2020 VISION

Time to Take STOCK™

FRANKLIN TEMPLETON INVESTMENTS

Franklin · Templeton · Mutual Series

“Bull markets are born on pessimism, grow on skepticism, mature on optimism and die on euphoria.”

—Sir John Templeton,
Templeton Funds Founder and Former Chairman

Time to Take STOCK™

The pullback of the stock market in 2008 left a lasting impression on many investors. The result: a hangover of anxiety about investing in equities and trillions of dollars sitting in low-yielding savings instruments.[1]

It's time to take stock of the current situation facing investors, the human behavior that helped land us here and how investors can rebuild their portfolios to reach their long-term goals.

1] The Investor's Dilemma

See why investors today face a difficult dilemma—at current yields, their investments in many traditional fixed-income vehicles are essentially at a standstill, while their long-term investment goals continue to require capital growth.

2] How We Got Here

Learn about the instinctive behaviors that impact how we make decisions. Having a greater understanding of these behaviors may help you make better decisions when it comes to investing.

3] What Most Investors Are Missing

While it may feel like the economy is still struggling, there are many positive developments that may surprise you.

4] Taking the Next Step

Review simple strategies for getting back into the stock market, at your own pace, with your financial advisor and Franklin Templeton funds.

1. Source: Money Market Accounts and CDs (Time Deposits at FDIC-insured commercial banks & savings institutions): FDIC. As of 12/31/12 (most recent data available).

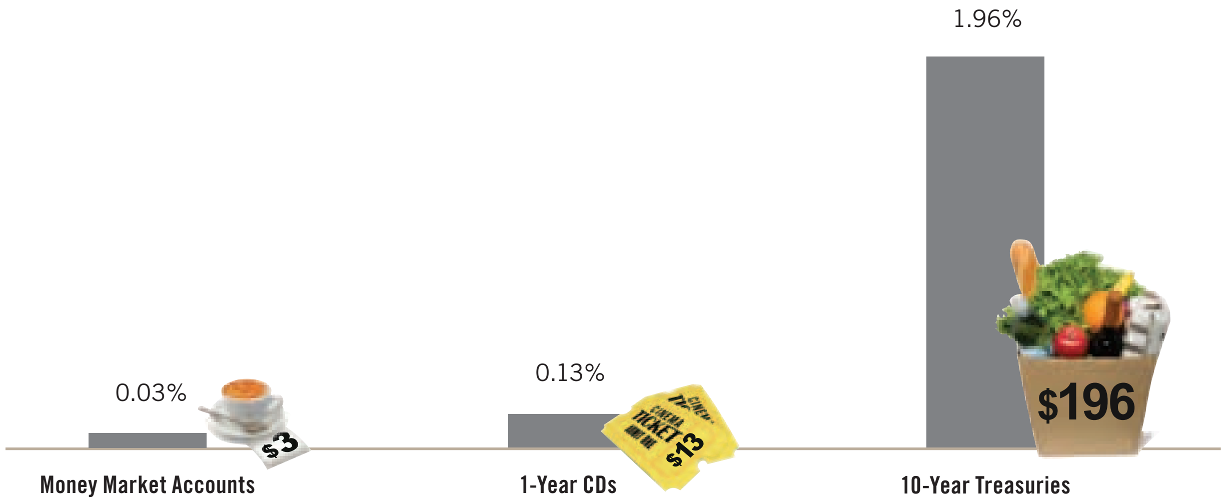
1] The Investor's Dilemma

Market volatility may have led many investors to flee the stock market into fixed-income investments, such as money market accounts, CDs and Treasuries. The historically low Fed Funds rate, along with increased demand, has helped drive down yields. For investors, this means their investments may essentially be at a standstill, but their goals—buying a home, saving for college, retirement and so on—may still require capital growth.

THE $10,000 TRUTH

As of March 31, 2013, if you invested $10,000 in a money market account, a 1-year CD or 10-year Treasuries for one year, you would earn enough to buy the items in the chart below. Factor in inflation and taxes and these meager yields look even worse.

After One Year, a $10,000 Investment Would Equal [2]
Yields as of March 31, 2013



This chart is for illustrative purposes only and does not reflect the performance of any Franklin, Templeton or Mutual Series fund. ***Past performance does not guarantee future results.***

It's important to note that money market accounts and CDs are insured by the Federal Deposit Insurance Corporation (FDIC) for up to $250,000 and CDs offer a fixed rate of return.

Treasuries, if held to maturity, offer a fixed rate of return and fixed principal value; their interest payments and principal are guaranteed. Fund investment returns and share prices will fluctuate with market conditions, and investors may have a gain or a loss when they sell their shares.

2. Sources: Money Market Accounts and 1-Year CDs: BanxQuote. © 2013 BanxCorp. All rights reserved. BanxQuote® is a registered trademark and servicemark of BanxCorp; 10-Year Treasuries: The Federal Reserve H.15 Report.

2] How We Got Here

WE'RE ONLY HUMAN

The field of behavioral finance examines the psychological and behavioral variables that can come in to play with investing. As humans, our decisions can be influenced by emotions, biases and assumptions, especially when it comes to money. Recognizing you may be subject to these factors may help you make better investment decisions.

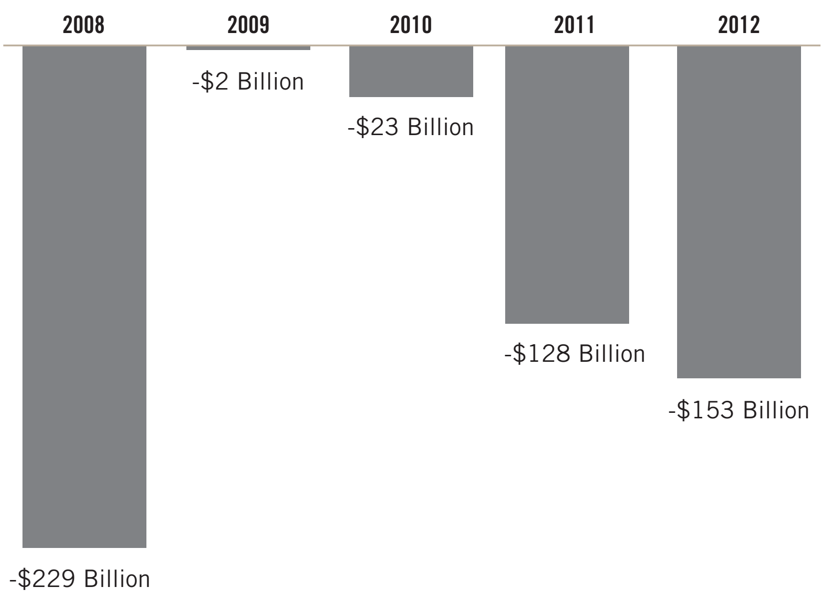
AVAILABILITY BIAS

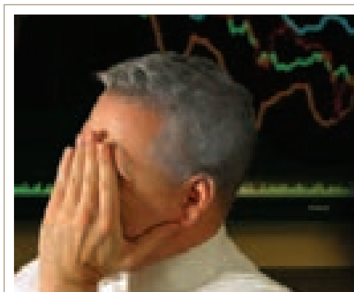
Our thinking is greatly influenced by what is personally most relevant, recent or dramatic. And little has been more dramatic than the unprecedented events of the 2008 financial crisis that continues to be at the forefront of investors' minds.

PESSIMISM CONTINUES TO GUIDE PEOPLE'S MONEY

With the proliferation of bad news over recent years, investors are still feeling the pain, as shown below by the significant outflows from equity funds even in 2010, 2011 and 2012.

Net Flows into Equity Funds[3]





"The investor's chief problem—and even his worst enemy—is likely to be himself."

—BENJAMIN GRAHAM

3. Source: ICI (Investment Company Institute).

THE DISCONNECT BETWEEN PERCEPTION AND REALITY

Franklin Templeton surveyed one thousand Americans in 2010, 2011, 2012 and 2013 and asked them how the stock market finished at the end of the previous year. Roughly half of respondents for each survey answered that the stock market was down or flat.

PERCEPTION—What Investors Believe Happened

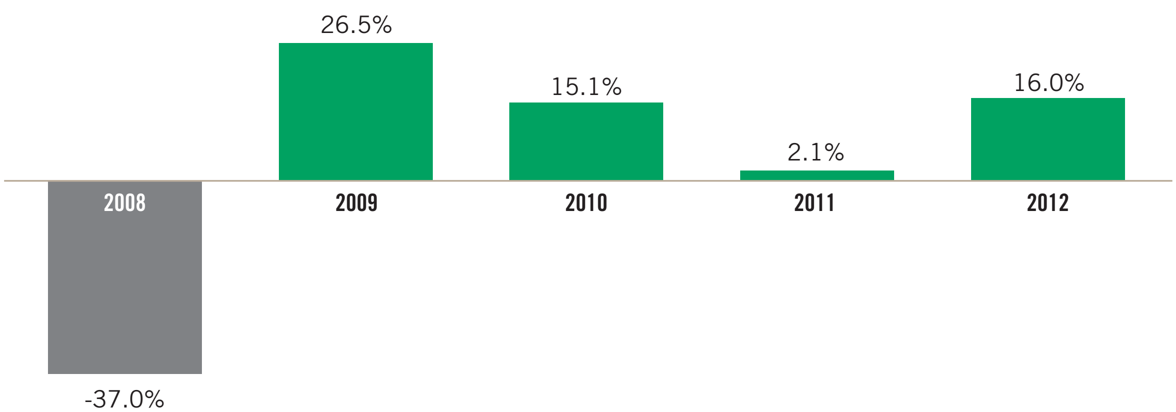
Percentage of Survey Respondents Who Said the Stock Market Was Down or Flat[4]

66%	49%	70%	31%
2009	2010	2011	2012

REALITY—How the Market Performed

Investors have continued to take money out of equity funds, in part due to the belief that the stock market has performed poorly in recent years. But has it? As shown in the chart below, while U.S. stocks experienced a severe downturn in 2008, the next four years were positive, indicating a misperception about the stock market's performance.

S&P 500 Annual Returns[5]



This chart is for illustrative purposes only and does not reflect the performance of any Franklin, Templeton or Mutual Series fund. ***Past performance does not guarantee future results.***

4. The Franklin Templeton Global Investor Sentiment Survey (2010–2013), designed in partnership with ORC International. Each survey included over 500 U.S. adult respondents.

5. Source: © 2013 Morningstar. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Indexes are unmanaged and one cannot invest directly in an index.

LOSS AVERSION

Studies have shown that the pain of a loss is much stronger than the reward felt from a gain. In fact, the desire to avoid market losses has caused many investors to move their money out of stocks and into low-yielding fixed-income vehicles, trading potential market losses for potential negative real returns once the impact of inflation is factored in.

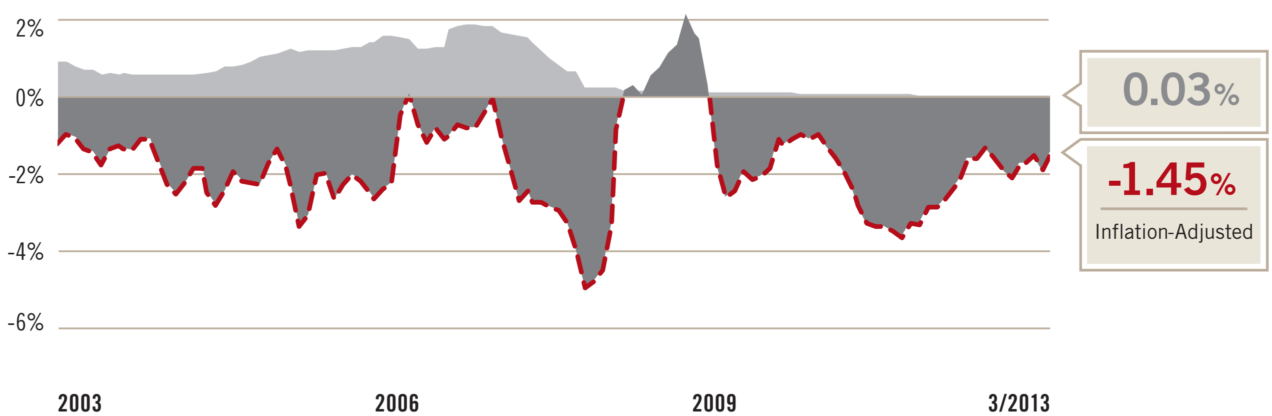
PERCEIVED SAFETY MAY COME AT A COST

As investors, we may make financial decisions to avoid the pain of loss. The $6 trillion currently sitting in cash equivalents is evidence of this behavior.[6]

However, this perceived safety may come at a cost. The chart below shows the average money market account yield over the past 10 years along with the inflation-adjusted yield. Although some investors may consider money market accounts as a "more secure" investment option while they wait out stock market volatility, they may not be aware of the potential erosion of their purchasing power.

Money Market Accounts' Average Yield Before and After Inflation[7]

10-Year Period Ended March 31, 2013



This chart is for illustrative purposes only and does not reflect the performance of any Franklin, Templeton or Mutual Series fund.

The Big Bite of Inflation. If you held your money in cash, it would only take 24 years to cut its purchasing power in half (based on the 30-year average inflation rate as of March 31, 2013).[8]

It's important to note that money market accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to $250,000.

6. Source: Money Market Accounts and CDs (Time Deposits at FDIC-insured commercial banks and savings institutions): FDIC. As of 12/31/13 (most recent data available).

7. Sources: BanxQuote. © 2013 BanxCorp. All rights reserved. BanxQuote® is a registered trademark and servicemark of BanxCorp. Inflation: U.S. Bureau of Labor Statistics. Inflation is represented by year-over-year changes of the Consumer Price Index (CPI) plotted on a monthly basis.

8. Source: U.S. Bureau of Labor Statistics. Based on the 30-year average inflation rate of 2.93% as represented by the Consumer Price Index (CPI) as of March 31, 2013.

HERDING

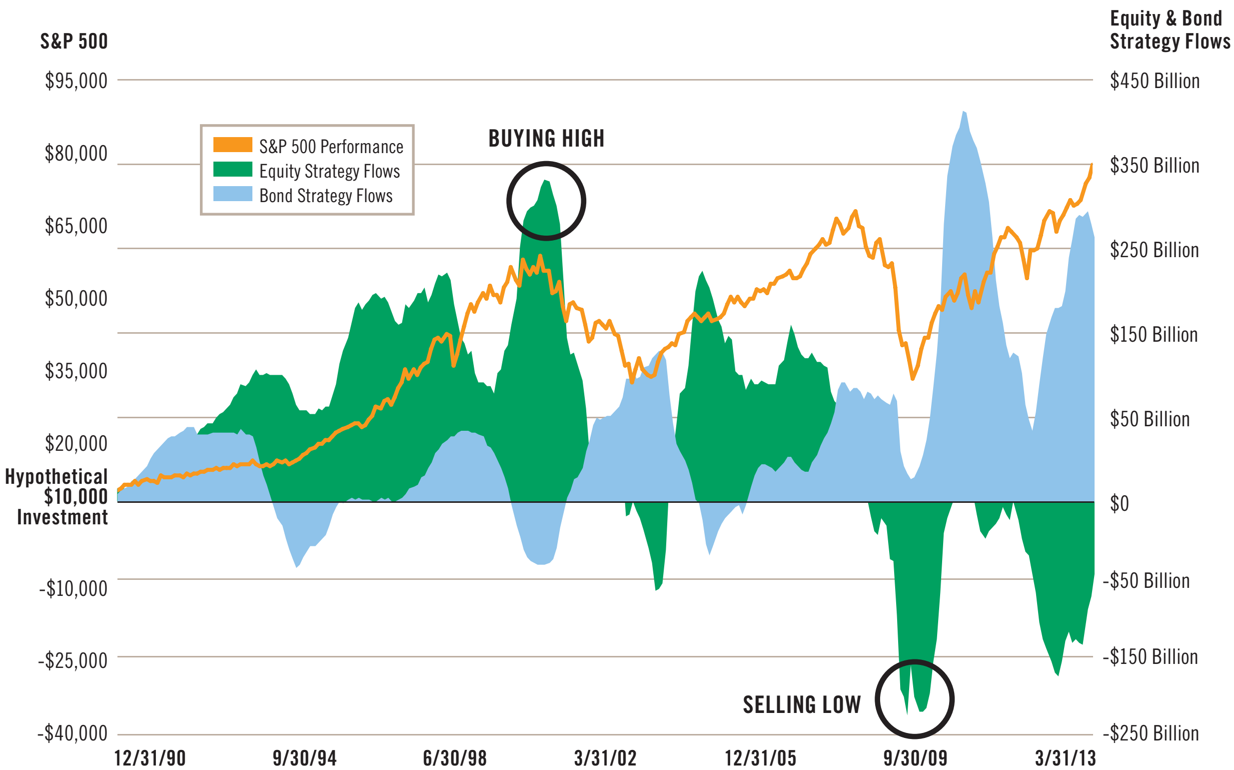
As social animals, it's not easy to stand behind an opinion that differs from the majority. We are programmed to follow the crowd and tend to assume the consensus view to be correct. Unfortunately, when it comes to investing, herd mentality may significantly impact long-term results.

THE PROBLEM OF GOING WITH THE FLOW

In the chart below, the orange line represents performance of the S&P 500 since December 31, 1990 and the green shading represents flows into equity funds. When the S&P 500 performed well, there was an influx of money to equity funds (buying high)—and when the market pulled back, investors withdrew their money from equities (selling low) and rushed into bond funds.

Investors Following the Herd Historically Bought High and Sold Low

S&P 500 Performance vs. Equity and Bond Fund Net New Flows[9]



This chart is for illustrative purposes only and does not reflect the performance of any Franklin, Templeton or Mutual Series fund. ***Past performance does not guarantee future results.***

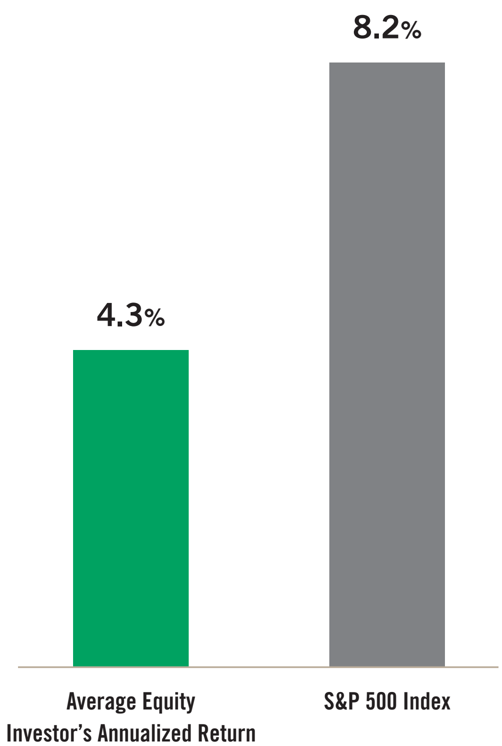
9. Sources: S&P 500: © 2013 Morningstar; Equity and Bond Fund Flows: ICI. Flows are represented by monthly 12-month net new cash flows. Indexes are unmanaged and one cannot invest directly in an index.

INVESTOR RETURNS HAVE BEEN SIGNIFICANTLY LOWER THAN MARKET RETURNS

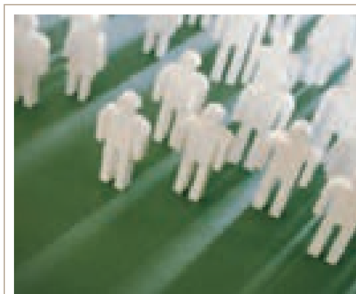
Herd-like behavior may have caused many investors to pull their money out of equities at the wrong time and miss some of the best days in the market. This may help explain why the 20-year average annual return of the S&P 500 for the period ended December 31, 2012, was higher than the average equity investor's return.

Investor Returns vs. Market Returns

20-Year Period Ended December 31, 2012[10]



This chart is for illustrative purposes only and does not reflect the performance of any Franklin, Templeton or Mutual Series fund. ***Past performance does not guarantee future results.***



"To buy when others are despondently selling and to sell when others are buying requires the greatest fortitude and pays the greatest ultimate rewards."

—SIR JOHN TEMPLETON

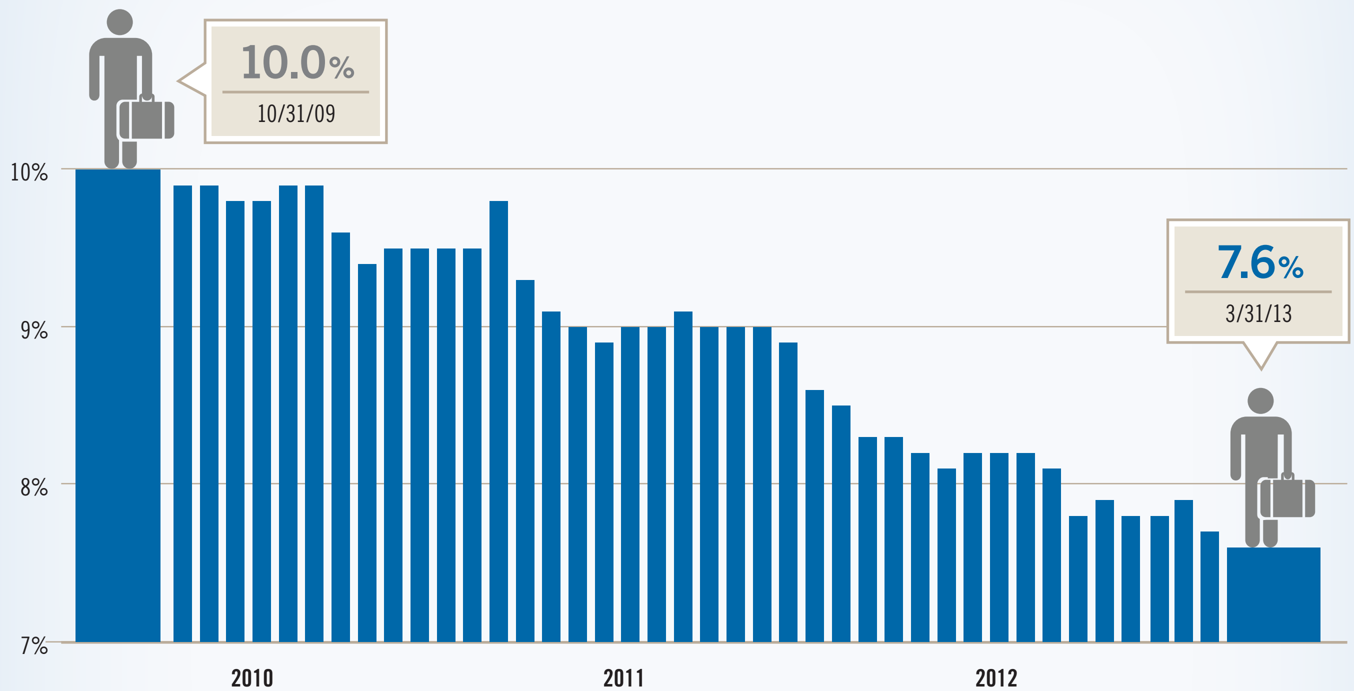
10. Source: © 2013 Morningstar; Dalbar Inc., *Quantitative Analysis of Investor Behavior,* March 2013 (most recent data available). Indexes are unmanaged and one cannot invest directly in an index.

3] What Most Investors Are Missing...

The truth is there are positive things happening in the U.S. and around the globe that many investors may be overlooking.

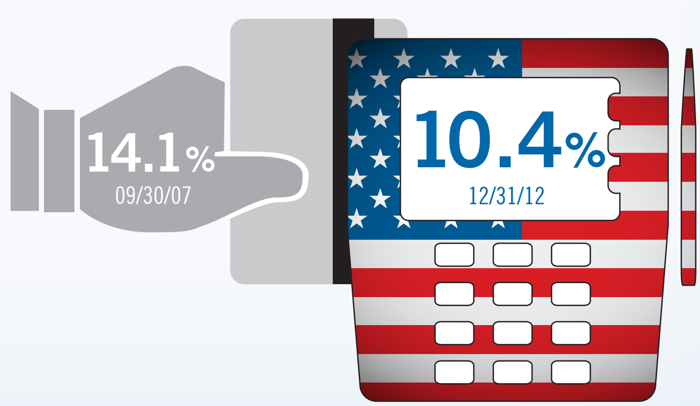
...ABOUT THE U.S. ECONOMY

Unemployment Has Declined from Its Peak[11]



THE U.S. IS THE **LARGEST** **MANUFACTURING** COUNTRY IN THE WORLD[12]

U.S. Household Debt Service Has Been Decreasing[13]



11. Source: U.S. Bureau of Labor Statistics.

12. © 2013 The World Bank: World Development Indicators: World Bank national accounts data, and OECD National Accounts data files. As of 2011 (Latest data available from 2010–2011). Based on dollar value (USD) of manufactured goods.

13. Source: Federal Reserve (most recent data available). Based on ratio of debt payments to disposable personal income.

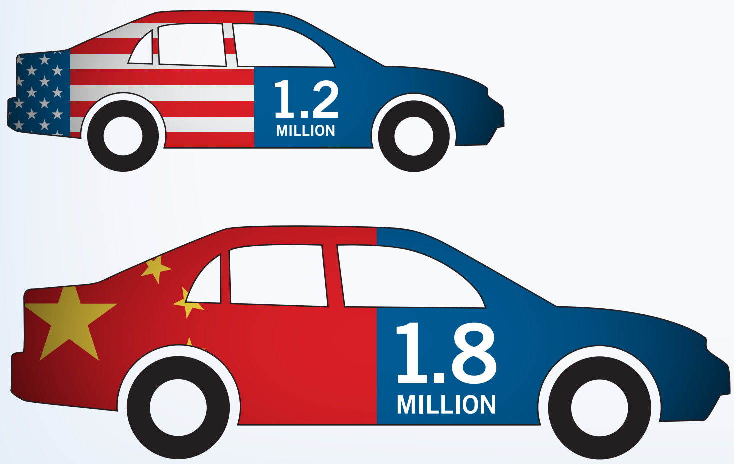
14. Sources: China Automotive Information Net and Bloomberg, as of 3/31/13. Based on a six-month rolling average.

15. Sources: United Nations, World Bank, Surjit S. Bhalla, *Second Among Equals: The Middle Class Kingdoms of India and China*, May 2007 and oxusinvestments.com.

...ABOUT THE GLOBAL ECONOMY

Global Consumption Is Increasing

China's Monthly Car Sales Outpace those of the U.S.[14]



THE WORLD'S MIDDLE CLASS IS PROJECTED **TO REACH 5.1 BILLION** BY THE YEAR 2025[15]

...ABOUT STOCKS

S&P 500 COMPANIES' **CASH NEAR ALL-TIME HIGH**[16]

Based on Total Cash as a Percentage of Total Assets

Equity Valuations Are Below Long-Term Averages[17]

S&P 500 One-Year Forward P/E Ratio (15-Year Period Ended March 31, 2013)

16. Source: Ned Davis Research Group, Inc. Based on historical data since 1977. The historical average cash level for 3/31/77–3/31/13 was 9.70%; as of 3/31/13 it was 13.19%.

17. Source: FactSet. © 2013 FactSet Research Systems Inc. All rights reserved. The information contained herein: (1) is proprietary to FactSet Research Systems Inc. and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither FactSet Research Systems Inc. nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results. Indexes are unmanaged, and one cannot invest directly in an index.

4] Taking the Next Step

Volatility has kept many investors on the sidelines in low-yielding investments. While "playing it safe" may make sense for investors with short time horizons, this approach leaves long-term investors at risk of not achieving their investment goals.

Armed with the knowledge that we make decisions based on emotion, and that there are many positive signs that point to a potentially bright future for equities, now may be a good time to talk to your financial advisor about stepping back into the stock market.

STRATEGIES TO RE-ENTER THE STOCK MARKET

STEP

Earn Income. Work with your financial advisor to move a portion of your money out of fixed income investments and into a hybrid fund (a fund that invests in both stocks and bonds) that pays monthly income.

All investments involve risk, including possible loss of principal. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Investing in dividend-paying stocks involves risks. Companies cannot assure or guarantee a certain rate of return or dividend yield; they can increase, decrease or totally eliminate their dividends without notice. A fund's investment return and principal value will fluctuate with market conditions, and it is possible to lose money. These and other risk considerations are discussed in a fund's prospectus.

WALK

Build a Position. Move more confidently and develop a plan with your financial advisor to systematically move your money off the sidelines and back into equity funds. By building an equity position using periodic investments, you may be able to buy more at market dips and less at market peaks.

Periodic investing plans do not assure a profit and do not protect against a loss in a declining market.

SPRINT

Capitalize on Opportunity. If you're ready to take advantage of potential opportunities and move back into the stock market before the rest of the herd, now may be an opportune time. Talk to your financial advisor about a strategy that makes sense based on your investment goals.

Time to Take STOCK™

No matter how you choose to get back into the stock market—stepping, walking or sprinting—Franklin Templeton has the funds to get you started.

Gain From Our Perspective®

Franklin Templeton's distinct multi-manager structure combines the specialized expertise of three world-class investment management groups—Franklin, Templeton and Mutual Series. Each of our portfolio management groups operates autonomously, relying on its own research and staying true to the unique investment disciplines that underlie its success.

FRANKLIN®

Founded in 1947, Franklin is a recognized leader in fixed income investing and also brings expertise in growth- and value-style U.S. equity investing.

TEMPLETON®

Founded in 1940, Templeton pioneered international investing and, in 1954, launched what has become the industry's oldest global fund. Today, with offices in over 25 countries, Templeton offers investors a truly global perspective.

MUTUAL SERIES®

Founded in 1949, Mutual Series is dedicated to a unique style of value investing, searching aggressively for opportunity among what it believes are undervalued stocks, as well as arbitrage situations and distressed securities.

TO LEARN MORE about Franklin Templeton mutual funds, talk to your financial advisor today. A financial advisor can prove invaluable in helping you define your needs and narrowing the search for investments suitable to your unique financial objectives.

FRANKLIN TEMPLETON INVESTMENTS

Franklin • Templeton • Mutual Series

< GAIN FROM OUR PERSPECTIVE® >

< GAIN FROM OUR PERSPECTIVE® >

VALUE | BLEND | GROWTH | SECTOR | GLOBAL | INTERNATIONAL | HYBRID | ASSET ALLOCATION | FIXED INCOME | TAX-FREE INCOME

FRANKLIN TEMPLETON INVESTMENTS

Franklin Templeton Distributors, Inc.
One Franklin Parkway
San Mateo, CA 94403-1906
(800) DIAL BEN®/342-5236
franklintempleton.com

Franklin Templeton Investments

Your Source for:

- Mutual Funds
- Retirement
- 529 College Savings Plans
- Separately Managed Accounts

Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. To obtain a summary prospectus and/or prospectus, which contains this and other information, talk to your financial advisor, call us at (800) DIAL BEN/342-5236, or visit franklintempleton.com. You should carefully read a prospectus before you invest or send money.

TS B 05/13