

Performance Review

- Renewed global growth worries, simmering trade tensions and slumping commodity prices trounced US stocks in the fourth quarter of 2018, leaving few areas immune to the selloff.
- For the quarter, the fund's Series F shares returned -7.31%, and its benchmark, the S&P 500 Index, returned -8.68%.

QUARTERLY KEY PERFORMANCE DRIVERS

	Stocks	Sectors
Helped	Aetna Inc.	Health Care (Stock Selection)
	NextEra Energy, Inc.	Information Technology (Stock Selection)
	—	Consumer Discretionary (Underweight)
Hurt	Raytheon Company	Industrials (Stock Selection)
	Constellation Brands, Inc. Class A	—
	HollyFrontier Corporation	—

- The Fund enjoyed positive returns in the Health Care, Communication Services and Information Technology sectors.

Outlook & Strategy

- Talks about increased tariffs between the US and China have added to heightening concerns about an economic recession in 2019 or 2020.
- We remain comfortable with the current holdings of the portfolio given our emphasis on holding equities with a combination of value, growth and lower levels of volatility.

Fund Details

Inception Date	03/03/2008
Benchmark	S&P 500 Index

Fund Description

Long-term capital appreciation by investing substantially all of its assets in units of Franklin ActiveQuant U.S. Fund. The Fund seeks long-term capital appreciation by investing primarily in a diversified portfolio of U.S. securities, utilizing a quantitative model selection process.

Performance Data

Performance (%) as of 12/31/2018

	1 Month	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception
Series A	-6.79	-7.56	0.79	0.79	4.87	12.33	13.34	7.86
Series F	-6.70	-7.31	1.91	1.91	6.01	13.53	14.57	9.00
S&P 500 Index	-6.58	-8.68	3.82	3.82	8.77	14.08	14.43	11.59

Indicated rates of return include changes in unit or share value and reinvestment of all distributions and dividends and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any security holder that would have reduced returns. Please refer to the prospectus for further details. **For details on the respective series inception dates, please consult the Fund Facts or simplified prospectus for the fund.** Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. **Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.**

Investment Team

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Years with Firm 20
Years Experience 27

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Years with Firm 21
Years Experience 23

Izabel Flis, CFA
Years with Firm 17
Years Experience 17

Important Legal Information

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Series F is available to investors participating in programs that do not require Franklin Templeton to incur distribution costs in the form of trailing commissions to dealers. As a consequence, the management fee on Series F is lower than on Series A.

Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

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