



FRANKLIN • TEMPLETON • FIDUCIARY

FRANKLIN ALTERNATIVE STRATEGIES ADVISERS, LLC

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INVESTMENT ADVISER REGISTRATION FORM ADV PART 2A: FIRM BROCHURE

This brochure provides information about the qualifications and business practices of Franklin Alternative Strategies Advisers, LLC. If you have any questions about the contents of this brochure, please contact Global Client Service Support ("GCSS") via email at GlobalClientServiceSupportAmericas@frk.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Franklin Alternative Strategies Advisers, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

ANY REFERENCE TO FRANKLIN ALTERNATIVE STRATEGIES ADVISERS, LLC AS BEING A REGISTERED INVESTMENT ADVISER DOES NOT IMPLY A CERTAIN LEVEL OF SKILL OR TRAINING.

December 31, 2013

Item 2 Material Changes

Material changes made on or after the date of the last annual update of the Adviser's brochure on December 31, 2012 are summarized below:

Item 1: Cover Page – Updated to reflect adviser name change from Pelagos Capital Management, LLC to Franklin Alternative Strategies Advisers, LLC effective January 29, 2014. Adviser will continue to conduct a portion of its advisory business under the Pelagos Capital Management name.

Item 4: Advisory Business – Interim amendment made on July 5, 2013 to reflect June 13, 2013 change in ownership status whereby Adviser became a wholly-owned indirect subsidiary of Franklin Resources, Inc. Addition of introductory information regarding Franklin Resources, Inc., the Adviser's indirect parent company, and its various subsidiaries.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss – Additional disclosure regarding investment risks relating to derivative instruments, liquidity, market, credit, interest rates, currency, management, indices and bank holding company act concerns.

Item 10: Other Financial Industry Activities and Affiliations – Disclosure added regarding affiliated broker-dealers, investment advisers and bank holding company. Information regarding Adviser's CFTC registrations updated.

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading – Additional disclosure regarding potential participation or interest in client transactions and other potential conflicts relating to advisory activities.

Item 12: Brokerage Practices – Additional disclosure regarding factors considered in selecting broker-dealers for client transactions. Disclosure added regarding Adviser's policies relating to aggregation of purchase or sale of securities.

Item 16: Investment Discretion – Additional disclosure regarding procedures for participation in legal proceedings.

Item 17: Voting Client Securities – Disclosure regarding proxy voting policies and procedures.

Clients may request a copy of the current version of our brochure at no cost by contacting GCSS via email at GlobalClientServiceSupportAmericas@frk.com.

Additional information about the Adviser is also available via the SEC's web site www.adviserinfo.sec.gov.

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Item 4 Advisory Business

INTRODUCTION TO FRANKLIN ALTERNATIVE STRATEGIES ADVISERS, LLC

Franklin Alternative Strategies Advisers, LLC (the “Adviser” or “we”), is a Delaware limited liability company formed on August 17, 2005 and based in Boston, Massachusetts. Prior to January 29, 2014 the Adviser was named Pelagos Capital Management, LLC, and it continues to conduct business under the Pelagos Capital Management name. The Adviser is a wholly-owned indirect subsidiary of Franklin Resources, Inc. (“Franklin Resources”), a holding company that, together with its various subsidiaries is referred to as Franklin Templeton Investments,[®] a global investment management organization offering investment choices under the Franklin,[®] Templeton,[®] Mutual Series,[®] Bissett,[®] Fiduciary Trust,[™] Darby,[®] Balanced Equity Management[™] and K2[®] brand names. Franklin Templeton Investments, through current and predecessor subsidiaries, has been engaged in the investment management and related services business since 1947.

Franklin Resources is regulated as a bank holding company under the Bank Holding Company Act of 1956, as amended (the “BHC Act”), and has elected to be a financial holding company under the Gramm-Leach-Bliley Act (the “GLB Act”). The common stock of Franklin Resources is traded on the New York Stock Exchange (“NYSE”) under the ticker symbol “BEN,” and is included in the Standard & Poor’s 500 Index.

ADVISORY SERVICES

The Adviser provides investment advisory and portfolio management services under management agreements with one or more U.S.-registered open-end funds and controlled foreign corporations wholly-owned by U.S.-registered open-end funds (collectively, “our Sponsored Investment Products” or “SIPs”) and one or more sub-advised investment products.

In the United States, the Adviser provides advice to investment companies registered with the U.S. Securities and Exchange Commission (“SEC”) pursuant to the Investment Company Act of 1940 (the “1940 Act”) (the “U.S. Registered Funds”). The Adviser provides sub-advisory services to one or more investment products sponsored by other companies (“Sub-Advised Products”) which may be sold to the public under the brand names of those other companies or on a co-branded basis. Please see Item 7 (“Types of Clients”) for greater detail.

The services provided by the Adviser will generally include investment research and portfolio management services, including the selection of securities to be purchased, held or sold and the selection of brokers through whom the portfolio transactions are executed.

The services offered by the Adviser are described more fully below. The Adviser provides investment management services pursuant to agreements in effect with each of its SIP and Sub-Advised Product clients.

With respect to SIPs and Sub-Advised Products for which the Adviser has been appointed to provide discretionary investment management services, the Adviser will perform or obtain investment research and determine which securities the SIPs or Sub-Advised Products will purchase, hold or sell, if applicable, under the supervision and oversight of the funds’ boards of directors or trustees. In addition, the Adviser may take various steps to implement such decisions, including arranging for the selection of brokers and dealers and the execution and settlement of trades in accordance with applicable criteria set forth in the management agreement for each account, internal policies, and applicable law and practice.

Please see Item 16 (“Investment Discretion”) for details of the circumstances in which clients may place limitations on the Adviser’s discretionary authority.

Potential or actual conflicts of interest may arise in the allocation of investment opportunities among the Adviser’s accounts. Some of these are discussed in more detail in Item 11 (“Code of Ethics, Participation or Interest in Client Transactions and Personal Trading”).

SERVICES OF AFFILIATES

Franklin Templeton Investments operates its investment management business through the Adviser, as well as through multiple affiliates of the Adviser, some of which are registered with non-U.S. regulatory authorities and some of which are registered with multiple regulatory authorities. The Adviser may use the services of appropriate personnel of one or more of its affiliates for investment advice, portfolio execution and trading, and client servicing in their local or regional markets or their areas of special expertise, except to the extent restricted by the client in or pursuant to its investment management agreement, or inconsistent with applicable law. Arrangements among affiliates take a variety of forms, including delegation arrangements or formal sub-advisory or servicing agreements. In these circumstances, the client with whom the Adviser has executed the investment management agreement will typically require that the Adviser remains fully responsible for the account from a legal and contractual perspective. No additional fees are charged for the affiliates' services except as set forth in the investment management agreement. Please see Item 10 ("Other Financial Industry Activities and Affiliations") for more details.

ASSETS UNDER MANAGEMENT

The Adviser may provide management services or continuous and regular supervisory services for the accounts that it manages. The Adviser may provide (i) management services as an adviser to an account, (ii) management services as a sub-adviser to an affiliated or unaffiliated adviser managing or supervising an account, (iii) management services under delegated authority by an affiliated adviser, (iv) continuous and regular supervisory services for an account for which it has delegated management services to an affiliated adviser, or (v) management services as a co-manager to an account for which an affiliated adviser also provides management services. Assets under management described in this item may include all of these types of accounts, and may include accounts and assets that another affiliated or unaffiliated adviser is also reporting on its Form ADV.

As of December 31, 2013, the Adviser managed the following amounts on a discretionary and non-discretionary basis:

	U.S. Dollar Amount
Discretionary	\$ 192,180,000
Non-Discretionary	\$ 0
Total	\$ 192,180,000

Item 5 Fees and Compensation

ADVISORY FEES

Investment management fees are generally calculated under contractual arrangements with our Sponsored Investment Products (or "SIPs") and Sub-Advised Products as a percentage of the market value of assets under management. Annual rates vary by investment objective and type of services provided. Fee arrangements vary by client, and are based on a number of different factors, including investment mandate, services performed, and account/relationship size.

FEE SCHEDULES

U.S. REGISTERED FUNDS

With respect to the Adviser's management of U.S. Registered Funds, investors should consult the U.S. Registered Funds' offering documents for specific fee information on those products. The compensation paid by each U.S. Registered Fund is described in its prospectus and statement of additional information. Under the investment management agreements, the funds typically pay the Adviser a monthly fee in arrears based upon a percentage of the fund's average daily net assets. Annual fee rates under the various agreements are often reduced as net assets exceed various threshold levels. Annual rates also vary by investment objective and type of services provided. The Adviser's investment management agreements generally permit the Adviser to

provide investment management services to more than one fund and to other clients as long as its ability to render services to each of the funds is not impaired, and so long as purchases and sales of portfolio securities for various advised funds are made on an equitable basis.

TIMING AND PAYMENT OF ADVISORY FEES

The timing of fee payments is set forth in the relevant U.S. Registered Fund's offering documents.

For the most part, the investment management agreements between the Adviser and U.S. Registered Funds must be renewed each year (after an initial two-year term), and must be specifically approved at least annually by a vote of each fund's board of directors or trustees as a whole and separately by the directors/trustees that are not interested persons of such fund under the 1940 Act, or by a vote of the holders of a majority of such fund's outstanding voting securities.

The Adviser's U.S. investment management agreements automatically terminate in the event of their "assignment," as defined in the 1940 Act. In addition, either party may terminate such an agreement without penalty after prior written notice.

OTHER FEES AND EXPENSES

In addition to the fees described above, clients of the Adviser may bear other costs associated with investments or accounts including but not limited to: (i) custodial charges, brokerage fees, commissions and related costs, (ii) interest expenses, (iii) taxes, duties and other governmental charges, (iv) transfer and registration fees or similar expenses, (v) costs associated with foreign exchange transactions, (vi) other portfolio expenses, and (vii) costs, expenses and fees (including investment advisory and other fees charged by the investment advisers of funds in which the client's account invest) associated with products or services that may be necessary or incidental to such investments or accounts. With respect to such services (which may include, but are not limited to, custodial, securities lending, brokerage, futures, banking, consulting or third-party advisory services) any client advised by the Adviser will be required to establish business relationships with relevant service providers or other counterparties based on the client's own credit standing. The Adviser will not have any obligation to allow its credit to be used in connection with the establishment of such relationships, nor is it expected that such service providers or counterparties will consider or rely on the Adviser's credit in evaluating the client's creditworthiness.

Clients will generally incur brokerage and other transaction costs. See Item 12 ("Brokerage Practices") for discussion on brokerage.

Item 6 Performance-Based Fees and Side-By-Side Management

The Adviser does not charge any performance-based fees (fees based on a share of capital gains or on capital appreciation of the assets of a client).

Item 7 Types of Clients

The Adviser currently provides investment advice to one or more U.S. Registered Funds and controlled foreign corporations wholly-owned by U.S. Registered Funds (collectively, our "Sponsored Investment Products" or "SIPs"), and sub-advisory services to one or more investment products sponsored by other companies ("Sub-Advised Products") which may be sold to the public under the brand names of those other companies or on a co-branded basis.

U.S. REGISTERED FUNDS

Franklin Templeton Investments' proprietary open-end and closed-end investment companies are registered under the Securities Act of 1933 and the 1940 Act, and are offered under one of the Franklin Templeton Investments brand names.

These funds consist of various open-end investment companies, including variable insurance funds, serving the institutional and retail market. In addition, the Franklin and Templeton management groups advise a number of publicly traded closed-end investment companies and the Franklin management group advises a number of money market funds.

Funds managed by separate management groups may have a common board of directors/board of trustees.

The Adviser also serves as a sub-adviser for certain Sub-Advised Products.

Certain of the U.S. Registered Funds and controlled foreign corporations wholly-owned by U.S. Registered Funds that the Adviser manages are commodity pools for which the Adviser is the commodity pool operator ("CPO"). As the CPO for these commodity pools, the Adviser is registered as a CPO with the Commodities Futures Trading Commission ("CFTC").

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

The Adviser advises a number of Sponsored Investment Products (or "SIPs") and one or more Sub-Advised Products which utilize various investment strategies including, but not limited to, commodities, managed futures, and exposure to hedge fund replication strategies. The Adviser's investment management services incorporate proprietary qualitative research and quantitative models, as well as research services provided by brokerage firms and other third-party researchers to help determine portfolio exposures. The Adviser manages portfolios using public information on numerous asset classes. The Adviser's models employ several factors within a historical context, such as interest rates, earnings, stock price levels, correlations, and commodity prices. The models were constructed using fundamental investment insights based on research performed by the management team and data provided by third-party sources. The investment strategies employed by the portfolio management team involve taking positions in several asset class exposure vehicles. Models are used to strategically change the relative weights of asset class exposures. Portfolios are constructed with several risk control parameters.

INVESTMENT STRATEGIES

Significant strategies used by the Adviser include:

COMMODITIES

The Adviser offers actively managed commodity strategies emphasizing individual commodity and curve positioning relative to the broad commodities market. The team utilizes qualitative macroeconomic analysis and quantitative modeling to determine portfolio positioning. Exposures are primarily achieved through commodity-linked derivatives such as swaps and futures. The Adviser actively manages the positioning of the portfolio with regards to exposures of specific commodities relative to the index, as well as what specific derivative contracts to use when gaining exposure.

MANAGED FUTURES

The Adviser offers managed futures strategies designed to have a low correlation to traditional equity or fixed income assets. The strategy invests across commodity, currency, interest rate and equity markets using primarily derivative instruments. Proprietary quantitative models are used to determine long and short positions to the assets in question, with positions spread across asset classes to help diversify the portfolio.

HEDGE FUND STRATEGIES

The Adviser offers hedge fund strategies, which seek to capture the alternative betas of the hedge fund industry. Exposures are generated through a variety of investment allocations including notes, futures, fixed income instruments and ETFs. Allocations are determined through proprietary quantitative and qualitative models which seek to generate exposures which have correlations to hedge fund returns.

INVESTMENT RISKS

Particular investment strategies or investments in different types of securities or other investments involve specific risks that clients should be prepared to bear. The risks involved for different client accounts will vary based on each client's investment strategy and the type of securities or other investments held in the client's account. The following are descriptions of a number of the material risks related to the significant investment strategies used by the Adviser. Not all possible risks are described below.

Commodities - Exposure to investments in physical commodities presents unique risks. Investing in physical commodities, including through commodity-linked derivative instruments such as commodity-linked total return swaps, commodity futures, commodity index futures and options on commodities and commodity index futures, is speculative and can be extremely volatile. Market prices of commodities may fluctuate rapidly based on numerous factors, including: changes in supply and demand relationships (whether actual, perceived, anticipated, unanticipated or unrealized); weather; agriculture; trade; domestic and foreign political and economic events and policies; diseases; pestilence; technological developments; and monetary and other governmental policies, action and inaction. The current or "spot" prices of physical commodities may also affect, in a volatile and inconsistent manner, the prices of futures contracts in respect of the relevant commodity. Certain commodities are used primarily in one industry, and fluctuations in levels of activity in (or the availability of alternative resources to) one industry may have a disproportionate effect on global demand for a particular commodity. Moreover, recent growth in industrial production and gross domestic product has made certain developing nations oversized users of commodities and has increased the extent to which certain commodities prices are influenced by those markets.

Hedge Fund Exposure - Indirect exposure to hedge funds may subject clients to greater volatility than investments in traditional securities. The hedge funds comprising a hedge fund index, for example, invest in and may actively trade securities and other financial instruments using a variety of strategies and investment techniques that may involve significant risks. The managers of the hedge funds also may use proprietary investment strategies that are not fully disclosed, which may involve risks that are not anticipated. In addition, the hedge fund managers often are entitled to receive performance-based allocations out of the net profits of the hedge funds, which may create an incentive for the managers to make investments that are riskier or more speculative than they might have made in the absence of such arrangements.

Managed Futures - The risks associated with the use of futures contracts include: (i) potential lack of a liquid secondary market for a futures contract and, as a result, an inability to close out futures contracts at a time which is advantageous; (ii) the risk that losses caused by sudden, unanticipated market movements may be potentially unlimited; (iii) changes in the price of a futures contract may not always track the changes in market value of the underlying reference asset; (iv) trading restrictions or limitations may be imposed by an exchange, and government regulations may restrict trading in futures contracts; and (v) the risk of having insufficient cash to meet margin requirements, and therefore the need to sell other investments, potentially at a disadvantageous time.

Derivative Instruments - The performance of derivative instruments depends largely on the performance of an underlying reference asset and such derivatives often have risks similar to their underlying instrument, in addition to other risks. Derivatives involve costs and can create economic leverage in a portfolio which may result in significant volatility and cause the fund or account to participate in losses (as well as enable gains) in an amount that exceeds the initial investment. Other risks include illiquidity, mispricing or improper valuation of the derivative instrument, and imperfect correlation between the value of the derivative and the underlying instrument so that the intended benefits may not be realized. When used for hedging, the change in value of the derivative may also not correlate specifically with the underlying risk being hedged. Use of these instruments could also result in a loss if the counterparty to the transaction does not perform as promised, including because of such counterparty's bankruptcy or insolvency. This risk may be heightened during volatile market conditions.

Liquidity - Liquidity risk exists when the market for particular investments or types of investments are or become relatively illiquid so that it is or becomes more difficult to sell the investment at the price at which the investment was valued. Illiquidity may result from political, economic or issuer-

specific events or overall market disruptions. Investments with reduced liquidity or that become illiquid involve greater risk than investments with more liquid markets.

Market - The market values of securities or other investments managed by the Adviser will go up and down, sometimes rapidly or unpredictably. An investment's market value may be reduced by market activity or other results of supply and demand unrelated to the issuer. This is a basic risk associated with all investments. When there are more sellers than buyers, prices tend to fall.

Credit – An issuer of debt securities may fail to make interest payments and repay principal when due, in whole or in part. Changes in an issuer's financial strength, the market's perception of the issuer's financial strength or in a security's or a government's credit rating may affect a security's value. While some securities are backed by the full faith and credit of the U.S. government or other issuing government, guarantees of principal and interest do not apply to market values or yields. Substantial losses may be incurred on debt securities that are inaccurately perceived to present a different amount of credit risk by the market, the Adviser or the rating agencies than such securities actually do.

Interest Rate - When interest rates rise, debt security prices generally fall. The opposite is also generally true: debt security prices rise when interest rates fall. In general, securities with longer maturities are more sensitive to these interest rate changes.

Currency – Currency risk is the risk that changes in currency exchange rates will negatively affect investments denominated in such foreign currencies and any income received or expenses paid in that foreign currency.

Management - The investment strategies, techniques and risk analyses employed, while designed to enhance returns, may not produce the desired results. The assessment of a particular investment or assessment of market, interest rate or other trends could be incorrect, which can result in losses.

Index – Certain funds advised by the Adviser have exposures to broad-based indices. None of the index sponsors has any obligation or responsibility to these funds or their shareholders in connection with any modification, discontinuance or suspension of an index, including any obligation or responsibility to notify these funds of any such modification, discontinuance or suspension.

Bank Holding Company Act Concerns - Franklin Resources is regulated by the U.S. Federal Reserve as a bank holding company and a financial holding company under the BHC Act. Franklin Resources, its non-bank subsidiaries, and their managed funds, including the Adviser, are, therefore, subject to certain limits on their activities and investments. Certain provisions of the BHC Act may from time to time restrict the operations of certain funds advised by the Adviser and/or their ability to capitalize on certain investment opportunities. If the Adviser expects that application of the BHC Act to these funds will materially affect their investment strategy, this will be disclosed in the relevant fund's offering documents.

Item 9 Disciplinary Information

None.

Item 10 Other Financial Industry Activities and Affiliations

The Adviser is an indirectly-owned subsidiary of Franklin Resources, a holding company that, together with its various subsidiaries is referred to as Franklin Templeton Investments.

The Adviser may have business arrangements with related persons/companies that are material to the Adviser's advisory business or to its clients. In some cases, these business arrangements may create a potential conflict of interest, or appearance of a conflict of interest between the Adviser and a client. Please see Item 4 ("Advisory Business") for additional information on services of affiliates.

Recognized conflicts of interest are discussed in Item 11 ("Code of Ethics, Participation or Interest in Client Transactions and Personal Trading") below.

The Adviser has arrangements with one or more of the following types of related persons that may be considered material to its advisory business or to its clients.

RELATED BROKER-DEALERS

The Adviser is under common control with Franklin/Templeton Distributors, Inc. ("FTDI"), Franklin Templeton Financial Services Corp. ("FTFSC") and Templeton/Franklin Investment Services, Inc. ("TFIS"), all of which are registered broker-dealers.

FTDI is registered with the SEC as a broker-dealer and is a member of Financial Industry Regulatory Authority ("FINRA"). FTDI's primary business is underwriter and distributor for the U.S. Registered Funds. Most of its distribution activities occur through independent third-party broker-dealers, who have the primary day-to-day direct contact with shareholders. FTDI is also the underwriter of the Franklin Templeton 529 College Savings Plan and the NJBEST 529 College Savings Plan ("529 Plans"). In addition, FTDI acts as program manager, servicing agent or distributor for the two 529 Plans, which are municipal fund securities. As a result, FTDI is registered as a municipal securities dealer, subject to regulation by the Municipal Securities Rulemaking Board. In certain instances, shareholders bypass a third-party broker-dealer and establish unsolicited accounts directly with FTDI, who becomes the broker-dealer of record by default. FTDI does not make recommendations to purchase or sell fund shares to retail investors.

Underwriting and distribution fees are earned primarily by distributing our funds pursuant to distribution agreements between FTDI and the funds. Under each distribution agreement, the fund's shares are offered and sold on a continuous basis and certain costs associated with underwriting and distributing the fund's shares may be incurred, including the costs of developing and producing sales literature, shareholder reports and prospectuses, which may be then either partially or fully reimbursed by the funds.

FTFSC is registered with the SEC as a broker-dealer and is a member of FINRA. FTFSC, in conjunction with other Franklin Templeton Investments ("FTI") investment advisory and banking affiliates, provides the broker-dealer platform to pooled investment vehicles that are exempt from registration under the 1940 Act (the "Private Funds"). As such, FTFSC personnel are also associated with FTI investment advisers and banks so that they may utilize the FTFSC broker-dealer platform when offering investment advisory and banking services along with private placement and mutual fund securities products to their clients.

TFIS is registered with the SEC as a broker-dealer and is a member of FINRA. TFIS offers private placement and mutual fund products. Many of TFIS' registered associated persons are also dually registered with FTDI to support joint program initiatives, such as marketing U.S. mutual fund products. TFIS also has some dually registered associated persons with FTFSC.

CFTC REGISTRATIONS

The Adviser is registered with the Commodity Futures Trading Commission ("CFTC") as a commodity trading advisor ("CTA"). The Adviser's registration as a CTA became effective in December 2012. At that time, the Adviser became a member of the National Futures Association (the "NFA"). The Adviser is also registered with the CFTC as a commodity pool operator ("CPO") with respect to certain of the commodity pools it advises. The Adviser's registration as a CPO became effective in August 2013. The NFA and CFTC are regulatory bodies that administer comparable regulatory systems covering futures contracts and various other financial instruments in which certain investment management clients of the Adviser may invest.

In addition, certain of the Adviser's management persons have also registered as associated persons of the Adviser to the extent necessary or appropriate to perform their responsibilities.

SERVICES TO U.S. REGISTERED FUNDS

The Adviser serves as investment adviser to one or more U.S. Registered Funds and one or more controlled foreign corporations wholly-owned by U.S. Registered Funds.

RELATED INVESTMENT ADVISERS

The Adviser may enter into a sub-advisory arrangement with, or may refer a client to, an investment adviser affiliate capable of meeting the client's specific investment needs. The Adviser is affiliated with other registered investment advisers which are under common control with the Adviser, and the Adviser may share certain supervised persons, portfolio management personnel and investment research with such affiliated investment advisers.

The Adviser may use the services of appropriate personnel of one or more of its affiliates for investment advice, portfolio execution and trading, and client servicing in their local or regional markets or their areas of special expertise, except to the extent restricted by the client or pursuant to its investment management agreement, or inconsistent with applicable law. Arrangements among affiliates take a variety of forms, including delegation arrangements or formal sub-advisory or servicing agreements. In these circumstances, the client with whom the Adviser has executed the investment management agreement will typically require that the Adviser remains fully responsible for the account from a legal and contractual perspective. No additional fees are charged for the affiliates' services except as set forth in the investment management agreement.

BANK HOLDING COMPANY AFFILIATE

Franklin Resources is regulated as a bank holding company under the BHC Act, and has elected to be a financial holding company under the GLB Act. Franklin Resources, its non-bank subsidiaries and their managed funds are, therefore, subject to certain limits on their activities and investments. Certain provisions of the BHC Act may from time to time restrict the operations of certain funds advised by the Adviser and/or their ability to capitalize on certain investment opportunities. If the Adviser expects that application of the BHC Act to these funds will materially affect their investment strategy, this will be disclosed in the relevant fund's offering documents.

Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

CODE OF ETHICS SUMMARY

The Adviser has adopted (a) a code of ethics pursuant to Rule 204A-1 under the Advisers Act and Rule 17j-1 of the 1940 Act (the "Code of Ethics") and (b) a policy statement on insider trading (the "Insider Trading Policy"). A brief description of the main provisions of the Code of Ethics and the Insider Trading Policy follows.

A. The Code of Ethics

The Code of Ethics is designed to reinforce the Adviser's values, including integrity, and sets forth the procedures and limitations that govern the personal securities transactions of every member or employee of the Adviser. The Code of Ethics was developed to promote the highest standards of behavior and ensure compliance with applicable laws. Employees of the Adviser are made aware that they may be held personally liable for any improper or illegal acts committed during their course of employment, and that "ignorance of the law" is not a defense. Employees are also made aware that they may be subject to civil penalties such as fines, regulatory sanctions including suspensions, as well as criminal penalties. Employees must read the Code of Ethics and comply with it. Failure to comply with the provisions of the Code of Ethics may result in serious sanctions including, but not limited to, disgorgement of profits, dismissal, substantial personal liability and referral to law enforcement agencies or other regulatory agencies. Employees are expected to retain a copy of the Code of Ethics in their records for future reference.

Under the Code of Ethics, each employee of the Adviser is responsible for maintaining the very highest ethical standards when conducting business. Among other things, (i) each employee has a duty at all times to place the interests of clients first, (ii) all personal securities transactions must be conducted consistent with the Code of Ethics and in such a manner as to avoid any actual or potential conflict of interest or other abuse of the employee's position of trust and responsibility,

and (iii) no employee may take inappropriate advantage of his/her position or engage in any fraudulent or manipulative practice with respect to clients' accounts.

B. The Insider Trading Policy

No member or employee may trade while in possession of material, non-public information or communicate material non-public information to others. Information is considered material if there is a substantial likelihood that a reasonable investor would consider the information to be important in making his or her investment decision, or if it is reasonably certain to have a substantial effect on the price of the company's securities. Information is non-public until it has been effectively communicated to the marketplace. If the information has been obtained from someone who is betraying an obligation not to share the information (e.g., a company insider), that information is very likely to be non-public.

Copies of the Code of Ethics and the Insider Trading Policy are available to any client or prospective client upon request.

POTENTIAL CONFLICTS RELATING TO ADVISORY ACTIVITIES

Participation or Interest in Client Transactions

The Adviser or its related persons may from time to time purchase or sell for themselves securities or other investments which one or more advisory clients own, previously owned, or may own in the future.

There may arise potential or actual conflicts of interest in (i) the allocation of investment opportunities among the Adviser's clients, (ii) the investment by clients in entities in which the Adviser or its related persons have a financial interest, and (iii) investments by the Adviser or its employees for their personal accounts.

The Adviser and its affiliates manage numerous funds and accounts. The Adviser may give advice and take action with respect to one fund or account it manages, or for its own account, that may differ from action taken by the Adviser on behalf of any of the other funds or accounts it manages. This gives rise to certain potential conflicts of interest, as discussed below.

The Adviser's management of its clients may benefit members of the Adviser and its affiliates. For example, the Adviser's clients may, to the extent permitted by applicable law, invest directly or indirectly in the securities of companies in which a member of the Adviser, or the Adviser's other clients, or the Adviser's affiliate, for itself or its clients, has an equity, debt, or other interest. The advisory contracts entered into by the Adviser with each client do not entitle clients to obtain the benefit of any particular investment opportunities developed by the Adviser or its officers or employees in which the Adviser, acting in good faith, does not cause such client to invest. The Adviser has total discretion to allocate investment opportunities among its clients subject only to each account's respective investment guidelines and the Adviser's duty to act in good faith.

Similarly, with respect to a particular fund or account, the Adviser is not obligated to recommend, buy or sell, or to refrain from recommending, buying or selling any security that the Adviser and "access persons," as defined by applicable federal securities laws, may buy or sell for its or their own account or for the accounts of any other fund. The Adviser is not obligated to refrain from investing in securities held by any funds it manages.

Allocations to any Sponsored Investment Product (or "SIP") in which the interests of the Adviser, its officers, directors, employees or affiliates collectively exceed 5% of the account's economic value shall be made in accordance with the procedures and policies adopted by Franklin Templeton Investments, designed to ensure that buy and sell opportunities are allocated fairly among clients (the "Equity Trade Allocation Policy and Procedures").

A fund or account may be deemed to be an affiliated person of the Adviser by reason of the collective 5% or greater ownership interest of the Adviser's insiders and the Adviser's registered mutual fund clients if any. Transactions for and allocations to these accounts must also be given special scrutiny because of the inherent conflict of interest involved. All exceptions to standard allocation/rotation procedures involving such affiliated accounts are monitored and recorded.

If securities traded for affiliated accounts are also the subject of trading activity (i) by an Adviser's advised mutual fund, or (ii) by other non-mutual fund client accounts, the securities traded for the affiliated accounts should generally be aggregated for trading with the Adviser's advised mutual fund or other non-mutual fund client accounts.

Similarly, the policies and procedures relating to trade allocation for fixed income securities (the "Fixed Income Allocation of Investment Opportunities Policy and Procedures") have been adopted by the Adviser with respect to the SIPs it advises, to ensure that buy and sell investment opportunities are allocated fairly and equitably among clients. Because of the different fee structures and investment involvement, the Adviser or its affiliates may be viewed as having a reason to favor the performance of one account over another. In order to prevent any potential or actual conflicts of interests in the course of making allocations of fixed income investment opportunities, the portfolio managers of the Adviser may consider several factors listed in the Fixed Income Allocation of Investment Opportunities Policy and Procedures or allocate investment opportunities pursuant to alternative methodologies, provided such investment opportunities result in an equitable treatment of all clients over time, are consistently applied and the reason for using the allocation method is documented.

Finally, the management of personal accounts by a portfolio manager may give rise to potential conflicts of interest. While the SIPs and the Adviser have adopted the Code of Ethics which they believe contains provisions reasonably necessary to prevent a wide range of prohibited activities by portfolio managers and others with respect to their personal trading activities, there can be no assurance that the Code of Ethics addresses all individual conduct that could result in conflicts of interest. The Adviser has adopted certain additional compliance procedures that are designed to address these and other types of conflicts. However, there is no guarantee that such procedures will detect each and every situation where a conflict arises.

OTHER POTENTIAL CONFLICTS RELATING TO ADVISORY ACTIVITIES

The Adviser may serve as investment sub-adviser to various investment companies, some of which have an investment goal and strategy similar to that of investment companies for which the Adviser or its affiliates serve as investment adviser. Even when there is similarity in investment goal and strategy, investment performance and portfolio holdings may vary between investment companies, potentially significantly, as a result of, among other things, differences in: inception dates, cash flows, asset allocation, security selection, liquidity, income distribution or income retention, fees, fair value pricing procedures, diversification methodology, use of different foreign exchange rates, use of different pricing vendors, ability to access certain markets due to country registration requirements, legal restrictions or custodial issues, legacy holdings in the fund, availability of applicable trading agreements such as ISDAs, futures agreements or other trading documentation, restrictions placed on the account (including country, industry or environmental and social governance restrictions) and other operational issues that impact the ability of a fund to trade in certain instruments or markets.

In certain circumstances, the Adviser may conclude that it is appropriate to sell securities held in one client account to another client account. Consistent with its fiduciary duty to each client (including the duty to seek best execution), the Adviser may (but is not required to) effect purchases and sales between clients or clients of affiliates ("cross trades") if the Adviser believes such transactions are appropriate based on each client's investment objectives, subject to applicable law and regulation. The Adviser will not receive compensation (other than its normal advisory fee for managing the account), directly or indirectly, for effecting a cross trade between advisory clients, and accordingly will not be deemed to have acted as a broker with respect to such transactions. The Adviser seeks to assure that the price paid or proceeds received by clients in a cross trade is fair and appropriate, which may be based on independent dealer quotes or information obtained from recognized pricing services. Since, in such cross trades, the Adviser will represent both the selling client and the buying client, the Adviser may have a perceived conflict of interest. Clients, therefore, should consider the possible costs or disadvantages of this potential conflict versus the potential benefit of obtaining reduced transaction or execution costs that may be obtained from such cross trades. Any cross trades effected with respect to U.S. Registered Fund clients would be accomplished in compliance with Rule 17a-7 of the 1940 Act.

Political Contributions

It is the policy of the Adviser to not make, and to prohibit its employees from making on behalf of the Adviser, any political contributions for the purpose of influencing an existing or potential client, a public official or his or her agency. However, employees may make personal political contributions in accordance with the requirements and restrictions of applicable law and the Adviser's policies. To help ensure compliance with SEC rules, and many state and local pay-to-play rules, the Adviser's employees subject to those rules must pre-clear and obtain prior approval from the FTI legal and compliance departments before they make any contributions (*i.e.*, any monetary contribution or contribution of goods or services) to a political candidate, government official, political party or political action committee.

Item 12 Brokerage Practices

SELECTION CRITERIA FOR BROKERS AND DEALERS

To the extent that the Adviser uses broker-dealers to effect portfolio transactions for any funds or accounts that it advises, the Adviser will attempt to obtain the best combination of low commission rates relative to the quality of brokerage services received with the view towards maximizing value for the Adviser's clients.

The single most significant consideration is the quality of the execution of the transaction. In assessing execution quality, the following factors, among others, may be considered:

- Order size/liquidity considerations
- Technology
- Transparency of order routing
- Effectiveness of algorithms for order routing
- Market impact cost/willingness of a broker to work an order
- Willingness to commit capital
- Ability to get best price
- Knowledge of and access to natural contra side
- Commission rate
- Timeliness and quality of looks and reports on markets
- Ability to handle certain trading styles or strategies
- Knowledge of and access to potential market participants
- Trade aggregation and arbitrage capabilities
- Specialized expertise
- Consistency
- Promptness of execution
- Responsiveness
- Back office capabilities/quality of confirmations and account statements
- Sophistication of trading facilities
- Ability and willingness to correct errors
- Confidentiality
- Trustworthiness/reputation
- Experience/past execution history
- Financial condition of broker

The determination and evaluation of the reasonableness of the brokerage commissions paid in connection with portfolio transactions is based to a large degree on the professional opinions and judgments of the persons responsible for the placement and review of such transactions. These opinions are formed on the basis of, among other things, the experience of these individuals in the securities industry and information available to them concerning the level of commissions being paid by other investors of comparable size and type.

When buying or selling fixed income securities in dealer markets, the Adviser will generally deal directly with market makers in the securities. On these transactions, the Adviser typically will

effect trades on a net basis, and will not pay the market maker any commission, commission equivalent or markup/markdown other than the spread. Usually, the market maker profits from the spread, that is, the difference between the price paid (or received) by the Adviser and the price received (or paid) by the market maker in trades with other broker-dealers or other customers.

The majority of portfolio trading is performed electronically at a pre-established competitive commission rate. The Adviser generally effects transactions that are placed pursuant to a negotiated agreement with a counterparty/futures commission merchant, including but not limited to swaps, futures, forwards, options and repurchase agreements. Due to the fact that certain instruments are traded pursuant to a private agreement with a counterparty (which must be in place prior to effecting a transaction), such as swaps, futures, options, forwards and certain other instruments and the fact that the Adviser will have a limited universe of counterparties from which to choose, the standard for best execution may vary with the type of security or instrument involved in a particular transaction.

USE OF CLIENT COMMISSIONS

The Adviser does not receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions ("soft dollar benefits").

BATCHED TRANSACTION POLICY

Typically, the Adviser is unable, or limited in its ability, to aggregate orders by the nature of the instruments and securities traded for the funds and accounts advised by the Adviser, or by the nature of the SIPs and Sub-Advised Products it advises. In situations where orders cannot be aggregated, greater transaction costs may result.

The Adviser has implemented trade aggregation and allocation procedures (the "Allocation Procedures"), under which the Adviser may aggregate the orders of its clients to effect a larger transaction in certain circumstances and thereby reduce transaction costs. The Adviser must then allocate the securities among the participating accounts. Although such bunching of transactions is permissible, potential conflicts of interest may exist with respect to the aggregation and allocation of client transactions. For example, with respect to the allocations of aggregated trades, an adviser could be viewed as allocating securities that it anticipates will increase in value to certain favored clients.

The Allocation Procedures are designed to address these potential conflicts of interest. The Allocation Procedures provide that aggregation of trades should be utilized whenever possible (subject to certain enumerated exceptions), and require that an average price be used for multiple executions of a particular security through the same broker on the same terms on the same day. The Allocation Procedures describe the allocation methodologies to be applied, and permissible exceptions from standard allocation methods that must be pre-approved by a designated trading desk compliance officer.

There may be instances where purchase or sale orders, or both, are placed simultaneously on behalf of the Adviser's advised accounts and by accounts advised by the Adviser's affiliates. In seeking fair access for the Adviser's clients over time for trading opportunities, trades may be placed according to a random allocation, alternative sequence or rotation system. Alternatively, orders for such securities may be aggregated or batched for execution in accordance with established procedures. Generally, for each account, such batched transactions are averaged as to price and allocated as to amount in accordance with daily purchase or sale orders actually placed for such account. Generally, all accounts that are batched will participate on a pro-rata, relative order size, percentage, or other objective basis. Orders may be batched to facilitate best execution, as well as for the purpose of negotiating more favorable brokerage commissions beneficial to all accounts.

Item 13 Review of Accounts

The Adviser provides formal portfolio reviews for clients at least annually. However, the Adviser's portfolio managers are available on an ongoing basis to discuss portfolio-related items. Portfolio reviews typically include a performance summary, portfolio trading summary, and an overview of capital market conditions. Typically, one or two members of the Adviser's investment team would be responsible for reviewing client portfolios.

As the Adviser does not have custody of client assets, the firm is not responsible for producing ongoing client account reports. The Adviser will provide capital market commentary and additional research publications for clients periodically.

Item 14 Client Referrals and Other Compensation

The Adviser does not have referral or third party marketing arrangements.

Item 15 Custody

The Adviser generally does not have custody of its clients' assets.

Item 16 Investment Discretion

Generally, the Adviser has discretionary authority to supervise and direct the investment of the assets under its management, without obtaining prior specific client consent for each transaction. However, this investment discretion is granted by written authority of the client in the investment management agreement between the client and the Adviser and is subject to such limitations as a client may impose by notice in writing. Under its discretionary authority, the Adviser may make the following determinations in accordance with the client's investment objectives and restrictions, internal policies and applicable law and practice, without prior consultation or consent before a transaction is effected:

- Which securities to buy or sell;
- The total amount of securities to buy or sell;
- The broker or dealer through whom securities are bought or sold; and/or
- The prices and commission rates at which securities transactions for client accounts are effected.

The Adviser may, in its sole discretion, accept one or more categories of social restrictions requested in writing by clients. Unless otherwise agreed to with a client, the Adviser's compliance with such restrictions will be based on good faith efforts and may be satisfied by utilizing a third party service to screen issuers against such restrictions, or, in its sole discretion, other market data services such as Bloomberg and Factset as well as internal research.

From time to time, the Adviser may, in its sole discretion, submit a shareholder proposal to the issuer of, or otherwise engage in shareholder activism with respect to, securities presently held in one or more client accounts (including but not limited to U.S. Registered Funds or its own account), when the Adviser believes that such shareholder proposal or activism has the potential to enhance the value of such issuer's securities or generally benefit shareholders. The Adviser may also consider such factors including but not limited to costs when considering whether to engage in such activities.

Participation in Legal Proceedings

Funds. With respect to the FTI U.S. -registered investment companies and certain other FTI pooled or collective investment vehicles that the Adviser may manage, advise, or sub-advise (collectively, "Funds"), the Adviser, through its delegates (which may include, without limitation, personnel of an affiliate, a law firm, custodian or other claim filing service), uses good faith efforts to file proofs of claim on behalf of the Funds in class action lawsuit settlements or judgments and regulatory recovery funds pending in the United States and Canada, involving issuers of securities presently or formerly held in the Funds' portfolios, or related parties of such issuers, of which the Adviser learns and for which the Funds are eligible during each Fund's existence (the "Claim Service"). Infrequently, such U.S. and Canadian class action lawsuits may require

investors affirmatively to “opt in” to the class and may subject investors to public identification and to participation in discovery (“Opt-In Actions”). The Adviser has complete discretion to determine, on a case-by-case basis, whether to file proofs of claim and any other required documentation for the Funds in any Opt-In Actions of which the Adviser learns.

While the Claim Service is focused on recovery opportunities in the United States and Canada (the jurisdictions in which class action lawsuits and regulatory recovery funds predominate), it is possible that as class action laws in legal systems in jurisdictions outside of the U.S. and Canada continue to evolve the Adviser may learn of recovery opportunities in those other jurisdictions that similarly require only the filing of a proof of claim or its equivalent to recover, referred to here as “Foreign Actions.” The Adviser does not assume any obligation to identify, research, or file proofs of claim in, any such Foreign Actions. In the event that the Adviser does learn of any Foreign Actions, the Adviser has complete discretion to determine, on a case-by-case basis, whether to file proofs of claim for the Funds in such Foreign Actions.

In addition, from time to time, the Adviser may recommend that one or more of the Funds pursue litigation against an issuer or related parties (whether, for example, by opting out of an existing class action lawsuit, participating in a representative action in a foreign jurisdiction, or otherwise). The Adviser or the Funds may also participate in bankruptcy proceedings involving issuers of securities presently or formerly held in the Funds’ portfolios, or related parties of such issuers, and join official and ad hoc committees of creditors or other stakeholders. Similarly, the Adviser’s affiliates may recommend that the Funds they manage participate in litigation, bankruptcy proceedings or committees of creditors or other stakeholders. Neither the Adviser nor the Adviser’s affiliates will provide notice of, or the opportunity to participate in, any litigation against an issuer or related parties to the Adviser’s Third Party Fund Clients (defined below).

Third Party Fund Clients. With respect to the third party registered investment companies and other third party pooled or collective investment vehicles that the Adviser sub-advises on behalf of certain clients (collectively, “Third Party Fund Clients”), unless otherwise specifically agreed, the Adviser shall not be required, or be liable for any failure to, but may, without undertaking any obligation to do so, (i) provide the Claim Service, (ii) file proofs of claim in Foreign Actions, and (iii) file any required documentation in any Opt-In Actions, as described above. Foreign Actions do not include any other type of collective action outside of the U.S. and Canada, such as representative actions. Those other actions require individual analysis as to whether participation is in an investor’s best interest and often require participants to agree to funding agreements or to pay the costs of the litigation directly, to enter into agreements with representative organizations, to commit to participation in discovery, and may require participants to be identified publicly as plaintiffs in the action. The Adviser does not assume any obligation to identify or take any action with respect to such offshore collective or representative actions for its Third Party Fund Clients.

Further, unless otherwise specifically agreed, the Adviser shall not be required, or be liable for any failure to, but may, participate in any bankruptcy proceedings involving issuers of securities presently or formerly held in Third Party Fund Client accounts or related parties of such issuers. Without limiting the foregoing, unless otherwise specifically agreed, the Adviser shall not be required, or be liable for any failure to, but may in its discretion: (i) file proofs of claim in bankruptcy proceedings, (ii) notify Third Party Fund Clients of any applicable deadlines or other events relating to bankruptcy proceedings, or (iii) participate in any committees of creditors or other stakeholders on behalf of Third Party Fund Clients.

In connection with the Claim Service and the Adviser’s involvement in bankruptcy proceedings on behalf of Third Party Fund Clients, where applicable, the Adviser may disclose information about a Third Party Fund Client or the client’s account, whether by including such information in any proofs of claim or otherwise disclosing such information in any related manner. By filing a proof of claim on behalf of a Third Party Fund Client, the Adviser may waive the Third Party Fund Client’s right to pursue separate litigation with respect to the subject matter of the class action lawsuit or regulatory recovery fund, or the right to a jury trial in a bankruptcy proceeding, as applicable. Where the Adviser does provide the Claim Service or agrees to participate in bankruptcy proceedings on behalf of Third Party Fund Clients, the Adviser may (subject to the governing investment advisory or management agreement), at any time, terminate provision of such services by giving notice of such termination to the Third Party Fund Client (by any method the Adviser chooses, including electronic mail), and such services will, if not sooner terminated,

automatically terminate upon the termination of the governing investment advisory or management agreement.

Item 17 Voting Client Securities

PROXY VOTING POLICIES & PROCEDURE

The Adviser has the authority to vote client securities, although it has not voted any proxies due to the nature of the instruments and securities held by the funds and accounts advised by the Adviser. The Adviser has delegated its administrative duties with respect to voting proxies for client equity securities to the proxy group within Franklin Templeton Companies, LLC (the "Proxy Group"), an affiliate and wholly owned subsidiary of Franklin Resources, the parent company of the Adviser.

All proxies received by the Proxy Group will be voted based upon the Adviser's instructions and/or policies. To assist it in analyzing proxies, the Adviser will subscribe to one or more unaffiliated third party corporate governance research services that provides in-depth analyses of shareholder meeting agendas, vote recommendations, recordkeeping and vote disclosure services (each a "Research Service"). Although Research Service analyses are thoroughly reviewed and considered in making a final voting decision, the Adviser will not consider recommendations from a Research Service or any other third party to be determinative of the Adviser's ultimate decision. Rather, the Adviser will exercise its independent judgment in making voting decisions. The Adviser will vote proxies solely in the best interests of the client, the Adviser-managed fund shareholders or, where employee benefit plan assets subject to the Employee Retirement Income Security Act of 1974, as amended, are involved ("ERISA accounts"), in the best interests of plan participants and beneficiaries (collectively "Advisory Clients") unless (i) the power to vote has been specifically retained by the named fiduciary in the documents in which the named fiduciary appointed the Investment Manager or (ii) the documents otherwise expressly prohibit the Investment Manager from voting proxies. As a matter of policy, the officers, directors certain other supervised persons of the Adviser and the Proxy Group will not be influenced by outside sources whose interests conflict with the interests of Advisory Clients. In situations where a material conflict of interest is identified, the Proxy Group may defer to the voting recommendation of a Research Service or send the proxy directly to the relevant Advisory Clients with the Adviser's recommendation regarding the vote for approval.

As a matter of practice, the votes with respect to most issues will be cast in accordance with the position of the management of the company in which the equity securities are held. Each issue, however, is considered on its own merits, and the Adviser will not support the position of the company's management in any situation where it deems that the ratification of management's position would adversely affect the investment merits of owning that company's shares.

The Proxy Group is part of the Franklin Templeton Companies, LLC Corporate Legal Department and is overseen by legal counsel. For each shareholder meeting, a member of the Proxy Group will consult with the research analyst(s) that follows the security and will provide the analyst(s) with the agenda, Research Service analyses, recommendations and any other information provided to the Proxy Group. Except in situations identified as presenting material conflicts of interest, the Adviser's research analyst(s) and relevant portfolio manager(s) will be responsible for making the final voting decision based on their review of the agenda, Research Service analyses, proxy statements, their knowledge of the company and any other information publicly available. In the case of a material conflict of interest, the final voting decision will be made in accordance with the conflict procedures, as described above. Except in cases where the Proxy Group is deferring to the voting recommendations of an independent third party service provider, the Proxy Group must obtain voting instructions from the Adviser's research analyst(s), relevant portfolio manager(s), legal counsel and/or an Advisory Client prior to submitting the vote.

The Adviser has adopted general proxy voting guidelines that are reviewed periodically by various members of the Adviser's organization, including portfolio management, legal counsel and the Adviser's officers, and are subject to change. These guidelines cannot provide an exhaustive list of all the issues that may arise nor can the Adviser anticipate all future situations. The guidelines cover such agenda items as the election of directors, ratification of auditors, management and director compensation, anti-takeover mechanisms, changes to capital structure,

mergers and corporate restructuring, environmental, social and governance issues, and global corporate governance.

The Proxy Group is fully cognizant of its responsibility to process proxies and maintain proxy records pursuant to SEC rules and regulations, including Rule 206(4)-6 under the Advisers Act. In addition, the Adviser understands its fiduciary duty to vote proxies and that proxy voting decisions may affect the value of shareholdings. Therefore, the Adviser will attempt to process every proxy it receives for all U.S. and non-U.S. securities. However, there may be situations in which the Adviser will not vote a proxy, such as where: (i) proxy ballot was not received from the custodian bank, (ii) a meeting notice was received too late, (iii) there are fees imposed upon the exercise of a vote and the Adviser has determined that such fees outweigh the benefit of voting, (iv) there are legal encumbrances to voting, including blocking restrictions in certain markets that preclude the ability to dispose of a security if the Adviser votes a proxy or where the Adviser is prohibited from voting by applicable law or other regulatory or market requirements, including but not limited to, effective powers of attorney, (v) the Adviser held shares on the record date but has sold them prior to the meeting date, (vi) proxy voting service is not offered by the custodian in the market, (vii) the Adviser believes it is not in the best interests of the Advisory Client to vote the proxy for any other reason not enumerated herein, or (viii) a security is subject to a securities lending or similar program that has transferred legal title to the security to another person. In some foreign jurisdictions, even if the Adviser uses reasonable efforts to vote a proxy on behalf of its Advisory Clients, such vote or proxy may be rejected because of (a) operational or procedural issues experienced by one or more third parties involved in voting proxies in such jurisdictions; (b) changes in the process or agenda for the meeting by the issuer for which the Adviser does not have sufficient notice; and (c) the exercise by the issuer of its discretion to reject the vote of the Adviser. The Adviser or its affiliates may, on behalf of one or more of the registered investment companies advised by the Adviser or its affiliates, determine to use its best efforts to recall any security on loan where the Adviser or its affiliates (a) learn of a vote on a material event that may affect a security on loan, and (b) determine that it is in the best interests of such registered investment companies to recall the security for voting purposes. The Adviser will not generally make such efforts on behalf of other advisory clients, or notify such clients or their custodians that the Adviser or its affiliates has learned of such a vote.

The Proxy Group is responsible for maintaining the documentation that supports the Adviser's voting decision. Such documentation may include, but is not limited to, any information provided by Research Services and, with respect to any issuer that presents a potential conflict of interest, any board or audit committee memoranda describing the position it has taken. The Proxy Group may use an outside service such as a Research Service to support this recordkeeping function. All records will be retained for at least five years, the first two of which will be on-site at the offices of Franklin Templeton Companies, LLC. Advisory Clients may view the Adviser's complete proxy voting policies and procedures on-line at www.franklintempleton.com, request copies of their proxy voting records and the Adviser's complete proxy voting policies and procedures by calling the Proxy Group at 1-954-527-7678 or send a written request to: Franklin Templeton Companies, LLC, 300 S.E. 2nd Street, Fort Lauderdale, FL 33301, Attention: Proxy Group. For U.S. mutual fund products, an annual proxy voting record for the period ending June 30 of each year will be posted to www.franklintempleton.com no later than August 31 of each year. In addition, the Proxy Group is responsible for ensuring that the proxy voting policies, procedures and records of the Adviser are made available as required by law and is responsible for overseeing the filing of such policies and procedures with the SEC.

Item 18 Financial Information

No relevant information to disclose.