



FRANKLIN
TEMPLETON

Semi-Annual Report

June 30, 2019

Franklin Alternative Mutual Funds



Franklin Alternative Mutual Funds

The enclosed semi-annual financial statements have not been reviewed by the external auditors of the Funds.

Dear Investor,

After a difficult end to 2018, the world's capital markets rebounded strongly this year as equities reached record highs both in Canada and the United States over the past six months.

That isn't to say there aren't a variety of headwinds facing the markets currently, so investors need to ensure their assets are protected in a well-diversified portfolio.

Well-diversified means the traditional pillars of equity and fixed income, of course, but increasingly it also means innovative new strategies that can enhance returns without adding undue risk.

At Franklin Templeton we are committed to introducing a variety of new solutions to our comprehensive suite of investment products. It is a continuous process, and in the past six months we have launched our first retail alternatives fund—Franklin K2 Alternatives Fund. Calling on the decades of experience and global expertise of our subsidiary Franklin K2 Advisors, the fund is designed to provide added downside protection across market cycles.

Another exciting addition has been our three new multi-asset ETF Portfolios, which simplify complex ETF strategies for investors. Alongside our longstanding Quotient program and Private Wealth Pools, the ETF Portfolios provide yet another option for investors seeking greater diversification for their portfolios.

It has undoubtedly been a busy period for us at Franklin Templeton, but as we celebrate our 65th anniversary this year, we will strive to meet the evolving needs of our clients today and for generations to come.

If you would like to learn more about our full range of investment solutions and how they can benefit your portfolio, please contact either your own advisor, or our Client Services team at 1 (800) 387-0830. I also encourage you to visit our website at www.franklintempleton.ca.

Thank you for investing with us.

Sincerely,



Duane W. Green
President and Chief Executive Officer
Franklin Templeton Investments Corp.

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Franklin K2 Alternatives Fund

SCHEDULE OF INVESTMENTS As at June 30, 2019 (Unaudited)

	Units	Average Cost (000s)	Fair Value (000s)
INVESTMENTS: 1.99%			
EXCHANGE-TRADED FUNDS: 1.99%			
S&P Depository Receipt Bloomberg Barclays High Yield Bond ETF	3,973	\$ 568	\$ 567
Total Exchange-Traded Funds:		568	567
		Principal Amount in Currency of Issue	
SHORT-TERM SECURITIES: 45.39%			
Canada Treasury Bill, 1.653%, 9/5/2019 ^(a)	1,000,000 CAD	997	997
Canada Treasury Bill, 1.661%, 9/19/2019	12,000,000 CAD	11,956	11,956
Total Short-Term Securities:		12,953	12,953
TOTAL INVESTMENTS: 47.38%		\$ 13,521	13,520
NET UNREALIZED GAIN ON DERIVATIVES: 0.29%			83
OTHER ASSETS, less liabilities: 52.33%			14,934
TOTAL NET ASSETS: 100.00%			\$ 28,537

(a) Principal amount of CAD \$885,000 pledged as collateral as at June 30, 2019

SCHEDULE OF DERIVATIVE INSTRUMENTS (As at June 30, 2019)

FORWARD FOREIGN EXCHANGE CONTRACTS

Counterparty	Credit Rating	Settlement Date	Currency to be Delivered (000s)	Par Value in Canadian Dollars (000s)	Currency to be Received (000s)	Par Value in Canadian Dollars (000s)	Contract Price	Unrealized Gain (Loss) (000s)
Citibank N.A.	A+	July 10, 2019	27 USD	\$ 36	36 CAD	\$ 36	\$1.3169	\$ —
Citibank N.A.	A+	July 10, 2019	44 USD	57	58 CAD	58	1.3207	1
Citibank N.A.	A+	July 10, 2019	69 USD	89	91 CAD	91	1.3370	2
Citibank N.A.	A+	July 10, 2019	130 USD	170	172 CAD	172	1.3257	2
Citibank N.A.	A+	July 10, 2019	147 USD	192	196 CAD	196	1.3347	4
Citibank N.A.	A+	July 10, 2019	538 USD	705	721 CAD	721	1.3391	16
Citibank N.A.	A+	July 10, 2019	688 USD	901	922 CAD	922	1.3405	21
JP Morgan Chase Bank, N.A.	A+	July 10, 2019	39 USD	52	52 CAD	52	1.3126	—
Total Number of Contracts				8				\$ 46
Citibank N.A.	A+	July 10, 2019	21 CAD	21	16 USD	21	0.7603	—
Citibank N.A.	A+	July 10, 2019	33 CAD	33	25 USD	33	0.7523	—
Citibank N.A.	A+	July 10, 2019	69 CAD	69	51 USD	67	0.7465	(2)
Citibank N.A.	A+	July 10, 2019	108 CAD	108	81 USD	106	0.7508	(2)
Citibank N.A.	A+	July 10, 2019	206 CAD	206	156 USD	205	0.7597	(1)
Citibank N.A.	A+	July 10, 2019	293 CAD	293	221 USD	289	0.7534	(4)
Citibank N.A.	A+	July 10, 2019	682 CAD	682	509 USD	666	0.7462	(16)
Total Number of Contracts				7				\$(25)
Net Unrealized Gain on Forward Exchange Contracts								\$ 21

The accompanying notes are an integral part of these financial statements.

Franklin K2 Alternatives Fund

SCHEDULE OF INVESTMENTS As at June 30, 2019 (Unaudited) (Continued)

TOTAL RETURN SWAPS

Description	Counterparty	Credit Rating	Expiration Date	Payment Rate	Notional Amount (000s)	Unrealized Appreciation/ (Depreciation) (000s)
Traded Index						
Barclays Atlantic HYIGS Beta Credit Index.....	Barclays Bank PLC	A	04/07/2020	0.50	\$4,000	\$ 31
Barclays Atlantic HYIGS Beta Credit Index.....	Barclays Bank PLC	A	04/07/2020	0.50	998	4
Citi G10 FX Value PPP Daily Index	Citibank N.A.	A+	04/07/2020	0.12	300	1
Credit Suisse Backwardation RV Excess Return Index	Credit Suisse International	A+	04/07/2020	0.40	300	—
Deutsche Bank Equity Low Beta Turnover Control Factor Index USD-Excess Return	Deutsche Bank AG	BBB+	04/07/2020		2,202	16
J.P. Morgan US Equity Flow Index (Series 1)	JP Morgan Chase Bank, N.A.	A+	04/07/2020	0.10	599	13
J.P. Morgan US Equity Flow Index (Series 1)	JP Morgan Chase Bank, N.A.	A+	04/07/2020	0.10	200	4
J.P. Morgan US Equity Flow Index (Series 1)	JP Morgan Chase Bank, N.A.	A+	04/07/2020	0.10	101	2
JPK2LONG.....	JP Morgan Chase Bank, N.A.	A+	04/10/2020	2.44	4,804	<u>201</u>
Total Number of Contracts	9					<u>\$ 272</u>
Barclays Volatility Spread Europe-US ER USD Index	Barclays Bank PLC	A	04/07/2020	0.50	250	(3)
Citi G10 FX Value PPP Daily Index	Citibank N.A.	A+	04/07/2020	0.05	500	(2)
Citi G10 FX Value PPP Daily Index	Citibank N.A.	A+	04/07/2020	0.12	1,000	(5)
Citi G10 FX Value PPP Daily Index	Citibank N.A.	A+	04/07/2020	0.12	4,000	(25)
Credit Suisse Backwardation RV Excess Return Index	Credit Suisse International	A+	04/07/2020	0.40	350	(4)
Credit Suisse Backwardation RV Excess Return Index	Credit Suisse International	A+	04/07/2020	0.40	1,500	(9)
Goldman Sachs Commodity Strategy	Goldman Sachs International	A+	04/07/2020	0.33	200	(1)
JPK2SHRT.....	JP Morgan Chase Bank, N.A.	A+	04/10/2020	2.44	(3,946)	<u>(212)</u>
Total Number of Contracts	8					<u>\$(261)</u>
Unrealized Gain on Total Return Swaps						<u>\$ 11</u>

FUTURES CONTRACTS

Description	Counterparty	Delivery Date	Number of contracts bought (sold)	Currency	Notional Amount (000s)	Unrealized Appreciation/ (Depreciation) (000s)
NASDAQ 100 E-Mini	RBC Dominion Securities Inc.	9/20/2019	11	USD	\$ 2,217	\$21
MSCI Emerging Markets Index.....	RBC Dominion Securities Inc.	9/20/2019	2	USD	138	3
CME E-Mini Russell 2000 Index	RBC Dominion Securities Inc.	9/20/2019	7	USD	718	10
Euro Stoxx 50	RBC Dominion Securities Inc.	9/20/2019	16	EUR	826	6
U.S. Dollar Index.....	JP Morgan Chase Bank, N.A.	9/16/2019	(10)	USD	(1,253)	<u>11</u>
Total Number of Contracts	5					<u>\$51</u>
Net Unrealized Gain on Futures						<u>\$51</u>
Net Unrealized Gain on Derivatives						<u>\$83</u>

The accompanying notes are an integral part of these financial statements.

Franklin K2 Alternatives Fund

STATEMENT OF FINANCIAL POSITION

As at June 30, 2019 (Unaudited)

	<u>2019</u>
	<u>(000s)</u>
Assets	
Current assets	
Non-derivative investments at fair value	\$ 13,520
Unrealized gain on derivatives	369
Cash	
Canadian	14,337
Foreign	181
Receivables	
Due from brokers (Note 3(e))	19
Margin and collateral (Note 3(e))	212
Subscription of redeemable units	239
	<u>28,877</u>
Liabilities	
Current liabilities	
Unrealized loss on derivatives	286
Payables	
Due to brokers (Note 3(e))	27
Management fees	24
Fixed administration fees	3
	<u>340</u>
Net assets attributable to holders of redeemable units	<u>\$ 28,537</u>
Net assets attributable to holders of redeemable units per series (000s)	
Series A	\$ 10,956
Series F	9,381
Series O	8,200
Number of redeemable units outstanding (Note 4)	
Series A	1,101,111
Series F	939,594
Series O	818,662
Net assets attributable to holders of redeemable units per unit — CAD	
Series A	\$ 9.95
Series F	9.98
Series O	10.02

• Fund launched March 04, 2019

Signed on behalf of Franklin Templeton Investments Corp. as Manager-Trustee
(Signed) Duane Green
Director

(Signed) Ghion Shewangzaw
Director

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Franklin K2 Alternatives Fund

STATEMENT OF COMPREHENSIVE INCOME For the period March 04, 2019 to June 30, 2019 (Unaudited)

	2019
	(000s)
Income	
Dividends	\$ 23
Interest for distribution purposes (Note 3(h))	111
Net realized and/or unrealized foreign exchange gain (loss)	(2)
Net realized gain (loss) on investments and derivatives	(182)
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	78
Total income (loss), net	28
Expenses	
Management fees (Note 5(a))	87
Fixed administration fees (Note 5(b))	10
Operating expenses before amounts waived/paid by Manager	97
Net operating expenses after amounts waived/paid by Manager	97
Withholding tax expense	3
Total expenses, net	100
Increase (decrease) in net assets attributable to holders of redeemable units from operations	\$ (72)
Increase (decrease) in net assets attributable to holders of redeemable units from operations per series (000s)	
Series A	\$ (56)
Series F	(26)
Series O	10
Weighted average number of units outstanding	
Series A	1,056,567
Series F	862,063
Series O	809,376
Increase (decrease) in net assets attributable to holders of redeemable units from operations per unit	
Series A	\$ (0.06)
Series F	(0.03)
Series O	0.01

• Fund launched March 04, 2019

The accompanying notes are an integral part of these financial statements.

Franklin K2 Alternatives Fund

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the period March 04, 2019 to June 30, 2019 (Unaudited) (000s)

	<u>All Series</u> <u>2019</u>	<u>Series A</u> <u>2019</u>	<u>Series F</u> <u>2019</u>	<u>Series O</u> <u>2019</u>
Net assets attributable to holders of redeemable units at beginning of period	\$ —	\$ —	\$ —	\$ —
Increase (decrease) in net assets attributable to holders of redeemable units from operations	<u>(72)</u>	<u>(56)</u>	<u>(26)</u>	<u>10</u>
Distributions to holders of redeemable units				
From net investment income	—	—	—	—
From net realized gains on investments	—	—	—	—
From return of capital	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total distributions to holders of redeemable units	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Redeemable units transactions				
Subscriptions	55,021	21,351	17,480	16,190
Reinvestments	—	—	—	—
Redemptions	<u>(26,412)</u>	<u>(10,339)</u>	<u>(8,073)</u>	<u>(8,000)</u>
Net increase (decrease) from redeemable units transactions	<u>28,609</u>	<u>11,012</u>	<u>9,407</u>	<u>8,190</u>
Increase (decrease) in net assets attributable to holders of redeemable units	<u>28,537</u>	<u>10,956</u>	<u>9,381</u>	<u>8,200</u>
Net assets attributable to holders of redeemable units at end of period	<u>\$ 28,537</u>	<u>\$ 10,956</u>	<u>\$ 9,381</u>	<u>\$ 8,200</u>

• Fund launched March 04, 2019

The accompanying notes are an integral part of these financial statements.

Franklin K2 Alternatives Fund

STATEMENT OF CASH FLOWS

For the period March 04, 2019 to June 30, 2019 (Unaudited)

	<u>2019</u> <u>(000s)</u>
Cash flows from operating activities	
Interest received	\$ 101
Dividends received, net of withholding taxes	19
Proceeds from sale and maturity of investments	14,172
Purchases of investments	(27,651)
Receipts on settlement of derivative activities	7,005
Payments on settlement of derivative activities	(7,413)
Realized foreign exchange gain/(loss)	(10)
Operating expenses paid	(70)
Net cash from/(used in) operating activities	<u>(13,847)</u>
Cash flows from financing activities	
Proceeds from issuances of redeemable units	54,783
Amounts paid on redemption of redeemable units	(26,413)
Net cash from/(used in) financing activities	<u>28,370</u>
Net increase (decrease) in cash	14,523
Cash at beginning of period	—
Effect of exchange rate changes	(5)
Cash at end of period	<u>\$ 14,518</u>

• Fund launched March 04, 2019

The accompanying notes are an integral part of these financial statements.

Franklin Target Return Fund

SCHEDULE OF INVESTMENTS As at June 30, 2019 (Unaudited)

	<u>Shares</u>	<u>Average Cost</u> (000s)	<u>Fair Value</u> (000s)
INVESTMENTS: 91.04%			
COMMON STOCKS: 37.89%			
United States: 21.64%			
3M Co.	82	\$ 23	\$ 19
AbbVie Inc.	75	10	7
Accenture PLC, A	177	42	43
Agilent Technologies Inc.	108	12	11
Align Technology Inc.	35	14	12
Alphabet Inc., A	43	70	61
Altria Group Inc.	86	6	5
Amazon.com Inc.	6	15	15
Amgen Inc.	96	25	23
Apple Inc.	172	46	45
Best Buy Co. Inc.	257	23	23
Biogen Inc.	143	48	44
Bristol-Myers Squibb Co.	238	15	14
Cadence Design Systems Inc.	312	18	29
Cardinal Health Inc.	147	9	9
Celgene Corp.	114	11	14
Cerner Corp.	164	14	16
Cimarex Energy Co.	108	10	8
Cintas Corp.	61	17	19
Citrix Systems Inc.	139	19	18
Clorox Co.	133	27	27
Cognizant Technology Solutions Corp., A	160	16	13
Colgate-Palmolive Co.	76	6	7
ConocoPhillips.	124	11	10
Danaher Corp.	79	14	15
Darden Restaurants Inc.	39	6	6
Discover Financial Services.	352	35	36
Eaton Vance Corp.	124	7	7
Edwards Lifesciences Corp.	52	13	13
Electronic Arts Inc.	32	4	4
EOG Resources Inc.	56	7	7
Estee Lauder Companies Inc., A	143	28	34
Exxon Mobil Corp.	270	30	27
F5 Networks Inc.	67	13	13
Facebook Inc., A	240	57	61
Fastenal Co.	610	21	26
IDEXX Laboratories Inc.	27	8	10
Illinois Tool Works Inc.	157	32	31
Intel Corp.	238	13	15
Intuit Inc.	193	41	66
Lam Research Corp.	39	8	10
Lululemon Athletica Inc.	46	8	11
LyondellBasell Industries NV, A	342	47	39
ManpowerGroup Inc.	71	8	9
Mastercard Inc., A	82	26	28
McKesson Corp.	94	14	16
Medtronic PLC.	204	24	26

The accompanying notes are an integral part of these financial statements.

Franklin Target Return Fund

SCHEDULE OF INVESTMENTS As at June 30, 2019 (Unaudited) (Continued)

	<u>Shares</u>	<u>Average Cost</u> (000s)	<u>Fair Value</u> (000s)
United States: 21.64% (Continued)			
Mettler-Toledo International Inc.....	26	\$ 26	\$ 29
Micron Technology Inc.....	453	24	23
Microsoft Corp.....	271	44	47
Monster Beverage Corp.....	183	13	15
Moody's Corp.....	179	44	46
NIKE Inc., B.....	61	6	7
Nordstrom Inc.....	125	7	5
NRG Energy Inc.....	184	10	8
Old Dominion Freight Line Inc.....	24	5	5
Omnicom Group Inc.....	49	5	5
Palo Alto Networks Inc.....	13	4	3
PepsiCo Inc.....	165	27	28
Public Storage.....	153	44	48
Raytheon Co.....	18	4	4
Robert Half International Inc.....	135	11	10
Rockwell Automation Inc.....	127	31	27
Rollins Inc.....	153	9	7
Ross Stores Inc.....	148	19	19
S&P Global Inc.....	149	42	44
Simon Property Group Inc.....	151	32	32
Skyworks Solutions Inc.....	106	13	11
Synchrony Financial.....	677	27	31
Texas Instruments Inc.....	206	26	31
The Gap Inc.....	256	9	6
The Hershey Co.....	147	22	26
The Kroger Co.....	258	8	7
The Procter & Gamble Co.....	151	21	22
The TJX Companies Inc.....	598	37	41
Tractor Supply Co.....	47	7	7
UGI Corp.....	180	13	13
Ulta Beauty Inc.....	14	6	6
United Parcel Service Inc., B.....	90	14	12
United Therapeutics Corp.....	48	7	5
Varian Medical Systems Inc.....	32	6	6
Viacom Inc., B.....	390	15	15
VMware Inc., A.....	53	14	12
W.W. Grainger Inc.....	41	15	14
		<u>1,638</u>	<u>1,679</u>
Japan: 3.40%			
Alfresa Holdings Corp.....	196	7	6
Astellas Pharma Inc.....	672	13	13
Daito Trust Construction Co. Ltd.....	36	7	6
Japan Airlines Co. Ltd.....	26	1	1
JTEKT Corp.....	212	4	3
KDDI Corp.....	1,251	39	42
Medipal Holdings Corp.....	178	6	5
Mitsubishi Gas Chemical Co. Inc.....	168	3	3
Mitsubishi UFJ Financial Group Inc.....	3,769	25	23

The accompanying notes are an integral part of these financial statements.

Franklin Target Return Fund

SCHEDULE OF INVESTMENTS As at June 30, 2019 (Unaudited) (Continued)

	<u>Shares</u>	<u>Average Cost</u> (000s)	<u>Fair Value</u> (000s)
Japan: 3.40% (Continued)			
Nippon Telegraph & Telephone Corp.....	572	\$ 32	\$ 35
NTT DOCOMO Inc.....	858	27	26
Obayashi Corp.	683	9	9
ORIX Corp.....	546	12	11
Osaka Gas Co. Ltd.....	396	10	9
Seven & i Holdings Co. Ltd.	304	14	14
Shionogi & Co. Ltd.....	108	9	8
Showa Denko K.K.	139	7	5
Sumitomo Heavy Industries Ltd.	113	5	5
Suzuken Co. Ltd.	101	8	8
Taiheiyo Cement Corp.	127	6	5
Taisei Corp.	195	11	9
Tokyo Gas Co. Ltd.	404	14	13
Tosoh Corp.	287	7	5
		<u>276</u>	<u>264</u>
China: 2.27%			
Agricultural Bank of China Ltd., H	17,945	11	10
Anhui Conch Cement Co. Ltd., H	865	6	7
Bank of China Ltd., H	76,065	48	42
Bank of Communications Co. Ltd., H	9,059	10	9
China Cinda Asset Management Co. Ltd., H	9,072	3	3
China CITIC Bank Corp. Ltd., H	9,306	8	7
China Construction Bank Corp., H	19,569	22	22
China Minsheng Banking Corp. Ltd., H	6,894	7	6
China Petroleum & Chemical Corp., H	12,156	13	11
China Railway Group Ltd., H	3,972	4	4
China Resources Power Holdings Co. Ltd.	2,011	4	4
China Shenhua Energy Co. Ltd., H	2,130	7	6
China Telecom Corp. Ltd., H	15,331	10	10
China Unicom (Hong Kong) Ltd.	6,277	11	9
Country Garden Holdings Co. Ltd.	2,889	6	6
Industrial and Commercial Bank of China Ltd., H	15,448	15	15
Postal Savings Bank of China Co. Ltd., H	7,126	6	5
		<u>191</u>	<u>176</u>
United Kingdom: 1.93%			
3i Group PLC	1,014	19	19
Admiral Group PLC.....	221	8	8
Barratt Developments PLC.....	980	10	9
BHP Group PLC.....	480	16	16
Centrica PLC.....	5,938	11	9
Fiat Chrysler Automobiles NV	671	18	12
International Consolidated Airlines Group SA	663	7	5
J Sainsbury PLC.....	1,843	8	6
Mondi PLC.....	385	12	12
Next PLC.....	71	6	7
Persimmon PLC	344	15	11
Royal Mail PLC	931	4	3
Taylor Wimpey PLC.....	3,606	11	9

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Franklin Target Return Fund

SCHEDULE OF INVESTMENTS As at June 30, 2019 (Unaudited) (Continued)

	<u>Shares</u>	<u>Average Cost</u> (000s)	<u>Fair Value</u> (000s)
United Kingdom: 1.93% (Continued)			
The Berkeley Group Holdings PLC	137	\$ 8	\$ 9
WPP PLC	887	14	15
		<u>167</u>	<u>150</u>
Switzerland: 1.21%			
Partners Group Holding AG	18	18	18
Roche Holding AG	206	66	76
		<u>84</u>	<u>94</u>
France: 0.98%			
Compagnie de Saint-Gobain	176	10	9
Credit Agricole SA	331	5	5
Faurecia SA	80	5	5
Peugeot SA	648	20	21
Societe Generale SA	782	34	26
Valeo SA	228	10	10
		<u>84</u>	<u>76</u>
South Korea: 0.89%			
Hana Financial Group Inc.	284	13	12
Industrial Bank of Korea	277	4	4
KB Financial Group Inc.	245	13	13
Shinhan Financial Group Co. Ltd.	184	10	9
SK Hynix Inc.	291	26	23
Woori Financial Group Inc.	487	8	8
		<u>74</u>	<u>69</u>
Germany: 0.76%			
Aroundtown SA	852	10	9
Continental AG	52	12	10
Covestro AG	212	25	14
Deutsche Lufthansa AG	261	10	6
ProSiebenSat.1 Media SE	240	5	5
RWE AG	450	16	15
		<u>78</u>	<u>59</u>
Denmark: 0.75%			
Coloplast AS, B	70	8	10
Novo Nordisk AS, B	629	40	42
Pandora AS	121	12	6
		<u>60</u>	<u>58</u>
Australia: 0.73%			
AGL Energy Ltd.	682	14	12
Bluescope Steel Ltd.	566	7	6
Brambles Ltd.	1,229	12	15
Cimic Group Ltd.	99	5	4
Rio Tinto Ltd.	208	20	20
		<u>58</u>	<u>57</u>
Netherlands: 0.57%			
Koninklijke Ahold Delhaize NV	1,183	34	35

The accompanying notes are an integral part of these financial statements.

Franklin Target Return Fund

SCHEDULE OF INVESTMENTS As at June 30, 2019 (Unaudited) (Continued)

	<u>Shares</u>	<u>Average Cost</u> (000s)	<u>Fair Value</u> (000s)
Netherlands: 0.57% (Continued)			
Randstad NV	123	\$ 9	\$ 9
		<u>43</u>	<u>44</u>
Sweden: 0.49%			
Atlas Copco AB	304	9	11
Skanska AB, B	357	9	8
Swedbank AB, A	939	<u>20</u>	<u>19</u>
		<u>38</u>	<u>38</u>
Hong Kong: 0.46%			
Link Real Estate Investment Trust	1,715	27	28
Wheelock and Co. Ltd.	853	<u>8</u>	<u>8</u>
		<u>35</u>	<u>36</u>
Spain: 0.44%			
Endesa SA	327	11	11
Telefonica SA	2,156	<u>24</u>	<u>23</u>
		<u>35</u>	<u>34</u>
Canada: 0.36%			
CI Financial Corp.	244	4	5
Magna International Inc.	320	22	21
Seven Generations Energy Ltd.	287	<u>3</u>	<u>2</u>
		<u>29</u>	<u>28</u>
Norway: 0.27%			
Aker BP ASA	112	6	4
Equinor ASA	644	<u>18</u>	<u>17</u>
		<u>24</u>	<u>21</u>
India: 0.21%			
Coal India Ltd.	688	3	3
GAIL India Ltd.	810	5	5
Hindustan Petroleum Corp. Ltd.	620	3	3
Oil & Natural Gas Corp. Ltd.	1,462	<u>5</u>	<u>5</u>
		<u>16</u>	<u>16</u>
Brazil: 0.10%			
IRB Brasil Resseguros SA	147	5	5
Tim Participacoes SA	884	<u>4</u>	<u>3</u>
		<u>9</u>	<u>8</u>
Singapore: 0.09%			
Singapore Exchange Ltd.	886	<u>6</u>	<u>7</u>
South Africa: 0.08%			
RMB Holdings Ltd.	733	<u>6</u>	<u>6</u>
United Arab Emirates: 0.08%			
Emaar Properties PJSC	3,631	<u>7</u>	<u>6</u>
Mexico: 0.08%			
Fibra Uno Administracion SA de CV	3,473	<u>7</u>	<u>6</u>
Hungary: 0.06%			
MOL Hungarian Oil and Gas PLC	380	<u>6</u>	<u>5</u>

The accompanying notes are an integral part of these financial statements.

Franklin Target Return Fund

SCHEDULE OF INVESTMENTS As at June 30, 2019 (Unaudited) (Continued)

	Shares	Average Cost (000s)	Fair Value (000s)
Taiwan: 0.04%			
Yageo Corp.	280	\$ 4	\$ 3
Total Common Stocks:		2,975	2,940
PREFERRED STOCKS: 0.71%			
South Korea: 0.45%			
Samsung Electronics Co. Ltd., Preferred	802	37	35
Brazil: 0.26%			
Itausa-Investimentos Itau SA, Preferred	4,634	19	20
Total Preferred Stocks:		56	55
EXCHANGE-TRADED FUNDS: 8.87%			
Canada: 4.47%			
Franklin Liberty Global Aggregate Bond ETF	16,400	328	347
United States: 4.40%			
S&P Depository Receipt Bloomberg Barclays High Yield Bond ETF	2,391	338	341
Total Exchange-Traded Funds:		666	688
	Units		
UNDERLYING FUNDS: 43.57%			
Franklin Bissett Canadian Government Bond Fund	207,132	2,025	2,122
Franklin Bissett Corporate Bond Fund	46,520	534	532
Franklin Bissett Money Market Fund	28,004	280	280
Templeton Global Bond Fund	37,517	481	447
Total Underlying Funds:		3,320	3,381
Total Investments:		7,017	7,064
		Principal Amount in Currency of Issue	
SHORT-TERM SECURITIES: 7.74%			
CIBC, Term Deposit, 1.60%, 7/2/2019	300,000 CAD	300	300
Royal Bank of Canada, Term Deposit, 1.65%, 7/2/2019	300,000 CAD	300	300
Total Short-Term Securities:		600	600
TOTAL INVESTMENTS: 98.78%		\$ 7,617	7,664
NET UNREALIZED GAIN ON DERIVATIVES, excluding Options: 0.03%			2
PURCHASED OPTIONS: 0.59%			46
OTHER ASSETS, less liabilities: 0.60%			47
TOTAL NET ASSETS: 100.00%			\$ 7,759

The accompanying notes are an integral part of these financial statements.

Franklin Target Return Fund

SCHEDULE OF INVESTMENTS As at June 30, 2019 (Unaudited) (Continued)

SCHEDULE OF DERIVATIVE INSTRUMENTS (As at June 30, 2019)

FORWARD FOREIGN EXCHANGE CONTRACTS

Counterparty	Credit Rating	Settlement Date	Currency to be Delivered (000s)	Par Value in Canadian Dollars (000s)	Currency to be Received (000s)	Par Value in Canadian Dollars (000s)	Contract Price	Unrealized Gain (Loss) (000s)
JP Morgan Chase Bank, N.A.	A+	August 19, 2019	787 USD	\$1,029	1,058 CAD	\$1,058	\$1.3449	\$ 29
Total Number of Contracts	1							\$ 29
JP Morgan Chase Bank, N.A.	A+	August 19, 2019	1,056 CAD	1,056	787 USD	1,030	0.7455	(26)
Total Number of Contracts	1							\$(26)
Net Unrealized Gain on Forward Exchange Contracts								\$ 3

TOTAL RETURN SWAPS

Description	Counterparty	Credit Rating	Expiration Date	Payment Rate	Notional Amount (000s)	Unrealized Appreciation/ (Depreciation) (000s)
Traded Index						
S&P 500 Index	Societe Generale SA	A	02/27/2020	FEDL01 + 0.5%	\$155	\$(1)
Total Number of Contracts	1					\$(1)
Unrealized Loss on Total Return Swaps						\$(1)

FUTURES CONTRACTS

Description	Counterparty	Delivery Date	Number of contracts bought (sold)	Currency	Notional Amount (000s)	Unrealized Appreciation/ (Depreciation) (000s)
CME Ultra Long Term U.S. Treasury Bond	JP Morgan Chase Bank, N.A.	9/19/2019	1	USD	\$ 233	\$ 8
Total Number of Contracts	1					\$ 8
MSCI World Index	JP Morgan Securities LLC	9/20/2019	(5)	USD	(416)	(8)
Total Number of Contracts	1					\$(8)
Net Unrealized Gain on Derivatives						\$ 2

OPTIONS CONTRACTS

Description	Counterparty	Strike Price	Expiration Date	Currency	Notional Amount (000s)	Fair Value (000s)
PURCHASED OPTIONS						
Equity Index Put Option						
DAX Stock Index	JP Morgan Chase Bank, N.A.	\$9,000.00	12/18/2020	EUR	3	\$ 4
DJ Euro STOXX 50	JP Morgan Chase Bank, N.A.	2,550.00	12/18/2020	EUR	3	2
DJ Euro STOXX 50	JP Morgan Chase Bank, N.A.	3,050.00	12/20/2019	EUR	6	3
DJ Euro STOXX 50	JP Morgan Chase Bank, N.A.	3,100.00	12/20/2019	EUR	4	3
Russell 2000 Index	JP Morgan Chase Bank, N.A.	1,150.00	12/18/2020	USD	1	3
S&P 500 Index	BofA Securities Inc	2,050.00	12/18/2020	USD	2	9
S&P 500 Index	JP Morgan Chase Bank, N.A.	2,150.00	12/18/2020	USD	1	6
S&P 500 Index	JP Morgan Chase Bank, N.A.	2,600.00	12/20/2019	USD	2	10

The accompanying notes are an integral part of these financial statements.

Franklin Target Return Fund

SCHEDULE OF INVESTMENTS As at June 30, 2019 (Unaudited) (Continued)

OPTIONS CONTRACTS (Continued)

	<u>Counterparty</u>	<u>Strike Price</u>	<u>Expiration Date</u>	<u>Currency</u>	<u>Notional Amount</u> (000s)	<u>Fair Value</u> (000s)
PURCHASED OPTIONS (continued)						
Equity Index Put Option (continued)						
S&P 500 Index	JP Morgan Chase Bank, N.A.	\$2,650.00	12/20/2019	USD	1	\$ 6
Total Purchased	9					<u>\$46</u>
Total Premiums Paid \$71,333						

The accompanying notes are an integral part of these financial statements.

Franklin Target Return Fund

STATEMENTS OF FINANCIAL POSITION As at June 30, 2019 (Unaudited) and December 31, 2018

	2019 (000s)	2018 (000s)
Assets		
Current assets		
Non-derivative investments at fair value	\$ 7,664	\$ 7,770
Unrealized gain on derivatives	37	66
Purchased options	46	28
Cash		
Canadian	15	68
Receivables		
Margin and collateral (Note 3(e))	18	19
Distributions, dividends, interest and withholding tax	21	7
Other assets (Note 5(f))	—	2
	7,801	7,960
Liabilities		
Current liabilities		
Unrealized loss on derivatives	35	90
Payables		
Due to brokers (Note 3(e))	2	1
Management fees	4	4
Fixed administration fees	1	1
Foreign capital taxes	—	1
	42	97
Net assets attributable to holders of redeemable units	\$ 7,759	\$ 7,863
Net assets attributable to holders of redeemable units per series (000s)		
Series A	\$ 852	\$ 937
Series F	122	212
Series O	3,962	3,996
Series PA	95	—
Series PF	2,728	2,718
Number of redeemable units outstanding (Note 4)		
Series A	93,308	105,836
Series F	13,095	23,558
Series O	413,695	435,397
Series PA	9,428	—
Series PF	289,906	299,896
Net assets attributable to holders of redeemable units per unit — CAD		
Series A	\$ 9.13	\$ 8.85
Series F	9.36	9.02
Series O	9.58	9.18
Series PA	10.15	—
Series PF	9.41	9.06

• Series PA launched January 25, 2019

Signed on behalf of Franklin Templeton Investments Corp. as Manager-Trustee
(Signed) Duane Green
Director

(Signed) Ghion Shewangzaw
Director

The accompanying notes are an integral part of these financial statements.

Franklin Target Return Fund

STATEMENTS OF COMPREHENSIVE INCOME For the six months ended June 30, 2019 and 2018 (Unaudited)

	2019 (000s)	2018 (000s)
Income		
Distributions received from underlying funds (Note 3(h))	\$ 44	\$ 21
Dividends	68	58
Interest for distribution purposes (Note 3(h))	5	16
Net realized and/or unrealized foreign exchange gain (loss)	(2)	(6)
Net realized gain (loss) on investments and derivatives (Note 3(h))	(87)	(145)
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	322	(108)
Total income (loss), net	350	(164)
Expenses		
Management fees (Note 5(a))	22	25
Fixed administration fees (Note 5(b))	4	4
Independent review committee fees	1	1
Operating expenses before amounts waived/paid by Manager	27	30
Operating expenses waived/paid by Manager	(1)	—
Net operating expenses after amounts waived/paid by Manager	26	30
Transaction costs (Note 9)	4	3
Withholding tax expense	7	12
Total expenses, net	37	45
Increase (decrease) in net assets attributable to holders of redeemable units from operations	\$ 313	\$ (209)
Increase (decrease) in net assets attributable to holders of redeemable units from operations per series (000s)		
Series A	\$ 27	\$ (35)
Series F	8	(6)
Series O	173	(87)
Series PA	1	—
Series PF	104	(81)
Weighted average number of units outstanding		
Series A	95,531	106,782
Series F	17,398	22,652
Series O	434,407	371,704
Series PA	9,207	—
Series PF	298,969	310,230
Increase (decrease) in net assets attributable to holders of redeemable units from operations per unit		
Series A	\$ 0.28	\$ (0.33)
Series F	0.46	(0.27)
Series O	0.40	(0.23)
Series PA	0.15	—
Series PF	0.35	(0.26)

• Series PA launched January 25, 2019

The accompanying notes are an integral part of these financial statements.

Franklin Target Return Fund

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS For the six months ended June 30, 2019 and 2018 (Unaudited) (000s)

	All Series		Series A		Series F	
	2019	2018	2019	2018	2019	2018
Net assets attributable to holders of redeemable units at beginning of period	\$7,863	\$6,422	\$ 937	\$1,042	\$ 212	\$ 159
Increase (decrease) in net assets attributable to holders of redeemable units from operations	313	(209)	27	(35)	8	(6)
Distributions to holders of redeemable units						
From net investment income	—	—	—	—	—	—
From net realized gains on investments	—	—	—	—	—	—
From return of capital	—	—	—	—	—	—
Total distributions to holders of redeemable units	—	—	—	—	—	—
Redeemable units transactions						
Subscriptions	217	2,600	30	137	4	133
Reinvestments	—	—	—	—	—	—
Redemptions	(634)	(172)	(142)	(77)	(102)	(12)
Net increase (decrease) from redeemable units transactions	(417)	2,428	(112)	60	(98)	121
Increase (decrease) in net assets attributable to holders of redeemable units	(104)	2,219	(85)	25	(90)	115
Net assets attributable to holders of redeemable units at end of period	<u>\$7,759</u>	<u>\$8,641</u>	<u>\$ 852</u>	<u>\$1,067</u>	<u>\$ 122</u>	<u>\$ 274</u>
	Series O		Series PA	Series PF		
	2019	2018	2019	2019	2018	
Net assets attributable to holders of redeemable units at beginning of period	\$3,996	\$2,146	\$ —	\$2,718	\$3,075	
Increase (decrease) in net assets attributable to holders of redeemable units from operations	173	(87)	1	104	(81)	
Distributions to holders of redeemable units						
From net investment income	—	—	—	—	—	
From net realized gains on investments	—	—	—	—	—	
From return of capital	—	—	—	—	—	
Total distributions to holders of redeemable units	—	—	—	—	—	
Redeemable units transactions						
Subscriptions	83	2,199	94	6	131	
Reinvestments	—	—	—	—	—	
Redemptions	(290)	(23)	—	(100)	(60)	
Net increase (decrease) from redeemable units transactions	(207)	2,176	94	(94)	71	
Increase (decrease) in net assets attributable to holders of redeemable units	(34)	2,089	95	10	(10)	
Net assets attributable to holders of redeemable units at end of period	<u>\$3,962</u>	<u>\$4,235</u>	<u>\$ 95</u>	<u>\$2,728</u>	<u>\$3,065</u>	

• Series PA launched January 25, 2019

The accompanying notes are an integral part of these financial statements.

Franklin Target Return Fund

STATEMENTS OF CASH FLOWS For the six months ended June 30, 2019 and 2018 (Unaudited)

	<u>2019</u>	<u>2018</u>
	(000s)	(000s)
Cash flows from operating activities		
Interest received	\$ 5	\$ 11
Dividends received, net of withholding taxes	58	47
Proceeds from sale and maturity of investments	6,014	3,994
Purchases of investments	(5,534)	(6,186)
Receipts on settlement of derivative activities	682	2,003
Payments on settlement of derivative activities	(843)	(2,262)
Realized foreign exchange gain/(loss)	9	4
Operating expenses paid	(24)	(30)
Net cash from/(used in) operating activities	<u>367</u>	<u>(2,419)</u>
Cash flows from financing activities		
Proceeds from issuances of redeemable units	216	2,779
Amounts paid on redemption of redeemable units	(635)	(171)
Distributions paid to holders of redeemable units, net of reinvested distributions	—	(54)
Net cash from/(used in) financing activities	<u>(419)</u>	<u>2,554</u>
Net increase (decrease) in cash	(52)	135
Cash at beginning of period	68	2
Effect of exchange rate changes	(1)	(2)
Cash at end of period	<u>\$ 15</u>	<u>\$ 135</u>

The accompanying notes are an integral part of these financial statements.

Franklin Alternative Mutual Funds

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2019 (Unaudited) and December 31, 2018

1. Organization

(a) Inception and Financial Reporting Dates

Franklin Alternative Mutual Funds (the "Funds") are alternative mutual funds as defined under National Instrument 81-102 and trusts governed by the laws of Ontario pursuant to a Master Declaration of Trust. Franklin Templeton Investments Corp. ("FTIC"), a corporation duly incorporated under the laws of the Province of Ontario (hereinafter called the "Manager" and "Trustee"), having an office at 200 King Street West, Suite 1500, Toronto, Ontario, M5H 3T4 and an indirectly wholly owned subsidiary of Franklin Resources Inc. ("FRI"), a United States Securities and Exchange Commission ("SEC") registered company listed on the New York Stock Exchange, is the manager, portfolio advisor, transfer agent and trustee of the Funds. The Franklin Target Return Fund commenced operations on April 11, 2017 and Franklin K2 Alternatives Fund commenced operations on March 4, 2019.

The Funds may offer one or more series of units designated as Series A, F, O, PA and PF. Each Series differs by its initial sales load, contingent deferred sales charges, management fees and initial minimum investment amount.

Franklin Target Return Fund is designed to seek a total return that exceeds the return of the Government of Canada 91-day treasury bill over a rolling three-year period, regardless of the prevailing market conditions, by actively managing direct and indirect exposure to equity securities, fixed income securities, cash and cash equivalents and derivative instruments to access alternative investment strategies with low correlation to traditional equity and fixed income instruments.

Franklin K2 Alternatives Fund is designed to seek capital appreciation with lower volatility relative to the broad equity markets by using a multi-strategy approach consisting of one or more alternative investment strategies. The Fund uses a number of techniques to preserve capital and mitigate risk, including selling short equity securities and using derivatives for hedging purposes and to gain exposure to additional investments.

The financial statements of the Funds include the Schedule of Investments as at June 30, 2019, and the Statements of Financial Position as at June 30, 2019 and December 31, 2018, (as applicable). The Statements of Comprehensive Income, Changes in Net Assets Attributable to Holders of Redeemable Units and Cash Flows for the Funds are for the periods ended June 30, 2019 and 2018, except for Funds established during either period, in which case the period is from commencement of operations (inception date) to June 30.

These financial statements have been authorized for issue by the Board of Directors of the Manager on August 21, 2019.

(b) Fund Events

Franklin K2 Alternatives Fund was launched on March 4, 2019 and commenced offering units of Series A, F, and O on March 11, 2019.

Effective January 25, 2019, Franklin Target Return Fund commenced the offering of Series PA units.

2. Basis of Presentation of IFRS

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS").

The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities (including derivatives) at fair value through profit and loss.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented.

3. Summary of Significant Accounting Policies

The significant accounting policies are as follows:

- (a) Classification of financial assets and liabilities** — Effective January 1, 2018, the Funds retrospectively adopted *IFRS 9 Financial Instruments*, which includes a new credit loss impairment model. The Funds' financial assets and financial liabilities, under IFRS 9 are classified and measured at fair value through profit and loss ("FVTPL"), as those financial assets and financial liabilities are managed together and their performance evaluated on a fair value basis in accordance with the Funds' documented investment strategy. This is consistent with the classification category prior to the transition to IFRS 9, with the exception of derivatives which are

Franklin Alternative Mutual Funds

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2019 (Unaudited) and December 31, 2018 (Continued)

3. Summary of Significant Accounting Policies (Continued)

categorized as fair value through profit and loss. Derivatives were previously classified as held for trading under IAS 39, however such sub-categorization is not applicable under IFRS 9. All financial assets and financial liabilities are shown on the respective Fund's Statements of Financial Position and are measured as FVTPL with the associated unrealized gain/loss included in the Statements of Comprehensive Income in net change in unrealized appreciation (depreciation) in value of investments and derivatives.

There were no changes in the measurement attributes in either the current or comparative period for any of the financial assets and liabilities upon transition to IFRS 9.

The Funds' obligation for net assets attributable to holders of redeemable units is presented at the redemption amount. All other financial assets and liabilities are carried at amortized cost which approximates fair value due to their short-term nature.

The net asset value ("NAV") is the value of the total assets of a Fund less the value of its total liabilities determined, on each valuation day, in accordance with Part 14 of National Instrument (NI) 81-106 *Investment Fund Continuous Disclosure* for the purpose of processing unitholder transactions (herein called the "Trading NAV"). Net assets are determined in accordance with IFRS (herein called the "IFRS NAV") and may differ to the Fund's Trading NAV. Where a Fund's Trading NAV is not equal to its IFRS NAV, a reconciliation is shown in Note 11(a).

(b) Classification of redeemable units — The Funds' outstanding redeemable units' entitlements include a contractual obligation to distribute any net income and net realized capital gains annually in cash and therefore the ongoing redemption feature is not the units' only contractual obligation. In addition, certain Funds have multiple features across the different series of the Funds. Consequently, the Funds' outstanding redeemable units are classified as financial liabilities in accordance with the requirements of International Accounting Standard 32 "*Financial Instruments: Presentation*".

(c) Valuation of series — A separate NAV per unit is calculated for each series of units in each Fund. The Funds calculate the NAV per unit at the close of trading on the Toronto Stock Exchange ("TSX") each business day (usually 4p.m. EST). The net assets of a series is computed by calculating the series' proportionate share of the assets and liabilities of the Fund common to all series, adjusted for the assets and liabilities of the Fund attributable only to that series. Expenses directly attributable to a series are charged to that series. Other expenses, investment income, realized and unrealized capital and foreign exchange gains and losses are allocated proportionately to each series based upon the relative net assets of each series, except for items that can be specifically attributed to one or more series.

(d) Valuation of investments — The Funds' investments in financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The fair value of equity securities and derivative financial instruments (derivatives) traded in active markets is measured at quoted market prices at the close of trading on the reporting date. The Funds use the last traded market price for both financial assets and financial liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will review and apply a price that is most representative of fair value based on the specific facts and circumstances. Over the counter ("OTC") securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market (that is, the principal market). Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

Debt and certain preferred securities generally trade in the OTC market rather than on a securities exchange. The applicable Funds' pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, a market-based approach utilizing quotes from market makers is used to determine fair value. In instances where sufficient market activity may not exist or is limited, proprietary valuation models are used, which may consider market characteristics such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates, anticipated timing of principal repayments, underlying collateral and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value.

The Manager has procedures to determine the fair value of securities and other financial instruments for which market prices are not readily available or which may not be reliably priced. Under these fair valuation procedures, the Funds primarily employ a market-based approach, which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine its fair value. The Funds may also use an income-based

Franklin Alternative Mutual Funds

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2019 (Unaudited) and December 31, 2018 (Continued)

3. Summary of Significant Accounting Policies (Continued)

valuation approach in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments, but only if they arise as a feature of the instrument itself. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed.

Trading in securities on foreign securities stock exchanges and OTC markets may not be completed before 4 p.m. EST. In addition, trading in certain foreign markets may not take place on a Fund's business day. Occasionally, events occur between the time at which trading in a foreign security is completed and 4 p.m. EST that might call into question the reliability of the value of a portfolio security held by a Fund. As a result, differences may arise between the value of a Fund's portfolio securities as determined at the foreign market close and the latest indications of value at 4 p.m. EST. In order to minimize the potential for these differences, the price movements are monitored following the close of trading in foreign stock markets through a series of country specific market proxies (such as baskets of American Depositary Receipts, futures contracts and exchange traded funds). These price movements are measured against established trigger thresholds for each specific market proxy to assist in determining if an event has occurred that may call into question the reliability of the values of the foreign securities held by a Fund's. If such an event occurs, the securities may be valued using fair value procedures, which may include the use of independent pricing services.

Investments in Underlying Funds are made in Series O units of the Underlying Fund and valued at the Underlying Fund's net asset value on valuation day.

All security valuation techniques are periodically reviewed by the Valuation Committee of the Manager and are approved by the Manager. The Valuation Committee provides administration and oversight of the Funds' valuation policies and procedures. These procedures allow the Valuation Committee to utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

(e) **Derivative financial instruments** — The Funds may invest in derivatives in order to manage risk or gain exposure to various other investments or markets. Derivatives may also be used for trading purposes where the Portfolio Manager believes this would be more effective than investing directly in the underlying financial instruments. Derivatives are financial contracts based on an underlying or notional amount, require no initial investment or an initial investment that is smaller than would normally be required to have similar response to changes in market factors, and require or permit net settlement. Derivatives contain various risks including the potential inability of the counterparty to fulfill their obligations under the terms of the contract, the potential for an illiquid secondary market, and/or the potential for market movements, which expose the applicable Funds to gains and losses in excess of the amounts shown on the Statements of Financial Position. Realized gain and loss and unrealized appreciation and depreciation on these contracts for the period are included in the Statements of Comprehensive Income.

(i) **Foreign/Forward exchange contracts** — When a Fund purchases or sells foreign securities, it may enter into foreign exchange contracts to minimize foreign exchange risk from the trade date to the settlement date of the transactions. A foreign exchange contract is an agreement between two parties to exchange different currencies at an agreed upon exchange rate at a future date.

A Fund may also enter into forward exchange contracts to hedge against fluctuations in foreign exchange rates. These contracts are valued as the difference between the contractual forward foreign exchange rates and the mid forward rate for currency held or sold short at the reporting date. The unrealized gains or losses on the contracts are included in the Statements of Financial Position, as unrealized gain/loss on derivatives. Realized gains and losses and changes in unrealized gains and losses are included in the Statements of Comprehensive Income, as net realized gain/loss on investments and derivatives and net change in unrealized appreciation (depreciation) in value of investments and derivatives.

(ii) **Futures contracts** — The Funds may enter into futures contracts to manage and/or gain exposure to commodity price, interest rate and equity price risk. A futures contract is an agreement between a Fund and a counterparty to buy or sell an asset at a specified price on a future date. Required initial margins are pledged by a Fund, and the daily change in fair value is accounted for as a variation margin payable/receivable in the Statements of Financial Position.

(iii) **Options** — Options give the purchaser the right but not the obligation, to buy (call) or sell (put) an underlying security or notional amount of a swap (swaption) at an agreed exercise or strike price during a specified period or on a specified date.

Franklin Alternative Mutual Funds

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2019 (Unaudited) and December 31, 2018 (Continued)

3. Summary of Significant Accounting Policies (Continued)

Options purchased are recorded as investments; options written (sold) are recorded as liabilities on the Statements of Financial Position. These investments are reported at fair value on the Fund's Statements of Financial Position and any gains or losses resulting from revaluation are included in net change in unrealized appreciation (depreciation) in value of investments and derivatives on the Statements of Comprehensive Income.

When an option is purchased or written, an amount equal to the premium paid or received is recorded as a financial asset or financial liability, respectively and subsequently adjusted to the current fair value of the option. Upon exercise of an option, the acquisition cost or sale proceeds of the underlying investment is adjusted by any premium received or paid. Upon expiration of an option, any premium received or paid is recorded as a realized gain (loss) from investments and derivatives. Upon closing an option other than through expiration or exercise, the difference between the premium received or paid and the cost to close the position, excluding brokerage commissions, is recorded as a realized gain (loss) from investments and derivatives.

Open options at period end are presented in the Schedule of Investments under the captions "Purchased options", "Written options" as applicable.

(iv) Swaps — The Funds may invest in swaps, primarily to manage their exposure to credit risk, interest rate risk or a reference asset. A swap is an agreement between two parties to exchange future cash flows at periodic intervals based on a notional principal amount. Such periodic payments paid or received are accrued daily and included in the due to/from broker account in the Statements of Financial Position. The Funds may invest in the following swap contracts:

(i) A credit default swap is an agreement between the Fund and a counterparty whereby the buyer of the contract receives credit protection and the seller of the contract guarantees the credit worthiness of a referenced debt obligation. The underlying referenced debt obligation may be a single issuer of corporate or sovereign debt, a credit index, or a tranche of a credit index. The seller receives a periodic payment that is a percentage applied to a notional principal amount and in the event of default of the underlying referenced debt obligation; the buyer is entitled to receive the notional amount of the credit default swap contract from the seller in exchange for the referenced debt obligation, or other agreed amount.

(ii) An interest rate swap is used primarily to manage and/or gain exposure to fluctuations in interest rates. It is an agreement between the Fund and a counterparty which involves the exchange of a fixed payment for a floating payment that is linked to an interest rate and an agreed upon notional amount. These agreements may be privately negotiated in the OTC market ("OTC interest rate swaps") or may be executed on a registered exchange ("centrally cleared interest rate swaps").

(iii) A total return swap is used primarily to gain exposure and benefit from a reference asset. It is an agreement between the Fund and a counterparty which involves the exchange of a fixed payment for a floating payment based on the return of an underlying asset, which includes both the income it generates and any capital gains. These agreements may be privately negotiated in the OTC market ("OTC total return swap") or may be executed on a registered exchange ("centrally cleared total return swap").

(iv) A cross currency swap is an agreement between the Fund and a counterparty whereby the parties agree to an exchange of payments benchmarked against two interest rate indexes denominated in two different currencies. It specifies an initial exchange of notional currency in each different currency and the terms of that repayment of notional currency and interest over the life of the swap. These agreements may be privately negotiated in the OTC market.

A bi-lateral OTC swap is an agreement between the Fund and a counterparty where the parties agree to exchange future cash flows for the life of the swap. Bi-lateral OTC swaps are marked-to-market daily and changes in value are reflected in the Statements of Financial Position in the unrealized gain or loss on derivatives. Pursuant to the terms of the contract, the Fund may be required to pledge securities or cash as collateral. Securities pledged as collateral, if applicable, are identified in the Schedule of Investments and are included in investments at fair value in the Statements of Financial Position. Cash pledged as collateral is included in the margin and collateral receivable / payable account in the Statements of Financial Position.

A centrally cleared OTC swap is an agreement between the Fund and a counterparty, and cleared by a futures commission merchant ("FCM") through a clearinghouse. Once cleared, the clearinghouse serves as a central counterparty, and facilitates all periodic payments paid or received over the life of the transaction.

Franklin Alternative Mutual Funds

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2019 (Unaudited) and December 31, 2018 (Continued)

3. Summary of Significant Accounting Policies (Continued)

Centrally cleared OTC swaps are marked-to-market daily and any subsequent payments (variation margin) required to maintain certain collateral levels are made or received depending on the daily fluctuations in the value of the swaps and are included in the margin and collateral receivable / payable account in the Statements of Financial Position. Any gains (losses) resulting from revaluation are recorded as net change in unrealized appreciation (depreciation) in value of investments and derivatives of the Statements of Comprehensive Income.

For OTC derivatives traded under an International Swaps and Derivatives Association (“ISDA”) master agreement, posting of collateral is required by either the Fund or the applicable counterparty if the total net exposure of all OTC derivatives with the applicable counterparty exceeds a minimum transfer amount and can vary depending on the counterparty and the type of agreement. Generally, collateral is determined at the close of business each day and any additional collateral required due to changes in derivative values may be delivered by the Fund or the counterparty within a few business days. Collateral pledged may be in the form of cash and/or securities. Cash pledged as collateral by the Fund or initial margin requirement is presented in the Statements of Financial Position as margin and collateral receivable / payable and securities pledged as collateral are identified in the respective Fund’s Schedule of Investments, if applicable. Should a Fund fail to meet any of these provisions, the derivative counterparty has the right to terminate the derivative contract and require immediate payment by the Fund for those OTC derivatives with that particular counterparty that are in a net liability position.

- (f) **Offsetting of derivative financial instruments** — Derivative counterparty credit risk is managed through formal evaluation of the creditworthiness of all potential counterparties. Each Fund attempts to reduce its exposure to counterparty risk on OTC derivatives, whenever possible, by entering into ISDA master agreements with certain counterparties. These agreements contain various provisions, including but not limited to enforceable master netting arrangements, collateral requirements, events of default, or early termination. Termination events applicable to the counterparty include certain deteriorations in the credit quality of the counterparty. Termination events applicable to the Fund include failure of the Fund to maintain certain net asset levels and/or, limit the decline in net assets over various periods of time. In the event of default or early termination, the ISDA master agreement gives the non-defaulting party the right to net and close-out all transactions traded to one net amount, payable by one counterparty to the other, however, absent an event of default or early termination, OTC derivatives assets and liabilities are settled on a gross basis, presented gross, and not offset in the Statements of Financial Position. Early termination by the counterparty may result in an immediate payment by the Fund of any net liability owed to that counterparty under ISDA agreement.

Collateral requirements differ by type of derivative. Collateral or initial margin requirements are set by the broker or exchange clearing house for exchange traded and centrally cleared derivatives.

See Note 12(a) for details of derivative assets and liabilities presented gross, amounts available for offset and collateral amounts pledged or held in trust for each Fund.

- (g) **Transaction costs** — Transaction costs incurred on the purchase and sale of equity securities generally include brokerage commissions, trade execution costs, stamp duty and exchange fees and are charged as an expense for the period and shown as transaction costs on the Statements of Comprehensive Income. Transaction costs associated with the purchase and sale of fixed income securities are generally traded on a net basis, which includes an embedded transaction cost.

A Fund that invest in Underlying Funds do not incur transaction costs on those transactions.

- (h) **Security transactions, investment income, expenses and distributions** — Security transactions are recorded on the trade date. Estimated expenses are accrued daily. Dividend income, distributions received from or made to Underlying Funds are recorded on the ex-dividend date.

Interest for distribution purposes shown on the Statements of Comprehensive Income represents the coupon interest received by the Fund accounted for on an accrual basis. The Funds do not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight line basis.

Realized and unrealized gains or losses on security transactions are determined on an average cost basis. Average cost does not include amortization of premiums or discounts on fixed income securities with the exception of zero coupon bonds.

Franklin Alternative Mutual Funds

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2019 (Unaudited) and December 31, 2018 (Continued)

3. Summary of Significant Accounting Policies (Continued)

- (i) **Income Taxes** — The Funds qualify as a mutual fund trust, or are expected to be deemed to qualify as a mutual fund trust, within the meaning of the *Income Tax Act (Canada)* (the “Act”). Accordingly, the Funds are entitled to a capital gains refund and, as a result, income taxes payable on net realized capital gains are refundable on a formula basis when units of the Fund are redeemed. In addition, the Funds are not subject to alternative minimum tax or taxes on prescribed investments and certain designated income as defined under Part X.2 and XII.2, respectively of the Act.

Each year, each Fund distributes sufficient net taxable income and net realized capital gains for the taxation year so that the Fund does not pay tax under Part 1 of the Act. As a result, the Funds does not record income taxes. Since the Funds do not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the Statements of Financial Position as a deferred income tax asset.

The Funds may be subject to foreign taxation related to income received, capital gains on the sale of securities and certain foreign currency transactions in the foreign jurisdiction in which they invest. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests. When a capital gain tax is determined to apply, the Fund records an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

- (j) **Functional and presentation currency** — The Funds’ functional currency is the Canadian Dollar (“CAD”) which is the currency of the primary economic environment in which they operate. The Funds are distributed within Canada with subscriptions and redemptions primarily denominated in CAD. Accordingly, the Manager has determined that the functional currency of the Funds is CAD. The Funds’ presentation currency is also CAD.

- (k) **Foreign currency translation** — Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into the functional currency based on the mid exchange rate on the valuation date. Purchases and sales of securities and income items denominated in foreign currencies are translated into the functional currency at the exchange rate in effect on the transaction date. When an exchange rate is unavailable or unreliable, it will be determined using procedures established and accepted by the Board of Directors and the Manager.

Realized foreign exchange gains or losses arise from sales of foreign currencies, changes between the trade date and settlement date values on security and capital transactions, and the difference between the recorded amounts of foreign currency denominated dividends, interest, withholding taxes, and U.S. short-term holdings, and the functional currency equivalent of the amounts actually received or paid. These gains or losses are reported on the Statements of Comprehensive Income as net realized and/or unrealized foreign exchange gain (loss).

- (l) **Unconsolidated structured entities** — The Funds may invest in Underlying Funds determined to be unconsolidated structured entities, as decision making in the Underlying Fund is not governed by the voting right or other similar right held by the Fund. The investments in Underlying Funds are subject to the terms and conditions of the respective Underlying Fund’s offering documentation and are susceptible to market price risk arising from uncertainties about future values of those Underlying Funds. The Underlying Funds’ objectives are generally to achieve long-term capital appreciation and/or current income by investing in a portfolio of securities and other funds in line with each of its documented investment strategies. The Underlying Funds apply various investment strategies to accomplish their respective investment objectives.

The Underlying Funds finance their operations by issuing redeemable units which are puttable at the holder’s option, and entitle the holder to a proportional stake in the Fund’s net assets.

The Funds may invest in exchange-traded funds (“ETF”), which are also considered to be unconsolidated structured entities, as decision making in the ETF is not governed by the voting right or other similar right held by the Fund.

The Funds do not consolidate their investments in Underlying Funds and ETFs but accounts for these investments at fair value, as the Manager has determined that the Funds are investment entities in accordance with IFRS 10 “*Consolidated Financial Statements*”, since the Funds meet the following criteria:

- (i) The Funds obtain funds from one or more investors for the purpose of providing those investors with investment management services.
- (ii) The Funds commit to its investors that its business purpose is to invest funds solely for the returns from capital appreciation, investment income or both.

Franklin Alternative Mutual Funds

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2019 (Unaudited) and December 31, 2018 (Continued)

3. Summary of Significant Accounting Policies (Continued)

(iii) The Funds measure and evaluate the performance of substantially all of their investments on a fair value basis.

Therefore the fair value of the investments in the Underlying Funds and ETFs are included in the Schedule of Investments and included in non-derivative investments at fair value in the Fund's Statements of Financial Position. The change in fair value of the investment held in the Underlying Fund is included in the net change in unrealized appreciation (depreciation) in value of investments in the Statements of Comprehensive Income.

(m) Increase (decrease) in net assets from operations per unit— This calculation is based on the increase (decrease) in net assets from operations attributable to each series divided by the weighted average number of units of that series outstanding during the period.

(n) Accounting judgements, estimates and assumptions— The preparation of financial statements in accordance with IFRS may require the Manager to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expense reported during the periods. Actual results may differ from those estimates.

The key area where judgement is applied is in the determination of the functional currency of the Funds, as discussed in Note 3(j), the determination of whether the Funds meet the definition of an investment entity and whether the Funds' investments are made in structured entities as discussed in Note 3(l). Assumptions and estimates are made in the classification of financial instruments and in the determination of fair values of financial instruments not traded on an active market as discussed in Note 3(d).

4. Capital Risk Management

The capital of each Fund is comprised of its net assets attributable to holders of redeemable units. Each Fund's capital is managed in accordance with its respective investment objectives and policies, and there are no externally imposed restrictions in relation to each Fund's units. Changes in capital during the period are reflected in the Statements of Changes in Net Assets Attributable to Holders of Redeemable Units for each Fund. The Funds have no specific restrictions or capital requirements on the subscriptions and redemption of units, other than minimum subscription requirements. The Funds endeavor to manage capital by maintaining a strong capital base to support the investment activities of each of the Funds while maintaining sufficient liquidity to meet redemptions. Unitholders are entitled to distributions, which are then reinvested in additional units of the Fund or, at the option of the unitholder, paid in cash. Units of the Funds are redeemable at the option of the unitholders in accordance with the provisions in the Declarations of Trust.

Changes in issued units are summarized as follows:

Franklin K2 Alternatives Fund

	Series A	Series F	Series O
	June 30, 2019	June 30, 2019	June 30, 2019
Outstanding units — beginning	—	—	—
Subscriptions	2,135,038	1,747,029	1,618,662
Reinvestments	—	—	—
Redemptions	(1,033,927)	(807,435)	(800,000)
Outstanding units — ending	<u>1,101,111</u>	<u>939,594</u>	<u>818,662</u>

Franklin Target Return Fund

	Series A		Series F		Series O	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Outstanding units — beginning	105,836	104,239	23,558	15,824	435,397	212,010
Subscriptions	3,195	14,450	422	15,528	8,781	236,692
Reinvestments	—	—	—	—	—	—
Redemptions	(15,723)	(12,853)	(10,885)	(7,794)	(30,483)	(13,305)
Outstanding units — ending	<u>93,308</u>	<u>105,836</u>	<u>13,095</u>	<u>23,558</u>	<u>413,695</u>	<u>435,397</u>

Franklin Alternative Mutual Funds

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2019 (Unaudited) and December 31, 2018 (Continued)

4. Capital Risk Management (Continued)

	Series PA	Series PF	
	June 30, 2019	June 30, 2019	December 31, 2018
Outstanding units — beginning	—	299,896	304,875
Subscriptions	9,428	641	20,555
Reinvestments	—	—	—
Redemptions	—	(10,631)	(25,534)
Outstanding units — ending	<u>9,428</u>	<u>289,906</u>	<u>299,896</u>

5. Related Party Transactions

The Manager is the trustee, a principal distributor, registrar and transfer agent and portfolio advisor of the Funds. The Manager and/or its affiliates provides or arranges for the provision of all management and administrative services for day-to-day Fund operations, including marketing, promotion and distribution of the Funds, portfolio advisory services and the provision of key management personnel to the Funds. The Manager has engaged affiliates of the Manager as portfolio advisors or sub-advisors (the "Portfolio Advisor" or "Sub-Advisor") to provide investment analysis and recommendations to the Manager and execute or arrange for brokers to execute portfolio transactions in respect of the Funds. A portion of the management fee payable by the Funds, as discussed in Note 5(a), is paid to a Portfolio Advisor or Sub-Advisor in respect of portfolio advisory and sub-advisory services, where applicable.

In addition to management services, the Manager acts as registrar and transfer agent of the Funds. These services provided by the Manager are in the normal course of operations and are covered by an administration fee, as discussed in Note 5(b), paid by the Funds to the Manager.

Franklin Templeton Services, LLC ("FTS") provides the Manager with fund accounting and portfolio valuation services in connection with the Funds, and provides certain back office administration services to the Manager. These services are in the normal course of operations and are covered by an administration fee, as discussed in Note 5(b), paid by the Funds to the Manager.

(a) Management and investment advisory fees ("management fees")

The Funds pay an aggregate monthly fee for management and investment advisor services ("management fees") to the Manager. A portion of the management fees, paid to the Manager, may be payable to a Sub-Advisor in respect of sub-advisory services, where applicable. Management fees payable at the period ends are shown in the Statements of Financial Position of each Fund.

To avoid duplication of fees charged to the Funds for their investments in Underlying Funds, managed by the Manager, the fees of those Funds (that would otherwise be payable) will be reduced to reflect the management fees paid indirectly through investments by the Funds in such Underlying Funds.

The monthly fee is calculated as 1/12 of the annual rate applied against the monthly average daily net assets of each series, plus applicable taxes. The annual rates are set out below.

	Series A	Series F	Series PA	Series PF
Franklin K2 Alternatives Fund.....	1.75%	0.75%	—	—
Franklin Target Return Fund	1.90%	0.90%	1.70%	0.70%

(b) Fixed administration fees

The Manager pays the operating expenses of the Funds, other than certain Fund costs ("Fund Costs"), such as borrowing and interest costs, investor meeting costs (as permitted by Canadian securities regulation), the fees and expenses of the Independent Review Committee, any costs and expenses associated with litigation for the benefit of the Funds or brought to pursue rights on behalf of the Funds and the cost of compliance with any new government and regulatory requirements, in exchange for a payment by the Funds to the Manager of an annual fixed rate administration fee, except for Series O. The operating expenses payable by the Manager include, but are not limited to, transfer agent fees, custodian fees, legal fees and audit fees. As such, the Funds did not directly pay these costs; hence line items for these amounts are not shown on the Statements of Comprehensive Income.

The Manager may, in some years and in certain cases, waive a portion of a series' Administration Fee or absorb certain Fund Costs. The decision to waive the Administration Fee or absorb certain Fund Costs, or a portion thereof, is determined at the discretion of the Manager. In addition, the Manager pays all operating expenses of Series O.

Franklin Alternative Mutual Funds

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2019 (Unaudited) and December 31, 2018 (Continued)

5. Related Party Transactions (Continued)

The monthly fixed administration fee is calculated as 1/12 of the annual rate applied against the monthly average daily net assets of each series, plus applicable taxes, except for Series O. The fixed administration fees payable at the period ends are shown in the Statements of Financial Position. The annual rates are set out below:

	Series A	Series F	Series PA	Series PF
Franklin K2 Alternatives Fund.....	0.15%	0.15%	—	—
Franklin Target Return Fund	0.20%	0.20%	0.15%	0.15%

(c) Manager Holdings and Funds Managed by the Manager

The Manager held the following number of units in the specified Funds as at June 30, 2019 and December 31, 2018.

Franklin K2 Alternatives Fund			Franklin Target Return Fund		
	June 30, 2019	December 31, 2018		June 30, 2019	December 31, 2018
Series A	1,030,000	—	Series A	49,000	49,000
Series F	800,000	—	Series F	500	500
Series O	800,000	—	Series O	500	500
			Series PA	500	—
			Series PF	250,000	250,000

The Manager's holdings as a percentage of each Funds net assets is as follows:

	June 30, 2019	December 31, 2018
Franklin K2 Alternatives Fund	92.0%	—
Franklin Target Return Fund	36.7%	34.7%

(d) Other services

In addition to providing management and portfolio advisory services, the Manager acts as trustee, registrar and transfer agent for each of the Funds. These services are provided by the Manager in the normal course of operations and are part of the services provided by the Manager in exchange for the Administration Fee paid by the Fund to the Manager as discussed in Note 5(b).

(e) Affiliated Service Providers

Franklin Templeton Investment Management Limited, an affiliate of the Manager, is the Sub-Advisor to the Fund.

Franklin Templeton Services, LLC ("FTS") provides fund accounting and portfolio valuation services in connection with the Fund and provides certain back office and administration services to the Manager. FTS is an affiliate of the Manager and may receive compensation from the Manager as remuneration for its services.

(f) Other Assets

The principal amounts in other assets are recoverable expenses from the Manager and prepaid registration fees.

6. Sales Charges

The sales charge incurred by the unitholders of Series A and PA is dependent on the purchase option selected at the time of purchase.

Under the front-load sales option, a negotiable fee of up to 6% of the purchase price is payable by the Series A and PA investors to their dealers. Up to 10% of an investor's investment in Series A and PA may be redeemed in each calendar year without a redemption charge. Under the deferred sales charge option, the Series A and PA investors will pay a redemption fee to the Manager if they redeem their units within six years of purchasing them. This redemption fee is based on a declining percentage, ranging from 6% to 0%, of the original cost of the investor's units and how long the investor has held them.

No sales charges are paid in respect of the sale of Series F, PF and O units of the Funds.

7. Interests in Other Entities

As discussed in Note 3(l), Underlying Funds and ETFs are unconsolidated structured entities and are measured at fair value through profit and loss.

Franklin Alternative Mutual Funds

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2019 (Unaudited) and December 31, 2018 (Continued)

7. Interests in Other Entities (Continued)

The tables below show the respective Fund's interest in unconsolidated structured entities in dollar and percentage terms as at June 30, 2019 and December 31, 2018.

	As at June 30, 2019			As at December 31, 2018		
	Fair Value of Underlying Fund / ETF	Investments in Underlying Fund / ETF at Fair Value ^(a)	% Held of Underlying Fund / ETF	Fair Value of Underlying Fund / ETF	Investments in Underlying Fund / ETF at Fair Value ^(a)	% Held of Underlying Fund / ETF
	(000s)	(000s)	%	(000s)	(000s)	%
Franklin K2 Alternatives Fund						
S&P Depository Receipt Bloomberg Barclays High Yield Bond ETF	\$12,400,071	\$ 567	—*	\$ -	\$ -	-
Franklin Target Return Fund						
Franklin Bissett Canadian Government Bond Fund.....	1,242,639	2,122	0.2%	934,345	939	0.1%
Franklin Bissett Corporate Bond Fund.....	197,152	533	0.3%	186,766	494	0.3%
Franklin Bissett Money Market Fund	208,762	280	0.1%	199,052	277	0.1%
Templeton Global Bond Fund	1,969,921	447	—*	1,943,581	458	—*
Franklin Liberty Global Aggregate Bond ETF	461,970	347	0.1%	337,820	328	0.1%
iShares MSCI ACWI ETF	-	-	-	14,474,360	197	—*
S&P Depository Receipt Bloomberg Barclays High Yield Bond ETF	12,400,071	341	—*	9,227,553	329	—*

*Amount rounded to zero in nearest percentage point.

^(a)Represents fair value of financial assets included in investments at fair value through profit and loss in the Statements of Financial Position.

8. Financial Risk Management

Risks arising from holding financial instruments are inherent in the Funds' activities and are managed through a process of ongoing measurement and monitoring. These financial risks may include, among others, market risk (including currency risk, interest rate risk and other price risk), liquidity risk, credit risk and concentration risk. All investments result in a risk of loss of capital. These risks are moderated through careful selection of securities and other financial instruments within the Funds' investment guidelines by the respective portfolio advisors. The risks are measured using a method that reflects the expected impact on the results and net assets attributable to unitholders of the Funds from reasonably possible changes in the relevant risk variables.

(a) Currency risk

Certain Funds hold assets and liabilities denominated in currencies other than their functional currency, and are therefore exposed to currency risk as the values of such assets and liabilities will fluctuate due to changes in exchange rates.

The portfolio advisors monitor the Funds' currency risk position, and may enter into forward exchange contracts to manage foreign exchange exposure as described in Note 3(e) and disclosed in the respective Fund's Schedule of Investments, as applicable.

The tables below summarize the Funds' exposure to currency risk, where applicable. Amounts shown are based on the carrying value of monetary and non-monetary assets, less liabilities and derivatives, as applicable. When individual currencies held are less than 5% of net assets, that currency has been included in "currencies less than 5% of net assets". The tables also illustrate, for each respective Fund, the expected decrease or increase in net assets had the functional currency strengthened or weakened by 5% in relation to all foreign currencies, with all other variables held constant. Actual results may differ from this sensitivity analysis and the difference could be material.

Franklin Alternative Mutual Funds

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2019 (Unaudited) and December 31, 2018 (Continued)

8. Financial Risk Management (Continued)

Franklin K2 Alternatives Fund

<u>Currency</u>	June 30, 2019	
	Amount	As % of net assets
	(000s)	
Currencies less than 5% of net assets	\$139	0.49%
	\$139	0.49%
Impact on net assets from 5% currency movement	\$ 7	0.02%

Franklin Target Return Fund

<u>Currency</u>	June 30, 2019		December 31, 2018	
	Amount	As % of net assets	Amount	As % of net assets
	(000s)		(000s)	
JPY	\$ 264	3.40%	\$ 645	8.20%
USD	2,073	26.72%	1,024	13.02%
Currencies less than 5% of net assets	1,041	13.41%	830	10.57%
	\$3,378	43.53%	\$2,499	31.79%
Impact on net assets from 5% currency movement	\$ 169	2.18%	\$ 125	1.59%

(b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of interest bearing financial instruments. The portfolio advisors monitor overall interest rate sensitivity on a periodic basis.

The tables below summarize all interest bearing financial instruments (excluding overnight term deposits) held by the respective Fund which is subject to interest rate risk, categorized by the maturity dates of the instrument. The tables illustrate the increase or decrease expected in net assets for the Fund had the interest rates lowered or risen by 25 basis points, assuming all other variables remain constant. Actual results may differ from this sensitivity analysis and the difference could be material.

	June 30, 2019					
	Less Than 1 year	1-3 years	3-5 years	>5 years	Total	Interest Rate Sensitivity
	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)
	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)
Franklin K2 Alternatives Fund	\$12,953	\$—	\$—	\$—	\$12,953	\$7

(c) Other price risk

Other price risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from currency risk or interest rate risk). Those changes may be caused by factors specific to the individual financial instrument or its issuer, or factors affecting a market or market segment. Other assets and liabilities are monetary items that are short-term in nature, and as such they are not subject to other price risk.

The table below illustrates the expected increase or decrease in net assets if the value of the Funds' investments had increased or decreased by 5%, with all other variables held constant. Actual results may differ from this sensitivity analysis and the difference could be material.

	June 30, 2019		December 31, 2018	
	Sensitivity on Net Assets	% Impact on Net Assets	Sensitivity on Net Assets	% Impact on Net Assets
	(000s)	(%)	(000s)	(%)
Franklin K2 Alternatives Fund	\$ 28	0.10%	\$ —	—

Franklin Alternative Mutual Funds

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2019 (Unaudited) and December 31, 2018 (Continued)

8. Financial Risk Management (Continued)

	June 30, 2019		December 31, 2018	
	Sensitivity on Net Assets	% Impact on Net Assets	Sensitivity on Net Assets	% Impact on Net Assets
Franklin Target Return Fund	\$353	4.55%	\$309	3.93%

(d) Liquidity risk

Liquidity risk is the risk that a Fund will not be able to meet its liabilities as they fall due. As the Funds are exposed to daily cash redemption of units, the assets of the Funds are invested mainly in securities which are traded in active markets and can be readily disposed of. In addition, sufficient cash and cash equivalents are maintained to meet normal operating requirements. Each Fund has the ability to borrow up to 5% of its net assets for the purposes of funding redemptions. The Funds have a non-committed redemption line of credit agreement with a Schedule 1 bank in Canada from which these amounts can be borrowed, if necessary. The loans are issued at prime rate and are payable on demand. There were no loans issued or outstanding as at June 30, 2019 and December 31, 2018.

Certain Funds may invest in derivatives, debt securities and unlisted equity investments that are not traded in an active market. As a result, the Fund may not be able to quickly liquidate its investments in these instruments at amounts which approximate their fair values, or be able to respond to specific events such as deterioration in the creditworthiness of any particular issuer.

The Funds' financial liabilities may include redemptions payable, distributions payable, accrued liabilities and derivative liabilities are due within 3 months. Redeemable units are redeemable on demand at the holder's option. However, the Manager does not expect that the contractual maturity will be representative of the actual cash outflows, as holders of these instruments typically retain them for a longer period.

In accordance with the Funds' investment objective, the Manager monitors the Funds' liquidity position on an ongoing basis.

(e) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with a Class. The fair value of a financial instrument takes into account the credit rating of its issuer, and accordingly, represents the maximum credit risk a Class is exposed to. Credit risk is generally lower if the issuer has a high credit rating from an independent credit rating agency, while the risk is generally higher if the issuer has a low credit rating or no credit rating.

All transactions in listed securities are settled or paid for upon delivery using approved brokers. The credit risk related to the associated receivables is considered limited, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. However, there are risks involved in dealing with custodians or prime brokers who settle trades and in rare circumstances, the securities and other assets deposited with the custodian or broker may be exposed to credit risk with regard to such parties. In addition, there may be practical problems or time delays associated with enforcing the Classes' rights to its assets in the case of an insolvency of any such party.

The Manager monitors counterparty credit risk in order to determine the best estimate of an expected credit loss in the event of a default by a counterparty. Factors considered include, the credit ratings of the counterparty, historical and future looking information and overall exposure to a counterparty. As at June 30, 2019 and December 31, 2018, all cash and trading transactions are carried out by banks rated A or higher by Standard & Poor's. No loss allowance has been recognized based on the Manager's ongoing counterparty credit risk management process.

Franklin Alternative Mutual Funds

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2019 (Unaudited) and December 31, 2018 (Continued)

8. Financial Risk Management (Continued)

(f) Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. Below is a summary of each Fund's concentration risk.

Franklin K2 Alternatives Fund

Region Mix	June 30, 2019 (%)	Asset Class Weightings	June 30, 2019 (%)
North America	1.99	Fixed Income (Exposure from Exchange Traded Funds)	1.99
		Short-term securities and all other assets, net	98.01

Franklin Target Return Fund

Region Mix	June 30, 2019 (%)	December 31, 2018 (%)	Asset Class Weightings	June 30, 2019 (%)	December 31, 2018 (%)
North America	74.44	59.56	Underlying Funds	43.57	27.57
Asia	7.81	9.23	Common Stocks	37.89	39.47
Europe	7.46	7.73	Exchange-Traded Funds	8.87	10.86
Australia & New Zealand	0.73	1.00	Preferred Stocks	0.71	0.57
Latin America & Caribbean	0.44	0.54	Short-term securities and all other assets, net	8.96	21.53
Middle East & Africa	0.16	0.41			

(g) Fair value estimation

The Funds classify fair value measurements of investments held using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1—quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2—inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices)
- Level 3—inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The determination of what constitutes “observable” requires significant judgement by the Manager. The Manager considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently. These may include private equity and corporate debt securities. As observable prices are not available for these securities, the Manager has used valuation techniques to derive the fair value.

The Funds' investments are generally classified as follows:

- Equities — The Funds' equity positions are classified as Level 1 when the security is actively traded and a reliable price is observable. Certain of the Funds' equities may not trade frequently or have a fair value factor included and therefore observable prices may not be available. In such cases, fair value is determined using observable market data (e.g., transactions for similar securities of the same issuer) and the fair value is classified as Level 2, unless the determination of fair value requires significant unobservable data, in which case the measurement is classified as Level 3.

Franklin Alternative Mutual Funds

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2019 (Unaudited) and December 31, 2018 (Continued)

8. Financial Risk Management (Continued)

- Bonds and short-term investments — Debt securities generally trade in the OTC market rather than on a securities exchange. The inputs that are significant to valuation are generally observable such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates, anticipated timing of repayments, underlying collateral and other unique security features in order to estimate the relevant cash flows. Therefore the Funds' bonds and short-term investments have been classified as Level 2, unless the determination of fair value requires significant unobservable data, in which case the measurement is classified as Level 3.
- Investments in mutual funds/unit trusts and exchange traded funds — The Funds' positions in the mutual funds / unit trusts and exchange traded funds are typically in positions that are actively traded and a reliable price is observable and as such is classified as Level 1. Where the determination of fair value requires significant unobservable data the measurement is classified as Level 3.
- Purchased and written options — The Funds' positions in purchased and written options are valued at their close price as reported by the principal exchange or over-the-counter market on which the contract is traded. Therefore the Funds purchased and written options that are exchange-traded have been classified as Level 1. Purchased and written options that are traded in the OTC market have been classified as Level 2, unless the determination of fair value requires significant unobservable data, in which case the measurement is classified as Level 3.
- Other derivative assets and liabilities — Derivative assets and liabilities consist of forward foreign exchange contracts, interest rate swaps, credit default swaps and futures contracts which are valued based primarily on the contract notional amount, the difference between the contract rate and the forward market rate for the same currency, interest rates and credit spreads. Contracts for which counterparty credit spreads are observable and reliable, or for which the credit-related inputs are determined not to be significant to fair value, are classified as Level 2.

The carrying values of cash, capital units sold receivable, dividends and interest receivable, payable for investments sold or purchased, capital units redeemed payable, distributions payable, accrued liabilities and the Fund's obligation for net assets attributable to holders of redeemable units approximate their fair values due to their short-term nature.

The following tables show the classification of the Funds' financial assets and liabilities measured at fair value as at June 30, 2019 and December 31, 2018.

Franklin K2 Alternatives Fund

	June 30, 2019			
	Level 1	Level 2	Level 3	Total
	(000s)	(000s)	(000s)	(000s)
Mutual Funds/Unit Trusts/ETFs	\$ 567	\$ —	\$ —	\$ 567
Short-term securities	—	12,953	—	12,953
Total Investments	\$ 567	\$ 12,953	\$ —	\$ 13,520
Derivative assets	\$ 51	\$ 318	\$ —	\$ 369
Derivative liabilities	—	(286)	—	(286)

Franklin Alternative Mutual Funds

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2019 (Unaudited) and December 31, 2018 (Continued)

8. Financial Risk Management (Continued)

Franklin Target Return Fund

	June 30, 2019				December 31, 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)
Equities — Long Mutual Funds/Unit Trusts/ETFs	\$ 2,995	\$ —	\$ —	\$ 2,995	\$ 2,841	\$ 307	\$ —	\$ 3,148
Short-term securities	4,069	—	—	4,069	3,022	—	—	3,022
Total Investments	<u>\$ 7,064</u>	<u>\$ 600</u>	<u>\$ —</u>	<u>\$ 7,664</u>	<u>\$ 5,863</u>	<u>\$ 1,907</u>	<u>\$ —</u>	<u>\$ 7,770</u>
Purchased options	—	600	—	600	—	1,600	—	1,600
Derivative assets	\$ 46	\$ —	\$ —	\$ 46	\$ 28	\$ —	\$ —	\$ 28
Derivative liabilities	\$ 8	\$ 29	\$ —	\$ 37	\$ 38	\$ 28	\$ —	\$ 66
	(8)	(27)	—	(35)	—	(90)	—	(90)

If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of the instruments fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. The Funds' policy is to recognise transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

In accordance with the Funds valuation policy, the Funds may apply fair value adjustment factors when quoted market prices are deemed to have been affected by significant market events which exceed pre-determined thresholds. In such cases, investments are classified as Level 2 and subsequently reclassified as Level 1, when the fair value adjustment factors were no longer required.

As at June 30, 2019 and December 31, 2018, there were no significant market events to cause the pre-determined tolerances to be breached; hence there were no transfers between Level 1 and Level 2.

9. Broker Commissions

Commissions paid to brokers for portfolio transactions during the periods ended June 30, 2019 and 2018 are shown below.

A portion of commissions paid may include payment for goods and services that are used to assist with investment or trading decisions such as investment research, analysis and reports ("research services"). Where ascertainable, the value of the research services included in the commissions paid is listed in the table below.

	June 30, 2019		June 30, 2018	
	Commissions	Research Costs	Commissions	Research Costs
	(000s)	(000s)	(000s)	(000s)
Franklin Target Return Fund	\$4	\$—	\$3	\$—

10. Taxes

The Manager determines at each tax year end the amounts of net income and realized capital gains of the Fund to be distributed to each unitholder.

Unitholders may receive distributions in cash on written request to the Fund, otherwise distributions of the Fund are automatically reinvested in additional units of the Fund at the trading net asset value on the date of distribution.

As at December 31, 2018, the following Fund had unused capital losses for income tax purposes. Capital losses can be carried forward indefinitely to reduce future net realized capital gains. Non-capital losses may be carried forward to reduce future taxable income and expire as noted below:

Franklin Alternative Mutual Funds

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2019 (Unaudited) and December 31, 2018 (Continued)

10. Taxes (Continued)

Fund	<u>Total Capital losses</u> (000s)	<u>Total Non-capital losses</u> (000s)	Expiration date of <u>Non-capital losses</u>
Franklin Target Return Fund.....	\$169,530	\$104,820	2038

11. Net Asset Value

(a) Trading net asset value

As discussed in Note 3(a), the Trading NAV per unit may differ from the IFRS NAV per unit as shown in the Statements of Financial Position. As at June 30, 2019 and December 31, 2018 the Fund's Trading NAV per unit did not differ from the IFRS NAV per unit.

12. Other Information

(a) Offsetting of derivative financial instruments

As discussed in Note 3(f), certain Funds holding derivatives are subject to enforceable master netting arrangements, in the form of ISDA agreements, with certain counterparties.

Absent an agreement, or an event of default or early termination, OTC derivative assets and liabilities are presented gross and not offset in the Statements of Financial Position.

The following tables present, for each respective Fund, the gross derivative assets and liabilities, not offset as at June 30, 2019 and December 31, 2018. The 'Net Amount' represents the impact to the Fund if all set-off rights were exercised.

Franklin K2 Alternatives Fund

June 30, 2019

<u>Counterparty</u>	<u>Amounts available for offset</u>							
	<u>Gross Assets</u> (000s)	<u>Financial Instruments</u> (000s)	<u>Collateral Held in Trust^(a)</u> (000s)	<u>Net Amount</u> (000s)	<u>Gross Liabilities</u> (000s)	<u>Financial Instruments</u> (000s)	<u>Collateral Pledged^(a)</u> (000s)	<u>Net Amount</u> (000s)
Barclays Bank PLC.....	\$ 35	\$ 3	\$—	\$32	\$ (3)	\$ (3)	\$—	\$ —
Citibank N.A.	46	46	—	—	(56)	(46)	—	(10)
Credit Suisse International.....	—	—	—	—	(13)	—	—	(13)
Deutsche Bank AG.....	17	—	—	17	—	—	—	—
Goldman Sachs International.....	—	—	—	—	(1)	—	—	(1)
JP Morgan Chase Bank, N.A.	220	212	—	8	(212)	(212)	—	—
Others ^(b)	—	—	—	—	(1)	—	—	(1)
Total	<u>\$318</u>	<u>\$261</u>	<u>\$—</u>	<u>\$57</u>	<u>\$(286)</u>	<u>\$(261)</u>	<u>\$—</u>	<u>\$(25)</u>

Franklin Target Return Fund

June 30, 2019

<u>Counterparty</u>	<u>Amounts available for offset</u>							
	<u>Gross Assets</u> (000s)	<u>Financial Instruments</u> (000s)	<u>Collateral Held in Trust^(a)</u> (000s)	<u>Net Amount</u> (000s)	<u>Gross Liabilities</u> (000s)	<u>Financial Instruments</u> (000s)	<u>Collateral Pledged^(a)</u> (000s)	<u>Net Amount</u> (000s)
Bank of America, N.A.	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—
JP Morgan Chase Bank, N.A.	29	26	—	3	(26)	(26)	—	—
Societe Generale SA	—	—	—	—	(1)	—	—	(1)
Total	<u>\$29</u>	<u>\$26</u>	<u>\$—</u>	<u>\$ 3</u>	<u>\$(27)</u>	<u>\$(26)</u>	<u>\$—</u>	<u>\$(1)</u>

Franklin Alternative Mutual Funds

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2019 (Unaudited) and December 31, 2018 (Continued)

12. Other Information (Continued)

December 31, 2018

Counterparty	Amounts available for offset							
	Gross Assets	Financial Instruments	Collateral Held in Trust ^(a)	Net Amount	Gross Liabilities	Financial Instruments	Collateral Pledged ^(a)	Net Amount
	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)
Bank of America, N.A.	\$—	\$—	\$—	\$—	\$(44)	\$—	\$—	\$(44)
JP Morgan Chase Bank, N.A.	1	1	—	—	(45)	(1)	—	(44)
Societe Generale	27	—	—	27	—	—	—	—
Others ^(b)	—	—	—	—	(1)	—	—	(1)
Total	<u>\$28</u>	<u>\$ 1</u>	<u>\$—</u>	<u>\$27</u>	<u>\$(90)</u>	<u>\$(1)</u>	<u>\$—</u>	<u>\$(89)</u>

^(a) In some instances, the collateral amount disclosed in the tables above may be adjusted due to the requirement to limit the collateral amounts to avoid the effect of over collateralization. Actual collateral held in trust and/or pledged may be more than the amounts disclosed therein. Collateral held in trust represents amounts held by a counterparty or custodian on behalf of the Fund and accordingly is not presented in the Statements of Financial Position. Cash pledged as collateral represents amounts held by the Fund's custodian/counterparty on behalf of the counterparty and can be in the form of cash and or securities. Cash pledged as collateral is included in margin and collateral in the Statements of Financial Position, while securities pledged as collateral is identified on the Schedule of Investments.

^(b) Represents contracts for which there are no ISDA agreements with the counterparties and for which are centrally cleared over-the-counter derivatives. As at the period ends shown, the gross assets and liabilities arising on such contracts, represent less than 1% of the total net assets of the respective Funds.

(b) Leverage

Leverage occurs when a Fund borrows money or securities, or uses derivatives, to generate investment exposure that would otherwise not be possible. The Fund's leverage is measured by calculating its aggregate exposure through the sum of the following: (i) the market value of short holdings; (ii) the amount of cash borrowed for investment purposes; and (iii) the notional value of the Fund's derivatives positions, excluding any derivatives used for hedging purposes.

During the period from inception to June 30, 2019, the Franklin K2 Alternatives Fund's aggregate exposure ranged from 105.43% to 144.23% of the Fund's NAV. The low end of the range occurred at the time of the Fund's launch, when its strategies were implemented. The high end of the range was reached in May 2019, when the Fund's strategy dictated that more leverage was required to achieve its target risk-return objectives. The sources of leverage were positions in long bond futures, long and short credit swaps, equity swaps, commodity futures, currency forwards and long index futures.

13. Financial Statement Presentation

The amounts shown on the Statements of Financial Position, the Statements of Comprehensive Income, Changes in Net Assets Attributable to Holders of Redeemable Units and Cash Flows are rounded to the nearest thousand. As a result, balances reported may include amounts rounded to zero and as a result, certain line items on the respective statements may not be shown. Per unit amounts and number of units outstanding shown are actual amounts.

14. Currency Legend

Below is a list of currency abbreviations that may be used throughout the financial statements.

AED	United Arab Emirates Dirham	HUF	Hungarian Forint
AUD	Australian Dollar	INR	Indian Rupee
BRL	Brazilian Real	JPY	Japanese Yen
CAD	Canadian Dollar	KRW	South-Korean Won
CHF	Switzerland Franc	MXN	Mexican Peso
DKK	Denmark Krone	NOK	Norwegian Kroner
EUR	Euro	SEK	Swedish Krona
GBP	United Kingdom Pound	SGD	Singapore Dollar
HKD	Hong Kong Dollar	TWD	Taiwan New Dollar

Franklin Alternative Mutual Funds

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2019 (Unaudited) and December 31, 2018 (Continued)

14. Currency Legend (Continued)

	ZAR	South African Rand
USD		United States Dollar



Semi-Annual Report

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