FRANKLIN TEMPLETON INVESTMENTS

FRANKLIN BIOTECHNOLOGY DISCOVERY FUND

AS OF 12/31/13

SECTOR

FUND DESCRIPTION

The fund seeks capital appreciation by investing at least 80% of its net assets in securities of biotechnology companies and discovery research firms including those involved in fields such as genomics, genetic engineering, and gene therapy, as well as health care, pharmaceuticals and agriculture.

FUND DATA[1]

Total Net Assets-All Share Classes: $1.2 billion

Number of Holdings: 96

Inception: 9/15/97

Beta[2]: 1.26

Dividends: Annually in December

CUSIP/Symbol by Class:

A	R6	Advisor
FBDIX	354 713 380	354 713 398

MAXIMUM SALES CHARGES

Class A: 5.75% initial sales charge

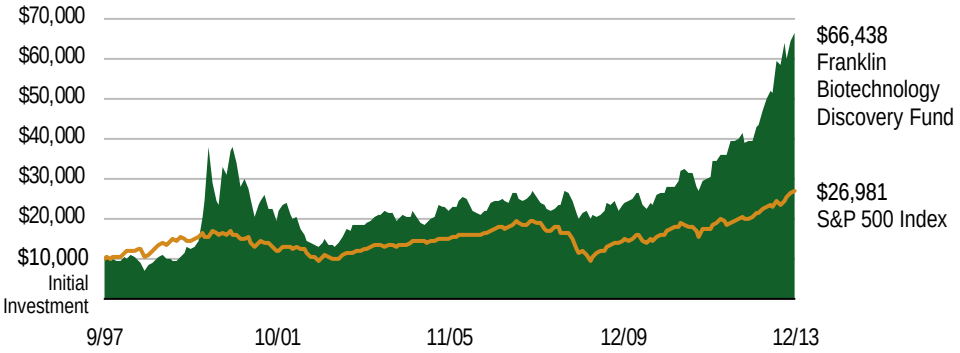
TOTAL ANNUAL OPERATING EXPENSES

Class A: 1.22%

Performance data represents past performance, which does not guarantee future results. Current performance may differ from figures shown. The fund's investment return and principal value will change with market conditions, and you may have a gain or a loss when you sell your shares. Please call Franklin Templeton Investments at (800) DIAL BEN/342-5236 or visit ***franklintempleton.com*** *for the most recent month-end performance.*

GROWTH OF A $10,000 INVESTMENT—CLASS A (Without Sales Charge)[3]

September 15, 1997–December 31, 2013



If the sales charge had been included, the return would have been lower.

AVERAGE ANNUAL TOTAL RETURNS *(As of December 31, 2013)*

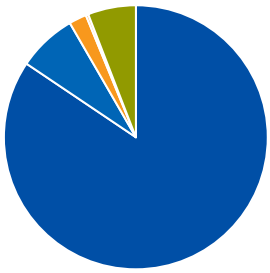
With Maximum Sales Charges[4]

Class	Inception Date	1 Yr	5 Yrs	10 Yrs	Since Inception
A	9/15/97	58.95%	23.92%	12.30%	11.92%

Without Sales Charges

1 Yr	5 Yrs	10 Yrs	Since Inception
68.64%	25.39%	12.96%	12.32%

PORTFOLIO BREAKDOWN[1,5]



- Biotechnology 84.43%
- Pharmaceuticals 7.28%
- Life Sciences Tools & Services 2.16%
- Health Care Supplies 0.27%
- Cash 5.87%

TOP 10 HOLDINGS[1]

Gilead Sciences Inc.	9.94%
Celgene Corp.	9.75%
Biogen Idec Inc.	6.77%
Amgen Inc.	6.22%
Medivation Inc.	4.10%
Regeneron Pharmaceuticals Inc.	3.84%
Alexion Pharmaceuticals Inc.	3.61%
Incyte Corp.	3.03%
Vertex Pharmaceuticals Inc.	2.93%
Biomarin Pharmaceutical Inc.	2.61%

1. As of 12/31/13. Holdings are subject to change. For updated information, please call Franklin Templeton Investments at (800) DIAL BEN/342-5236 or visit franklintempleton.com. The portfolio manager for the fund reserves the right to withhold release of information with respect to holdings that would otherwise be included in the top 10 holdings list.

2. Source: © 2014 Thomson Reuters, 12/31/13. Beta measures a fund's market-related risk over a three-year period relative to the S&P 1500 HealthCare (Price) Index. A beta lower than 1.00 indicates historically lower volatility than the index; higher than 1.00 indicates historically higher volatility.

3. Source: © 2014 Morningstar, 12/31/13. The index is unmanaged, and one cannot invest directly in an index.

4. Prior to 8/3/98, these shares were offered at a lower initial sales charge; thus actual returns may differ.

5. Due to rounding, the sum of portfolio holdings may not equal 100%.

6. CFA® and Chartered Financial Analyst® are trademarks owned by CFA Institute.

7. Source: Morningstar®, 9/30/13. The style box reveals a fund's investment style. The vertical axis shows the market capitalization of the stocks owned and the horizontal axis shows investment style (value, blend, or growth). Placement is determined by fund portfolio holding figures most recently entered into Morningstar's database and corresponding market conditions. Shaded areas show the past 3 years of quarterly data. Past performance does not guarantee future results.

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NOT FDIC INSURED I MAY LOSE VALUE I NO BANK GUARANTEE

PORTFOLIO MANAGERS[6]

Evan McCulloch, CFA
Since 1997; joined Franklin Templeton in 1992

Jerel A. Banks, M.D., Ph.D.
Since 2012; joined Franklin Templeton in 2012

MORNINGSTAR STYLE BOX™[7]

STYLE / SIZE	Value	Blend	Growth
Large			
Medium			✕
Small			

✕ Current
Historical

WHAT ARE THE RISKS?

All investments involve risks, including possible loss of principal. The fund is a non-diversified fund that concentrates in a single sector, which involves risks such as patent considerations, product liability, government regulatory requirements, and regulatory approval for new drugs and medical products. Biotechnology companies often are small and/or relatively new. Smaller companies can be particularly sensitive to changes in economic conditions and have less certain growth prospects than larger, more established companies and can be volatile, especially over the short term. The fund may also invest in foreign companies, which involve special risks, including currency fluctuations and political uncertainty. These and other risks are described more fully in the fund's prospectus.

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. Please carefully read a prospectus before you invest or send money.

MANAGER'S PERSPECTIVE

We look for biotechnology, biopharmaceutical and platform technology companies with excellent management, strong financial characteristics and attractive valuations. In addition, we assess these companies' products by performing extensive primary research such as thorough reviews of medical literature, consulting with community and academic physicians, and attending scientific meetings and symposia. Our goal is to find companies with competitive products, strong product development pipelines, large market opportunities and strong intellectual property.

With the increasing demand for new medical treatments continuing to drive earnings growth, and many profitable biotechnology firms available to choose from, we believe now is an exciting time to invest in biotechnology.
—Evan McCulloch, Portfolio Manager

CALENDAR YEAR TOTAL RETURNS—CLASS A (Without Sales Charge)

2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
68.64%	29.35%	8.35%	17.28%	11.83%	-10.64%	-1.60%	5.03%	5.55%	11.96%

2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
43.55%	-42.48%	-20.48%	46.58%	97.91%	10.73%	—	—	—	—

If the sales charge had been included, the returns would have been lower.

LIPPER RANKINGS[8]

Franklin Biotechnology Discovery Fund's Class A shares were ranked 2 out of 86 (top 3%), 9 out of 76 (top 12%), 23 out of 70 (top 33%) and 13 out of 51 (top 25%) funds in Lipper's Health/Biotechnology Funds classification in cumulative total return for the 1-, 3-, 5- and 10-year periods ended December 31, 2013.

MORNINGSTAR RATING™[9] ★★★★

As of December 31, 2013, the fund's Class A shares received a 4-star overall Morningstar Rating™, measuring risk-adjusted returns against 122, 110 and 90 U.S.-domiciled Health funds for the 3- , 5- and 10-year periods, respectively. A fund's overall rating is derived from a weighted average of the performance figures associated with its 3-, 5-, and 10-year (if applicable) rating metrics.

GAIN FROM OUR PERSPECTIVE®

Franklin Templeton's distinct multi-manager structure combines the specialized expertise of three world-class investment management groups—Franklin, Templeton and Mutual Series.

Specialized Expertise

Each of our portfolio management groups operates autonomously, relying on its own research and staying true to the unique investment disciplines that underlie its success.

- **Franklin.** Founded in 1947, Franklin is a recognized leader in fixed income investing and also brings expertise in growth- and value-style U.S. equity investing.
- **Templeton.** Founded in 1940, Templeton pioneered international investing and, in 1954, launched what has become the industry's oldest global fund. Today, with offices in over 25 countries, Templeton offers investors a truly global perspective.
- **Mutual Series.** Founded in 1949, Mutual Series is dedicated to a unique style of value investing, searching aggressively for opportunity among what it believes are undervalued stocks, as well as arbitrage situations and distressed securities.

8. Source: Lipper, Inc. Rankings do not include sales charges and are for the fund's Class A shares only. Other share classes may differ. **Past performance does not guarantee future results.**

9. Source: Morningstar®, 12/31/13. For each fund with at least a 3-year history, Morningstar calculates a risk-adjusted return measure that accounts for variation in a fund's monthly performance (including the effects of all sales charges), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive a Morningstar Rating™ of 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. (Each share class is counted as a fraction of one fund and rated separately.) The fund received Morningstar Ratings of 4, 4 and 3 stars for the 3-, 5- and 10-year periods, respectively. **Past performance does not guarantee future results.** Morningstar Rating™ is for Class A shares only; other classes may have different performance characteristics.

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