



# Why Diversify? Because Winners Rotate.

Perhaps nothing better illustrates the need for an asset allocation plan than the chart below, which shows how various asset classes performed on a year-by-year basis from 1997 through 2016. The best-performing asset class for each calendar year is at the top of each column. Please remember, past performance does not guarantee future results.

## ANNUAL TOTAL RETURNS OF KEY ASSET CLASSES 1997-2016<sup>1</sup>

|       | 1997                               | 1998                              | 1999                               | 2000                              | 2001                              | 2002                               | 2003                               | 2004                              | 2005                              | 2006                               | 2007                              | 2008                                | 2009                               | 2010                               | 2011                               | 2012                              | 2013                              | 2014                              | 2015                               | 2016                              |       |
|-------|------------------------------------|-----------------------------------|------------------------------------|-----------------------------------|-----------------------------------|------------------------------------|------------------------------------|-----------------------------------|-----------------------------------|------------------------------------|-----------------------------------|-------------------------------------|------------------------------------|------------------------------------|------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|------------------------------------|-----------------------------------|-------|
| Best  | LARGE GROWTH STOCKS<br>36.53%      | LARGE GROWTH STOCKS<br>42.16%     | EMERGING MARKET STOCKS<br>66.41%   | SMALL VALUE STOCKS<br>22.83%      | SMALL VALUE STOCKS<br>14.02%      | GLOBAL BONDS<br>19.49%             | EMERGING MARKET STOCKS<br>56.28%   | EMERGING MARKET STOCKS<br>25.95%  | EMERGING MARKET STOCKS<br>34.54%  | EMERGING MARKET STOCKS<br>32.55%   | EMERGING MARKET STOCKS<br>39.82%  | GLOBAL BONDS<br>10.89%              | EMERGING MARKET STOCKS<br>79.02%   | SMALL GROWTH STOCKS<br>29.09%      | BONDS<br>7.84%                     | EMERGING MARKET STOCKS<br>18.63%  | SMALL GROWTH STOCKS<br>43.30%     | LARGE GROWTH STOCKS<br>14.89%     | LARGE GROWTH STOCKS<br>5.52%       | SMALL VALUE STOCKS<br>31.74%      | Best  |
|       | SMALL VALUE STOCKS<br>31.78%       | FOREIGN STOCKS<br>20.33%          | SMALL GROWTH STOCKS<br>43.09%      | BONDS<br>11.63%                   | BONDS<br>8.44%                    | BONDS<br>10.26%                    | SMALL GROWTH STOCKS<br>48.54%      | SMALL VALUE STOCKS<br>22.25%      | FOREIGN STOCKS<br>14.02%          | FOREIGN STOCKS<br>26.86%           | FOREIGN STOCKS<br>11.63%          | BONDS<br>5.24%                      | HIGH YIELD BONDS<br>54.22%         | SMALL VALUE STOCKS<br>24.50%       | GLOBAL BONDS<br>6.35%              | SMALL VALUE STOCKS<br>18.05%      | SMALL VALUE STOCKS<br>34.52%      | LARGE VALUE STOCKS<br>12.36%      | BONDS<br>0.55%                     | HIGH YIELD BONDS<br>18.25%        |       |
|       | LARGE VALUE STOCKS<br>29.98%       | GLOBAL BONDS<br>15.30%            | HEDGE STRATEGY COMPOSITE<br>31.29% | LARGE VALUE STOCKS<br>6.08%       | HIGH YIELD BONDS<br>5.80%         | HIGH YIELD BONDS<br>3.10%          | SMALL VALUE STOCKS<br>46.03%       | FOREIGN STOCKS<br>20.70%          | HEDGE STRATEGY COMPOSITE<br>9.27% | SMALL VALUE STOCKS<br>23.48%       | GLOBAL BONDS<br>10.95%            | HEDGE STRATEGY COMPOSITE<br>-19.02% | SMALL GROWTH STOCKS<br>34.47%      | EMERGING MARKET STOCKS<br>19.20%   | HIGH YIELD BONDS<br>5.47%          | FOREIGN STOCKS<br>17.90%          | LARGE GROWTH STOCKS<br>32.75%     | BONDS<br>5.97%                    | FOREIGN STOCKS<br>-0.39%           | LARGE VALUE STOCKS<br>17.40%      |       |
|       | HEDGE STRATEGY COMPOSITE<br>16.79% | LARGE VALUE STOCKS<br>14.67%      | LARGE GROWTH STOCKS<br>28.25%      | HEDGE STRATEGY COMPOSITE<br>4.98% | HEDGE STRATEGY COMPOSITE<br>4.62% | HEDGE STRATEGY COMPOSITE<br>-1.44% | FOREIGN STOCKS<br>39.17%           | LARGE VALUE STOCKS<br>15.71%      | LARGE VALUE STOCKS<br>5.82%       | LARGE VALUE STOCKS<br>20.80%       | HEDGE STRATEGY COMPOSITE<br>9.95% | HIGH YIELD BONDS<br>-26.17%         | FOREIGN STOCKS<br>32.46%           | LARGE VALUE STOCKS<br>15.10%       | LARGE GROWTH STOCKS<br>4.65%       | LARGE VALUE STOCKS<br>17.68%      | LARGE VALUE STOCKS<br>31.99%      | SMALL GROWTH STOCKS<br>5.60%      | HEDGE STRATEGY COMPOSITE<br>-1.11% | EMERGING MARKET STOCKS<br>11.60%  |       |
|       | SMALL GROWTH STOCKS<br>12.95%      | BONDS<br>8.69%                    | FOREIGN STOCKS<br>27.30%           | GLOBAL BONDS<br>1.59%             | GLOBAL BONDS<br>-0.99%            | EMERGING MARKET STOCKS<br>-6.00%   | LARGE VALUE STOCKS<br>31.79%       | SMALL GROWTH STOCKS<br>14.31%     | SMALL VALUE STOCKS<br>4.71%       | SMALL GROWTH STOCKS<br>13.35%      | LARGE GROWTH STOCKS<br>9.13%      | SMALL VALUE STOCKS<br>-28.92%       | LARGE GROWTH STOCKS<br>31.57%      | LARGE GROWTH STOCKS<br>15.05%      | LARGE VALUE STOCKS<br>-0.48%       | HIGH YIELD BONDS<br>14.71%        | FOREIGN STOCKS<br>23.29%          | SMALL VALUE STOCKS<br>4.22%       | SMALL GROWTH STOCKS<br>-1.38%      | SMALL GROWTH STOCKS<br>11.32%     |       |
|       | HIGH YIELD BONDS<br>12.63%         | HEDGE STRATEGY COMPOSITE<br>2.62% | LARGE VALUE STOCKS<br>12.72%       | HIGH YIELD BONDS<br>-5.21%        | EMERGING MARKET STOCKS<br>-2.37%  | SMALL VALUE STOCKS<br>-11.43%      | HIGH YIELD BONDS<br>27.94%         | HIGH YIELD BONDS<br>11.95%        | SMALL GROWTH STOCKS<br>4.15%      | HEDGE STRATEGY COMPOSITE<br>12.89% | SMALL GROWTH STOCKS<br>7.05%      | LARGE GROWTH STOCKS<br>-34.92%      | LARGE VALUE STOCKS<br>21.18%       | HIGH YIELD BONDS<br>14.42%         | SMALL GROWTH STOCKS<br>-2.91%      | LARGE GROWTH STOCKS<br>14.61%     | HEDGE STRATEGY COMPOSITE<br>9.14% | HEDGE STRATEGY COMPOSITE<br>2.98% | LARGE VALUE STOCKS<br>-3.13%       | LARGE GROWTH STOCKS<br>6.89%      |       |
|       | BONDS<br>9.65%                     | SMALL GROWTH STOCKS<br>1.23%      | HIGH YIELD BONDS<br>3.28%          | FOREIGN STOCKS<br>-13.96%         | SMALL GROWTH STOCKS<br>-9.23%     | FOREIGN STOCKS<br>-15.66%          | LARGE GROWTH STOCKS<br>25.66%      | GLOBAL BONDS<br>10.35%            | LARGE GROWTH STOCKS<br>4.00%      | HIGH YIELD BONDS<br>11.92%         | BONDS<br>6.97%                    | SMALL GROWTH STOCKS<br>-38.54%      | SMALL VALUE STOCKS<br>20.58%       | HEDGE STRATEGY COMPOSITE<br>10.25% | HEDGE STRATEGY COMPOSITE<br>-5.25% | SMALL GROWTH STOCKS<br>14.59%     | HIGH YIELD BONDS<br>7.53%         | HIGH YIELD BONDS<br>1.86%         | GLOBAL BONDS<br>-3.57%             | HEDGE STRATEGY COMPOSITE<br>5.54% |       |
|       | FOREIGN STOCKS<br>2.06%            | HIGH YIELD BONDS<br>0.58%         | BONDS<br>-0.82%                    | LARGE GROWTH STOCKS<br>-22.08%    | LARGE VALUE STOCKS<br>-11.71%     | LARGE VALUE STOCKS<br>-20.85%      | HEDGE STRATEGY COMPOSITE<br>19.55% | HEDGE STRATEGY COMPOSITE<br>9.03% | BONDS<br>2.43%                    | LARGE GROWTH STOCKS<br>11.01%      | HIGH YIELD BONDS<br>2.65%         | LARGE VALUE STOCKS<br>-39.22%       | HEDGE STRATEGY COMPOSITE<br>20.00% | FOREIGN STOCKS<br>8.21%            | SMALL VALUE STOCKS<br>-5.50%       | HEDGE STRATEGY COMPOSITE<br>6.37% | BONDS<br>-2.02%                   | GLOBAL BONDS<br>-0.48%            | HIGH YIELD BONDS<br>-4.93%         | BONDS<br>2.65%                    |       |
|       | GLOBAL BONDS<br>0.23%              | SMALL VALUE STOCKS<br>-6.45%      | SMALL VALUE STOCKS<br>-1.49%       | SMALL GROWTH STOCKS<br>-22.43%    | LARGE GROWTH STOCKS<br>-12.73%    | LARGE GROWTH STOCKS<br>-23.59%     | GLOBAL BONDS<br>14.91%             | LARGE GROWTH STOCKS<br>6.13%      | HIGH YIELD BONDS<br>2.26%         | GLOBAL BONDS<br>6.12%              | LARGE VALUE STOCKS<br>1.99%       | FOREIGN STOCKS<br>-43.06%           | BONDS<br>5.93%                     | BONDS<br>6.54%                     | FOREIGN STOCKS<br>-11.73%          | BONDS<br>4.21%                    | EMERGING MARKET STOCKS<br>-2.27%  | EMERGING MARKET STOCKS<br>-1.82%  | SMALL VALUE STOCKS<br>-7.47%       | GLOBAL BONDS<br>1.60%             |       |
| Worst | EMERGING MARKET STOCKS<br>-11.59%  | EMERGING MARKET STOCKS<br>-25.34% | GLOBAL BONDS<br>-4.27%             | EMERGING MARKET STOCKS<br>-30.61% | FOREIGN STOCKS<br>-21.21%         | SMALL GROWTH STOCKS<br>-30.26%     | BONDS<br>4.10%                     | BONDS<br>4.34%                    | GLOBAL BONDS<br>-6.88%            | BONDS<br>4.33%                     | SMALL VALUE STOCKS<br>-9.78%      | EMERGING MARKET STOCKS<br>-53.18%   | GLOBAL BONDS<br>2.55%              | GLOBAL BONDS<br>5.17%              | EMERGING MARKET STOCKS<br>-18.17%  | GLOBAL BONDS<br>1.65%             | GLOBAL BONDS<br>-4.00%            | FOREIGN STOCKS<br>-4.48%          | EMERGING MARKET STOCKS<br>-14.60%  | FOREIGN STOCKS<br>1.51%           | Worst |

1. Source: Morningstar. ■ Large growth stocks are represented by the S&P Growth Index; ■ Large value stocks are represented by the S&P 500 Value Index; ■ Small growth stocks are represented by the Russell 2000 Growth Index; ■ Small value stocks are represented by the Russell 2000 Value Index; ■ Foreign stocks are represented by the MSCI EAFE Index; ■ Bonds are represented by the Bloomberg Barclays U.S. Aggregate Bond Index; ■ High yield bonds are represented by the Credit Suisse High Yield Index; ■ Emerging market stocks are represented by the MSCI Emerging Markets Index; ■ Global bonds are represented by the Citigroup World Government Bond Index; and ■ Hedge Strategies are represented by the HFRI Fund Weighted Composite Index. Important data provider notices and terms available at [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com). Indexes are unmanaged and one cannot invest directly in an index. All rights reserved. Past performance is no guarantee of future results.

Diversification does not guarantee a profit or protect against loss.

Certain asset classes carry relatively higher risks. Small capitalization and emerging markets stocks can be more volatile than large capitalization stocks. High-yield and global bonds have a higher risk of default and loss of principal compared to US investment grade bonds. Foreign stocks and global bonds involve special risks, including currency fluctuations, and political and economic uncertainty. Emerging markets stocks involve heightened risks related to the same factors, in addition to those associated with their relatively small size and lesser liquidity. Hedge strategies entail significant risks and provide for only limited liquidity.

The indexes above do not represent the performance of any Franklin Templeton fund. For current performance of any Franklin Templeton fund, please visit [franklintempleton.com](http://franklintempleton.com) or call (800) DIAL BEN®/342-5236.

To take advantage of the strong returns of each year's "winners," it is important to develop a well-balanced portfolio with investments across all asset classes. Franklin Templeton Investments, one of the largest mutual fund organizations in the United States, offers a variety of professionally managed mutual funds that cover every major asset class.

Not FDIC Insured | May Lose Value | No Bank Guarantee

## DOES ASSET ALLOCATION REALLY WORK?

Yes. In addition to helping reduce overall volatility and improving your chances to earn more consistent returns over time, keeping assets properly allocated helps avoid the temptation to try and time the market. Consider the three scenarios below, illustrating different strategies used by investors. Of course, past performance can't guarantee future results.

### Growth of \$10,000 invested annually between 1997–2016<sup>2</sup>

|   | Total Investment | Value of Portfolio | Average Annual Total Return |
|---|------------------|--------------------|-----------------------------|
| 1. <b>Chasing the Winners</b><br>Investing in last year's <i>best</i> -performing asset class <sup>2,3</sup>                          | \$200,000        | \$405,673          | 6.34%                       |
| 2. <b>Investing with the Losers</b><br>Investing in last year's <i>worst</i> -performing asset class <sup>2,4</sup>                   | \$200,000        | \$402,800          | 6.28%                       |
| 3. <b>Asset Allocation</b><br>Investing consistently <i>across several</i> asset classes in equal proportion each year <sup>2,5</sup> | <b>\$200,000</b> | <b>\$444,415</b>   | <b>7.11%</b>                |

*This chart is for illustrative purposes only. It is important to note that an asset allocation strategy does not ensure results superior to other investment strategies and also does not guarantee a profit or protect against a loss. The chart does not represent the performance of any Franklin Templeton fund. For the current performance of any Franklin Templeton fund listed, please visit [franklintempleton.com](http://franklintempleton.com) or call (800) DIAL BEN/342-5236.*

### For more information on Franklin Templeton mutual funds, please contact your financial advisor.

*All investments involve risks, including possible loss of principal. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. To obtain a summary prospectus and/or prospectus, which contains this and other information, talk to your financial advisor, call us at (800) DIAL BEN/342-5236 or visit [franklintempleton.com](http://franklintempleton.com). Please carefully read a prospectus before you invest or send money.*

**Indexes are unmanaged and one cannot invest directly in an index. This illustration assumes that indexes are reasonable representations of asset classes and their returns. However, investment manager performance relative to the different asset class indexes has varied widely during the past 20 years.**

2. Source: © 2017 Morningstar. The three scenarios above included **large growth stocks**, represented by the S&P 500 Growth Index; **large value stocks**, represented by the S&P 500 Value Index; **small growth stocks**, represented by the Russell 2000 Growth Index; **small value stocks**, represented by the Russell 2000 Value Index; **foreign stocks**, represented by the MSCI EAFE Index; **bonds**, represented by the Bloomberg Barclays U.S. Aggregate Bond Index; **high yield bonds**, represented by the Credit Suisse High Yield Index; **emerging market stocks**, represented by the MSCI Emerging Markets Index; **global bonds**, represented by the Citigroup World Government Bond Index; and **hedge strategies**, represented by the HFRI Fund Weighted Composite Index. Important data provider notices and terms available at [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com).

3. Annual investments are made into the best-performing asset class index of the previous calendar year.

4. Annual investments are made into the worst-performing asset class index of the previous calendar year.

5. Annual investments are distributed evenly among all 10 asset class indexes each calendar year and the portfolio is rebalanced annually.

6. The fund generally invests in a combination of large-, medium- and small-capitalization stocks.

7. State-specific, tax-free income funds are available in many states. Alternative minimum tax may apply.

Franklin Templeton Investments offers funds to meet your asset allocation needs.

|  |  |
|--|--|
| <b>Large Growth Stocks</b>   |  |
| Franklin Dynatech Fund<br>Franklin Growth Fund   | Franklin Growth Opportunities Fund <sup>6</sup>  |
| <b>Large Value Stocks</b>  |  |
| Franklin Mutual Beacon Fund  | Franklin Mutual Shares Fund  |
| <b>Small Growth Stocks</b>   |  |
| Franklin Small-Mid Cap Growth Fund   |  |
| <b>Small Value Stocks</b>  |  |
| Franklin Balance Sheet Investment Fund   | Franklin Small Cap Value Fund  |
| <b>Foreign Stocks</b>  |  |
| Franklin International Growth Fund<br>Franklin Mutual Global Discovery Fund<br>Franklin Mutual European Fund | Templeton Foreign Fund<br>Templeton Growth Fund<br>Templeton World Fund                      |
| <b>Emerging Markets Stocks</b>   |  |
| Templeton China World Fund<br>Templeton Developing Markets Trust   | Templeton Emerging Markets Small Cap Fund  |
| <b>Bonds</b>   |  |
| Franklin Strategic Income Fund<br>Franklin Total Return Fund   | Franklin US Government Securities Fund<br>Franklin Federal Tax-Free Income Fund <sup>7</sup> |
| <b>High Yield Bonds</b>  |  |
| Franklin High Income Fund  |  |
| <b>Global Bonds</b>  |  |
| Franklin Global Government Bond Fund<br>Templeton Global Bond Fund   | Templeton Global Total Return Fund<br>Templeton International Bond Fund                      |
| <b>Alternatives</b>  |  |
| Franklin K2 Alternative Strategies Fund<br>Franklin Pelagos Commodities<br>Strategy Fund                     | Franklin Real Estate Securities Fund<br>Franklin Global Listed Infrastructure Fund           |



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