

ANNUAL REPORT & AUDITED FINANCIAL STATEMENTS

FRANKLIN TEMPLETON FUNDS

**An authorised open-ended investment company with
variable capital**

31 March 2021



FRANKLIN
TEMPLETON

General Information

As at March 31, 2021

FRANKLIN TEMPLETON FUNDS

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

AUTHORISED CORPORATE DIRECTOR, ADMINISTRATOR AND REGISTRAR*

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

DEPOSITARY

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

INVESTMENT ADVISERS

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

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

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

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

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

Templeton Investment Counsel, LLC
300 S.E. 2nd Street
Fort Lauderdale, FL 33301
USA

Templeton Global Advisors Limited
P.O. Box N-7759 Lyford Cay, Nassau Bahamas

INDEPENDENT AUDITORS

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

*The Authorised corporate director (ACD) has delegated fund accounting, fund tax and related fund reporting services to JP Morgan Chase Bank N.A London Branch whose address is at 25 Bank Street, Canary Wharf, London E14 5JP, United Kingdom, effective 22 June 2020.

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* Collectively these comprise, together with the Investment Reviews and Portfolio Statements within each sub fund section, the Authorised Corporate Director's Report as required by the Financial Conduct Authority's Collective Investment Schemes Sourcebook ("COLL").

Report of the Authorised Corporate Director

The Company

The Company is registered in the United Kingdom and is an authorised open-ended investment company with variable capital. It has an umbrella structure and as at 31 March 2021 offered shares in 13 Funds: Franklin Mutual Shares Fund (no longer available for investment), Franklin Sterling Corporate Bond Fund, Franklin UK Equity Income Fund, Franklin UK Gilt Fund, Franklin UK Managers' Focus Fund, Franklin UK Mid Cap Fund, Franklin UK Opportunities Fund, Franklin UK Rising Dividends Fund, Franklin UK Smaller Companies Fund, Franklin US Opportunities Fund, Templeton Global Emerging Markets Fund, Templeton Global Total Return Bond Fund and Templeton Growth Fund.

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

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

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

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

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

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

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

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

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

TAML, Templeton Investment Counsel, LLC ("TIC LLC") and Templeton Global Advisors Limited ("TGAL") are Co-Investment Advisers to Templeton Growth Fund.

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

FTIML is authorised and regulated by the FCA.

TGAL is a company organised in the Bahamas with its registered office at P.O. Box N-7759, Lyford Cay, Nassau, Bahamas. Its principal activity is investment management.

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

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

The investment objectives and policies of each Fund can be found in the further information section on pages 231-242.

REMUNERATION POLICY

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

PURPOSE AND SCOPE OF THE REMUNERATION POLICY

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

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

There are defined procedures in place for the creation, update, review and approval of the Policy as well as for communication and implementation of the Policy. Senior Management, Human Resources, Compliance and other functions are all involved in this process and the Policy is approved by Senior Management and the ACD. There have been no material changes to the Policy for the year ended 30 September 2020.

DESCRIPTION OF THE STRUCTURE OF REMUNERATION

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

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

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

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

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

Total amount of fixed remuneration paid by FTFML during year ended 30 September 2020*	£ 1,085,120
Total amount of variable remuneration paid by FTFML during year ended 30 September 2020*	£ 1,983,279
Number of FTFML staff as at 30 September 2020	8
Total amount of compensation paid by FTFML to Senior Managers during year ended 30 September 2020*	£ 1,380,139
Total amount paid by FTFML to other members of staff who have a material impact on the risk profile of the UCITS during year ended 30 September 2020*	£ 3,590,964

*The total amount of compensation paid by FTFML has been allocated to each UCITS [as ACD/Investment Manager] based on their pro rata share of the average month end total net assets of FTFML for the year ended 30 September 2020, which is the year end of FTFML.

SIGNIFICANT EVENTS

For the period 1st April 2020 – 1st April 2021 the following significant changes were made to the Prospectus and Instrument of Incorporation (where applicable):

- Franklin European Opportunities Fund was terminated (closed to investors on 31 January 2020), effective 5 June 2020.
- A new W(inc) share class was launched for Franklin UK Managers' Focus Fund, effective 21 June 2020.
- Certain fund administration services were delegated by Franklin Templeton Fund Management Limited to JP Morgan Chase Bank N.A London, effective 22 June 2020.

- The annual management charge for the Templeton Global Emerging Markets Fund W share class was reduced from 1.00% to 0.90%, effective 1 July 2020.
- Franklin Templeton Investment Management Limited and Franklin Templeton Investments Corp were removed and Templeton Asset Management Limited, Templeton Investment Counsel, LLC and Templeton Global Advisors Limited were appointed as Investment Advisors to the Templeton Growth Fund, effective 15 September 2020.
- Changes were made to the Investment Policy of Franklin UK Rising Dividends Fund, effective 23 November 2020.
- Closure of Franklin Absolute Return Bond Fund, effective 27 January 2021.
- Change of name of Templeton Growth Fund to Templeton Global Leaders Fund, effective 1 April 2021.
- Templeton Growth Fund repositioning and management fee reduction, change of Benchmark (included in the investment objective as a target) from gross to net dividends, effective 1 April 2021.
- Franklin Global Emerging Market Fund - change of Benchmark (included in the investment objective as a target) from gross to net dividends, effective 1 April 2021.
- Franklin US Opportunities Fund – Change to the Investment Objective to remove the target Benchmark, non-material changes to remove reference to the Benchmark in the Investment Policy and addition of S&P 500 Index as a comparator benchmark, effective 1 April 2021.

ACD's AUTHORISATION

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

William Jackson

Director, Franklin Templeton Fund Management Limited, Authorised Corporate Director

1 July 2021

Statement of Authorised Corporate Director's Responsibilities

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

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

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

In accordance with rules of the Financial Conduct Authority, the Authorised Corporate Director has performed a detailed assessment of whether the Funds provide value to investors. The outcome of this assessment is included in a separate composite report to be published no later than 31 July 2021. The report will be published to our website and clearly signposted.

Statement of the Depositary's Responsibilities

Statement of the Depositary's Responsibilities in Respect of the Scheme and Report of the Depositary to the Shareholders of the Franklin Templeton Funds ("the Company") for the year ended 31 March 2021

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

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

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

The Depositary must ensure that:

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

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

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

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

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

Manager
1 July 2021

Independent auditors' report to the Shareholders

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the financial position of the Company and each of the sub-funds as at 31 March 2021 and of the net revenue/expenses and the net capital gains/losses on the scheme property of the Company and each of the sub-funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

Franklin Templeton Funds is an Open Ended Investment Company ('OEIC') with 13 sub-funds. The financial statements of the Company comprise the financial statements of each of the sub-funds. We have audited the financial statements, included within the Annual Report & Audited Financial Statements (the "Annual Report"), which comprise: the balance sheets as at 31 March 2021; the statements of total return, and the statements of change in net assets attributable to shareholders for the year then ended; the distribution tables; the accounting policies; and the notes to the financial statements.

Basis for opinion

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

Independence

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

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

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

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's or any sub-funds' ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Authorised Corporate Director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate (excluding the sub-fund referred to in the Emphasis of Matter above where the financial statements are prepared on a basis other than going concern).

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

Our responsibilities and the responsibilities of the Authorised Corporate Director with respect to going concern are described in the relevant sections of this report.

Reporting on other information

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

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

Report of the Authorised Corporate Director

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

Responsibilities for the financial statements and the audit

Responsibilities of the Authorised Corporate Director for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company/industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of the Collective Investment Schemes sourcebook, and we considered the extent to which non-compliance might have a material effect on the financial statements, in particular those parts of the sourcebook which may directly impact on the determination of amounts and disclosures in the financial statements. We evaluated management's

incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or to increase the net asset value of the Company or the sub-funds. Audit procedures performed included:

- Discussions with the Authorised Corporate Director, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes, including those of the Authorised Corporate Director's board of directors;
- Identifying and testing journal entries, specifically any journals posted as part of the financial year end close process; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

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

Other required reporting

Opinion on matter required by the Collective Investment Schemes sourcebook

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

Collective Investment Schemes sourcebook exception reporting

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

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

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Edinburgh
1 July 2021

Notes to the Financial Statements Applicable to all Sub-Funds

1. Accounting Policies

(a) Basis of Accounting

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

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

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

(b) Basis of Valuation of Investments

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

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

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

(c) Revenue Recognition

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

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

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

Bank interest is accounted for on an accruals basis.

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

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

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

Equalisation earned from Collective Investment Schemes is recorded as capital.

1. Accounting Policies (continued)

(d) Treatment of derivatives

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

Where positions generate total returns, the return is split between capital and revenue based upon the nature of the transaction.

(e) Treatment of Expenses

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

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

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

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

(f) Foreign Currencies

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

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

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

(g) Taxation

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

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

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

(h) Equalisation

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

1. Accounting Policies (continued)

(i) Distribution Policy

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

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

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

(j) Dilution Adjustment

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

2. Related parties

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

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

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

3. Derivatives and Other Financial Instruments

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

Financial Instrument Risks

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

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

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

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

3. Derivatives and Other Financial Instruments (continued)

(a) Market risk

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

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

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

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

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

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

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

Currency risk

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

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

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

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

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

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

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

3. Derivatives and Other Financial Instruments (continued)

Interest rate risk

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

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

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

Other price risk

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

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

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

(b) Credit and Counterparty risk

Credit risk

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

Counterparty risk

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

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

3. Derivatives and Other Financial Instruments (continued)

(c) Liquidity risk

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

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

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

4. Portfolio Transaction Costs

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

Comparative Table, 31 March 2021

Franklin Mutual Shares Fund

Franklin Mutual Shares Fund ceased trading on 31 January 2020.

	31 March 2021	31 March 2020	31 March 2019
A – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	–	268.94	247.29
Return before operating charges ¹	–	n/a	26.34
Operating charges ²	–	–	(4.69)
Return after operating charges ³	–	n/a	21.65
Closing net asset value per share	–	–	268.94
Distribution	–	(3.35)	(1.04)
Retained distributions on accumulation shares	–	0.36	1.04
After direct transaction costs of ⁴	–	0.14	0.05
Performance			
Return after charges ⁵	–	n/a	8.75%
Other information			
Closing net asset value (£)	–	174	1,322,851
Closing number of shares	–	–	491,883
Operating charges ratio ⁶	–	–	1.75%
Direct transaction costs ⁴	–	0.05%	0.02%
Prices (p)			
Highest share price	–	307.40	288.42
Lowest share price	–	–	242.29

	31 March 2021	31 March 2020	31 March 2019
A – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	–	252.41	232.99
Return before operating charges ¹	–	n/a	24.82
Operating charges ²	–	–	(4.42)
Return after operating charges ³	–	n/a	20.40
Distribution	–	(3.38)	(0.98)
Closing net asset value per share	–	–	252.41
After direct transaction costs of ⁴	–	0.14	0.05
Performance			
Return after charges ⁵	–	n/a	8.76%
Other information			
Closing net asset value (£)	–	32	497,556
Closing number of shares	–	–	197,118
Operating charges ratio ⁶	–	–	1.75%
Direct transaction costs ⁴	–	0.05%	0.02%
Prices (p)			
Highest share price	–	288.17	271.75
Lowest share price	–	–	228.28

Franklin Mutual Shares Fund (continued)

	31 March 2021	31 March 2020	31 March 2019
I – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	–	300.19	274.10
Return before operating charges ¹	–	n/a	29.22
Operating charges ²	–	–	(3.13)
Return after operating charges ³	–	n/a	26.09
Closing net asset value per share	–	–	300.19
Distribution	–	(18.56)	(3.31)
Retained distributions on accumulation shares	–	18.56	3.31
After direct transaction costs of ⁴	–	0.16	0.06
Performance			
Return after charges ⁵	–	n/a	9.52%
Other information			
Closing net asset value (£)	–	–	66,065
Closing number of shares	–	–	22,008
Operating charges ratio ⁶	–	–	1.05%
Direct transaction costs ⁴	–	0.05%	0.02%
Prices (p)			
Highest share price	–	345.28	320.61
Lowest share price	–	–	268.58

	31 March 2021	31 March 2020	31 March 2019
W – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	–	229.39	209.36
Return before operating charges ¹	–	n/a	22.31
Operating charges ²	–	–	(2.28)
Return after operating charges ³	–	n/a	20.03
Closing net asset value per share	–	–	229.39
Distribution	–	(4.61)	(2.60)
Retained distributions on accumulation shares	–	0.77	2.60
After direct transaction costs of ⁴	–	0.12	0.05
Performance			
Return after charges ⁵	–	n/a	9.57%
Other information			
Closing net asset value (£)	–	126	4,699,917
Closing number of shares	–	–	2,048,846
Operating charges ratio ⁶	–	–	1.00%
Direct transaction costs ⁴	–	0.05%	0.02%
Prices (p)			
Highest share price	–	263.76	244.92
Lowest share price	–	–	205.14

Franklin Mutual Shares Fund (continued)

	31 March 2021	31 March 2020	31 March 2019
Y – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	–	150.72	139.08
Return before operating charges ¹	–	n/a	14.88
Operating charges ²	–	–	(0.30)
Return after operating charges ³	–	n/a	14.58
Distribution	–	(4.17)	(2.94)
Closing net asset value per share	–	–	150.72
After direct transaction costs of ⁴	–	0.08	0.03

Performance

Return after charges ⁵	–	n/a	10.48%
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Other information

Closing net asset value (£)	–	1	4,480
Closing number of shares	–	–	2,972
Operating charges ratio ⁶	–	–	0.20%
Direct transaction costs ⁴	–	0.05%	0.02%

Prices (p)

Highest share price	–	173.30	163.25
Lowest share price	–	–	136.28

	31 March 2021	31 March 2020	31 March 2019
Z – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	–	226.30	206.95
Return before operating charges ¹	–	n/a	22.05
Operating charges ²	–	–	(2.70)
Return after operating charges ³	–	n/a	19.35
Closing net asset value per share	–	–	226.30
Distribution	–	(4.22)	(2.11)
Retained distributions on accumulation shares	–	0.63	2.11
After direct transaction costs of ⁴	–	0.12	0.05

Performance

Return after charges ⁵	–	n/a	9.35%
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Other information

Closing net asset value (£)	–	2	151,628
Closing number of shares	–	–	67,003
Operating charges ratio ⁶	–	–	1.20%
Direct transaction costs ⁴	–	0.05%	0.02%

Prices (p)

Highest share price	–	259.80	241.90
Lowest share price	–	–	202.78

Franklin Mutual Shares Fund (continued)

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

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

Portfolio of Investments, 31 March 2021

Franklin Mutual Shares Fund

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	BONDS 0.00% (0.00%)		
	NORTH AMERICA 0.00% (0.00%)		
	UNITED STATES		
102,000	Walter Energy Inc., Escrow Account [‡]	—	0.00
	TOTAL - NORTH AMERICA	—	0.00
	TOTAL - BONDS	—	0.00
	TOTAL VALUE OF INVESTMENTS	—	0.00
	OTHER ASSETS	—	0.00
	TOTAL NET ASSETS	—	0.00

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2020.

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

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

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

[#] Traded on an alternative investment market.

Franklin Mutual Shares Fund

Statement of Total Return

For the year ended 31 March 2021

	Notes	March 2021 £000	March 2021 £000	March 2020 £000	March 2020 £000
Income					
Net capital gains	1		2		674
Revenue	2	–		154	
Expenses	3	(3)		(63)	
Net (expense)/revenue before taxation		(3)		91	
Taxation	4	2		(18)	
Net (expense)/revenue after taxation			(1)		73
Total return before distributions for the year			1		747
Distributions	5		–		(73)
Change in net assets attributable to shareholders			1		674

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 March 2021

	March 2021 £000	March 2021 £000	March 2020 £000	March 2020 £000
Opening net assets attributable to shareholders		–		6,742
Amounts received on creation of shares	–		100	
Amounts paid on cancellation of shares	–		(7,534)	
		–		(7,434)
Dilution adjustments		–		2
Change in net assets attributable to shareholders from investment activities (see above)		1		674
Retained distribution on accumulation shares		–		16
Change in provision for fund closure		(1)		
Closing net assets attributable to shareholders		–		–

Balance sheet

As at 31 March 2021

	Notes	March 2021 £000	March 2020 £000
Assets			
Fixed assets			
Current assets			
Cash and bank balances		1	9
Total assets		1	9
Liabilities			
Creditors			
Other creditors	6	(1)	(9)
Total liabilities		(1)	(9)
Net assets attributable to shareholders		–	–

Notes to the Financial Statements

	March 2021 £000	March 2020 £000
1. Net capital gains		
The net capital gains during the year comprise:		
Currency gains	–	8
Non-derivative securities gains	2	666
	2	674
2. Revenue		
Overseas dividends	–	119
Other revenue	–	18
Interest on debt securities	–	16
Bank and other interest	–	1
	–	154
3. Expenses		
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's annual management charge	–	52
ACD's administration charge	–	3
	–	55
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	–	1
	–	1
Other expenses:		
Audit fees	2	11
Legal and publication fees	1	1
Expense cap	–	(5)
	3	7
	3	63
4. Taxation		
(a) Analysis of the charge for the year		
Irrecoverable overseas tax	(2)	18
Total current tax (Note 4(b))	(2)	18
Total taxation	(2)	18
(b) Factors affecting the current tax charge for the year		
The tax assessed for the year is higher (2020: lower) than the standard rate of corporation tax in the UK for Open-ended Investment Companies (20% (2020: 20%)).		
The differences are explained below:		
Net (expense)/revenue before taxation	(3)	91
Corporation tax of 20% (2020: 20%)	(1)	18
Effects of:		
Excess management expenses	1	8
Revenue not subject to corporation tax	–	(26)
Irrecoverable overseas tax	(2)	18
Current tax charge for the year (Note 4(a))	(2)	18

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

At the year end there is a potential deferred tax asset of £281,888 (£281,271 as at 31 March 2020) in relation to excess management fees. It is unlikely the Fund will generate sufficient tax profits in the future to utilise these amounts and therefore no deferred tax assets have been recognised in the year.

	March 2021 £000	March 2020 £000
5. (a) Distributions		
The distribution takes account of income received on the issue of shares and income deducted on the cancellation of shares, and comprise:		
Interim dividend distributions		
Income	–	1
Accumulation	–	16
	–	17
Final dividend distributions		
Income	–	32
Accumulation	–	–
	–	32
Add: Revenue deducted on cancellation of shares	–	24
Total distribution	–	73
(b) Difference between net (expense)/revenue and distribution:		
Net (expense)/revenue after taxation	(3)	73
Undistributed revenue	3	–
Total distribution for the year	–	73
Details of the distribution in pence per share for this Fund are set out in the table on page 28.		
6. Other creditors		
Residual payment due in respect of ongoing fund closure	1	–
Accrued expenses	–	9
	1	9

7. Related parties

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

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

The amounts due to the ACD and associates of the ACD in respect of management and administration fees at 31 March 2021 are £Nil (£Nil as at 31 March 2020).

During the year the Fund paid £Nil (£5,000 for the year to 31 March 2020) the ACD in respect of an over-reimbursement of expenses.

8. Risk management policies and disclosures

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

Market Risk

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

8. Risk management policies and disclosures (continued)

Currency risk

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

Currency	Net foreign currency assets and (liabilities) March 2021	Net foreign currency assets and (liabilities) March 2020
	Total £000	Total £000
US dollar	–	3
UK sterling	–	(3)
	–	–

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

Interest rate risk

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

Other price risk

At the year end date, 0.00% (2020: 0.00%) of the net assets of the Fund were invested in ordinary shares or stock units admitted to an official stock exchange. If the market value were to change by 10% (2020: 10%), the value of the Fund would change by 0.00% (2020: 0.00%).

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

9. Portfolio Transaction Costs

As the Fund ceased trading on 31 January 2020, no transaction costs were incurred in the current year.

2020 Purchases	Principal £000	Commissions £000	Taxes and other £000	Total cost £000	Commissions % of principal	Taxes and other % of principal
Purchases:						
Equities	1,014	–	–	1,014	–	–
	1,014	–	–	1,014		
Sales						
Sales:						
Bonds	125	–	(1)	124	–	(0.80)
Equities	7,580	(2)	–	7,578	(0.03)	–
	7,705	(2)	(1)	7,702		
Derivative purchase and sales		–	–			
Total cost of the Fund's average net asset value (%)		0.18	0.09			

9. Portfolio Transaction Costs (continued)

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

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

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

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

Distribution Statement

For the period 1 April 2020 to 30 September 2020

Group 1 Shares purchased prior to 1 April 2020

Group 2 Shares purchased in the period 1 April 2020 to 30 September 2020

	Net Income p	Equalisation p	30 September 2020 Pence per Share p	30 September 2019 Pence per Share p
A Accumulation Shares				
Group 1	—	—	—	0.3574
Group 2	—	—	—	0.3574
A Income Shares				
Group 1	—	—	—	0.3360
Group 2	—	—	—	0.3360
I Accumulation Shares				
Group 1	—	—	—	18.5640
Group 2	—	—	—	18.5640
W Accumulation Shares				
Group 1	—	—	—	0.7659
Group 2	—	—	—	0.7659
Y Income Shares				
Group 1	—	—	—	0.8266
Group 2	—	—	—	0.8266
Z Accumulation Shares				
Group 1	—	—	—	0.6345
Group 2	—	—	—	0.6345

For the period 1 October 2020 to 31 March 2021

Group 1 Shares purchased prior to 1 October 2020

Group 2 Shares purchased in the period 1 October 2020 to 31 March 2021

	Net Income p	Equalisation p	31 March 2021 Pence per Share p	31 January 2020* Pence per Share p
A Accumulation Shares				
Group 1	—	—	—	2.9939
Group 2	—	—	—	2.9939
A Income Shares				
Group 1	—	—	—	3.0414
Group 2	—	—	—	3.0414
I Accumulation Shares				
Group 1	—	—	—	n/a
Group 2	—	—	—	n/a
W Accumulation Shares				
Group 1	—	—	—	3.8410
Group 2	—	—	—	3.8410
Y Income Shares				
Group 1	—	—	—	3.3476
Group 2	—	—	—	3.3476
Z Accumulation Shares				
Group 1	—	—	—	3.5827
Group 2	—	—	—	3.5827

* Fund closed to investors on 31 January 2020.

Equalisation

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

Investment Review

Performance

For the 12 months to 31 March 2021, Franklin Sterling Corporate Bond Fund returned 9.06%*, compared to the Markit iBoxx GBP Non-Gilts Index, which returned 6.98% (both returns in UK sterling).

Overview

UK corporate bonds outperformed UK Gilts over the first part of the review period, as investors' appetite for risk returned. UK public sector net debt officially exceeded 100% of gross domestic product, while the Bank of England ("BoE") reported that its asset purchase programme was expected to reach £745 billion by the end of the year.

UK corporate issues continued to outperform their government counterparts in the third quarter of 2020. Investors' risk appetite remained strong until September, when fears about a no-deal Brexit and a second wave of COVID-19 saw a shift to safer havens. During this period, the BoE's mid-term outlook turned less optimistic, culminating in a forecast that the UK economy would not return to its pre-pandemic levels until the end of 2021.

The last quarter of 2020 saw UK corporate bonds posting positive returns and once again outpacing UK Gilts. Fears of a downturn in the UK economy prompted the BoE to announce in November that it would boost quantitative easing by £150 billion. However, the outlook improved significantly towards the end of the period, after positive vaccine news and the announcement that the United Kingdom and European Union had reached an eleventh-hour 'Brexit' deal on trade in goods.

However, in the first quarter of 2021, UK corporate bonds registered negative returns, although they continued to fare better than UK Gilts. Improved economic data saw the BoE upgrade its outlook for the UK economy towards the end of the period. Although the central bank kept interest rates at 0.1%, it also stressed the need for continued support to help the economy recover from the effects of the pandemic.

Significant Changes

The top purchases made by the Fund during the period included Enel 1%, 10/20/2027, BP 4.25% Perpetual, Skipton Building Society 2%, 10/02/2026, Tesco 2.75%, 04/27/2030, and Natwest Group 3.622%, 08/14/2030.

Conversely, the top sales during the period were UK Treasury 3.75%, 07/22/2052, BP 1.177%, 08/12/2023, UK Treasury 1.625%, 10/22/2071, ING 3%, 02/18/2026, and Swedbank 1.25%, 12/29/2021.

Positive/Negative Contributors

The Fund's sector allocation contributed most to relative performance, helped by exposures to government-related debt, corporate high-yield financial bonds and corporate investment-grade industrial issues. However, an allocation to UK Gilts weighed on relative results.

The Fund's security selection also boosted relative returns, particularly in government-related agency bonds and corporate investment-grade financial issues. However, selection among corporate investment-grade utility and industrial bonds subtracted relative value.

The Fund's local market allocation further added to relative performance, through an exposure to the eurozone.

In contrast, the Fund's duration and yield-curve positioning in UK bonds hindered relative returns.

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

Outlook

Although the vaccine rollout is showing signs of success and recent economic data is encouraging, the outlook for the United Kingdom remains relatively subdued. The pandemic has hit the UK economy the hardest of the G10 economies so far. Despite the recent relaxation of lockdown restrictions, with more planned in the coming months, we believe further measures that would reduce UK economic output may lie ahead, should COVID-19 rates spike again. In our opinion, because of these downside risks to growth, interest rates should remain low, while the BoE is likely to maintain significant levels of quantitative easing.

David Zahn, CFA

Fund Manager

31 March 2021

Comparative Table, 31 March 2021

Franklin Sterling Corporate Bond Fund

	31 March 2021	31 March 2020	31 March 2019
W – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	106.63	106.58	102.98
Return before operating charges ¹	10.26	0.55	4.06
Operating charges ²	(0.52)	(0.50)	(0.46)
Return after operating charges ³	9.74	0.05	3.60
Closing net asset value per share	116.37	106.63	106.58
Distributions	(2.99)	(2.82)	(2.71)
Retained distributions on accumulation shares	2.99	2.82	2.71
After direct transaction costs of ⁴	–	–	–

Performance

Return after charges ⁵	9.13%	0.05%	3.50%
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Other information

Closing net asset value (£)	45,607,579	41,190,193	45,359,206
Closing number of shares	39,190,429	38,629,714	42,558,804
Operating charges ratio ⁶	0.45%	0.45%	0.45%
Direct transaction costs ⁴	–	–	–

Prices (p)

Highest share price	121.95	116.23	106.84
Lowest share price	107.89	100.91	101.40

	31 March 2021	31 March 2020	31 March 2019
W – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	98.18	100.72	99.99
Return before operating charges ¹	9.46	0.56	3.79
Operating charges ²	(0.47)	(0.47)	(0.45)
Return after operating charges ³	8.99	0.09	3.34
Distribution	(2.72)	(2.63)	(2.61)
Closing net asset value per share	104.45	98.18	100.72
After direct transaction costs of ⁴	–	–	–

Performance

Return after charges ⁵	9.16%	0.09%	3.34%
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Other information

Closing net asset value (£)	4,177	3,926	4,027
Closing number of shares	3,998	3,998	3,998
Operating charges ratio ⁶	0.45%	0.45%	0.45%
Direct transaction costs ⁴	–	–	–

Prices (p)

Highest share price	110.63	107.73	101.61
Lowest share price	99.34	93.54	97.12

Franklin Sterling Corporate Bond Fund (continued)

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

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

Risk Profile (W(acc) shares)



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

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

Portfolio of Investments, 31 March 2021

Franklin Sterling Corporate Bond Fund

(Currency – GBP) Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	EQUITIES 0.34% (0.28%)		
	UNITED KINGDOM 0.34% (0.28%)		
100,000	Lloyds Banking Group plc Preference 9.25%	153	0.34
	TOTAL - UNITED KINGDOM	153	0.34
	TOTAL - EQUITIES	153	0.34
	BONDS 92.70% (97.82%)		
	ASIA 0.00% (1.82%)		
	AUSTRALASIA 2.05% (3.28%)		
	AUSTRALIA		
400,000	Glencore Finance Europe Ltd., Reg S, 3.125%, 03/26/2026	427	0.94
500,000	Toyota Finance Australia Ltd., Reg S, 1.625%, 07/11/2022	508	1.11
		935	2.05
	TOTAL - AUSTRALASIA	935	2.05
	CENTRAL AMERICA 2.17% (3.10%)		
	MEXICO		
425,000	America Movil SAB de CV, 5.750%, 06/28/2030	556	1.22
400,000	Mexico Government Bond, 5.625%, 03/19/2114	432	0.95
		988	2.17
	TOTAL - CENTRAL AMERICA	988	2.17
	EUROPE - NON EU 1.57% (2.71%)		
	NORWAY		
300,000	DNB Bank ASA, Reg S, 1.375%, 06/12/2023	305	0.67
	SWITZERLAND		
400,000	Credit Suisse Group AG, Reg S, FRN, 2.125%, 09/12/2025	410	0.90
		715	1.57
	TOTAL - EUROPE - NON EU	715	1.57
	EUROPE - OTHER EU 27.84% (28.36%)		
	BELGIUM		
400,000	Anheuser-Busch InBev SA/NV, Reg S, 4.000%, 09/24/2025	452	0.99
300,000	Belgium Government Bond, Reg S, 5.700%, 05/28/2032	426	0.93
		878	1.92
	DENMARK		
200,000	Orsted A/S, Reg S, 4.875%, 01/12/2032	258	0.57
	FRANCE		
400,000	AXA SA, Reg S, FRN, 5.453% Perpetual	460	1.01
400,000	Banque Federative du Credit Mutuel SA, Reg S, 1.250%, 12/05/2025	403	0.88
400,000	BNP Paribas SA, Reg S, 3.375%, 01/23/2026	438	0.96
400,000	Electricite de France SA, 5.875%, 07/18/2031	538	1.18
400,000	Electricite de France SA, Reg S, 5.500%, 10/17/2041	577	1.27
100,000	Electricite de France SA, Reg S, 6.000%, 01/23/2114	163	0.36
300,000	Electricite de France SA, Reg S, FRN, 5.875% Perpetual	337	0.74
300,000	Orange SA, Reg S, 8.125%, 11/20/2028	440	0.96

Franklin Sterling Corporate Bond Fund (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
FRANCE (continued)			
500,000	Total Capital International SA, Reg S, 1.750%, 07/07/2025	518	1.14
300,000	Westfield America Management Ltd., Reg S, REIT, 2.625%, 03/30/2029	294	0.64
		4,168	9.14
GERMANY			
200,000	ADLER Real Estate AG, Reg S, 3.000%, 04/27/2026	178	0.39
300,000	Aroundtown SA, Reg S, 3.000%, 10/16/2029	314	0.69
300,000	Aroundtown SA, Reg S, FRN, 4.750% Perpetual	316	0.69
400,000	Deutsche Bank AG, Reg S, FRN, 1.875%, 12/22/2028	392	0.86
300,000	Deutsche Telekom International Finance BV, 8.875%, 11/27/2028	457	1.00
350,000	E.ON International Finance BV, Reg S, 6.250%, 06/03/2030	472	1.04
300,000	Landesbank Baden-Wuerttemberg, Reg S, 1.500%, 02/03/2025	305	0.67
		2,434	5.34
ITALY			
500,000	Enel Finance International NV, Reg S, 1.000%, 10/20/2027	488	1.07
100,000	Enel SpA, Reg S, FRN, 6.625%, 09/15/2076	102	0.22
200,000	Intesa Sanpaolo SpA, Reg S, 5.148%, 06/10/2030	223	0.49
500,000	Italy Government Bond, Reg S, 6.000%, 08/04/2028	646	1.42
		1,459	3.20
LUXEMBOURG			
300,000	Vivion Investments Sarl, Reg S, 3.500%, 11/01/2025	248	0.54
NETHERLANDS			
400,000	Cooperatieve Rabobank UA, Reg S, 4.625%, 05/23/2029	470	1.03
400,000	ING Groep NV, Reg S, FRN, 1.125%, 12/07/2028	387	0.85
400,000	Shell International Finance BV, Reg S, 1.750%, 09/10/2052	333	0.73
		1,190	2.61
REPUBLIC OF IRELAND			
500,000	ESB Finance DAC, Reg S, 1.875%, 07/21/2035	496	1.09
100,000	Ulster Bank Ireland DAC, 11.750% Perpetual	166	0.36
		662	1.45
SPAIN			
550,000	Iberdrola Finanzas SA, 7.375%, 01/29/2024	651	1.43
400,000	Telefonica Emisiones SA, Reg S, 5.375%, 02/02/2026	474	1.04
		1,125	2.47
SWEDEN			
320,000	Samhallsbyggnadsbolaget i Norden AB, Reg S, 1.000%, 08/12/2027	273	0.60
		12,695	27.84
TOTAL - EUROPE - OTHER EU			
MIDDLE EAST 0.55% (0.59%)			
UNITED ARAB EMIRATES			
250,000	First Abu Dhabi Bank PJSC, Reg S, 1.375%, 02/19/2023	252	0.55
		252	0.55
TOTAL - MIDDLE EAST			
NORTH AMERICA 19.11% (19.08%)			
CANADA			
400,000	Royal Bank of Canada, Reg S, 1.125%, 12/15/2025	402	0.88

Franklin Sterling Corporate Bond Fund (continued)**(Currency – GBP)**

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
UNITED STATES			
500,000	American International Group, Inc., Reg S, 5.000%, 04/26/2023	543	1.19
300,000	Amgen, Inc., Reg S, 5.500%, 12/07/2026	371	0.81
500,000	Apple, Inc., 3.050%, 07/31/2029	571	1.25
400,000	AT&T, Inc., 2.900%, 12/04/2026	431	0.95
500,000	Berkshire Hathaway Finance Corp., 2.625%, 06/19/2059	560	1.23
500,000	Citigroup, Inc., Reg S, 5.150%, 05/21/2026	594	1.30
500,000	Comcast Corp., 1.875%, 02/20/2036	488	1.07
300,000	Encore Capital Group, Inc., Reg S, 5.375%, 02/15/2026	313	0.69
300,000	Fiserv, Inc., 3.000%, 07/01/2031	322	0.71
400,000	Goldman Sachs Group, Inc. (The), Reg S, 4.250%, 01/29/2026	455	1.00
200,000	Goldman Sachs Group, Inc. (The), 6.875%, 01/18/2038	312	0.68
180,000	HJ Heinz Finance UK plc, 6.250%, 02/18/2030	228	0.50
500,000	MetLife, Inc., Reg S, 5.375%, 12/09/2024	581	1.27
300,000	Mondelez International, Inc., 4.500%, 12/03/2035	369	0.81
100,000	MPT Operating Partnership LP, REIT, 2.550%, 12/05/2023	101	0.22
200,000	MPT Operating Partnership LP, REIT, 2.500%, 03/24/2026	201	0.44
225,000	Time Warner Cable LLC, 5.750%, 06/02/2031	281	0.62
500,000	Verizon Communications, Inc., 4.750%, 02/17/2034	644	1.41
300,000	Walmart, Inc., Reg S, 4.875%, 01/19/2039	444	0.97
450,000	Wells Fargo & Co., Reg S, 3.500%, 09/12/2029	507	1.11
		8,316	18.23
TOTAL - NORTH AMERICA		8,718	19.11
UNITED KINGDOM 39.41% (38.88%)			
300,000	Barclays plc, 3.250%, 01/17/2033	328	0.72
300,000	Barclays plc, Reg S, FRN, 2.375%, 10/06/2023	307	0.67
500,000	Bazalgette Finance plc, Reg S, 2.375%, 11/29/2027	531	1.16
100,000	BG Energy Capital plc, Reg S, 5.000%, 11/04/2036	139	0.31
500,000	BP Capital Markets plc, Reg S, FRN, 4.250% Perpetual	530	1.16
400,000	BUPA Finance plc, Reg S, 5.000%, 04/25/2023	432	0.95
700,000	Cadent Finance plc, Reg S, FRN, 2.750%, 09/22/2046	710	1.56
300,000	CK Hutchison Group Telecom Finance SA, Reg S, 2.625%, 10/17/2034	305	0.67
200,000	Compass Group plc, Reg S, 2.000%, 09/05/2025	209	0.46
200,000	Co-Operative Group Ltd., Reg S, 5.125%, 05/17/2024	215	0.47
500,000	Diageo Finance plc, Reg S, 1.750%, 10/12/2026	517	1.13
600,000	DWR Cymru Financing UK plc, Reg S, 2.500%, 03/31/2036	652	1.43
300,000	Experian Finance plc, Reg S, 3.250%, 04/07/2032	336	0.74
100,000	Galaxy Bidco Ltd., Reg S, 6.500%, 07/31/2026	106	0.23
400,000	Gatwick Funding Ltd., Reg S, 4.625%, 03/27/2036	471	1.03
400,000	GlaxoSmithKline Capital plc, Reg S, 3.375%, 12/20/2027	455	1.00
200,000	GlaxoSmithKline Capital plc, Reg S, 1.625%, 05/12/2035	190	0.42
100,000	GlaxoSmithKline Capital plc, Reg S, 5.250%, 04/10/2042	152	0.33
500,000	Heathrow Funding Ltd., Reg S, 5.875%, 05/13/2043	710	1.56
200,000	HSBC Bank plc, Reg S, 6.250%, 01/30/2041	305	0.67
200,000	HSBC Holdings plc, Reg S, 6.000%, 03/29/2040	277	0.61
400,000	HSBC Holdings plc, Reg S, FRN, 2.256%, 11/13/2026	415	0.91

Franklin Sterling Corporate Bond Fund (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
UNITED STATES (continued)			
400,000	Hutchison Whampoa Finance UK plc, Reg S, 5.625%, 11/24/2026	494	1.08
200,000	Iceland Bondco plc, Reg S, 4.375%, 05/15/2028	193	0.42
100,000	Legal & General Group plc, Reg S, FRN, 4.500%, 11/01/2050	111	0.24
400,000	Lloyds Bank plc, Reg S, 7.625%, 04/22/2025	498	1.09
400,000	Lloyds Banking Group plc, FRN, 5.125% Perpetual	417	0.91
500,000	London Power Networks plc, Reg S, 6.125%, 06/07/2027	639	1.40
400,000	M&G plc, Reg S, FRN, 5.625%, 10/20/2051	467	1.02
500,000	Motability Operations Group plc, Reg S, 2.375%, 03/14/2032	532	1.17
400,000	National Grid Electricity Transmission plc, Reg S, 2.000%, 04/17/2040	376	0.82
200,000	Nationwide Building Society, Reg S, FRN, 5.875% Perpetual	219	0.48
300,000	Natwest Group plc, Reg S, FRN, 3.125%, 03/28/2027	323	0.71
400,000	Natwest Group plc, Reg S, FRN, 3.622%, 08/14/2030	426	0.93
470,000	Northern Powergrid Holdings Co., 7.250%, 12/15/2022	522	1.14
400,000	Pension Insurance Corp. plc, Reg S, 5.625%, 09/20/2030	477	1.05
200,000	Pinewood Finance Co. Ltd., Reg S, 3.250%, 09/30/2025	204	0.45
500,000	Skipton Building Society, Reg S, FRN, 2.000%, 10/02/2026	511	1.12
300,000	Sky Ltd., Reg S, 4.000%, 11/26/2029	356	0.78
300,000	Southern Water Services Finance Ltd., Reg S, 3.000%, 05/28/2037	315	0.69
400,000	Tesco Corporate Treasury Services plc, Reg S, 2.750%, 04/27/2030	421	0.92
135,000	Tesco plc, 5.677%, 11/05/2025	279	0.61
450,000	UK Treasury, Reg S, 3.500%, 01/22/2045	647	1.42
100,000	UK Treasury, Reg S, 1.625%, 10/22/2071	117	0.26
300,000	Vmed O2 UK Financing I plc, Reg S, 4.000%, 01/31/2029	299	0.66
600,000	Western Power Distribution East Midlands plc, Reg S, 5.250%, 01/17/2023	649	1.42
200,000	Whitbread Group plc, Reg S, 3.000%, 05/31/2031	198	0.43
TOTAL - UNITED KINGDOM		17,982	39.41
TOTAL - BONDS		42,285	92.70
DERIVATIVES 0.05% ((0.07)%)			
FORWARD CURRENCY CONTRACTS			
	Buy GBP 692,752 sell EUR 692,752 dated 04/12/2021	32	0.07
FOREIGN EXCHANGE GAIN/LOSS ON OUTSTANDING FORWARD CURRENCY CONTRACTS		32	0.07
DEBT FUTURES			
(11)	Long Gilt Bond, 06/28/2021	(9)	(0.02)
		(9)	(0.02)
TOTAL - DERIVATIVES		23	0.05
TOTAL VALUE OF INVESTMENTS		42,461	93.09
OTHER ASSETS		3,151	6.91
TOTAL NET ASSETS		45,612	100.00

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2020.

Franklin Sterling Corporate Bond Fund

Statement of Total Return

For the year ended 31 March 2021

	Notes	March 2021 £000	March 2021 £000	March 2020 £000	March 2020 £000
Income					
Net capital gains/(losses)	1		2,783		(730)
Revenue	2	1,152		1,143	
Expenses	3	(202)		(204)	
Net revenue before taxation		950		939	
Taxation	4	(1)		–	
Net revenue after taxation			949		939
Total return before distributions for the year			3,732		209
Distributions	5		(1,152)		(1,143)
Change in net assets attributable to shareholders			2,580		(934)

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 March 2021

	March 2021 £000	March 2021 £000	March 2020 £000	March 2020 £000
Opening net assets attributable to shareholders		41,194		45,363
Amounts received on creation of shares	7,035		2,156	
Amounts paid on cancellation of shares	(6,397)		(6,522)	
		638		(4,366)
Dilution adjustments		32		–
Change in net assets attributable to shareholders from investment activities (see above)		2,580		(934)
Retained distribution on accumulation shares		1,168		1,131
Closing net assets attributable to shareholders		45,612		41,194

Balance sheet

As at 31 March 2021

	Notes	March 2021 £000	March 2020 £000
Assets			
Fixed assets			
Investments		42,470	40,410
Current assets			
Debtors	6	619	559
Cash and bank balances		2,650	789
Total assets		45,739	41,758
Liabilities			
Investment liabilities		(9)	(29)
Creditors			
Other creditors	7	(118)	(535)
Total liabilities		(127)	(564)
Net assets attributable to shareholders		45,612	41,194

Notes to the Financial Statements

	March 2021 £000	March 2020 £000
1. Net capital gains/(losses)		
The net capital gains/(losses) during the year comprise:		
Non-derivative securities gains/(losses)	2,791	(617)
Currency (losses)/gains	(3)	33
Derivative losses	(5)	(146)
	2,783	(730)
2. Revenue		
Interest on debt securities	1,143	1,141
UK dividends	9	—
Bank and other interest	—	2
	1,152	1,143
3. Expenses		
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's annual management charge	154	159
ACD's administration charge*	5	23
	159	182
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	10	10
Safe custody fees	2	3
	12	13
Other expenses:		
Audit fees	14	11
Administration charge*	11	—
Legal and publication fees	7	3
Printing fees	1	2
Expense cap	(2)	(7)
	31	9
	202	204

*From 22 June 2020, Franklin Templeton Funds has delegated fund accounting, fund tax and related fund reporting services to JP Morgan Chase Bank N.A London Branch.

4. Taxation**(a) Analysis of the charge for the year**

Irrecoverable overseas tax	1	—
Total current tax (Note 4(b))	1	—
Total taxation	1	—

(b) Factors affecting the current tax charge for the year

The tax assessed for the year is lower (2020: lower) than the standard rate of corporation tax in the UK for Open-ended Investment Companies (20% (2020: 20%)).

The differences are explained below:

Net revenue before taxation	950	939
Corporation tax of 20% (2020: 20%)	190	188
Effects of:		
Interest distributions	(188)	(188)
Revenue not subject to corporation tax	(2)	—
Irrecoverable overseas tax	1	—
Current tax charge for the year (Note 4(a))	1	—

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

	March 2021 £000	March 2020 £000
5. (a) Distributions		
The distribution takes account of income received on the issue of shares and income deducted on the cancellation of shares, and comprise:		
Interim dividend distributions		
Accumulation	877	858
	<u>877</u>	<u>858</u>
Final dividend distributions		
Accumulation	291	273
	<u>291</u>	<u>273</u>
Add: Revenue deducted on cancellation of shares	23	21
Deduct: Revenue received on issue of shares	(39)	(9)
Total distribution	1,152	1,143
(b) Difference between net revenue and distribution:		
Net revenue after taxation	949	939
ACD's periodic charge taken from capital account	154	159
Expense charge taken to capital	48	45
Movement in undistributed revenue	1	–
Total distribution for the year	1,152	1,143
Details of the distribution in pence per share for this Fund are set out in the table on pages 43-44.		
6. Debtors		
Accrued income	606	556
Amounts receivable for issue of shares	13	–
Other debtors	–	2
Capped expenses	–	1
	<u>619</u>	<u>559</u>
7. Other creditors		
Amounts payable for cancellation of shares	91	109
Accrued expenses	27	29
Purchases awaiting settlement	–	397
	<u>118</u>	<u>535</u>

8. Related parties

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

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

The amounts due to the ACD and associates of the ACD in respect of management and administration fees at 31 March 2021 are £13,000 (£15,000 as at 31 March 2020).

During the year the Fund received £7,000 (£7,000 for the year to 31 March 2020) in reimbursed expenses from the ACD.

As at 31 March 2021 the Fund was due reimbursed expenses of £Nil (owed £1,000 to the ACD in respect of an over-reimbursement of expenses as at 31 March 2020).

As at 31 March 2021 Templeton Global Advisors Limited (“TGAL”) held 100% of the shares in issue of Class W Income (100% as at 31 March 2020).

9. Risk management policies and disclosures

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

Market Risk

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

Currency Risk

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

At the year end date, 0.11% (2020: 0.08%) of the net assets of the Fund were denominated in currencies other than sterling and as such the currency risk is not considered significant.

Interest Rate Risk

Interest rate profile of financial assets and financial liabilities

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

	Floating rate financial assets / liabilities £000	Fixed rate financial assets / liabilities £000	Financial assets / liabilities not carrying interest £000	Total £000
March 2021				
UK Sterling	2,752	41,636	1,174	45,562
Euro	2	699	(651)	50
	<u>2,754</u>	<u>42,335</u>	<u>523</u>	<u>45,612</u>

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

Sensitivity to Interest Rate Risk

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

Category	31 March 2021 £000	31 March 2020 £000
Fixed rate financial assets	(354)	(409)
Other	12	–
Total	(342)	(409)

9. Risk management policies and disclosures (continued)

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

Category	31 March 2021 £000	31 March 2020 £000
Fixed rate financial assets	378	444
Other	(13)	—
Total	365	444

Other price risk

At the year end date, 93.09% (2020: 98.10%) of the net assets of the Fund were invested in bonds, preferred shares and forward contracts. If the market value were to change by 10% (2020: 10%), the value of the Fund would change by 9.31% (2020: 9.81%).

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

10. Portfolio Transaction Costs

During the year bond purchases amounted to £8,409,000 (2020: £10,576,000), bond sales amounted to £8,796,000 (2020: £10,648,000), equity purchases amounted to £Nil (2020: £156,000) and derivative sales amounted to £Nil (2020: (£123,000)). No Direct Transaction Costs were incurred during the current year £Nil (2020: £Nil transaction costs were incurred on derivative sales).

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

In addition, there is a dealing spread between the buying and selling prices of the underlying investments. The average dealing spread which is the difference between the quoted bid and offer prices or internal administrative or holding costs, are not included in the calculation of Direct transaction Costs. As at 31 March 2021, the average dealing spread for the underlying Fund investments is 0.64% (2020: 0.73%).

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

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

11. Creations and Cancellations of Shares

	Number of shares in issue as at 1 April 2020	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue as at 31 March 2021
W – Accumulation shares	38,629,714	6,372,951	(5,812,236)	–	39,190,429
W – Income shares	3,998	–	–	–	3,998

12. Fair Value Disclosure

Instruments held at the year end are presented in line with amendments to FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland Fair value hierarchy disclosures.

Level 1: Unadjusted quoted price in an active market for an identical instrument.

Level 2: Valuation techniques using observable inputs other than quoted prices within level 1.

Level 3: Valuation techniques using unobservable inputs.

Fair Value Hierarchy	Assets 31 March 2021	Liabilities 31 March 2021	Assets 31 March 2020	Liabilities 31 March 2020
	£000	£000	£000	£000
Level 1	153	(9)	116	–
Level 2	42,317	–	40,294	–
Level 3	–	–	–	–
Total	42,470	(9)	40,410	–

13. Portfolio Statement by Credit Rating

Standard & Poor's Rating		Market Value £'000	% of Net Assets
March 2021			
Investment grade	BBB or higher	31,072	68.14
Non-investment grade	below BBB	6,445	14.10
Not rated	Not rated	4,768	10.46
Total Value of Bonds		42,285	92.70
March 2020			
Investment grade	BBB or higher	38,577	93.65
Non-investment grade	below BBB	1,553	3.77
Not rated	Not rated	164	0.40
Total Value of Bonds		40,294	97.82

14. Counterparty and Collateral Exposure

Counterparty	Forward Currency Contracts £000	Futures £000	Swaps £000	Options Contract £000	Swaption £000	Total £000
2021						
Citi	32	–	–	–	–	32
JP Morgan	–	(9)	–	–	–	(9)
2020						
Citi	(29)	–	–	–	–	(29)

Franklin Sterling Corporate Bond Fund

Distribution Statement

For the period 1 April 2020 to 30 June 2020

Group 1 Shares purchased prior to 1 April 2020

Group 2 Shares purchased in the period 1 April 2020 to 30 June 2020

	Net Income p	Equalisation p	30 June 2020 Pence per Share p	30 June 2019 Pence per Share p
W Accumulation Shares				
Group 1	0.7459	—	0.7459	0.6965
Group 2	0.0715	0.6744	0.7459	0.6965
W Income Shares				
Group 1	0.6868	—	0.6868	0.6590
Group 2	0.6868	—	0.6868	0.6590

For the period 1 July 2020 to 30 September 2020

Group 1 Shares purchased prior to 1 July 2020

Group 2 Shares purchased in the period 1 July 2020 to 30 September 2020

	Net Income p	Equalisation p	30 September 2020 Pence per Share p	30 September 2019 Pence per Share p
W Accumulation Shares				
Group 1	0.7255	—	0.7255	0.7260
Group 2	0.3837	0.3418	0.7255	0.7260
W Income Shares				
Group 1	0.6633	—	0.6633	0.6820
Group 2	0.6633	—	0.6633	0.6820

For the period 1 October 2020 to 31 December 2020

Group 1 Shares purchased prior to 1 October 2020

Group 2 Shares purchased in the period 1 October 2020 to 31 December 2020

	Net Income p	Equalisation p	31 December 2020 Pence per Share p	31 December 2019 Pence per Share p
W Accumulation Shares				
Group 1	0.7764	—	0.7764	0.6885
Group 2	0.1379	0.6385	0.7764	0.6885
W Income Shares				
Group 1	0.7033	—	0.7033	0.6407
Group 2	0.7033	—	0.7033	0.6407

For the period 1 January 2021 to 31 March 2021

Group 1 Shares purchased prior to 1 January 2021

Group 2 Shares purchased in the period 1 January 2021 to 31 March 2021

	Net Income p	Equalisation p	31 March 2021 Pence per Share p	31 March 2020 Pence per Share p
W Accumulation Shares				
Group 1	0.7417	—	0.7417	0.7060
Group 2	0.0780	0.6637	0.7417	0.7060
W Income Shares				
Group 1	0.6683	—	0.6683	0.6532
Group 2	0.6683	—	0.6683	0.6532

Franklin Sterling Corporate Bond Fund (continued)

Equalisation

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

Investment Review

Performance

In the 12 months to 31 March 2021, Franklin UK Equity Income Fund made a net return 26.28%*, marginally underperforming the FTSE All-Share Index, which returned 26.71%.

Overview

Volatility remained elevated throughout 12-month period, as the fallout from the COVID-19 pandemic began to be absorbed into the economic data, although the heights of the turmoil reached in March were not matched.

UK gross domestic product ("GDP") in real terms declined by 9.9% in 2020, according to the Office for National Statistics ("ONS"), a far worse outturn than many other large economies but not as bad as the worst estimates. Second-quarter GDP released in August showed a particularly prominent quarterly decline of 20.4%, roughly double the drop seen in the United States and the second-worst performance in Europe during that timeframe, with output in services making up most of the fall. On this point, although it is evident the UK economy has been particularly impacted by the pandemic, we see the phasing of restrictions and deflator adjustments to the data as exaggerating declines, which should balance out over time, in our view.

With central bank monetary response to the pandemic being implemented rapidly and at scale, and the interest rate outlook unlikely to change for some time, the next important steps were to come from fiscal policymakers. In the United Kingdom, the reduction of stamp duty, value-added tax cuts for food and hospitality sectors and incentives for employers to retain furloughed staff were all received well. These went a long way to stabilise the official unemployment rate at about 5% relative to estimates that were almost double this figure. However, driven by the rounds of spending measures, UK public sector net debt reached 97.5% of GDP as of February 2021, according to the ONS.

Although it was difficult to envisage an end to the pandemic, in November, we began to get the first data points showing that three of the vaccines in development were highly effective at producing an immune response. Markets reacted as expected with the poorest-performing stocks across travel and leisure reversing course as investors began to paint a realistic picture as to how these hardest-hit companies would be able to navigate the acute financial pressure they were facing.

After the touchpaper was lit with the vaccine news, we began to see investors price in higher levels of inflation, as it became clear that central banks were unlikely to tighten policy in the face of transitory spikes in inflation. Nominal yield curves across developed countries have steepened. The pick-up in yields resulted in a broad outperformance of bank and commodity stocks over the wider market.

Finally, on Brexit, as we suspected, the departure from the European Union has been inconsequential in the shadow of the pandemic. However, it has been difficult to disentangle the impact of the transition in the short-run economic data, given the much more profound factors currently in play, and, as such, the longer-term implications remain difficult to predict.

Significant Changes

During the 12-month period, the biggest stock purchases included housebuilder Persimmon, beverage company Britvic, real estate investment trust Derwent London, consumer goods company Unilever and medical device provider Smith & Nephew. The largest sales included specialty chemicals manufacturer Johnson Matthey, insurance firm Prudential, housebuilders Bellway and Taylor Wimpey, and packaging manufacturer DS Smith.

We initiated a position in Persimmon as we believed it had navigated the early stages of the COVID-19 crisis well with limited disruption and had a clear growth strategy. Meanwhile, we believed that Britvic was well placed to take market share in a growing home market for soft drinks, whilst also being suitably positioned to benefit potentially from a higher margin on trade.

Although we liked the longer-term drivers of growth for Johnson Matthey's business, we viewed the yield potential as limited and therefore no longer saw the company as a preferred idea for an income fund. We sold the position in Prudential after a strong run, believing that there were better income opportunities elsewhere in the portfolio.

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

Positive/Negative Contributors

At the sector level, lack of exposure to travel and leisure weighed on relative returns, as did stock selection in and underweight exposure to basic resources. In contrast, security selection in financial services and an underweight in banks boosted relative performance.

At a stock level, insurers Prudential and Aviva were the main detractors from relative returns. The companies' share prices rose 50% and 58%, respectively, over the period and so our underweight exposures to both stocks weighed on relative performance. Retailer Tesco, which underperformed the broader market, also detracted from relative results. Analytics company RELX further weighed on relative results. Its share price suffered in the fourth quarter of 2020, after a trading update saw management provide slightly weaker guidance for the company's exhibitions unit.

Underweight exposure to banking group HSBC Holdings, down over 8% during the review period, was the largest contributor to relative performance. Specialist engineering firm IMI also contributed to relative returns; the company's first-half numbers in 2020 showed a strong performance on margin due to improved cost-cutting measures. Importantly, this allowed IMI to reinstate its dividend and provide healthy guidance for the full year. Retailer Next, whose share price rose over 90% over the review period, also made a significant contribution to relative performance.

Outlook

2020 proved once again that, even if investors could accurately predict events, predicting market movements based on this foresight is near impossible. However, we still have certain base-case scenarios in mind and, with a robust economic outlook ahead of us in 2021, we remain attuned to a different set of risks than those we saw last year.

The International Monetary Fund has forecast global output to increase by 6.0% in 2021 and 4.4% in 2022, with the UK economy growing by 5.3% and 5.1%, respectively (relative to the eurozone's 4.4% and 3.8%). This is a dramatic growth spurt for what was previously a low benign economic backdrop driven by an expansion in government stimulus (primarily in the United States) and resumption (and catch up) of consumer spending.

Clearly this is good news, but we do see temporary inflationary risks emerging, given the commitment of central banks to keeping rates low and the base effects from weak commodity prices in the first half of 2020. It is our view that these inflationary spikes will pass, but their impact may be significant on equity leadership and hard to predict.

Adding to inflationary concerns is the ramp-up in government spending. The United States is leading the way, with a further US\$1.9 trillion (9% of 2019 gross domestic product) approved in the Senate in the American Rescue Plan. It remains to be seen to what extent this changes longer term government spending habits and tax increases down the line. Although rates remain low, it seems that we are moving into a regime of higher spending and higher taxes across developed economies.

Political risks, at least domestically, have fortunately receded, if we discount the impact of the Scottish elections and renewed impetus for a Scottish referendum in May. Globally, tensions between China and the West remain heightened even with a new administration in the White House. Chinese adventurism in the South China Sea and Taiwan are perennial risks that show no sign of abating and could have catastrophic impacts on global trade and relations.

In terms of COVID-19, we are impressed by the progress made in the United Kingdom; with the efficient rollout of the vaccine, combined with prior spread of the virus, 54% of the entire population of England have been shown to have antibodies. The big risks here now relate to a slow rollout of vaccines globally and mutagenic shift of the virus.

Colin Morton, Ben Russon, CFA & Mark Hall

Fund Managers

31 March 2021

Comparative Table, 31 March 2021

Franklin UK Equity Income Fund

	31 March 2021	31 March 2020	31 March 2019
A – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	161.03	197.19	184.34
Return before operating charges ¹	41.85	(34.17)	15.88
Operating charges ²	(1.76)	(1.99)	(3.03)
Return after operating charges ³	40.09	(36.16)	12.85
Closing net asset value per share	201.12	161.03	197.19
Distributions	(7.14)	(9.24)	(8.94)
Retained distributions on accumulation shares	7.14	9.24	8.94
After direct transaction costs of ⁴	0.27	0.57	0.52

Performance

Return after charges ⁵	24.90%	(18.34%)	6.97%
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Other information

Closing net asset value (£)	1,138,824	1,116,510	2,005,743
Closing number of shares	566,246	693,362	1,017,181
Operating charges ratio ⁶	0.97%	0.98%	1.57%
Direct transaction costs ⁴	0.15%	0.28%	0.27%

Prices (p)

Highest share price	200.92	219.92	204.09
Lowest share price	153.03	140.20	174.34

	31 March 2021	31 March 2020	31 March 2019
A – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	185.57	238.35	233.46
Return before operating charges ¹	47.52	(39.45)	19.78
Operating charges ²	(2.02)	(2.34)	(3.76)
Return after operating charges ³	45.50	(41.79)	16.02
Distribution	(8.11)	(10.99)	(11.13)
Closing net asset value per share	222.96	185.57	238.35
After direct transaction costs of ⁴	0.31	0.67	0.65

Performance

Return after charges ⁵	24.52%	(17.53%)	6.86%
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Other information

Closing net asset value (£)	30,305,199	27,341,780	33,969,668
Closing number of shares	13,592,399	14,733,855	14,252,256
Operating charges ratio ⁶	0.97%	0.98%	1.57%
Direct transaction costs ⁴	0.15%	0.28%	0.27%

Prices (p)

Highest share price	225.16	258.54	258.48
Lowest share price	176.28	163.47	215.40

Franklin UK Equity Income Fund (continued)

	31 March 2021	31 March 2020	31 March 2019
W – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	171.27	207.97	192.38
Return before operating charges ¹	44.61	(35.57)	16.64
Operating charges ²	(1.00)	(1.13)	(1.05)
Return after operating charges ³	43.61	(36.70)	15.59
Closing net asset value per share	214.88	171.27	207.97
Distributions	(8.06)	(9.79)	(9.38)
Retained distributions on accumulation shares	8.06	9.79	9.38
After direct transaction costs of ⁴	0.29	0.60	0.54

Performance

Return after charges ⁵	25.46%	(17.65%)	8.10%
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Other information

Closing net asset value (£)	409,915,272	273,224,700	212,005,719
Closing number of shares	190,767,342	159,524,734	101,942,374
Operating charges ratio ⁶	0.52%	0.53%	0.52%
Direct transaction costs ⁴	0.15%	0.28%	0.27%

Prices (p)

Highest share price	214.63	233.71	213.31
Lowest share price	162.78	149.10	183.38

	31 March 2021	31 March 2020	31 March 2019
W – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	124.04	157.97	153.11
Return before operating charges ¹	31.79	(25.78)	13.02
Operating charges ²	(0.71)	(0.84)	(0.82)
Return after operating charges ³	31.08	(26.62)	12.20
Distribution	(5.75)	(7.31)	(7.34)
Closing net asset value per share	149.37	124.04	157.97
After direct transaction costs of ⁴	0.21	0.44	0.43

Performance

Return after charges ⁵	25.06%	(16.85%)	7.97%
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Other information

Closing net asset value (£)	447,664,948	403,917,677	390,824,579
Closing number of shares	299,708,583	325,624,109	247,410,307
Operating charges ratio ⁶	0.52%	0.53%	0.52%
Direct transaction costs ⁴	0.15%	0.28%	0.27%

Prices (p)

Highest share price	150.93	172.61	169.76
Lowest share price	117.84	109.26	142.37

Franklin UK Equity Income Fund (continued)

	31 March 2021	31 March 2020	31 March 2019
Y – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	94.42	119.70	115.50
Return before operating charges ¹	24.10	(19.62)	9.84
Operating charges ²	(0.02)	(0.04)	(0.02)
Return after operating charges ³	24.08	(19.66)	9.82
Distribution	(5.67)	(5.62)	(5.62)
Closing net asset value per share	112.83	94.42	119.70
After direct transaction costs of ⁴	0.16	0.34	0.32
Performance			
Return after charges ⁵	25.50%	(16.42%)	8.50%
Other information			
Closing net asset value (£)	3,479	2,911	3,691
Closing number of shares	3,083	3,083	3,083
Operating charges ratio ⁶	0.02%	0.03%	0.02%
Direct transaction costs ⁴	0.15%	0.28%	0.27%
Prices (p)			
Highest share price	114.00	131.26	128.16
Lowest share price	89.70	83.18	107.77

	31 March 2021	31 March 2020	31 March 2019
Z – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	166.95	203.50	189.19
Return before operating charges ¹	43.43	(35.14)	16.33
Operating charges ²	(1.24)	(1.41)	(2.02)
Return after operating charges ³	42.19	(36.55)	14.31
Closing net asset value per share	209.14	166.95	203.50
Distributions	(7.87)	(9.56)	(9.20)
Retained distributions on accumulation shares	7.87	9.56	9.20
After direct transaction costs of ⁴	0.28	0.58	0.53
Performance			
Return after charges ⁵	25.27%	(17.96%)	7.56%
Other information			
Closing net asset value (£)	1,445,815	752,543	698,588
Closing number of shares	691,299	450,752	343,293
Operating charges ratio ⁶	0.67%	0.68%	1.02%
Direct transaction costs ⁴	0.15%	0.28%	0.27%
Prices (p)			
Highest share price	208.91	227.88	209.63
Lowest share price	158.67	145.35	179.67

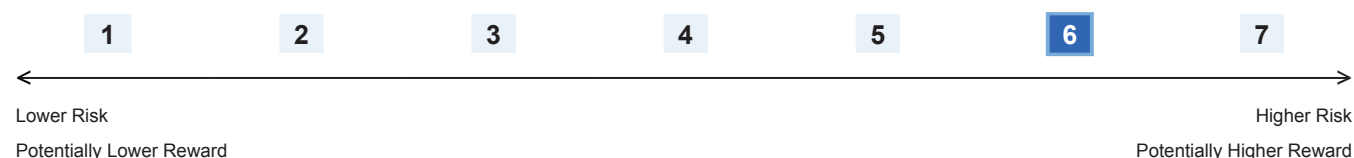
Franklin UK Equity Income Fund (continued)

	31 March 2021	31 March 2020	31 March 2019
Z – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	120.02	153.44	149.46
Return before operating charges ¹	30.75	(25.29)	12.70
Operating charges ²	(0.89)	(1.04)	(1.57)
Return after operating charges ³	29.86	(26.33)	11.13
Distribution	(5.57)	(7.09)	(7.15)
Closing net asset value per share	144.31	120.02	153.44
After direct transaction costs of ⁴	0.20	0.43	0.42
Performance			
Return after charges ⁵	24.88%	(17.16%)	7.45%
Other information			
Closing net asset value (£)	5,321,214	5,101,039	5,710,348
Closing number of shares	3,687,473	4,250,043	3,721,668
Operating charges ratio ⁶	0.67%	0.68%	1.02%
Direct transaction costs ⁴	0.15%	0.28%	0.27%
Prices (p)			
Highest share price	145.82	167.09	165.61
Lowest share price	114.02	105.72	138.47

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

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

Risk Profile (W(acc) shares)



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

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

Portfolio of Investments, 31 March 2021

Franklin UK Equity Income Fund

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	EQUITIES 97.98% (97.36%)		
	AEROSPACE AND DEFENSE 1.48% (1.47%)		
2,590,000	BAE Systems plc	13,287	1.48
	BANKS 3.22% (3.65%)		
840,000	Close Brothers Group plc	13,104	1.46
3,650,000	HSBC Holdings plc	15,719	1.76
		28,823	3.22
	BEVERAGES 4.21% (2.75%)		
1,740,000	Britvic plc	14,816	1.65
756,000	Diageo plc	22,907	2.56
		37,723	4.21
	CHEMICALS 1.26% (2.52%)		
505,000	Victrex plc	11,302	1.26
	CONSTRUCTION AND MATERIALS 0.00% (0.99%)		
	CONSUMER SERVICES 1.38% (1.47%)		
834,000	Compass Group plc	12,314	1.38
	ELECTRICITY 2.06% (1.94%)		
1,285,000	SSE plc	18,427	2.06
	ELECTRONIC AND ELECTRICAL EQUIPMENT 1.63% (1.17%)		
1,100,000	IMI plc	14,608	1.63
	FOOD PRODUCERS 1.47% (1.29%)		
542,000	Associated British Foods plc	13,122	1.47
	GAS, WATER AND MULTI-UTILITIES 2.43% (2.19%)		
2,540,000	National Grid plc	21,768	2.43
	GENERAL INDUSTRIALS 3.03% (4.35%)		
535,000	Bunzl plc	12,316	1.38
960,000	Smiths Group plc	14,746	1.65
		27,062	3.03
	HOUSEHOLD GOODS AND HOME CONSTRUCTION 2.62% (2.26%)		
790,000	Persimmon plc	23,502	2.62
	INDUSTRIAL METALS AND MINING 7.28% (6.16%)		
925,000	BHP Group plc	19,476	2.17
1,617,000	Bodycote plc	13,558	1.51

Franklin UK Equity Income Fund (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
INDUSTRIAL METALS AND MINING (continued)			
578,000	Rio Tinto plc	32,235	3.60
		65,269	7.28
INDUSTRIAL SUPPORT SERVICES 3.09% (2.77%)			
169,000	Ferguson plc	14,858	1.66
2,690,000	Pagegroup plc	12,794	1.43
		27,652	3.09
INVESTMENT BANKING AND BROKERAGE SERVICES 9.59% (7.41%)			
5,200,000	Brewin Dolphin Holdings plc	16,120	1.80
1,540,000	IG Group Holdings plc	13,652	1.52
718,000	Intermediate Capital Group plc	13,541	1.51
6,570,000	M&G plc	13,751	1.54
414,000	Schroders plc	14,258	1.59
1,145,000	St James's Place plc	14,639	1.63
		85,961	9.59
LIFE INSURANCE 5.70% (7.32%)			
8,775,000	Legal & General Group plc	25,044	2.80
3,515,000	Phoenix Group Holdings plc	26,004	2.90
		51,048	5.70
MEDIA 6.21% (5.46%)			
2,310,000	Informa plc	13,130	1.47
1,355,000	RELX plc	24,675	2.75
1,880,000	WPP plc	17,807	1.99
		55,612	6.21
MEDICAL EQUIPMENT AND SERVICES 1.25% (0.00%)			
815,000	Smith & Nephew plc	11,218	1.25
NON-LIFE INSURANCE 1.58% (1.61%)			
4,500,000	Direct Line Insurance Group plc	14,184	1.58
OIL, GAS AND COAL 7.53% (8.88%)			
10,250,000	BP plc	30,904	3.45
2,525,000	Royal Dutch Shell plc, A	36,512	4.08
		67,416	7.53
PERSONAL CARE, DRUG AND GROCERY STORES 8.72% (10.36%)			
330,000	Reckitt Benckiser Group plc	21,424	2.39
7,882,000	Tesco plc	18,097	2.02
950,000	Unilever plc	38,579	4.31
		78,100	8.72
PERSONAL GOODS 1.34% (1.49%)			
622,000	Burberry Group plc	12,042	1.34
PHARMACEUTICALS AND BIOTECHNOLOGY 7.39% (8.67%)			
509,000	AstraZeneca plc	37,096	4.14
2,225,000	GlaxoSmithKline plc	29,081	3.25
		66,177	7.39

Franklin UK Equity Income Fund (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	REAL ESTATE INVESTMENT TRUSTS 4.06% (1.33%)		
390,000	Derwent London plc [§]	12,737	1.42
1,800,000	Land Securities Group plc [§]	12,668	1.41
5,137,280	LondonMetric Property plc [§]	11,004	1.23
		36,409	4.06
	RETAILERS 1.76% (1.77%)		
196,000	Next plc	15,735	1.76
	TELECOMMUNICATIONS SERVICE PROVIDERS 1.95% (1.98%)		
13,025,000	Vodafone Group plc	17,464	1.95
	TOBACCO 5.74% (6.10%)		
1,075,000	British American Tobacco plc	29,772	3.32
1,448,000	Imperial Brands plc	21,662	2.42
		51,434	5.74
	TOTAL - EQUITIES	877,659	97.98
	TOTAL VALUE OF INVESTMENTS	877,659	97.98
	OTHER ASSETS	18,136	2.02
	TOTAL NET ASSETS	895,795	100.00

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2020.

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

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

Franklin UK Equity Income Fund

Statement of Total Return

For the year ended 31 March 2021

	Notes	March 2021 £000	March 2021 £000	March 2020 £000	March 2020 £000
Income					
Net capital gains/(losses)	1		154,644		(189,904)
Revenue	2	35,126		35,527	
Expenses	3	(4,439)		(4,359)	
Net revenue before taxation		30,687		31,168	
Taxation	4	(7)		(253)	
Net revenue after taxation			30,680		30,915
Total return before distributions for the year			185,324		(158,989)
Distributions	5		(34,478)		(34,701)
Change in net assets attributable to shareholders			150,846		(193,690)

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 March 2021

	March 2021 £000	March 2021 £000	March 2020 £000	March 2020 £000
Opening net assets attributable to shareholders		711,457		645,218
Amounts received on creation of shares	376,511		465,133	
Amounts paid on cancellation of shares	(358,420)		(217,763)	
		18,091		247,370
Dilution adjustments		7		–
Unclaimed distributions		–		5
Change in net assets attributable to shareholders from investment activities (see above)		150,846		(193,690)
Retained distribution on accumulation shares		15,394		12,554
Closing net assets attributable to shareholders		895,795		711,457

Balance sheet

As at 31 March 2021

	Notes	March 2021 £000	March 2020 £000
Assets			
Fixed assets			
Investments		877,659	692,667
Current assets			
Debtors	6	9,905	8,332
Cash and bank balances		19,190	18,681
Total assets		906,754	719,680
Liabilities			
Creditors			
Distributions payable	5	(5,592)	(5,107)
Other creditors	7	(5,367)	(3,116)
Total liabilities		(10,959)	(8,223)
Net assets attributable to shareholders		895,795	711,457

Notes to the Financial Statements

	March 2021 £000	March 2020 £000
1. Net capital gains/(losses)		
The net capital gains/(losses) during the year comprise:		
Non-derivative securities gains/(losses)	154,674	(189,904)
Currency losses	(30)	—
	154,644	(189,904)
2. Revenue		
UK dividends	34,548	32,758
Overseas dividends	575	2,744
Bank and other interest	3	25
	35,126	35,527
3. Expenses		
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's annual management charge	3,798	3,786
ACD's administration charge*	86	383
	3,884	4,169
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	108	102
Safe custody fees	7	50
	115	152
Other expenses:		
Administration charge*	401	—
Legal and publication fees	25	24
Audit fees	13	10
Printing fees	1	4
	440	38
	4,439	4,359
*From 22 June 2020, Franklin Templeton Funds has delegated fund accounting, fund tax and related fund reporting services to JP Morgan Chase Bank N.A London Branch.		
4. Taxation		
(a) Analysis of the charge for the year		
Irrecoverable overseas tax	7	253
Total current tax (Note 4(b))	7	253
Total taxation	7	253
(b) Factors affecting the current tax charge for the year		
The tax assessed for the year is lower (2020: lower) than the standard rate of corporation tax in the UK for Open-ended Investment Companies (20% (2020: 20%)).		
The differences are explained below:		
Net revenue before taxation	30,687	31,168
Corporation tax of 20% (2020: 20%)	6,137	6,234
Effects of:		
Excess management expenses	749	699
Revenue not subject to corporation tax	(6,886)	(6,972)
Irrecoverable overseas tax	7	253
Revenue taxable in different years	—	39
Current tax charge for the year (Note 4(a))	7	253

**March
2021
£000**

**March
2020
£000**

4. Taxation (continued)

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

At the year end there is a potential deferred tax asset of £4,610,000 (£3,861,000 as at 31 March 2020) in relation to excess management fees. It is unlikely the Fund will generate sufficient tax profits in the future to utilise these amounts and therefore no deferred tax assets have been recognised in the year.

5. (a) Distributions

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

Interim dividend distributions

Income	13,954	18,475
Accumulation	10,658	9,378
	<u>24,612</u>	<u>27,853</u>

Final dividend distributions

Income	5,592	5,108
Accumulation	4,736	3,176
	<u>10,328</u>	<u>8,284</u>

Add: Revenue deducted on cancellation of shares

Deduct: Revenue received on issue of shares

Total distribution

(b) Difference between net revenue and distribution:

Net revenue after taxation

ACD's periodic charge taken from capital account

Total distribution for the year

Details of the distribution in pence per share for this Fund are set out in the table on pages 60-62.

6. Debtors

Accrued income	4,951	3,369
Amounts receivable for issue of shares	4,690	4,872
Sales awaiting settlement	220	—
Overseas tax recoverable	44	91
	<u>9,905</u>	<u>8,332</u>

7. Other creditors

Amounts payable for cancellation of shares	4,347	2,290
Purchases awaiting settlement	603	468
Accrued expenses	417	358
	<u>5,367</u>	<u>3,116</u>

8. Related parties

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

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

The amounts due to the ACD and associates of the ACD in respect of management and administration fees at 31 March 2021 are £341,000 (£321,000 as at 31 March 2020).

During the year the Fund received £Nil (£4,000 for the year to 31 March 2020) in reimbursed expenses from the ACD.

8. Related parties (continued)

As at 31 March 2021 the Fund was due reimbursed expenses of £1,000 (£Nil as at 31 March 2020) from the ACD.

As at 31 March 2021 Templeton Global Advisors Limited ("TGAL") held 100% (100% as at 31 March 2020) of the shares in issue of Class Y Income.

9. Risk management policies and disclosures

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

Market Risk

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

Currency risk

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

At the year end date, 0.06% (2020: 0.01%) of the net assets of the Fund were denominated in currencies other than sterling and as such the currency risk is not considered significant.

Interest rate risk

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

Other price risk

At the year end date, 97.98% (2020: 97.36%) of the net assets of the Fund were invested in ordinary shares or stock units admitted to an official stock exchange. If the market value were to change by 10% (2020: 10%), the value of the Fund would change by 9.80% (2020: 9.74%).

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

10. Portfolio Transaction Costs

	Principal £000	Commissions £000	Taxes and other £000	Total cost £000	Commissions % of principal	Taxes and other % of principal
2021 Purchases						
Equities	218,533	94	1,049	219,676	0.04	0.48
Sales						
Equities	189,443	(90)	–	189,353	(0.05)	–
Total cost of the Fund's average net asset value (%)		0.02	0.13			
2020 Purchases						
Equities	402,991	155	1,904	405,050	0.04	0.47
Sales						
Equities	137,509	(55)	–	137,454	(0.04)	–
Total cost of the Fund's average net asset value (%)		0.03	0.25			

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

In addition there is a dealing spread between the buying and selling prices of the underlying investments. The average dealing spread which is the difference between the quoted bid and offer prices or internal administrative or holding costs, are not included in the calculation of Direct Transaction Costs. As at 31 March 2021, the average dealing spread for the underlying Fund investments is 0.25% (2020: 0.07%).

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

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

11. Creations and Cancellations of Shares

	Number of shares in issue as at 1 April 2020	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue as at 31 March 2021
A – Accumulation shares	693,362	239,781	(360,508)	(6,389)	566,246
A – Income shares	14,733,855	2,324,748	(3,359,974)	(106,230)	13,592,399
W – Accumulation shares	159,524,734	120,789,517	(89,496,756)	(50,153)	190,767,342
W – Income shares	325,624,109	138,048,752	(164,098,085)	133,807	299,708,583
Y – Income shares	3,083	–	–	–	3,083
Z – Accumulation shares	450,752	359,285	(127,161)	8,423	691,299
Z – Income shares	4,250,043	137,896	(801,546)	101,080	3,687,473

12. Fair Value Disclosure

Instruments held at the year end are presented in line with amendments to FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland Fair value hierarchy disclosures.

Level 1: Unadjusted quoted price in an active market for an identical instrument.

Level 2: Valuation techniques using observable inputs other than quoted prices within level 1.

Level 3: Valuation techniques using unobservable inputs.

Fair Value Hierarchy	Assets 31 March 2021	Liabilities 31 March 2021	Assets 31 March 2020	Liabilities 31 March 2020
	£000	£000	£000	£000
Level 1	877,659	–	692,667	–
Level 2	–	–	–	–
Level 3	–	–	–	–
Total	877,659	–	692,667	–

Franklin UK Equity Income Fund

Distribution Statement

For the period 1 April 2020 to 30 June 2020

Group 1 Shares purchased prior to 1 April 2020

Group 2 Shares purchased in the period 1 April 2020 to 30 June 2020

	Net Income p	Equalisation p	30 June 2020 Pence per Share p	30 June 2019 Pence per Share p
A Accumulation Shares				
Group 1	1.5371	—	1.5371	2.7895
Group 2	0.7458	0.7913	1.5371	2.7895
A Income Shares				
Group 1	1.7731	—	1.7731	3.3718
Group 2	0.5698	1.2033	1.7731	3.3718
W Accumulation Shares				
Group 1	1.6286	—	1.6286	2.9460
Group 2	0.7124	0.9162	1.6286	2.9460
W Income Shares				
Group 1	1.1830	—	1.1830	2.2376
Group 2	0.3057	0.8773	1.1830	2.2376
Y Income Shares				
Group 1	2.1710	—	2.1710	1.7127
Group 2	2.1710	—	2.1710	1.7127
Z Accumulation Shares				
Group 1	1.5979	—	1.5979	2.8804
Group 2	0.1030	1.4949	1.5979	2.8804
Z Income Shares				
Group 1	1.1498	—	1.1498	2.1717
Group 2	—	1.1498	1.1498	2.1717

For the period 1 July 2020 to 30 September 2020

Group 1 Shares purchased prior to 1 July 2020

Group 2 Shares purchased in the period 1 July 2020 to 30 September 2020

	Net Income p	Equalisation p	30 September 2020 Pence per Share p	30 September 2019 Pence per Share p
A Accumulation Shares				
Group 1	1.9978	—	1.9978	2.5364
Group 2	1.0652	0.9326	1.9978	2.5364
A Income Shares				
Group 1	2.2765	—	2.2765	3.0236
Group 2	0.5742	1.7023	2.2765	3.0236
W Accumulation Shares				
Group 1	2.2643	—	2.2643	2.6848
Group 2	1.0536	1.2107	2.2643	2.6848
W Income Shares				
Group 1	1.6256	—	1.6256	2.0113
Group 2	0.4897	1.1359	1.6256	2.0113
Y Income Shares				
Group 1	1.2435	—	1.2435	1.5463
Group 2	1.2435	—	1.2435	1.5463
Z Accumulation Shares				
Group 1	2.2123	—	2.2123	2.6227
Group 2	0.4007	1.8116	2.2123	2.6227

Franklin UK Equity Income Fund (continued)

Distribution Statement (continued)

	Net Income p	Equalisation p	30 September 2020 Pence per Share p	30 September 2019 Pence per Share p
Z Income Shares				
Group 1	1.5728	–	1.5728	1.9507
Group 2	0.1545	1.4183	1.5728	1.9507

For the period 1 October 2020 to 31 December 2020

Group 1 Shares purchased prior to 1 October 2020

Group 2 Shares purchased in the period 1 October 2020 to 31 December 2020

	Net Income p	Equalisation p	31 December 2020 Pence per Share p	31 December 2019 Pence per Share p
A Accumulation Shares				
Group 1	1.4387	–	1.4387	2.0545
Group 2	0.6236	0.8151	1.4387	2.0545
A Income Shares				
Group 1	1.6321	–	1.6321	2.4178
Group 2	0.8193	0.8128	1.6321	2.4178
W Accumulation Shares				
Group 1	1.7043	–	1.7043	2.1796
Group 2	0.8121	0.8922	1.7043	2.1796
W Income Shares				
Group 1	1.2094	–	1.2094	1.6124
Group 2	0.6176	0.5918	1.2094	1.6124
Y Income Shares				
Group 1	0.9285	–	0.9285	1.2424
Group 2	0.9285	–	0.9285	1.2424
Z Accumulation Shares				
Group 1	1.6545	–	1.6545	2.1266
Group 2	0.1908	1.4637	1.6545	2.1266
Z Income Shares				
Group 1	1.1684	–	1.1684	1.5616
Group 2	0.2495	0.9189	1.1684	1.5616

For the period 1 January 2021 to 31 March 2021

Group 1 Shares purchased prior to 1 January 2021

Group 2 Shares purchased in the period 1 January 2021 to 31 March 2021

	Net Income p	Equalisation p	31 March 2021 Pence per Share p	31 March 2020 Pence per Share p
A Accumulation Shares				
Group 1	2.1657	–	2.1657	1.8595
Group 2	0.9722	1.1935	2.1657	1.8595
A Income Shares				
Group 1	2.4271	–	2.4271	2.1729
Group 2	1.5628	0.8643	2.4271	2.1729
W Accumulation Shares				
Group 1	2.4673	–	2.4673	1.9776
Group 2	1.3048	1.1625	2.4673	1.9776
W Income Shares				
Group 1	1.7350	–	1.7350	1.4517
Group 2	0.9340	0.8010	1.7350	1.4517

Franklin UK Equity Income Fund (continued)

Distribution Statement (continued)

	Net Income p	Equalisation p	31 March 2021 Pence per Share p	31 March 2020 Pence per Share p
Y Income Shares				
Group 1	1.3284	—	1.3284	1.1231
Group 2	1.3284	—	1.3284	1.1231
Z Accumulation Shares				
Group 1	2.4020	—	2.4020	1.9280
Group 2	0.9937	1.4083	2.4020	1.9280
Z Income Shares				
Group 1	1.6766	—	1.6766	1.4049
Group 2	0.6716	1.0050	1.6766	1.4049

Equalisation

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

Investment Review

Performance

For the 12 months to 31 March 2021, Franklin UK Gilt Fund returned -6.18%*, compared to the FTSE UK Gilts (ALL) Government TR Index, which returned -5.54% (both returns in UK sterling).

Overview

UK Gilts delivered positive returns in the second quarter of 2020, as the extent of the economic impact of the coronavirus pandemic on the UK economy became clearer. UK public sector net debt officially exceeded 100% of gross domestic product, while the Bank of England ("BoE") reported that its asset purchase programme was expected to reach £745 billion by the end of the year. At the end of May, three-year UK Gilt yields fell below zero, marking the first time that investors had paid for lending money to the UK government for a fixed-coupon bond.

However, UK Gilts then posted negative returns in the third quarter of 2020. Investors' risk appetite remained strong until September, when fears about a no-deal Brexit and a second wave of COVID-19 saw a shift to safer havens. During this period, the BoE's mid-term outlook turned less optimistic, culminating in a forecast that the UK economy would not return to its pre-pandemic levels until the end of 2021.

UK Gilts were up marginally in the fourth quarter of 2020. Fears of a downturn in the UK economy prompted the BoE to announce in November that it would boost quantitative easing by £150 billion. However, the outlook improved significantly towards the end of the period, after positive vaccine news and the announcement that the United Kingdom and European Union had reached an eleventh-hour 'Brexit' deal on trade in goods.

UK Gilts posted negative returns in the first quarter of 2021. Improved economic data saw the BoE upgrade its outlook for the UK economy towards the end of the period. Although the central bank kept interest rates at 0.1%, it also stressed the need for continued support to help the economy recover from the effects of the pandemic.

Significant Changes

The top purchases made by the Fund during the period included UK Treasury, 0.125%, 01/26/2021, UK Treasury, 2.25%, 09/07/2023, UK Treasury, 4%, 03/07/2022, UK Treasury, 3.75%, 09/07/2021, UK Treasury, 4.25%, 12/07/2027.

Its top sales over the period included UK Treasury, 1.5%, 01/22/2021, UK Treasury, 1.75%, 09/07/2022, UK Treasury, 3.5%, 07/22/2068, Government of Austria, 2.100%, 09/20/2117 and UK Treasury, 3.75%, 07/22/2052.

Positive/Negative Contributors

The Fund's duration and yield-curve positioning in UK bonds detracted most from relative performance.

In contrast, the Fund's sector allocation and security selection contributed to relative returns, largely due to positioning in bonds of maturities of between 1 and 3.5 years, as well as exposure to sterling-denominated emerging market debt.

The Fund's local market allocation also added to relative results, particularly an exposure to eurozone bonds.

Outlook

Although the vaccine rollout is showing signs of success and recent economic data is encouraging, the outlook for the United Kingdom remains relatively subdued. The pandemic has hit the UK economy the hardest of the G10 economies so far. Despite the recent relaxation of lockdown restrictions, with more planned in the coming months, we believe further measures that would reduce UK economic output may lie ahead, should COVID-19 rates spike again. In our opinion, because of these downside risks to growth, interest rates should remain low, while the BoE is likely to maintain significant levels of quantitative easing.

David Zahn, CFA

Fund Manager

31 March 2021

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

Comparative Table, 31 March 2021

Franklin UK Gilt Fund

	31 March 2021	31 March 2020	31 March 2019
W – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	116.37	106.28	102.86
Return before operating charges ¹	(6.40)	10.48	3.78
Operating charges ²	(0.40)	(0.39)	(0.36)
Return after operating charges ³	(6.80)	10.09	3.42
Closing net asset value per share	109.57	116.37	106.28
Distributions	(1.33)	(1.37)	(1.14)
Retained distributions on accumulation shares	1.33	1.37	1.14
After direct transaction costs of ⁴	–	–	–

Performance

Return after charges ⁵	(5.84%)	9.49%	3.32%
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Other information

Closing net asset value (£)	74,165,883	73,220,057	87,712,370
Closing number of shares	67,689,942	62,920,656	82,531,584
Operating charges ratio ⁶	0.35%	0.35%	0.35%
Direct transaction costs ⁴	–	–	–

Prices (p)

Highest share price	120.58	122.17	106.67
Lowest share price	108.53	103.99	99.91

	31 March 2021	31 March 2020	31 March 2019
W – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	112.24	103.78	101.58
Return before operating charges ¹	(6.11)	10.17	3.68
Operating charges ²	(0.38)	(0.38)	(0.35)
Return after operating charges ³	(6.49)	9.79	3.33
Distribution	(1.29)	(1.33)	(1.13)
Closing net asset value per share	104.46	112.24	103.78
After direct transaction costs of ⁴	–	–	–

Performance

Return after charges ⁵	(5.78%)	9.43%	3.28%
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Other information

Closing net asset value (£)	1,194,173	599,816	63,229
Closing number of shares	1,143,153	534,391	60,927
Operating charges ratio ⁶	0.35%	0.35%	0.35%
Direct transaction costs ⁴	–	–	–

Prices (p)

Highest share price	116.31	118.18	104.47
Lowest share price	103.77	101.54	98.14

Franklin UK Gilt Fund (continued)

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

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

Risk Profile (W(acc) shares)



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

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

Portfolio of Investments, 31 March 2021

Franklin UK Gilt Fund

(Currency – GBP)			Market	% of
Number of			Value	Net
Shares or	Description		£000	Assets
Face Value				
	BONDS 94.59% (99.16%)			
	CENTRAL AMERICA 1.36% (1.20%)			
	MEXICO			
950,000	Mexico Government Bond, 5.625%, 03/19/2114		1,027	1.36
	TOTAL - CENTRAL AMERICA		1,027	1.36
	EUROPE - OTHER EU 0.00% (1.22%)			
	UNITED KINGDOM 93.23% (96.74%)			
6,700,000	UK Treasury, Reg S, 3.750%, 09/07/2021		6,809	9.04
6,800,000	UK Treasury, Reg S, 4.000%, 03/07/2022		7,052	9.36
2,000,000	UK Treasury, Reg S, 1.750%, 09/07/2022		2,050	2.72
3,000,000	UK Treasury, Reg S, 2.250%, 09/07/2023		3,158	4.19
3,100,000	UK Treasury, Reg S, 2.000%, 09/07/2025		3,337	4.43
5,000,000	UK Treasury, Reg S, 4.250%, 12/07/2027		6,219	8.25
3,700,000	UK Treasury, Reg S, 1.625%, 10/22/2028		3,967	5.26
2,300,000	UK Treasury, Reg S, 4.750%, 12/07/2030		3,138	4.16
1,700,000	UK Treasury, Reg S, 4.250%, 03/07/2036		2,425	3.22
3,600,000	UK Treasury, Reg S, 4.250%, 12/07/2040		5,464	7.25
3,600,000	UK Treasury, Reg S, 3.250%, 01/22/2044		4,947	6.57
2,200,000	UK Treasury, Reg S, 3.500%, 01/22/2045		3,164	4.20
2,500,000	UK Treasury, Reg S, 4.250%, 12/07/2049		4,230	5.61
1,900,000	UK Treasury, Reg S, 3.750%, 07/22/2052		3,074	4.08
1,100,000	UK Treasury, Reg S, 4.250%, 12/07/2055		2,004	2.66
1,200,000	UK Treasury, Reg S, 3.500%, 07/22/2068		2,176	2.89
1,600,000	UK Treasury, Reg S, 1.625%, 10/22/2071		1,871	2.48
1,200,000	UK Treasury, Reg S, 4.000%, 01/22/2026		2,204	2.93
3,000,000	UK Treasury, Reg S, 0.125%, 01/30/2026		2,965	3.93
	TOTAL - UNITED KINGDOM		70,254	93.23
	TOTAL - BONDS		71,281	94.59
	DERIVATIVES 0.00% (0.04%)			
	TOTAL VALUE OF INVESTMENTS		71,281	94.59
	OTHER ASSETS		4,079	5.41
	TOTAL NET ASSETS		75,360	100.00

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2020.

Franklin UK Gilt Fund

Statement of Total Return

For the year ended 31 March 2021

	Notes	March 2021 £000	March 2021 £000	March 2020 £000	March 2020 £000
Income					
Net capital (losses)/gains	1		(5,180)		6,892
Revenue	2	876		1,090	
Expenses	3	(264)		(306)	
Net revenue before taxation		612		784	
Net revenue after taxation			612		784
Total return before distributions for the year			(4,568)		7,676
Distributions	5		(876)		(1,090)
Change in net assets attributable to shareholders			(5,444)		6,586

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 March 2021

	March 2021 £000	March 2021 £000	March 2020 £000	March 2020 £000
Opening net assets attributable to shareholders		73,820		87,776
Amounts received on creation of shares	21,152		8,810	
Amounts paid on cancellation of shares	(15,074)		(30,558)	
		6,078		(21,748)
Dilution adjustments		13		168
Change in net assets attributable to shareholders from investment activities (see above)		(5,444)		6,586
Retained distribution on accumulation shares		893		1,038
Closing net assets attributable to shareholders		75,360		73,820

Balance sheet

As at 31 March 2021

	Notes	March 2021 £000	March 2020 £000
Assets			
Fixed assets			
Investments		71,281	73,202
Current assets			
Debtors	6	420	351
Cash and bank balances		7,858	451
Total assets		79,559	74,004
Liabilities			
Investment liabilities		–	(29)
Creditors			
Distributions payable	5	(3)	(2)
Other creditors	7	(4,196)	(153)
Total liabilities		(4,199)	(184)
Net assets attributable to shareholders		75,360	73,820

Notes to the Financial Statements

	March 2021 £000	March 2020 £000
1. Net capital (losses)/gains		
The net capital (losses)/gains during the year comprise:		
Currency losses	(5)	(5)
Derivative losses	(28)	(352)
Non-derivative securities (losses)/gains	(5,147)	7,249
	(5,180)	6,892
2. Revenue		
Interest on debt securities	876	1,089
Bank and other interest	—	1
	876	1,090
3. Expenses		
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's annual management charge	190	220
ACD's administration charge*	8	44
	198	264
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	17	20
Safe custody fees	1	6
	18	26
Other expenses:		
Administration charge*	29	—
Audit fees	15	11
Legal and publication fees	4	4
Printing fees	1	2
Expense cap	(1)	(1)
	48	16
	264	306

*From 22 June 2020, Franklin Templeton Funds has delegated fund accounting, fund tax and related fund reporting services to JP Morgan Chase Bank N.A London Branch.

4. Taxation

Factors affecting the current tax charge for the year

The tax assessed for the year is lower (2020: lower) than the standard rate of corporation tax in the UK for Open-ended Investment Companies (20% (2020: 20%)).

The differences are explained below:

Net revenue before taxation	612	784
Corporation tax of 20% (2020: 20%)	122	157
Effects of:		
Interest distributions	(122)	(157)
Current tax charge for the year	—	—

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

	March 2021 £000	March 2020 £000
5. (a) Distributions		
The distribution takes account of income received on the issue of shares and income deducted on the cancellation of shares, and comprise:		
Interim dividend distributions		
Income	7	2
Accumulation	681	822
	688	824
Final dividend distributions		
Income	3	2
Accumulation	212	216
	215	218
Add: Revenue deducted on cancellation of shares	25	66
Deduct: Revenue received on issue of shares	(52)	(18)
Total distribution	876	1,090
(b) Difference between net revenue and distribution:		
Net revenue after taxation	612	784
ACD's periodic charge taken from capital account	190	220
Expense charge taken to capital	74	86
Total distribution for the year	876	1,090

Details of the distribution in pence per share for this Fund are set out in the table on pages 73-74.

6. Debtors		
Accrued income	358	340
Amounts receivable for issue of shares	62	10
Capped expenses	–	1
	420	351

7. Other creditors		
Purchases awaiting settlement	4,020	–
Amounts payable for cancellation of shares	145	115
Accrued expenses	31	38
	4,196	153

8. Related parties

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

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

The amounts due to the ACD and associates of the ACD in respect of management and administration fees at 31 March 2021 are £15,000 (£22,000 as at 31 March 2020).

During the year the Fund received £2,000 (paid £1,000 in reimbursed expenses from the ACD for the year to 31 March 2020) to the ACD in respect of an over-reimbursement of expenses.

As at 31 March 2021 the Fund owed £Nil to the ACD in respect of an over-reimbursement of expenses (£1,000 owed as at 31 March 2020).

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

9. Risk management policies and disclosures

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

Market Risk

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

Currency Risk

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

At the year end date, 0.00% (2020: 0.14%) of the net assets of the Fund were denominated in currencies other than sterling and as such the currency risk is not considered significant.

Interest Rate Risk

Interest rate profile of financial assets and financial liabilities

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

	Floating rate financial assets / liabilities £000	Fixed rate financial assets / liabilities £000	Financial assets / liabilities not carrying interest £000	Total £000
March 2021				
UK Sterling	7,858	71,281	(3,779)	75,360
	7,858	71,281	(3,779)	75,360
	Floating rate financial assets / liabilities £000	Fixed rate financial assets / liabilities £000	Financial assets / liabilities not carrying interest £000	Total £000
March 2020				
Euro	—	899	(799)	100
UK Sterling	—	72,303	1,417	73,720
	—	73,202	618	73,820

Sensitivity to Interest Rate Risk

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

Category	31 March 2021 £000	31 March 2020 £000
Fixed rate financial assets	(498)	(663)
Total	(498)	(663)

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

Category	31 March 2021 £000	31 March 2020 £000
Fixed rate financial assets	561	762
Total	561	762

10. Portfolio Transaction Costs

During the year bond purchases amounted to £21,488,000 (2020: £11,074,000) and bond sales amounted to £17,296,000 (2020: £31,251,000) and derivative sales amounted to £Nil (2020: £366,000). No Direct Transaction Costs were incurred during the current or prior year.

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

In addition, there is a dealing spread between the buying and selling prices of the underlying investments. The average dealing spread which is the difference between the quoted bid and offer prices or internal administrative or holding costs, are not included in the calculation of Direct Transaction Costs. As at 31 March 2021, the average dealing spread for the underlying Fund investments is 0.08% (2020: 0.11%).

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

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

11. Creations and Cancellations of Shares

	Number of shares in issue as at 1 April 2020	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue as at 31 March 2021
W – Accumulation shares	62,920,656	18,491,479	(13,722,193)	–	67,689,942
W – Income shares	534,391	681,706	(72,944)	–	1,143,153

12. Fair Value Disclosure

Instruments held at the year end are presented in line with amendments to FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland Fair value hierarchy disclosures.

Level 1: Unadjusted quoted price in an active market for an identical instrument.

Level 2: Valuation techniques using observable inputs other than quoted prices within level 1.

Level 3: Valuation techniques using unobservable inputs.

Fair Value Hierarchy	Assets 31 March 2021 £000	Liabilities 31 March 2021 £000	Assets 31 March 2020 £000	Liabilities 31 March 2020 £000
Level 1	–	–	–	–
Level 2	71,281	–	73,202	–
Level 3	–	–	–	–
Total	71,281	–	73,202	–

13. Portfolio Statement by Credit Rating

				Market Value £'000	% of Net Assets
Standard & Poor's Rating					
March 2021					
Investment grade		BBB or higher		1,027	1.36
Not rated		Not rated		70,254	93.23
Total Value of Bonds				71,281	94.59
March 2020					
Investment grade		BBB or higher		73,202	99.16
Not rated		Not rated		—	—
Total Value of Bonds				73,202	99.16

14. Counterparty and Collateral Exposure

Counterparty	Forward Currency Contracts £000	Futures £000	Swaps £000	Options Contract £000	Swaption £000	Total £000
2020						
Citi	(29)	—	—	—	—	(29)

Franklin UK Gilt Fund

Distribution Statement

For the period 1 April 2020 to 30 June 2020

Group 1 Shares purchased prior to 1 April 2020

Group 2 Shares purchased in the period 1 April 2020 to 30 June 2020

	Net Income p	Equalisation p	30 June 2020 Pence per Share p	30 June 2019 Pence per Share p
W Accumulation Shares				
Group 1	0.3541	—	0.3541	0.3317
Group 2	0.0500	0.3041	0.3541	0.3317
W Income Shares				
Group 1	0.3414	—	0.3414	0.3237
Group 2	0.1595	0.1819	0.3414	0.3237

For the period 1 July 2020 to 30 September 2020

Group 1 Shares purchased prior to 1 July 2020

Group 2 Shares purchased in the period 1 July 2020 to 30 September 2020

	Net Income p	Equalisation p	30 September 2020 Pence per Share p	30 September 2019 Pence per Share p
W Accumulation Shares				
Group 1	0.3365	—	0.3365	0.3490
Group 2	0.1499	0.1866	0.3365	0.3490
W Income Shares				
Group 1	0.3236	—	0.3236	0.3399
Group 2	0.0490	0.2746	0.3236	0.3399

For the period 1 October 2020 to 31 December 2020

Group 1 Shares purchased prior to 1 October 2020

Group 2 Shares purchased in the period 1 October 2020 to 31 December 2020

	Net Income p	Equalisation p	31 December 2020 Pence per Share p	31 December 2019 Pence per Share p
W Accumulation Shares				
Group 1	0.3407	—	0.3407	0.3467
Group 2	0.0412	0.2995	0.3407	0.3467
W Income Shares				
Group 1	0.3267	—	0.3267	0.3365
Group 2	0.1168	0.2099	0.3267	0.3365

For the period 1 January 2021 to 31 March 2021

Group 1 Shares purchased prior to 1 January 2021

Group 2 Shares purchased in the period 1 January 2021 to 31 March 2021

	Net Income p	Equalisation p	31 March 2021 Pence per Share p	31 March 2020 Pence per Share p
W Accumulation Shares				
Group 1	0.3134	—	0.3134	0.3437
Group 2	0.0285	0.2849	0.3134	0.3437
W Income Shares				
Group 1	0.2997	—	0.2997	0.3326
Group 2	0.0913	0.2084	0.2997	0.3326

Franklin UK Gilt Fund (continued)

Equalisation

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

Investment Review

Performance

In the 12 months to 31 March 2021, Franklin UK Manager's Focus Fund recorded a net return of 36.20%*, outperforming the FTSE All-Share Index, which returned 26.71%.

Overview

Volatility remained elevated throughout 12-month period, as the fallout from the COVID-19 pandemic began to be absorbed into the economic data, although the heights of the turmoil reached in March were not matched.

UK gross domestic product ("GDP") in real terms declined by 9.9% in 2020, according to the Office for National Statistics ("ONS"), a far worse outturn than many other large economies but not as bad as the worst estimates. Second-quarter GDP released in August showed a particularly prominent quarterly decline of 20.4%, roughly double the drop seen in the United States and the second-worst performance in Europe during that timeframe, with output in services making up most of the fall. On this point, although it is evident the UK economy has been particularly impacted by the pandemic, we see the phasing of restrictions and deflator adjustments to the data as exaggerating declines, which should balance out over time, in our view.

With central bank monetary response to the pandemic being implemented rapidly and at scale, and the interest rate outlook unlikely to change for some time, the next important steps were to come from fiscal policymakers. In the United Kingdom, the reduction of stamp duty, value-added tax cuts for food and hospitality sectors and incentives for employers to retain furloughed staff were all received well. These went a long way to stabilise the official unemployment rate at about 5% relative to estimates that were almost double this figure. However, driven by the rounds of spending measures, UK public sector net debt reached 97.5% of GDP as of February 2021, according to the ONS.

Although it was difficult to envisage an end to the pandemic, in November, we began to get the first data points showing that three of the vaccines in development were highly effective at producing an immune response. Markets reacted as expected with the poorest-performing stocks across travel and leisure reversing course as investors began to paint a realistic picture as to how these hardest-hit companies would be able to navigate the acute financial pressure they were facing.

After the touchpaper was lit with the vaccine news, we began to see investors price in higher levels of inflation, as it became clear that central banks were unlikely to tighten policy in the face of transitory spikes in inflation. Nominal yield curves across developed countries have steepened. The pick-up in yields resulted in a broad outperformance of bank and commodity stocks over the wider market.

Finally, on Brexit, as we suspected, the departure from the European Union has been inconsequential in the shadow of the pandemic. However, it has been difficult to disentangle the impact of the transition in the short-run economic data, given the much more profound factors currently in play, and, as such, the longer-term implications remain difficult to predict.

Significant Changes

During the 12-month period, the biggest stock purchases included property investment and development business Derwent London, component distributor Electrocomponents, specialty insurer Lancashire Holdings cybersecurity firm NCC Group and real estate investment trust ("REIT") Urban Logistics. The largest sales included engineering firm Weir Group, game developer Codemasters Group Holdings, patent translator RWS Holdings, auto wholesaler Inchcape and REIT Urban & Civic.

We started a holding in London-office-focussed REIT Derwent London as we believed it presented a compelling value opportunity. Industrial and logistics focussed REIT Urban Logistics, as well as operating in an attractive area of the real estate market with significant structural tailwinds, has a strong track record of adding value through asset management and by focussing on smaller-sized properties which, in our opinion, presented a unique value opportunity.

We sold Weir, locking in profits after it experienced a strong commodity-price led rally. We sold the position in Urban and Civic after a bid approach, as we felt the proceeds could be deployed into other opportunities.

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

Positive/Negative Contributors

At the sector level, an overweight allocation to and stock selection in industrial goods and services contributed to relative returns. Selection within technology and underweight exposure to banks also added relative value. In contrast, selection in and underweight exposure to basic resources as well as stock selection in insurance and an overweight in food, beverage and tobacco weighed on relative results.

At the stock level, Weir, whose stock price rose 146%, was the largest contributor to relative performance. The company benefitted from the announcement of the sale of its oil and gas unit to US-based Caterpillar for US\$405 million in the autumn. Specialist asset manager Intermediate Capital Group contributed to relative results, with its share price up 113% over the 12-month period. Ventilation and air-quality product supplier Volution Group made a further notable contribution to relative returns, with the company releasing stronger-than-expected results over the period.

Pork and poultry producer Cranswick, whose share price was flat and so significantly underperformed the market, was among the largest detractors. Records management and shredding business Restore also detracted from relative returns. The company's share price fell significantly in the first quarter of 2021; with most people in the United Kingdom continuing to work from home, this has severely hindered demand for office-based services. Analytics company RELX further weighed on relative results. Its share price suffered in the fourth quarter of 2020, after a trading update saw management provide slightly weaker guidance for the company's exhibitions unit.

Outlook

2020 proved once again that, even if investors could accurately predict events, predicting market movements based on this foresight is near impossible. However, we still have certain base-case scenarios in mind and, with a robust economic outlook ahead of us in 2021, we remain attuned to a different set of risks than those we saw last year.

The International Monetary Fund has forecast global output to increase by 6.0% in 2021 and 4.4% in 2022, with the UK economy growing by 5.3% and 5.1%, respectively (relative to the eurozone's 4.4% and 3.8%). This is a dramatic growth spurt for what was previously a low benign economic backdrop driven by an expansion in government stimulus (primarily in the United States) and resumption (and catch up) of consumer spending.

Clearly this is good news, but we do see temporary inflationary risks emerging, given the commitment of central banks to keeping rates low and the base effects from weak commodity prices in the first half of 2020. It is our view that these inflationary spikes will pass, but their impact may be significant on equity leadership and hard to predict.

Adding to inflationary concerns is the ramp-up in government spending. The United States is leading the way, with a further US\$1.9 trillion (9% of 2019 gross domestic product) approved in the Senate in the American Rescue Plan. It remains to be seen to what extent this changes longer term government spending habits and tax increases down the line. Although rates remain low, it seems that we are moving into a regime of higher spending and higher taxes across developed economies.

Political risks, at least domestically, have fortunately receded, if we discount the impact of the Scottish elections and renewed impetus for a Scottish referendum in May. Globally, tensions between China and the West remain heightened even with a new administration in the White House. Chinese adventurism in the South China Sea and Taiwan are perennial risks that show no sign of abating and could have catastrophic impacts on global trade and relations.

In terms of COVID-19, we are impressed by the progress made in the United Kingdom; with the efficient rollout of the vaccine, combined with prior spread of the virus, 54% of the entire population of England have been shown to have antibodies. The big risks here now relate to a slow rollout of vaccines globally and mutagenic shift of the virus.

Colin Morton, Richard Bullas, Ben Russon, CFA, Dan Green & Mark Hall

Fund Managers

31 March 2021

Comparative Table, 31 March 2021

Franklin UK Manager' Focus Fund

	31 March 2021	31 March 2020	31 March 2019
A – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	212.87	249.83	251.48
Return before operating charges ¹	76.28	(32.79)	2.42
Operating charges ²	(3.98)	(4.17)	(4.07)
Return after operating charges ³	72.30	(36.96)	(1.65)
Closing net asset value per share	285.17	212.87	249.83
Distributions	(2.36)	(5.41)	(4.35)
Retained distributions on accumulation shares	2.36	5.41	4.35
After direct transaction costs of ⁴	0.38	0.47	0.54

Performance

Return after charges ⁵	33.96%	(14.79%)	(0.66%)
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Other information

Closing net asset value (£)	14,529,356	12,585,963	18,857,803
Closing number of shares	5,094,972	5,912,390	7,548,322
Operating charges ratio ⁶	1.58%	1.58%	1.58%
Direct transaction costs ⁴	0.15%	0.18%	0.21%

Prices (p)

Highest share price	287.18	294.47	276.85
Lowest share price	206.89	184.15	226.13

	31 March 2021	31 March 2020	31 March 2019
S – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	106.32	123.60	123.24
Return before operating charges ¹	38.25	(16.45)	1.15
Operating charges ²	(0.78)	(0.83)	(0.79)
Return after operating charges ³	37.47	(17.28)	0.36
Closing net asset value per share	143.79	106.32	123.60
Distributions	(2.38)	(3.94)	(3.34)
Retained distributions on accumulation shares	2.38	3.94	3.34
After direct transaction costs of ⁴	0.19	0.24	0.26

Performance

Return after charges ⁵	35.24%	(13.98%)	0.29%
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Other information

Closing net asset value (£)	58,982,205	41,921,995	66,053,097
Closing number of shares	41,019,557	39,428,714	53,442,239
Operating charges ratio ⁶	0.63%	0.63%	0.63%
Direct transaction costs ⁴	0.15%	0.18%	0.21%

Prices (p)

Highest share price	144.75	146.79	135.93
Lowest share price	103.34	91.94	111.60

Franklin UK Manager' Focus Fund (continued)

W – Accumulation shares	31 March 2021	31 March 2020	31 March 2019
Change in net assets per share (p)			
Opening net asset value per share	199.12	231.94	231.73
Return before operating charges ¹	71.60	(30.78)	2.18
Operating charges ²	(1.96)	(2.04)	(1.97)
Return after operating charges ³	69.64	(32.82)	0.21
Closing net asset value per share	268.76	199.12	231.94
Distributions	(3.99)	(6.89)	(5.79)
Retained distributions on accumulation shares	3.99	6.89	5.79
After direct transaction costs of ⁴	0.36	0.44	0.50

Performance

Return after charges ⁵	34.97%	(14.15%)	0.09%
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Other information

Closing net asset value (£)	241,487,473	169,515,796	277,466,426
Closing number of shares	89,854,018	85,130,499	119,628,096
Operating charges ratio ⁶	0.83%	0.83%	0.83%
Direct transaction costs ⁴	0.15%	0.18%	0.21%

Prices (p)

Highest share price	270.57	275.03	255.50
Lowest share price	193.54	172.21	209.53

W – Income shares⁷	31 March 2021	31 March 2020	31 March 2019
Change in net assets per share (p)			
Opening net asset value per share	72.57	100.00	n/a
Return before operating charges ¹	25.99	(26.51)	n/a
Operating charges ²	(0.73)	(0.65)	n/a
Return after operating charges ³	25.26	(27.16)	n/a
Distribution	(1.45)	(0.27)	n/a
Closing net asset value per share	96.38	72.57	n/a
After direct transaction costs of ⁴	0.13	0.14	n/a

Performance

Return after charges ⁵	34.81%	(27.16%)	n/a
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Other information

Closing net asset value (£)	18,868,082	21,373,727	n/a
Closing number of shares	19,576,744	29,452,237	n/a
Operating charges ratio ⁶	0.83%	0.83%	n/a
Direct transaction costs ⁴	0.15%	0.18%	n/a

Prices (p)

Highest share price	97.82	100.00	n/a
Lowest share price	70.52	62.99	n/a

Franklin UK Manager' Focus Fund (continued)

	31 March 2021	31 March 2020	31 March 2019
Y – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	107.88	129.75	132.82
Return before operating charges ¹	38.65	(16.88)	1.38
Operating charges ²	(0.03)	(0.04)	(0.04)
Return after operating charges ³	38.62	(16.92)	1.34
Distribution	(3.22)	(4.95)	(4.41)
Closing net asset value per share	143.28	107.88	129.75
After direct transaction costs of ⁴	0.19	0.25	0.28
Performance			
Return after charges ⁵	35.80%	(13.04%)	1.01%
Other information			
Closing net asset value (£)	3,883	2,924	3,517
Closing number of shares	2,710	2,710	2,710
Operating charges ratio ⁶	0.03%	0.03%	0.03%
Direct transaction costs ⁴	0.15%	0.18%	0.21%
Prices (p)			
Highest share price	145.94	151.76	146.67
Lowest share price	104.83	95.16	118.63

	31 March 2021	31 March 2020	31 March 2019
Z – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	196.05	228.82	229.07
Return before operating charges ¹	70.42	(30.27)	2.16
Operating charges ²	(2.39)	(2.50)	(2.41)
Return after operating charges ³	68.03	(32.77)	(0.25)
Closing net asset value per share	264.08	196.05	228.82
Distributions	(3.46)	(6.30)	(5.26)
Retained distributions on accumulation shares	3.46	6.30	5.26
After direct transaction costs of ⁴	0.35	0.44	0.49
Performance			
Return after charges ⁵	34.70%	(14.32%)	(0.11%)
Other information			
Closing net asset value (£)	917,897	738,138	858,260
Closing number of shares	347,586	376,506	375,084
Operating charges ratio ⁶	1.03%	1.03%	1.03%
Direct transaction costs ⁴	0.15%	0.18%	0.21%
Prices (p)			
Highest share price	265.88	270.89	252.46
Lowest share price	190.55	169.56	206.82

Franklin UK Manager' Focus Fund (continued)

- 1 The "return before operating charges" is calculated as the "return after operating charges" plus the "operating charges".
- 2 The "operating charges" are calculated with reference to the total expenses for the year divided by the number of shares in issue at each valuation point.
- 3 The "return after operating charges" is calculated as the "closing net asset value per share" plus the "distributions" (for income share classes only) minus the "opening net asset value per share".
- 4 The direct transaction costs include all fees and expenses which relate directly to the sales and purchases of securities which include commissions, transfer taxes and duties. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The "direct transaction costs" ratio is calculated by dividing the total transaction costs by the average net assets.
- 5 The "return after charges" is calculated as the "return after operating charges" per share divided by the "opening net asset value per share". This figure will differ from "performance return" figure disclosed under "Investment Review" section due to alternative calculation methodology used.
- 6 The "operating charges ratio" represents all operating charges and expenses of the share class in the prior 12 months as a percentage of the share class's average net assets during the year.
- 7 This is from share class launch on 21 February 2020.

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

Risk Profile (W(acc) shares)



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

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

Portfolio of Investments, 31 March 2021

Franklin UK Managers' Focus Fund

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	EQUITIES 97.60% (93.91%)		
	AEROSPACE AND DEFENSE 1.56% (2.43%)		
170,000	Avon Rubber plc	5,228	1.56
	BEVERAGES 2.52% (2.68%)		
278,000	Diageo plc	8,423	2.52
	CONSTRUCTION AND MATERIALS 2.47% (0.00%)		
2,150,000	Volution Group plc	8,278	2.47
	CONSUMER SERVICES 2.34% (2.39%)		
530,000	Compass Group plc	7,825	2.34
	FINANCE AND CREDIT SERVICES 2.14% (2.19%)		
1,550,000	Paragon Banking Group plc	7,167	2.14
	FOOD PRODUCERS 4.83% (5.17%)		
355,000	Associated British Foods plc	8,595	2.57
210,000	Cranswick plc	7,564	2.26
		16,159	4.83
	GENERAL INDUSTRIALS 2.46% (2.74%)		
358,000	Bunzl plc	8,241	2.46
	HOUSEHOLD GOODS AND HOME CONSTRUCTION 2.68% (1.79%)		
260,000	Bellway plc	8,980	2.68
	INDUSTRIAL ENGINEERING 1.92% (3.16%)		
567,800	Vitec Group plc (The)	6,416	1.92
	INDUSTRIAL METALS AND MINING 4.92% (4.99%)		
1,000,000	Bodycote plc	8,385	2.50
145,000	Rio Tinto plc	8,087	2.42
		16,472	4.92
	INDUSTRIAL SUPPORT SERVICES 9.21% (10.47%)		
900,000	Electrocomponents plc	8,897	2.66
93,000	Ferguson plc	8,176	2.44
1,627,355	Restore plc [#]	5,859	1.75
5,800,000	Serco Group plc	7,905	2.36
		30,837	9.21
	INVESTMENT BANKING AND BROKERAGE SERVICES 6.41% (8.16%)		
425,000	Intermediate Capital Group plc	8,016	2.39
1,220,000	JTC plc, Reg S	7,515	2.25

Franklin UK Managers' Focus Fund (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
INVESTMENT BANKING AND BROKERAGE SERVICES (continued)			
850,000	Polar Capital Holdings plc [#]	5,933	1.77
		21,464	6.41
LIFE INSURANCE 5.08% (5.34%)			
1,155,000	Phoenix Group Holdings plc	8,545	2.55
536,000	Prudential plc	8,455	2.53
		17,000	5.08
MEDIA 2.42% (2.90%)			
445,000	RELX plc	8,103	2.42
MEDICAL EQUIPMENT AND SERVICES 2.24% (2.61%)			
545,000	Smith & Nephew plc	7,502	2.24
NON-LIFE INSURANCE 3.71% (0.00%)			
1,070,000	Lancashire Holdings Ltd.	6,752	2.02
3,250,000	Randall & Quilter Investment Holdings Ltd. [#]	5,655	1.69
		12,407	3.71
OIL, GAS AND COAL 5.06% (5.26%)			
2,835,000	BP plc	8,548	2.55
582,000	Royal Dutch Shell plc, A	8,416	2.51
		16,964	5.06
PERSONAL CARE, DRUG AND GROCERY STORES 7.47% (8.20%)			
127,000	Reckitt Benckiser Group plc	8,245	2.46
3,700,000	Tesco plc	8,495	2.54
204,000	Unilever plc	8,284	2.47
		25,024	7.47
PHARMACEUTICALS AND BIOTECHNOLOGY 4.91% (5.76%)			
110,000	AstraZeneca plc	8,017	2.40
642,000	GlaxoSmithKline plc	8,391	2.51
		16,408	4.91
REAL ESTATE INVESTMENT AND SERVICES 0.00% (1.39%)			
REAL ESTATE INVESTMENT TRUSTS 4.21% (0.00%)			
240,000	Derwent London plc ^{\$}	7,838	2.34
4,250,000	Urban Logistics REIT plc ^{#,\$}	6,248	1.87
		14,086	4.21
RETAILERS 2.61% (3.56%)			
1,195,000	Howden Joinery Group plc	8,745	2.61
SOFTWARE AND COMPUTER SERVICES 4.21% (0.00%)			
4,069,770	dotdigital group plc [#]	6,797	2.03
2,800,000	NCC Group plc	7,308	2.18
		14,105	4.21
TECHNOLOGY HARDWARE AND EQUIPMENT 3.29% (4.51%)			
1,050,000	DiscoverIE Group plc	7,035	2.10
327,498	Gooch & Housego plc [#]	3,995	1.19
		11,030	3.29

Franklin UK Managers' Focus Fund (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	TELECOMMUNICATIONS EQUIPMENT 2.46% (2.62%)		
3,450,000	Spirent Communications plc	8,228	2.46
	TOBACCO 4.88% (5.59%)		
285,000	British American Tobacco plc	7,893	2.36
564,000	Imperial Brands plc	8,437	2.52
		16,330	4.88
	TRAVEL AND LEISURE 1.59% (0.00%)		
424,436	JET2 plc [#]	5,327	1.59
	TOTAL - EQUITIES	326,749	97.60
	TOTAL VALUE OF INVESTMENTS	326,749	97.60
	OTHER ASSETS	8,040	2.40
	TOTAL NET ASSETS	334,789	100.00

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2020.

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

[#] Traded on an alternative investment market.

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

Franklin UK Managers' Focus Fund

Statement of Total Return

For the year ended 31 March 2021

	Notes	March 2021 £000	March 2021 £000	March 2020 £000	March 2020 £000
Income					
Net capital gains/(losses)	1		84,619		(47,742)
Revenue	2	7,716		12,550	
Expenses	3	(2,537)		(2,840)	
Net revenue before taxation		5,179		9,710	
Taxation	4	(2)		(61)	
Net revenue after taxation			5,177		9,649
Total return before distributions for the year			89,796		(38,093)
Distributions	5		(5,177)		(9,509)
Change in net assets attributable to shareholders			84,619		(47,602)

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 March 2021

	March 2021 £000	March 2021 £000	March 2020 £000	March 2020 £000
Opening net assets attributable to shareholders		246,138		363,239
Amounts received on creation of shares	98,346		93,329	
Amounts paid on cancellation of shares	(99,136)		(171,405)	
		(790)		(78,076)
Change in net assets attributable to shareholders from investment activities (see above)		84,619		(47,602)
Retained distribution on accumulation shares		4,822		8,577
Closing net assets attributable to shareholders		334,789		246,138

Balance sheet

As at 31 March 2021

	Notes	March 2021 £000	March 2020 £000
Assets			
Fixed assets			
Investments		326,749	231,159
Current assets			
Debtors	6	2,323	1,652
Cash and bank balances		7,232	15,163
Total assets		336,304	247,974
Liabilities			
Creditors			
Distributions payable	5	(154)	(80)
Other creditors	7	(1,361)	(1,756)
Total liabilities		(1,515)	(1,836)
Net assets attributable to shareholders		334,789	246,138

Notes to the Financial Statements

	March 2021 £000	March 2020 £000
1. Net capital gains/(losses)		
The net capital gains/(losses) during the year comprise:		
Non-derivative securities gains/(losses)	84,626	(47,742)
Currency losses	(7)	—
	84,619	(47,742)
2. Revenue		
UK dividends	7,377	11,449
Overseas dividends	338	1,093
Bank and other interest	1	8
	7,716	12,550
3. Expenses		
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's annual management charge	2,246	2,570
ACD's administration charge*	30	170
	2,276	2,740
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	47	52
Safe custody fees	3	21
	50	73
Other expenses:		
Administration charge*	184	—
Audit fees	13	10
Legal and publication fees	13	14
Printing fees	1	3
	211	27
	2,537	2,840
*From 22 June 2020, Franklin Templeton Funds has delegated fund accounting, fund tax and related fund reporting services to JP Morgan Chase Bank N.A London Branch.		
4. Taxation		
(a) Analysis of the charge for the year		
Irrecoverable overseas tax	2	61
Total current tax (Note 4(b))	2	61
Total taxation	2	61
(b) Factors affecting the current tax charge for the year		
The tax assessed for the year is lower (2020: lower) than the standard rate of corporation tax in the UK for Open-ended Investment Companies (20% (2020: 20%)).		
The differences are explained below:		
Net revenue before taxation	5,179	9,710
Corporation tax of 20% (2020: 20%)	1,036	1,942
Effects of:		
Excess management expenses	473	538
Revenue not subject to corporation tax	(1,509)	(2,480)
Irrecoverable overseas tax	2	61
Current tax charge for the year (Note 4(a))	2	61

**March
2021
£000**

**March
2020
£000**

4. Taxation (continued)

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

At the year end there is a potential deferred tax asset of £3,221,000 (£2,748,000 as at 31 March 2020) in relation to excess management fees. It is unlikely the Fund will generate sufficient tax profits in the future to utilise these amounts and therefore no deferred tax assets have been recognised in the year.

5. (a) Distributions

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

Interim dividend distributions

Income	148	–
Accumulation	2,262	5,291
	<u>2,410</u>	<u>5,291</u>

Final dividend distributions

Income	154	80
Accumulation	2,560	3,286
	<u>2,714</u>	<u>3,366</u>

Add: Revenue deducted on cancellation of shares

Deduct: Revenue received on issue of shares

	408	1,507
	(355)	(655)
Total distribution	5,177	9,509

(b) Difference between net revenue and distribution:

Net revenue after taxation	5,177	9,649
Net revenue paid on share class conversions	–	(140)
Total distribution for the year	5,177	9,509

Details of the distribution in pence per share for this Fund are set out in the table on page 89.

6. Debtors

Accrued income	1,202	1,099
Amounts receivable for issue of shares	988	532
Sales awaiting settlement	121	–
Overseas tax recoverable	12	21
	<u>2,323</u>	<u>1,652</u>

7. Other creditors

Amounts payable for cancellation of shares	1,115	415
Accrued expenses	246	201
Purchases awaiting settlement	–	1,140
	<u>1,361</u>	<u>1,756</u>

8. Related parties

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

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

The amounts due to the ACD and associates of the ACD in respect of management and administration fees at 31 March 2021 are £206,000 (£179,000 as at 31 March 2020).

8. Related parties (continued)

During the year the Fund received £Nil (£Nil for the year to 31 March 2020) in reimbursed expenses from the ACD.

As at 31 March 2021 Templeton Global Advisors Limited ("TGAL") held 100% (100% as at 31 March 2020) of the shares in issue of Class Y Income.

9. Risk management policies and disclosures

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

Market Risk

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

Currency risk

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

At the year end date, 0.02% (2020: 0.01%) of the net assets of the Fund were denominated in currencies other than sterling and as such the currency risk is not considered significant.

Interest Rate Risk

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

Other price risk

At the year end date, 97.60% (2020: 93.91%) of the net assets of the Fund were invested in ordinary shares or stock units admitted to an official stock exchange. If the market value were to change by 10% (2020: 10%), the value of the Fund would change by 9.76% (2020: 9.39%).

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

10. Portfolio Transaction Costs

	Principal £000	Commissions £000	Taxes and other £000	Total cost £000	Commissions % of principal	Taxes and other % of principal
2021 Purchases						
Equities	113,415	49	354	113,818	0.04	0.31
Sales						
Equities	102,902	(47)	–	102,855	(0.05)	–
Total cost of the Fund's average net asset value (%)		0.03	0.12			
	Principal £000	Commissions £000	Taxes and other £000	Total cost £000	Commissions % of principal	Taxes and other % of principal
2020 Purchases						
Equities	99,239	51	474	99,764	0.05	0.48
Sales						
Equities	174,725	(95)	–	174,630	(0.05)	–
Total cost of the Fund's average net asset value (%)		0.04	0.13			

10. Portfolio Transaction Costs (continued)

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

In addition, there is a dealing spread between the buying and selling prices of the underlying investments. The average dealing spread which is the difference between the quoted bid and offer prices or internal administrative or holding costs, are not included in the calculation of Direct Transaction Costs. As at 31 March 2021, the average dealing spread for the underlying Fund investments is 0.54% (2020: 0.55%).

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

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

11. Creations and Cancellations of Shares

	Number of shares in issue as at 1 April 2020	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue as at 31 March 2021
A – Accumulation shares	5,912,390	803,422	(1,587,214)	(33,626)	5,094,972
S – Accumulation shares	39,428,714	15,307,308	(13,739,729)	23,264	41,019,557
W – Accumulation shares	85,130,499	35,739,369	(31,040,595)	24,745	89,854,018
W – Income shares	29,452,237	8,374,492	(18,249,985)	–	19,576,744
Y – Income shares	2,710	–	–	–	2,710
Z – Accumulation shares	376,506	13,908	(41,422)	(1,406)	347,586

12. Fair Value Disclosure

Instruments held at the year end are presented in line with amendments to FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland Fair value hierarchy disclosures.

Level 1: Unadjusted quoted price in an active market for an identical instrument.

Level 2: Valuation techniques using observable inputs other than quoted prices within level 1.

Level 3: Valuation techniques using unobservable inputs.

Fair Value Hierarchy	Assets 31 March 2021	Liabilities 31 March 2021	Assets 31 March 2020	Liabilities 31 March 2020
	£000	£000	£000	£000
Level 1	326,749	–	231,159	–
Level 2	–	–	–	–
Level 3	–	–	–	–
Total	326,749	–	231,159	–

Franklin UK Manager' Focus Fund

Distribution Statement

For the period 1 April 2020 to 30 September 2020

Group 1 Shares purchased prior to 1 April 2020

Group 2 Shares purchased in the period 1 April 2020 to 30 September 2020

	Net Income p	Equalisation p	30 September 2020 Pence per Share p	30 September 2019 Pence per Share p
A Accumulation Shares				
Group 1	1.0490	—	1.0490	3.2988
Group 2	0.6695	0.3795	1.0490	3.2988
S Accumulation Shares				
Group 1	1.0870	—	1.0870	2.2458
Group 2	0.6875	0.3995	1.0870	2.2458
W Accumulation Shares				
Group 1	1.8117	—	1.8117	3.9714
Group 2	1.0851	0.7266	1.8117	3.9714
W Income Shares				
Group 1	0.6598	—	0.6598	—
Group 2	0.3819	0.2779	0.6598	—
Y Income Shares				
Group 1	1.4916	—	1.4916	2.7737
Group 2	1.4916	—	1.4916	2.7737
Z Accumulation Shares				
Group 1	1.5677	—	1.5677	3.6785
Group 2	0.6740	0.8937	1.5677	3.6785

For the period 1 October 2020 to 31 March 2021

Group 1 Shares purchased prior to 1 October 2020

Group 2 Shares purchased in the period 1 October 2020 to 31 March 2021

	Net Income p	Equalisation p	31 March 2021 Pence per Share p	31 March 2020 Pence per Share p
A Accumulation Shares				
Group 1	1.3112	—	1.3112	2.1132
Group 2	0.6555	0.6557	1.3112	2.1132
S Accumulation Shares				
Group 1	1.2975	—	1.2975	1.6920
Group 2	0.6676	0.6299	1.2975	1.6920
W Accumulation Shares				
Group 1	2.1753	—	2.1753	0.2698
Group 2	1.1562	1.0191	2.1753	0.2698
W Income Shares				
Group 1	0.7870	—	0.7870	2.6262
Group 2	0.3778	0.4092	0.7870	2.6262
Y Income Shares				
Group 1	1.7285	—	1.7285	2.9181
Group 2	1.7285	—	1.7285	2.9181
Z Accumulation Shares				
Group 1	1.8917	—	1.8917	2.1738
Group 2	0.8752	1.0165	1.8917	2.1738

Equalisation

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

Investment Review

Performance

In the 12 months to 31 March 2021, Franklin UK Mid Cap Fund recorded a net return of 38.92%*, underperforming the FTSE 250 (excluding Investment Trusts) Index, which returned 47.54%.

Overview

Volatility remained elevated throughout 12-month period, as the fallout from the COVID-19 pandemic began to be absorbed into the economic data, although the heights of the turmoil reached in March were not matched.

UK gross domestic product ("GDP") in real terms declined by 9.9% in 2020, according to the Office for National Statistics ("ONS"), a far worse outturn than many other large economies but not as bad as the worst estimates. Second-quarter GDP released in August showed a particularly prominent quarterly decline of 20.4%, roughly double the drop seen in the United States and the second-worst performance in Europe during that timeframe, with output in services making up most of the fall. On this point, although it is evident the UK economy has been particularly impacted by the pandemic, we see the phasing of restrictions and deflator adjustments to the data as exaggerating declines, which should balance out over time, in our view.

With central bank monetary response to the pandemic being implemented rapidly and at scale, and the interest rate outlook unlikely to change for some time, the next important steps were to come from fiscal policymakers. In the United Kingdom, the reduction of stamp duty, value-added tax cuts for food and hospitality sectors and incentives for employers to retain furloughed staff were all received well. These went a long way to stabilise the official unemployment rate at about 5% relative to estimates that were almost double this figure. However, driven by the rounds of spending measures, UK public sector net debt reached 97.5% of GDP as of February 2021, according to the ONS.

Although it was difficult to envisage an end to the pandemic, in November, we began to get the first data points showing that three of the vaccines in development were highly effective at producing an immune response. Markets reacted as expected with the poorest-performing stocks across travel and leisure reversing course as investors began to paint a realistic picture as to how these hardest-hit companies would be able to navigate the acute financial pressure they were facing.

After the touchpaper was lit with the vaccine news, we began to see investors price in higher levels of inflation, as it became clear that central banks were unlikely to tighten policy in the face of transitory spikes in inflation. Nominal yield curves across developed countries have steepened. The pick-up in yields resulted in a broad outperformance of bank and commodity stocks over the wider market.

Finally, on Brexit, as we suspected, the departure from the European Union has been inconsequential in the shadow of the pandemic. However, it has been difficult to disentangle the impact of the transition in the short-run economic data, given the much more profound factors currently in play, and, as such, the longer-term implications remain difficult to predict.

Significant Changes

During the 12-month period, the biggest stock purchases included asset manager Liontrust Asset Management, health care services provider UDG Healthcare, watch retailer Watches of Switzerland Group, baker Greggs and pub group JD Wetherspoon. The largest sales included engineering firm Weir Group, automotive parts supplier TI Fluid Systems, asset manager Jupiter Fund Management, US flight services business Signature Aviation and specialist insurer Beazley.

In our opinion, Liontrust has a solid growth outlook with a good performance track record and significant capacity to grow its existing business. The company has strengthened its multimanager offering by acquiring assets and an experienced team, and we anticipate further deals in the future. We bought UDG Healthcare given its track record of growth, a well invested asset base and a growing end market; we believe the group has the prospects to deliver solid future returns. In our view, Watches of Switzerland has adapted very well to life under lockdown, investing in digital to drive strong sales online and through a limited store opening and limited supply of products.

We sold Weir, locking in profits after it experienced a strong commodity-price led rally. We also sold our remaining holding in TI Fluid Systems, as the group faced strategic issues balancing the decline in traditional petrol and diesel cars and the future potential of electric vehicles. With regards to Jupiter, we lacked conviction after significant outflows, while its acquisition of

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

Merian did little in our opinion to address the inherent strategic challenges facing the business. We felt that Beazley's valuation had captured the upside potential of a hardening rate cycle and given its exposure to historic losses, that the company did not have the available capital position to take full advantage of a positive rating environment.

Positive/Negative Contributors

At the sector level, underweight exposure to travel and leisure weighed on relative returns, although stock selection was positive in this space. Stock selection in industrial goods and services also detracted from relative results. In contrast, underweight exposure to health care and stock selection in technology and financial services bolstered relative performance.

At the stock level, pork and poultry producer Cranswick, whose share price was flat and so significantly underperformed the market, was the largest detractor from relative results. Property investment group Grainger, whose share price rose only 5% over the review period and significantly underperformed the benchmark, also detracted. Specialty insurer Lancashire Holdings Limited was another key detractor over the period. The insurance industry has continued to experience high levels of losses related to the pandemic and investor sentiment remains low. Specialist insurer Beazley was also among the main detractors from relative returns. The company warned late in the third quarter of 2020 that COVID-19 related losses were to be higher than anticipated. However, the company's share price rallied 20% in February after it announced slightly better-than-expected full-year results.

Sofa retailer DFS Furniture was the greatest contributor to relative performance. The shares were up over 130%, helped by a solid set of interim results that led analysts to upgrade their full-year profit forecasts. Weir, whose stock price rose 146%, was also among the largest contributors to relative performance, benefitting from the commodity-price led rally. The company also benefitted from the announcement of the sale of its oil and gas unit to US-based Caterpillar for US\$405 million in the autumn.

Outlook

2020 proved once again that, even if investors could accurately predict events, predicting market movements based on this foresight is near impossible. However, we still have certain base-case scenarios in mind and, with a robust economic outlook ahead of us in 2021, we remain attuned to a different set of risks than those we saw last year.

The International Monetary Fund has forecast global output to increase by 6.0% in 2021 and 4.4% in 2022, with the UK economy growing by 5.3% and 5.1%, respectively (relative to the eurozone's 4.4% and 3.8%). This is a dramatic growth spurt for what was previously a low benign economic backdrop driven by an expansion in government stimulus (primarily in the United States) and resumption (and catch up) of consumer spending.

Clearly this is good news, but we do see temporary inflationary risks emerging, given the commitment of central banks to keeping rates low and the base effects from weak commodity prices in the first half of 2020. It is our view that these inflationary spikes will pass, but their impact may be significant on equity leadership and hard to predict.

Adding to inflationary concerns is the ramp-up in government spending. The United States is leading the way, with a further US\$1.9 trillion (9% of 2019 gross domestic product) approved in the Senate in the American Rescue Plan. It remains to be seen to what extent this changes longer term government spending habits and tax increases down the line. Although rates remain low, it seems that we are moving into a regime of higher spending and higher taxes across developed economies.

Political risks, at least domestically, have fortunately receded, if we discount the impact of the Scottish elections and renewed impetus for a Scottish referendum in May. Globally, tensions between China and the West remain heightened even with a new administration in the White House. Chinese adventurism in the South China Sea and Taiwan are perennial risks that show no sign of abating and could have catastrophic impacts on global trade and relations.

In terms of COVID-19, we are impressed by the progress made in the United Kingdom; with the efficient rollout of the vaccine, combined with prior spread of the virus, 54% of the entire population of England have been shown to have antibodies. The big risks here now relate to a slow rollout of vaccines globally and mutagenic shift of the virus.

Richard Bullas, Dan Green, CFA, Marcus Tregoning & Mark Hall

Fund Managers

31 March 2021

Comparative Table, 31 March 2021

Franklin UK Mid Cap Fund

	31 March 2021	31 March 2020	31 March 2019
A – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	487.54	595.87	614.55
Return before operating charges ¹	189.02	(90.44)	2.51
Operating charges ²	(9.12)	(10.27)	(9.70)
Return after operating charges ³	179.90	(100.71)	(7.19)
Distribution	–	(7.62)	(11.49)
Closing net asset value per share	667.44	487.54	595.87
After direct transaction costs of ⁴	0.76	2.02	1.48

Performance

Return after charges ⁵	36.90%	(16.90%)	(1.17%)
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Other information

Closing net asset value (£)	53,959,139	50,158,736	66,221,279
Closing number of shares	8,084,494	10,288,167	11,113,342
Operating charges ratio ⁶	1.57%	1.58%	1.57%
Direct transaction costs ⁴	0.13%	0.31%	0.24%

Prices (p)

Highest share price	669.90	751.54	675.15
Lowest share price	461.07	424.30	531.90

	31 March 2021	31 March 2020	31 March 2019
S – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	107.11	128.16	128.47
Return before operating charges ¹	41.72	(20.15)	(0.49)
Operating charges ²	(0.79)	(0.90)	(0.80)
Return after operating charges ³	40.93	(21.05)	(0.31)
Closing net asset value per share	148.04	107.11	128.16
Distributions	(1.08)	(2.99)	(3.65)
Retained distributions on accumulation shares	1.08	2.99	3.65
After direct transaction costs of ⁴	0.17	0.44	0.31

Performance

Return after charges ⁵	38.21%	(16.42%)	(0.24%)
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Other information

Closing net asset value (£)	121,281,087	90,334,342	71,704,121
Closing number of shares	81,924,662	84,334,293	55,947,402
Operating charges ratio ⁶	0.62%	0.63%	0.62%
Direct transaction costs ⁴	0.13%	0.31%	0.24%

Prices (p)

Highest share price	148.59	164.60	141.41
Lowest share price	101.37	93.12	112.66

Franklin UK Mid Cap Fund (continued)

	31 March 2021	31 March 2020	31 March 2019
S – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	82.35	100.80	103.98
Return before operating charges ¹	32.05	(17.76)	(2.53)
Operating charges ²	(0.61)	(0.69)	(0.65)
Return after operating charges ³	31.44	(18.45)	(3.18)
Distribution	(0.83)	–	–
Closing net asset value per share	112.96	82.35	100.80
After direct transaction costs of ⁴	0.13	0.34	0.25

Performance

Return after charges ⁵	38.18%	(18.30%)	(3.06%)
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Other information

Closing net asset value (£)	238,156,573	211,102,185	220,214,770
Closing number of shares	210,836,610	256,361,933	218,460,409
Operating charges ratio ⁶	0.62%	0.63%	0.62%
Direct transaction costs ⁴	0.13%	0.31%	0.24%

Prices (p)

Highest share price	114.16	127.47	114.46
Lowest share price	77.88	72.11	90.41

	31 March 2021	31 March 2020	31 March 2019
W – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	192.69	231.02	232.04
Return before operating charges ¹	74.97	(36.21)	0.90
Operating charges ²	(1.88)	(2.12)	(1.92)
Return after operating charges ³	73.09	(38.33)	(1.02)
Closing net asset value per share	265.78	192.69	231.02
Distributions	(1.49)	(4.87)	(6.11)
Retained distributions on accumulation shares	1.49	4.87	6.11
After direct transaction costs of ⁴	0.30	0.79	0.56

Performance

Return after charges ⁵	37.93%	(16.59%)	(0.44%)
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Other information

Closing net asset value (£)	359,212,750	273,343,919	255,246,794
Closing number of shares	135,153,425	141,855,414	110,487,606
Operating charges ratio ⁶	0.82%	0.83%	0.82%
Direct transaction costs ⁴	0.13%	0.31%	0.24%

Prices (p)

Highest share price	266.76	296.26	255.32
Lowest share price	182.35	167.53	203.19

Franklin UK Mid Cap Fund (continued)

	31 March 2021	31 March 2020	31 March 2019
W – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	144.85	177.26	182.83
Return before operating charges ¹	56.35	(27.07)	0.74
Operating charges ²	(1.43)	(1.61)	(1.51)
Return after operating charges ³	54.92	(28.68)	(0.77)
Distribution	(1.12)	(3.73)	(4.80)
Closing net asset value per share	198.65	144.85	177.26
After direct transaction costs of ⁴	0.23	0.60	0.44
Performance			
Return after charges ⁵	37.92%	(16.18%)	(0.42%)
Other information			
Closing net asset value (£)	316,174,026	261,696,019	314,865,810
Closing number of shares	159,163,472	180,669,380	177,634,159
Operating charges ratio ⁶	0.82%	0.83%	0.82%
Direct transaction costs ⁴	0.13%	0.31%	0.24%
Prices (p)			
Highest share price	200.44	224.03	201.17
Lowest share price	136.99	126.68	158.82

	31 March 2021	31 March 2020	31 March 2019
Y – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	108.65	133.16	137.39
Return before operating charges ¹	42.36	(20.48)	0.54
Operating charges ²	(0.02)	(0.04)	(0.03)
Return after operating charges ³	42.34	(20.52)	0.51
Distribution	(1.90)	(3.99)	(4.74)
Closing net asset value per share	149.09	108.65	133.16
After direct transaction costs of ⁴	0.17	0.45	0.33
Performance			
Return after charges ⁵	38.97%	(15.41%)	0.37%
Other information			
Closing net asset value (£)	4,431	3,229	3,958
Closing number of shares	2,972	2,972	2,972
Operating charges ratio ⁶	0.02%	0.03%	0.02%
Direct transaction costs ⁴	0.13%	0.31%	0.24%
Prices (p)			
Highest share price	151.40	168.66	151.43
Lowest share price	102.75	95.52	119.80

Franklin UK Mid Cap Fund (continued)

	31 March 2021	31 March 2020	31 March 2019
Z – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	189.73	227.91	229.38
Return before operating charges ¹	73.79	(35.59)	0.90
Operating charges ²	(2.31)	(2.59)	(2.37)
Return after operating charges ³	71.48	(38.18)	(1.47)
Closing net asset value per share	261.21	189.73	227.91
Distributions	(1.01)	(4.30)	(5.58)
Retained distributions on accumulation shares	1.01	4.30	5.58
After direct transaction costs of ⁴	0.29	0.78	0.56
Performance			
Return after charges ⁵	37.67%	(16.75%)	(0.64%)
Other information			
Closing net asset value (£)	4,730,146	3,746,954	5,897,256
Closing number of shares	1,810,853	1,974,938	2,587,488
Operating charges ratio ⁶	1.02%	1.03%	1.02%
Direct transaction costs ⁴	0.13%	0.31%	0.24%
Prices (p)			
Highest share price	262.13	291.83	252.29
Lowest share price	179.54	164.96	200.57

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

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

Risk Profile (W(acc) shares)



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

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

Portfolio of Investments, 31 March 2021

Franklin UK Mid Cap Fund

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	EQUITIES 97.50% (93.36%)		
	AEROSPACE AND DEFENSE 3.04% (2.71%)		
10,400,000	QinetiQ Group plc	33,238	3.04
	AUTOMOBILES AND PARTS 0.00% (3.05%)		
	CONSTRUCTION AND MATERIALS 3.34% (5.09%)		
6,700,000	Polypipe Group plc	36,515	3.34
	ELECTRONIC AND ELECTRICAL EQUIPMENT 6.20% (6.91%)		
10,200,000	Rotork plc	36,700	3.36
925,000	Spectris plc	31,071	2.84
		67,771	6.20
	FINANCE AND CREDIT SERVICES 2.33% (3.36%)		
5,500,000	Paragon Banking Group plc	25,432	2.33
	FOOD PRODUCERS 3.08% (4.15%)		
935,000	Cranswick plc	33,679	3.08
	HEALTH CARE PROVIDERS 2.31% (0.00%)		
3,200,000	UDG Healthcare plc	25,328	2.31
	HOUSEHOLD GOODS AND HOME CONSTRUCTION 6.90% (5.04%)		
1,000,000	Bellway plc	34,540	3.16
6,450,000	Redrow plc	40,893	3.74
		75,433	6.90
	INDUSTRIAL ENGINEERING 2.97% (4.62%)		
6,100,000	Vesuvius plc	32,483	2.97
	INDUSTRIAL METALS AND MINING 3.53% (3.33%)		
4,600,000	Bodycote plc	38,571	3.53
	INDUSTRIAL SUPPORT SERVICES 17.17% (17.76%)		
4,200,000	Electrocomponents plc	41,517	3.80
2,750,000	Euromoney Institutional Investor plc	26,042	2.38
3,150,000	Grafton Group plc	32,634	2.98
3,050,000	Inchcape plc	22,936	2.10
7,000,000	Pagegroup plc	33,292	3.04
23,000,000	Serco Group plc	31,349	2.87
		187,770	17.17
	INDUSTRIAL TRANSPORTATION 0.00% (2.03%)		
	INVESTMENT BANKING AND BROKERAGE SERVICES 8.23% (7.60%)		
5,750,000	Ashmore Group plc	22,862	2.09

Franklin UK Mid Cap Fund (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
INVESTMENT BANKING AND BROKERAGE SERVICES (continued)			
2,933,076	JTC plc, Reg S	18,068	1.65
2,000,000	Liontrust Asset Management plc	28,200	2.58
1,200,000	Rathbone Brothers plc	20,904	1.91
		90,034	8.23
LEISURE GOODS 0.37% (0.00%)			
41,347	Games Workshop Group plc	4,079	0.37
NON-LIFE INSURANCE 2.57% (6.11%)			
4,450,000	Lancashire Holdings Ltd.	28,079	2.57
PERSONAL CARE, DRUG AND GROCERY STORES 2.37% (0.00%)			
1,150,000	Greggs plc	25,921	2.37
PERSONAL GOODS 2.49% (0.00%)			
4,000,000	Watches of Switzerland Group plc	27,280	2.49
REAL ESTATE INVESTMENT AND SERVICES 2.96% (4.13%)			
12,000,000	Grainger plc	32,400	2.96
REAL ESTATE INVESTMENT TRUSTS 9.15% (5.38%)			
1,150,000	Derwent London plc [§]	37,559	3.43
10,750,000	LondonMetric Property plc [§]	23,026	2.11
2,450,000	Shaftesbury plc [§]	15,802	1.44
2,200,000	UNITE Group plc (The) [§]	23,716	2.17
		100,103	9.15
RETAILERS 9.31% (7.88%)			
12,750,000	DFS Furniture plc	34,425	3.15
5,000,000	Howden Joinery Group plc	36,590	3.35
7,550,000	Pets at Home Group plc	30,774	2.81
		101,789	9.31
SOFTWARE AND COMPUTER SERVICES 2.01% (0.00%)			
5,500,000	Bytes Technology Group plc	21,978	2.01
TELECOMMUNICATIONS EQUIPMENT 3.51% (4.21%)			
16,089,600	Spirent Communications plc	38,374	3.51
TRAVEL AND LEISURE 3.66% (0.00%)			
1,950,000	J D Wetherspoon plc	26,520	2.43

Franklin UK Mid Cap Fund (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	TRAVEL AND LEISURE (continued)		
3,750,000	SSP Group plc	13,440	1.23
		39,960	3.66
	TOTAL - EQUITIES	1,066,217	97.50
	TOTAL VALUE OF INVESTMENTS	1,066,217	97.50
	OTHER ASSETS	27,301	2.50
	TOTAL NET ASSETS	1,093,518	100.00

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2020.

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

§ Real Estate Investment Trust ("REIT").

Franklin UK Mid Cap Fund

Statement of Total Return

For the year ended 31 March 2021

	Notes	March 2021 £000	March 2021 £000	March 2020 £000	March 2020 £000
Income					
Net capital gains/(losses)	1		324,194		(231,815)
Revenue	2	15,045		29,808	
Expenses	3	(8,212)		(8,992)	
Net revenue before taxation		6,833		20,816	
Taxation	4	90		(34)	
Net revenue after taxation			6,923		20,782
Total return before distributions for the year			331,117		(211,033)
Distributions	5		(6,984)		(20,815)
Change in net assets attributable to shareholders			324,133		(231,848)

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 March 2021

	March 2021 £000	March 2021 £000	March 2020 £000	March 2020 £000
Opening net assets attributable to shareholders		890,385		934,154
Amounts received on creation of shares	340,109		524,630	
Amounts paid on cancellation of shares	(464,262)		(344,561)	
		(124,153)		180,069
Dilution adjustments		219		–
Unclaimed distributions		–		1
Change in net assets attributable to shareholders from investment activities (see above)		324,133		(231,848)
Retained distribution on accumulation shares		2,934		8,009
Closing net assets attributable to shareholders		1,093,518		890,385

Balance sheet

As at 31 March 2021

	Notes	March 2021 £000	March 2020 £000
Assets			
Fixed assets			
Investments		1,066,217	831,263
Current assets			
Debtors	6	5,362	7,162
Cash and bank balances		34,674	60,565
Total assets		1,106,253	898,990
Liabilities			
Creditors			
Distributions payable	5	(3,319)	(3,153)
Other creditors	7	(9,416)	(5,452)
Total liabilities		(12,735)	(8,605)
Net assets attributable to shareholders		1,093,518	890,385

Notes to the Financial Statements

	March 2021 £000	March 2020 £000
1. Net capital gains/(losses)		
The net capital gains/(losses) during the year comprise:		
Non-derivative securities gains/(losses)	324,202	(231,815)
Currency losses	(8)	—
	324,194	(231,815)
2. Revenue		
UK dividends	13,689	28,495
Overseas dividends	1,334	1,266
Bank and other interest	22	47
	15,045	29,808
3. Expenses		
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's annual management charge	7,282	8,171
ACD's administration charge*	107	555
	7,389	8,726
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	133	145
Safe custody fees	8	67
	141	212
Other expenses:		
Administration charge*	637	—
Legal and publication fees	31	39
Audit fees	13	10
Printing fees	1	5
	682	54
	8,212	8,992

*From 22 June 2020, Franklin Templeton Funds has delegated fund accounting, fund tax and related fund reporting services to JP Morgan Chase Bank N.A London Branch.

4. Taxation

(a) Analysis of the charge for the year

Irrecoverable overseas tax	(90)	34
Total current tax (Note 4(b))	(90)	34
Total taxation	(90)	34

(b) Factors affecting the current tax charge for the year

The tax assessed for the year is lower (2020: lower) than the standard rate of corporation tax in the UK for Open-ended Investment Companies (20% (2020: 20%)).

The differences are explained below:

Net revenue before taxation	6,833	20,816
Corporation tax of 20% (2020: 20%)	1,367	4,163
Effects of:		
Excess management expenses	1,440	1,522
Revenue not subject to corporation tax	(2,807)	(5,685)
Irrecoverable overseas tax	(90)	34
Current tax charge for the year (Note 4(a))	(90)	34

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

**March
2021
£000**

**March
2020
£000**

4. Taxation (continued)

At the year end there is a potential deferred tax asset of £16,835,000 (£15,395,000 as at 31 March 2020) in relation to excess management expenses. It is unlikely the Fund will generate sufficient tax profits in the future to utilise these amounts and therefore no deferred tax assets have been recognised in the year.

5. (a) Distributions

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

Interim dividend distributions

Income	252	9,809
Accumulation	194	5,713
	<u>446</u>	<u>15,522</u>

Final dividend distributions

Income	3,319	3,153
Accumulation	2,740	2,296
	<u>6,059</u>	<u>5,449</u>

Add: Revenue deducted on cancellation of shares	1,116	1,906
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Deduct: Revenue received on issue of shares	(637)	(2,062)
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Total distribution	6,984	20,815
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(b) Difference between net revenue and distribution:

Net revenue after taxation	6,923	20,782
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Net revenue (paid)/received on share class conversions	(1)	33
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Revenue deficit payable from capital	62	–
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Total distribution for the year	6,984	20,815
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Details of the distribution in pence per share for this Fund are set out in the table on pages 105-106.

6. Debtors

Amounts receivable for issue of shares	3,214	5,549
Accrued income	2,081	1,613
Overseas tax recoverable	67	–
	<u>5,362</u>	<u>7,162</u>

7. Other creditors

Purchases awaiting settlement	4,385	–
Amounts payable for cancellation of shares	4,288	4,749
Accrued expenses	743	703
	<u>9,416</u>	<u>5,452</u>

8. Related parties

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

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

The amounts due to the ACD and associates of the ACD in respect of management and administration fees at 31 March 2021 are £637,000 (£657,000 as at 31 March 2020).

During the year the Fund received £Nil (£1,000 for the year to 31 March 2020) in reimbursed expenses from the ACD.

8. Related parties (continued)

As at 31 March 2021 the Fund was due reimbursed expenses of £1,000 (£1,000 as at 31 March 2020) from the ACD.

As at 31 March 2021 Templeton Global Advisors Limited ("TGAL") held 100% (100% as at 31 March 2020) of the shares in issue of Class Y Income.

9. Risk management policies and disclosures

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

Market Risk

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

Currency risk

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

At the year end date, 0.00% (2020: 0.00%) of the net assets of the Fund were denominated in currencies other than sterling and as such the currency risk is not considered significant.

Interest rate risk

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

Other price risk

At the year end date, 97.50% (2020: 93.36%) of the net assets of the Fund were invested in ordinary shares or stock units admitted to an official stock exchange. If the market value were to change by 10% (2020: 10%), the value of the Fund would change by 9.75% (2020: 9.89%).

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

10. Portfolio Transaction Costs

	Principal £000	Commissions £000	Taxes and other £000	Total cost £000	Commissions % of principal	Taxes and other % of principal
2021 Purchases						
Equities	258,490	133	1,093	259,716	0.05	0.42
Sales						
Equities	349,122	(157)	(1)	348,964	(0.05)	–
Total cost of the Fund's average net asset value (%)		0.03	0.10			
2020 Purchases						
Equities	575,196	283	2,960	578,439	0.05	0.51
Sales						
Equities	358,117	(183)	–	357,934	(0.05)	–
Total cost of the Fund's average net asset value (%)		0.05	0.27			

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

In addition, there is a dealing spread between the buying and selling prices of the underlying investments. The average dealing spread which is the difference between the quoted bid and offer prices or internal administrative or holding costs, are not included in the calculation of Direct Transaction Costs. As at 31 March 2021, the average dealing spread for the underlying Fund investments is 0.70% (2020: 0.17%).

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

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

11. Creations and Cancellations of Shares

	Number of shares in issue as at 1 April 2020	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue as at 31 March 2021
A – Income shares	10,288,167	993,193	(3,103,330)	(93,536)	8,084,494
S – Accumulation shares	84,334,293	36,003,533	(38,430,745)	17,581	81,924,662
S – Income shares	256,361,933	29,988,825	(73,441,900)	(2,072,248)	210,836,610
W – Accumulation shares	141,855,414	100,950,747	(107,583,330)	(69,406)	135,153,425
W – Income shares	180,669,380	56,495,272	(79,538,701)	1,537,521	159,163,472
Y – Income shares	2,972	–	–	–	2,972
Z – Accumulation shares	1,974,938	502,515	(693,465)	26,865	1,810,853

12. Fair Value Disclosure

Instruments held at the year end are presented in line with amendments to FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland Fair value hierarchy disclosures.

Level 1: Unadjusted quoted price in an active market for an identical instrument.

Level 2: Valuation techniques using observable inputs other than quoted prices within level 1.

Level 3: Valuation techniques using unobservable inputs.

Fair Value Hierarchy	Assets	Liabilities	Assets	Liabilities
	31 March 2021	31 March 2021	31 March 2020	31 March 2020
	£000	£000	£000	£000
Level 1	1,066,217	–	831,263	–
Level 2	–	–	–	–
Level 3	–	–	–	–
Total	1,066,217	–	831,263	–

Franklin UK Mid Cap Fund

Distribution Statement

For the period 1 April 2020 to 30 September 2020

Group 1 Shares purchased prior to 1 April 2020

Group 2 Shares purchased in the period 1 April 2020 to 30 September 2020

	Net Income p	Equalisation p	30 September 2020 Pence per Share p	30 September 2019 Pence per Share p
A Income Shares				
Group 1	–	–	–	7.2534
Group 2	–	–	–	7.2534
S Accumulation Shares				
Group 1	0.0723	–	0.0723	2.2058
Group 2	–	0.0723	0.0723	2.2058
S Income Shares				
Group 1	0.0555	–	0.0555	1.7349
Group 2	–	0.0555	0.0555	1.7349
W Accumulation Shares				
Group 1	0.0864	–	0.0864	3.7305
Group 2	–	0.0864	0.0864	3.7305
W Income Shares				
Group 1	0.0656	–	0.0656	2.8624
Group 2	–	0.0656	0.0656	2.8624
Y Income Shares				
Group 1	0.1484	–	0.1484	2.7233
Group 2	0.1484	–	0.1484	2.7233
Z Accumulation Shares				
Group 1	0.0463	–	0.0463	3.4384
Group 2	–	0.0463	0.0463	3.4384

For the period 1 October 2020 to 31 March 2021

Group 1 Shares purchased prior to 1 October 2020

Group 2 Shares purchased in the period 1 October 2020 to 31 March 2021

	Net Income p	Equalisation p	31 March 2021 Pence per Share p	31 March 2020 Pence per Share p
A Income Shares				
Group 1	–	–	–	0.3667
Group 2	–	–	–	0.3667
S Accumulation Shares				
Group 1	1.0120	–	1.0120	0.7821
Group 2	0.3593	0.6527	1.0120	0.7821
S Income Shares				
Group 1	0.7776	–	0.7776	0.6062
Group 2	0.2805	0.4971	0.7776	0.6062
W Accumulation Shares				
Group 1	1.4011	–	1.4011	1.1417
Group 2	0.4305	0.9706	1.4011	1.1417
W Income Shares				
Group 1	1.0554	–	1.0554	0.8640
Group 2	0.4492	0.6062	1.0554	0.8640
Y Income Shares				
Group 1	1.7533	–	1.7533	1.2627
Group 2	1.7533	–	1.7533	1.2627
Z Accumulation Shares				
Group 1	0.9651	–	0.9651	0.8625
Group 2	0.2596	0.7055	0.9651	0.8625

Franklin UK Mid Cap Fund (continued)

Equalisation

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

Investment Review

Performance

In the 12 months to 31 March 2021, Franklin UK Opportunities Fund recorded a net return of 23.49%*, underperforming the FTSE All-Share Index, which returned 26.71%.

Overview

Volatility remained elevated throughout 12-month period, as the fallout from the COVID-19 pandemic began to be absorbed into the economic data, although the heights of the turmoil reached in March were not matched.

UK gross domestic product ("GDP") in real terms declined by 9.9% in 2020, according to the Office for National Statistics ("ONS"), a far worse outturn than many other large economies but not as bad as the worst estimates. Second-quarter GDP released in August showed a particularly prominent quarterly decline of 20.4%, roughly double the drop seen in the United States and the second-worst performance in Europe during that timeframe, with output in services making up most of the fall. On this point, although it is evident the UK economy has been particularly impacted by the pandemic, we see the phasing of restrictions and deflator adjustments to the data as exaggerating declines, which should balance out over time, in our view.

With central bank monetary response to the pandemic being implemented rapidly and at scale, and the interest rate outlook unlikely to change for some time, the next important steps were to come from fiscal policymakers. In the United Kingdom, the reduction of stamp duty, value-added tax cuts for food and hospitality sectors and incentives for employers to retain furloughed staff were all received well. These went a long way to stabilise the official unemployment rate at about 5% relative to estimates that were almost double this figure. However, driven by the rounds of spending measures, UK public sector net debt reached 97.5% of GDP as of February 2021, according to the ONS.

Although it was difficult to envisage an end to the pandemic, in November, we began to get the first data points showing that three of the vaccines in development were highly effective at producing an immune response. Markets reacted as expected with the poorest-performing stocks across travel and leisure reversing course as investors began to paint a realistic picture as to how these hardest-hit companies would be able to navigate the acute financial pressure they were facing.

After the touchpaper was lit with the vaccine news, we began to see investors price in higher levels of inflation, as it became clear that central banks were unlikely to tighten policy in the face of transitory spikes in inflation. Nominal yield curves across developed countries have steepened. The pick-up in yields resulted in a broad outperformance of bank and commodity stocks over the wider market.

Finally, on Brexit, as we suspected, the departure from the European Union has been inconsequential in the shadow of the pandemic. However, it has been difficult to disentangle the impact of the transition in the short-run economic data, given the much more profound factors currently in play, and, as such, the longer-term implications remain difficult to predict.

Significant Changes

During the 12-month period, the biggest stock purchases included beverage company Britvic, housebuilder Persimmon, retail oil and gas business DCC, government outsourcer Serco Group and defence contractor BAE Systems. The largest sales included plumbing and heating, ventilation and air conditioning supplier Ferguson, telecoms operator Vodafone Group, packaging manufacturer DS Smith, real estate investment trust Land Securities and specialist asset manager Intermediate Capital Group.

We felt that Britvic was well placed to take market share in a growing home market for soft drinks, whilst also being suitably positioned to benefit potentially from a higher margin on trade. We initiated a position in Persimmon as we believed it had navigated the early stages of the COVID-19 crisis well with limited disruption and had a clear growth strategy. Operating across various sub-sectors, DCC has an impressive track record of acquiring businesses and driving benefits through its scale. We believed the opportunity set in key liquefied petroleum gas and retail markets was considerable. Combined with significant liquidity, minimal gearing and a defensive earnings base, DCC was well placed to capitalise, in our opinion.

We sold Vodafone as we believed its outlook was mixed in a highly competitive sector, with few near-term catalysts for a re-rating or meaningful performance uplift.

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

Positive/Negative Contributors

At the sector level, lack of exposure to travel and leisure weighed on relative returns, as did overweight exposure to and stock selection in health care. In contrast, stock selection in financial services and a lack of exposure to banks boosted relative performance.

At a stock level, medical device provider Smith & Nephew, whose share price was down sharply over the first quarter of 2021, was the largest stock-level detractor. In February, the company released 2020 results showing that elective surgeries continued to face disruption. Pork and poultry producer Cranswick, whose share price was flat and so significantly underperformed the market, was also among the largest detractors from relative results. Utility firm National Grid, whose share price fell almost 4%, was another notable detractor from relative performance, as investors moved away from defensive stocks late in the reporting period as interest rates rose.

Intermediate Capital contributed most to relative results at the stock level, with its share price up 113% over the 12-month period. Ferguson was the second-largest contributor; its share price rose significantly amid robust sales momentum, especially in key markets such as the United States. Housebuilder Persimmon performed strongly over the review period, with housing market data continuing to support the investment case for the sector. Consumables distribution business Bunzl also added to relative returns over the period. The company enjoyed significant demand from customers for higher-margin personal protective equipment.

Outlook

2020 proved once again that, even if investors could accurately predict events, predicting market movements based on this foresight is near impossible. However, we still have certain base-case scenarios in mind and, with a robust economic outlook ahead of us in 2021, we remain attuned to a different set of risks than those we saw last year.

The International Monetary Fund has forecast global output to increase by 6.0% in 2021 and 4.4% in 2022, with the UK economy growing by 5.3% and 5.1%, respectively (relative to the eurozone's 4.4% and 3.8%). This is a dramatic growth spurt for what was previously a low benign economic backdrop driven by an expansion in government stimulus (primarily in the United States) and resumption (and catch up) of consumer spending.

Clearly this is good news, but we do see temporary inflationary risks emerging, given the commitment of central banks to keeping rates low and the base effects from weak commodity prices in the first half of 2020. It is our view that these inflationary spikes will pass, but their impact may be significant on equity leadership and hard to predict.

Adding to inflationary concerns is the ramp-up in government spending. The United States is leading the way, with a further US\$1.9 trillion (9% of 2019 gross domestic product) approved in the Senate in the American Rescue Plan. It remains to be seen to what extent this changes longer term government spending habits and tax increases down the line. Although rates remain low, it seems that we are moving into a regime of higher spending and higher taxes across developed economies.

Political risks, at least domestically, have fortunately receded, if we discount the impact of the Scottish elections and renewed impetus for a Scottish referendum in May. Globally, tensions between China and the West remain heightened even with a new administration in the White House. Chinese adventurism in the South China Sea and Taiwan are perennial risks that show no sign of abating and could have catastrophic impacts on global trade and relations.

In terms of COVID-19, we are impressed by the progress made in the United Kingdom; with the efficient rollout of the vaccine, combined with prior spread of the virus, 54% of the entire population of England have been shown to have antibodies. The big risks here now relate to a slow rollout of vaccines globally and mutagenic shift of the virus.

Ben Russon, CFA, Mark Hall & Colin Morton

Fund Managers

31 March 2021

Comparative Table, 31 March 2021

Franklin UK Opportunities Fund

	31 March 2021	31 March 2020	31 March 2019
A – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	297.37	365.90	357.90
Return before operating charges ¹	68.64	(55.02)	23.12
Operating charges ²	(3.34)	(3.76)	(5.91)
Return after operating charges ³	65.30	(58.78)	17.21
Distribution	(9.15)	(9.75)	(9.21)
Closing net asset value per share	353.52	297.37	365.90
After direct transaction costs of ⁴	0.43	0.19	0.33

Performance

Return after charges ⁵	21.96%	(16.06%)	4.81%
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Other information

Closing net asset value (£)	12,356,730	11,784,757	17,732,871
Closing number of shares	3,495,345	3,962,998	4,846,429
Operating charges ratio ⁶	1.00%	1.00%	1.60%
Direct transaction costs ⁴	0.13%	0.05%	0.09%

Prices (p)

Highest share price	358.47	409.41	395.22
Lowest share price	284.12	260.10	331.01

	31 March 2021	31 March 2020	31 March 2019
W – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	156.27	185.26	174.95
Return before operating charges ¹	36.43	(27.93)	11.32
Operating charges ²	(0.97)	(1.06)	(1.01)
Return after operating charges ³	35.46	(28.99)	10.31
Closing net asset value per share	191.73	156.27	185.26
Distributions	(5.62)	(6.63)	(6.47)
Retained distributions on accumulation shares	5.62	6.63	6.47
After direct transaction costs of ⁴	0.23	0.10	0.16

Performance

Return after charges ⁵	22.69%	(15.65%)	5.89%
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Other information

Closing net asset value (£)	11,029,310	9,026,272	10,916,224
Closing number of shares	5,752,616	5,776,153	5,892,284
Operating charges ratio ⁶	0.55%	0.55%	0.55%
Direct transaction costs ⁴	0.13%	0.05%	0.09%

Prices (p)

Highest share price	191.65	211.85	193.48
Lowest share price	149.51	134.69	165.23

Franklin UK Opportunities Fund (continued)

	31 March 2021	31 March 2020	31 March 2019
W – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	92.51	113.92	111.41
Return before operating charges ¹	21.37	(16.72)	7.23
Operating charges ²	(0.58)	(0.65)	(0.63)
Return after operating charges ³	20.79	(17.37)	6.60
Distribution	(3.31)	(4.04)	(4.09)
Closing net asset value per share	109.99	92.51	113.92
After direct transaction costs of ⁴	0.13	0.06	0.10

Performance

Return after charges ⁵	22.47%	(15.25%)	5.92%
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Other information

Closing net asset value (£)	18,576,289	16,960,446	25,796,067
Closing number of shares	16,889,713	18,333,862	22,644,990
Operating charges ratio ⁶	0.55%	0.55%	0.55%
Direct transaction costs ⁴	0.13%	0.05%	0.09%

Prices (p)

Highest share price	111.67	127.77	123.21
Lowest share price	88.39	81.24	103.29

	31 March 2021	31 March 2020	31 March 2019
Z – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	152.30	181.25	172.03
Return before operating charges ¹	35.47	(27.63)	11.10
Operating charges ²	(1.20)	(1.32)	(1.88)
Return after operating charges ³	34.27	(28.95)	9.22
Closing net asset value per share	186.57	152.30	181.25
Distributions	(5.24)	(5.74)	(5.45)
Retained distributions on accumulation shares	5.24	5.74	5.45
After direct transaction costs of ⁴	0.22	0.09	0.16

Performance

Return after charges ⁵	22.50%	(15.97%)	5.36%
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Other information

Closing net asset value (£)	1,442,040	1,216,932	1,484,589
Closing number of shares	772,909	799,059	819,085
Operating charges ratio ⁶	0.70%	0.70%	1.05%
Direct transaction costs ⁴	0.13%	0.05%	0.09%

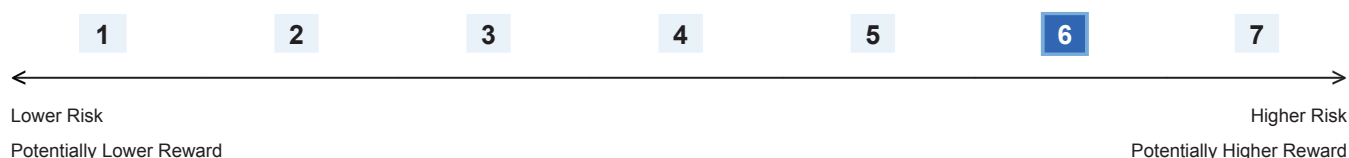
Prices (p)

Highest share price	186.53	206.52	190.12
Lowest share price	145.71	131.27	161.86

Franklin UK Opportunities Fund (continued)

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

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

Risk Profile (W(acc) shares)

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

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

Portfolio of Investments, 31 March 2021

Franklin UK Opportunities Fund

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	EQUITIES 99.54% (97.37%)		
	AEROSPACE AND DEFENSE 1.54% (0.89%)		
130,000	BAE Systems plc	667	1.54
	BEVERAGES 5.85% (4.04%)		
113,000	Britvic plc	962	2.22
52,000	Diageo plc	1,576	3.63
		2,538	5.85
	CONSTRUCTION AND MATERIALS 1.87% (1.01%)		
24,000	CRH plc	811	1.87
	CONSUMER SERVICES 1.70% (2.36%)		
50,000	Compass Group plc	738	1.70
	ELECTRICITY 2.51% (2.54%)		
76,000	SSE plc	1,090	2.51
	FOOD PRODUCERS 3.86% (4.41%)		
35,000	Associated British Foods plc	847	1.95
23,000	Cranswick plc	829	1.91
		1,676	3.86
	GAS, WATER AND MULTI-UTILITIES 2.77% (3.40%)		
140,000	National Grid plc	1,200	2.77
	GENERAL INDUSTRIALS 2.12% (4.05%)		
40,000	Bunzl plc	921	2.12
	HOUSEHOLD GOODS AND HOME CONSTRUCTION 2.40% (1.30%)		
35,000	Persimmon plc	1,041	2.40
	INDUSTRIAL ENGINEERING 0.00% (0.90%)		
	INDUSTRIAL METALS AND MINING 7.86% (5.79%)		
49,000	BHP Group plc	1,032	2.38
98,000	Bodycote plc	822	1.89
28,000	Rio Tinto plc	1,561	3.59
		3,415	7.86
	INDUSTRIAL SUPPORT SERVICES 8.33% (2.59%)		
11,500	DCC plc	725	1.67
22,000	Experian plc	552	1.27
9,000	Ferguson plc	791	1.82
80,000	Grafton Group plc	829	1.91

Franklin UK Opportunities Fund (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
INDUSTRIAL SUPPORT SERVICES (continued)			
530,000	Serco Group plc	722	1.66
		3,619	8.33
INVESTMENT BANKING AND BROKERAGE SERVICES 5.18% (5.70%)			
263,000	Brewin Dolphin Holdings plc	815	1.88
38,000	Intermediate Capital Group plc	717	1.65
56,000	St James's Place plc	716	1.65
		2,248	5.18
LIFE INSURANCE 4.63% (4.58%)			
116,000	Phoenix Group Holdings plc	858	1.98
73,000	Prudential plc	1,152	2.65
		2,010	4.63
MEDIA 6.12% (5.32%)			
97,000	Informa plc	551	1.27
72,000	RELX plc	1,311	3.02
84,000	WPP plc	796	1.83
		2,658	6.12
MEDICAL EQUIPMENT AND SERVICES 2.38% (2.94%)			
75,000	Smith & Nephew plc	1,032	2.38
NON-LIFE INSURANCE 1.16% (0.00%)			
80,000	Lancashire Holdings Ltd.	505	1.16
OIL, GAS AND COAL 8.02% (9.33%)			
550,000	BP plc	1,658	3.82
126,000	Royal Dutch Shell plc, A	1,822	4.20
		3,480	8.02
PERSONAL CARE, DRUG AND GROCERY STORES 8.78% (11.24%)			
18,000	Reckitt Benckiser Group plc	1,169	2.69
355,263	Tesco plc	816	1.88
45,000	Unilever plc	1,827	4.21
		3,812	8.78
PHARMACEUTICALS AND BIOTECHNOLOGY 8.89% (11.12%)			
31,000	AstraZeneca plc	2,259	5.21
122,000	GlaxoSmithKline plc	1,595	3.68
		3,854	8.89
REAL ESTATE INVESTMENT TRUSTS 3.38% (2.90%)			
322,655	LondonMetric Property plc [§]	691	1.59
72,000	UNITE Group plc (The) [§]	776	1.79
		1,467	3.38
RETAILERS 3.00% (1.10%)			
44,000	Dunelm Group plc	579	1.33
9,000	Next plc	723	1.67
		1,302	3.00
SOFTWARE AND COMPUTER SERVICES 1.87% (2.03%)			
134,000	Sage Group plc (The)	812	1.87

Franklin UK Opportunities Fund (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	TELECOMMUNICATIONS SERVICE PROVIDERS 0.00% (1.93%)		
	TOBACCO 5.32% (5.90%)		
58,000	British American Tobacco plc	1,606	3.70
47,000	Imperial Brands plc	703	1.62
		<u>2,309</u>	<u>5.32</u>
	TOTAL - EQUITIES	<u>43,205</u>	<u>99.54</u>
	TOTAL VALUE OF INVESTMENTS	43,205	99.54
	OTHER ASSETS	<u>199</u>	<u>0.46</u>
	TOTAL NET ASSETS	<u>43,404</u>	<u>100.00</u>

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2020.

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

§ Real Estate Investment Trust ("REIT").

Franklin UK Opportunities Fund

Statement of Total Return

For the year ended 31 March 2021

	Notes	March 2021 £000	March 2021 £000	March 2020 £000	March 2020 £000
Income					
Net capital gains/(losses)	1		7,201		(8,916)
Revenue	2	1,591		2,126	
Expenses	3	(292)		(436)	
Net revenue before taxation		1,299		1,690	
Taxation	4	6		(18)	
Net revenue after taxation			1,305		1,672
Total return before distributions for the year			8,506		(7,244)
Distributions	5		(1,304)		(1,672)
Change in net assets attributable to shareholders			7,202		(8,916)

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 March 2021

	March 2021 £000	March 2021 £000	March 2020 £000	March 2020 £000
Opening net assets attributable to shareholders		38,989		55,930
Amounts received on creation of shares	3,297		3,626	
Amounts paid on cancellation of shares	(6,454)		(12,079)	
		(3,157)		(8,453)
Unclaimed distributions		–		1
Change in net assets attributable to shareholders from investment activities (see above)		7,202		(8,916)
Retained distribution on accumulation shares		370		427
Closing net assets attributable to shareholders		43,404		38,989

Balance sheet

As at 31 March 2021

	Notes	March 2021 £000	March 2020 £000
Assets			
Fixed assets			
Investments		43,205	37,965
Current assets			
Debtors	6	239	217
Cash and bank balances		554	1,385
Total assets		43,998	39,567
Liabilities			
Creditors			
Distributions payable	5	(459)	(488)
Other creditors	7	(135)	(90)
Total liabilities		(594)	(578)
Net assets attributable to shareholders		43,404	38,989

Notes to the Financial Statements

	March 2021 £000	March 2020 £000
1. Net capital gains/(losses)		
The net capital gains/(losses) during the year comprise:		
Non-derivative securities gains/(losses)	7,203	(8,916)
Currency losses	(2)	—
	7,201	(8,916)
2. Revenue		
UK dividends	1,517	1,895
Overseas dividends	74	230
Bank and other interest	—	1
	1,591	2,126
3. Expenses		
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's annual management charge	219	384
ACD's administration charge*	5	26
	224	410
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	10	12
Safe custody fees	—	3
	10	15
Other expenses:		
Administration charge*	40	—
Audit fees	13	10
Legal and publication fees	5	3
Printing fees	1	2
Expense cap	(1)	(4)
	58	11
	292	436

*From 22 June 2020, Franklin Templeton Funds has delegated fund accounting, fund tax and related fund reporting services to JP Morgan Chase Bank N.A London Branch.

4. Taxation

(a) Analysis of the charge for the year

Irrecoverable overseas tax	(6)	18
Total current tax (Note 4(b))	(6)	18
Total taxation	(6)	18

(b) Factors affecting the current tax charge for the year

The tax assessed for the year is lower (2020: lower) than the standard rate of corporation tax in the UK for Open-ended Investment Companies (20% (2020: 20%)).

The differences are explained below:

Net revenue before taxation	1,299	1,690
Corporation tax of 20% (2020: 20%)	260	338
Effects of:		
Excess management expenses	54	70
Revenue not subject to corporation tax	(314)	(411)
Irrecoverable overseas tax	(6)	18
Revenue taxable in different years	—	3
Current tax charge for the year (Note 4(a))	(6)	18

**March
2021
£000**

**March
2020
£000**

4. Taxation (continued)

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

At the year end there is a potential deferred tax asset of £1,984,000 (£1,930,000 as at 31 March 2020) in relation to excess management fees. It is unlikely the Fund will generate sufficient tax profits in the future to utilise these amounts and therefore no deferred tax assets have been recognised in the year.

5. (a) Distributions

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

Interim dividend distributions

Income	447	675
Accumulation	180	241
	<u>627</u>	<u>916</u>

Final dividend distributions

Income	459	488
Accumulation	190	186
	<u>649</u>	<u>674</u>

Add: Revenue deducted on cancellation of shares	50	117
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Deduct: Revenue received on issue of shares	(22)	(35)
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Total distribution	1,304	1,672
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(b) Difference between net revenue and distribution:

Net revenue after taxation	1,305	1,672
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ACD's periodic charge taken from capital account	(1)	–
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Total distribution for the year	1,304	1,672
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Details of the distribution in pence per share for this Fund are set out in the table on page 121.

6. Debtors

Accrued income	196	181
Amounts receivable for issue of shares	27	22
Sales awaiting settlement	12	–
Overseas tax recoverable	4	11
Capped expenses	–	3
	<u>239</u>	<u>217</u>

7. Other creditors

Amounts payable for cancellation of shares	80	54
Accrued expenses	38	36
Purchases awaiting settlement	17	–
	<u>135</u>	<u>90</u>

8. Related parties

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

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

8. Related parties (continued)

The amounts due to the ACD and associates of the ACD in respect of management and administration fees at 31 March 2021 are £18,000 (£22,000 as at 31 March 2020).

During the year the Fund received £2,000 (£1,000 for the year to 31 March 2020) in reimbursed expenses from the ACD.

As at 31 March 2021 the Fund was due reimbursed expenses of £Nil (£3,000 as at 31 March 2020) from the ACD.

9. Risk management policies and disclosures

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

Market Risk

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

Currency risk

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

At the year end date, 0.05% (2020: 0.02%) of the net assets of the Fund were denominated in currencies other than sterling and as such the currency risk is not considered significant.

Interest rate risk

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

Other price risk

At the year end date, 99.54% (2020: 97.37%) of the net assets of the Fund were invested in ordinary shares or stock units admitted to an official stock exchange. If the market value were to change by 10% (2020: 10%), the value of the Fund would change by 9.95% (2020: 9.74%).

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

10. Portfolio Transaction Costs

	Principal £000	Commissions £000	Taxes and other £000	Total cost £000	Commissions % of principal	Taxes and other % of principal
2021 Purchases						
Equities	8,508	4	48	8,560	0.05	0.56
Sales						
Equities	10,526	(4)	–	10,522	(0.04)	–
Total cost of the Fund's average net asset value (%)		0.02	0.11			
2020 Purchases						
Equities	5,266	2	19	5,287	0.04	0.36
Sales						
Equities	13,811	(6)	–	13,805	(0.04)	–
Total cost of the Fund's average net asset value (%)		0.01	0.04			

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

In addition, there is a dealing spread between the buying and selling prices of the underlying investments. The average dealing spread which is the difference between the quoted bid and offer prices or internal administrative or holding costs, are not included in the calculation of Direct Transaction Costs. As at 31 March 2021, the average dealing spread for the underlying Fund investments is 0.26% (2020: 0.07%).

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

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

11. Creations and Cancellations of Shares

	Number of shares in issue as at 1 April 2020	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue as at 31 March 2021
A – Income shares	3,962,998	138,384	(562,777)	(43,260)	3,495,345
W – Accumulation shares	5,776,153	1,202,255	(1,254,828)	29,036	5,752,616
W – Income shares	18,333,862	1,276,473	(2,777,539)	56,917	16,889,713
Z – Accumulation shares	799,059	5,656	(51,407)	19,601	772,909

12. Fair Value Disclosure

Instruments held at the year end are presented in line with amendments to FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland Fair value hierarchy disclosures.

Level 1: Unadjusted quoted price in an active market for an identical instrument.

Level 2: Valuation techniques using observable inputs other than quoted prices within level 1.

Level 3: Valuation techniques using unobservable inputs.

Fair Value Hierarchy	Assets	Liabilities	Assets	Liabilities
	31 March 2021	31 March 2021	31 March 2020	31 March 2020
	£000	£000	£000	£000
Level 1	43,205	–	37,965	–
Level 2	–	–	–	–
Level 3	–	–	–	–
Total	43,205	–	37,965	–

Franklin UK Opportunities Fund

Distribution Statement

For the period 1 April 2020 to 30 September 2020

Group 1 Shares purchased prior to 1 April 2020

Group 2 Shares purchased in the period 1 April 2020 to 30 September 2020

	Net Income p	Equalisation p	30 September 2020 Pence per Share p	30 September 2019 Pence per Share p
A Income Shares				
Group 1	4.3716	—	4.3716	5.4332
Group 2	1.9333	2.4383	4.3716	5.4332
W Accumulation Shares				
Group 1	2.6788	—	2.6788	3.7592
Group 2	1.9510	0.7278	2.6788	3.7592
W Income Shares				
Group 1	1.5889	—	1.5889	2.3110
Group 2	0.8059	0.7830	1.5889	2.3110
Z Accumulation Shares				
Group 1	2.4928	—	2.4928	3.2073
Group 2	0.7869	1.7059	2.4928	3.2073

For the period 1 October 2020 to 31 March 2021

Group 1 Shares purchased prior to 1 October 2020

Group 2 Shares purchased in the period 1 October 2020 to 31 March 2021

	Net Income p	Equalisation p	31 March 2021 Pence per Share p	31 March 2020 Pence per Share p
A Income Shares				
Group 1	4.7789	—	4.7789	4.3149
Group 2	2.8921	1.8868	4.7789	4.3149
W Accumulation Shares				
Group 1	2.9419	—	2.9419	2.8659
Group 2	1.8337	1.1082	2.9419	2.8659
W Income Shares				
Group 1	1.7258	—	1.7258	1.7311
Group 2	0.7471	0.9787	1.7258	1.7311
Z Accumulation Shares				
Group 1	2.7471	—	2.7471	2.5376
Group 2	1.4567	1.2904	2.7471	2.5376

Equalisation

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

Investment Review

Performance

In the 12 months to 31 March 2021, Franklin UK Rising Dividends Fund recorded a net return of 25.31%*, underperforming the FTSE All-Share Index, which returned 26.71%.

Overview

Volatility remained elevated throughout 12-month period, as the fallout from the COVID-19 pandemic began to be absorbed into the economic data, although the heights of the turmoil reached in March were not matched.

UK gross domestic product ("GDP") in real terms declined by 9.9% in 2020, according to the Office for National Statistics ("ONS"), a far worse outturn than many other large economies but not as bad as the worst estimates. Second-quarter GDP released in August showed a particularly prominent quarterly decline of 20.4%, roughly double the drop seen in the United States and the second-worst performance in Europe during that timeframe, with output in services making up most of the fall. On this point, although it is evident the UK economy has been particularly impacted by the pandemic, we see the phasing of restrictions and deflator adjustments to the data as exaggerating declines, which should balance out over time, in our view.

With central bank monetary response to the pandemic being implemented rapidly and at scale, and the interest rate outlook unlikely to change for some time, the next important steps were to come from fiscal policymakers. In the United Kingdom, the reduction of stamp duty, value-added tax cuts for food and hospitality sectors and incentives for employers to retain furloughed staff were all received well. These went a long way to stabilise the official unemployment rate at about 5% relative to estimates that were almost double this figure. However, driven by the rounds of spending measures, UK public sector net debt reached 97.5% of GDP as of February 2021, according to the ONS.

Although it was difficult to envisage an end to the pandemic, in November, we began to get the first data points showing that three of the vaccines in development were highly effective at producing an immune response. Markets reacted as expected with the poorest-performing stocks across travel and leisure reversing course as investors began to paint a realistic picture as to how these hardest-hit companies would be able to navigate the acute financial pressure they were facing.

After the touchpaper was lit with the vaccine news, we began to see investors price in higher levels of inflation, as it became clear that central banks were unlikely to tighten policy in the face of transitory spikes in inflation. Nominal yield curves across developed countries have steepened. The pick-up in yields resulted in a broad outperformance of bank and commodity stocks over the wider market.

Finally, on Brexit, as we suspected, the departure from the European Union has been inconsequential in the shadow of the pandemic. However, it has been difficult to disentangle the impact of the transition in the short-run economic data, given the much more profound factors currently in play, and, as such, the longer-term implications remain difficult to predict.

Significant Changes

During the 12-month period, the biggest stock purchases included retail oil and gas business DCC, consumer goods company Unilever, credit bureau Experian, pharmaceutical firm AstraZeneca and homeware retailer Dunelm Group. The largest sales included baker Greggs, publishing and exhibitions business Informa, specialty chemicals manufacturer Johnson Matthey, specialist engineering firm IML and consumables distribution business Bunzl.

Operating across various sub-sectors, DCC has an impressive track record of acquiring businesses and using its scale to improve efficiencies. We believed the opportunity set in key liquefied petroleum gas and retail markets was considerable. Combined with significant liquidity, minimal gearing and a defensive earnings base, DCC was well placed to capitalise, in our opinion. Dunelm, which benefitted from the booming housing market in 2020 is, in our view, set to improve its market share position in 2021 through online and click-and-collect channels.

With the pandemic forcing the exhibitions industry to put back scheduled events, Informa was struggling, and we no longer had conviction in the company's dividend potential. We exited the position in Johnson Matthey as, although we liked the longer-term drivers of growth for the business, we viewed the yield potential as limited and therefore no longer saw the company as a preferred idea for the Fund.

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

Positive/Negative Contributors

At the sector level, underweight exposures to and stock selection in basic resources weighed on relative performance. Selection in insurance also subtracted relative value, although this was offset by the positive impact of overweight exposure to this segment. In contrast, underweight allocations to and security selection in both the energy and banks sectors contributed to relative returns.

At a stock level, specialist insurer Beazley was the main detractor from relative returns. The company warned late in the third quarter of 2020 that COVID-19-related losses were to be higher than anticipated. However, the company's share price rallied 20% in February 2021 after it announced slightly better-than-expected full-year results. Pork and poultry producer Cranswick, whose share price was flat and so significantly underperformed the market, was also among the largest detractors. Analytics company RELX further weighed on relative results. Its share price suffered in the fourth quarter of 2020, after a trading update saw management provide slightly weaker guidance for the company's exhibitions unit.

Conversely, financial services firm St James's Place was the largest stock-level contributor to relative results over the period. The company's share price rallied late in the fourth quarter of 2020 following the announcement of a trade deal between the United Kingdom and the European Union. Retailer Next, whose share price rose over 90% over the review period, made the second-largest contribution to relative performance. Specialist engineering firm IMI also contributed to relative returns. The company's first-half numbers in 2020 showed a strong performance on margin due to improved cost-cutting measures. Importantly, this allowed IMI to reinstate its dividend and provide healthy guidance for the full year.

Outlook

2020 proved once again that, even if investors could accurately predict events, predicting market movements based on this foresight is near impossible. However, we still have certain base-case scenarios in mind and, with a robust economic outlook ahead of us in 2021, we remain attuned to a different set of risks than those we saw last year.

The International Monetary Fund has forecast global output to increase by 6.0% in 2021 and 4.4% in 2022, with the UK economy growing by 5.3% and 5.1%, respectively (relative to the eurozone's 4.4% and 3.8%). This is a dramatic growth spurt for what was previously a low benign economic backdrop driven by an expansion in government stimulus (primarily in the United States) and resumption (and catch up) of consumer spending.

Clearly this is good news, but we do see temporary inflationary risks emerging, given the commitment of central banks to keeping rates low and the base effects from weak commodity prices in the first half of 2020. It is our view that these inflationary spikes will pass, but their impact may be significant on equity leadership and hard to predict.

Adding to inflationary concerns is the ramp-up in government spending. The United States is leading the way, with a further US\$1.9 trillion (9% of 2019 gross domestic product) approved in the Senate in the American Rescue Plan. It remains to be seen to what extent this changes longer term government spending habits and tax increases down the line. Although rates remain low, it seems that we are moving into a regime of higher spending and higher taxes across developed economies.

Political risks, at least domestically, have fortunately receded, if we discount the impact of the Scottish elections and renewed impetus for a Scottish referendum in May. Globally, tensions between China and the West remain heightened even with a new administration in the White House. Chinese adventurism in the South China Sea and Taiwan are perennial risks that show no sign of abating and could have catastrophic impacts on global trade and relations.

In terms of COVID-19, we are impressed by the progress made in the United Kingdom; with the efficient rollout of the vaccine, combined with prior spread of the virus, 54% of the entire population of England have been shown to have antibodies. The big risks here now relate to a slow rollout of vaccines globally and mutagenic shift of the virus.

Colin Morton, Ben Russon, CFA & Mark Hall

Fund Managers

31 March 2021

Comparative Table, 31 March 2021

Franklin UK Rising Dividends Fund

	31 March 2021	31 March 2020	31 March 2019
A – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	420.83	507.13	492.61
Return before operating charges ¹	106.58	(62.77)	41.36
Operating charges ²	(4.71)	(5.10)	(8.12)
Return after operating charges ³	101.87	(67.87)	33.24
Distribution	(12.11)	(18.43)	(18.72)
Closing net asset value per share	510.59	420.83	507.13
After direct transaction costs of ⁴	1.00	1.19	1.22

Performance

Return after charges ⁵	24.21%	(13.38%)	6.75%
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Other information

Closing net asset value (£)	4,898,907	4,412,337	6,065,192
Closing number of shares	959,455	1,048,494	1,195,989
Operating charges ratio ⁶	0.99%	0.99%	1.60%
Direct transaction costs ⁴	0.21%	0.23%	0.24%

Prices (p)

Highest share price	513.28	556.21	538.07
Lowest share price	401.33	370.75	463.07

	31 March 2021	31 March 2020	31 March 2019
W – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	177.92	204.90	189.81
Return before operating charges ¹	45.56	(25.83)	16.19
Operating charges ²	(1.07)	(1.15)	(1.10)
Return after operating charges ³	44.49	(26.98)	15.09
Closing net asset value per share	222.41	177.92	204.90
Distributions	(5.65)	(7.58)	(7.35)
Retained distributions on accumulation shares	5.65	7.58	7.35
After direct transaction costs of ⁴	0.39	0.49	0.48

Performance

Return after charges ⁵	25.01%	(13.17%)	7.95%
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Other information

Closing net asset value (£)	105,027,260	50,817,760	40,243,122
Closing number of shares	47,221,627	28,562,243	19,640,238
Operating charges ratio ⁶	0.54%	0.54%	0.55%
Direct transaction costs ⁴	0.21%	0.23%	0.24%

Prices (p)

Highest share price	222.33	231.08	208.75
Lowest share price	169.68	155.24	183.35

Franklin UK Rising Dividends Fund (continued)

	31 March 2021	31 March 2020	31 March 2019
W – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	96.70	115.54	111.06
Return before operating charges ¹	24.53	(13.98)	9.35
Operating charges ²	(0.60)	(0.64)	(0.63)
Return after operating charges ³	23.93	(14.62)	8.72
Distribution	(3.04)	(4.22)	(4.24)
Closing net asset value per share	117.59	96.70	115.54
After direct transaction costs of ⁴	0.21	0.27	0.28
Performance			
Return after charges ⁵	24.75%	(12.65%)	7.85%
Other information			
Closing net asset value (£)	29,216,960	41,055,866	38,476,678
Closing number of shares	24,846,026	42,458,539	33,302,094
Operating charges ratio ⁶	0.54%	0.54%	0.55%
Direct transaction costs ⁴	0.21%	0.23%	0.24%
Prices (p)			
Highest share price	118.30	127.65	121.52
Lowest share price	92.22	85.17	105.21

	31 March 2021	31 March 2020	31 March 2019
Z – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	173.40	200.47	186.63
Return before operating charges ¹	44.41	(25.64)	15.89
Operating charges ²	(1.36)	(1.43)	(2.05)
Return after operating charges ³	43.05	(27.07)	13.84
Closing net asset value per share	216.45	173.40	200.47
Distributions	(5.50)	(7.40)	(7.21)
Retained distributions on accumulation shares	5.50	7.40	7.21
After direct transaction costs of ⁴	0.41	0.48	0.47
Performance			
Return after charges ⁵	24.83%	(13.50%)	7.42%
Other information			
Closing net asset value (£)	131,037	231,514	314,329
Closing number of shares	60,541	133,511	156,799
Operating charges ratio ⁶	0.69%	0.69%	1.05%
Direct transaction costs ⁴	0.21%	0.23%	0.24%
Prices (p)			
Highest share price	216.36	225.31	204.89
Lowest share price	165.37	151.30	179.61

Franklin UK Rising Dividends Fund (continued)

Z – Income shares	31 March 2021	31 March 2020	31 March 2019
Change in net assets per share (p)			
Opening net asset value per share	94.73	113.62	109.77
Return before operating charges ¹	24.00	(13.95)	9.22
Operating charges ²	(0.74)	(0.80)	(1.19)
Return after operating charges ³	23.26	(14.75)	8.03
Distribution	(2.97)	(4.14)	(4.18)
Closing net asset value per share	115.02	94.73	113.62
After direct transaction costs of ⁴	0.25	0.27	0.27
Performance			
Return after charges ⁵	24.55%	(12.98%)	7.32%
Other information			
Closing net asset value (£)	2,461,248	2,353,554	2,900,999
Closing number of shares	2,139,818	2,484,618	2,553,308
Operating charges ratio ⁶	0.69%	0.69%	1.05%
Direct transaction costs ⁴	0.21%	0.23%	0.24%
Prices (p)			
Highest share price	115.71	125.10	119.99
Lowest share price	90.34	83.44	103.61

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

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

Risk Profile (W(acc) shares)



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

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

Portfolio of Investments, 31 March 2021

Franklin UK Rising Dividends Fund

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	EQUITIES 98.19% (96.12%)		
	AEROSPACE AND DEFENSE 2.19% (2.00%)		
605,000	BAE Systems plc	3,104	2.19
	BANKS 1.74% (1.99%)		
158,000	Close Brothers Group plc	2,465	1.74
	BEVERAGES 6.04% (6.03%)		
365,000	Britvic plc	3,108	2.19
180,000	Diageo plc	5,454	3.85
		8,562	6.04
	CHEMICALS 3.17% (3.26%)		
68,000	Johnson Matthey plc	2,103	1.48
107,000	Victrex plc	2,395	1.69
		4,498	3.17
	CONSUMER SERVICES 1.56% (2.34%)		
150,000	Compass Group plc	2,215	1.56
	ELECTRICITY 2.23% (1.70%)		
220,000	SSE plc	3,155	2.23
	ELECTRONIC AND ELECTRICAL EQUIPMENT 3.04% (3.29%)		
158,000	IMI plc	2,098	1.48
66,000	Spectris plc	2,217	1.56
		4,315	3.04
	FOOD PRODUCERS 3.97% (4.00%)		
124,000	Associated British Foods plc	3,002	2.12
73,000	Cranswick plc	2,629	1.85
		5,631	3.97
	GAS, WATER AND MULTI-UTILITIES 2.43% (1.82%)		
402,000	National Grid plc	3,445	2.43
	GENERAL INDUSTRIALS 1.51% (1.90%)		
93,000	Bunzl plc	2,141	1.51
	INDUSTRIAL ENGINEERING 1.46% (1.20%)		
183,000	Vitec Group plc (The)	2,068	1.46
	INDUSTRIAL METALS AND MINING 2.03% (1.44%)		
344,000	Bodycote plc	2,884	2.03

Franklin UK Rising Dividends Fund (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
INDUSTRIAL SUPPORT SERVICES 6.88% (3.03%)			
42,000	DCC plc	2,649	1.87
87,000	Diploma plc	2,206	1.56
225,000	Euromoney Institutional Investor plc	2,131	1.50
110,000	Experian plc	2,760	1.95
		9,746	6.88
INDUSTRIAL TRANSPORTATION 1.62% (1.50%)			
84,000	Clarkson plc	2,293	1.62
INVESTMENT BANKING AND BROKERAGE SERVICES 9.40% (8.77%)			
830,000	Brewin Dolphin Holdings plc	2,573	1.82
275,000	IG Group Holdings plc	2,438	1.72
139,000	Rathbone Brothers plc	2,421	1.71
85,000	Schroders plc	2,927	2.07
230,000	St James's Place plc	2,941	2.08
		13,300	9.40
LIFE INSURANCE 4.67% (4.99%)			
505,000	Phoenix Group Holdings plc	3,736	2.64
182,000	Prudential plc	2,871	2.03
		6,607	4.67
MEDIA 7.30% (8.19%)			
722,246	Bloomsbury Publishing plc	2,080	1.47
300,000	RELX plc	5,463	3.85
297,000	WPP plc	2,813	1.98
		10,356	7.30
MEDICAL EQUIPMENT AND SERVICES 1.93% (1.81%)			
199,000	Smith & Nephew plc	2,739	1.93
NON-LIFE INSURANCE 1.56% (1.76%)			
630,000	Beazley plc	2,210	1.56
OIL, GAS AND COAL 3.57% (4.19%)			
350,000	Royal Dutch Shell plc, A	5,061	3.57
PERSONAL CARE, DRUG AND GROCERY STORES 7.80% (8.90%)			
69,000	Reckitt Benckiser Group plc	4,480	3.16
162,000	Unilever plc	6,579	4.64
		11,059	7.80
PERSONAL GOODS 1.53% (1.80%)			
112,000	Burberry Group plc	2,168	1.53
PHARMACEUTICALS AND BIOTECHNOLOGY 7.60% (8.21%)			
82,500	AstraZeneca plc	6,013	4.24
364,000	GlaxoSmithKline plc	4,758	3.36
		10,771	7.60

Franklin UK Rising Dividends Fund (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	RETAILERS 3.31% (1.40%)		
165,000	Dunelm Group plc	2,171	1.53
31,500	Next plc	2,529	1.78
		4,700	3.31
	SOFTWARE AND COMPUTER SERVICES 1.78% (1.74%)		
415,000	Sage Group plc (The)	2,516	1.78
	TOBACCO 4.86% (6.05%)		
170,000	British American Tobacco plc	4,708	3.32
146,000	Imperial Brands plc	2,184	1.54
		6,892	4.86
	TRAVEL AND LEISURE 3.01% (2.81%)		
14,000	Flutter Entertainment plc	2,209	1.56
41,000	InterContinental Hotels Group plc	2,054	1.45
		4,263	3.01
	TOTAL - EQUITIES	139,164	98.19
	TOTAL VALUE OF INVESTMENTS	139,164	98.19
	OTHER ASSETS	2,571	1.81
	TOTAL NET ASSETS	141,735	100.00

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2020.
Unless otherwise stated the above securities are ordinary shares or common stock and admitted to official stock exchange listings.

Franklin UK Rising Dividends Fund

Statement of Total Return

For the year ended 31 March 2021

	Notes	March 2021 £000	March 2021 £000	March 2020 £000	March 2020 £000
Income					
Net capital gains/(losses)	1		23,658		(18,985)
Revenue	2	3,457		3,648	
Expenses	3	(671)		(605)	
Net revenue before taxation		2,786		3,043	
Taxation	4	2		(30)	
Net revenue after taxation			2,788		3,013
Total return before distributions for the year			26,446		(15,972)
Distributions	5		(3,342)		(3,523)
Change in net assets attributable to shareholders			23,104		(19,495)

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 March 2021

	March 2021 £000	March 2021 £000	March 2020 £000	March 2020 £000
Opening net assets attributable to shareholders		98,871		88,000
Amounts received on creation of shares	75,273		54,008	
Amounts paid on cancellation of shares	(58,061)		(25,428)	
		17,212		28,580
Dilution adjustments		145		–
Unclaimed distributions		–		2
Change in net assets attributable to shareholders from investment activities (see above)		23,104		(19,495)
Retained distribution on accumulation shares		2,403		1,784
Closing net assets attributable to shareholders		141,735		98,871

Balance sheet

As at 31 March 2021

	Notes	March 2021 £000	March 2020 £000
Assets			
Fixed assets			
Investments		139,164	95,031
Current assets			
Debtors	6	1,134	1,146
Cash and bank balances		2,207	4,114
Total assets		142,505	100,291
Liabilities			
Creditors			
Distributions payable	5	(230)	(457)
Other creditors	7	(540)	(963)
Total liabilities		(770)	(1,420)
Net assets attributable to shareholders		141,735	98,871

Notes to the Financial Statements

	March 2021 £000	March 2020 £000
1. Net capital gains/(losses)		
The net capital gains/(losses) during the year comprise:		
Non-derivative securities gains/(losses)	23,660	(18,985)
Currency losses	(2)	—
	23,658	(18,985)
2. Revenue		
UK dividends	3,402	3,285
Overseas dividends	54	360
Bank and other interest	1	3
	3,457	3,648
3. Expenses		
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's annual management charge	554	510
ACD's administration charge*	14	51
	568	561
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	25	22
Safe custody fees	1	7
	26	29
Other expenses:		
Administration charge*	56	—
Audit fees	13	9
Legal and publication fees	7	5
Printing fees	1	2
Expense cap	—	(1)
	77	15
	671	605
*From 22 June 2020, Franklin Templeton Funds has delegated fund accounting, fund tax and related fund reporting services to JP Morgan Chase Bank N.A London Branch.		
4. Taxation		
(a) Analysis of the charge for the year		
Irrecoverable overseas tax	(2)	30
Total current tax (Note 4(b))	(2)	30
Total taxation	(2)	30
(b) Factors affecting the current tax charge for the year		
The tax assessed for the year is lower (2020: lower) than the standard rate of corporation tax in the UK for Open-ended Investment Companies (20% (2020: 20%)).		
The differences are explained below:		
Net revenue before taxation	2,786	3,043
Corporation tax of 20% (2020: 20%)	557	609
Effects of:		
Excess management expenses	134	120
Revenue not subject to corporation tax	(691)	(729)
Irrecoverable overseas tax	(2)	30
Current tax charge for the year (Note 4(a))	(2)	30

**March
2021
£000**

**March
2020
£000**

4. Taxation (continued)

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

At the year end there is a potential deferred tax asset of £839,000 (£705,000 as at 31 March 2020) in relation to excess management fees. It is unlikely the Fund will generate sufficient tax profits in the future to utilise these amounts and therefore no deferred tax assets have been recognised in the year.

5. (a) Distributions

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

Interim dividend distributions

Income	908	1,435
Accumulation	1,737	1,301
	<u>2,645</u>	<u>2,736</u>

Final dividend distributions

Income	230	457
Accumulation	666	483
	<u>896</u>	<u>940</u>

Add: Revenue deducted on cancellation of shares	197	117
Deduct: Revenue received on issue of shares	(396)	(270)
Total distribution	3,342	3,523

(b) Difference between net revenue and distribution:

Net revenue after taxation	2,788	3,013
ACD's periodic charge taken from capital account	554	510
Total distribution for the year	3,342	3,523

Details of the distribution in pence per share for this Fund are set out in the table on pages 136-137.

6. Debtors

Amounts receivable for issue of shares	753	826
Accrued income	359	289
Overseas tax recoverable	22	30
Capped expenses	—	1
	<u>1,134</u>	<u>1,146</u>

7. Other creditors

Amounts payable for cancellation of shares	462	489
Accrued expenses	78	60
Purchases awaiting settlement	—	414
	<u>540</u>	<u>963</u>

8. Related parties

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

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

8. Related parties (continued)

The amounts due to the ACD and associates of the ACD in respect of management and administration fees at 31 March 2021 are £55,000 (£43,000 as at 31 March 2020).

As at 31 March 2021 the Fund owed £1,000 to the ACD in respect of an over-reimbursement of expenses (£1,000 owed to the ACD as at 31 March 2020).

9. Risk management policies and disclosures

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

Market Risk

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

Currency risk

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

At the year end date, 0.00% (2020: 0.01%) of the net assets of the Fund were denominated in currencies other than sterling and as such the currency risk is not considered significant.

Interest rate risk

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

Other price risk

At the year end date, 98.19% (2020: 96.12%) of the net assets of the Fund were invested in ordinary shares or stock units admitted to an official stock exchange. If the market value were to change by 10% (2020: 10%), the value of the Fund would change by 9.81% (2020: 9.61%).

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

10. Portfolio Transaction Costs

	Principal £000	Commissions £000	Taxes and other £000	Total cost £000	Commissions % of principal	Taxes and other % of principal
2021 Purchases						
Equities	43,535	16	214	43,765	0.04	0.49
Sales						
Equities	23,302	(10)	–	23,292	(0.04)	–
Total cost of the Fund's average net asset value (%)		0.02	0.19			
2020 Purchases						
Equities	44,455	17	210	44,682	0.04	0.47
Sales						
Equities	15,201	(7)	–	15,194	(0.05)	–
Total cost of the Fund's average net asset value (%)		0.03	0.21			

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

In addition, there is a dealing spread between the buying and selling prices of the underlying investments. The average dealing spread which is the difference between the quoted bid and offer prices or internal administrative or holding costs, are not included in the calculation of Direct Transaction Costs. As at 31 March 2021, the average dealing spread for the underlying Fund investments is 0.58% (2020: 0.16%).

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

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

11. Creations and Cancellations of Shares

	Number of shares in issue as at 1 April 2020	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue as at 31 March 2021
A – Income shares	1,048,494	1,098,496	(1,230,254)	42,719	959,455
W – Accumulation shares	28,562,243	31,523,412	(12,860,158)	(3,870)	47,221,627
W – Income shares	42,458,539	13,915,257	(31,376,125)	(151,645)	24,846,026
Z – Accumulation shares	133,511	2,441	(3,447)	(71,964)	60,541
Z – Income shares	2,484,618	54,789	(505,325)	105,736	2,139,818

12. Fair Value Disclosure

Instruments held at the year end are presented in line with amendments to FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland Fair value hierarchy disclosures.

Level 1: Unadjusted quoted price in an active market for an identical instrument.

Level 2: Valuation techniques using observable inputs other than quoted prices within level 1.

Level 3: Valuation techniques using unobservable inputs.

Fair Value Hierarchy	Assets	Liabilities	Assets	Liabilities
	31 March 2021	31 March 2021	31 March 2020	31 March 2020
	£000	£000	£000	£000
Level 1	139,164	–	95,031	–
Level 2	–	–	–	–
Level 3	–	–	–	–
Total	139,164	–	95,031	–

Franklin UK Rising Dividends Fund

Distribution Statement

For the period 1 April 2020 to 30 June 2020

Group 1 Shares purchased prior to 1 April 2020

Group 2 Shares purchased in the period 1 April 2020 to 30 June 2020

	Net Income p	Equalisation p	30 June 2020 Pence per Share p	30 June 2019 Pence per Share p
A Income Shares				
Group 1	2.3708	—	2.3708	5.7709
Group 2	0.8589	1.5119	2.3708	5.7709
W Accumulation Shares				
Group 1	0.9927	—	0.9927	2.3342
Group 2	0.3336	0.6591	0.9927	2.3342
W Income Shares				
Group 1	0.5409	—	0.5409	1.3162
Group 2	0.1647	0.3762	0.5409	1.3162
Z Accumulation Shares				
Group 1	0.9681	—	0.9681	2.2825
Group 2	0.0977	0.8704	0.9681	2.2825
Z Income Shares				
Group 1	0.5284	—	0.5284	1.2936
Group 2	0.0245	0.5039	0.5284	1.2936

For the period 1 July 2020 to 30 September 2020

Group 1 Shares purchased prior to 1 July 2020

Group 2 Shares purchased in the period 1 July 2020 to 30 September 2020

	Net Income p	Equalisation p	30 September 2020 Pence per Share p	30 September 2019 Pence per Share p
A Income Shares				
Group 1	4.0656	—	4.0656	4.9427
Group 2	2.2468	1.8188	4.0656	4.9427
W Accumulation Shares				
Group 1	1.8789	—	1.8789	2.0290
Group 2	0.2340	1.6449	1.8789	2.0290
W Income Shares				
Group 1	1.0158	—	1.0158	1.1314
Group 2	0.5897	0.4261	1.0158	1.1314
Z Accumulation Shares				
Group 1	1.8302	—	1.8302	1.9812
Group 2	—	1.8302	1.8302	1.9812
Z Income Shares				
Group 1	0.9946	—	0.9946	1.1106
Group 2	0.1286	0.8660	0.9946	1.1106

For the period 1 October 2020 to 31 December 2020

Group 1 Shares purchased prior to 1 October 2020

Group 2 Shares purchased in the period 1 October 2020 to 31 December 2020

	Net Income p	Equalisation p	31 December 2020 Pence per Share p	31 December 2019 Pence per Share p
A Income Shares				
Group 1	2.7904	—	2.7904	3.6975
Group 2	1.2400	1.5504	2.7904	3.6975

Franklin UK Rising Dividends Fund (continued)

Distribution Statement (continued)

	Net Income p	Equalisation p	31 December 2020 Pence per Share p	31 December 2019 Pence per Share p
W Accumulation Shares				
Group 1	1.3697	–	1.3697	1.5346
Group 2	0.7004	0.6693	1.3697	1.5346
W Income Shares				
Group 1	0.7343	–	0.7343	0.8477
Group 2	0.3976	0.3367	0.7343	0.8477
Z Accumulation Shares				
Group 1	1.3335	–	1.3335	1.4967
Group 2	0.2638	1.0697	1.3335	1.4967
Z Income Shares				
Group 1	0.7186	–	0.7186	0.8310
Group 2	0.0199	0.6987	0.7186	0.8310

For the period 1 January 2021 to 31 March 2021

Group 1 Shares purchased prior to 1 January 2021

Group 2 Shares purchased in the period 1 January 2021 to 31 March 2021

	Net Income p	Equalisation p	31 March 2021 Pence per Share p	31 March 2020 Pence per Share p
A Income Shares				
Group 1	2.8863	–	2.8863	4.0218
Group 2	1.6760	1.2103	2.8863	4.0218
W Accumulation Shares				
Group 1	1.4089	–	1.4089	1.6824
Group 2	0.7275	0.6814	1.4089	1.6824
W Income Shares				
Group 1	0.7497	–	0.7497	0.9235
Group 2	0.5385	0.2112	0.7497	0.9235
Z Accumulation Shares				
Group 1	1.3711	–	1.3711	1.6398
Group 2	0.3116	1.0595	1.3711	1.6398
Z Income Shares				
Group 1	0.7333	–	0.7333	0.9048
Group 2	0.1003	0.6330	0.7333	0.9048

Equalisation

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

Investment Review

Performance

In the 12 months to 31 March 2021, Franklin UK Smaller Companies Fund recorded a net return of 58.56%*, underperforming the Numis Smaller Companies (ex Investment Trusts) Index, which returned 65.59%.

Overview

Volatility remained elevated throughout 12-month period, as the fallout from the COVID-19 pandemic began to be absorbed into the economic data, although the heights of the turmoil reached in March were not matched.

UK gross domestic product ("GDP") in real terms declined by 9.9% in 2020, according to the Office for National Statistics ("ONS"), a far worse outturn than many other large economies but not as bad as the worst estimates. Second-quarter GDP released in August showed a particularly prominent quarterly decline of 20.4%, roughly double the drop seen in the United States and the second-worst performance in Europe during that timeframe, with output in services making up most of the fall. On this point, although it is evident the UK economy has been particularly impacted by the pandemic, we see the phasing of restrictions and deflator adjustments to the data as exaggerating declines, which should balance out over time, in our view.

With central bank monetary response to the pandemic being implemented rapidly and at scale, and the interest rate outlook unlikely to change for some time, the next important steps were to come from fiscal policymakers. In the United Kingdom, the reduction of stamp duty, value-added tax cuts for food and hospitality sectors and incentives for employers to retain furloughed staff were all received well. These went a long way to stabilise the official unemployment rate at about 5% relative to estimates that were almost double this figure. However, driven by the rounds of spending measures, UK public sector net debt reached 97.5% of GDP as of February 2021, according to the ONS.

Although it was difficult to envisage an end to the pandemic, in November, we began to get the first data points showing that three of the vaccines in development were highly effective at producing an immune response. Markets reacted as expected with the poorest-performing stocks across travel and leisure reversing course as investors began to paint a realistic picture as to how these hardest-hit companies would be able to navigate the acute financial pressure they were facing.

After the touchpaper was lit with the vaccine news, we began to see investors price in higher levels of inflation, as it became clear that central banks were unlikely to tighten policy in the face of transitory spikes in inflation. Nominal yield curves across developed countries have steepened. The pick-up in yields resulted in a broad outperformance of bank and commodity stocks over the wider market.

Finally, on Brexit, as we suspected, the departure from the European Union has been inconsequential in the shadow of the pandemic. However, it has been difficult to disentangle the impact of the transition in the short-run economic data, given the much more profound factors currently in play, and, as such, the longer-term implications remain difficult to predict.

Significant Changes

During the 12-month period, the biggest stock purchases included package holiday operator Jet2, reinsurance underwriting business Conduit Holdings, housebuilder MJ Gleeson, closed-book insurance consolidator Randall & Quilter Investment Holdings and alternative asset manager Foresight Group Holdings.

The largest sales included video games producer Codemasters Group Holdings, telecommunications hardware testing business Spirent Communications, pork and poultry producer Cranswick, pension administration business XPS Pensions Group and building materials provider Polypipe Group PLC.

We bought Conduit Holdings in December. In our opinion, the management team has a great track record of establishing and growing underwriting businesses in similar market conditions; with the company floating at book value, we believed it was outstanding relative value to other listed peers and free of any legacy issues. We participated in the equity placing by MJ Gleeson, buying at a discount to its long-term average valuation. We added Foresight through an initial public offering in February. The company has grown rapidly, with a range of funds that we believe is resonating with investors as they seek to gain more exposure to funds with strong environmental, social and governance credentials.

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

We sold Codemasters in January, locking in profits after strong run. Spirent Communications had been a good performer for the Fund and is well positioned for the global 5G rollout. However, we believed its valuation reflected this opportunity, while the strength of the share since ownership had resulted in the stock leaving the small-cap benchmark. We sold the position in Cranswick after a strong run. We also disposed of XPS as we had concerns that the company was unable to win many new mandates amid social-distancing restrictions. We sold the position in Polypipe, believing that its valuation fairly reflected its prospects.

Positive/Negative Contributors

At the sector level, security selection in technology detracted from relative results, although overweight exposure to this area added relative value. Overweight exposure to industrial goods and services also weighed on relative performance. In contrast, an overweight allocation to consumer products and services added to relative returns, as did selection in construction and materials.

At a stock level, records management and shredding business Restore detracted most from relative returns. The company's share price fell significantly in the first-quarter of 2021; with most people in the United Kingdom continuing to work from home, this has severely hindered demand for office-based services. Gift-wrap manufacturer IG Design Group was also among the largest detractors. The company suffered earlier in the period after its chief executive sold most of his shareholding. Electronic component design and manufacturer discoverIE Group was also a leading detractor; despite a resilient trading update in the fourth quarter, the company underperformed the benchmark. As such, our overweight position in the stock hurt relative results.

Codemasters was the top stock-level contributor over the review period. Its share price was up almost 170%, buoyed by a positive outlook underpinned by a strong pipeline of title releases. Tour operator Jet2 rallied over the fourth quarter of 2020 on the back of COVID-19 vaccine announcements suggesting an eventual return to normality across the tourism sector. Although subsequent lockdown measures negatively affected first-quarter 2021 performance, the stock price was still up over 190% over the review period. Ventilation and air-quality product supplier Volution Group made a further notable contribution to relative returns, with the company releasing stronger-than-expected results over the period.

Outlook

2020 proved once again that, even if investors could accurately predict events, predicting market movements based on this foresight is near impossible. However, we still have certain base-case scenarios in mind and, with a robust economic outlook ahead of us in 2021, we remain attuned to a different set of risks than those we saw last year.

The International Monetary Fund has forecast global output to increase by 6.0% in 2021 and 4.4% in 2022, with the UK economy growing by 5.3% and 5.1%, respectively (relative to the eurozone's 4.4% and 3.8%). This is a dramatic growth spurt for what was previously a low benign economic backdrop driven by an expansion in government stimulus (primarily in the United States) and resumption (and catch up) of consumer spending.

Clearly this is good news, but we do see temporary inflationary risks emerging, given the commitment of central banks to keeping rates low and the base effects from weak commodity prices in the first half of 2020. It is our view that these inflationary spikes will pass, but their impact may be significant on equity leadership and hard to predict.

Adding to inflationary concerns is the ramp-up in government spending. The United States is leading the way, with a further US\$1.9 trillion (9% of 2019 gross domestic product) approved in the Senate in the American Rescue Plan. It remains to be seen to what extent this changes longer term government spending habits and tax increases down the line. Although rates remain low, it seems that we are moving into a regime of higher spending and higher taxes across developed economies. Political risks, at least domestically, have fortunately receded, if we discount the impact of the Scottish elections and renewed impetus for a Scottish referendum in May. Globally, tensions between China and the West remain heightened even with a new administration in the White House. Chinese adventurism in the South China Sea and Taiwan are perennial risks that show no sign of abating and could have catastrophic impacts on global trade and relations.

In terms of COVID-19, we are impressed by the progress made in the United Kingdom; with the efficient rollout of the vaccine, combined with prior spread of the virus, 54% of the entire population of England have been shown to have antibodies. The big risks here now relate to a slow rollout of vaccines globally and mutagenic shift of the virus.

Richard Bullas, Dan Green, CFA, Marcus Tregoning & Mark Hall

Fund Managers

31 March 2021

Comparative Table, 31 March 2021

Franklin UK Smaller Companies Fund

	31 March 2021	31 March 2020	31 March 2019
A – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	935.45	1,055.31	1,146.65
Return before operating charges ¹	544.08	(93.84)	(67.06)
Operating charges ²	(18.69)	(17.93)	(18.25)
Return after operating charges ³	525.39	(111.77)	(85.31)
Distribution	–	(8.09)	(6.03)
Closing net asset value per share	1,460.84	935.45	1,055.31
After direct transaction costs of ⁴	1.07	0.68	1.62

Performance

Return after charges ⁵	56.16%	(10.59%)	(7.44%)
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Other information

Closing net asset value (£)	8,838,727	6,667,025	13,196,250
Closing number of shares	605,042	712,708	1,250,463
Operating charges ratio ⁶	1.57%	1.58%	1.58%
Direct transaction costs ⁴	0.09%	0.06%	0.14%

Prices (p)

Highest share price	1,474.79	1,312.84	1,256.18
Lowest share price	919.63	821.16	985.41

	31 March 2021	31 March 2020	31 March 2019
W – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	216.57	240.58	258.07
Return before operating charges ¹	126.47	(21.83)	(15.36)
Operating charges ²	(2.29)	(2.18)	(2.13)
Return after operating charges ³	124.18	(24.01)	(17.49)
Closing net asset value per share	340.75	216.57	240.58
Distributions	(0.76)	(3.82)	(3.29)
Retained distributions on accumulation shares	0.76	3.82	3.29
After direct transaction costs of ⁴	0.25	0.16	0.36

Performance

Return after charges ⁵	57.34%	(9.98%)	(6.78%)
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Other information

Closing net asset value (£)	171,897,835	139,845,667	186,355,313
Closing number of shares	50,446,996	64,572,764	77,461,117
Operating charges ratio ⁶	0.82%	0.83%	0.83%
Direct transaction costs ⁴	0.09%	0.06%	0.14%

Prices (p)

Highest share price	343.99	302.47	283.15
Lowest share price	212.92	189.30	223.62

Franklin UK Smaller Companies Fund (continued)

	31 March 2021	31 March 2020	31 March 2019
W – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	103.25	116.63	126.76
Return before operating charges ¹	60.30	(10.48)	(7.48)
Operating charges ²	(1.10)	(1.05)	(1.04)
Return after operating charges ³	59.20	(11.53)	(8.52)
Distribution	(0.36)	(1.85)	(1.61)
Closing net asset value per share	162.09	103.25	116.63
After direct transaction costs of ⁴	0.12	0.08	0.17

Performance

Return after charges ⁵	57.34%	(9.89%)	(6.72%)
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Other information

Closing net asset value (£)	121,275,444	95,922,816	96,536,969
Closing number of shares	74,819,786	92,907,245	82,771,843
Operating charges ratio ⁶	0.82%	0.83%	0.83%
Direct transaction costs ⁴	0.09%	0.06%	0.14%

Prices (p)

Highest share price	163.99	145.79	139.08
Lowest share price	101.51	91.24	109.33

	31 March 2021	31 March 2020	31 March 2019
Z – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	213.19	237.30	255.06
Return before operating charges ¹	124.34	(21.45)	(15.15)
Operating charges ²	(2.77)	(2.66)	(2.61)
Return after operating charges ³	121.57	(24.11)	(17.76)
Closing net asset value per share	334.76	213.19	237.30
Distributions	(0.22)	(3.24)	(2.74)
Retained distributions on accumulation shares	0.22	3.24	2.74
After direct transaction costs of ⁴	0.24	0.15	0.35

Performance

Return after charges ⁵	57.02%	(10.16%)	(6.96%)
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Other information

Closing net asset value (£)	5,046,407	4,084,480	4,911,261
Closing number of shares	1,507,473	1,915,900	2,069,664
Operating charges ratio ⁶	1.02%	1.03%	1.03%
Direct transaction costs ⁴	0.09%	0.06%	0.14%

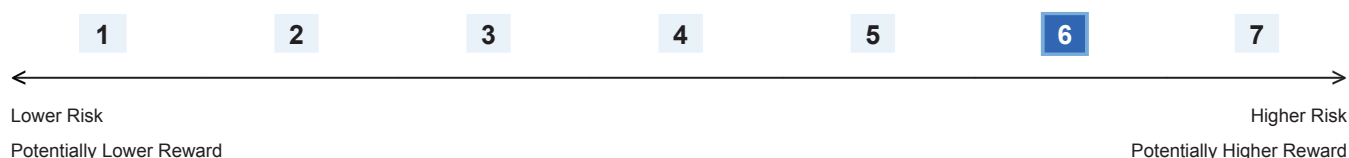
Prices (p)

Highest share price	337.94	297.81	279.74
Lowest share price	209.60	186.35	220.68

Franklin UK Smaller Companies Fund (continued)

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

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

Risk Profile (W(acc) shares)

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

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

Portfolio of Investments, 31 March 2021

Franklin UK Smaller Companies Fund

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
EQUITIES 99.05% (94.87%)			
AEROSPACE AND DEFENSE 3.84% (5.65%)			
147,000	Avon Rubber plc	4,520	1.47
2,762,100	Chemring Group plc	7,278	2.37
		11,798	3.84
BEVERAGES 1.16% (0.00%)			
731,000	AG Barr plc	3,553	1.16
CLOSED END INVESTMENTS 1.81% (1.16%)			
709,100	Gresham House plc [#]	5,566	1.81
CONSTRUCTION AND MATERIALS 4.33% (7.61%)			
3,450,000	Volution Group plc	13,283	4.33
CONSUMER DISCRETIONARY 1.23% (0.00%)			
3,077,080	Restaurant Group plc (The)	3,785	1.23
FOOD PRODUCERS 1.29% (4.55%)			
1,017,676	Hotel Chocolat Group plc [#]	3,969	1.29
HOUSEHOLD GOODS AND HOME CONSTRUCTION 4.96% (2.11%)			
886,750	MJ Gleeson plc	7,271	2.37
3,700,000	Watkin Jones plc [#]	7,937	2.59
		15,208	4.96
INDUSTRIAL ENGINEERING 3.04% (2.79%)			
825,000	Vitec Group plc (The)	9,323	3.04
INDUSTRIAL METALS AND MINING 1.75% (1.83%)			
640,000	Bodycote plc	5,366	1.75
INDUSTRIAL SUPPORT SERVICES 12.72% (12.81%)			
2,647,228	Fintel plc [#]	5,718	1.86
3,078,550	Johnson Service Group plc [#]	4,679	1.52
1,176,650	Midwich Group plc [#]	5,213	1.70
2,400,100	Restore plc [#]	8,640	2.81
1,379,800	Robert Walters plc	8,417	2.74
1,046,700	RWS Holdings plc [#]	6,416	2.09
		39,083	12.72
INDUSTRIAL TRANSPORTATION 3.79% (5.04%)			
175,900	Clarkson plc	4,802	1.56
10,359,500	Speedy Hire plc	6,837	2.23
		11,639	3.79

Franklin UK Smaller Companies Fund (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
INVESTMENT BANKING AND BROKERAGE SERVICES 11.77% (12.98%)			
392,300	Alpha FX Group plc, Reg S [#]	5,021	1.64
1,206,171	Foresight Group Holdings Ltd.	5,042	1.64
1,927,557	JTC plc, Reg S	11,874	3.87
1,484,300	Polar Capital Holdings plc [#]	10,360	3.37
2,700,000	Premier Miton Group plc [#]	3,834	1.25
		36,131	11.77
LEISURE GOODS 3.06% (5.54%)			
2,593,479	Sumo Group plc [#]	9,388	3.06
MEDIA 1.87% (0.00%)			
2,546,530	Tinybuild, Inc., Reg S [#]	5,730	1.87
NON-LIFE INSURANCE 3.84% (0.00%)			
1,210,000	Conduit Holdings Ltd.	6,243	2.03
3,200,000	Randall & Quilter Investment Holdings Ltd. [#]	5,568	1.81
		11,811	3.84
PERSONAL CARE, DRUG AND GROCERY STORES 4.51% (2.59%)			
1,800,000	IG Design Group plc [#]	10,368	3.38
1,300,000	PZ Cussons plc	3,478	1.13
		13,846	4.51
PHARMACEUTICALS AND BIOTECHNOLOGY 3.27% (1.98%)			
5,124,700	Alliance Pharma plc [#]	4,746	1.55
450,000	Ergomed plc [#]	5,288	1.72
		10,034	3.27
REAL ESTATE INVESTMENT AND SERVICES 0.00% (1.69%)			
REAL ESTATE INVESTMENT TRUSTS 3.69% (4.16%)			
4,500,000	Urban Logistics REIT plc ^{#,§}	6,615	2.16
585,300	Workspace Group plc [§]	4,709	1.53
		11,324	3.69
RETAILERS 2.76% (1.32%)			
3,141,500	DFS Furniture plc	8,482	2.76
SOFTWARE AND COMPUTER SERVICES 12.91% (7.89%)			
510,400	Auction Technology Group plc	4,115	1.34
1,498,100	Bytes Technology Group plc	5,986	1.95
5,500,000	dotdigital group plc [#]	9,185	2.99
2,906,000	Kin & Carta plc	5,100	1.66
3,400,000	NCC Group plc	8,874	2.89
983,800	Tracsis plc [#]	6,395	2.08
		39,655	12.91
TECHNOLOGY HARDWARE AND EQUIPMENT 5.80% (8.83%)			
1,500,000	DiscoverIE Group plc	10,050	3.27
341,600	Gooch & Housego plc [#]	4,168	1.36
1,600,000	TT Electronics plc	3,600	1.17
		17,818	5.80

Franklin UK Smaller Companies Fund (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	TELECOMMUNICATIONS EQUIPMENT 0.00% (3.08%)		
	TRAVEL AND LEISURE 5.65% (1.26%)		
3,000,000	City Pub Group plc (The), Reg S [#]	4,050	1.32
603,406	JET2 plc [#]	7,573	2.47
1,077,428	Patisserie Holdings plc [¢]	–	0.00
328,600	Young & Co's Brewery plc [#]	2,957	0.96
190,582	Young & Co's Brewery plc, A [#]	2,763	0.90
		17,343	5.65
	TOTAL - EQUITIES	304,135	99.05
	TOTAL VALUE OF INVESTMENTS	304,135	99.05
	OTHER ASSETS	2,923	0.95
	TOTAL NET ASSETS	307,058	100.00

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2020.

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

[#] Traded on an alternative investment market.

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

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

Franklin UK Smaller Companies Fund

Statement of Total Return

For the year ended 31 March 2021

	Notes	March 2021 £000	March 2021 £000	March 2020 £000	March 2020 £000
Income					
Net capital gains/(losses)	1		124,282		(33,749)
Revenue	2	2,954		7,277	
Expenses	3	(2,340)		(2,712)	
Net revenue before taxation		614		4,565	
Taxation	4	62		(8)	
Net revenue after taxation			676		4,557
Total return before distributions for the year			124,958		(29,192)
Distributions	5		(715)		(4,566)
Change in net assets attributable to shareholders			124,243		(33,758)

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 March 2021

	March 2021 £000	March 2021 £000	March 2020 £000	March 2020 £000
Opening net assets attributable to shareholders		246,520		301,000
Amounts received on creation of shares	48,376		93,119	
Amounts paid on cancellation of shares	(112,466)		(116,423)	
		(64,090)		(23,304)
Change in net assets attributable to shareholders from investment activities (see above)		124,243		(33,758)
Retained distribution on accumulation shares		385		2,582
Closing net assets attributable to shareholders		307,058		246,520

Balance sheet

As at 31 March 2021

	Notes	March 2021 £000	March 2020 £000
Assets			
Fixed assets			
Investments		304,135	233,884
Current assets			
Debtors	6	1,000	737
Cash and bank balances		4,059	15,786
Total assets		309,194	250,407
Liabilities			
Creditors			
Distributions payable	5	(267)	(1,084)
Other creditors	7	(1,869)	(2,803)
Total liabilities		(2,136)	(3,887)
Net assets attributable to shareholders		307,058	246,520

Notes to the Financial Statements

	March 2021 £000	March 2020 £000
1. Net capital gains/(losses)		
The net capital gains/(losses) during the year comprise:		
Non-derivative securities gains/(losses)	124,282	(33,749)
	124,282	(33,749)
2. Revenue		
UK dividends	2,790	6,893
Overseas dividends	163	368
Bank and other interest	1	16
	2,954	7,277
3. Expenses		
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's annual management charge	2,097	2,462
ACD's administration charge*	29	158
	2,126	2,620
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	43	48
Safe custody fees	2	19
	45	67
Other expenses:		
Administration charge*	144	—
Audit fees	13	10
Legal and publication fees	11	12
Printing fees	1	3
	169	25
	2,340	2,712
*From 22 June 2020, Franklin Templeton Funds has delegated fund accounting, fund tax and related fund reporting services to JP Morgan Chase Bank N.A London Branch.		
4. Taxation		
(a) Analysis of the charge for the year		
Irrecoverable overseas tax	(62)	8
Total current tax (Note 4(b))	(62)	8
Total taxation	(62)	8
(b) Factors affecting the current tax charge for the year		
The tax assessed for the year is lower (2020: lower) than the standard rate of corporation tax in the UK for Open-ended Investment Companies (20% (2020: 20%)).		
The differences are explained below:		
Net revenue before taxation	614	4,565
Corporation tax of 20% (2020: 20%)	123	913
Effects of:		
Excess management expenses	406	435
Revenue not subject to corporation tax	(529)	(1,363)
Irrecoverable overseas tax	(62)	8
Revenue taxable in different years	—	15
Current tax charge for the year (Note 4(a))	(62)	8

**March
2021
£000**

**March
2020
£000**

4. Taxation (continued)

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

At the year end there is a potential deferred tax asset of £3,106,000 (£2,700,000 as at 31 March 2020) in relation to excess management fees. It is unlikely the Fund will generate sufficient tax profits in the future to utilise these amounts and therefore no deferred tax assets have been recognised in the year.

5. (a) Distributions

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

Interim dividend distributions

Income	–	661
Accumulation	–	1,026
	–	1,687

Final dividend distributions

Income	267	1,084
Accumulation	385	1,556
	652	2,640

Add: Revenue deducted on cancellation of shares	122	861
Deduct: Revenue received on issue of shares	(59)	(622)
Total distribution	715	4,566

(b) Difference between net revenue and distribution:

Net revenue after taxation	676	4,557
Revenue deficit payable from capital	39	–
Net revenue received on share class conversions	–	9
Total distribution for the year	715	4,566

Details of the distribution in pence per share for this Fund are set out in the table on page 153.

6. Debtors

Amounts receivable for issue of shares	794	484
Accrued income	206	253
	1,000	737

7. Other creditors

Amounts payable for cancellation of shares	1,507	1,435
Accrued expenses	233	212
Purchases awaiting settlement	129	1,156
	1,869	2,803

8. Related parties

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

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

8. Related parties (continued)

The amounts due to the ACD and associates of the ACD in respect of management and administration fees at 31 March 2021 are £197,000 (£190,000 as at 31 March 2020).

9. Risk management policies and disclosures

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

Market Risk

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

Currency risk

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

At the year end date, 0.00% (2020: 0.00%) of the net assets of the Fund were denominated in currencies other than sterling and as such the currency risk is not considered significant.

Interest rate risk

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

Other price risk

At the year end date, 99.05% (2020: 94.87%) of the net assets of the Fund were invested in ordinary shares or stock units admitted to an official stock exchange. If the market value were to change by 10% (2020: 10%), the value of the Fund would change by 9.91% (2020: 9.49%).

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

10. Portfolio Transaction Costs

	Principal £000	Commissions £000	Taxes and other £000	Total cost £000	Commissions % of principal	Taxes and other % of principal
2021 Purchases						
Equities	96,915	41	111	97,067	0.04	0.11
Sales						
Equities	151,183	(85)	(1)	151,097	(0.06)	–
Total cost of the Fund's average net asset value (%)		0.05	0.04			
	Principal £000	Commissions £000	Taxes and other £000	Total cost £000	Commissions % of principal	Taxes and other % of principal
2020 Purchases						
Equities	68,919	37	97	69,053	0.05	0.14
Sales						
Equities	80,039	(47)	–	79,992	(0.06)	–
Total cost of the Fund's average net asset value (%)		0.02	0.03			

10. Portfolio Transaction Costs (continued)

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

In addition, there is a dealing spread between the buying and selling prices of the underlying investments. The average dealing spread which is the difference between the quoted bid and offer prices or internal administrative or holding costs, are not included in the calculation of Direct Transaction Costs. As at 31 March 2021, the average dealing spread for the underlying Fund investments is 1.66% (2020: 1.50%).

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

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

11. Creations and Cancellations of Shares

	Number of shares in issue as at 1 April 2020	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue as at 31 March 2021
A – Income shares	712,708	89,307	(194,291)	(2,682)	605,042
W – Accumulation shares	64,572,764	81,707,831	(95,792,087)	(41,512)	50,446,996
W – Income shares	92,907,245	110,687,778	(128,876,876)	101,639	74,819,786
Z – Accumulation shares	1,915,900	33,098	(446,215)	4,690	1,507,473

12. Fair Value Disclosure

Instruments held at the year end are presented in line with amendments to FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland Fair value hierarchy disclosures.

Level 1: Unadjusted quoted price in an active market for an identical instrument.

Level 2: Valuation techniques using observable inputs other than quoted prices within level 1.

Level 3: Valuation techniques using unobservable inputs.

Fair Value Hierarchy	Assets 31 March 2021 £000	Liabilities 31 March 2021 £000	Assets 31 March 2020 £000	Liabilities 31 March 2020 £000
Level 1	304,135	–	233,767	–
Level 2	–	–	117	–
Level 3	–	–	–	–
Total	304,135	–	233,884	–

13. Post balance sheet events

During the period from the balance sheet date to 29 June 2021, the net asset value of the Fund had increased by 15.94%.

The table below shows the net asset values per share* as at the balance sheet date, compared against values as at 29 June 2021 and the percentage movement in that period:

	Net Asset Value as at 29 June 2021	Net Asset Value as at 31 March 2021	% Movement
A – Income	1,621.48	1,468.65	10.41
W – Accumulation	378.92	342.57	10.61
W – Income	180.25	163.31	10.37
Z – Accumulation	372.07	336.55	10.56

Furthermore, it has been identified that in the period from the balance sheet date to 29 June 2021, the Fund experienced 13.92% of redemptions from the Fund.

Under FRS 102, these do not constitute as adjusting events and the financial statements were not amended.

* The impact analysis is based on dealing prices as opposed to the net asset value per share from the financial statements. The prices used at 29 June 2021 for the above analysis are not materially different as at signing date.

Franklin UK Smaller Companies Fund

Distribution Statement

For the period 1 April 2020 to 30 September 2020

Group 1 Shares purchased prior to 1 April 2020

Group 2 Shares purchased in the period 1 April 2020 to 30 September 2020

	Net Income p	Equalisation p	30 September 2020 Pence per Share p	30 September 2019 Pence per Share p
A Income Shares				
Group 1	—	—	—	4.3293
Group 2	—	—	—	4.3293
W Accumulation Shares				
Group 1	—	—	—	1.4633
Group 2	—	—	—	1.4633
W Income Shares				
Group 1	—	—	—	0.7095
Group 2	—	—	—	0.7095
Z Accumulation Shares				
Group 1	—	—	—	1.3180
Group 2	—	—	—	1.3180

For the period 1 October 2020 to 31 March 2021

Group 1 Shares purchased prior to 1 October 2020

Group 2 Shares purchased in the period 1 October 2020 to 31 March 2021

	Net Income p	Equalisation p	31 March 2021 Pence per Share p	31 March 2020 Pence per Share p
A Income Shares				
Group 1	—	—	—	3.7619
Group 2	—	—	—	3.7619
W Accumulation Shares				
Group 1	0.7574	—	0.7574	2.3521
Group 2	0.1960	0.5614	0.7574	2.3521
W Income Shares				
Group 1	0.3571	—	0.3571	1.1379
Group 2	0.0520	0.3051	0.3571	1.1379
Z Accumulation Shares				
Group 1	0.2158	—	0.2158	1.9258
Group 2	—	0.2158	0.2158	1.9258

Equalisation

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

Investment Review

Performance

For the one-year period ended 31 March 2021, Franklin US Opportunities Fund returned 37.14%*, while its benchmark, the Russell 3000® Growth Index¹, returned 47.97%. Fund performance also lagged the S&P500's broad measure of the US equity market.

Overview

US equities, as measured by the Standard & Poor's® 500 Index (S&P 500®), advanced strongly during the 12 months ended March 31, 2021. Equities rose throughout the reporting period amidst the US recovery from the initial shock of the novel coronavirus (COVID-19) pandemic and related restrictions. Better understanding of safety standards that could reduce transmission led many states to partially reopen in April and May 2020, boosting equities. Several significant rounds of stimulus, including direct payments to individuals and programmes designed to keep employees on payrolls, also supported stock prices. In November 2020, the development of several vaccines bolstered investor confidence, and the implementation of mass vaccination programmes in early 2021 led to further gains, as US equities reached an all-time high in March 2021.

The US economy was severely impacted by the pandemic, as business closures and restrictions on gatherings disrupted everyday life. As a result, second-quarter 2020 gross domestic product (GDP) experienced a record annualised decline, and mass layoffs drove the unemployment rate to a peak of 14.8% in April. However, economic conditions improved rapidly thereafter, with GDP rebounding at a record annualised pace in 2020's third quarter and expanding more slowly in the fourth quarter. Similarly, the unemployment rate declined notably, reaching 6.0% in March 2021 as jobless claims fell and employment openings began to increase.

To support the US economy, the US Federal Reserve (Fed) kept the federal funds target rate at a record-low range of 0.00%–0.25%. The Fed also enacted quantitative easing measures aimed at ensuring credit flows to borrowers and supporting credit markets with open-ended bond purchasing. Furthermore, the Fed signalled that interest rates would potentially remain low, even if inflation moderately exceeded its 2% target.

The combination of large stimulus payments, increasing asset prices and rising savings during lockdowns led to the strengthening of household balance sheets, as wealth levels rose and credit card debt declined in 2020's fourth quarter. Nonetheless, areas of economic weakness remained, including total employment numbers that stayed well below pre-pandemic levels. However, the combination of higher household wealth and pent-up consumer demand led investors to anticipate a surge in spending. Consequently, inflation expectations increased to the highest level in more than 10 years near period-end.

Significant Changes

For the one-year period ended 31 March 2021, the information technology sector was the largest sector weighting in the fund. Noteworthy changes in sector weightings included increases in consumer discretionary and materials and decreases in industrials and real estate.

Notable positions that were added or increased during the reporting period: T-Mobile, Amazon.com, ArcLight Clean Transition, Danaher and Shopify.

T-Mobile is the nation's largest mobile network. It completed its merger with Sprint in April 2020 creating a customer base that is ahead of competitors. The combined company has continued to gain market share in the highly competitive telecom space and is committed to bringing a broad and deep 5G network nationwide.

Amazon is the largest online retailer in the United States, selling a diversified set of products as well as producing consumer electronics and providing cloud computing services. We believe a combination of Prime subscription growth, grocery business expansion and the acceleration of Amazon Web Services can continue to generate strong results for Amazon in to 2021.

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

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

ArcLight Clean Transition is a special purpose acquisition company that is merging with commercial electric vehicle maker Proterra (not held in the fund) and taking it public. Proterra has been developing electric battery technology since 2004. The company makes electric-powered transit buses, school buses, delivery trucks and other commercial vehicles, and the Proterra battery is powering electric cars from world-class automakers. We believe decarbonisation trends by businesses and government can create opportunities for clean energy companies like Proterra.

Danaher designs, manufactures and markets professional, medical, industrial and consumer products. The company completed its acquisition of biopharmaceutical business Cytiva in March 2020, which is expected to play an integral role in scaling the manufacturing and production of a COVID-19 vaccine. We see further upside in earnings in the next couple of years for Danaher driven by COVID-19 tailwinds and Cytiva capabilities.

Shopify's e-commerce platform allows merchants of all sizes to build an online presence, including storefronts and fulfilment, payment, and shipping services. We believe the rapid development and operation of e-commerce sites by small- and medium-sized merchants will continue long after the COVID-19 disruption and will help drive growth for Shopify.

Notable sales for the fund during the reporting period were Microsoft, Peloton Interactive, IHS Markit, Immunomedics and Zoom Video Communications.

Microsoft Corporation is multinational technology company that develops, manufactures, licenses, supports and sells computer software, consumer electronics, personal computers and related services. Microsoft's business became more relevant during COVID-19 and the broader digital transformation opportunity, particularly with its Azure cloud computing services. We reduced our exposure following record-high performance of the stock.

Peloton Interactive is a high-end fitness company that has seen surging demand—brought on by the coronavirus pandemic—for its at-home, connected fitness products. While we continue to believe that the business is reshaping the fitness industry as we know it and can continue to compound its user base through expansion into new geographies and product categories, we believe that the stock now more than fully reflects the opportunity ahead of them.

IHS Markit provides critical information, analytics and solutions for various industries and markets worldwide. The company is being acquired by S&P Global, which provides independent ratings of stock and bond issues. The fund currently holds a position in S&P Global. We sold off IHS Markit following post-merger announcement stock gains.

Immunomedics is a cancer specialist with a first-in-class metastatic breast cancer treatment that was granted accelerated approval by the U.S. Food and Drug Administration. Over the period, Immunomedics became a wholly owned subsidiary of Gilead Sciences, a biopharmaceutical company with a pipeline of antiviral drugs used in the treatment of HIV, hepatitis B, hepatitis C and influenza. The acquisition represents significant progress in Gilead's work to build a strong and diverse oncology portfolio. We sold off Immunomedics prior to its integration.

Zoom Video Communications provides video conferencing through a cloud-based peer-to-peer software platform. Zoom services are used for teleconferencing, telecommuting, distance education and social relations, which became highly relevant during the COVID-19 pandemic. While Zoom remains an essential service in this time of pandemic, we believe the development and distribution of COVID-19 vaccines will pressure Zoom's usage and revenue as the world reverts to some semblance of normal.

Contributors and Detractors

The fund underperformed its benchmark index for the one-year reporting period ended 31 March 2021. The industrials and real estate sectors were leading detractors from relative performance, while the health care and consumer staples sectors contributed to relative returns.

Results in the industrials sector were hampered by an overweighting in the professional services industry and positions in data analytics providers CoStar Group and Verisk Analytics. In the real estate sector, wireless telecommunications tower operator SBA Communications lowered its 2021 outlook to reflect a slower pace of new leasing activity. The company faced headwinds against the backdrop of COVID-19 conditions in its markets.

In contrast, stock selection benefitted health care sector performance. The promising development of a COVID-19 vaccine candidate was a boost for the shares of Novavax, which was a top fund contributor. West Pharmaceutical Services was another notable contributor in the sector. The company manufactures components for injectable drug delivery and has been benefitting from accelerating demand for components associated with COVID-19 vaccines and therapeutics.

In the information technology sector, Twilio was a top performer as the COVID-19 environment has increased demand for the company's digital communication services. Payment solutions provider Bill.com Holdings was another solid contributor. The company has been a beneficiary of the growing need of smaller companies to switch to cost- and time-saving digital bill payment technologies to stay competitive. Conversely, an underweight in Apple was a drag on relative performance. The company has seen strong demand for its products as consumers require more devices at home to support various streaming needs for work, school and entertainment. Elsewhere, an increase in home-based fitness trends started by the pandemic continued to boost the shares of Peloton Interactive in the consumer discretionary sector.

Outlook

Growth expectations for the US economy have continued to accelerate with the rollout of more fiscal stimulus and the increase in production and distribution of COVID-19 vaccines. As a result, inflation concerns and rising bond yields have led to volatility in financial markets, which is not unusual given the many variables.

We continue to monitor financial market uncertainties but resist the temptation to trade on short-term news flow or emotions. Instead, our active, flexible investment style allows us to seek out what we consider to be high-quality, innovative companies that are leaders in their industries and operate with superior management and strong balance sheets.

Some of the biggest investment opportunities we see involve digital innovation in industries beyond technology. The communication services and consumer discretionary sectors have been direct beneficiaries of the shift to working from home and e-commerce. We also see drivers of value creation in industries including health care, fintech (financial technology), consumer retail and manufacturing, with innovative technology bringing those industries up to speed and into a more competitive position for the global landscape.

Our focus is on finding what we view to be quality companies with robust competitive advantages, strong balance sheets and high free cash flows that can weather a severe economic downturn as well as increased market and economic volatility. We take a long-term view and see volatility as presenting potential opportunities to take advantage of what we consider good prices for excellent companies set to benefit from notable secular growth trends.

Grant Bowers & Sara Araghi, CFA

Fund Managers

31 March 2021

Comparative Table, 31 March 2021

Franklin US Opportunities Fund

	31 March 2021	31 March 2020	31 March 2019
A – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	464.36	459.13	392.46
Return before operating charges ¹	196.93	13.18	73.58
Operating charges ²	(9.97)	(7.95)	(6.91)
Return after operating charges ³	186.96	5.23	66.67
Closing net asset value per share	651.32	464.36	459.13
After direct transaction costs of ⁴	0.06	0.05	0.09

Performance

Return after charges ⁵	40.26%	1.14%	16.99%
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Other information

Closing net asset value (£)	11,734,722	7,378,342	9,089,479
Closing number of shares	1,801,691	1,588,931	1,979,721
Operating charges ratio ⁶	1.59%	1.59%	1.59%
Direct transaction costs ⁴	0.01%	0.01%	0.02%

Prices (p)

Highest share price	714.72	575.71	479.80
Lowest share price	443.09	429.07	377.36

	31 March 2021	31 March 2020	31 March 2019
W – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	296.93	291.39	247.22
Return before operating charges ¹	126.02	8.21	46.48
Operating charges ²	(3.37)	(2.67)	(2.31)
Return after operating charges ³	122.65	5.54	44.17
Closing net asset value per share	419.58	296.93	291.39
After direct transaction costs of ⁴	0.04	0.03	0.05

Performance

Return after charges ⁵	41.31%	1.90%	17.87%
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Other information

Closing net asset value (£)	101,093,837	60,465,136	73,860,079
Closing number of shares	24,093,952	20,363,536	25,347,632
Operating charges ratio ⁶	0.84%	0.84%	0.84%
Direct transaction costs ⁴	0.01%	0.01%	0.02%

Prices (p)

Highest share price	459.98	367.83	303.22
Lowest share price	283.34	274.32	239.02

Franklin US Opportunities Fund (continued)

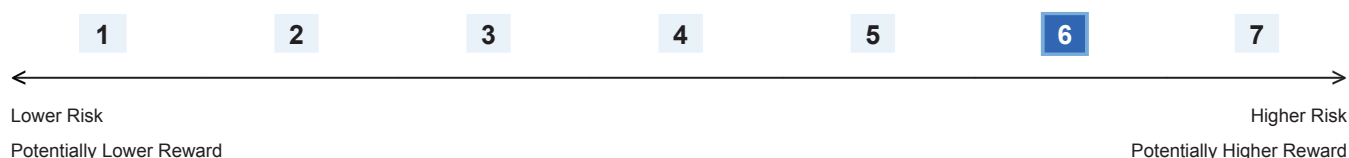
	31 March 2021	31 March 2020	31 March 2019
Y – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	227.68	222.69	188.33
Return before operating charges ¹	96.70	6.15	35.52
Operating charges ²	(0.11)	(0.10)	(0.08)
Return after operating charges ³	96.59	6.05	35.44
Distribution	(0.96)	(1.06)	(1.08)
Closing net asset value per share	323.31	227.68	222.69
After direct transaction costs of ⁴	0.03	0.02	0.04
Performance			
Return after charges ⁵	42.42%	2.72%	18.82%
Other information			
Closing net asset value (£)	6,356	4,476	4,378
Closing number of shares	1,966	1,966	1,966
Operating charges ratio ⁶	0.04%	0.04%	0.04%
Direct transaction costs ⁴	0.01%	0.01%	0.02%
Prices (p)			
Highest share price	355.14	283.08	231.80
Lowest share price	217.27	211.26	183.17

	31 March 2021	31 March 2020	31 March 2019
Z – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	495.45	487.17	414.16
Return before operating charges ¹	211.33	13.79	77.80
Operating charges ²	(6.93)	(5.51)	(4.79)
Return after operating charges ³	204.40	8.28	73.01
Closing net asset value per share	699.85	495.45	487.17
After direct transaction costs of ⁴	0.07	0.05	0.09
Performance			
Return after charges ⁵	41.26%	1.70%	17.63%
Other information			
Closing net asset value (£)	791,536	512,757	978,101
Closing number of shares	113,101	103,492	200,772
Operating charges ratio ⁶	1.04%	1.04%	1.04%
Direct transaction costs ⁴	0.01%	0.01%	0.02%
Prices (p)			
Highest share price	767.24	613.89	507.53
Lowest share price	472.77	457.75	399.83

Franklin US Opportunities Fund (continued)

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

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

Risk Profile (W(acc) shares)

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

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

Portfolio of Investments, 31 March 2021

Franklin US Opportunities Fund

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	EQUITIES 98.99% (99.14%)		
	AEROSPACE & DEFENCE 0.00% (0.84%)		
	APPAREL RETAIL 0.60% (0.24%)		
3,055	Burlington Stores, Inc.	676	0.60
	APPAREL, ACCESSORIES & LUXURY GOODS 0.00% (0.23%)		
	APPLICATION SOFTWARE 10.77% (9.09%)		
6,327	Adobe, Inc.	2,140	1.88
3,200	Atlassian Corp. plc, A	476	0.42
1,970	Autodesk, Inc.	385	0.34
3,090	Avalara, Inc.	281	0.25
13,196	Bill.com Holdings, Inc.	1,319	1.16
4,863	DocuSign, Inc.	695	0.61
4,085	Intuit, Inc.	1,109	0.98
2,727	Paycom Software, Inc.	714	0.63
12,304	PTC, Inc.	1,180	1.04
1,500	Qualtrics International, Inc., A	37	0.03
6,390	salesforce.com, Inc.	975	0.86
5,037	Synopsys, Inc.	877	0.77
1,893	Tyler Technologies, Inc.	570	0.50
4,804	Workday, Inc., A	849	0.75
6,732	Zendesk, Inc.	625	0.55
		12,232	10.77
	ASSET MANAGEMENT & CUSTODY BANKS 1.63% (0.00%)		
55,804	ArcLight Clean Transition Corp., A	635	0.56
14,448	Churchill Capital Corp. IV, A	246	0.22
30,600	Dragoneer Growth Opportunities Corp.	230	0.20
34,500	Soaring Eagle Acquisition Corp.	252	0.22
40,827	Social Capital Hedosophia Holdings Corp. V, A	489	0.43
		1,852	1.63
	AUTO PARTS & EQUIPMENT 0.72% (0.27%)		
8,215	Aptiv plc	820	0.72
	AUTOMOBILE MANUFACTURERS 0.97% (0.25%)		
2,378	Tesla, Inc.	1,099	0.97
	BIOTECHNOLOGY 2.05% (1.67%)		
64,457	Heron Therapeutics, Inc.	718	0.63
7,440	Iovance Biotherapeutics, Inc.	160	0.14
8,121	Novavax, Inc.	1,022	0.90
12,715	PTC Therapeutics, Inc.	432	0.38
		2,332	2.05
	CABLE & SATELLITE 0.70% (1.11%)		
7,199	Liberty Broadband Corp., C	796	0.70
	CONSTRUCTION MATERIALS 0.00% (0.11%)		
	DATA PROCESSING & OUTSOURCED SERVICES 10.70% (12.93%)		
10,731	Black Knight, Inc.	568	0.50

Franklin US Opportunities Fund (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
DATA PROCESSING & OUTSOURCED SERVICES (continued)			
20,622	Mastercard, Inc., A	5,368	4.72
12,967	PayPal Holdings, Inc.	2,229	1.96
25,985	Visa, Inc., A	4,003	3.52
		12,168	10.70
DISTILLERS & VINTNERS 1.00% (0.77%)			
6,692	Constellation Brands, Inc., A	1,138	1.00
ELECTRIC UTILITIES 0.65% (0.00%)			
13,775	NextEra Energy, Inc.	743	0.65
ENVIRONMENTAL & FACILITIES SERVICES 0.50% (0.35%)			
7,827	Republic Services, Inc.	571	0.50
FINANCIAL EXCHANGES & DATA 4.64% (6.04%)			
12,015	Intercontinental Exchange, Inc.	972	0.86
2,413	MarketAxess Holdings, Inc.	869	0.76
6,155	MSCI, Inc.	1,867	1.64
6,106	S&P Global, Inc.	1,565	1.38
		5,273	4.64
FOOTWEAR 0.93% (0.81%)			
10,942	NIKE, Inc., B	1,058	0.93
HEALTH CARE EQUIPMENT 4.89% (4.20%)			
8,984	Danaher Corp.	1,457	1.28
17,104	Edwards Lifesciences Corp.	1,030	0.91
3,770	IDEXX Laboratories, Inc.	1,305	1.15
1,710	Intuitive Surgical, Inc.	903	0.79
8,821	Nevro Corp.	861	0.76
		5,556	4.89
HEALTH CARE SERVICES 0.54% (0.44%)			
5,765	Guardant Health, Inc.	615	0.54
HEALTH CARE SUPPLIES 1.76% (1.65%)			
9,852	West Pharmaceutical Services, Inc.	1,994	1.76
HEALTH CARE TECHNOLOGY 1.88% (1.88%)			
11,764	Veeva Systems, Inc., A	2,132	1.88
HOTELS, RESORTS & CRUISE LINES 0.08% (0.00%)			
700	Airbnb, Inc., A	93	0.08
INDUSTRIAL CONGLOMERATES 1.79% (2.31%)			
5,920	Honeywell International, Inc.	940	0.83
3,730	Roper Technologies, Inc.	1,092	0.96
		2,032	1.79
INDUSTRIAL GASES 0.96% (0.00%)			
5,375	Linde plc	1,091	0.96

Franklin US Opportunities Fund (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	INTEGRATED TELECOMMUNICATION SERVICES 0.00% (3.88%)		
	INTERACTIVE MEDIA & SERVICES 4.51% (4.15%)		
2,312	Alphabet, Inc., A	3,439	3.03
2,300	Bumble, Inc., A	99	0.09
6,057	Facebook, Inc., A	1,268	1.12
8,643	ZoomInfo Technologies, Inc., A	308	0.27
		5,114	4.51
	INTERNET & DIRECT MARKETING RETAIL 8.94% (0.00%)		
4,086	Amazon.com, Inc.	9,071	7.98
354	Booking Holdings, Inc.	599	0.53
13,700	Coupang, Inc.	485	0.43
		10,155	8.94
	INTERNET RETAIL 0.00% (7.96%)		
	INTERNET SERVICES & INFRASTRUCTURE 3.70% (1.25%)		
3,147	Okta, Inc.	488	0.43
1,518	Shopify, Inc., A	1,158	1.02
3,761	Snowflake, Inc., A	607	0.53
8,387	Twilio, Inc., A	1,958	1.72
		4,211	3.70
	INVESTMENT BANKING & BROKERAGE 0.00% (0.72%)		
	LEISURE PRODUCTS 0.00% (0.53%)		
	LIFE SCIENCES TOOLS & SERVICES 1.41% (0.91%)		
2,993	Illumina, Inc.	801	0.71
3,800	Maravai LifeSciences Holdings, Inc., A	94	0.08
77,886	Wuxi Biologics Cayman, Inc., Reg S	708	0.62
		1,603	1.41
	MANAGED HEALTH CARE 2.01% (2.64%)		
8,397	UnitedHealth Group, Inc.	2,281	2.01
	MOVIES & ENTERTAINMENT 0.66% (1.01%)		
5,539	Walt Disney Co. (The)	747	0.66
	PACKAGED FOODS & MEATS 1.54% (1.88%)		
6,169	Freshpet, Inc.	682	0.60
10,431	Lamb Weston Holdings, Inc.	598	0.53
22,940	Nomad Foods Ltd.	465	0.41
		1,745	1.54
	PHARMACEUTICALS 1.83% (2.30%)		
20,522	AstraZeneca plc, ADR [†]	745	0.65
10,457	Catalent, Inc.	787	0.69
3,767	Reata Pharmaceuticals, Inc., A	265	0.23
9,454	Royalty Pharma plc, A	300	0.26
		2,097	1.83
	RAILROADS 1.30% (0.65%)		
9,211	Union Pacific Corp.	1,481	1.30
	RESEARCH & CONSULTING SERVICES 4.07% (6.35%)		
4,282	CoStar Group, Inc.	2,483	2.19
9,210	TransUnion	600	0.53

Franklin US Opportunities Fund (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	RESEARCH & CONSULTING SERVICES (continued)		
12,009	Verisk Analytics, Inc.	1,536	1.35
		4,619	4.07
	RESTAURANTS 1.68% (0.76%)		
1,373	Chipotle Mexican Grill, Inc.	1,403	1.23
6,388	Starbucks Corp.	512	0.45
		1,915	1.68
	SEMICONDUCTORS 4.04% (3.63%)		
7,758	Analog Devices, Inc.	860	0.76
5,326	Monolithic Power Systems, Inc.	1,326	1.17
6,410	NVIDIA Corp.	2,398	2.11
		4,584	4.04
	SOFT DRINKS 0.90% (0.59%)		
15,538	Monster Beverage Corp.	1,024	0.90
	SPECIALIZED REITS 2.58% (0.91%)		
3,559	American Tower Corp. [§]	613	0.54
11,568	SBA Communications Corp. [§]	2,322	2.04
		2,935	2.58
	SPECIALTY CHEMICALS 0.58% (0.21%)		
4,189	Ecolab, Inc.	654	0.58
	SYSTEMS SOFTWARE 6.92% (9.81%)		
29,001	Microsoft Corp.	4,894	4.31
8,371	ServiceNow, Inc.	2,971	2.61
		7,865	6.92
	TECHNOLOGY HARDWARE, STORAGE & PERIPHERALS 3.38% (3.47%)		
44,064	Apple, Inc.	3,841	3.38
	TRADING COMPANIES & DISTRIBUTORS 0.00% (0.34%)		
	WIRELESS TELECOMMUNICATION SERVICES 1.18% (0.00%)		
14,804	T-Mobile US, Inc.	1,341	1.18
	TOTAL - EQUITIES	112,483	98.99
	TOTAL VALUE OF INVESTMENTS	112,483	98.99
	OTHER ASSETS	1,143	1.01
	TOTAL NET ASSETS	113,626	100.00

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2020.
Unless otherwise stated the above securities are ordinary shares or common stock and admitted to official stock exchange listings.

[†] American Depositary Receipt.

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

Franklin US Opportunities Fund

Statement of Total Return

For the year ended 31 March 2021

	Notes	March 2021 £000	March 2021 £000	March 2020 £000	March 2020 £000
Income					
Net capital gains	1		30,978		3,289
Revenue	2	431		472	
Expenses	3	(961)		(776)	
Net expense before taxation		(530)		(304)	
Taxation	4	(58)		(67)	
Net expense after taxation			(588)		(371)
Total return before distributions for the year			30,390		2,918
Change in net assets attributable to shareholders			30,390		2,918

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 March 2021

	March 2021 £000	March 2021 £000	March 2020 £000	March 2020 £000
Opening net assets attributable to shareholders		68,361		83,932
Amounts received on creation of shares	115,923		69,931	
Amounts paid on cancellation of shares	(101,060)		(88,422)	
		14,863		(18,491)
Dilution adjustments		12		2
Change in net assets attributable to shareholders from investment activities (see above)		30,390		2,918
Closing net assets attributable to shareholders		113,626		68,361

Balance sheet

As at 31 March 2021

	Notes	March 2021 £000	March 2020 £000
Assets			
Fixed assets			
Investments		112,483	67,771
Current assets			
Debtors	6	572	554
Cash and bank balances		2,109	654
Total assets		115,164	68,979
Liabilities			
Creditors			
Other creditors	7	(1,538)	(618)
Total liabilities		(1,538)	(618)
Net assets attributable to shareholders		113,626	68,361

Notes to the Financial Statements

	March 2021 £000	March 2020 £000
1. Net capital gains		
The net capital gains during the year comprise:		
Non-derivative securities gains	30,836	3,219
Currency gains	142	70
	30,978	3,289
2. Revenue		
Overseas dividends	376	470
UK dividends	55	—
Bank and other interest	—	2
	431	472
3. Expenses		
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's annual management charge	818	702
ACD's administration charge*	9	42
	827	744
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	20	16
Safe custody fees	1	1
	21	17
Other expenses:		
Administration charge*	96	—
Audit fees	9	8
Legal and publication fees	8	6
Printing fees	—	1
	113	15
	961	776
*From 22 June 2020, Franklin Templeton Funds has delegated fund accounting, fund tax and related fund reporting services to JP Morgan Chase Bank N.A London Branch.		
4. Taxation		
(a) Analysis of the charge for the year		
Irrecoverable overseas tax	58	67
Total current tax (Note 4(b))	58	67
Total taxation	58	67
(b) Factors affecting the current tax charge for the year		
The tax assessed for the year is higher (2020: higher) than the standard rate of corporation tax in the UK for Open-ended Investment Companies (20% (2020: 20%)).		
The differences are explained below:		
Net expense before taxation	(530)	(304)
Corporation tax of 20% (2020: 20%)	(106)	(61)
Effects of:		
Excess management expenses	187	151
Revenue not subject to corporation tax	(81)	(89)
Irrecoverable overseas tax	58	67
Overseas tax expensed	—	(1)
Current tax charge for the year (Note 4(a))	58	67

March 2021 £000	March 2020 £000
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4. Taxation (continued)

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

At the year end there is a potential deferred tax asset of £1,364,000 (£1,177,000 as at 31 March 2020) in relation to excess management expenses. It is unlikely the Fund will generate sufficient tax profits in the future to utilise these amounts and therefore no deferred tax assets have been recognised in the year.

5. (a) Distributions

The distribution takes account of income received on the issue of shares and income deducted on the cancellation of shares.

The distributions in the year to 31 March 2021 amounted to £Nil (31 March 2020: £Nil).

(b) Difference between net revenue and distribution:

Revenue deficit payable from capital	588	371
Net expense after taxation	(588)	(371)
Total distribution for the year	—	—

Details of the distribution in pence per share for this Fund are set out in the table on page 170.

6. Debtors

Amounts receivable for issue of shares	566	550
Accrued income	6	4
	572	554

7. Other creditors

Amounts payable for cancellation of shares	1,437	476
Accrued expenses	101	68
Purchases awaiting settlement	—	74
	1,538	618

8. Related parties

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

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

The amounts due to the ACD and associates of the ACD in respect of management and administration fees at 31 March 2021 are £76,000 (£53,000 as at 31 March 2020).

As at 31 March 2021 Templeton Global Advisors Limited ("TGAL") held 100% (100% as at 31 March 2020) of the shares in issue of Class Y Income.

9. Risk management policies and disclosures

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

Market Risk

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

9. Risk management policies and disclosures (continued)**Currency Risk**

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

Currency	Net foreign currency assets and (liabilities) March 2021	Net foreign currency assets and (liabilities) March 2020
	Total £000	Total £000
US dollar	111,862	67,701
Hong Kong dollar	708	—
	112,570	67,701

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

Interest Rate Risk

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

Other price risk

At the year end date, 98.99% (2020: 99.14%) of the net assets of the Fund were invested in ordinary shares or stock units admitted to an official stock exchange. If the market value were to change by 10% (2020: 10%), the value of the Fund would change by 9.90% (2020: 9.91%).

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

10. Portfolio Transaction Costs

2021	Principal £000	Commissions £000	Taxes and other £000	Total cost £000	Commissions % of principal	Taxes and other % of principal
Purchases						
Equities	30,602	3	—	30,605	0.01	—
Sales						
Equities	16,856	(3)	—	16,853	(0.02)	—
Total cost of the Fund's average net asset value (%)		0.01	—			
2020	Principal £000	Commissions £000	Taxes and other £000	Total cost £000	Commissions % of principal	Taxes and other % of principal
Purchases						
Equities	17,671	3	—	17,674	0.02	—
Sales						
Equities	36,027	(6)	(1)	36,020	(0.02)	—
Total cost of the Fund's average net asset value (%)		0.02	—			

10. Portfolio Transaction Costs (continued)

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

In addition, there is a dealing spread between the buying and selling prices of the underlying investments. The average dealing spread which is the difference between the quoted bid and offer prices or internal administrative or holding costs, are not included in the calculation of Direct Transaction Costs. As at 31 March 2021, the average dealing spread for the underlying Fund investments is 0.07% (2020: 0.08%).

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

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

11. Creations and Cancellations of Shares

	Number of shares in issue as at 1 April 2020	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue as at 31 March 2021
A – Accumulation shares	1,588,931	6,202,511	(5,986,768)	(2,983)	1,801,691
W – Accumulation shares	20,363,536	96,889,014	(93,162,025)	3,427	24,093,952
Y – Income shares	1,966	–	–	–	1,966
Z – Accumulation shares	103,492	511,045	(502,350)	914	113,101

12. Fair Value Disclosure

Instruments held at the year end are presented in line with amendments to FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland Fair value hierarchy disclosures.

Level 1: Unadjusted quoted price in an active market for an identical instrument.

Level 2: Valuation techniques using observable inputs other than quoted prices within level 1.

Level 3: Valuation techniques using unobservable inputs.

	Assets 31 March 2021 £000	Liabilities 31 March 2021 £000	Assets 31 March 2020 £000	Liabilities 31 March 2020 £000
Fair Value Hierarchy				
Level 1	112,483	–	67,771	–
Level 2	–	–	–	–
Level 3	–	–	–	–
Total	112,483	–	67,771	–

13. Post balance sheet events

During the period from the balance sheet date to 29 June 2021, the net asset value of the Fund had increased by 14.99%.

The table below shows the net asset values per share* as at the balance sheet date, compared against values as at 29 June 2021 and the percentage movement in that period:

	Net Asset Value as at 29 June 2021	Net Asset Value as at 31 March 2021	% Movement
A – Accumulation	742.34	651.20	14.00
W – Accumulation	479.10	419.51	14.21
Y – Income	369.90	324.21	14.09
Z – Accumulation	798.68	699.72	14.14

Furthermore, it has been identified that in the period from the balance sheet date to 29 June 2021, the Fund experienced 0.03% of redemptions from the Fund.

Under FRS 102, these do not constitute as adjusting events and the financial statements were not amended.

*The impact analysis is based on dealing prices as opposed to the net asset value per share from the financial statements. The prices used at 29 June 2021 for the above analysis are not materially different as at signing date.

Franklin US Opportunities Fund

Distribution Statement

For the period 1 April 2020 to 31 March 2021

Group 1 Shares purchased prior to 1 April 2020

Group 2 Shares purchased in the period 1 April 2020 to 31 March 2021

	Net Income p	Equalisation p	31 March 2021 Pence per Share p	31 March 2020 Pence per Share p
A Accumulation shares				
Group 1	—	—	—	—
Group 2	—	—	—	—
W Accumulation shares				
Group 1	—	—	—	—
Group 2	—	—	—	—
Y Income shares				
Group 1	0.9634	—	0.9634	1.0595
Group 2	0.9634	—	0.9634	1.0595
Z Accumulation shares				
Group 1	—	—	—	—
Group 2	—	—	—	—

Equalisation

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

Investment Review

Performance

For the year ended 31 March 2021, Templeton Global Emerging Markets Fund returned 50.70%*, while the MSCI Emerging Markets Index returned 42.34% (both returns in UK sterling).

Overview

Emerging-market (“EM”) equities advanced over the 12-month review period, and outpaced developed-market stocks. Globally, stock markets, including EM equities, started the period near market lows that were precipitated by the COVID-19 pandemic. Countries around the world faced heavy economic pressure as their responses to the virus led to disrupted supply chains and population lockdowns.

EM equities rose over much of the period as economic activity started to recover and countries emerged from pandemic-related lockdowns. Fiscal and monetary stimulus measures in many countries globally, introduced in the wake of the pandemic, bolstered the rebound in economic growth. In addition, in the second half of the review period, positive sentiment was generated by COVID-19 vaccine discoveries by a number of companies, which were generally quickly approved by regulators and mobilised into widespread rollout programmes. China’s economic recovery was another positive, given the country’s regional importance, particularly for Asian EMs. China began to rebound in the second calendar quarter of 2020 and was the only major global economy to post positive gross domestic product (GDP) growth for full-year 2020, amidst strong manufacturing gains. In the weeks following November’s US presidential election, the market also benefitted from emerging clarity on the new US political landscape.

However, concerns about the pace and unevenness of the economic recovery and heightened US-China tensions negatively impacted sentiment at various times during second half of the review period. In addition, resurgent virus outbreaks in many countries, and the spread of new strains of coronavirus also led to bouts of caution. Following a strong start to 2020, there were losses in the final weeks of the review period, as concerns over rising inflation and higher US Treasury yields dampened market sentiment somewhat.

Significant Changes

During the period, we took the opportunity to add to and invest in companies that we believed demonstrated sustainable earnings power, and at valuations that we found attractive. We added to our holding in China-based Alibaba, in part because we expect its core e-commerce business to continue growing. In the information technology (“IT”) sector we started a new position in Taiwan-based semiconductor firm Mediatek, and we also initiated a holding in China-based Daqo New Energy, a producer of polysilicon for the solar industry. We added to South Africa-based Naspers, which offers attractively valued exposure to Tencent, and South Korea-based industrial company LG Corp.

We sold positions in favour of what we believed were more compelling investment opportunities elsewhere. Reductions made to rebalance the Fund included chip maker Taiwan Semiconductor Manufacturing Company (“TSMC”), and China-based internet services business Tencent. TSMC and Tencent remain amongst the largest holdings in the Fund and we are positive on the long-term prospects of both businesses. Elsewhere, we reduced US-listed IT services firm Cognizant Technology Solutions. Complete sales included Hong Kong-listed lenses business Sunny Optical Technology and South Korea-based automobile battery producer Sebang Global Battery.

Positive/Negative Contributors

The Fund finished the reporting period higher in absolute terms. From a relative perspective, the fund performed better than the benchmark index, which also rose over the 12-month period.

From a sector perspective, stock selection in the communication services and financials sectors, along with an overweight to IT and underweight to real estate boosted relative performance the most. In contrast, stock selection in the consumer discretionary sector, stock selection and an underweight to materials detracted over the period.

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

In the communication services sector, South Korea-based Naver, Russia-based Yandex and China-based Tencent Music Entertainment lifted relative returns. Naver, which operates a leading internet search portal in South Korea, benefitted in part from optimism about prospects for its e-commerce and other businesses. In contrast, China Mobile, which was sold during the period, detracted.

The financials sector bolstered relative returns as South Korea-based Samsung Life Insurance and India-based ICICI Bank added to performance. Towards period end, the Indian government announced an expansionary budget that kindled hopes for stronger economic growth and lending activity in the country, which helped to boost ICICI Bank's shares. We believe ICICI's healthy capital buffer, risk-conscious lending practices, and strong deposit franchise have contributed to its resilience during the pandemic. Not holding China Construction Bank and Industrial and Commercial Bank of China proved helpful as their share prices trailed the market. However, Brazil Based firms Itau Unibanco and Banco Bradesco, detracted somewhat from overall returns in this sector, in part due to the country's economic challenges amidst the COVID-19 pandemic.

Amongst IT holdings, TSMC advanced. The chip maker had a number of positive catalysts during the period, including its recently upgraded sales growth forecasts, and increased capital spending targets that boosted investors' longer-term outlook for the company. Also in IT, Samsung Electronics, a South Korea-based producer of smartphones, displays and semiconductors added to returns, as did a new holding in MediaTek. However, South Korea-based SK Hynix, which was sold during the year, hindered returns.

Detractors from performance in the consumer discretionary sector included China-based e-commerce company Alibaba, in part because of regulatory uncertainty. However, our longer-term investment thesis for Alibaba remains intact, partly because we are positive on the prospects for its core business. Brilliance China Automotive also detracted. Brilliance China's stock was suspended from trading due to a delay in the company's 2020 corporate results, along with the provision of unauthorised bank guarantees and cash balance issues. We applied a fair valuation discount on the holding, and we continue to monitor the situation closely. BAIC Motor Corporation also detracted.

In materials, China Resources Cement hampered relative performance over the 12-month period.

Outlook

Fresh waves of COVID-19 infection have continued to test economies and health care systems globally, just as more countries step up the rollout of vaccines. We think EMs will likely stay resilient in the face of new challenges. Many EMs have remained less leveraged than developed economies at the sovereign, corporate and household levels. EM banking systems have largely withstood stress despite loan moratoriums. Technology and consumption have also become new drivers of economic growth for many EMs. Overall, we expect a sharp earnings rebound in EMs this year from a low base last year.

Reflationary expectations and higher US bond yields have stoked market volatility. Though inflation has picked up from low levels last year amidst recovering economic activity, firmer commodity prices and near-term supply chain bottlenecks, we believe considerable slack remains in many economies, especially on the labour front. Also visible to us are longer-term deflationary risks arising from technology advancements and demographic headwinds. Rather than position for specific macroeconomic scenarios, we strive to build a well-diversified Fund that can potentially navigate a range of market environments.

A long-term, stock-driven, and valuation-aware focus is central to our investment approach. We seek companies with sustainable earnings power, trading at discounts to our perception of their intrinsic worth. We have found many such companies operating in areas of secular growth related to technology and consumption. Of particular appeal to us are business models and management teams that display agility and resilience in a fast-changing world.

Chetan Sehgal, CFA & Andrew Ness, CFA

Fund Managers

31 March 2021

Comparative Table, 31 March 2021

Templeton Global Emerging Markets Fund

	31 March 2021	31 March 2020	31 March 2019
A – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	233.51	268.59	263.60
Return before operating charges ¹	121.16	(30.63)	9.11
Operating charges ²	(4.96)	(4.45)	(4.12)
Return after operating charges ³	116.20	(35.08)	4.99
Closing net asset value per share	349.71	233.51	268.59
Distributions	(1.52)	(3.73)	(1.83)
Retained distributions on accumulation shares	1.52	3.73	1.83
After direct transaction costs of ⁴	0.25	0.14	0.18

Performance

Return after charges ⁵	49.76%	(13.06%)	1.89%
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Other information

Closing net asset value (£)	6,386,525	4,721,090	6,366,987
Closing number of shares	1,826,210	2,021,786	2,370,529
Operating charges ratio ⁶	1.59%	1.60%	1.60%
Direct transaction costs ⁴	0.08%	0.05%	0.07%

Prices (p)

Highest share price	379.82	306.96	270.49
Lowest share price	227.48	222.95	236.68

	31 March 2021	31 March 2020	31 March 2019
W – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	119.00	136.19	132.99
Return before operating charges ¹	61.83	(15.63)	4.63
Operating charges ²	(1.60)	(1.56)	(1.43)
Return after operating charges ³	60.23	(17.19)	3.20
Closing net asset value per share	179.23	119.00	136.19
Distributions	(1.66)	(2.60)	(1.58)
Retained distributions on accumulation shares	1.66	2.60	1.58
After direct transaction costs of ⁴	0.13	0.07	0.09

Performance

Return after charges ⁵	50.61%	(12.62%)	2.41%
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Other information

Closing net asset value (£)	17,028,822	12,488,252	14,400,833
Closing number of shares	9,501,033	10,494,618	10,574,165
Operating charges ratio ⁶	1.00%	1.10%	1.10%
Direct transaction costs ⁴	0.08%	0.05%	0.07%

Prices (p)

Highest share price	194.54	156.27	136.59
Lowest share price	115.93	113.60	119.73

Templeton Global Emerging Markets Fund (continued)

Y – Income shares	31 March 2021	31 March 2020	31 March 2019
Change in net assets per share (p)			
Opening net asset value per share	112.60	132.00	130.38
Return before operating charges ¹	58.70	(15.35)	4.58
Operating charges ²	(0.16)	(0.22)	(0.15)
Return after operating charges ³	58.54	(15.57)	4.43
Distribution	(2.95)	(3.83)	(2.81)
Closing net asset value per share	168.19	112.60	132.00
After direct transaction costs of ⁴	0.12	0.07	0.09

Performance

Return after charges ⁵	51.99%	(11.80%)	3.40%
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Other information

Closing net asset value (£)	19,176,657	12,838,251	15,050,312
Closing number of shares	11,401,763	11,401,763	11,401,763
Operating charges ratio ⁶	0.11%	0.16%	0.12%
Direct transaction costs ⁴	0.08%	0.05%	0.07%

Prices (p)

Highest share price	185.54	152.66	134.66
Lowest share price	109.69	111.16	117.98

Z – Accumulation shares	31 March 2021	31 March 2020	31 March 2019
Change in net assets per share (p)			
Opening net asset value per share	118.08	135.28	132.24
Return before operating charges ¹	61.32	(15.52)	4.59
Operating charges ²	(1.85)	(1.68)	(1.55)
Return after operating charges ³	59.47	(17.20)	3.04
Closing net asset value per share	177.55	118.08	135.28
Distributions	(1.39)	(2.44)	(1.44)
Retained distributions on accumulation shares	1.39	2.44	1.44
After direct transaction costs of ⁴	0.12	0.07	0.09

Performance

Return after charges ⁵	50.36%	(12.71%)	2.30%
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Other information

Closing net asset value (£)	626,436	422,551	485,655
Closing number of shares	352,820	357,848	359,008
Operating charges ratio ⁶	1.19%	1.20%	1.20%
Direct transaction costs ⁴	0.08%	0.05%	0.07%

Prices (p)

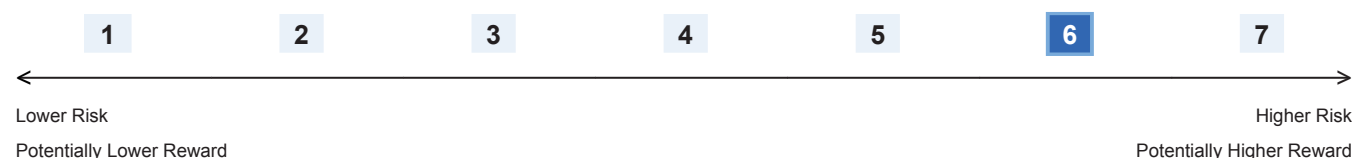
Highest share price	192.75	155.10	135.79
Lowest share price	115.03	112.73	118.98

Templeton Global Emerging Markets Fund (continued)

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

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

Risk Profile (W(acc) shares)



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

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

Portfolio of Investments, 31 March 2021

Templeton Global Emerging Markets Fund

(Currency – GBP)			Market	% of
Number of			Value	Net
Shares or	Description		£000	Assets
Face Value				
	EQUITIES 97.91% (98.14%)			
	AFRICA 4.60% (3.34%)			
	KENYA			
47,500	East African Breweries Ltd.		49	0.11
	SOUTH AFRICA			
90,581	Massmart Holdings Ltd.		255	0.59
9,703	Naspers Ltd., N		1,685	3.90
			1,940	4.49
	TOTAL - AFRICA		1,989	4.60
	ASIA 76.05% (72.47%)			
	CAMBODIA			
231,838	NagaCorp Ltd.		199	0.46
	CHINA			
188,123	Alibaba Group Holding Ltd.		3,868	8.95
510,400	BAIC Motor Corp. Ltd., H, Reg S		119	0.28
2,095	Baidu, Inc., ADR [†]		332	0.77
1,323,000	Brilliance China Automotive Holdings Ltd. [‡]		704	1.63
68,600	China Merchants Bank Co. Ltd., A		389	0.90
97,000	China Merchants Bank Co. Ltd., H		538	1.25
583,600	China Resources Cement Holdings Ltd.		476	1.10
59,542	China Resources Land Ltd.		209	0.48
6,747	Daqo New Energy Corp., ADR [†]		346	0.80
63,700	Flat Glass Group Co. Ltd., H		140	0.32
67,700	Health & Happiness H&H International Holdings Ltd.		187	0.43
56,100	Longshine Technology Group Co. Ltd., A		97	0.22
3,260	NetEase, Inc., ADR [†]		244	0.57
143,200	Ping An Bank Co. Ltd., A		350	0.81
46,848	Ping An Insurance Group Co. of China Ltd., H		405	0.94
3,108	Prosus NV		252	0.58
63,932	Tencent Holdings Ltd.		3,645	8.43
14,652	Tencent Music Entertainment Group, ADR [†]		227	0.53
310,305	Uni-President China Holdings Ltd.		274	0.63
49,412	Weifu High-Technology Group Co. Ltd., B		73	0.17
			12,875	29.79
	HONG KONG			
8,200	Dairy Farm International Holdings Ltd.		26	0.06
	INDIA			
4,300	ACC Ltd.		81	0.19
10,749	Bajaj Holdings & Investment Ltd.		353	0.82
68,461	Coal India Ltd.		88	0.20
268,987	ICICI Bank Ltd.		1,557	3.60
45,547	Infosys Ltd.		619	1.43

Templeton Global Emerging Markets Fund (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	INDIA (continued)		
39,666	Tata Investment Corp. Ltd.	408	0.95
		3,106	7.19
	INDONESIA		
962,000	Astra International Tbk. PT	254	0.59
	PAKISTAN		
45,968	MCB Bank Ltd.	38	0.09
170,300	United Bank Ltd.	96	0.22
		134	0.31
	PHILIPPINES		
17,405	BDO Unibank, Inc.	27	0.06
	SOUTH KOREA		
13,095	Fila Holdings Corp.	363	0.84
1,230	GS Home Shopping, Inc.	119	0.28
697	Hankook Tire & Technology Co. Ltd.	22	0.05
15,484	KT Skylife Co. Ltd.	86	0.20
3,036	LegoChem Biosciences, Inc.	110	0.25
18,939	LG Corp.	1,102	2.55
8,442	NAVER Corp.	2,048	4.74
1,999	POSCO	412	0.95
84,576	Samsung Electronics Co. Ltd.	4,431	10.25
15,132	Samsung Life Insurance Co. Ltd.	761	1.76
		9,454	21.87
	TAIWAN		
6,200	CTBC Financial Holding Co. Ltd.	4	0.01
225,514	Hon Hai Precision Industry Co. Ltd.	713	1.65
46,000	MediaTek, Inc.	1,137	2.63
40,506	PChome Online, Inc.	89	0.21
286,402	Taiwan Semiconductor Manufacturing Co. Ltd.	4,288	9.92
		6,231	14.42
	THAILAND		
105,200	Kasikornbank PCL	355	0.82
105,700	Kiatnakin Phatra Bank PCL	149	0.35
142,800	Thai Beverage PCL	57	0.13
		561	1.30
	TOTAL - ASIA	32,867	76.05
	CENTRAL AMERICA 1.36% (1.32%)		
	MEXICO		
133,916	Banco Santander Mexico SA Institucion de Banca Multiple Grupo Financiero Santand, ADR†	531	1.23
295,688	Nemak SAB de CV, Reg S	58	0.13
		589	1.36
	TOTAL - CENTRAL AMERICA	589	1.36
	EUROPE - NON EU 5.99% (7.03%)		
	RUSSIA		
20,142	Gazprom PJSC, ADR†	87	0.20

Templeton Global Emerging Markets Fund (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	RUSSIA (continued)		
14,020	LUKOIL PJSC, ADR [†]	823	1.90
4,613	Mail.Ru Group Ltd., GDR, Reg S [^]	77	0.18
74,078	Sberbank of Russia PJSC, ADR [†]	829	1.92
16,890	Yandex NV, A	775	1.79
		2,591	5.99
	TOTAL - EUROPE - NON EU	2,591	5.99
	EUROPE - OTHER EU 0.87% (1.61%)		
	HUNGARY		
17,533	Richter Gedeon Nyrt.	375	0.87
		375	0.87
	TOTAL - EUROPE - OTHER EU	375	0.87
	MIDDLE EAST 0.20% (0.25%)		
	TURKEY		
28,000	Migros Ticaret A/S	85	0.20
		85	0.20
	TOTAL - MIDDLE EAST	85	0.20
	NORTH AMERICA 1.00% (2.34%)		
	UNITED STATES		
7,545	Cognizant Technology Solutions Corp., A	431	1.00
		431	1.00
	TOTAL - NORTH AMERICA	431	1.00
	SOUTH AMERICA 5.68% (6.67%)		
	BRAZIL		
11,000	B2W Cia Digital	85	0.20
38,127	B3 SA - Brasil Bolsa Balcao	257	0.59
152,660	Banco Bradesco SA, ADR Preference [†]	522	1.21
149,511	Itau Unibanco Holding SA, ADR Preference [†]	535	1.24
104,056	Lojas Americanas SA	278	0.64
7,200	M Dias Branco SA	28	0.07
8,700	TOTVS SA	32	0.07
45,590	Vale SA	557	1.29
		2,294	5.31
	PERU		
7,570	InterCorp Financial Services, Inc.	161	0.37
		161	0.37
	TOTAL - SOUTH AMERICA	2,455	5.68
	UNITED KINGDOM 2.16% (3.11%)		
22,982	Unilever plc	933	2.16
		933	2.16
	TOTAL - UNITED KINGDOM	933	2.16
	TOTAL - EQUITIES	42,315	97.91

Templeton Global Emerging Markets Fund (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	TOTAL VALUE OF INVESTMENTS	42,315	97.91
	OTHER ASSETS	904	2.09
	TOTAL NET ASSETS	43,219	100.00

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2020.

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

† American Depositary Receipt.

‡ These securities are fair valued by the manager.

^ Global Depositary Receipt.

Templeton Global Emerging Markets Fund

Statement of Total Return

For the year ended 31 March 2021

	Notes	March 2021 £000	March 2021 £000	March 2020 £000	March 2020 £000
Income					
Net capital gains/(losses)	1		14,866		(5,059)
Revenue	2	926		1,200	
Expenses	3	(279)		(294)	
Net revenue before taxation		647		906	
Taxation	4	(203)		(73)	
Net revenue after taxation			444		833
Total return before distributions for the year			15,310		(4,226)
Distributions	5		(539)		(806)
Change in net assets attributable to shareholders			14,771		(5,032)

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 March 2021

	March 2021 £000	March 2021 £000	March 2020 £000	March 2020 £000
Opening net assets attributable to shareholders		30,470		36,304
Amounts received on creation of shares	4,241		4,798	
Amounts paid on cancellation of shares	(6,453)		(5,957)	
		(2,212)		(1,159)
Change in net assets attributable to shareholders from investment activities (see above)		14,771		(5,032)
Retained distribution on accumulation shares		190		357
Closing net assets attributable to shareholders		43,219		30,470

Balance sheet

As at 31 March 2021

	Notes	March 2021 £000	March 2020 £000
Assets			
Fixed assets			
Investments		42,315	29,903
Current assets			
Debtors	6	372	205
Cash and bank balances		1,042	864
Total assets		43,729	30,972
Liabilities			
Creditors			
Distributions payable	5	(336)	(437)
Other creditors	7	(174)	(65)
Total liabilities		(510)	(502)
Net assets attributable to shareholders		43,219	30,470

Notes to the Financial Statements

	March 2021 £000	March 2020 £000
1. Net capital gains/(losses)		
The net capital gains/(losses) during the year comprise:		
Non-derivative securities gains/(losses)	14,855	(5,066)
Currency gains	11	7
	14,866	(5,059)
2. Revenue		
Overseas dividends	829	1,097
UK dividends	45	36
Interest on capital	42	66
Scrip dividends	9	—
Bank and other interest	1	1
	926	1,200
3. Expenses		
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's annual management charge	218	247
ACD's administration charge*	2	11
	220	258
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	9	8
Safe custody fees	8	15
	17	23
Other expenses:		
Administration charge*	20	—
Legal and publication fees	14	26
Audit fees	11	9
Printing fees	—	1
Expense cap	(3)	(23)
	42	13
	279	294

*From 22 June 2020, Franklin Templeton Funds has delegated fund accounting, fund tax and related fund reporting services to JP Morgan Chase Bank N.A London Branch.

	March 2021 £000	March 2020 £000
4. Taxation		
(a) Analysis of the charge for the year		
Overseas capital tax	96	49
Irrecoverable overseas tax	107	100
Total current tax (Note 4(b))	203	149
Current year reversal of timing differences	–	(76)
Total deferred tax (note 4(c))	–	(76)
Total taxation	203	73
(b) Factors affecting the current tax charge for the year		
The tax assessed for the year is lower (2020: lower) than the standard rate of corporation tax in the UK for Open-ended Investment Companies (20% (2020: 20%)).		
The differences are explained below:		
Net revenue before taxation	647	906
Corporation tax of 20% (2020: 20%)	129	181
Effects of:		
Excess management expenses	27	25
Revenue not subject to corporation tax*	(152)	(199)
Overseas capital tax	96	49
Irrecoverable overseas tax	107	100
Overseas tax expensed	(4)	(5)
Revenue taxable in different years	–	(2)
Current tax charge for the year (Note 4(a))	203	149
(c) Provision for deferred tax		
Current year reversal of timing differences	–	(76)
Deferred tax for the year (note 4(a))	–	(76)

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

At the year end there is a potential deferred tax asset of £482,000 (£455,000 as at 31 March 2020) in relation to excess management expenses. It is unlikely the Fund will generate sufficient tax profits in the future to utilise these amounts and therefore no deferred tax assets have been recognised in the year.

5. (a) Distributions

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

Final dividend distributions

Income	336	437
Accumulation	190	357
	526	794
Add: Revenue deducted on cancellation of shares	35	66
Deduct: Revenue received on issue of shares	(22)	(54)
Total distribution	539	806

(b) Difference between net revenue and distribution:

Net revenue after taxation	444	833
Tax charge taken from capital account	96	(27)
Movement in undistributed revenue	1	–
Expense charge taken to capital	(2)	–
	539	806

Details of the distribution in pence per share for this Fund are set out in the table on page 187.

	March 2021 £000	March 2020 £000
6. Debtors		
Accrued income	209	127
Amounts receivable for issue of shares	88	23
Overseas tax recoverable	46	45
Sales awaiting settlement	29	1
Capped expenses	—	9
	372	205
7. Other creditors		
Tax payable	96	—
Accrued expenses	40	37
Amounts payable for cancellation of shares	33	28
Purchases awaiting settlement	5	—
	174	65

8. Related parties

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

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

The amounts due to the ACD and associates of the ACD in respect of management and administration fees at 31 March 2021 are £19,000 (£19,000 for the year to 31 March 2020).

During the year the Fund received £5,000 (£16,000 for the year to 31 March 2020) in reimbursed expenses from the ACD's at 31 March 2020).

As at 31 March 2021 the Fund was due reimbursed expenses of £Nil (£9,000 as at 31 March 2020) from the ACD.

As at 31 March 2021 Templeton Global Advisors Limited (“TGAL”) held 100% (100% as at 31 March 2020) of the shares in issue of Class Y Income.

9. Risk management policies and disclosures

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

Market Risk

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

9. Risk management policies and disclosures (continued)

Currency Risk

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

Currency	Net foreign currency assets and (liabilities) March 2021	Net foreign currency assets and (liabilities) March 2020
	Total £000	Total £000
Hong Kong dollar	10,839	6,792
South Korean won	9,629	5,809
Taiwan dollar	6,360	3,423
US dollar	5,944	7,036
Indian rupee	3,107	2,266
South African rand	1,939	965
Brazilian real	1,242	825
Chinese yuan	835	424
Thai baht	504	336
Hungarian forint	375	367
Indonesian rupiah	254	216
Euro	252	174
Pakistani rupee	144	123
Kenyan shilling	49	54
Turkish lira	85	77
Mexican peso	58	43
Singapore dollar	57	49
Philippine peso	27	28
Czech koruna	—	122
	41,700	29,129

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

Interest rate risk

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

Other price risk

At the year end date, 97.91% (2020: 98.14%) of the net assets of the Fund were invested in ordinary shares or stock units admitted to an official stock exchange. If the market value were to change by 10% (2020: 10%), the value of the Fund would change by 9.79% (2020: 9.81%).

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

10. Portfolio Transaction Costs

	Principal £000	Commissions £000	Taxes and other £000	Total cost £000	Commissions % of principal	Taxes and other % of principal
2021 Purchases						
Equities	7,522	6	5	7,533	0.08	0.07
Sales						
Equities	10,018	(7)	(14)	9,997	(0.07)	(0.14)
Total cost of the Fund's average net asset value (%)		0.03	0.05			
2020 Purchases						
Equities	6,576	3	3	6,582	0.05	0.05
Sales						
Equities	7,285	(5)	(7)	7,273	(0.07)	(0.10)
Total cost of the Fund's average net asset value (%)		0.02	0.03			

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

In addition, there is a dealing spread between the buying and selling prices of the underlying investments. The average dealing spread which is the difference between the quoted bid and offer prices or internal administrative or holding costs, are not included in the calculation of Direct Transaction Costs. As at 31 March 2021, the average dealing spread for the underlying Fund investments is 0.16% (2020: 0.17%).

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

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

11. Creations and Cancellations of Shares

	Number of shares in issue as at 1 April 2020	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue as at 31 March 2021
A – Accumulation shares	2,021,786	2,212,192	(2,384,574)	(23,194)	1,826,210
W – Accumulation shares	10,494,618	12,982,924	(14,021,943)	45,434	9,501,033
Y – Income shares	11,401,763	–	–	–	11,401,763
Z – Accumulation shares	357,848	3,373	(8,401)	–	352,820

12. Fair Value Disclosure

Instruments held at the year end are presented in line with amendments to FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland Fair value hierarchy disclosures.

Level 1: Unadjusted quoted price in an active market for an identical instrument.

Level 2: Valuation techniques using observable inputs other than quoted prices within level 1.

Level 3: Valuation techniques using unobservable inputs.

Fair Value Hierarchy	Assets	Liabilities	Assets	Liabilities
	31 March 2021	31 March 2021	31 March 2020	31 March 2020
	£000	£000	£000	£000
Level 1	41,611	–	29,770	–
Level 2	–	–	133	–
Level 3	704	–	–	–
Total	42,315	–	29,903	–

Brilliance China Automotive is a suspended security and, as such, has been valued using unobservable data. The agreed fair value of the holding as at 31 March 2021 was £704,000. A 10% movement in that value would have the effect of reducing/increasing the value of the investment, and hence the value of the fund, by £70,400.

Templeton Global Emerging Markets Fund

Distribution Statement

For the period 1 April 2020 to 31 March 2021

Group 1 Shares purchased prior to 1 April 2020

Group 2 Shares purchased in the period 1 April 2020 to 31 March 2021

	Net Income p	Equalisation p	31 March 2021 Pence per Share p	31 March 2020 Pence per Share p
A Accumulation Shares				
Group 1	1.5151	—	1.5151	3.7287
Group 2	0.6166	0.8985	1.5151	3.7287
W Accumulation Shares				
Group 1	1.6559	—	1.6559	2.6020
Group 2	0.7541	0.9018	1.6559	2.6020
Y Income Shares				
Group 1	2.9487	—	2.9487	3.8290
Group 2	2.9487	—	2.9487	3.8290
Z Accumulation Shares				
Group 1	1.3879	—	1.3879	2.4427
Group 2	0.5115	0.8764	1.3879	2.4427

Equalisation

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

Investment Review

Performance

For the 12-month period ended 31 March 2021, Templeton Global Total Return Bond Fund (W(acc)-H3 shares) returned (2.77%)* (in UK sterling), while the benchmark Bloomberg Barclays Multiverse Index returned 5.46% (in US dollars).

Overview

The 12-month period began amidst the initial stages of the COVID-19 pandemic, directly after the massive economic shocks of March 2020. Financial markets were still sorting out ongoing risks as the period began. Lockdown orders from governments trying to “flatten the curve” (i.e., stem the rate of infection) persisted in April, bringing entire countries, regions and continents to an economic standstill. The speed and pervasiveness of the economic damage was unprecedented.

Nearly every country in the world declared some form of fiscal response to the economic crisis in 2020, with most countries pursuing programmes that went beyond the measures they deployed during the global financial crisis. Debt-to-GDP (gross domestic product) ratios rose significantly in just about every country. On the monetary front, many central banks aggressively cut policy rates, with several indicating they intended to respond to ongoing economic adversity with additional accommodation as needed, pledging unlimited support to financial markets.

Global financial markets began to rebound in April and May, as extraordinary measures from central banks and governments appeared to improve market confidence. Additionally, regional economies began to incrementally reopen, and the improving economic data appeared to bolster optimism that the worst of the economic shocks had passed. Risk assets rallied and credit spreads tightened in many sectors during 2020's second quarter, returning to levels last seen in early March and late February. Those trends largely extended through July and August as strengthening economic activity and extraordinary policy interventions continued to fuel rallies across global financial markets through much of the summer. However, many risk assets appeared detached from underlying economic fundamentals due to extreme monetary accommodation, while US Treasury yields continued to plumb all-time lows.

Risk assets eventually pulled back from their summer high points in September, as rising cases of COVID-19 appeared to concern investors, particularly as areas of Europe and Asia returned to various mobility restrictions. Developed market sovereign bond yields fluctuated during the summer months, rising on reflation expectations but dropping in September as broad risk aversion returned to global financial markets. Additionally, economic recoveries in many regions showed signs of levelling off in August and September, demonstrating that the improvements in the late spring and summer months were rebounds from the extreme low points in March and April, not trends that could be extrapolated through upcoming quarters.

In October, “risk-on” sentiment initially returned to global financial markets, with risk assets rallying during the first couple weeks of the month. However, broad risk aversion sharply returned, as investors appeared concerned over resurgent waves of COVID-19 cases around the world. Market sentiments ultimately improved in November on apparent optimism over promising vaccine trials and prospects for a global economic recovery in 2021.

In early 2021, accelerating vaccine distributions, ongoing stimulus measures and optimism for improving economic conditions appeared to fuel reflation expectations across financial markets. Rising yields in the first quarter of 2021 strained valuations across many areas of the global fixed income markets. The yield on the 10-year US Treasury note climbed 82 basis points (“bps”) over the first three months of 2021, finishing the 12-month period at 1.74%, its highest level since January 2020 and more than 120 bps higher than the all-time low (0.51%) it reached on 4 August.

Significant Changes

The top five buys during the year were:

1. Japan Treasury Bill, 0.000%, 25/05/2021
2. US Treasury Bill, 0.000%, 24/11/2020
3. US Treasury Bill, 0.000%, 15/10/2020
4. Japan Treasury Discount Bill, 0.000%, 05/10/2020
5. Japan Treasury Discount Bill, 0.000%, 12/01/2021

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

The top five sells during the year were:

1. US Treasury Bill, 0.000%, 15/10/2020
2. India Government Bond, 8.240%, 15/02/2027
3. US Treasury Bill, 0.000%, 24/11/2020
4. Mexican Bonos, 7.250%, 12/09/2021
5. US Treasury Bill, 0.000%, 19/11/2020

Positive/Negative Contributors

For the 12-month period ended 31 March 2021, the Fund's relative underperformance was primarily due to currency positions, followed by overall credit exposures. Interest-rate strategies contributed to relative results.

Amongst currencies, the Fund's underweighted position in the Australian dollar detracted from relative performance, as did its underweighted exposure to the euro. Overweighted currency positions in Latin America (the Argentine peso) also detracted from relative performance, as did tactical positioning (negative) in the Mexican peso. However, overweighted positions in northern European currencies against the euro (the Norwegian krone) contributed to relative results, as did the Fund's overweighted position in the Swiss franc for part of the reporting period.

Amongst credit exposures, underweighted exposure to investment-grade and high-yield corporate bonds detracted from relative return.

The Fund maintained a defensive approach regarding interest rates in developed markets, while holding duration exposures in select emerging markets. Select overweighted duration exposures in Latin America (Argentina and Mexico) and Africa (Ghana) contributed to relative performance, as did underweighted duration exposure in Japan.

Outlook

We expect macroeconomic conditions to continue to improve as vaccines are progressively distributed around the world. It will take time to achieve critical immunity levels, but we expect a surge in economic activity in the spring and summer months as people increasingly re-engage with the world. We expect a rebound in global economic growth in the second and third quarters of 2021, with areas of Asia at the forefront of the recovery. Broadly, we anticipate global growth above 5% in 2021, with emerging markets outpacing developed markets. World GDP (gross domestic product) is likely to moderate from that pace in 2022 and 2023 but remain around or above its historical average over the prior decade as the post-pandemic surge reverts to more normalised growth patterns. (Note, there is no assurance that any estimate, forecast or projection will be realised.)

Tail risks to the recovery include potential setbacks in vaccine distributions, particularly in emerging markets, as well as growing numbers of COVID-19 variants that may prove resistant to current vaccinations, extending the duration and damage of the pandemic. Additionally, structural risks associated with massive fiscal spending and excessive monetary accommodation remain a medium- to longer-term concern, but also have the potential to produce near-term disruptions when financial markets begin to price in expectations for policy normalisation. We continue to monitor conditions.

We expect inflation figures to rise in upcoming quarters, largely on base effects off of the eruption of the pandemic in 2020 as well as resurgent economic activity in 2021. However, we expect elevated inflation to be largely transitory, given negative output gaps on substantial excess capacities, and elevated unemployment and automation factors that continue to dampen wage pressures. Nonetheless, excessive monetary accommodation and massive fiscal stimulus in the US, compounded with surging growth and an acceleration in the velocity of money, present inflationary risks. We currently don't expect these factors to become persistent and feed into higher longer-term inflation expectations; however, the risks bear monitoring.

It remains crucial to be highly selective as there is wide variance in not only how well vaccines are being distributed, but also how well countries have broadly contained COVID-19, handled fiscal and monetary policy, and supported their economies. Near-term risks also remain elevated as high levels of COVID-19 cases in Europe, the US and Latin America have necessitated ongoing restrictions on mobility and public gatherings that continue to damage economic activity. Given the wide variance amongst countries, we expect staggered timelines for economic recoveries and for specific investment opportunities to develop.

Environmental, social and governance ("ESG") factors will play a major role in rebuilding the post-COVID-19 world. Social cohesion and good governance have the power to accelerate a country's post-crisis recovery, or the lack thereof can stymie it. Tragically we have seen the consequences of weak ESG factors in specific emerging markets during the pandemic. Countries

that were less prepared for a health crisis due to weaker health care systems and less developed infrastructure, and/or less prepared for an economic crisis due to fiscal imbalances, high levels of debt and external dependencies, have suffered greater damage. By contrast, countries that were in stronger fundamental shape before the crisis, with stronger institutions, lower levels of debt and more diversified economies, have generally fared better.

An end to the COVID-19 pandemic should open up investment opportunities in a number of emerging markets, in our view. A tremendous amount of value was locked up last year due to ongoing shocks and persistent uncertainty. Broad-based risk dynamics, access to funding, capital account access, global commodity prices, global growth and open trade were all profoundly disrupted. With these factors normalising, the idiosyncratic investment potential of individual countries is re-emerging. We are actively evaluating macroeconomic fundamentals and ESG factors to identify specific countries that are improving in ways that offer medium- to longer-term value.

Michael Hasenstab, PhD & Calvin Ho, PhD

Fund Managers

31 March 2021

Comparative Table, 31 March 2021

Templeton Global Total Return Bond Fund

	31 March 2021	31 March 2020	31 March 2019
A – Accumulation Hedge shares			
Change in net assets per share (p)			
Opening net asset value per share	108.74	124.75	129.32
Return before operating charges ¹	(3.22)	(14.39)	(2.89)
Operating charges ²	(1.46)	(1.62)	(1.68)
Return after operating charges ³	(4.68)	(16.01)	(4.57)
Closing net asset value per share	104.06	108.74	124.75
Distributions	(5.46)	(7.74)	(9.08)
Retained distributions on accumulation shares	5.46	7.74	9.08
After direct transaction costs of ⁴	–	–	–
Performance			
Return after charges ⁵	(4.30%)	(12.83%)	(3.53%)
Other information			
Closing net asset value (£)	6,165,703	8,716,096	11,368,558
Closing number of shares	5,924,889	8,015,209	9,112,799
Operating charges ratio ⁶	1.34%	1.34%	1.34%
Direct transaction costs ⁴	–	–	–
Prices (p)			
Highest share price	109.38	129.95	130.10
Lowest share price	104.08	107.94	118.16
A – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	205.93	220.07	208.11
Return before operating charges ¹	(24.13)	(11.16)	14.87
Operating charges ²	(2.72)	(2.98)	(2.91)
Return after operating charges ³	(26.85)	(14.14)	11.96
Closing net asset value per share	179.08	205.93	220.07
Distributions	(9.88)	(13.87)	(15.75)
Retained distributions on accumulation shares	9.88	13.87	15.75
After direct transaction costs of ⁴	–	–	–
Performance			
Return after charges ⁵	(13.04%)	(6.43%)	5.75%
Other information			
Closing net asset value (£)	1,030,382	2,228,398	3,286,698
Closing number of shares	575,378	1,082,139	1,493,450
Operating charges ratio ⁶	1.34%	1.34%	1.34%
Direct transaction costs ⁴	–	–	–
Prices (p)			
Highest share price	210.21	245.32	229.87
Lowest share price	178.81	204.01	204.05

Templeton Global Total Return Bond Fund (continued)

	31 March 2021	31 March 2020	31 March 2019
A – Income Hedge shares			
Change in net assets per share (p)			
Opening net asset value per share	78.19	96.05	107.49
Return before operating charges ¹	(2.16)	(10.80)	(2.73)
Operating charges ²	(1.01)	(1.22)	(1.37)
Return after operating charges ³	(3.17)	(12.02)	(4.10)
Distribution	(3.86)	(5.84)	(7.34)
Closing net asset value per share	71.16	78.19	96.05
After direct transaction costs of ⁴	–	–	–
Performance			
Return after charges ⁵	(4.05%)	(12.51%)	(3.81%)
Other information			
Closing net asset value (£)	722,989	808,874	1,013,927
Closing number of shares	1,015,991	1,034,561	1,055,678
Operating charges ratio ⁶	1.34%	1.34%	1.34%
Direct transaction costs ⁴	–	–	–
Prices (p)			
Highest share price	78.62	99.11	108.10
Lowest share price	72.37	78.18	96.04

	31 March 2021	31 March 2020	31 March 2019
A – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	124.52	142.01	144.47
Return before operating charges ¹	(14.31)	(6.80)	10.14
Operating charges ²	(1.57)	(1.87)	(1.97)
Return after operating charges ³	(15.88)	(8.67)	8.17
Distribution	(5.87)	(8.82)	(10.63)
Closing net asset value per share	102.77	124.52	142.01
After direct transaction costs of ⁴	–	–	–
Performance			
Return after charges ⁵	(12.75%)	(6.11%)	5.66%
Other information			
Closing net asset value (£)	706,272	1,381,220	2,141,636
Closing number of shares	687,268	1,109,239	1,508,117
Operating charges ratio ⁶	1.34%	1.34%	1.34%
Direct transaction costs ⁴	–	–	–
Prices (p)			
Highest share price	127.11	155.16	154.30
Lowest share price	104.33	124.51	140.97

Templeton Global Total Return Bond Fund (continued)

	31 March 2021	31 March 2020	31 March 2019
W – Accumulation Hedge shares			
Change in net assets per share (p)			
Opening net asset value per share	89.37	101.79	104.90
Return before operating charges ¹	(2.21)	(11.64)	(2.30)
Operating charges ²	(0.72)	(0.78)	(0.81)
Return after operating charges ³	(2.93)	(12.42)	(3.11)
Closing net asset value per share	86.44	89.37	101.79
Distributions	(5.01)	(6.90)	(7.96)
Retained distributions on accumulation shares	5.01	6.90	7.96
After direct transaction costs of ⁴	–	–	–
Performance			
Return after charges ⁵	(3.28%)	(12.20%)	(2.96%)
Other information			
Closing net asset value (£)	3,139,230	8,051,288	10,730,200
Closing number of shares	3,631,585	9,009,033	10,541,280
Operating charges ratio ⁶	0.79%	0.79%	0.79%
Direct transaction costs ⁴	–	–	–
Prices (p)			
Highest share price	89.89	106.18	105.53
Lowest share price	86.45	88.70	96.16

	31 March 2021	31 March 2020	31 March 2019
W – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	116.59	123.92	116.54
Return before operating charges ¹	(13.74)	(6.34)	8.34
Operating charges ²	(0.90)	(0.99)	(0.96)
Return after operating charges ³	(14.64)	(7.33)	7.38
Closing net asset value per share	101.95	116.59	123.92
Distributions	(6.24)	(8.60)	(9.52)
Retained distributions on accumulation shares	6.24	8.60	9.52
After direct transaction costs of ⁴	–	–	–
Performance			
Return after charges ⁵	(12.56%)	(5.92%)	6.33%
Other information			
Closing net asset value (£)	21,670,470	45,548,758	69,348,274
Closing number of shares	21,255,390	39,066,578	55,962,801
Operating charges ratio ⁶	0.79%	0.79%	0.79%
Direct transaction costs ⁴	–	–	–
Prices (p)			
Highest share price	119.10	138.39	129.34
Lowest share price	101.77	115.31	114.29

Templeton Global Total Return Bond Fund (continued)

	31 March 2021	31 March 2020	31 March 2019
W – Income Hedge shares			
Change in net assets per share (p)			
Opening net asset value per share	72.75	89.10	99.66
Return before operating charges ¹	(2.00)	(9.81)	(2.48)
Operating charges ²	(0.56)	(0.67)	(0.75)
Return after operating charges ³	(2.56)	(10.48)	(3.23)
Distribution	(3.99)	(5.87)	(7.33)
Closing net asset value per share	66.20	72.75	89.10
After direct transaction costs of ⁴	–	–	–
Performance			
Return after charges ⁵	(3.52%)	(11.76%)	(3.24%)
Other information			
Closing net asset value (£)	24,507,990	34,305,760	53,653,323
Closing number of shares	37,020,256	47,152,842	60,219,358
Operating charges ratio ⁶	0.79%	0.79%	0.79%
Direct transaction costs ⁴	–	–	–
Prices (p)			
Highest share price	73.17	91.98	100.24
Lowest share price	67.42	72.75	89.09

	31 March 2021	31 March 2020	31 March 2019
W – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	83.95	95.75	97.42
Return before operating charges ¹	(9.65)	(4.58)	6.83
Operating charges ²	(0.64)	(0.74)	(0.78)
Return after operating charges ³	(10.29)	(5.32)	6.05
Distribution	(4.40)	(6.48)	(7.72)
Closing net asset value per share	69.26	83.95	95.75
After direct transaction costs of ⁴	–	–	–
Performance			
Return after charges ⁵	(12.26%)	(5.56%)	6.21%
Other information			
Closing net asset value (£)	6,191,876	14,070,036	23,845,563
Closing number of shares	8,939,527	16,759,537	24,902,837
Operating charges ratio ⁶	0.79%	0.79%	0.79%
Direct transaction costs ⁴	–	–	–
Prices (p)			
Highest share price	85.76	104.67	104.13
Lowest share price	70.40	83.95	95.19

Templeton Global Total Return Bond Fund (continued)

	31 March 2021	31 March 2020	31 March 2019
Y – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	91.76	104.68	106.51
Return before operating charges ¹	(10.61)	(5.02)	7.48
Operating charges ²	(0.07)	(0.09)	(0.10)
Return after operating charges ³	(10.68)	(5.11)	7.38
Distribution	(5.41)	(7.81)	(9.21)
Closing net asset value per share	75.67	91.76	104.68
After direct transaction costs of ⁴	–	–	–
Performance			
Return after charges ⁵	(11.64%)	(4.88%)	6.93%
Other information			
Closing net asset value (£)	2,249	2,727	3,111
Closing number of shares	2,972	2,972	2,972
Operating charges ratio ⁶	0.09%	0.09%	0.09%
Direct transaction costs ⁴	–	–	–
Prices (p)			
Highest share price	93.82	114.50	113.92
Lowest share price	77.01	91.75	104.22

	31 March 2021	31 March 2020	31 March 2019
Z – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	197.12	209.93	197.82
Return before operating charges ¹	(23.19)	(10.72)	14.16
Operating charges ²	(1.90)	(2.09)	(2.05)
Return after operating charges ³	(25.09)	(12.81)	12.11
Closing net asset value per share	172.03	197.12	209.93
Distributions	(10.15)	(14.20)	(15.71)
Retained distributions on accumulation shares	10.15	14.20	15.71
After direct transaction costs of ⁴	–	–	–
Performance			
Return after charges ⁵	(12.73%)	(6.10%)	6.12%
Other information			
Closing net asset value (£)	197,606	434,668	537,908
Closing number of shares	114,869	220,510	256,236
Operating charges ratio ⁶	0.99%	0.99%	0.99%
Direct transaction costs ⁴	–	–	–
Prices (p)			
Highest share price	201.31	234.29	219.17
Lowest share price	171.74	195.08	194.00

Templeton Global Total Return Bond Fund (continued)

	31 March 2021	31 March 2020	31 March 2019
Z – Income Hedge shares			
Change in net assets per share (p)			
Opening net asset value per share	73.30	89.91	100.44
Return before operating charges ¹	(2.01)	(10.00)	(2.39)
Operating charges ²	(0.72)	(0.85)	(0.94)
Return after operating charges ³	(2.73)	(10.85)	(3.33)
Distribution	(3.87)	(5.76)	(7.20)
Closing net asset value per share	66.70	73.30	89.91
After direct transaction costs of ⁴	–	–	–
Performance			
Return after charges ⁵	(3.72%)	(12.07%)	(3.32%)
Other information			
Closing net asset value (£)	74,037	118,232	245,371
Closing number of shares	110,994	161,293	272,919
Operating charges ratio ⁶	0.99%	0.99%	0.99%
Direct transaction costs ⁴	–	–	–
Prices (p)			
Highest share price	73.72	92.79	101.02
Lowest share price	67.89	73.30	89.90

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

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

Risk Profile (W(acc) shares)



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

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

Portfolio of Investments, 31 March 2021

Templeton Global Total Return Bond Fund

(Currency – GBP)				
Number of Shares or Face Value	Description		Market Value £000	% of Net Assets
	EQUITIES 0.00% (0.01%)			
	AFRICA 0.00% (0.01%)			
	SOUTH AFRICA			
12,082,204	K2016470219 South Africa Ltd., A [€]	–		0.00
1,447,454	K2016470219 South Africa Ltd., B [€]	–		0.00
		–		0.00
	TOTAL - AFRICA	–		0.00
	TOTAL - EQUITIES	–		0.00
	BONDS 87.27% (71.36%)			
	AFRICA 7.21% (4.86%)			
	EGYPT			
8,100,000	Egypt Treasury Bill, 0.000%, 06/22/2021	364		0.57
3,300,000	Egypt Treasury Bill, 0.000%, 07/13/2021	147		0.23
1,300,000	Egypt Treasury Bill, 0.000%, 08/10/2021	57		0.09
2,300,000	Egypt Treasury Bill, 0.000%, 09/07/2021	101		0.16
600,000	Egypt Treasury Bill, 0.000%, 12/07/2021	25		0.04
8,200,000	Egypt Treasury Bill, 0.000%, 12/21/2021	346		0.54
2,100,000	Egypt Treasury Bill, 0.000%, 02/15/2022	87		0.13
1,000,000	Egypt Treasury Bill, 0.000%, 03/01/2022	41		0.06
1,800,000	Egypty Treasury Bill, 0.000%, 08/31/2021	79		0.12
1,000,000	Egpyy Treasury Bill, 0.000%, 09/28/2021	43		0.07
		1,290		2.01
	GHANA			
9,840,000	Ghana Government Bond, 24.500%, 06/21/2021	1,257		1.95
8,000,000	Ghana Government Bond, 24.750%, 07/19/2021	1,029		1.60
2,240,000	Ghana Government Bond, 18.750%, 01/24/2022	287		0.45
80,000	Ghana Government Bond, 17.600%, 11/28/2022	10		0.02
460,000	Ghana Government Bond, 16.500%, 02/06/2023	58		0.09
50,000	Ghana Government Bond, 17.600%, 02/20/2023	6		0.01
250,000	Ghana Government Bond, 16.250%, 04/07/2025	30		0.05
100,000	Ghana Government Bond, 18.300%, 03/02/2026	12		0.02
5,190,000	Ghana Government Bond, 19.750%, 03/15/2032	652		1.01
		3,341		5.20
	SOUTH AFRICA			
1,001,313	K2016470219 South Africa Ltd., Reg S, 3.000%, 12/31/2022 [€]	–		0.00
465,107	K2016470219 South Africa Ltd., Reg S, 8.000%, 12/31/2022 [€]	1		0.00
389,981	K2016470260 South Africa Ltd., Reg S, 25.000%, 12/31/2022 [€]	1		0.00
		2		0.00
	TOTAL - AFRICA	4,633		7.21
	ASIA 52.20% (28.90%)			
	INDIA			
87,900,000	India Government Bond, 7.590%, 01/11/2026	933		1.45
94,500,000	India Government Bond, 7.270%, 04/08/2026	991		1.54

Templeton Global Total Return Bond Fund (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
INDIA (continued)			
17,100,000	India Government Bond, 8.330%, 07/09/2026	186	0.29
		2,110	3.28
INDONESIA			
11,684,000,000	Indonesia Treasury, 8.250%, 07/15/2021	593	0.92
5,860,000,000	Indonesia Treasury, 7.000%, 05/15/2022	303	0.47
306,000,000	Indonesia Treasury, 10.250%, 07/15/2022	16	0.02
8,223,000,000	Indonesia Treasury, 5.625%, 05/15/2023	417	0.65
9,760,000,000	Indonesia Treasury, 9.500%, 07/15/2023	534	0.83
1,225,000,000	Indonesia Treasury, 11.750%, 08/15/2023	70	0.11
28,423,000,000	Indonesia Treasury, 8.375%, 03/15/2024	1,530	2.38
733,000,000	Indonesia Treasury, 10.000%, 09/15/2024	41	0.06
27,239,000,000	Indonesia Treasury, 6.500%, 06/15/2025	1,394	2.16
350,000,000	Indonesia Treasury, 11.000%, 09/15/2025	21	0.03
44,670,000,000	Indonesia Treasury, 5.500%, 04/15/2026	2,193	3.40
		7,112	11.03
JAPAN			
199,000,000	Japan Treasury Bill, 0.000%, 04/12/2021	1,307	2.03
1,052,400,000	Japan Treasury Bill, 0.000%, 05/25/2021	6,911	10.73
103,600,000	Japan Treasury Bill, 0.000%, 06/10/2021	680	1.06
46,650,000	Japan Treasury Bill, 0.000%, 06/16/2021	306	0.48
280,000,000	Japan Treasury Bill, 0.000%, 08/10/2021	1,839	2.86
194,000,000	Japan Treasury Bill, 0.000%, 08/25/2021	1,274	1.98
98,000,000	Japan Treasury Bill, 0.000%, 09/27/2021	644	1.00
345,900,000	Japan Treasury Bill, 0.000%, 11/22/2021	2,273	3.53
394,300,000	Japan Treasury Bill, 0.000%, 12/20/2021	2,591	4.02
		17,825	27.69
SOUTH KOREA			
5,340,800,000	Korea Treasury, 4.250%, 06/10/2021	3,462	5.37
3,029,100,000	Korea Treasury, 1.375%, 12/10/2029	1,858	2.88
		5,320	8.25
SRI LANKA			
200,000	Sri Lanka Government Bond, Reg S, 5.750%, 04/18/2023	99	0.15
200,000	Sri Lanka Government Bond, Reg S, 6.350%, 06/28/2024	92	0.14
400,000	Sri Lanka Government Bond, Reg S, 6.850%, 03/11/2025	181	0.28
1,600,000	Sri Lanka Government Bond, Reg S, 6.200%, 05/11/2027	706	1.10
200,000	Sri Lanka Government Bond, Reg S, 6.750%, 04/18/2028	88	0.14
200,000	Sri Lanka Government Bond, Reg S, 7.850%, 03/14/2029	88	0.14
		1,254	1.95
TOTAL - ASIA		33,621	52.20
CENTRAL AMERICA 11.42% (12.13%)			
MEXICO			
35,590,000	Mexican Bonos, 7.250%, 12/09/2021	1,282	1.99
96,112,000	Mexican Bonos, 6.500%, 06/09/2022	3,462	5.37
23,732,000	Mexican Bonos, 6.750%, 03/09/2023	867	1.35

Templeton Global Total Return Bond Fund (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
MEXICO (continued)			
44,719,000	Mexican Bonos, 8.000%, 12/07/2023	1,685	2.62
1,440,000	Mexican Bonos, 10.000%, 12/05/2024	58	0.09
		7,354	11.42
	TOTAL - CENTRAL AMERICA	7,354	11.42
	EUROPE - NON EU 0.00% (0.15%)		
	MIDDLE EAST 1.72% (0.00%)		
	TURKEY		
6,720,000	Republic of Turkey Bond, 13.900%, 11/09/2022	551	0.86
450,000	Republic of Turkey Bond, 12.200%, 01/18/2023	36	0.06
1,930,000	Republic of Turkey Bond, 7.100%, 03/08/2023	138	0.21
2,390,000	Republic of Turkey Bond, 16.200%, 06/14/2023	201	0.31
1,250,000	Republic of Turkey Bond, 8.800%, 09/27/2023	89	0.14
110,000	Republic of Turkey Bond, 10.400%, 03/20/2024	8	0.01
1,160,000	Republic of Turkey Bond, 12.600%, 10/01/2025	83	0.13
		1,106	1.72
	TOTAL - MIDDLE EAST	1,106	1.72
	NORTH AMERICA 0.00% (9.62%)		
	SOUTH AMERICA 14.72% (15.70%)		
	ARGENTINA		
42,026,794	Argentina Government Bond, 0.000%, 05/21/2021 [£]	210	0.33
23,189,774	Argentina Government Bond, 0.000%, 09/13/2021 [£]	117	0.18
57,308,000	Argentina Government Bond, 18.200%, 10/03/2021 [£]	259	0.40
169,973,100	Argentina Government Bond, 16.000%, 10/17/2023 [£]	487	0.76
300,295,900	Argentina Government Bond, 15.500%, 10/17/2026 [£]	600	0.93
1,268,232	Argentina Government Bond STEP, 0.125%, 07/09/2030 [£]	312	0.48
1,771,454	Argentina Treasury BONCER, 1.100%, 04/17/2021 [£]	9	0.01
221,204,130	Argentina Treasury BONCER, 1.937%, 03/25/2023 [£]	1,067	1.66
221,204,136	Argentina Treasury BONCER, 2.075%, 03/25/2024 [£]	982	1.52
38,297,390	Argentina Treasury BONCER, FRN, 1.000%, 08/05/2021 [£]	193	0.30
223,672,954	Argentina Treasury BONCER, FRN, 1.664%, 03/18/2022 [£]	1,114	1.73
3,194,673	Argentina Treasury BONCER, FRN, 1.300%, 09/20/2022 [£]	16	0.02
		5,366	8.32
	COLOMBIA		
1,650,000,000	Colombia Government Bond, 7.750%, 04/14/2021	323	0.50
111,000,000	Colombia Government Bond, 4.375%, 03/21/2023	22	0.03
176,000,000	Colombia Government Bond, 9.850%, 06/28/2027	42	0.07
1,649,000,000	Republic of Colombia, 7.000%, 05/04/2022	337	0.52
7,305,000,000	Republic of Colombia, 10.000%, 07/24/2024	1,660	2.58
2,822,700,000	Republic of Colombia, 7.500%, 08/26/2026	595	0.92
		2,979	4.62
	ECUADOR		
843,000	Ecuador Government Bond, STEP, Reg S, 0.500%, 07/31/2030	357	0.55
2,252,000	Ecuador Government Bond, STEP, Reg S, 0.500%, 07/31/2035	736	1.14

Templeton Global Total Return Bond Fund (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	ECUADOR (continued)		
184,000	Ecuador Government Bond, STEP, Reg S, 0.500%, 07/31/2040	58	0.09
		1,151	1.78
	TOTAL - SOUTH AMERICA	9,496	14.72
	TOTAL - BONDS	56,210	87.27
	DERIVATIVES (1.06%) (7.95%)		
	FORWARD CURRENCY CONTRACTS		
	Buy AUD 1,140,000 sell JPY 631,599 dated 04/13/2021	12	0.02
	Buy AUD 199,150 sell USD 112,472 dated 04/09/2021	1	0.00
	Buy AUD 561,500 sell USD 317,114 dated 04/13/2021	5	0.01
	Buy AUD 5,097,000 sell USD 2,878,594 dated 04/15/2021	44	0.07
	Buy AUD 561,787 sell USD 318,833 dated 04/15/2021	(4)	(0.01)
	Buy AUD 6,234,500 sell USD 3,538,306 dated 04/23/2021	(42)	(0.06)
	Buy CAD 7,903,000 sell EUR 4,497,637 dated 08/03/2021	219	0.34
	Buy CAD 5,347,000 sell EUR 3,041,304 dated 11/02/2021	150	0.23
	Buy CHF 994,976 sell EUR 845,257 dated 04/13/2021	(22)	(0.03)
	Buy CHF 102,717 sell EUR 87,332 dated 06/09/2021	(2)	0.00
	Buy CNH 9,412,960 sell USD 1,066,609 dated 04/14/2021	(11)	(0.02)
	Buy CNH 6,540,050 sell USD 730,331 dated 05/20/2021	(13)	(0.02)
	Buy CNH 16,006,720 sell USD 1,756,517 dated 06/11/2021	(7)	(0.01)
	Buy CNH 28,760,840 sell USD 3,156,165 dated 06/15/2021	(16)	(0.02)
	Buy CNH 4,751,040 sell USD 535,827 dated 06/16/2021	–	0.00
	Buy CNH 4,723,540 sell USD 518,896 dated 06/16/2021	(6)	(0.01)
	Buy CNH 8,693,430 sell USD 979,774 dated 07/14/2021	(13)	(0.02)
	Buy EUR 918,923 sell CHF 827,740 dated 04/13/2021	17	0.03
	Buy EUR 94,944 sell CHF 85,610 dated 06/09/2021	2	0.00
	Buy EUR 914,396 sell NOK 788,252 dated 04/19/2021	(13)	(0.02)
	Buy EUR 3,674,409 sell USD 3,256,058 dated 05/20/2021	(112)	(0.17)
	Buy GBP 37,052,558 sell USD 37,052,558 dated 04/26/2021	(143)	(0.22)
	Buy INR 64,109,788 sell USD 629,218 dated 04/16/2021	3	0.01
	Buy INR 40,442,600 sell USD 399,560 dated 05/04/2021	2	0.00
	Buy INR 77,020,200 sell USD 762,449 dated 05/10/2021	4	0.01
	Buy INR 64,109,789 sell USD 626,229 dated 05/17/2021	2	0.00
	Buy INR 29,894,400 sell USD 294,593 dated 06/08/2021	5	0.01
	Buy INR 17,603,900 sell USD 175,838 dated 06/09/2021	3	0.01
	Buy INR 47,676,120 sell USD 461,704 dated 06/11/2021	1	0.00
	Buy INR 51,581,151 sell USD 501,878 dated 06/15/2021	2	0.00
	Buy INR 79,933,059 sell USD 792,116 dated 06/16/2021	11	0.02
	Buy INR 40,557,100 sell USD 386,381 dated 09/07/2021	3	0.00
	Buy INR 39,404,400 sell USD 375,353 dated 09/08/2021	2	0.00
	Buy INR 52,460,700 sell USD 502,321 dated 09/08/2021	–	0.00
	Buy JPY 362,500,492 sell AUD 2,654,544 dated 04/13/2021	(267)	(0.41)
	Buy JPY 59,574,222 sell AUD 394,989 dated 06/11/2021	(2)	0.00
	Buy JPY 93,935,970 sell AUD 621,190 dated 06/16/2021	3	0.00
	Buy JPY 47,616,110 sell AUD 348,205 dated 07/13/2021	(33)	(0.05)

Templeton Global Total Return Bond Fund (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
FORWARD CURRENCY CONTRACTS (continued)			
	Buy JPY 11,861,600 sell USD 84,926 dated 04/07/2021	(6)	(0.01)
	Buy JPY 76,911,920 sell USD 567,490 dated 04/20/2021	(27)	(0.04)
	Buy JPY 452,199,100 sell USD 3,245,650 dated 04/30/2021	(214)	(0.33)
	Buy JPY 196,710,265 sell USD 1,407,846 dated 06/22/2021	(95)	(0.15)
	Buy JPY 113,221,760 sell USD 821,117 dated 09/09/2021	(49)	(0.08)
	Buy JPY 55,012,955 sell USD 392,967 dated 09/21/2021	(28)	(0.04)
	Buy KRW 1,778,200,000 sell USD 1,162,122 dated 05/03/2021	(14)	(0.02)
	Buy KRW 1,690,000,000 sell USD 1,077,832 dated 06/04/2021	(12)	(0.02)
	Buy KRW 1,799,600,000 sell USD 1,175,765 dated 08/02/2021	(15)	(0.02)
	Buy KRW 2,680,000,000 sell USD 1,704,337 dated 09/03/2021	(10)	(0.02)
	Buy KRW 1,010,000,000 sell USD 644,206 dated 09/07/2021	(5)	(0.01)
	Buy MXN 48,975,581 sell USD 1,713,927 dated 04/13/2021	21	0.03
	Buy MXN 14,288,791 sell USD 493,008 dated 07/08/2021	1	0.00
	Buy NOK 16,696,450 sell EUR 1,438,032 dated 04/19/2021	48	0.07
	Buy NOK 4,818,300 sell EUR 413,094 dated 06/15/2021	28	0.04
	Buy NOK 7,366,300 sell EUR 628,828 dated 06/16/2021	38	0.06
	Buy NOK 6,973,000 sell EUR 592,877 dated 06/18/2021	35	0.05
	Buy NOK 4,828,900 sell EUR 413,696 dated 09/15/2021	28	0.04
	Buy NOK 6,638,450 sell EUR 562,894 dated 09/16/2021	6	0.01
	Buy NOK 11,719,600 sell EUR 995,785 dated 09/20/2021	60	0.09
	Buy NOK 21,698,500 sell EUR 1,840,683 dated 09/22/2021	18	0.03
	Buy NOK 4,088,000 sell EUR 344,679 dated 09/30/2021	3	0.00
	Buy NOK 8,099,000 sell USD 675,770 dated 05/18/2021	46	0.07
	Buy NOK 10,269,500 sell USD 872,574 dated 09/20/2021	18	0.03
	Buy NOK 8,183,000 sell USD 689,661 dated 09/30/2021	6	0.01
	Buy RUB 88,568,300 sell USD 868,313 dated 06/07/2021	(9)	(0.01)
	Buy RUB 27,817,700 sell USD 279,147 dated 06/09/2021	(5)	(0.01)
	Buy RUB 49,136,400 sell USD 498,441 dated 06/15/2021	(10)	(0.02)
	Buy RUB 19,816,300 sell USD 195,184 dated 09/08/2021	(3)	0.00
	Buy RUB 27,817,700 sell USD 276,275 dated 09/09/2021	(6)	(0.01)
	Buy RUB 77,409,300 sell USD 737,494 dated 09/13/2021	(17)	(0.03)
	Buy RUB 49,607,700 sell USD 498,101 dated 09/14/2021	(11)	(0.02)
	Buy RUB 74,077,900 sell USD 725,590 dated 12/15/2021	(21)	(0.03)
	Buy SEK 4,176,950 sell EUR 364,836 dated 04/15/2021	4	0.01
	Buy SEK 7,945,450 sell EUR 695,189 dated 04/16/2021	10	0.02
	Buy SEK 7,945,450 sell EUR 700,008 dated 04/19/2021	(7)	(0.01)
	Buy SEK 9,473,883 sell EUR 825,964 dated 05/17/2021	(11)	(0.02)
	Buy SEK 8,093,867 sell EUR 710,035 dated 06/11/2021	4	0.01
	Buy SEK 3,937,100 sell EUR 352,815 dated 06/15/2021	2	0.00
	Buy SEK 18,383,099 sell EUR 1,595,999 dated 06/16/2021	(7)	(0.01)
	Buy SEK 2,510,000 sell EUR 222,239 dated 06/18/2021	(1)	0.00
	Buy SEK 3,941,600 sell EUR 353,371 dated 09/15/2021	1	0.00
	Buy SEK 8,353,902 sell EUR 706,987 dated 09/16/2021	(6)	(0.01)
	Buy USD 142,455 sell AUD 110,622 dated 04/09/2021	(7)	(0.01)
	Buy USD 405,319 sell AUD 312,722 dated 04/13/2021	(16)	(0.02)

Templeton Global Total Return Bond Fund (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	FORWARD CURRENCY CONTRACTS (continued)		
	Buy USD 4,054,952 sell AUD 3,103,008 dated 04/15/2021	(185)	(0.29)
	Buy USD 4,433,976 sell AUD 3,389,297 dated 04/23/2021	(229)	(0.36)
	Buy USD 147,128 sell EUR 114,503 dated 04/06/2021	–	0.00
	Buy USD 82,615 sell EUR 64,006 dated 04/13/2021	–	0.00
	Buy USD 140,020 sell EUR 107,149 dated 04/15/2021	1	0.00
	Buy USD 377,180 sell EUR 290,951 dated 04/16/2021	2	0.00
	Buy USD 361,003 sell EUR 275,947 dated 04/23/2021	4	0.01
	Buy USD 518,146 sell EUR 395,839 dated 04/27/2021	5	0.01
	Buy USD 37,988 sell EUR 29,078 dated 04/29/2021	–	0.00
	Buy USD 4,380,134 sell EUR 3,294,444 dated 05/20/2021	47	0.07
	Buy USD 2,186,163 sell EUR 1,647,331 dated 05/24/2021	19	0.03
	Buy USD 663,969 sell EUR 497,179 dated 05/27/2021	7	0.01
	Buy USD 365,046 sell EUR 258,187 dated 06/01/2021	11	0.02
	Buy USD 631,892 sell EUR 456,683 dated 09/30/2021	2	0.00
	Buy USD 3,615,000 sell GBP 2,635,451 dated 04/26/2021	(9)	(0.01)
	Buy USD 109,168 sell JPY 78,674 dated 04/07/2021	1	0.00
	Buy USD 707,941 sell JPY 510,169 dated 04/20/2021	9	0.01
	Buy USD 4,156,784 sell JPY 2,996,102 dated 04/30/2021	51	0.08
	Buy USD 883,539 sell JPY 636,810 dated 06/22/2021	11	0.02
	Buy USD 5,368,378 sell MXN 3,925,897 dated 04/13/2021	84	0.13
	Buy USD 2,615,955 sell MXN 1,885,304 dated 07/08/2021	(66)	(0.10)
	Buy USD 5,495,353 sell MXN 4,028,211 dated 08/05/2021	41	0.06
	Buy USD 57,584 sell MXN 41,123 dated 08/23/2021	–	0.00
	Buy USD 1,421,620 sell MXN 1,028,464 dated 08/23/2021	(38)	(0.06)
	FOREIGN EXCHANGE GAIN/LOSS ON OUTSTANDING FORWARD CURRENCY CONTRACTS	(682)	(1.06)
	TOTAL - DERIVATIVES	(682)	(1.06)
	TOTAL VALUE OF INVESTMENTS	55,528	86.21
	OTHER ASSETS	8,881	13.79
	TOTAL NET ASSETS	64,409	100.00

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2020.

€ These securities are fair valued by the manager.

Templeton Global Total Return Bond Fund

Statement of Total Return

For the year ended 31 March 2021

	Notes	March 2021 £000	March 2021 £000	March 2020 £000	March 2020 £000
Income					
Net capital losses	1		(12,716)		(23,781)
Revenue	2	5,969		12,843	
Expenses	3	(790)		(1,562)	
Finance costs - Interest		–		(15)	
Net revenue before taxation		5,179		11,266	
Taxation	4	(179)		(255)	
Net revenue after taxation			5,000		11,011
Total return before distributions for the year			(7,716)		(12,770)
Distributions	5		(5,074)		(11,022)
Change in net assets attributable to shareholders			(12,790)		(23,792)

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 March 2021

	March 2021 £000	March 2021 £000	March 2020 £000	March 2020 £000
Opening net assets attributable to shareholders		115,626		176,175
Amounts received on creation of shares	16,730		46,724	
Amounts paid on cancellation of shares	(57,633)		(89,262)	
		(40,903)		(42,538)
Dilution adjustments		1		–
Change in net assets attributable to shareholders from investment activities (see above)		(12,790)		(23,792)
Retained distribution on accumulation shares		2,475		5,781
Closing net assets attributable to shareholders		64,409		115,626

Balance sheet

As at 31 March 2021

	Notes	March 2021 £000	March 2020 £000
Assets			
Fixed assets			
Investments		57,374	93,980
Current assets			
Debtors	6	2,816	2,938
Cash and bank balances		7,706	22,644
Total assets		67,896	119,562
Liabilities			
Investment liabilities		(1,846)	(2,264)
Creditors			
Distributions payable	5	(585)	(824)
Other creditors	7	(1,056)	(848)
Total liabilities		(3,487)	(3,936)
Net assets attributable to shareholders		64,409	115,626

Notes to the Financial Statements

	March 2021 £000	March 2020 £000
1. Net capital losses		
The net capital losses during the year comprise:		
Currency gains/(losses)	3,795	(80)
Derivative gains/(losses)	247	(14,188)
Non-derivative securities losses	(16,758)	(9,513)
	(12,716)	(23,781)
2. Revenue		
Interest on debt securities	5,358	12,529
Bank and other interest	611	174
Overseas dividends	–	(1)
Other revenue	–	141
	5,969	12,843
3. Expenses		
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's annual management charge	635	1,133
ACD's administration charge*	12	80
	647	1,213
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Safe custody fees	26	83
Depositary's fees	19	25
	45	108
Other expenses:		
Administration charge*	62	–
Legal and publication fees	19	17
Audit fees	13	11
Bank interest	4	–
Printing fees	–	2
Net interest swaps expense	–	211
	98	241
	790	1,562
*From 22 June 2020, Franklin Templeton Funds has delegated fund accounting, fund tax and related fund reporting services to JP Morgan Chase Bank N.A London Branch.		
4. Taxation		
(a) Analysis of the charge for the year		
Overseas capital tax	74	197
Irrecoverable overseas tax	105	244
Total current tax (Note 4(b))	179	441
Current year reversal of timing differences	–	(186)
Total deferred tax (note 4(c))	–	(186)
Total taxation	179	255

	March 2021 £000	March 2020 £000
4. Taxation (continued)		
(b) Factors affecting the current tax charge for the year		
The tax assessed for the year is lower (2020: lower) than the standard rate of corporation tax in the UK for Open-ended Investment Companies (20% (2020: 20%)).		
The differences are explained below:		
Net revenue before taxation	5,179	11,266
Corporation tax of 20% (2020: 20%)	1,036	2,253
Effects of:		
Interest distributions	(1,036)	(2,204)
Overseas capital tax	74	197
Irrecoverable overseas tax	105	195
Current tax charge for the year (Note 4(a))	179	441
(c) Provision for deferred tax		
Current year reversal of timing differences	–	(186)
Deferred tax for the year (note 4(a))	–	(186)

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

5. (a) Distributions

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

Interim dividend distributions

Income	1,697	3,976
Accumulation	1,910	4,774
	3,607	8,750

Final dividend distributions

Income	585	824
Accumulation	565	1,007
	1,150	1,831

Add: Revenue deducted on cancellation of shares	434	854
Deduct: Revenue received on issue of shares	(117)	(413)
Total distribution	5,074	11,022

(b) Difference between net revenue and distribution:

Net revenue after taxation	5,000	11,011
Tax charge taken from capital account	74	11
Total distribution for the year	5,074	11,022

Details of the distribution in pence per share for this Fund are set out in the table on pages 211-214.

6. Debtors

Sales awaiting settlement	1,785	951
Accrued income	948	1,550
Amounts receivable for issue of shares	74	437
Overseas tax recoverable	9	–
	2,816	2,938

7. Other creditors

Amounts payable for cancellation of shares	490	581
Purchases awaiting settlement	418	–
Accrued expenses	76	123
Tax payable	72	144
	1,056	848

8. Related parties

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

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

The amounts due to the ACD and associates of the ACD in respect of management and administration fees at 31 March 2021 are £41,000 (£82,000 as at 31 March 2020).

As at 31 March 2021 the Fund owed £1,000 to the ACD in respect of an over-reimbursement of expenses (£Nil owed to the ACD as at 31 March 2020).

As at 31 March 2021 Templeton Global Advisors Limited ("TGA") held 100% (100% as at 31 March 2020) of the shares in issue of Class Y Income.

9. Risk management policies and disclosures

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

Market Risk

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

Currency Risk

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

Currency	Net foreign currency assets and (liabilities) March 2021	Net foreign currency assets and (liabilities) March 2020
	Total £000	Total £000
Japanese yen	22,788	64,981
South Korean won	11,132	230
Norwegian krone	8,714	10,934
Chinese yuan	8,693	—
Indian rupee	8,097	1,009
Canadian dollar	7,637	—
Indonesian rupiah	7,293	8,353
Swedish krona	6,238	4,574
Argentine peso	5,322	5,390
Russian ruble	3,913	—
Ghanaian cedi	3,561	6,029
Colombian peso	3,116	3,143
Egyptian pound	1,294	—
Turkish lira	1,159	—
Mexican peso	571	1,691
Swiss franc	32	7,839
Australian dollar	(3,371)	(24,239)
Euro	(23,464)	(34,214)
US dollar	(43,479)	(8,407)
Brazilian real	—	7,641
Polish zloty	—	29
South African rand	—	6
	29,246	54,989

9. Risk management policies and disclosures (continued)

Interest Rate Risk

Interest rate profile of financial assets and financial liabilities

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

	Floating rate financial assets / liabilities £000	Fixed rate financial assets / liabilities £000	Financial assets / liabilities not carrying interest £000	Total £000
March 2021				
UK Sterling	1,895	—	33,268	35,163
Japanese yen	112	17,826	4,850	22,788
South Korean won	—	5,320	5,812	11,132
Norwegian krone	—	—	8,714	8,714
Chinese yuan	—	—	8,693	8,693
Indian rupee	—	2,110	5,987	8,097
Canadian dollar	—	—	7,637	7,637
Indonesian rupiah	58	7,113	122	7,293
Swedish krona	—	—	6,238	6,238
Argentine peso	(55)	5,054	323	5,322
Russian ruble	—	—	3,913	3,913
Ghanaian cedi	71	3,341	149	3,561
Colombian peso	—	2,980	136	3,116
Egyptian pound	3	1,291	—	1,294
Turkish lira	6	1,104	49	1,159
Mexican peso	29	7,353	(6,811)	571
Swiss franc	32	—	—	32
Australian dollar	—	—	(3,371)	(3,371)
Euro	206	—	(23,670)	(23,464)
US dollar	5,350	2,716	(51,545)	(43,479)
	7,707	56,208	494	64,409

	Floating rate financial assets / liabilities £000	Fixed rate financial assets / liabilities £000	Financial assets / liabilities not carrying interest £000	Total £000
March 2020				
Japanese yen	—	—	64,981	64,981
UK Sterling	—	—	60,637	60,637
Norwegian krone	—	176	10,758	10,934
Indonesian rupiah	—	8,004	349	8,353
Swiss franc	—	—	7,839	7,839
Brazilian real	—	5,925	1,716	7,641
Ghanaian cedi	—	5,618	411	6,029
Argentine peso	379	3,011	2,000	5,390
Swedish krona	—	—	4,574	4,574
Colombian peso	—	2,946	197	3,143
Mexican peso	—	13,914	(12,223)	1,691
Indian rupee	—	5,759	(4,750)	1,009
South Korean won	—	5,631	(5,401)	230
Polish zloty	—	—	29	29
South African rand	—	—	6	6
US dollar	—	11,127	(19,534)	(8,407)
Australian dollar	—	—	(24,239)	(24,239)
Euro	—	—	(34,214)	(34,214)
	379	62,111	53,136	115,626

10. Portfolio Transaction Costs

During the year bond purchases amounted to £69,320,000 (2020: £107,897,000) and bond sales amounted to £112,602,000 (2020: £119,140,000). No Direct Transaction Costs were incurred during the current or prior year.

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

In addition, there is a dealing spread between the buying and selling prices of the underlying investments. The average dealing spread which is the difference between the quoted bid and offer prices or internal administrative or holding costs, are not included in the calculation of Direct Transaction Costs. As at 31 March 2021, the average dealing spread for the underlying Fund investments is 0.38% (2020: 0.34%).

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

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

11. Creations and Cancellations of Shares

	Number of shares in issue as at 1 April 2020	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue as at 31 March 2021
A – Accumulation Hedge shares	8,015,209	1,444,409	(3,534,729)	–	5,924,889
A – Accumulation shares	1,082,139	66,916	(573,677)	–	575,378
A – Income Hedge shares	1,034,561	109,917	(128,487)	–	1,015,991
A – Income shares	1,109,239	26,145	(431,793)	(16,323)	687,268
W – Accumulation Hedge shares	9,009,033	4,516,278	(9,897,138)	3,412	3,631,585
W – Accumulation shares	39,066,578	7,855,724	(25,663,981)	(2,931)	21,255,390
W – Income Hedge shares	47,152,842	12,932,523	(23,092,963)	27,854	37,020,256
W – Income shares	16,759,537	2,668,579	(10,488,589)	–	8,939,527
Y – Income shares	2,972	–	–	–	2,972
Z – Accumulation shares	220,510	10,925	(112,816)	(3,750)	114,869
Z – Income Hedge shares	161,293	–	(50,299)	–	110,994

12. Fair Value Disclosure

Instruments held at the year end are presented in line with amendments to FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland Fair value hierarchy disclosures.

Level 1: Unadjusted quoted price in an active market for an identical instrument.

Level 2: Valuation techniques using observable inputs other than quoted prices within level 1.

Level 3: Valuation techniques using unobservable inputs.

	Assets	Liabilities	Assets	Liabilities
	31 March 2021	31 March 2021	31 March 2020	31 March 2020
Fair Value Hierarchy	£000	£000	£000	£000
Level 1	—	—	—	—
Level 2	50,842	(682)	78,189	—
Level 3	5,368	—	4,337	—
Total	56,210	(682)	82,526	—

13. Portfolio Statement by Credit Rating

Standard & Poor's Rating		Market Value	% of
		£'000	Net Assets
March 2021			
Investment grade	BBB or higher	9,079	14.09
Non-investment grade	below BBB	2,659	4.13
Not rated	Not rated	44,473	69.05
Total Value of Bonds		56,210	87.27
March 2020			
Investment grade	BBB or higher	44,378	38.38
Non-investment grade	below BBB	15,890	12.99
Not rated	Not rated	22,252	20.00
Total Value of Bonds		82,520	71.37

14. Counterparty and Collateral Exposure

	Forward			Options		
	Currency	Futures	Swaps	Contract	Swaption	Total
Counterparty	£000	£000	£000	£000	£000	£000
2021						
Bank of America	101	—	—	—	—	101
Barclays	(12)	—	—	—	—	(12)
BNP Paribas	(86)	—	—	—	—	(86)
Citi	(227)	—	—	—	—	(227)
Deutsche Bank	155	—	—	—	—	155
Goldman Sachs	(16)	—	—	—	—	(16)
HSBC	(115)	—	—	—	—	(115)
JP Morgan	(476)	—	—	—	—	(476)
Morgan Stanley	7	—	—	—	—	7
UBS	(13)	—	—	—	—	(13)

14. Counterparty and Collateral Exposure (continued)

Counterparty	Forward Currency Contracts £000	Futures £000	Swaps £000	Options Contract £000	Swaption £000	Total £000
2020						
Bank of America	1,205	—	—	—	—	1,205
Barclays	354	—	—	—	—	354
BNP Paribas	96	—	—	—	—	96
Citi	2,037	—	—	—	—	2,037
Deutsche Bank	(726)	—	—	—	—	(726)
Goldman Sachs	278	—	—	—	—	278
HSBC	1,937	—	—	—	—	1,937
JP Morgan	3,533	—	—	—	—	3,533
Morgan Stanley	5	—	—	—	—	5
Standard Chartered	1	—	—	—	—	1
UBS	470	—	—	—	—	470

As at 31 March 2021, the Fund: pledged £1,330,000 of US dollar cash collateral to JP Morgan, HSBC and Citi bank; held £320,000 of US dollar cash from Bank of America and Deutsche Bank ; and held £nil of UK Treasury Bonds, in respect of its derivative contracts (pledged net £797,000 of US dollar cash collateral to Deutsche Bank; held net £7,081,000 of US dollar cash from JP Morgan, Goldman Sachs and Barclays and held £852,000 of UK Treasury Bonds and £246,000 of US Treasury Bonds from HSBC, in respect of its derivative contracts as at 31 March 2020).

15. Calculation Method of the Risk Exposure

Global Exposure using VaR Approach

Market	Limit	Lowest	Highest	Average	Reference Portfolio	Model Type	Confidence Interval	Holding period	Observation period
March 2021									
Relative VaR	200%	99%	154%	120%	50% Barclays Capital Multiverse Index + 25% Barclays Capital Global High-Yield Index + 12.5% JP Morgan Emerging Markets Bond Index Global (EMBIG) + 12.5% JP Morgan Government Bond Index-Emerging Markets (GBI-EM)	Monte Carlo Simulation	99th Percentile	20-day	1 Apr 2020 to 31 Mar 2021
March 2020									
Relative VaR	200%	110%	139%	119%	50% Barclays Capital Multiverse Index + 25% Barclays Capital Global High-Yield Index + 12.5% JP Morgan Emerging Markets Bond Index Global (EMBIG) + 12.5% JP Morgan Government Bond Index-Emerging Markets (GBI-EM)	Monte Carlo Simulation	99th Percentile	20-day	1 Apr 2019 to 31 Mar 2020

Templeton Global Total Return Bond Fund

Distribution Statement

For the period 1 April 2020 to 30 June 2020

Group 1 Shares purchased prior to 1 April 2020

Group 2 Shares purchased in the period 1 April 2020 to 30 June 2020

	Net Income p	Equalisation p	30 June 2020 Pence per Share p	30 June 2019 Pence per Share p
A Accumulation Hedge Shares				
Group 1	1.1417	—	1.1417	2.5617
Group 2	0.9255	0.2162	1.1417	2.5617
A Accumulation Shares				
Group 1	2.2152	—	2.2152	4.5695
Group 2	0.8919	1.3233	2.2152	4.5695
A Income Hedge Shares				
Group 1	0.8253	—	0.8253	1.9734
Group 2	0.4051	0.4202	0.8253	1.9734
A Income Shares				
Group 1	1.3409	—	1.3409	2.9490
Group 2	0.5998	0.7411	1.3409	2.9490
W Accumulation Hedge Shares				
Group 1	1.0733	—	1.0733	2.2330
Group 2	0.6399	0.4334	1.0733	2.2330
W Accumulation Shares				
Group 1	1.4310	—	1.4310	2.7474
Group 2	0.8207	0.6103	1.4310	2.7474
W Income Hedge Shares				
Group 1	0.8751	—	0.8751	1.9559
Group 2	0.3726	0.5025	0.8751	1.9559
W Income Shares				
Group 1	1.0309	—	1.0309	2.1234
Group 2	0.4323	0.5986	1.0309	2.1234
Y Income Shares				
Group 1	1.3051	—	1.3051	2.5052
Group 2	1.3051	—	1.3051	2.5052
Z Accumulation Shares				
Group 1	2.3071	—	2.3071	4.5455
Group 2	1.2071	1.1000	2.3071	4.5455
Z Income Hedge Shares				
Group 1	0.8411	—	0.8411	1.9270
Group 2	0.8411	—	0.8411	1.9270

For the period 1 July 2020 to 30 September 2020

Group 1 Shares purchased prior to 1 July 2020

Group 2 Shares purchased in the period 1 July 2020 to 30 September 2020

	Net Income p	Equalisation p	30 September 2020 Pence per Share p	30 September 2019 Pence per Share p
A Accumulation Hedge Shares				
Group 1	1.1142	—	1.1142	1.9343
Group 2	0.6108	0.5034	1.1142	1.9343
A Accumulation Shares				
Group 1	2.0616	—	2.0616	3.5910
Group 2	1.0636	0.9980	2.0616	3.5910

Templeton Global Total Return Bond Fund (continued)

Distribution Statement (continued)

	Net Income p	Equalisation p	30 September 2020 Pence per Share p	30 September 2019 Pence per Share p
A Income Hedge Shares				
Group 1	0.7939	—	0.7939	1.4575
Group 2	0.4640	0.3299	0.7939	1.4575
A Income Shares				
Group 1	1.2341	—	1.2341	2.2674
Group 2	0.3864	0.8477	1.2341	2.2674
W Accumulation Hedge Shares				
Group 1	1.0407	—	1.0407	1.7232
Group 2	0.5970	0.4437	1.0407	1.7232
W Accumulation Shares				
Group 1	1.3150	—	1.3150	2.2059
Group 2	0.8336	0.4814	1.3150	2.2059
W Income Hedge Shares				
Group 1	0.8380	—	0.8380	1.4741
Group 2	0.3196	0.5184	0.8380	1.4741
W Income Shares				
Group 1	0.9352	—	0.9352	1.6680
Group 2	0.9308	0.0044	0.9352	1.6680
Y Income Shares				
Group 1	1.1699	—	1.1699	2.0130
Group 2	1.1699	—	1.1699	2.0130
Z Accumulation Shares				
Group 1	2.1276	—	2.1276	3.6231
Group 2	2.1276	—	2.1276	3.6231
Z Income Hedge Shares				
Group 1	0.8156	—	0.8156	1.4467
Group 2	0.8156	—	0.8156	1.4467

For the period 1 October 2020 to 31 December 2020

Group 1 Shares purchased prior to 1 October 2020

Group 2 Shares purchased in the period 1 October 2020 to 31 December 2020

	Net Income p	Equalisation p	31 December 2020 Pence per Share p	31 December 2019 Pence per Share p
A Accumulation Hedge Shares				
Group 1	1.4849	—	1.4849	1.6304
Group 2	0.8156	0.6693	1.4849	1.6304
A Accumulation Shares				
Group 1	2.6496	—	2.6496	2.7964
Group 2	1.5257	1.1239	2.6496	2.7964
A Income Hedge Shares				
Group 1	1.0492	—	1.0492	1.2283
Group 2	0.4814	0.5678	1.0492	1.2283
A Income Shares				
Group 1	1.5737	—	1.5737	1.8150
Group 2	0.2602	1.3135	1.5737	1.8150
W Accumulation Hedge Shares				
Group 1	1.3503	—	1.3503	1.4903
Group 2	0.6609	0.6894	1.3503	1.4903
W Accumulation Shares				
Group 1	1.6756	—	1.6756	1.8356
Group 2	0.7071	0.9685	1.6756	1.8356
W Income Hedge Shares				
Group 1	1.0743	—	1.0743	1.2405
Group 2	0.4262	0.6481	1.0743	1.2405

Templeton Global Total Return Bond Fund (continued)

Distribution Statement (continued)

	Net Income p	Equalisation p	31 December 2020 Pence per Share p	31 December 2019 Pence per Share p
W Income Shares				
Group 1	1.1772	—	1.1772	1.3611
Group 2	0.4119	0.7653	1.1772	1.3611
Y Income Shares				
Group 1	1.4273	—	1.4273	1.6722
Group 2	1.4273	—	1.4273	1.6722
Z Accumulation Shares				
Group 1	2.7299	—	2.7299	3.0694
Group 2	2.7299	—	2.7299	3.0694
Z Income Hedge Shares				
Group 1	1.0369	—	1.0369	1.2200
Group 2	1.0369	—	1.0369	1.2200

For the period 1 January 2021 to 31 March 2021

Group 1 Shares purchased prior to 1 January 2021

Group 2 Shares purchased in the period 1 January 2021 to 31 March 2021

	Net Income p	Equalisation p	31 March 2021 Pence per Share p	31 March 2020 Pence per Share p
A Accumulation Hedge Shares				
Group 1	1.7186	—	1.7186	1.6115
Group 2	0.9273	0.7913	1.7186	1.6115
A Accumulation Shares				
Group 1	2.9513	—	2.9513	2.9128
Group 2	1.5360	1.4153	2.9513	2.9128
A Income Hedge Shares				
Group 1	1.1949	—	1.1949	1.1802
Group 2	0.8448	0.3501	1.1949	1.1802
A Income Shares				
Group 1	1.7216	—	1.7216	1.7883
Group 2	0.6751	1.0465	1.7216	1.7883
W Accumulation Hedge Shares				
Group 1	1.5445	—	1.5445	1.4513
Group 2	1.2091	0.3354	1.5445	1.4513
W Accumulation Shares				
Group 1	1.8192	—	1.8192	1.8140
Group 2	0.9132	0.9060	1.8192	1.8140
W Income Hedge Shares				
Group 1	1.2068	—	1.2068	1.2037
Group 2	0.7160	0.4908	1.2068	1.2037
W Income Shares				
Group 1	1.2588	—	1.2588	1.3271
Group 2	0.6257	0.6331	1.2588	1.3271
Y Income Shares				
Group 1	1.5043	—	1.5043	1.6210
Group 2	1.5043	—	1.5043	1.6210

Templeton Global Total Return Bond Fund (continued)

Distribution Statement (continued)

	Net Income p	Equalisation p	31 March 2021 Pence per Share p	31 March 2020 Pence per Share p
Z Accumulation Shares				
Group 1	2.9832	—	2.9832	2.9662
Group 2	2.9832	—	2.9832	2.9662
Z Income Hedge Shares				
Group 1	1.1808	—	1.1808	1.1699
Group 2	1.1808	—	1.1808	1.1699

Equalisation

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

Investment Review

Performance

For the 12 months ended 31 March 2021, Templeton Growth Fund returned 39.77%*, while the MSCI All Country World Index ("MSCI ACWI") rose 38.94%.

Overview

Global developed and emerging market equities, as measured by the MSCI All Country World Index-NR (net of taxes on dividends) in US dollars, advanced strongly during the 12 months ended 31 March 2021. Following sharp declines in early 2020 amidst the onset of the novel coronavirus ("COVID-19") pandemic, global equities began to rebound in the spring amidst monetary and fiscal stimulus measures, easing lockdown restrictions, and vaccine and treatment development. Stocks declined again in September and October, due to geopolitical tensions and rising infection rates, but began to rebound in November as successful trials of COVID-19 vaccines, the start of vaccination programmes and expectations for additional fiscal stimulus led many equity markets to reach new highs. Indications of economic recovery in many countries also helped drive stocks higher.

In the United States, the initial pandemic-related restrictions and mass layoffs pushed the unemployment rate to 14.8% in April 2020. Equities began to rebound in the spring amidst the government's fiscal and monetary stimulus measures, partial economic reopening, rising retail sales, and optimism about treatments and potential vaccines for COVID-19. Following a record annualised decline in the second-quarter 2020 gross domestic product ("GDP"), resilient consumer spending helped drive third-quarter GDP to expand at a record annualised rate, although growth slowed in the fourth quarter. Equities continued to rise during the summer but declined in the fall due to concerns about possible new restrictions amidst rising COVID-19 infection rates, as well as uncertainties about additional fiscal stimulus and the US presidential election. Investor sentiment improved beginning in November following the outcome of the US presidential election, the start of COVID-19 vaccination programmes and the passage of a new US stimulus bill. The US economy's continued recovery, with the unemployment rate ending the period at 6.0%, helped drive US equities, as measured by the Standard & Poor's® 500 Index, to reach all-time price highs in March 2021.

The US Federal Reserve ("Fed") kept the federal funds target rate at a record-low range of 0.00%–0.25% and continued its programmes of open-ended bond purchases to help keep markets functioning. Furthermore, the Fed reiterated that interest rates would potentially remain low, even if inflation moderately exceeded the Fed's 2% target.

In the eurozone, economic recovery remained uneven, as growth resumed in the third quarter of 2020 but contracted in the fourth quarter. GDP growth rates varied widely amongst the region's largest economies amidst renewed lockdowns and delays in COVID-19 vaccine distribution. Germany's GDP expanded modestly in the fourth quarter, while France's contracted. Despite investor concerns about rising infection rates and a slow vaccination rollout in the region, general optimism that successful vaccine programmes would lift global growth, along with a Brexit resolution, contributed to strong gains for European developed market equities, as measured by the MSCI Europe Index-NR in US dollars.

Asian developed and emerging market ("EM") equities, as measured by the MSCI All Country Asia Index-NR in US dollars, advanced sharply for the period. China, a key driver of regional economies, began to recover in the second quarter of 2020 and was the only major global economy to post positive GDP growth for full-year 2020 amidst strong manufacturing gains. Despite paring gains in March 2021, Asian equity markets finished the period sharply higher amidst optimism that economic revitalisation would be further spurred by COVID-19 vaccines.

Global EM stocks, as measured by the MSCI Emerging Markets Index-NR in US dollars, also rose significantly for the period. Improving economic activity, stabilising oil prices and US dollar weakness supported EM equities. Despite higher COVID-19 case counts in some countries, emerging market stocks rallied amidst easing political uncertainty, commencement of COVID-19 vaccinations and rising commodity prices.

Significant Changes

During the period under review, we increased our existing investment in US-based financial giant JP Morgan Chase. However, we reduced our overall financials exposure over the reporting period, and we maintain only very limited exposure to traditional deposit-taking banks in Western economies. We also added to our existing investment in Sumitomo Metal Mining.

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

Over the same period, we opened new positions in Westinghouse Air Brake Technologies and American Express. American Express is a diversified financial services firm primarily focused on credit and charge card issuance on a global scale. American Express is an “eye of the storm” stock given its small & medium business and travel & entertainment exposures. Like the company did during the Global Financial Crisis, we believed American Express may gain share through the COVID-19 crisis given its affluent-customer base (which can weather the credit cycle better than others) its strong balance sheet, and as traditional banks pull back from card lending. American Express was a consistent earnings compounder during the decade preceding this recession, and we believe it will regain that status on the other side of this crisis. We also opened a new investment in global media and entertainment company Walt Disney during the 12-month period. In our view, Disney is a high-quality company with unparalleled franchises, strong content library and intellectual properties. Its traditional media assets and parks businesses offer strong cyclical recovery from the current weak economic environment, while its recently launched direct-to-consumer streaming service, branded Disney Plus, offers attractive growth potential that had not been fully reflected in the stock price.

Over the past 12 months, we closed our position in Swiss-based global pharmaceutical and diagnostics company Roche. It has been in the process of successfully negotiating biosimilar competition to its three largest oncology drugs. Due to patent expirations, sales of Herceptin, Avastin and Rituxan are expected to erode rapidly in the coming years, but new launches (Hemlibra, Ocrevus, Tecentriq, Polivy, Risdiplam) should allow Roche to grow during this period. Roche shares underperformed in the third quarter of 2020 as expectations moderated around a short-term boost in sales due to COVID-19, and the pharmaceutical sector de-rated ahead of the US presidential election in November; we reduced (and ultimately exited) our position in anticipation of these challenges. We also liquidated our investments in French alcoholic beverage company Pernod Ricard (bought during the period) and Germany’s Fresenius Medical Care. Other notable sales included Dutch firm Unilever and US-based Verizon Communications. Verizon is the largest mobile wireless carrier and second-largest phone company in the United States. In our analysis, Verizon can be a defensive holding with an attractive dividend yield. The company’s US\$45 billion C-Band spectrum purchase in February 2021 increased leverage to a level that is manageable, in our view, however, it eliminates the possibility of a near-term stock rating upgrade and repurchases; we therefore closed our investment. Other notable changes in the Fund involved Taiwan Semiconductor Manufacturing (“TSM”): We liquidated our exposure to TSM ADRs (“American Depositary Receipts”) on the New York Stock Exchange and purchased roughly equivalent exposure to TSM shares on the Taiwan Stock Exchange. This transaction did not involve any change in strategy or positioning regarding TSM, but was the result of a substantial increase in the ADR premium.

Positive/Negative Contributors

The Fund outperformed its benchmark index during the 12-month reporting period ended 31 March 2021.

Performance in the information technology sector was led higher by our investment in Taiwan Semiconductor Manufacturing, the Fund’s top stock-level contributor during the reporting period. Its shares surged in late July after competitor Intel (not a Fund holding) announced significant delays in the production of its new seven-nanometre microchip. Intel indicated that it would hire a manufacturing subcontractor to help with production, with many observers believing that Taiwan Semiconductor may be selected to fill the role. Other contributors in the information technology sector included Dutch firm NXP Semiconductors. NXP, the amalgamation of the former semiconductor divisions of Philips and Motorola, is a leading manufacturer of semiconductors and sensors for radio, power and audio applications. Return prospects remain attractive to us as the company improves execution and as its margin structure moves towards industry norms. We believe NXP has continued to offer long-term value, but that its share price can be dependent on macro factors in the near term. We’ve largely avoided the expensive internet stocks vulnerable to a change in sentiment or regulation and instead found opportunities amongst select software companies, hardware companies with restructuring and business mix transition potential, and semiconductor manufacturers exposed to long-term growth trends tied to digitisation, energy efficiency and electric vehicles. Our semiconductor stocks have done well amidst fears of COVID-19 related or geopolitically motivated supply chain disruptions for critical components.

An underweighting in the financials sector enhanced relative results. We remain underweight and continue to prioritise quality, resilience and growth. Banks face structural challenges in an age of financial repression as low interest rates cap earnings potential and increasing government regulation threatens to further impair lending economics and shareholder remuneration. While most commercial banks in the Western world are failing to meet our criteria for long-term value creation, we have found select opportunities amongst well-managed, high-quality franchises that could benefit from some combination of a steeper yield curve, economic reflation and repaired consumer balance sheets following government transfer payments and a rising savings rate during lockdown. That said, we have yet to experience a credit cycle stemming from the COVID-19 recession,

and while banks are better capitalised this time around and less of a threat to systemic stability, an eventual cycle nevertheless remains a material earnings risk. We focus on best-in-breed financial services firms in Western markets and undervalued and/or growth-oriented opportunities in attractive Asian markets.

Relative returns were supported further by an underweighting in the utilities sector and by stock selection in the consumer staples sector. We have become more constructive on utilities given their relative underperformance amidst rising interest rates and reflationary expectations. In our view, select utilities offer attractive risk/reward profiles and unique defensive characteristics that can improve overall portfolio diversification. Long-term earnings visibility of mid-to-high-single digits is extremely high given investment opportunities in aging transmission infrastructure and renewable energy. The Democratic Party sweep in the 2020 elections in the United States suggests that energy policy is likely to favour an acceleration in the build-out of renewables. Finally, any corporate tax hikes in the United States likely would be passed through to consumers, implying that earnings growth in the sector could look more favourable relative to the broader market if the tax rate is increased.

Other notable contributors included US-based Albemarle, which develops, produces and sells specialty chemicals for a wide range of markets. The shares continued to benefit from strong operational performance and a broader realisation that the firm's lithium business (about 40% of current operating profits) looks set to grow strongly in the longer term, reflecting confidence in the demand outlook for electric vehicles, particularly in China and Europe. Furthermore, numerous already announced supply delays should help tighten supply/demand fundamentals for lithium sooner than previously anticipated.

In contrast, security selection in the consumer discretionary sector detracted from relative performance during the 12-month reporting period. Performance in the consumer discretionary sector was led lower by our investment in Anglo-Dutch online food ordering company Just Eat Takeaway.com. Its shares declined after US food delivery company Grubhub (not held by the Fund) posted a quarterly loss, significantly underperforming consensus expectations after having previously reported three consecutive profitable quarters. Just Eat Takeaway.com agreed to acquire Grubhub in July 2020 and some investors were concerned that Grubhub's announcement of a quarterly loss in the company's final earnings report before the close of the acquisition may complicate the all-stock merger, which is expected to close in the first half of 2021. More broadly, we took a barbell approach in the consumer discretionary sector during the period. On the one hand, we increased exposure to select retailers and travel/hospitality companies that appeared oversold during the depths of COVID-19 and had the financial wherewithal to likely survive a protracted period of economic weakness. On the other hand, we also initiated positions in some of the world's highest quality, best-known consumer brands.

Positioning in the energy and industrials sectors also hampered results. Within the energy sector, pandemic-driven demand destruction led to massive oil price volatility in 2020. After reducing exposure to leveraged energy plays in the first half of 2020, we began to find some renewed opportunities more recently in stocks that excessively discounted prolonged low oil prices. Assuming supply remains disciplined and demand rebounds as economies reopen, we believe prices should remain well above the lows of last year. Regulatory and secular trends away from fossil fuels will impact the sector going forward, but we believe there are opportunities for legacy oil producers in this regard, as well as risks. Meanwhile, volatility created numerous opportunities last year in industrial cyclicals, where we significantly increased exposure amongst high-quality survivors in the depths of the COVID-19 crisis. This, along with buying select "epicentre" stocks in the eye of the pandemic, was part of a broader strategy to increase cyclical exposures last year as markets began to look oversold and policy stimulus became increasingly likely. The higher weighting allowed us to broaden our sector exposure across electrical equipment, factory automation, diversified conglomerates, and infrastructure and construction industries, amongst others. Many of these stocks recently rebounded significantly.

Although information technology was an overall contributor at the sector level, our investment in Japanese electronic components manufacturer Kyocera weighed on returns. Its shares slumped on continued concerns about demand prospects in the firm's automotive and industrial component end markets. Kyocera has remained sensitive to gross domestic product trends given the diversity of its customer base, though some segments like electronic devices and ceramics stand to benefit from secular growth trends like 5G and increasing content demand, which may offset cyclicity elsewhere.

Other detractors included Germany's Fresenius Medical Care, a provider of kidney dialysis services. Its shares tumbled in early February after the company announced it anticipates a significant negative impact on 2021 net income due to the still accelerating effects of COVID-19 on dialysis patients, an especially vulnerable subset of the overall population.

From a geographic standpoint, positioning in Asia ex-Japan (particularly in Taiwan, China and South Korea) contributed to relative performance during the 12-month period. Stock selection in the United States, Japan and Canada also enhanced results. Relative returns were supported further by security selection and an overweighting in the Netherlands, and by our investments in Denmark and Italy. In contrast, stock selection in Switzerland detracted from relative performance during the reporting period. An underweighting in the United Kingdom also hampered results, as did positioning in France, Germany and Belgium. Relative returns were pressured further by security selection in India and by an overweighting in Hong Kong.

Outlook

Flexibility and creativity are key ingredients of our compound value approach. True value can arise at different times and in different ways, and often involves the union of multiple elements. To us, absolute market valuations for global equities have long looked expensive based on our assessment of the economy's long-term earnings potential. More recently, we have also begun to see relative valuation gaps close as cheaper cyclicals and other traditional value stocks played catch-up following initial vaccine approvals last November. The relative valuation trade was a good source of performance for our portfolios and was expressed last year through increased exposure to cyclicals and "eye-of-the-coronavirus-storm" stocks. Buying the long-term survivors at the epicentre of the pandemic downturn proved to be a successful strategy. But, with valuations now looking expensive from both absolute and relative perspectives, we cannot rely on further multiple expansion to drive gains. Nor are we counting on a protracted growth cycle to drive returns, given COVID-19 related impacts to supply chain efficiency, regulatory mandates and labour market flexibility, in addition to the structural challenges related to debt and demographics.

Our assessment of the current market environment highlights a "double bubble" in both valuation and credit risk that is keeping us generally cautious on both tails of the market—the expensive leaders and the lower-quality laggards (many of which have already bounced hard in recent months). In times like this we expect idiosyncratic opportunities to drive alpha in the portfolios, and we are increasingly focusing on special situations and event-driven opportunities, amongst other things. These are instances when the economic value of a business cannot be identified by standard valuation metrics because underlying business value is not solely a function of the present earnings or cash flow of the company given unique accounting treatment or the cyclical nature of the business. Going forward, we expect the market to become more discriminate. In contrast to much of the past decade, we anticipate an environment where fundamentals and nuance begin to matter again, and where experience and expertise should ultimately pay off.

Dylan Ball, Katherine Owen, CFA & Tina Sadler, CFA

Fund Managers

31 March 2021

Comparative Table, 31 March 2021

Templeton Growth Fund

	31 March 2021	31 March 2020	31 March 2019
A – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	992.48	1,099.62	1,082.68
Return before operating charges ¹	416.98	(88.99)	34.77
Operating charges ²	(20.28)	(18.15)	(17.83)
Return after operating charges ³	396.70	(107.14)	16.94
Closing net asset value per share	1,389.18	992.48	1,099.62
Distributions	(11.30)	(43.13)	(11.30)
Retained distributions on accumulation shares	11.30	43.13	11.30
After direct transaction costs of ⁴	1.74	1.47	0.79
Performance			
Return after charges ⁵	39.97%	(9.74%)	1.56%
Other information			
Closing net asset value (£)	11,172,682	8,421,057	9,953,699
Closing number of shares	804,267	848,490	905,194
Operating charges ratio ⁶	1.63%	1.61%	1.58%
Direct transaction costs ⁴	0.14%	0.13%	0.07%
Prices (p)			
Highest share price	1,430.11	1,201.43	1,212.49
Lowest share price	963.00	936.87	1,023.13

	31 March 2021	31 March 2020	31 March 2019
A – Income shares			
Change in net assets per share (p)			
Opening net asset value per share	623.45	719.82	715.75
Return before operating charges ¹	260.68	(56.61)	23.27
Operating charges ²	(12.55)	(11.79)	(11.75)
Return after operating charges ³	248.13	(68.40)	11.52
Distribution	(7.10)	(27.97)	(7.45)
Closing net asset value per share	864.48	623.45	719.82
After direct transaction costs of ⁴	1.07	0.95	0.52
Performance			
Return after charges ⁵	39.80%	(9.50%)	1.61%
Other information			
Closing net asset value (£)	1,285,090	983,935	1,329,017
Closing number of shares	148,655	157,820	184,632
Operating charges ratio ⁶	1.63%	1.61%	1.58%
Direct transaction costs ⁴	0.14%	0.13%	0.07%
Prices (p)			
Highest share price	889.95	774.50	801.56
Lowest share price	604.65	603.95	672.51

Templeton Growth Fund (continued)

	31 March 2021	31 March 2020	31 March 2019
I – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	–	3,645.92	3,564.73
Return before operating charges ¹	–	(3,611.93)	113.99
Operating charges ²	–	(33.99)	(32.80)
Return after operating charges ³	–	(3,645.92)	81.19
Closing net asset value per share	–	–	3,645.92
Distributions	–	(71.18)	(63.35)
Retained distributions on accumulation shares	–	71.18	63.35
After direct transaction costs of ⁴	–	4.86	2.61
Performance			
Return after charges ⁵	–	–	2.28%
Other information			
Closing net asset value (£)	–	–	197,865,876
Closing number of shares	–	–	5,427,054
Operating charges ratio ⁶	–	–	0.88%
Direct transaction costs ⁴	–	0.13%	0.07%
Prices (p)			
Highest share price	–	3,994.52	4,002.08
Lowest share price	–	3,532.60	3,386.04

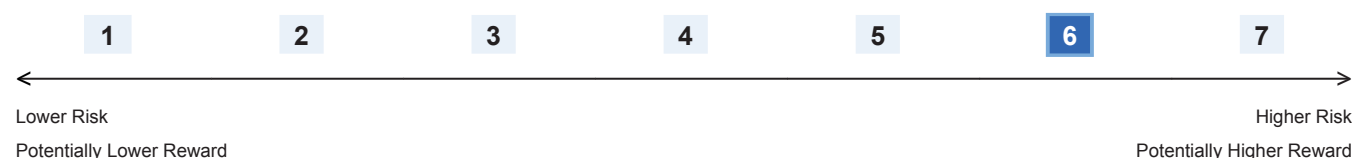
	31 March 2021	31 March 2020	31 March 2019
W – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	208.39	229.16	223.94
Return before operating charges ¹	87.78	(18.74)	7.17
Operating charges ²	(2.30)	(2.03)	(1.95)
Return after operating charges ³	85.48	(20.77)	5.22
Closing net asset value per share	293.87	208.39	229.16
Distributions	(3.87)	(10.79)	(4.10)
Retained distributions on accumulation shares	3.87	10.79	4.10
After direct transaction costs of ⁴	0.36	0.31	0.16
Performance			
Return after charges ⁵	41.02%	(9.06%)	2.33%
Other information			
Closing net asset value (£)	17,246,288	13,297,728	16,256,686
Closing number of shares	5,868,642	6,381,283	7,094,173
Operating charges ratio ⁶	0.88%	0.86%	0.83%
Direct transaction costs ⁴	0.14%	0.13%	0.07%
Prices (p)			
Highest share price	302.26	252.05	251.46
Lowest share price	202.21	196.65	212.79

Templeton Growth Fund (continued)

	31 March 2021	31 March 2020	31 March 2019
Z – Accumulation shares			
Change in net assets per share (p)			
Opening net asset value per share	205.16	226.06	221.36
Return before operating charges ¹	86.35	(18.44)	7.08
Operating charges ²	(2.76)	(2.46)	(2.38)
Return after operating charges ³	83.59	(20.90)	4.70
Closing net asset value per share	288.75	205.16	226.06
Distributions	(3.30)	(10.17)	(3.59)
Retained distributions on accumulation shares	3.30	10.17	3.59
After direct transaction costs of ⁴	0.36	0.30	0.16
Performance			
Return after charges ⁵	40.74%	(9.25%)	2.12%
Other information			
Closing net asset value (£)	8,103,827	5,818,607	6,713,778
Closing number of shares	2,806,534	2,836,090	2,969,867
Operating charges ratio ⁶	1.08%	1.06%	1.03%
Direct transaction costs ⁴	0.14%	0.13%	0.07%
Prices (p)			
Highest share price	297.06	248.20	248.39
Lowest share price	199.08	193.62	210.03

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

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

Risk Profile (W(acc) shares)

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

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

Portfolio of Investments, 31 March 2021

Templeton Growth Fund

(Currency – GBP)			Market	% of
Number of			Value	Net
Shares or	Description		£000	Assets
Face Value				
	EQUITIES 95.95% (95.08%)			
	ASIA 32.76% (32.06%)			
	CHINA			
92,000	SF Holding Co. Ltd., A	827	2.18	
12,725	Tencent Holdings Ltd.	725	1.92	
		<u>1,552</u>	<u>4.10</u>	
	HONG KONG			
85,000	AIA Group Ltd.	<u>749</u>	<u>1.98</u>	
	JAPAN			
4,020	FANUC Corp.	691	1.83	
40,700	Hitachi Ltd.	1,336	3.53	
18,200	Sony Corp.	1,385	3.66	
40,200	Sumitomo Metal Mining Co. Ltd.	1,261	3.34	
3,300	Tokyo Electron Ltd.	1,013	2.68	
61,000	Topcon Corp.	537	1.42	
13,200	Toyota Industries Corp.	854	2.26	
		<u>7,077</u>	<u>18.72</u>	
	SOUTH KOREA			
33,122	Samsung Electronics Co. Ltd.	<u>1,735</u>	<u>4.59</u>	
	TAIWAN			
85,000	Taiwan Semiconductor Manufacturing Co. Ltd.	<u>1,273</u>	<u>3.37</u>	
	TOTAL - ASIA	<u>12,386</u>	<u>32.76</u>	
	EUROPE - NON EU 0.00% (3.67%)			
	EUROPE - OTHER EU 16.38% (14.71%)			
	DENMARK			
4,130	Vestas Wind Systems A/S	<u>588</u>	<u>1.56</u>	
	FRANCE			
5,934	Air Liquide SA	<u>703</u>	<u>1.86</u>	
	GERMANY			
3,183	adidas AG	719	1.90	
3,900	Continental AG	378	1.00	
21,200	Infineon Technologies AG	642	1.70	
12,612	Just Eat Takeaway.com NV, Reg S	833	2.20	

Templeton Growth Fund (continued)

(Currency – GBP)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	GERMANY (continued)		
11,160	Siemens AG	1,344	3.56
		3,916	10.36
	NETHERLANDS		
6,838	NXP Semiconductors NV	983	2.60
	TOTAL - EUROPE - OTHER EU	6,190	16.38
	NORTH AMERICA 42.60% (38.06%)		
	UNITED STATES		
7,100	Albemarle Corp.	751	1.99
14,500	American Express Co.	1,513	4.00
885	Booking Holdings, Inc.	1,498	3.96
21,435	Comcast Corp., A	857	2.27
9,078	Dollar Tree, Inc.	767	2.03
2,860	EPAM Systems, Inc.	797	2.11
8,000	F5 Networks, Inc.	1,207	3.19
4,334	HCA Healthcare, Inc.	594	1.57
17,074	JPMorgan Chase & Co.	1,918	5.07
10,903	Medtronic plc	941	2.49
7,891	United Parcel Service, Inc., B	967	2.56
3,557	UnitedHealth Group, Inc.	966	2.55
11,290	Walt Disney Co. (The)	1,523	4.03
24,195	Westinghouse Air Brake Technologies Corp.	1,401	3.70
4,400	Zendesk, Inc.	408	1.08
		16,108	42.60
	TOTAL - NORTH AMERICA	16,108	42.60
	SOUTH AMERICA 2.44% (0.00%)		
	BRAZIL		
33,600	Wheaton Precious Metals Corp.	921	2.44
	TOTAL - SOUTH AMERICA	921	2.44
	UNITED KINGDOM 1.77% (6.58%)		
42,470	Prudential plc	670	1.77
	TOTAL - UNITED KINGDOM	670	1.77
	TOTAL - EQUITIES	36,275	95.95
	TOTAL VALUE OF INVESTMENTS	36,275	95.95
	OTHER ASSETS	1,533	4.05
	TOTAL NET ASSETS	37,808	100.00

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2020.
Unless otherwise stated the above securities are ordinary shares or common stock and admitted to official stock exchange listings.

Templeton Growth Fund

Statement of Total Return

For the year ended 31 March 2021

	Notes	March 2021 £000	March 2021 £000	March 2020 £000	March 2020 £000
Income					
Net capital gains/(losses)	1		10,874		(3,513)
Revenue	2	658		3,279	
Expenses	3	(402)		(705)	
Net revenue before taxation		256		2,574	
Taxation	4	167		(45)	
Net revenue after taxation			423		2,529
Total return before distributions for the year			11,297		(984)
Distributions	5		(442)		(2,529)
Change in net assets attributable to shareholders			10,855		(3,513)

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 March 2021

	March 2021 £000	March 2021 £000	March 2020 £000	March 2020 £000
Opening net assets attributable to shareholders		28,521		232,119
In-specie out		–		(156,684)
Amounts received on creation of shares	794		740	
Amounts paid on cancellation of shares	(2,781)		(45,821)	
		(1,987)		(45,081)
Dilution adjustments		–		24
Change in net assets attributable to shareholders from investment activities (see above)		10,855		(3,513)
Retained distribution on accumulation shares		419		1,656
Closing net assets attributable to shareholders		37,808		28,521

Balance sheet

As at 31 March 2021

	Notes	March 2021 £000	March 2020 £000
Assets			
Fixed assets			
Investments		36,275	27,118
Current assets			
Debtors	6	171	744
Cash and bank balances		1,428	2,208
Total assets		37,874	30,070
Liabilities			
Creditors			
Distributions payable	5	–	(26)
Other creditors	7	(66)	(1,523)
Total liabilities		(66)	(1,549)
Net assets attributable to shareholders		37,808	28,521

Notes to the Financial Statements

	March 2021 £000	March 2020 £000
1. Net capital gains/(losses)		
The net capital gains/(losses) during the year comprise:		
Non-derivative securities gains/(losses)	10,560	(3,478)
Currency gains/(losses)	320	(35)
Derivative losses	(6)	–
	10,874	(3,513)
2. Revenue		
Overseas dividends	560	2,309
UK dividends	97	291
Bank and other interest	1	18
Other revenue	–	661
	658	3,279
3. Expenses		
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's annual management charge	306	624
ACD's administration charge*	3	34
	309	658
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	7	13
Safe custody fees	2	6
	9	19
Other expenses:		
Administration charge*	64	–
Audit fees	11	11
Legal and publication fees	8	15
Printing fees	1	2
	84	28
	402	705
*From 22 June 2020, Franklin Templeton Funds has delegated fund accounting, fund tax and related fund reporting services to JP Morgan Chase Bank N.A London Branch.		
4. Taxation		
(a) Analysis of the charge for the year		
Irrecoverable overseas tax	(167)	45
Total current tax (Note 4(b))	(167)	45
Total taxation	(167)	45
(b) Factors affecting the current tax charge for the year		
The tax assessed for the year is lower (2020: lower) than the standard rate of corporation tax in the UK for Open-ended Investment Companies (20% (2020: 20%)).		
The differences are explained below:		
Net revenue before taxation	256	2,574
Corporation tax of 20% (2020: 20%)	51	515
Effects of:		
Excess management expenses	80	138
Revenue not subject to corporation tax	(131)	(513)
Irrecoverable overseas tax	(167)	45
Non taxable revenue	–	(140)
Current tax charge for the year (Note 4(a))	(167)	45

March
2021
£000

March
2020
£000

4. Taxation (continued)

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

At the year end there is a potential deferred tax asset of £3,719,000 (£3,640,000 as at 31 March 2020) in relation to excess management fees. It is unlikely the Fund will generate sufficient tax profits in the future to utilise these amounts and therefore no deferred tax assets have been recognised in the year.

5. (a) Distributions

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

Interim dividend distributions

Income	11	20
Accumulation	374	870
	<u>385</u>	<u>890</u>

Final dividend distributions

Income	–	26
Accumulation	45	786
	<u>45</u>	<u>812</u>

Add: Revenue deducted on cancellation of shares

15 833

Deduct: Revenue received on issue of shares

(3) (6)

Total distribution

442 2,529

(b) Difference between net revenue and distribution:

Net revenue after taxation	423	2,529
Revenue deficit payable from capital	19	–
Total distribution for the year	442	2,529

Details of the distribution in pence per share for this Fund are set out in the table on page 230.

6. Debtors

Accrued income	114	92
Overseas tax recoverable	46	75
Amounts receivable for issue of shares	11	2
Sales awaiting settlement	–	501
Other debtors	–	74
	<u>171</u>	<u>744</u>

7. Other creditors

Accrued expenses	52	43
Amounts payable for cancellation of shares	14	27
Purchases awaiting settlement	–	1,453
	<u>66</u>	<u>1,523</u>

8. Related parties

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

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

8. Related parties (continued)

The amounts due to the ACD and associates of the ACD in respect of management and administration fees at 31 March 2021 are £28,000 (£27,000 as at 31 March 2020).

During the year the Fund received £1,000 (£Nil for the year to 31 March 2020) in reimbursed expenses from the ACD.

As at 31 March 2021 the Fund owed £1,000 to the ACD in respect of an over-reimbursement of expenses (£Nil owed to the ACD as at 31 March 2020).

9. Risk management policies and disclosures

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

Market Risk

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

Currency risk

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

Currency	Net foreign currency assets and (liabilities) March 2021	Net foreign currency assets and (liabilities) March 2020
	Total £000	Total £000
US dollar	17,139	11,225
Japanese yen	7,131	4,872
Euro	4,625	3,793
South Korean won	1,777	660
Hong Kong dollar	1,475	1,988
Taiwan dollar	1,273	—
Canadian dollar	920	538
Chinese yuan	827	559
Danish krone	597	12
Swiss franc	—	1,046
Thai baht	—	117
	35,764	24,810

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

Interest rate risk

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

Other price risk

At the year end date, 95.95% (2020: 95.08%) of the net assets of the Fund were invested in ordinary shares or stock units admitted to an official stock exchange. If the market value were to change by 10% (2020: 10%), the value of the Fund would change by 9.59% (2020: 9.51%).

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

10. Portfolio Transaction Costs

	Principal £000	Commissions £000	Taxes and other £000	Total cost £000	Commissions % of principal	Taxes and other % of principal
2021 Purchases						
Equities	45,161	15	16	45,192	0.03	0.04
Sales						
Equities	46,479	(12)	(7)	46,460	(0.03)	(0.02)
Total cost of the Fund's average net asset value (%)		0.08	0.06			
2020 Purchases						
Equities	35,168	15	24	35,207	0.04	0.07
Sales						
Equities	72,256	(26)	(18)	72,212	(0.04)	(0.02)
Total cost of the Fund's average net asset value (%)		0.06	0.05			

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

In addition, there is a dealing spread between the buying and selling prices of the underlying investments. The average dealing spread which is the difference between the quoted bid and offer prices or internal administrative or holding costs, are not included in the calculation of Direct Transaction Costs. As at 31 March 2021, the average dealing spread for the underlying Fund investments is 0.26% (2020: 0.09%).

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

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

11. Creations and Cancellations of Shares

	Number of shares in issue as at 1 April 2020	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue as at 31 March 2021
A – Accumulation shares	848,490	13,528	(52,540)	(5,211)	804,267
A – Income shares	157,820	369	(8,891)	(643)	148,655
W – Accumulation shares	6,381,283	392,865	(913,536)	8,030	5,868,642
Z – Accumulation shares	2,836,090	17,408	(65,374)	18,410	2,806,534

12. Fair Value Disclosure

Instruments held at the year end are presented in line with amendments to FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland Fair value hierarchy disclosures:

Level 1: Unadjusted quoted price in an active market for an identical instrument.

Level 2: Valuation techniques using observable inputs other than quoted prices within level 1.

Level 3: Valuation techniques using unobservable inputs.

	Assets	Liabilities	Assets	Liabilities
	31 March 2021	31 March 2021	31 March 2020	31 March 2020
Fair Value Hierarchy	£000	£000	£000	£000
Level 1	36,275	–	27,118	–
Level 2	–	–	–	–
Level 3	–	–	–	–
Total	36,275	–	27,118	–

Templeton Growth Fund

Distribution Statement

For the period 1 April 2020 to 30 September 2020

Group 1 Shares purchased prior to 1 April 2020

Group 2 Shares purchased in the period 1 April 2020 to 30 September 2020

	Net Income p	Equalisation p	30 September 2020 Pence per Share p	30 September 2019 Pence per Share p
A Accumulation Shares				
Group 1	11.3042	—	11.3042	17.5042
Group 2	0.5439	10.7603	11.3042	17.5042
A Income Shares				
Group 1	7.0990	—	7.0990	11.4588
Group 2	—	7.0990	7.0990	11.4588
I Accumulation Shares				
Group 1	n/a	n/a	n/a	71.1838
Group 2	n/a	n/a	n/a	71.1838
W Accumulation Shares				
Group 1	3.2640	—	3.2640	4.5295
Group 2	1.0892	2.1748	3.2640	4.5295
Z Accumulation Shares				
Group 1	2.9781	—	2.9781	4.2379
Group 2	0.6049	2.3732	2.9781	4.2379

For the period 1 October 2020 to 31 March 2021

Group 1 Shares purchased prior to 1 October 2020

Group 2 Shares purchased in the period 1 October 2020 to 31 March 2021

	Net Income p	Equalisation p	31 March 2021 Pence per Share p	31 March 2020 Pence per Share p
A Accumulation Shares				
Group 1	—	—	—	25.6220
Group 2	—	—	—	25.6220
A Income Shares				
Group 1	—	—	—	16.5126
Group 2	—	—	—	16.5126
W Accumulation Shares				
Group 1	0.6070	—	0.6070	6.2650
Group 2	0.5682	0.0388	0.6070	6.2650
Z Accumulation Shares				
Group 1	0.3238	—	0.3238	5.9364
Group 2	0.3238	—	0.3238	5.9364

Equalisation

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

Further Information

Investment objectives and policy

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

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

The Funds established by the Company are Franklin Mutual Shares Fund (no longer available for investment), Franklin Sterling Corporate Bond Fund, Franklin UK Equity Income Fund, Franklin UK Gilt Fund, Franklin UK Managers' Focus Fund, Franklin UK Mid Cap Fund, Franklin UK Opportunities Fund, Franklin UK Rising Dividends Fund, Franklin UK Smaller Companies Fund, Franklin US Opportunities Fund, Templeton Global Emerging Markets Fund, Templeton Global Total Return Bond Fund and Templeton Growth Fund.

Franklin Mutual Shares Fund (no longer available for investment)

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

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

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

- Undervalued equities – common and preferred stock, and securities convertible into common or preferred stock, trading at a discount to intrinsic value;

to a lesser extent, the Fund also invests in:

- Merger arbitrage and companies undergoing restructuring – equity and debt securities of companies that are involved in restructurings such as mergers, acquisitions, consolidations, liquidations, spin-offs, or tender or exchange offers; and
- Distressed securities – debt securities of companies that are, or are about to be, involved in reorganisations, financial restructurings or bankruptcy.

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

The Investment Adviser employs a research-driven fundamental value strategy for the Fund. In choosing equity investments, the Investment Adviser focuses on the market price of a company's securities relative to the Investment Adviser's own evaluation of the company's asset value, including an analysis of book value, cash flow potential, long term earnings, and multiples of earnings of comparable securities of both public and private companies. Value stock prices are considered "cheap" relative to the company's perceived value and are often out of favour with other investors. The prices of debt obligations of distressed companies also may be "cheap" relative to the value of the company's assets. The Fund invests in such securities if the Investment Adviser believes the market may have over-reacted to adverse developments or failed to appreciate positive

Investment objectives and policy (continued)

changes. The Investment Adviser examines each investment separately and there are no set criteria as to specific value parameters, asset size, earnings or industry type. A portion of the assets of the Fund, which will generally be not more than 20% of its net asset value, may be invested in the securities of non-US issuers, including issuers in emerging markets.

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

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

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

How we measure performance

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

The base currency of the Fund is UK sterling.

Franklin Sterling Corporate Bond Fund

What the Fund aims to deliver (Fund Objective)

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

How we invest (Investment Policy)

The Fund invests at least two thirds (but typically significantly more) in corporate bonds (a type of debt obligation issued by a company) denominated in sterling.

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

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

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

How we measure performance

- We measure performance and price shares in the Fund in British pounds (GBP).
- We measure performance against the Fund's performance target, the Markit iBoxx GBP Non-Gilts Index as it is widely available and reflects investments in similar debt-related securities.

Investment objectives and policy (continued)

- The Fund's performance can also be compared against the Investment Association £ Corporate Bond sector average, which reflects the performance of the Fund's competitors.

The base currency of the Fund is UK sterling.

Franklin UK Equity Income Fund

What the Fund aims to deliver (Fund Objective)

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

How we invest (Investment Policy)

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

Typically, the number of holdings in the Fund will vary between 40 to 60 company shares and most of these will be the shares of large (such as those making up the FTSE 100 Index) companies.

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

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

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

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

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

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

How we measure performance

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

The base currency of the Fund is UK sterling.

Franklin UK Gilt Fund

What the Fund aims to deliver (Fund Objective)

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

Investment objectives and policy (continued)

How we invest (Investment Policy)

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

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

All the investments will be in investment grade securities, (bonds that have been rated by independent agencies as high quality). In addition, the Fund's managers make their own assessment of bonds to determine whether they believe investors will be adequately rewarded for any risk taken.

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

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

How we measure performance

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

The base currency of the Fund is UK sterling.

Franklin UK Managers' Focus Fund

What the Fund aims to deliver (Fund Objective)

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

How we invest (Investment Policy)

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

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

- 10-20 large companies (such as those making up the FTSE 100 Index)
- 10-20 medium sized companies (such as those making up the FTSE 250 Index)
- 20 smaller companies (such as those making up the Numis Smaller Companies ex- Investment Trusts Index or the Alternative Investment Market (AIM))

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

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

Investment objectives and policy (continued)

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

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

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

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

How we measure performance

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

The base currency of the Fund is UK sterling.

Franklin UK Mid Cap Fund

What the Fund aims to deliver (Fund Objective)

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

How we invest (Investment Policy)

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

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

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

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

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

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

Investment objectives and policy (continued)

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

How we measure performance

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

The base currency of the Fund is UK sterling.

Franklin UK Opportunities Fund

What the Fund aims to deliver (Fund Objective)

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

How we invest (Investment Policy)

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

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

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

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

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

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

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

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

How we measure performance

- We measure performance and price shares in the Fund in British pounds (GBP).

Investment objectives and policy (continued)

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

The base currency of the Fund is UK sterling.

Franklin UK Rising Dividends Fund

What the Fund aims to deliver (Fund Objective)

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

How we invest (Investment Policy)

The Fund invests at least two thirds (but typically significantly more) in the shares of companies listed on the London Stock Exchange that are incorporated/domiciled in the UK or which have significant business operations in the UK. The Fund usually invests in 30-50 companies that have grown their dividend in at least 8 of the past 10 years. Typically, most of these investments will be in the shares of large or medium sized companies (such as those making up the FTSE 350 Index).

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

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

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

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

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

How we measure performance

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

The base currency of the Fund is UK sterling.

Investment objectives and policy (continued)

Franklin UK Smaller Companies Fund

What the Fund aims to deliver (Fund Objective)

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

How we invest (Investment Policy)

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

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

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

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

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

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

How we measure performance

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

The base currency of the Fund is UK sterling.

Franklin US Opportunities Fund

What the Fund aims to deliver (Fund Objective)

The Fund aims to grow in value over a three to five-year period.

How we invest (Investment Policy)

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

The Fund's managers can invest in any industry but normally try to keep investment in any specific industry to no more than 25% of the portfolio.

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

Investment objectives and policy (continued)

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

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

How we measure performance

- We measure performance and price shares in the Fund in British pounds (GBP).
- The Fund's performance can be compared against:
 - the Russell 3000 Growth Index™, as it is widely available and reflects growth-oriented investments in the US stock market
 - the S&P 500 Index, which reflects the overall stock market performance of 500 large companies listed in the United States
 - the Investment Association North American sector average, which reflects the performance of the Fund's competitors.

The base currency of the Fund is UK sterling.

Templeton Global Emerging Markets Fund**What the Fund aims to deliver (Fund Objective)**

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

How we invest (Investment Policy)

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

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

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

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

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

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

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

Investment objectives and policy (continued)

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

How we measure performance

- We measure performance and price shares in the Fund in British pounds (GBP).
- We measure performance against the Fund's performance target, the MSCI Emerging Markets (Net Dividends) Index, as it is widely available and reflects investments in stock markets of emerging markets countries. The term 'Net Dividends' in the name of the Index means that the Index returns reflect the deduction of withholding taxes.
- The Fund's performance can also be compared against the Investment Association Emerging Markets sector average, which reflects the performance of the Fund's competitors.

The base currency of the Fund is UK sterling.

Templeton Global Total Return Bond Fund

What the Fund aims to deliver (Fund Objective)

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

How we invest (Investment Policy)

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

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

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

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

To a lesser extent the Fund may also invest in:

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

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

Investment objectives and policy (continued)

How we measure performance

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

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

The base currency of the Fund is UK sterling.

Templeton Growth Fund

What the Fund aims to deliver (Fund Objective)

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

How we invest (Investment Policy)

The Fund will invest at least two thirds (but typically significantly more) in the shares of a range of companies anywhere in the world that the Fund's portfolio management team regard as established leaders. These are companies with dominant market positions, strong competitive advantages, high quality management, solid balance sheets, and positive returns on capital in growing industries that show potential to deliver sustainable growth over the long term (5 years) than their market price would suggest. This includes how growth may be affected by environmental, social or governance risks and opportunities.

The Fund will also invest in companies that the Fund's portfolio management team believe are emerging leaders, these are companies that are in earlier stages of growth that the team believe will become established leaders over time. No more than 30% of the Fund's total value will typically be invested in shares of companies that the Fund's portfolio management team consider to be emerging leaders.

Typically, the number of holdings in the Fund will vary between 25-35 companies' shares but the Fund may hold up to 50 companies' shares. These holdings will typically be the shares of companies that have a market capitalisation of over \$10bn. However, the Fund may also invest in companies with market capitalisations of between \$1bn and \$10bn.

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

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

The Fund uses derivatives for efficient portfolio management (managing the Fund in a way that is designed to reduce risk or cost and/or generate extra income or growth, within the Fund's existing risk profile), as well as for more speculative investment purposes, to help achieve the Fund's investment objective. It is anticipated that where the Fund uses derivatives for speculative purposes, this will be limited to part of the overall strategy.

Derivatives are financial contracts whose value is linked to the price of another asset (e.g. indices, interest rates, share prices or currencies). These derivatives include, but are not limited to, futures, currency forwards and options.

How we measure performance

- We measure performance and price shares in the Fund in British pounds (GBP).

Investment objectives and policy (continued)

- We measure performance against the Fund's performance target, the MSCI All Country World (Net Dividends) Index, as it is widely available and reflects investments across global stock markets. The term 'Net Dividends' in the name of the Index means that the Index returns reflect the deduction of withholding taxes.
- The Fund's performance can also be compared against the Investment Association Global Equity sector average, which reflects the performance of the Fund's competitors.

The base currency of the Fund is UK sterling.

Accounting reference and other dates

Subject to the FCA Rules, the accounting reference dates, interim accounting reference dates, distribution pay dates, grouping periods and dates of publication of annual and interim reports of each of the Funds are as follows:

Accounting Reference Date (i.e. the financial year end) and Interim Accounting Period: 31 March and 1 April to 30 September.

Publication of Annual and Interim Reports: by 31 July and 30 November.

Distribution pay dates*

	31 May	31 August	30 November	28 February**
Franklin Sterling Corporate Bond Fund	X	X	X	X
Franklin UK Equity Income Fund	X	X	X	X
Franklin UK Gilt Fund	X	X	X	X
Franklin UK Managers' Focus Fund	X		X	
Franklin UK Mid Cap Fund	X		X	
Franklin UK Opportunities Fund	X		X	
Franklin UK Rising Dividends Fund	X	X	X	X
Franklin UK Smaller Companies Fund	X		X	
Franklin US Opportunities Fund	X			
Templeton Global Emerging Markets Fund	X			
Templeton Global Total Return Bond Fund	X	X	X	X
Templeton Growth Fund	X		X	

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

** 29 February in a leap year.

Shares

Shares are available in the Funds as follows:

Fund	Class	
Franklin Sterling Corporate Bond Fund	W	Accumulation and Income
Franklin UK Equity Income Fund	A	Net Accumulation and Net Income
Franklin UK Equity Income Fund	W	Net Accumulation and Net Income
Franklin UK Equity Income Fund	Z	Net Accumulation and Net Income
Franklin UK Gilt Fund	W	Accumulation and Income
Franklin UK Managers' Focus Fund	A	Net Accumulation
Franklin UK Managers' Focus Fund	S	Net Accumulation
Franklin UK Managers' Focus Fund	W	Net Accumulation and Net Income
Franklin UK Managers' Focus Fund	Z	Net Accumulation
Franklin UK Mid Cap Fund	A	Net Income
Franklin UK Mid Cap Fund	S	Net Accumulation and Net Income
Franklin UK Mid Cap Fund	W	Net Accumulation and Net Income
Franklin UK Mid Cap Fund	Z	Net Accumulation
Franklin UK Opportunities Fund	A	Net Income
Franklin UK Opportunities Fund	W	Net Accumulation and Net Income
Franklin UK Opportunities Fund	Z	Net Accumulation
Franklin UK Rising Dividends Fund	A	Net Income
Franklin UK Rising Dividends Fund	W	Net Accumulation and Net Income

Shares (continued)

Fund	Class	
Franklin UK Rising Dividends Fund	Z	Net Accumulation and Net Income
Franklin UK Smaller Companies Fund	A	Net Income
Franklin UK Smaller Companies Fund	S	Net Income and Net Accumulation
Franklin UK Smaller Companies Fund	W	Net Accumulation and Net Income
Franklin UK Smaller Companies Fund	Z	Net Accumulation
Franklin US Opportunities Fund	A	Net Accumulation
Franklin US Opportunities Fund	W	Net Accumulation
Franklin US Opportunities Fund	Z	Net Accumulation
Templeton Global Emerging Markets Fund	A	Net Accumulation
Templeton Global Emerging Markets Fund	S	Net Accumulation
Templeton Global Emerging Markets Fund	W	Net Accumulation
Templeton Global Emerging Markets Fund	Z	Net Accumulation
Templeton Global Total Return Bond Fund	A	Accumulation and Income
Templeton Global Total Return Bond Fund	A-H3	Accumulation and Income
Templeton Global Total Return Bond Fund	W	Accumulation and Income
Templeton Global Total Return Bond Fund	W-H3	Accumulation and Income
Templeton Global Total Return Bond Fund	Z	Accumulation
Templeton Global Total Return Bond Fund	Z-H3	Income
Templeton Growth Fund	A	Net Accumulation and Net Income
Templeton Growth Fund	W	Net Accumulation
Templeton Growth Fund	Z	Net Accumulation

A Net Income Share is a Share in respect of which net income is to be distributed in accordance with its share in the property of the relevant Fund. Cash distributions of income are made in respect of Net Income Shares.

A Net Accumulation Share is a Share in respect of which the net income allocated after the date of issue thereof is to be accumulated in the proportion of the value of the property of the relevant Fund as may from time to time apply thereto. Where net Accumulation Shares are in issue, no cash distributions are made and no additional Shares are issued. Instead, the income available for distribution is re-invested and the re-investment reflected in the price of the Net Accumulation Share.

A Shares have low “entry levels” for investment and simple charges. S Shares and W Shares have higher “entry levels” and are not available to retail investors.

Charges**The ACD's periodic remuneration**

The ACD is entitled to receive out of the scheme property of each Fund for its own account, monthly on the last Business Day of each month or as soon as possible thereafter, the amount of the annual management charge accrued to it during that month. Under current VAT legislation, no VAT is payable on the ACD's remuneration. This annual management charge is calculated daily based on the assets of each Fund at the pricing valuation point of 12.00 noon UK time.

The table below summarises the rates of the ACD's annual management charge for each of the Funds.

Fund	A Shares (per annum)	S Shares (per annum)	W Shares (per annum)	Z Shares (per annum)	Charge Taken from Income or Capital
Franklin Sterling Corporate Bond Fund	N/A	N/A	0.35%	N/A	Capital
Franklin UK Equity Income Fund	0.90%	N/A	0.45%	0.60%	Capital
Franklin UK Gilt Fund	N/A	N/A	0.25%	N/A	Capital
Franklin UK Managers' Focus Fund	1.50%	0.55%	0.75%	0.95%	Income
Franklin UK Mid Cap Fund	1.50%	0.55%	0.75%	0.95%	Income
Franklin UK Opportunities Fund	0.90%	N/A	0.45%	0.60%	Income
Franklin UK Rising Dividends Fund	0.90%	N/A	0.45%	0.60%	Capital
Franklin UK Smaller Companies Fund	1.50%	0.65%#	0.75%	0.95%	Income
Franklin US Opportunities Fund	1.50%	N/A	0.75%	0.95%	Income
Templeton Global Emerging Markets Fund	1.50%	0.60%#	0.90%	1.10%	Income
Templeton Global Total Return Bond Fund	1.20%	N/A	0.65%	0.85%	Income
Templeton Growth Fund	1.40%	N/A	0.70%	0.90%	Income

#The ACD may in its discretion charge a lower management charge to that stated in the table above.

Charges (continued)

The ACD's periodic remuneration (continued)

Such periodic remuneration is taken in each case at the rate of one-twelfth thereof each month. These rates are calculated by reference to the Net Asset Value of a Fund referable to the A Shares, I Shares, S Shares, W Shares and Z Shares respectively.

The ACD is entitled to receive a monthly administration charge out of property of each Fund to be calculated, accrued and payable in the same manner and at the same time as the ACD's annual management charge.

The current administration charge in respect of all Class A, Class I, Class S, Class W and Class Z Shares is 0.05% per annum (plus any VAT or any equivalent tax thereon), and the maximum permitted administration charge in the case of all Funds is 0.10% per annum (plus any VAT or any equivalent tax thereon).

Any increase of the ACD's annual management charge may be made by the ACD, if it is deemed by the ACD to be a significant rather than a fundamental change (as set out in the provisions of the FCA Rules) only after:

- (a) giving 60 days' written notice to all Shareholders; or
- (b) the ACD revises the prospectus to reflect the proposed increase.

If such a change is deemed fundamental it will require the approval of the Shareholders.

Additional Information

Full written details of the terms of Franklin Templeton Funds are contained in the Prospectus, Instrument of Incorporation and Key Investor Information Documents, copies of which are available free of charge from:

Franklin Templeton Investments
Cannon Place
78 Cannon Street
London, EC4N 6HL
United Kingdom

Client Dealer Services

Freefone:	0800 305 306
Telephone:	+44 (0)20 7073 8690
Fax:	+44 (0)20 7839 8701

Note for Investors

The value of shares and the income therefrom may go down as well as up and is not guaranteed. Past performance is not necessarily a guide to future performance.

In particular, some investments held may be designated in currencies other than Sterling and so may rise and fall purely on account of exchange rate fluctuations.

Investors should be aware of the risks associated with this type of investment and should take a medium to long-term view of returns.

Emerging markets can be riskier than developed markets.



Franklin Templeton Funds
Cannon Place, 78 Cannon Street, London EC4N 6HL
www.franklintempleton.co.uk