FRANKLIN TEMPLETON

FRANKLIN RESOURCES, INC.

Executive Earnings Commentary

First Quarter Results

February 2, 2021

Jenny Johnson
President
Chief Executive Officer

Greg Johnson
Executive Chairman

Matthew Nicholls
Executive Vice President
Chief Financial Officer

Adam Spector
Executive Vice President
Global Advisory Services
Head of Global Distribution

Conference Call Details:

Access to the teleconference at 10:00 AM Eastern will be available via webcast at investors.franklinresources.com or by dialing (833) 350-1245 in the U.S. and Canada or (236) 712-2205 internationally. A replay of the teleconference can also be accessed by calling (800) 585-8367 in the U.S. and Canada or (416) 621-4642 internationally using access code 6839779, after 1:00 p.m. Eastern Time on February 2, 2021 through February 9, 2021, or via the webcast at investors.franklinresources.com. Analysts and investors are encouraged to review the Company's recent filings with the U.S. Securities and Exchange Commission for additional information.

Forward-Looking Statements and Non-GAAP Financial Information:

This commentary contains forward-looking statements that involve a number of known and unknown risks, uncertainties and other important factors. You should see the appendix for important information concerning such matters. This commentary also contains non-GAAP financial measures. For the reconciliations from U.S. GAAP to non-GAAP measures, you should see the appendix to this commentary and the "Supplemental Non-GAAP Financial Measures" section of the earnings release.

FIRST QUARTER 2021 HIGHLIGHTS

- Assets under management reached a record high of approximately $1.5 trillion this quarter, driven primarily by strong market performance. Adjusted revenues increased by 20% to approximately $1.5 billion, primarily due to an additional month of Legg Mason results. Higher revenues and continued expense discipline resulted in a 28% increase in adjusted operating income to $550 million at an operating margin of 37.2%, a 250 bps expansion for the first quarter. Adjusted effective fee rate ("EFR") for the quarter was 38.3 bps, excluding performance fees, compared to 37.9 bps in the prior quarter.

- We reported first quarter long-term net outflows of $4.5 billion compared to $12.6 billion in the prior quarter, which included two months of Legg Mason results. Long-term net outflows included reinvested distributions of $12.6 billion.

- With minimal overlap between the combined companies, we experienced encouraging trends across the firm, including positive flows into Benefit Street Partners ("BSP"), Clarion Partners, ClearBridge, Fiduciary Trust, Franklin Equity Group, Franklin Templeton Fixed Income, Martin Currie, Royce and Western Asset. Our newly combined distribution group is now in place and focused on global strategic priorities, which include cross-selling and retention initiatives, broadening key client relationships and diversification opportunities.

- Our investment performance improved this quarter with 61%, 66%, 68% and 75% of our strategy composites outperforming their respective benchmarks on a 1-, 3-, 5- and 10-year basis. These results reflect particularly strong performance at Western and Brandywine Global as well as improvement at ClearBridge and across Franklin strategies compared to the prior quarter. Mutual funds with four- or five-star ratings by Morningstar[1] increased to 140 funds this quarter.

- Given our increased global scale and breadth of product offerings, we are well-positioned as a preferred partner and we continue to benefit from the consolidation of relationships among distributors and large institutions around the world.

- With $127 billion in Alternative assets under management and robust relationships across the retail channel, we saw demand for our retail Alternative offerings increase, primarily in our EMEA region, across a number of products including multi-strategy, social infrastructure and real estate strategies.

- With $113 billion in retail SMA assets under management, we have a top three market leading position and saw positive net flows this quarter. Though it's still early, we saw strong initial interest in new distribution channels for ClearBridge and Western and also experienced positive momentum in the retail SMA channel across both Franklin equities and fixed income strategies this quarter.

- Terrence Murphy, CEO of ClearBridge Investments, expanded his leadership role as Head of Equities for Franklin Templeton and will focus on setting strategy and driving organizational growth for the collective Franklin Templeton equities business, in addition to maintaining his role as CEO of ClearBridge. While these teams will continue to maintain their individual investment processes and autonomy, Terrence will facilitate collaboration across the equities business to drive results.

- We announced the launch of the Franklin Templeton Investment Institute, an innovative hub for research and knowledge sharing that we believe will unlock our competitive advantage as a source of global market insight. Under the leadership of Stephen Dover, as Chief Market Strategist, the institute's goal is to actively facilitate the sharing of research through multiple channels, including bespoke data analysis, proprietary content and academic partnerships.

1.

- We continue to expand our offerings beyond traditional investment products and look for new ways to serve our clients in powerful, market-leading ways. Our proprietary Goals Optimization Engine (“GOE”), which was launched last year, engages firms that are looking to digitally deliver a differentiated investment solution to investors that is both dynamic and personalized. GOE is seeing early success in both the wealth and retirement segments. In the U.S., we recently announced the launch of a quick deploy Robo solution, as well as a partnership for a managed account solution within 401k plans – both of which are powered by GOE. We also have built a healthy global pipeline of GOE deployments across various platforms and clients.

- All of our investment teams have a proprietary screen for ESG and consider it part of the investment process. Our proprietary ESG data lake is fed by numerous data sources as well as the active engagement by our investment teams with company’s management and other sources of information. It continues to grow as teams contribute to it and is available for all investment teams to leverage in their proprietary ESG analysis. We believe true ESG analysis requires fundamental research and engagement by investment teams.

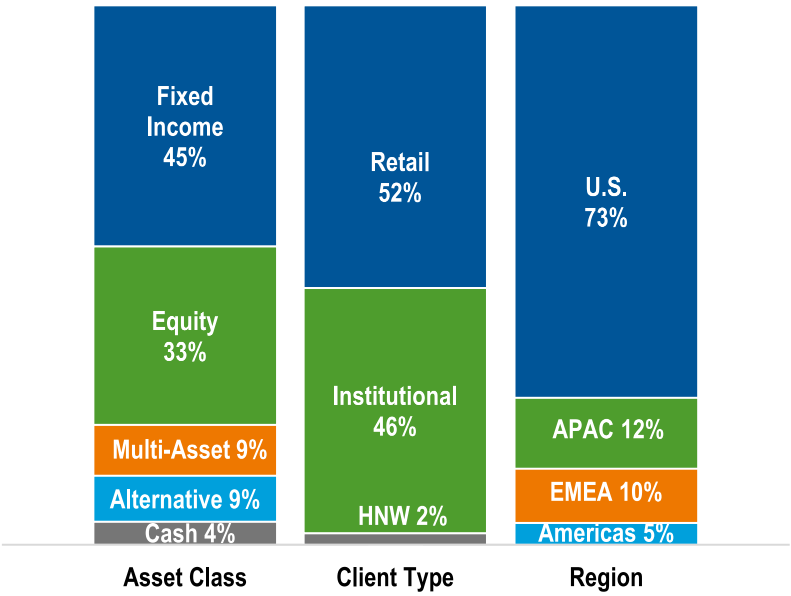
- Our cash and investments totaled $6.3 billion following the public offering of $750 million aggregate principal senior notes due 2030, issued at a 1.6% coupon. We have given notice to redeem the Legg Mason 6.375% notes, subject to board approval, with a face value of $250 million due March 2056, which will result in annual net savings of approximately $12 million starting March 15th. It is our continuing expectation that we will also call the Legg Mason 5.45% notes with a face value of $500 million due September 2056, which would generate an additional $19 million in net interest expense savings on an annual basis, starting in September.

- We continued our track record of dividend growth, increasing the dividend for the 40th consecutive year, with a 4% increase to our regular dividend in December. We returned approximately $691 million to shareholders via repurchases and dividends over the trailing twelve months.

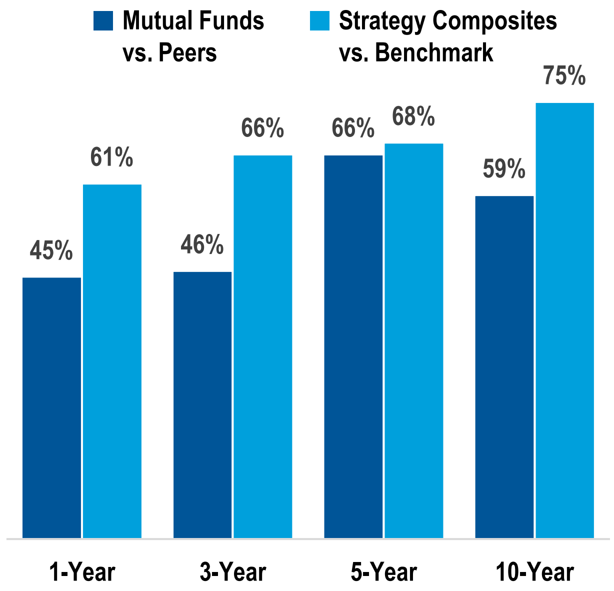
Assets Under Management (AUM) and Investment Performance

Globally Diversified by Asset Class, Client Type and Region

AUM of $1.5 trillion as of December 31, 2020



Percentage of AUM Above Peer Median and Benchmark[1]



- Assets under management of $1.5 trillion remain well-diversified across asset classes, client types and regions. At quarter end, we reclassified $6.3 billion in assets under management from Multi-Asset to Equity and $2 billion from Alternatives to Multi-Asset as part of our post-transaction onboarding process.

- At quarter end, we had 140 funds rated four or five stars by Morningstar. Long-term relative investment performance of our U.S. and international mutual funds improved this quarter, most notably the 5-year period where a majority of assets are now in the top two quartiles versus peers. A significant driver of the improvement was our Franklin Income Fund, which accounts for approximately 11% of ranked fund assets under management. The fund's income focus also yielded strong short-term performance over the last four months as dividend-oriented equities and corporate bonds rebounded. Several of our value-oriented equity strategies also generated strong performance over the last quarter and we saw strong performance in U.S. equities and U.S. fixed income.

- Performance of strategy composites versus benchmark improved for the 1-, 3- and 5-year periods while the 10-year results was unchanged. Western continued to perform extremely well with over 90% of assets beating the benchmark over all time periods presented and Brandywine Global experienced a notable rebound in performance across all time periods, particularly the 1- and 3-year periods, with at least 78% of assets beating the benchmark in all periods. Several ClearBridge and Franklin Templeton composites also saw improvement across all periods.

1. See Endnote 1.

Assets Under Management and Flows

(In US$ billions, for the three months ended)	Dec-20	Sep-20	Dec-20 vs. Sep-20	Dec-19	Dec-20 vs. Dec-19
Beginning AUM	1,418.9	622.8	128%	692.6	105%
Long-term inflows	96.1	65.4	47%	43.0	123%
Long-term outflows	(100.6)	(78.0)	29%	(55.3)	82%
Long-term net flows	**(4.5)**	**(12.6)**	**(64%)**	**(12.3)**	**(63%)**
Cash management net flows	(10.2)	(11.1)	-8%	1.0	NM
Total net flows	**(14.7)**	**(23.7)**	**(38%)**	**(11.3)**	**30%**
Acquisition	-	797.4	NM	-	NM
Net market change, dist. & other	93.8	22.4	319%	17.0	452%
Ending AUM	**1,498.0**	**1,418.9**	**6%**	**698.3**	**115%**
Average AUM	**1,443.8**	**1,227.8**	**18%**	**693.8**	**108%**

- Total AUM was $1,498 billion at December 31, 2020, an increase of $79 billion or 6% during the quarter and $800 billion from the prior year, due primarily to the acquisition of Legg Mason. Average AUM was $1,444 billion for the quarter, compared to $1,228 billion in the prior quarter. The increase in assets under management primarily reflected the additional month of Legg Mason's results and strong market gains.

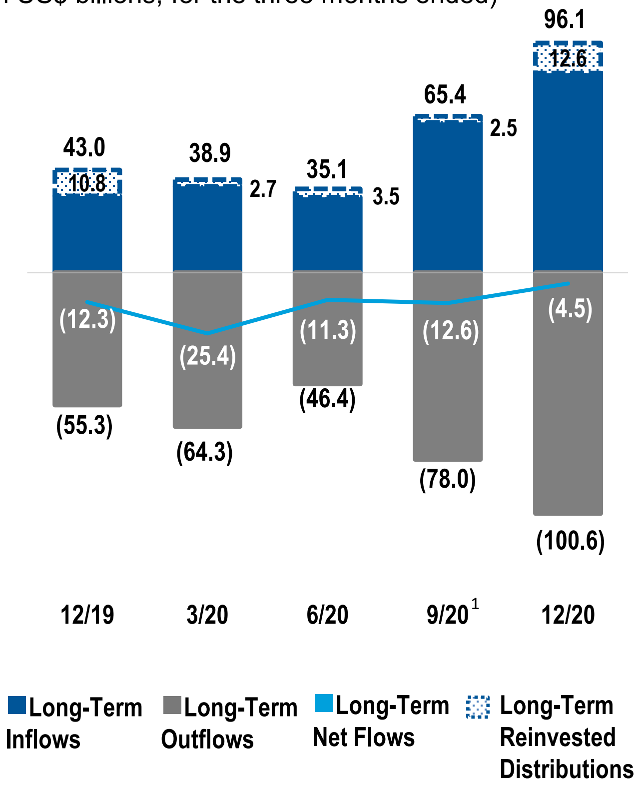
- Long-term inflows were $96.1 billion this quarter, including seasonally higher reinvested distributions of $12.6 billion. Long-term outflows were $100.6 billion. Long-term net outflows were $4.5 billion, compared to $12.6 billion in the prior quarter and $12.3 billion in the year ago period.

- As of quarter end, we have a promising institutional pipeline of opportunities, and a combined total of won but unfunded mandates of $11.0 billion.

- Cross-selling initiatives have started to yield positive results as we effectively respond to client needs with our expanded investment capabilities. In addition, we have successfully added products to key client recommended lists and extended our distribution arrangements to cover our expanded product suite.

Long-Term Flows

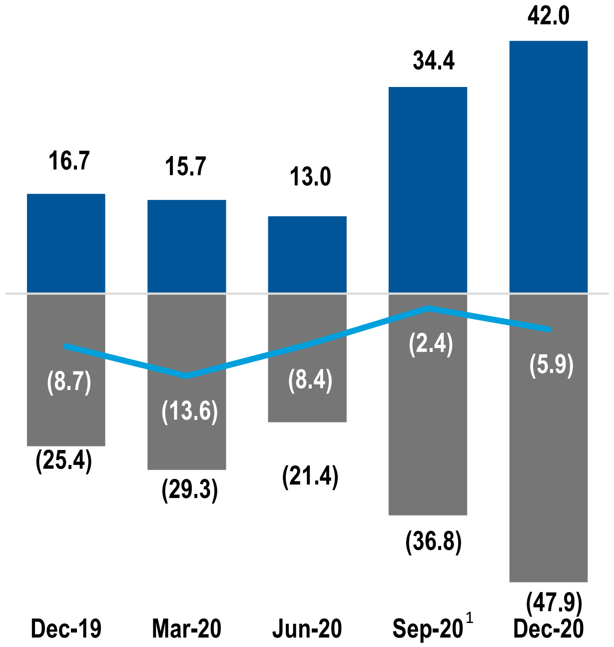
(In US$ billions, for the three months ended)



[1] Adjusting for three months of Legg Mason results (including the pre-acquisition July 2020 flows) in the quarter ended 9/30/20, long-term net outflows would have been $15.9 billion, including $2.6 billion of reinvested distributions. Long-term outflows would have been $104.1 billion.

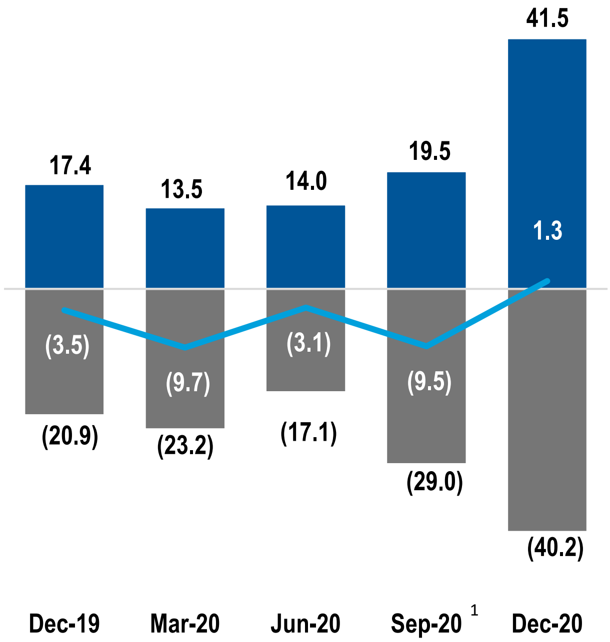
Fixed Income

(in US$ billions, for the three months ended)



Equity

(in US$ billions, for the three months ended)



Long-term inflows Long-term outflows Long-term net flows

[1] Adjusting for three months of Legg Mason results (including the pre-acquisition July 2020 flows) in the quarter ended 9/30/20, long-term net outflows for fixed income would have been $2.1 billion.

[1] Adjusting for three months of Legg Mason results (including the pre-acquisition July 2020 flows) in the quarter ended 9/30/20, long-term net outflows for equity would have been $15.8 billion.

- A diverse group of fixed income strategies, including core, core plus, corporate and muni bond generated strong net inflows. Redemptions in other strategies, primarily in our global bond strategies, contributed to net outflows of $5.9 billion for the category this quarter.

- Western Asset Management and Franklin Templeton Fixed Income continued net positive flow contributions this quarter. Western's long-term assets are at the highest level in over a decade.

- Notwithstanding outflows from its global macro strategy, Brandywine Global performance rebounded strongly and saw net inflows into global multi-sector products in the latter part of the quarter.

- We continue to expand and innovate our fixed income offerings with early success across new capabilities, including net flows over the first fiscal quarter with $800 million in the newly launched Franklin European Total Return Fund, $2 billion in fixed income retail separately managed accounts including SMAs and bond ladders, and in fixed index annuity offerings.

- Equity net flows were $1.3 billion in the quarter due to positive contributions from ClearBridge, Franklin Equity Group, Martin Currie and Royce, offset by redemptions in international strategies and the previously mentioned $3 billion sub-advisory account redemption in October.

- ClearBridge ended the quarter with record assets under management.

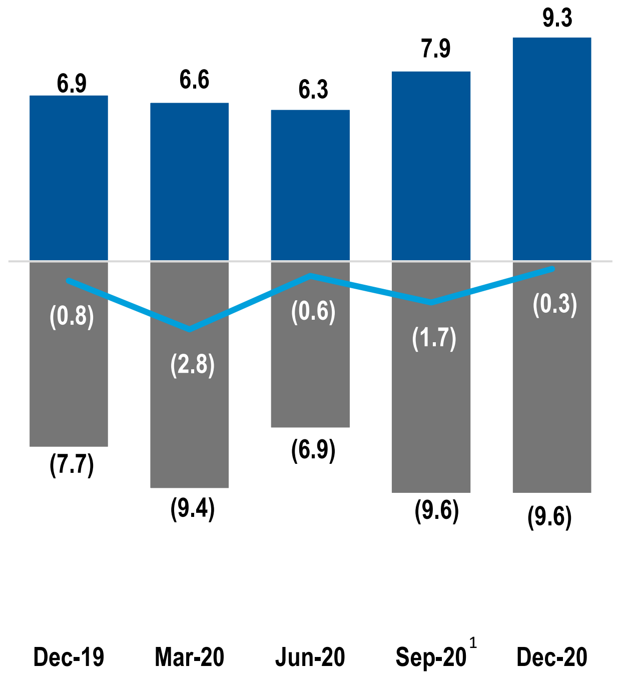
- Franklin Equity generated strong inflows led by Franklin DynaTech ($22.5 billion in AUM), Franklin Growth ($20.6 billion in AUM) and Franklin US Opportunities ($7.6 billion in AUM).

- Martin Currie and Royce also posted meaningful net flow contributions in the quarter compared to their total assets under management.

- In January, we launched Franklin Exponential Data ETF, adding a fourth equity ETF to our thematic suite managed by Matt Moberg, co-manager for the Franklin DynaTech Fund. Our ETF business has now reached over $12 billion in assets under management.

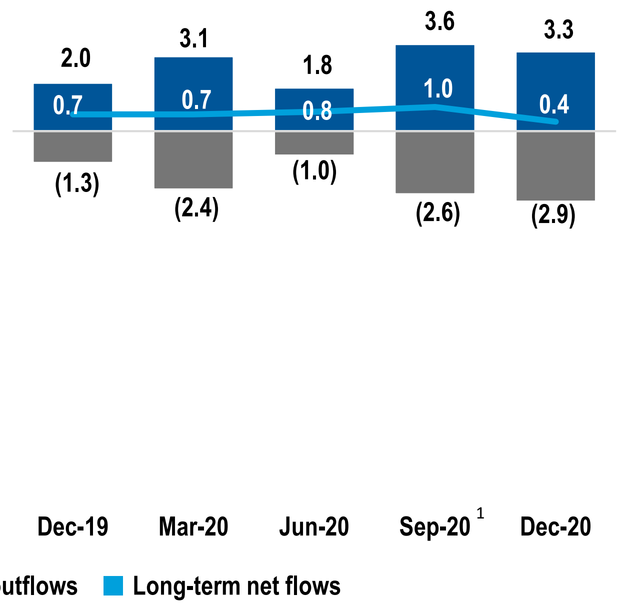
Multi-Asset

(in US$ billions, for the three months ended)



Alternative

(in US$ billions, for the three months ended)



[1] Adjusting for three months of Legg Mason results (including the pre-acquisition July 2020 flows) in the quarter ended 9/30/20 would not have impacted net multi-asset flows.

- Multi-asset net outflows were $0.3 billion, compared to $1.7 billion in the prior quarter, due largely to improving performance at the Franklin Income Fund over the past four months.

- Fiduciary Trust generated positive net flows and ended the quarter with record high-net-worth assets under management of $32 billion.

[1] Adjusting for three months of Legg Mason results (including the pre-acquisition July 2020 flows) in the quarter ended 9/30/20, long-term net inflows for alternatives would have been $3.7 billion.

- Our alternative asset strategies generated another consecutive quarter of net inflows, which were $0.4 billion this quarter, driven primarily by our real estate, private debt and infrastructure strategies.

- Clarion Partners ended the quarter with record AUM and was a strong contributor to inflows as investor demand continues for the real estate asset class. Uncalled committed capital is $1.3 billion.

- Benefit Street Partners launched a private business development company during the quarter. It priced a new CLO (BSP's 22nd under management) for approximately $400 million, and in January held its final closing in the Dislocation Fund with $628 million in total commitments. Additionally, BSP called approximately $310 million of committed capital across the Private Debt and Special Situations platform.

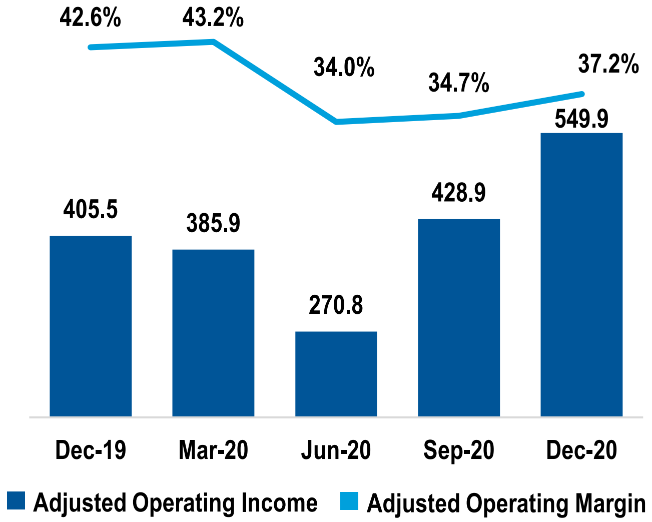
Financial Highlights

(GAAP and non-GAAP in US$ millions except per share data, for the three months ended)

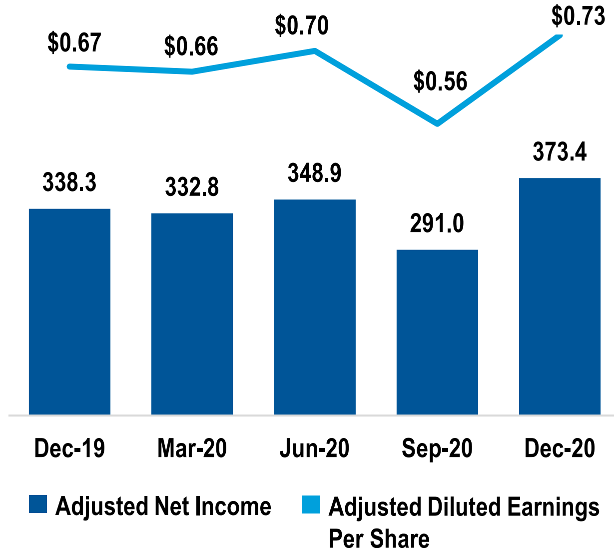
US GAAP	Dec-19	Mar-19	Jun-20	Sep-20	Dec-20
Operating Income	372.9	339.9	232.5	103.6	409.1
Operating Margin	26.8%	25.9%	20.0%	6.1%	20.5%

US GAAP	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Net Income	350.5	79.1	290.4	78.9	345.3
Diluted EPS	$0.70	$0.16	$0.58	$0.15	$0.67

Adjusted Operating Income and Adjusted Operating Margin



Adjusted Net Income and Adjusted Diluted Earnings Per Share



- Financial results for the quarter ended December 31, 2020 reflect the first full quarter operating as a combined company, compared to two months of Legg Mason results in the prior quarter.

- Adjusted operating income for the quarter improved to $550 million, a 28% increase from the prior quarter, reflecting the additional month of Legg Mason's results and higher average assets under management. Adjusted operating income grew by 36% compared to the year ago period (the quarter immediately prior to announcing the acquisition of Legg Mason). If the additional month (July) of Legg Mason results were included in the prior quarter, adjusted operating income would have increased by 15%.

- Adjusted operating margin increased to 37.2%, reflecting higher revenues driven by the increase in average assets under management and continued expense discipline.

- We continue to make good progress toward achieving target cost synergies of $300 million across the combined organization as we execute our expense reduction initiatives. Approximately 40% of run-rate synergies have been achieved as of December 31, 2020 and we remain on schedule to reach 85% of these synergies by the end of this fiscal year. As these are run-rate estimates, the actual realized cost savings for 2021 will be approximately $150 million (included in our expense guidance noted on page 10). We expect to realize closer to the full amount of $300 million in full-year 2022. Notwithstanding the synergies already identified, we continue to explore ways to operate our business more efficiently.

- Adjusted net income and adjusted earnings per share improved to $373 million, or $0.73 per share, increases of 28% and 30%, respectively.

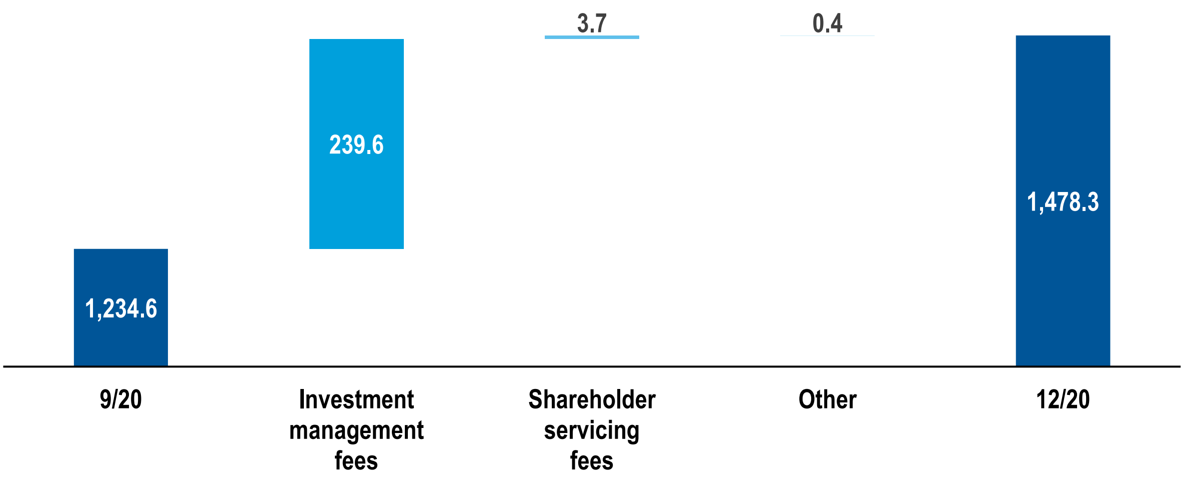
For the reconciliations from US GAAP to non-GAAP measures see the appendix to this commentary and the Supplemental Non-GAAP Financial Measures section of the earnings release.

Revenues

(GAAP and non-GAAP results, in US$ millions, for the three months ended)

	Dec-20 US GAAP	Adjustments	Dec-20 Adjusted	Sep-20 Adjusted	Dec-20 Adjusted vs. Sep-20 Adjusted	Dec-19 Adjusted	Dec-20 Adjusted vs. Dec-19 Adjusted
Investment management fees	1,540.4	(119.9)	1,420.5	1,180.9	20%	894.0	59%
Sales and distribution fees	396.9	(396.9)	-	-	-	-	-
Shareholder servicing fees	49.4	-	49.4	45.7	8%	50.0	(1%)
Other	8.4	-	8.4	8.0	5%	8.0	5%
Total Operating Revenues	**1,995.1**	**(516.8)**	**1,478.3**	**1,234.6**	**20%**	**952.0**	**55%**

Adjusted Operating Revenues—Quarter Ended September 30, 2020 vs December 30, 2020



- Adjusted operating revenue grew to almost $1.5 billion, an increase of 20% from the prior quarter primarily due to an additional month of Legg Mason results.
- Investment management fees, as adjusted, were $1,421 million, an increase of $240 million or 20% from last quarter. The increase was primarily due to the additional month of Legg Mason's results, higher average assets under management, a positive mix shift towards equities and performance fees of $25.8 million (a $15.9 million increase from the September quarter). Our adjusted effective fee rate for the quarter was 38.3 bps, excluding performance fees, compared to 37.9 bps in the prior quarter, reflecting the increase in our equity and alternative assets under management.
- As a reminder, last quarter we changed the presentation of our consolidated statement of income to include certain income and expenses from consolidated investment products ("CIP") in non-operating income rather than in operating results to conform with the presentation of industry peers. This change does not impact net income or our adjusted earnings measures.

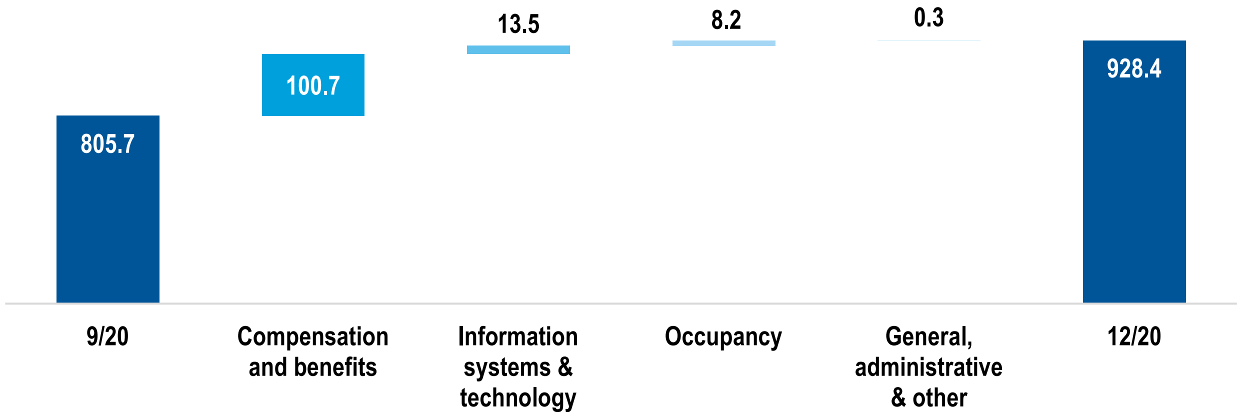
For the reconciliations from US GAAP to non-GAAP measures see the appendix to this commentary and the Supplemental Non-GAAP Financial Measures section of the earnings release.

Expenses

(GAAP and non-GAAP results, in US$ millions, for the three months ended)

	Dec-20 US GAAP	Adjustments	Dec-20 Adjusted	Sep-20 Adjusted	Dec-20 Adjusted vs. Sep-20 Adjusted	Dec-19 Adjusted	Dec-20 Adjusted vs. Dec-19 Adjusted
Compensation & benefits	725.5	(81.0)	644.5	543.8	19%	368.1	75%
Sales, distribution & marketing	506.5	(506.5)	-	-	-	-	-
Information systems & technology	116.5	(1.0)	115.5	102.0	13%	62.5	85%
Occupancy	55.7	-	55.7	47.5	17%	34.5	61%
Amortization of intangible assets	58.2	(58.2)	-	-	-	-	-
General, administrative & other	123.6	(10.9)	112.7	112.4	0%	81.4	38%
Total Operating Expenses	**1,586.0**	**(657.6)**	**928.4**	**805.7**	**15%**	**546.5**	**70%**

Adjusted Operating Expenses—Quarter Ended September 30, 2020 vs December 31, 2020



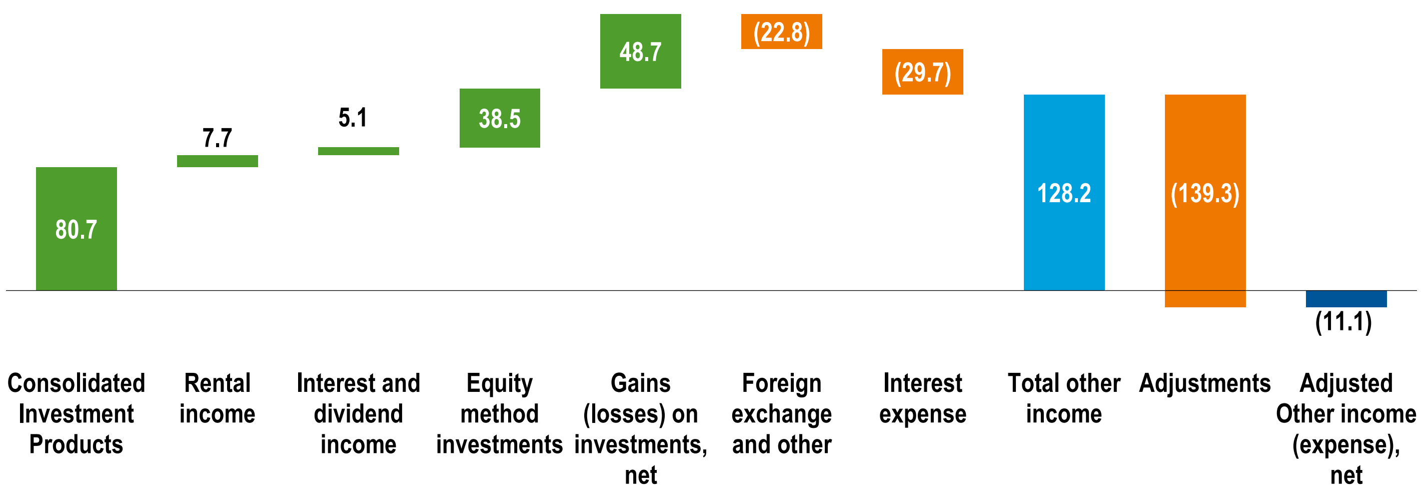
- Adjusted expenses increased by 15% during the quarter to $928 million, reflecting the additional month of Legg Mason's results.
- Compensation and benefits expense, adjusted to exclude acquisition-related retention compensation, special termination benefits and the legacy Legg Mason deferred compensation plan, were approximately 44% of adjusted revenues, consistent with the prior quarter.
- Non-compensation adjusted expenses increased 8% this quarter, due primarily to an additional month of Legg Mason results.
- The strong market rally during the quarter slightly increased our adjusted expense projections for the full fiscal year. Last quarter, we guided to adjusted expenses of $3.7 billion. Given the outsized market movement during the quarter, and all else remaining equal, we currently expect full fiscal year expenses to be marginally higher at approximately $3.75 billion.

For the reconciliations from US GAAP to non-GAAP measures see the appendix to this commentary and the Supplemental Non-GAAP Financial Measures section of the earnings release.

Other Income

(GAAP and non-GAAP results, in US$ millions, for the three months ended December 31, 2020)

Other Income

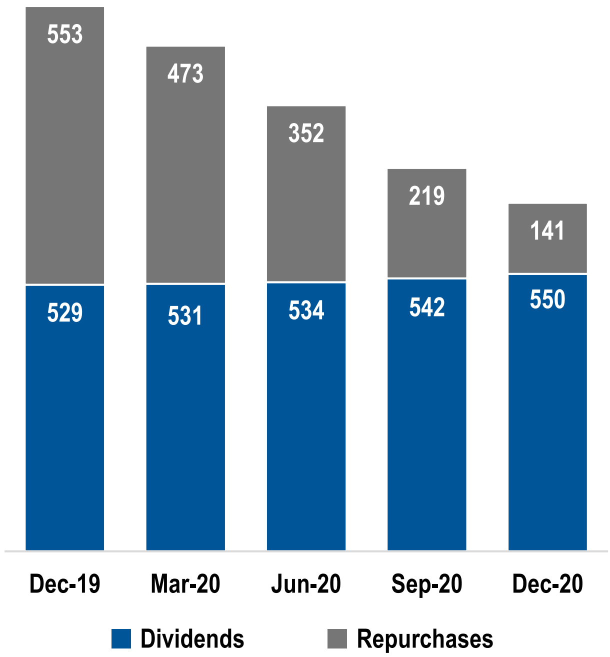


- Adjusted other expense, net was $11 million this quarter. The decrease from the prior quarter was primarily attributable to a full quarter of interest expense related to Legg Mason's debt and our newly issued notes, which combined added $10 million to this expense, inclusive of the debt premium amortization. We have given notice to redeem the Legg Mason 6.375% notes due March 2056, subject to board approval, which will result in annual net savings of approximately $12 million.
- This quarter's GAAP tax rate of 26.5% was slightly higher than our projected annual rate due to additional tax expenses recorded in the quarter relating to equity compensation, which vested at prices lower than at grant, and gains related to the transfer of certain European subsidiaries required to complete our Brexit planning. Per previous guidance, we anticipate this year's tax rate to be in the range of 24% to 26% on a GAAP basis. Non-GAAP adjustments can have a meaningful impact on the rate applied to adjusted earnings.

Capital Management

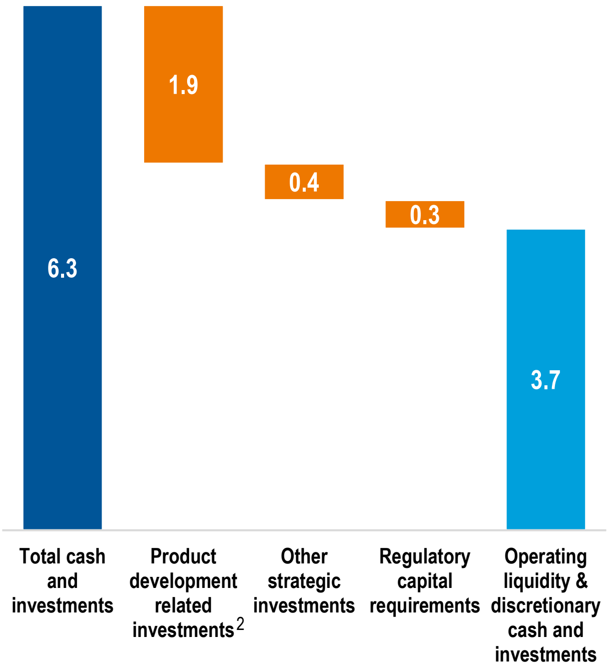
Dividends and Share Repurchases

(in US$ millions, for the trailing twelve months ended)



Allocation of Cash and Investments[1]

(In US$ billions, as of December 31, 2020)



- The quarterly dividend of $0.28 per share, a 4% increase, was declared in December. During the quarter, share repurchases (repurchased 2.1 million shares for $46 million) were focused on offsetting dilution related to employee compensation plans.

- Total cash and investments were $6.3 billion as of December 31, 2020, including our direct investments in consolidated investment products, compared to $5.1 billion at September 30, 2020. The increase in cash and investments was primarily attributable to proceeds from cash generated from operations and the issuance of senior notes that will be used to retire the Legg Mason junior notes, partially offset by our regular dividend and share repurchases during the period. Excluding net proceeds from the senior notes offering of approximately $750 million, we would have $5.5 billion in cash and investments.

- Product development related investments increased $292 million compared to the previous quarter, primarily due to new investments and appreciation.

- We expect to continue our history of annual regular cash dividend growth, opportunistic share repurchases and debt management, while maintaining a strong liquidity and credit profile.

1. Includes direct investments in CIPs of $0.9 billion
2. Includes undrawn capital commitments of $0.4 billion

Appendix

Reconciliation of US GAAP results to Non-GAAP results: Three months ended December 31, 2020

(in US$ millions except per share data)	US GAAP Basis	Consolidated Investment Products	Sales, distribution and marketing	Acquisition-related	Special Termination Benefits	Unrealized investment (gains) losses	Legacy LM Deferred Comp Plan	Non-GAAP Basis
Revenues								
Investment management fees	**1,540.4**	5.7	(109.6)	(16.0)	-	-	-	**1,420.5**
Sales and distribution fees	**396.9**	-	(396.9)	-	-	-	-	**-**
Shareholder servicing fees	**49.4**	-	-	-	-	-	-	**49.4**
Other	**8.4**		-	-	-	-	-	**8.4**
Total Operating Revenues	**1,995.1**	**5.7**	**(506.5)**	**(16.0)**	**-**	**-**	**-**	**1,478.3**
Expenses								
Compensation and benefits	**725.5**	-	-	(59.5)	(7.4)	-	(14.1)	**644.5**
Sales, distribution and marketing	**506.5**	-	(506.5)	-	-	-	-	**-**
Information systems and technology	**116.5**	-	-	(1.0)	-	-	-	**115.5**
Occupancy	**55.7**	-	-	-	-	-	-	**55.7**
Amortization of intangible assets	**58.2**	-	-	(58.2)	-	-	-	**-**
General, administrative and other	**123.6**		-	(10.9)	-	-	-	**112.7**
Total Operating Expenses	**1,586.0**	**-**	**(506.5)**	**(129.6)**	**(7.4)**	**-**	**(14.1)**	**928.4**
Operating Income	**409.1**	**5.7**	**-**	**113.6**	**7.4**	**-**	**14.1**	**549.9**
Other Income (Expense)								
Other income (expenses), net	**128.2**	(20.3)	-	(7.8)	-	(95.9)	(15.3)	**(11.1)**
Income before taxes	**537.3**	**(14.6)**	**-**	**105.8**	**7.4**	**(95.9)**	**(1.2)**	**538.8**
Taxes on income	**142.5**	-	-	25.8	1.7	(18.0)	(0.3)	**151.7**
Net income	**394.8**	**(14.6)**	**-**	**80.0**	**5.7**	**(77.9)**	**(0.9)**	**387.1**
Less: Net income (loss) attributable to noncontrolling interests	**49.5**	(35.8)	-	-	-	-	-	**13.7**
Net Income Attributable to Franklin Resources, Inc.	**345.3**	**21.2**	**-**	**80.0**	**5.7**	**(77.9)**	**(0.9)**	**373.4**
Less: allocation of earnings to participating nonvested stock and stock unit awards	**14.6**							**15.8**
Diluted EPS	**$0.67**				**Adjusted Diluted EPS**			**$0.73**
Diluted Shares Outstanding	**491.7**				**Diluted Shares Outstanding**			**491.7**
Operating Margin	**20.5%**				**Adjusted Operating Margin**			**37.2%**

Reconciliation of US GAAP results to Non-GAAP results: Three months ended September 30, 2020

(in US$ millions except per share data)	US GAAP Basis	Consolidated Investment Products	Sales, distribution and marketing	Acquisition-related	Special Termination Benefits	Unrealized investment (gains) losses	Legacy LM Deferred Comp Plan	Non-GAAP Basis
Revenues								
Investment management fees	**1,284.6**	5.4	(99.7)	(9.4)	-	-	-	**1,180.9**
Sales and distribution fees	**366.7**	0.3	(367.0)	-	-	-	-	**-**
Shareholder servicing fees	**45.7**	-	-	-	-	-	-	**45.7**
Other	**8.0**		-	-	-	-	-	**8.0**
Total Operating Revenues	**1,705.0**	**5.7**	**(466.7)**	**(9.4)**	**-**	**-**	**-**	**1,234.6**
Expenses								
Compensation and benefits	**732.3**	-	-	(141.2)	(46.1)	-	(1.2)	**543.8**
Sales, distribution and marketing	**466.7**	-	(466.7)	-	-	-	-	**-**
Information systems and technology	**102.0**	-	-	-	-	-	-	**102.0**
Occupancy	**47.5**	-	-	-	-	-	-	**47.5**
Amortization of intangible assets	**40.1**	-	-	(40.1)	-	-	-	**-**
General, administrative and other	**212.8**		-	(100.4)	-	-	-	**112.4**
Total Operating Expenses	**1,601.4**	**-**	**(466.7)**	**(281.7)**	**(46.1)**	**-**	**(1.2)**	**805.7**
Operating Income	**103.6**	**5.7**	**-**	**272.3**	**46.1**	**-**	**1.2**	**428.9**
Other Income (Expense)								**-**
Other income (expenses), net	**96.0**	(55.3)	-	(1.8)	-	(26.9)	(1.3)	**10.7**
Income before taxes	**199.6**	**(49.6)**	**-**	**270.5**	**46.1**	**(26.9)**	**(0.1)**	**439.6**
Taxes on income	**73.1**	-	-	57.1	10.8	(5.6)	-	**135.4**
Net income	**126.5**	**(49.6)**	**-**	**213.4**	**35.3**	**(21.3)**	**(0.1)**	**304.2**
Less: Net income (loss) attributable to noncontrolling interests	**47.6**	(51.1)	-	16.7	-	-	-	**13.2**
Net Income Attributable to Franklin Resources, Inc.	**78.9**	**1.5**	**-**	**196.7**	**35.3**	**(21.3)**	**(0.1)**	**291.0**
Less: allocation of earnings to participating nonvested stock and stock unit awards	**4.9**							**18.1**
Diluted EPS	**$0.15**			**Adjusted Diluted EPS**				**$0.56**
Diluted Shares Outstanding	**491.7**			**Diluted Shares Outstanding**				**491.7**
Operating Margin	**6.1%**			**Adjusted Operating Margin**				**34.7%**

Reconciliation of US GAAP results to Non-GAAP results: Three months ended December 31, 2019

(in US$ millions except per share data)	US GAAP Basis	Consolidated Investment Products	Sales, distribution and marketing	Acquisition-related	Unrealized investment (gains) losses	Non-GAAP Basis
Revenues						
Investment management fees	**979.7**	6.7	(92.4)	-	-	**894.0**
Sales and distribution fees	**351.5**	-	(351.5)	-	-	**-**
Shareholder servicing fees	**50.0**	-	-	-	-	**50.0**
Other	**8.0**	-	-	-	-	**8.0**
Total Operating Revenues	**1,389.2**	**6.7**	**(443.9)**	**-**	**-**	**952.0**
Expenses						
Sales, distribution and marketing	**443.9**	-	(443.9)	-	-	**-**
Compensation and benefits	**389.4**	-	-	(21.3)	-	**368.1**
Information systems and technology	**62.5**	-	-	-	-	**62.5**
Occupancy	**34.5**	-	-	-	-	**34.5**
Amortization of intangible asset	**4.8**	-	-	(4.8)	-	**-**
General, administrative and other	**81.2**	-	-	0.2	-	**81.4**
Total Operating Expenses	**1,016.3**	**-**	**(443.9)**	**(25.9)**	**-**	**546.5**
Operating Income	**372.9**	**6.7**	**-**	**25.9**	**-**	**405.5**
Other Income (Expense)						
Other income (expenses), net	**72.7**	0.2	-	-	(36.4)	**36.5**
Income before taxes	**445.6**	**6.9**	**-**	**25.9**	**(36.4)**	**442.0**
Taxes on income	**97.5**	-	-	6.0	0.3	**103.8**
Net income	**348.1**	**6.9**	**-**	**19.9**	**(36.7)**	**338.2**
Less: Net income (loss) attributable to noncontrolling interests	**(2.4)**	2.3	-	-	-	**(0.1)**
Net Income Attributable to Franklin Resources, Inc.	**350.5**	**4.6**	**-**	**19.9**	**(36.7)**	**338.3**
Less: allocation of earnings to participating nonvested stock and stock unit awards	**4.2**					**4.1**
Diluted EPS	**$0.70**			**Adjusted Diluted EPS**		**$0.67**
Diluted Shares Outstanding	**495.3**			**Diluted Shares Outstanding**		**495.3**
Operating Margin	**26.8%**			**Adjusted Operating Margin**		**42.6%**

Endnotes

1. Mutual fund performance is sourced from Morningstar and measures the percentage of ranked fund AUM in the top two quartiles of their peer groups. Mutual Fund AUM measured for the 1-, 3-, 5- and 10-year periods represents 41%, 40%, 40% and 38%, respectively of the firm's total AUM as of December 31, 2020. Benchmark comparisons are based on each strategy's composite returns (composites may include retail SMA and mutual fund assets managed as part of the same strategy) as compared to a market index that has been selected to be generally consistent with the investment objectives of the account. Multi-asset strategies that lack benchmarks consistent with their investment objectives, are excluded. Composite AUM measured for the 1-, 3-, 5-, and 10-year periods represent 68%, 68%, 67% and 64%, respectively of the firm's total AUM as of December 31, 2020.

Forward-Looking Statements

Some of the statements herein may include forward-looking statements that reflect our current views with respect to future events and financial performance. Such statements are provided under the “safe harbor” protection of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include all statements that do not relate solely to historical or current facts and generally can be identified by words or phrases written in the future tense and/or are preceded by words such as “anticipate,” “believe,” “could,” “depends,” “estimate,” “expect,” “intend,” “likely,” “may,” “plan,” “potential,” “seek,” “should,” “will,” or “would,” or other similar words or variations thereof, or the negative thereof, but these terms are not the exclusive means of identifying such statements.

Forward-looking statements involve a number of known and unknown risks, uncertainties and other important factors, some of which are listed below, that may cause actual results and outcomes to differ materially from any future results or outcomes expressed or implied by such forward-looking statements. While forward-looking statements are our best prediction at the time that they are made, you should not rely on them and are cautioned against doing so. Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other possible future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. They are neither statements of historical fact nor guarantees or assurances of future performance. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them.

These and other risks, uncertainties and other important factors are described in more detail in our recent filings with the U.S. Securities and Exchange Commission, including, without limitation, in Risk Factors and Management’s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended September 30, 2020 and our subsequent Quarterly Report on Form 10-Q:

- Our business and operations are subject to adverse effects from the outbreak and spread of contagious diseases such as COVID-19, and we expect such adverse effects to continue.
- Volatility and disruption of our business and the capital and credit markets, and adverse changes in the global economy, may significantly affect our results of operations and may put pressure on our financial results.
- The amount and mix of our AUM are subject to significant fluctuations.
- We are subject to significant risk of asset volatility from changes in the global financial, equity, debt and commodity markets.
- Our funds may be subject to liquidity risks or an unanticipated large number of redemptions and fund closures.
- A shift in our asset mix toward lower fee products may negatively impact our revenues.
- We may not effectively manage risks associated with the replacement of benchmark indices.
- Poor investment performance of our products could reduce the level of our AUM or affect our sales, and negatively impact our revenues and income.
- Harm to our reputation may negatively impact our revenues and income.
- Our completed acquisition of Legg Mason, Inc. remains subject to integration risks.
- Our business operations are complex and a failure to perform operational tasks properly or comply with applicable regulatory requirements could have an adverse effect on our revenues and income.
- Failure to establish adequate controls and risk management policies, or the circumvention of controls and policies, could have an adverse effect on our global operations, reputation and financial position.
- We face risks, and corresponding potential costs and expenses, associated with conducting operations and growing our business in numerous countries.
- Our focus on international markets as a source of investments and sales of our products subjects us to increased exchange rate and market-specific political, economic or other risks that may adversely impact our revenues and income generated overseas.
- We may review and pursue strategic transactions that could pose risks to our business.

Forward-Looking Statements (continued)

- Failure to properly address the increased transformative pressures affecting the asset management industry could negatively impact our business.
- Strong competition from numerous and sometimes larger companies with competing offerings and products could limit or reduce sales of our products, potentially resulting in a decline in our market share, revenues and income.
- Increasing competition and other changes in the third-party distribution and sales channels on which we depend could reduce our income and hinder our growth.
- Any failure of our third-party providers to fulfill their obligations, or our failure to maintain good relationships with our providers, could adversely impact our business.
- We may be adversely affected if any of our third-party providers is subject to a successful cyber or security attack.
- Our ability to manage and grow our business successfully can be impeded by systems and other technological limitations.
- Any significant limitation, failure or security breach of our information and cyber security infrastructure, software applications, technology or other systems that are critical to our operations could disrupt our business and harm our operations and reputation.
- Our inability to recover successfully, should we experience a disaster or other business continuity problem, could cause material financial loss, regulatory actions, legal liability, and/or reputational harm.
- We depend on key personnel and our financial performance could be negatively affected by the loss of their services.
- Our ability to meet cash needs depends upon certain factors, including the market value of our assets, our operating cash flows and our perceived creditworthiness.
- We are dependent on the earnings of our subsidiaries.
- We are subject to extensive, complex, overlapping and frequently changing rules, regulations, policies, and legal interpretations.
- We may be adversely affected as a result of new or revised legislation or regulations or by changes in the interpretation of existing laws and regulations, in the U.S. and other jurisdictions.
- Global regulatory and legislative actions and reforms have made compliance in the regulatory environment in which we operate more costly and future actions and reforms could adversely impact our financial condition and results of operations.
- Failure to comply with the laws, rules or regulations in any of the jurisdictions in which we operate could result in substantial harm to our reputation and results of operations.
- Changes in tax laws or exposure to additional income tax liabilities could have a material impact on our financial condition, results of operations and liquidity.
- Regulatory and governmental examinations and/or investigations, litigation and the legal risks associated with our business, could adversely impact our AUM, increase costs and negatively impact our profitability and/or our future financial results.
- Our contractual obligations may subject us to indemnification costs and liability to third parties.
- Failure to protect our intellectual property may negatively impact our business.

If a circumstance occurs after the date of this press release that causes any of our forward-looking statements to be inaccurate, whether as a result of new information, future developments or otherwise, we undertake no obligation to announce publicly the change to our expectations, or to make any revision to our forward-looking statements, to reflect any change in assumptions, beliefs or expectations, or any change in events, conditions or circumstances upon which any forward-looking statement is based, unless required by law.

The information in this commentary is provided solely in connection with this commentary, and is not directed toward existing or potential investment advisory clients or fund shareholders.

Investor Relations Contacts

1 (650) 312-4091