtain voting instructions from the Adviser's research analyst(s), relevant portfolio manager(s), legal counsel and/or an Advisory Client prior to submitting the vote.

The Adviser has adopted general proxy voting guidelines that are reviewed periodically by various members of the Adviser's organization, including portfolio management, legal counsel and the Adviser's officers, and are subject to change. These guidelines cannot provide an exhaustive list of all the issues that may arise nor can the Adviser anticipate all future situations. The guidelines cover such agenda items as the election of directors, ratification of auditors, management and director compensation, anti-takeover mechanisms, changes to capital structure, mergers and corporate restructuring, environmental and social issues, governance matters, and global corporate governance.

The Adviser will attempt to process every proxy it receives for all U.S. and non-U.S. securities. However, there may be situations in which the Adviser may be unable to successfully vote a proxy, or may choose to not vote a proxy, such as where: (i) a proxy ballot was not received from the custodian bank, (ii) a meeting notice was received too late, (iii) there are fees imposed upon the exercise of a vote and the Adviser has determined that such fees outweigh the benefit of voting, (iv) there are legal encumbrances to voting, including blocking restrictions in certain markets that preclude the ability to dispose of a security if the Adviser votes a proxy or where the Adviser is prohibited from voting by applicable law, economic or other sanctions or other regulatory or market requirements, including but not limited to, effective powers of attorney, (v) additional documentation or the disclosure of beneficial owner details is required, (vi) the Adviser held shares on the record date but has sold them prior to the meeting date, (vii) proxy voting service is not offered by the custodian in the market, (viii) due to either system error or human error, the Adviser's intended vote is not correctly submitted, (ix) the Adviser believes it is not in the best interests of the Advisory Client to vote the proxy for any other reason not enumerated herein or (x) a security is subject to a securities lending or similar program that has transferred legal title to the security to another person.

In some non-U.S. jurisdictions, even if the Adviser uses reasonable efforts to vote a proxy on behalf of its Advisory Clients, such vote or proxy may be rejected because of (i) operational or procedural issues experienced by one or more third parties involved in voting proxies in such jurisdictions, (ii) changes in the process or agenda for the meeting by the issuer for which the Adviser does not have sufficient notice, or (iii) the exercise by the issuer of its discretion to reject the vote of the Adviser. In addition, despite the best efforts of the Proxy Group and its agents, there may be situations where the Adviser's votes are not received, or properly tabulated, by an issuer or the issuer's agent.

The Adviser or its affiliates may, on behalf of one or more of the U.S. and non-U.S. registered investment companies advised by the Adviser or its affiliates, determine to use its best efforts to recall any security on loan where the Adviser or its affiliates (i) learn of a vote on a material event that may affect a security on loan, and (ii) determine that it is in the best interests of such registered investment companies to recall the security for voting purposes. The Adviser will not generally make such efforts on behalf of other Advisory Clients, or notify such clients or their custodians that the Adviser or its affiliates has learned of such a vote.

The Proxy Group is responsible for maintaining the documentation that supports the Adviser's voting decision. Such documentation may include, but is not limited to, any information provided by Proxy Services and, with respect to any issuer that presents a potential conflict of interest, any board or audit committee memoranda describing the position it has taken. The Proxy Group may use an outside service such as a Proxy Service to support this recordkeeping function. All records will be retained in either hard copy or electronically for at least five years, the first two of which will be on-site at the offices of Franklin Templeton Companies, LLC. Advisory Clients may view the Adviser's complete proxy voting policies and procedures on-line at www.franklintempleton.com, request copies of their proxy voting records and the Adviser's complete proxy voting policies and procedures by calling the Proxy Group at 1-954-527-7678 or send a written request to: Franklin

Templeton Companies, LLC, 300 S.E. 2nd Street, Fort Lauderdale, FL 33301, Attention: Proxy Group. For U.S. Registered Funds, an annual proxy voting record for the period ending June 30 of each year will be posted to www.franklintempleton.com no later than August 31 of each year. In addition, the Proxy Group is responsible for ensuring that the proxy voting policies, procedures and records of the U.S. Registered Funds are made available as required by law and is responsible for overseeing the filing of such U.S. Registered Fund voting records with the SEC.

Item 18 Financial Information

No relevant information to disclose.

SEPARATOR PAGE

Franklin Small Cap Growth

INVESTMENT ADVISER REGISTRATION



FRANKLIN TEMPLETON
INVESTMENTS

Franklin Advisers, Inc.
One Franklin Parkway
San Mateo, CA 94403
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FORM ADV-PART 2B: BROCHURE SUPPLEMENT

December 31, 2018

Item 1-Supervised Person

MICHAEL MCCARTHY

This brochure supplement provides information about **Michael McCarthy** that supplements Franklin Advisers, Inc.'s brochure. You should have received a copy of that brochure. Please contact FTPA Services at (800) 822-8464 or via email at **FTPAServices@frk.com** if you did not receive Franklin Advisers, Inc.'s brochure or if you have any questions about the contents of this supplement.

Item 2-Educational Background and Business Experience

Michael McCarthy is Executive Vice President and Chief Investment Officer for Franklin Equity Group (FEG). Mr. McCarthy has oversight of the San Mateo and New York-based investment teams who manage Franklin's equity and hybrid strategies, along with Franklin Equity Group's research team. FEG's strategies include US Growth, Global Growth, Sector, Hybrid, and US Core. He is the lead portfolio manager for the Franklin Small Cap Growth strategy, and also assists with the management of the Franklin Small-Mid Cap Growth strategy, which he has helped manage since its inception in 1992. Mr. McCarthy joined Franklin Templeton Investments in 1992. Prior to his role as Chief Investment Officer, he spent 13 years as the Director of Equity Research for Franklin Equity Group's San Mateo-based analyst team. Before assuming that role, he served as both the Technology Team Leader and as a research analyst in the technology services sector. In 1999, Mr. McCarthy launched Franklin Growth Opportunities Fund (known then as Franklin Aggressive Growth Fund) and was lead Portfolio Manager of this fund from its inception through 2003. Prior research coverage included personal computers, enterprise hardware, tobacco, textiles and apparel, gaming, lodging and leisure industries. Mr. McCarthy is a Chartered Financial Analyst (CFA) charterholder and earned his B.A. in history from the University of California, Los Angeles. He is a member of the Security Analysts of San Francisco (SASF) and the CFA Institute. Mr. McCarthy was born in 1969.

Item 3-Disciplinary Information

This section includes details related to certain legal or disciplinary events, which could be material to your evaluation of the supervised person. Examples of these events may include criminal and/or civil actions, administrative proceedings before the SEC or other relevant regulatory agencies, or any proceeding in which the attainment of a professional license or designation was revoked or suspended.

Mr. McCarthy does not have any reportable items.

Item 4-Other Business Activities

This section discloses whether or not the supervised person is actively engaged in other investment-related businesses or occupations and details of the compensation received for these activities. In addition, the section describes any non-investment related business or occupation that occupies a substantial portion of the individual's time or provides a substantial source of income.

Although our parent company, Franklin Resources, Inc. is a holding company for a variety of entities, including both registered investment advisers and broker-dealers, our investment professionals are employed by registered investment advisers, and, as such, do not receive commissions, bonuses or other forms of compensation based on the sale of securities or other investment products.

Mr. McCarthy does not have any reportable items.

Item 5-Additional Compensation

This section describes any economic benefit received by the supervised person from someone who is not a client for providing advisory services. This does not include regular compensation but would include a bonus based, at least in part, on the number or amount of sales, client referrals or new accounts.

In general, Franklin Templeton Investments seeks to compensate investment professionals for activities that are related to investment performance and not for sales or new business related activities. Compensation generally consists of a base salary and an annual bonus, which includes both a cash and deferred component. Based on product structure, and in limited cases, individuals may also be eligible to receive performance fees.

Mr. McCarthy does not have any reportable items.

Item 6-Supervision

This section describes how the supervised person is supervised, including the monitoring of advice provided to clients.

Franklin Templeton Investments professionals, including the supervised person, are typically supervised by a Chief Investment Officer (CIO). The CIO has deep experience in portfolio management and provides marketplace advice and strategic guidance to our investment professionals.

In some situations, an investment professional may report to an immediate supervisor who monitors day-to-day activities, but the CIO has overall accountability for the performance of their respective investment teams. In addition to CIO oversight, the monitoring of investment-related advice occurs through various methods. These may include investment committees and peer review forums where investment performance, advice and decisions are evaluated against an assortment of criteria such as attribution, risk, portfolio compliance, and trading.

Mr. McCarthy is supervised by Mr. Stephen H Dover, EVP/Head of Equities, who can be reached at (650) 312-2406.

Item 7-Requirements for State-Registered Advisers

Not Applicable.

End of Brochure Supplement for **Michael McCarthy**

INVESTMENT ADVISER REGISTRATION



FRANKLIN TEMPLETON
INVESTMENTS

Franklin Advisers, Inc.
One Franklin Parkway
San Mateo, CA 94403
(800) 321-8563 www.franklintempleton.com

FORM ADV-PART 2B: BROCHURE SUPPLEMENT

December 31, 2018

Item 1-Supervised Person

BRADLEY CARRIS

This brochure supplement provides information about **Bradley Carris** that supplements Franklin Advisers, Inc.'s brochure. You should have received a copy of that brochure. Please contact FTPA Services at (800) 822-8464 or via email at **FTPAServices@frk.com** if you did not receive Franklin Advisers, Inc.'s brochure or if you have any questions about the contents of this supplement.

Item 2-Educational Background and Business Experience

Bradley Carris is a vice president, portfolio manager and research analyst with Franklin Equity Group. He is a member of the Franklin Small Cap Growth portfolio management team. He specializes in research analysis of the specialty finance and bank industries while leading the financial and business services team. His prior research experience includes analysis of European communications service providers. Prior to his employment with Franklin Templeton Investments, Mr. Carris was a commissioned officer in the United States Navy and a manager for Accenture PLC's Communications and High Tech Industry Group. Mr. Carris joined Franklin Templeton in 2001 after receiving an M.B.A. from Columbia Business School. He received a B.A. from Duke University in 1992. He is a Chartered Financial Analyst (CFA) charterholder and member of the CFA Society of San Francisco and the CFA Institute. Mr. Carris was born in 1970.

Item 3-Disciplinary Information

This section includes details related to certain legal or disciplinary events, which could be material to your evaluation of the supervised person. Examples of these events may include criminal and/or civil actions, administrative proceedings before the SEC or other relevant regulatory agencies, or any proceeding in which the attainment of a professional license or designation was revoked or suspended.

Mr. Carris does not have any reportable items.

Item 4-Other Business Activities

This section discloses whether or not the supervised person is actively engaged in other investment-related businesses or occupations and details of the compensation received for these activities. In addition, the section describes any non-investment related business or occupation that occupies a substantial portion of the individual's time or provides a substantial source of income.

Although our parent company, Franklin Resources, Inc. is a holding company for a variety of entities, including both registered investment advisers and broker-dealers, our investment professionals are employed by registered investment advisers, and, as such, do not receive commissions, bonuses or other forms of compensation based on the sale of securities or other investment products.

Mr. Carris does not have any reportable items.

Item 5-Additional Compensation

This section describes any economic benefit received by the supervised person from someone who is not a client for providing advisory services. This does not include regular compensation but would include a bonus based, at least in part, on the number or amount of sales, client referrals or new accounts.

In general, Franklin Templeton Investments seeks to compensate investment professionals for activities that are related to investment performance and not for sales or new business related activities. Compensation generally consists of a base salary and an annual bonus, which includes both a cash and deferred component. Based on product structure, and in limited cases, individuals may also be eligible to receive performance fees.

Mr. Carris does not have any reportable items.

Item 6-Supervision

This section describes how the supervised person is supervised, including the monitoring of advice provided to clients.

Franklin Templeton Investments professionals, including the supervised person, are typically supervised by a Chief Investment Officer (CIO). The CIO has deep experience in portfolio management and provides marketplace advice and strategic guidance to our investment professionals.

In some situations, an investment professional may report to an immediate supervisor who monitors day-to-day activities, but the CIO has overall accountability for the performance of their respective investment teams. In addition to CIO oversight, the monitoring of investment-related advice occurs through various methods. These may include investment committees and peer review forums where investment performance, advice and decisions are evaluated against an assortment of criteria such as attribution, risk, portfolio compliance, and trading.

Mr. Carris is supervised by Mr. Michael P McCarthy, EVP/CIO-Franklin Equity Group, who can be reached at (650) 312-6297.

Item 7-Requirements for State-Registered Advisers

Not Applicable.

End of Brochure Supplement for **Bradley Carris**

INVESTMENT ADVISER REGISTRATION



FRANKLIN TEMPLETON
INVESTMENTS

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One Franklin Parkway
San Mateo, CA 94403
(800) 321-8563 www.franklintempleton.com

FORM ADV-PART 2B: BROCHURE SUPPLEMENT

December 31, 2018

Item 1-Supervised Person

SARA ARAGHI

This brochure supplement provides information about **Sara Araghi** that supplements Franklin Advisers, Inc.'s brochure. You should have received a copy of that brochure. Please contact FTPA Services at (800) 822-8464 or via email at **FTPAServices@frk.com** if you did not receive Franklin Advisers, Inc.'s brochure or if you have any questions about the contents of this supplement.

Item 2-Educational Background and Business Experience

Sara Araghi is a vice president, research analyst and portfolio manager for Franklin Equity Group. She specializes in the equity research and analysis of the media & entertainment, cable & satellite, and apparel & footwear manufacturer industries. Ms. Araghi is also a co-manager of the Franklin Growth Opportunities Fund and FTIF Franklin U.S. Opportunities Fund (SICAV), as well as related portfolios. She is a member of the Franklin Small Cap Growth team. Prior to this role, Ms. Araghi worked with various Franklin Equity Group strategy team leaders to construct and maintain investment portfolios for Franklin Portfolio Advisors separate account mandates including Franklin Portfolio Advisors' All Cap Growth, Mid Cap Growth and Small Cap Growth strategies. She joined Franklin Equity Group in July 2003 as an equity research associate on the consumer team. Ms. Araghi earned her B.S. in business administration and graduated with honors from the University of California, Berkeley. She is a Chartered Financial Analyst (CFA) charterholder and member of the CFA Society of San Francisco and CFA Institute. Ms. Araghi was born in 1979.

Item 3-Disciplinary Information

This section includes details related to certain legal or disciplinary events, which could be material to your evaluation of the supervised person. Examples of these events may include criminal and/or civil actions, administrative proceedings before the SEC or other relevant regulatory agencies, or any proceeding in which the attainment of a professional license or designation was revoked or suspended.

Ms. Araghi does not have any reportable items.

Item 4-Other Business Activities

This section discloses whether or not the supervised person is actively engaged in other investment-related businesses or occupations and details of the compensation received for these activities. In addition, the section describes any non-investment related business or occupation that occupies a substantial portion of the individual's time or provides a substantial source of income.

Although our parent company, Franklin Resources, Inc. is a holding company for a variety of entities, including both registered investment advisers and broker-dealers, our investment professionals are employed by registered investment advisers, and, as such, do not receive commissions, bonuses or other forms of compensation based on the sale of securities or other investment products.

Ms. Araghi does not have any reportable items.

Item 5-Additional Compensation

This section describes any economic benefit received by the supervised person from someone who is not a client for providing advisory services. This does not include regular compensation but would include a bonus based, at least in part, on the number or amount of sales, client referrals or new accounts.

In general, Franklin Templeton Investments seeks to compensate investment professionals for activities that are related to investment performance and not for sales or new business related activities. Compensation generally consists of a base salary and an annual bonus, which includes both a cash and deferred component. Based on product structure, and in limited cases, individuals may also be eligible to receive performance fees.

Ms. Araghi does not have any reportable items.

Item 6-Supervision

This section describes how the supervised person is supervised, including the monitoring of advice provided to clients.

Franklin Templeton Investments professionals, including the supervised person, are typically supervised by a Chief Investment Officer (CIO). The CIO has deep experience in portfolio management and provides marketplace advice and strategic guidance to our investment professionals.

In some situations, an investment professional may report to an immediate supervisor who monitors day-to-day activities, but the CIO has overall accountability for the performance of their respective investment teams. In addition to CIO oversight, the monitoring of investment-related advice occurs through various methods. These may include investment committees and peer review forums where investment performance, advice and decisions are evaluated against an assortment of criteria such as attribution, risk, portfolio compliance, and trading.

Ms. Araghi is supervised by Mr. Michael P McCarthy, EVP/CIO-Franklin Equity Group, who can be reached at (650) 312-6297.

Item 7-Requirements for State-Registered Advisers

Not Applicable.

End of Brochure Supplement for **Sara Araghi**

Glossary of Professional Designations

Designation	Issued By	Description
A Fin - Associate of Financial Services Institute of Australia	Financial Services Institute of Australasia (FINSIA)	Those who hold a relevant Diploma or Graduate Certificate or other recognized industry qualifications and are working in the industry.
ACA - Associate Chartered Accountant	Institute of Chartered Accountants in England & Wales (ICAEW)	It is a three step process that includes completing a recognized academic program, a practical experience program, and a professional competence program. The training usually takes place in the United Kingdom, but the program is available to other countries.
AFSI - Associate, Financial Services Institute	Life Office Management Association (LOMA)	Completion of five course examinations.
AIAF - Italian Financial Analysts Society	The European Federation of Financial Analysts Societies (EFFAS)	It is a training course addressed to junior analysts' (in Italy) endowed of university education which includes twenty specialized courses.
CA (SA) - Chartered Accountant (South Africa)	South African Institute of Chartered Accountants	The South African Institute of Chartered Accountants (SAICA) is the foremost accountancy body in South Africa and one of the leading Institutes in the world. The CA (SA) designation is awarded to individuals who complete specified educational requirements in accountancy and finance, pass a series of qualifying exams and undertake a 3 year qualified learnership program.
CAIA - Chartered Alternative Investment Analyst	Chartered Alternative Investment Analyst Association	The CAIA program is the educational benchmark for the alternative investment industry and the CAIA designation is now recognized globally as the most respected credential in alternative investing. The CAIA designation demonstrates mastery of alternative investment concepts, tools, and practices and promotes adherence to the highest standards of professional conduct.
CEBS - Certified Employee Benefit Specialist	International Foundation of Employee Benefit Plans (IFEFP)	A program that helps individuals develop a comprehensive understanding of employee benefit principles and concepts.
CFA - Chartered Financial Analyst	CFA Institute	It is a three course exam that requires 250 hours of study for each of the three levels and must either meet a requirement of an undergraduate degree and four years of professional experience involving investment decision making, or four years qualified work experience full time (not necessarily investment related).
CFP - Certified Financial Planner	Financial Planning Standards Board (FPSB)	Must meet education, experience and ethics requirements and pay an ongoing certification fee.
CIC - Chartered Investment Counselor	Investment Counsel Association of America (ICAA)	CFA's who work as investment advisors and have at least 5 years of work experience as an investment advisor.
CMA - Chartered Member of the Securities Analysts Association of Japan	The Securities Analysts Association of Japan (SAAJ)	A two part education/examination program, which emphasized securities analysis, and requires three or more years of experience in financial and investment analysis and/or portfolio management.
CPA - Certified Public Accountant	American Institute of Certified Public Accountants (AICPA)	Those in the United States that have passed the Uniform Certified Public Accountant Examination and have met additional state education and experience requirements.
CSC - Canadian Securities Course	Canadian Securities Institute (CSI)	It is the initial course required for becoming licensed to work with the Canadian securities industry as a securities dealer or securities agent. It includes two exams that must be completed within 1 year of registration in the course.

Glossary of Professional Designations (con't)

Designation	Issued By	Description
CPC - Certified Pension Consultant	American Society of Pension Professionals & Actuaries	As the culminating designation for the nonactuary ASPPA (American Society of Pension Professionals & Actuaries) member, the Certified Pension Consultant (CPC) credential is intended as an opportunity for a successful candidate to demonstrate an ability to draw from his or her accumulated retirement plan knowledge and experience. To earn the CPC credential, candidates build upon a foundation of knowledge acquired by passing the examinations required for the QKA and QPA credentials. CPC candidates will demonstrate their knowledge and experience through the completion of specific core and elective online modules as well as a single comprehensive proctored CPC essay examination.
FCA - Fellow Chartered Accountant	Institute of Chartered Accountants in England & Wales (ICAEW)	One either has an ACA or an FCA. An FCA is intended to designate those who have achieved a higher level of professional experience, at least 10 years of membership, complied with the institute's requirements on continuing professional development in the preceding three years and have no outstanding disciplinary charges against them.
FFSI - Fellow Financial Services Institute	Life Office Management Association (LOMA)	Completion of seven LOMA courses and three LOMA professional Achievement credits.
FIAA - Fellow of the Institute of Actuaries of Australia	Institute of Actuaries of Australia (IAA)	A member of the institute must be approved by Council after passing or being exempt from examinations of the institute, satisfying twelve months practical experience in the field and completing a recognized professionalism course.
FRM - Financial Risk Manager	Global Association of Risk Professionals (GARP)	Complete two examinations that cover the major topics in financial risk management as well as meet other requirements.
FSA - Fellow of the Society of Actuaries	Society of Actuaries (SOA)	Includes a plan design, risk classification, ratemaking and valuation in addition to five preliminary exams.
FSI - Fellow of the Securities Institute	Chartered Institute for Securities & Investment (CISI)	Demonstrate the attainment and maintenance of an appropriate level of professional competence.
IMC - Investment Management Certificate	CFA Society of the UK (UKSIP)	Aims to test candidates' basic knowledge of the regulations and practices of financial markets, the categories of securities and the principles of investment management.
MA - Municipal Analyst	National Federation of Municipal Analysts (NFMA) formerly National Association of Securities Dealers (NASD)	Municipal Analysts and municipal portfolio managers who meet the standards as established by the organization and outlined in the By-laws.
Series 63 License	The Financial Industry Regulatory Authority (FINRA)	This exam will entitle an individual with the qualifications necessary to become a limited registered representative who solicits orders for corporate debt and equity securities.
Series 65 License	North American Securities Administrators Association (NASAA)	The Uniform Investment Adviser Law Examination, also called Series 65 exam, was developed by the North American Securities Administrators Association (NASAA) and is administered by the Financial Industry Regulatory Authority (FINRA). This examination is designed to qualify candidates as investment adviser representatives
Series 66 License	North American Securities Administrators Association (NASAA)	Successful Completion is also the successful completion of both the Series 63 and Series 65 Exams. This is needed to qualify for registration as an Investment Advisor Representative.
Series 7 License	The Financial Industry Regulatory Authority (FINRA) formerly National Association of Securities Dealers (NASD)	Formally known as the General Securities Representative Examination for individuals who want to enter the securities industry to sell any type of securities.

Franklin Templeton Portfolio Advisors, Inc. is committed to safeguarding information provided to us by our individual clients. This notice is designed to provide you with a summary of the non-public personal information we may collect and maintain about current or former investors; our policy regarding the use of that information; and the measures we take to safeguard the information. Franklin Templeton Portfolio Advisors (“FTP”) does not sell non-public personal information to anyone and only shares it as described in this notice.

INFORMATION WE COLLECT

When you become a customer of FTP, you provide us with your non-public personal information. We collect and use this information to manage your accounts and respond to your requests. The non-public personal information we collect falls into the following categories:

- Information we receive from you on applications or other forms, whether we receive the form in writing or electronically. For example, this information includes your name, address, birth date, tax identification number, investment selection, income, dependent and net worth information.
- Information about your transactions and account history with us or with our affiliates. This category also includes your communications to us concerning your investments and accounts.
- Other general information that we may obtain about you, such as demographic information.

DISCLOSURE POLICY

To better service your accounts and process transactions or services you’ve requested, we may share non-public personal information with other Franklin Templeton Investments’ companies. We will not, however, share your non-public personal information with another Franklin Templeton Investments’ company for that entity’s marketing purposes without first offering you the opportunity to prevent the sharing.

We do not share non-public personal information with outside parties except as is expressly permitted by law. For example, this includes situations where we need to share information with companies who work on our behalf to service or maintain your accounts or to provide services or process transactions you’ve requested, when the disclosure is to a party representing you, or when required by law (for example, in response to legal process).

Additionally, except as prohibited by law or contract, we may disclose non-public personal information to companies performing services on our behalf or to other financial institutions with whom we have joint marketing agreements. If this occurs, we will ensure that these companies working on our behalf are under contractual obligations to protect the confidentiality of your information and to use it only to provide the services we’ve asked them to perform.

CONFIDENTIALITY AND SECURITY

Our employees are required to follow procedures with respect to maintaining the confidentiality of our customers’ non-public personal information. Additionally, we maintain physical, electronic and procedural safeguards to protect the information. This includes performing ongoing evaluations of our systems containing customer information and making changes when appropriate.

Protecting the confidentiality of your non-public personal information remains a priority for us, and is one way in which we respond to the trust you have placed in our organization. Please contact your Financial Advisor or Financial Consultant if you have any questions.