FRANKLIN RESOURCES, INC.

Executive Earnings Commentary

Second Quarter Results

May 4, 2021

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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 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 3991013, after 1:00 p.m. Eastern Time on May 4, 2021 through May 11, 2021, or via 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.

SECOND QUARTER 2021 HIGHLIGHTS

FINANCIAL	Adjusted revenues increased by 4% to $1.53 billion from the prior quarter, reflecting higher average AUM and an adjusted effective fee rate for the quarter of 38.7 bps, excluding performance fees, compared to 38.3 bps in the first quarter. Adjusted performance fees were $36 million, a $10 million increase from the prior quarter.
	Adjusted operating income increased by 6% to $581 million from the prior quarter resulting in an operating margin of 38%, reflecting an 80 bps increase from the prior quarter. Adjusted net income and adjusted earnings per share both increased 8% to $404 million and $0.79 per share, respectively.
	Cash and investments totaled $6.2 billion at March 31, 2021. This quarter, we redeemed the Legg Mason 6.375% notes with a face value of $250 million due March 2056, resulting in annual net savings of approximately $12 million. It is our continuing expectation that in September of this year we will call the Legg Mason 5.45% notes with a face value of $500 million due September 2056, subject to approval by the Franklin Resources, Inc. Board of Directors, which would generate an additional $19 million in net annual interest expense savings.
INVESTMENT PERFORMANCE	Our investment performance improved this quarter with 68%, 67%, 69% and 76% of our strategy composites outperforming their respective benchmarks on a 1-, 3-, 5- and 10-year basis. These results reflect strong performance at Western Asset, Brandywine Global, and our alternative asset strategies, as well as outperformance in our global and international equity strategies across Franklin Templeton Equity compared to the prior quarter.
	Mutual funds with four- or five-star ratings by Morningstar[1] increased to over 140 funds this quarter.
AUM AND FLOWS	Ending assets under management remained at $1.50 trillion, reflecting slight market gains partially offset by $4.2 billion in long-term net outflows. Average AUM increased by 4% compared to the prior quarter.
	We continued to experience progress across the business as our global distribution teams gained traction with collective sales initiatives and deepening relationships. Long-term inflows increased by $15.9 billion or 19% quarter-over-quarter to $99.4 billion, excluding $2.3 billion of reinvested distributions this quarter and $12.6 billion of seasonally higher reinvested distributions in the prior quarter. Including reinvested distributions, long-term inflows increased by 6% to $101.7 billion in the quarter.
	Second quarter long-term net outflows improved to $4.2 billion compared to $4.5 billion in the prior quarter (excluding reinvested distributions, net outflows improved by over $10 billion). This quarter included a single fixed income institutional redemption of nearly $6 billion that had de minimis impact on revenue and $1.3 billion of outflows from the previously disclosed India credit funds that are in the process of liquidation.
	We saw positive net flows into Benefit Street Partners, Clarion Partners, ClearBridge, Fiduciary Trust International, Franklin Equity Group, Franklin Templeton Fixed Income, Martin Currie, Royce, and Western Asset.

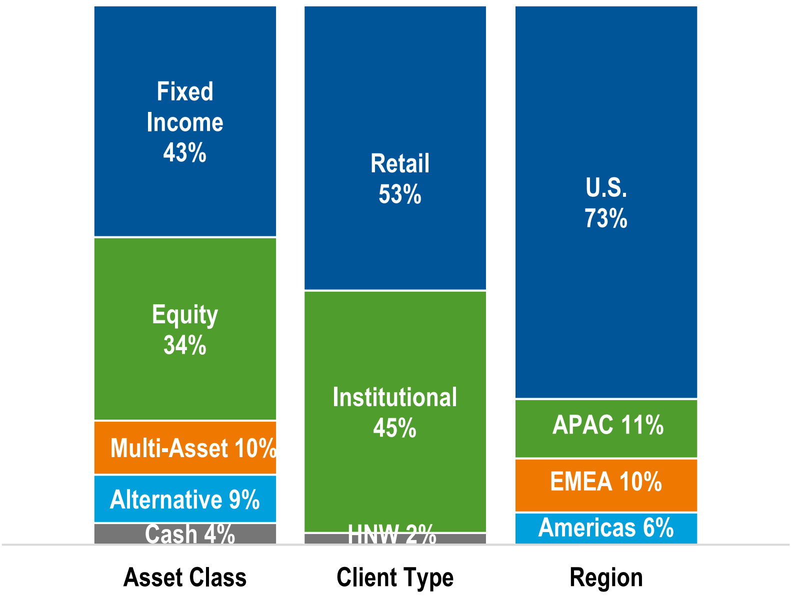
1.

AUM AND FLOWS	▸ Our expanded distribution effort led to an increase in gross sales of 32% from the prior quarter, led by U.S. retail, across a broad range of funds, vehicles, and asset classes. We continued to see evidence that our collective sales initiatives are yielding positive results with more clients purchasing both legacy Franklin and legacy Legg Mason strategies as demonstrated by our larger wins during the quarter. ▸ Alternative asset strategies grew by $4 billion to $131 billion in assets under management in the second quarter, with contributions from real estate, private credit, and retail alternatives. We saw continued investor demand for retail alternative products, including wins from the US, Asia-Pacific and EMEA regions in a number of strategies including private BDC, multi-strategy, and social infrastructure. ▸ Our SMA business continued to generate strong net flows in the quarter across the firm and grew to $117 billion in assets under management. Strong interest continued in ClearBridge and Western Asset and we are making progress with other specialist investment managers, including Franklin Templeton Equity, Franklin Templeton Fixed Income, and Martin Currie.
ADDITIONAL HIGHLIGHTS	▸ In April, we published our Corporate Social Responsibility Report in recognition of our long-standing belief that being a responsible corporate citizen is essential to the long-term sustainability of our business and to the well-being of the communities in which our employees and clients live and work. In alignment with certain standards from the Sustainability Accounting Standards Board (SASB), we have established goals and priorities for fiscal year 2021. ESG investing is a key area of focus of the report: ▪ Franklin Templeton and our specialist investment managers are all signatories to the Principles for Responsible Investment (PRI). This means that across all the asset classes where we offer investment solutions, our investment teams are focused on implementing PRI's principles, including ESG integration, good stewardship, disclosure and reporting. We published our Stewardship Report and also declared support for the Task Force on Climate-Related Financial Disclosures (TCFD). ▪ In March, we launched our Stewardship and Sustainability Council connecting the dedicated ESG leaders from across our specialist investment managers to guide the continued evolution of our firm's ESG efforts. ▸ Investors' focus on ESG is significant and growing around the world. As an active manager, we believe in incorporating sustainability and ESG factors into the investment process with the aim of achieving improved risk adjusted returns. Today, over 93% of our AUM represents strategies that consider ESG factors as part of the investment process and AUM with a specific focus on ESG totaled over $175 billion at quarter end. ▸ In April, AdvisorEngine completed its platform integration with Schwab Advisor Center® to deliver personalization at scale for independent advisors, further deepening our relationship and connectivity with Schwab, an important partner and distribution channel in the wealth management ecosystem.

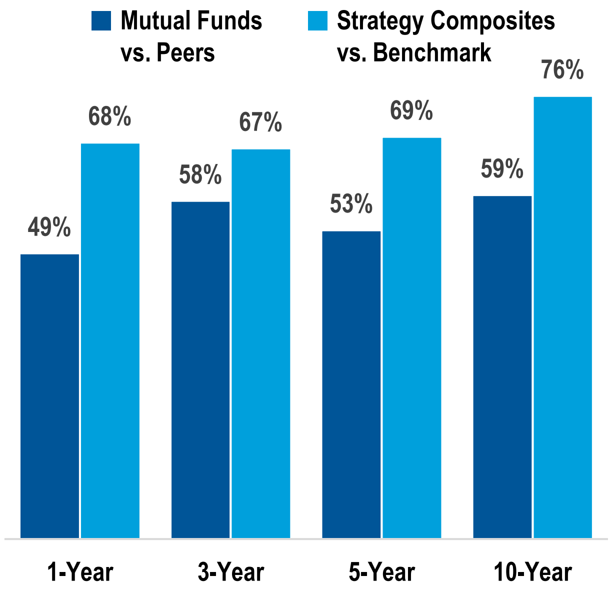
Assets Under Management (AUM) and Investment Performance

Globally Diversified by Asset Class, Client Type and Region

AUM of $1.5 trillion as of March 31, 2021



Percentage of AUM Above Peer Median and Benchmark[1]



- Assets under management of $1.5 trillion remain diversified across asset classes, client types, and regions.

- Our investment performance improved this quarter with 68%, 67%, 69%, and 76% of our strategy composites outperforming their respective benchmarks on a 1-, 3-, 5-, and 10-year basis. These results reflect strong performance at Western Asset, Brandywine Global, and our alternatives asset strategies, as well as outperformance in our global and international equity strategies across Franklin Templeton equities compared to the prior quarter.

- At quarter end, we had over 140 funds rated four or five stars by Morningstar. Approximately 50% or more of ranked mutual fund assets are now in the top two quartiles vs. peers over all time periods. Long-term relative investment performance of our mutual funds improved this quarter most notably in the 1- and 3-year periods, primarily due to continued strong peer-relative performance by the Franklin Income Fund (1st quartile for the 1-, 5-, and 10-year periods and 2nd quartile for the 3-year period). Our 5-year performance was modestly impacted by a few higher-growth-oriented equities strategies that had relative underperformance compared to core-growth-style peers. Several of our value-oriented equity strategies also continued to generate strong performance this quarter. Lastly, our taxable fixed income relative performance remained strong across each of the 1-, 3-, 5-, and 10-year periods.

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1. 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 69%, 69%, 68%, and 64%, respectively of the firm's total AUM as of March 31, 2021. 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%, 41%, 40%, and 39%, respectively of the firm's total AUM as of March 31, 2021. © 2021 Morningstar, Inc. All rights reserved. The information herein (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

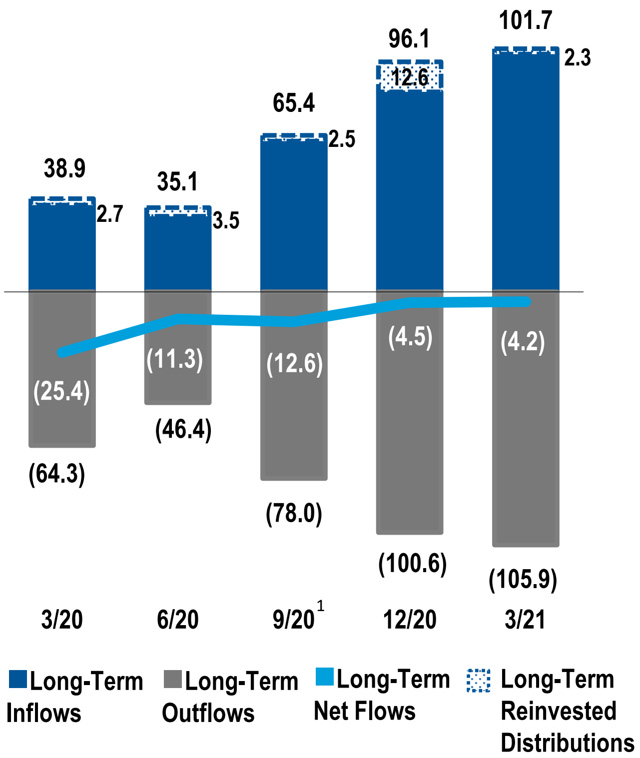
Assets Under Management and Flows

(In US$ billions, for the three months ended)	Mar-21	Dec-20	Mar-21 vs. Dec-20	Mar-20	Mar-21 vs. Mar-20
Beginning AUM	1,498.0	1,418.9	6%	698.3	115%
Long-term inflows	101.7	96.1	6%	38.9	161%
Long-term outflows	(105.9)	(100.6)	5%	(64.3)	65%
Long-term net flows	**(4.2)**	**(4.5)**	**(7%)**	**(25.4)**	**(83%)**
Cash management net flows	1.2	(10.2)	(112%)	0.5	140%
Total net flows	**(3.0)**	**(14.7)**	**(80%)**	**(24.9)**	**(88%)**
Acquisition	-	-	-	5.6	(100%)
Net market change, dist. & other	3.9	93.8	(96%)	(98.7)	NM
Ending AUM	**$1,498.9**	**1,498.0**	**0%**	**580.3**	**158%**
Average AUM	**1,497.9**	**1,443.8**	**4%**	**655.8**	**128%**

- Total AUM was $1,499 billion at March 31, 2021 in line with the prior quarter, reflecting net market gains partially offset by $4.2 billion in long-term net outflows. Average AUM was $1,498 billion for the quarter, increasing 4% from $1,444 billion in the prior quarter.
- Collective sales initiatives continue to yield positive results from a broad range of funds, vehicles, and asset classes. Long-term inflows increased by $15.9 billion or 19% quarter-over-quarter to $99.4 billion, excluding $2.3 billion of reinvested distributions this quarter and $12.6 billion of seasonally higher reinvested distributions in our first fiscal quarter. Including reinvested distributions, long-term inflows increased by 6% to $101.7 billion in the quarter.
- Long-term net outflows improved to $4.2 billion compared to $4.5 billion in the prior quarter (excluding reinvested distributions, net outflows improved by over $10 billion). This quarter included a single fixed income institutional redemption of nearly $6 billion with de minimis impact to revenue and $1.3 billion of outflows from the previously disclosed India credit funds that are in the process of liquidation.
- As of quarter end, our institutional pipeline with a combined total of won but unfunded mandates increased to $13 billion and is diversified across all asset classes.

Long-Term Flows

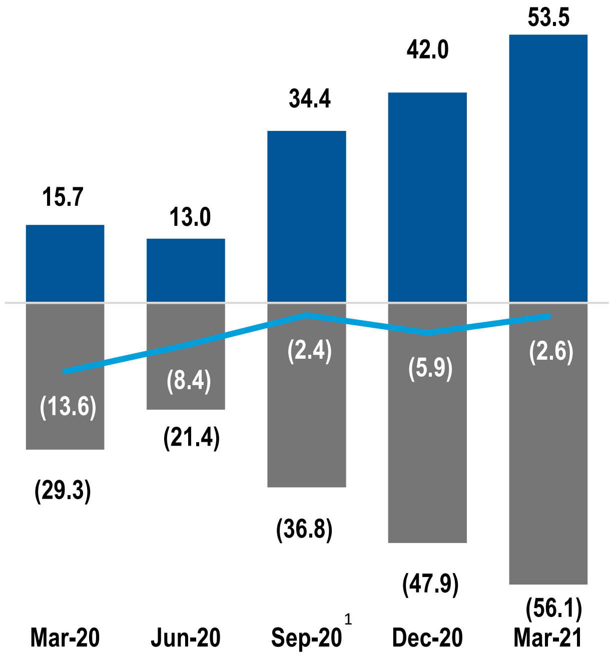
(In US$ billions, for the three months ended)



[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.

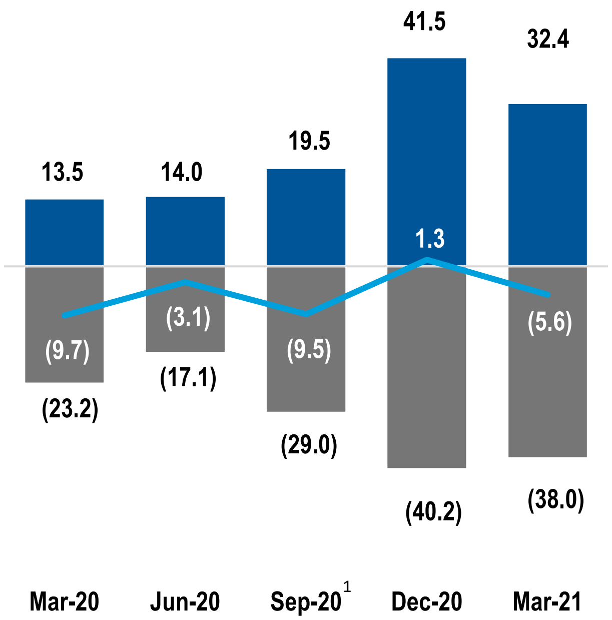
Fixed Income

(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.

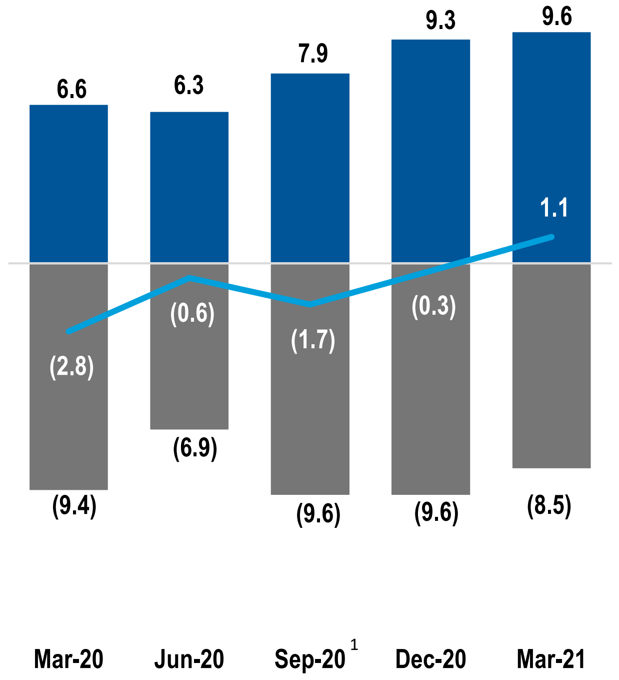
- Fixed income inflows increased by 27% to $53.5 billion from the prior quarter, due to positive contributions from a diverse group of fixed income strategies, including core bond, core plus and corporate.
- Net outflows of $2.6 billion included a single fixed income institutional redemption of nearly $6 billion that had de minimis impact on revenue and $1.3 billion of outflows from the previously disclosed India credit funds that are in the process of liquidation.
- Western Asset generated strong positive net inflows of approximately $10 billion in the quarter from diverse distribution channels.

[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.

- Equity inflows were $32.4 billion, consistent with the prior quarter excluding reinvested distributions.
- Equity net outflows were $5.6 billion in the quarter and included $2.1 billion of exchanges into the Multi-Asset asset class.
- We continued to see positive net flow contributions from most of our specialist investment managers, including ClearBridge, Franklin Equity Group, Martin Currie, and Royce. Of note, ClearBridge and Martin Currie reached record high AUM in the quarter.

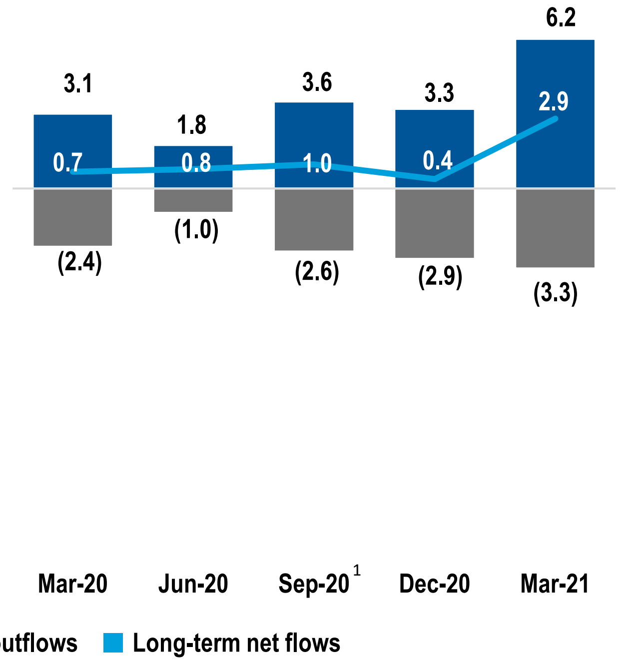
Multi-Asset

(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.

[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.

- Multi-asset net inflows were $1.1 billion and included $2.1 billion of exchanges into the Multi-Asset asset class from Equities into the Franklin Global Allocation Fund.
- Franklin Income Fund saw an improvement in net flows from the prior quarter aided by stronger performance relative to peers (1st quartile for the 1-, 5-, and 10-year periods and 2nd quartile for 3-year).
- Fiduciary Trust International generated positive net flows in the quarter.

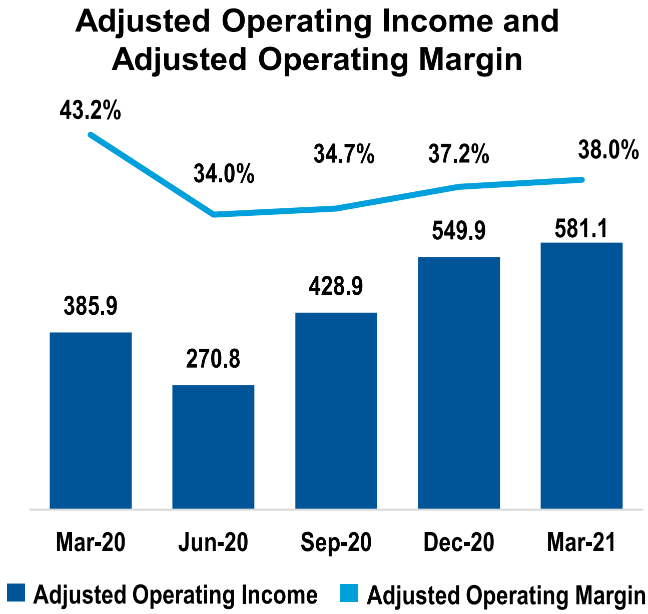
- Alternative asset inflows nearly doubled from the prior quarter to $6.2 billion and had record net inflows of $2.9 billion, driven by our real estate, alternative credit, hedge fund, and infrastructure strategies.
- Clarion Partners reached record AUM in the quarter with strong inflows as investor demand continued for the real estate asset class. Uncalled committed capital increased to $1.6 billion.
- Benefit Street Partners AUM increased for the third straight quarter to reach an all-time high of over $30 billion, and received commitments in the Senior Opportunities Fund, Debt Opportunity Fund, and private debt BDC.
- K2 alternative strategies also contributed to positive net flows.

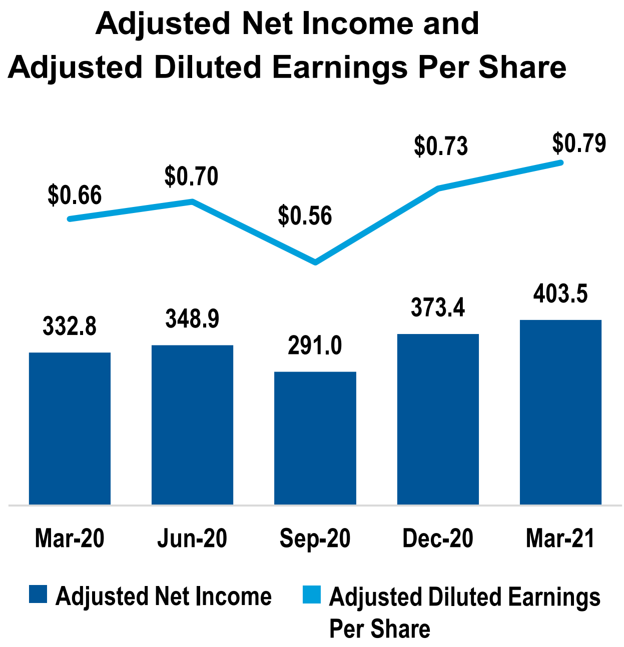
Financial Results

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

US GAAP	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Operating Income	339.9	232.5	103.6	409.1	456.3
Operating Margin	25.9%	20.0%	6.1%	20.5%	22.0%

US GAAP	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Net Income	79.1	290.4	78.9	345.3	381.8
Diluted EPS	$0.16	$0.58	$0.15	$0.67	0.74





- Adjusted operating income for the quarter increased to $581 million, a 6% increase over the prior quarter, and reflected positive operating leverage in the quarter.
- Adjusted operating margin increased to 38%, an 80 bps increase from the prior quarter, reflecting higher revenues driven by the increase in average assets under management and continued focus on 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 50% of run-rate synergies have been achieved as of March 31, 2021 and we expect to remain on schedule to reach a run-rate of 85% of these synergies by the end of this fiscal year.
- Adjusted net income and adjusted earnings per share both improved by 8% to $404 million and $0.79 per share, respectively.

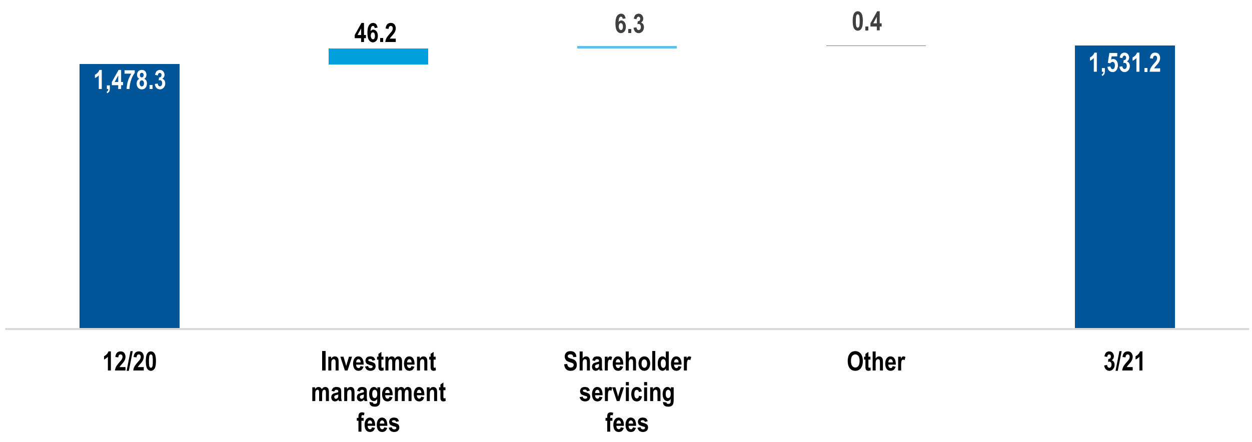
For the reconciliations from US GAAP to non-GAAP measures see the appendix to this commentary and the Supplemental Non-GAAP Financial Measures section of the earnings release.

Revenues

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

	Mar-21 US GAAP	Adjustments	Mar-21 Adjusted	Dec-20 Adjusted	Mar-21 Adjusted vs. Dec-20 Adjusted	Mar-20 Adjusted	Mar-21 Adjusted vs. Mar-20 Adjusted
Investment management fees	1,598.4	(131.7)	1,466.7	1,420.5	3%	832.2	76%
Sales and distribution fees	413.6	(413.6)	-	-	-	-	-
Shareholder servicing fees	55.7	-	55.7	49.4	13%	54.8	2%
Other	8.8	-	8.8	8.4	5%	6.5	35%
Total Operating Revenues	**2,076.5**	**(545.3)**	**1,531.2**	**1,478.3**	**4%**	**893.5**	**71%**

Adjusted Operating Revenues—Quarter Ended December 31, 2020 vs March 31, 2021



- Total adjusted revenues increased to $1.53 billion, reflecting a 4% increase from the prior quarter notwithstanding two fewer calendar days in the second quarter.
- Investment management fees, as adjusted, were $1,467 million, reflecting a 3% increase from the prior quarter. This increase was primarily due to higher average assets under management and performance fees of $36 million (a $10 million increase from the December quarter).
- Our adjusted effective fee rate for the quarter, excluding performance fees, was 38.7 bps compared to 38.3 bps in the prior quarter, reflecting increased alternative assets and equity AUM, as well as the aforementioned low-fee fixed income redemptions.

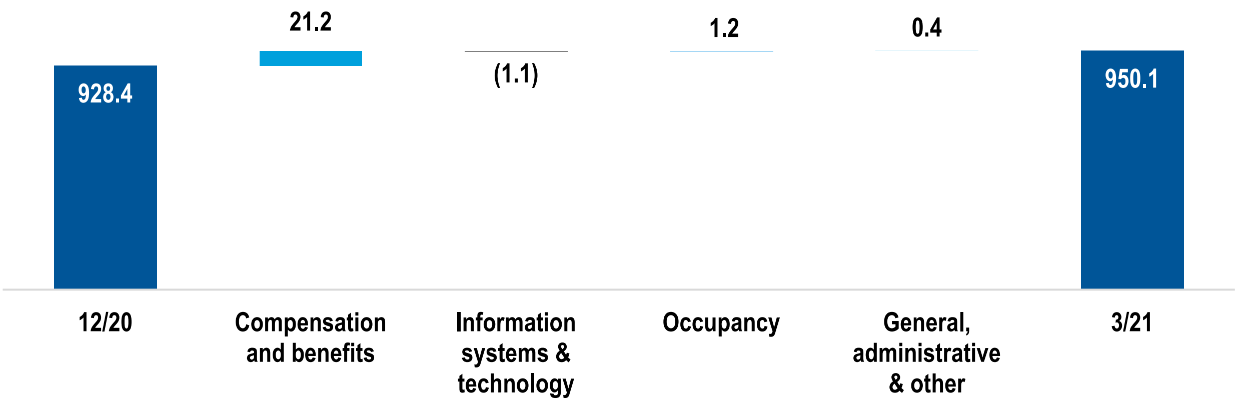
For the reconciliations from US GAAP to non-GAAP measures see the appendix to this commentary and the Supplemental Non-GAAP Financial Measures section of the earnings release.

Expenses

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

	Mar-21 US GAAP	Adjustments	Mar-21 Adjusted	Dec-20 Adjusted	Mar-21 Adjusted vs. Dec-20 Adjusted	Mar-20 Adjusted	Mar-21 Adjusted vs. Mar-20 Adjusted
Compensation & benefits	732.3	(66.6)	665.7	644.5	3%	338.5	97%
Sales, distribution & marketing	541.8	(541.8)	-	-	-	-	-
Information systems & technology	117.5	(3.1)	114.4	115.5	(1%)	61.8	85%
Occupancy	53.8	3.1	56.9	55.7	2%	34.4	65%
Amortization of intangible assets	57.9	(57.9)	-	-	-	-	-
General, administrative & other	116.9	(3.8)	113.1	112.7	0%	72.9	55%
Total Operating Expenses	**1,620.2**	**(670.1)**	**950.1**	**928.4**	**2%**	**507.6**	**87%**

Adjusted Operating Expenses—Quarter Ended December 31, 2020 vs March 31, 2021



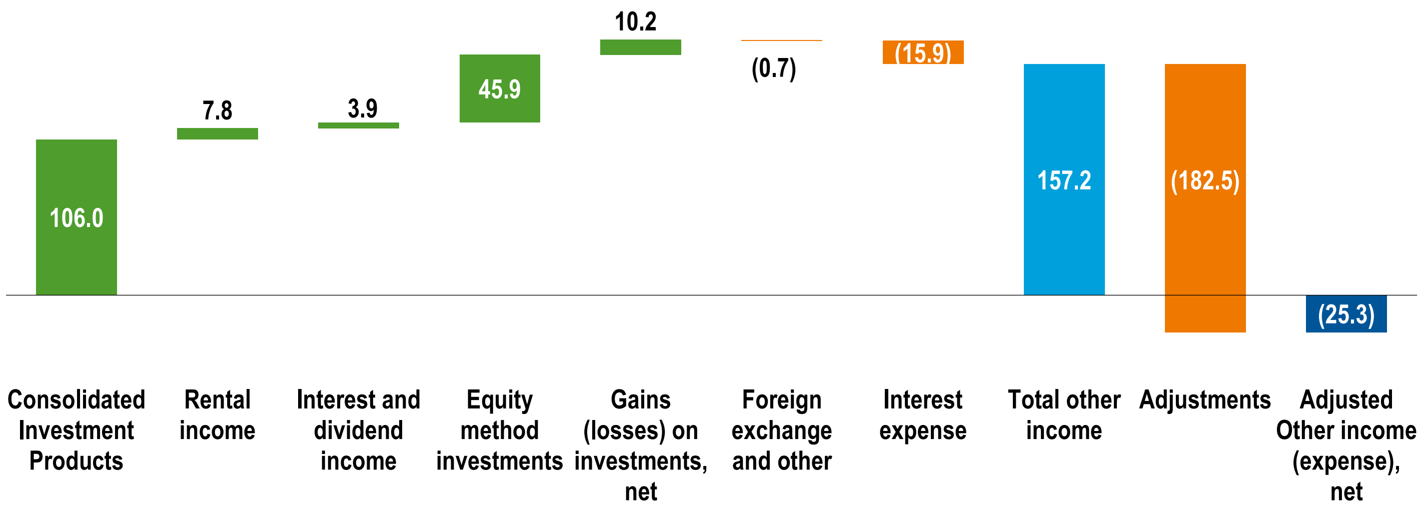
- Adjusted operating expenses were $950 million reflecting a 2% increase compared to the prior quarter.
- Adjusted compensation and benefits expense was approximately 44% of adjusted revenues, consistent with the prior quarter. The $21 million or 3% increase in adjusted compensation expense over the prior quarter was primarily attributable to higher revenue, seasonal increases in payroll taxes and 401(k) partially offset by decreases in salaries in the quarter.
- Non-compensation adjusted expenses were essentially flat over the prior quarter at $284 million.
- We reiterate last quarter's full year adjusted expense guidance of $3.75 to $3.80 billion subject to market conditions.

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 (Expense), Net

(GAAP and non-GAAP results, in US$ millions, for the three months ended March 31, 2021)

Other Income (Expense), Net

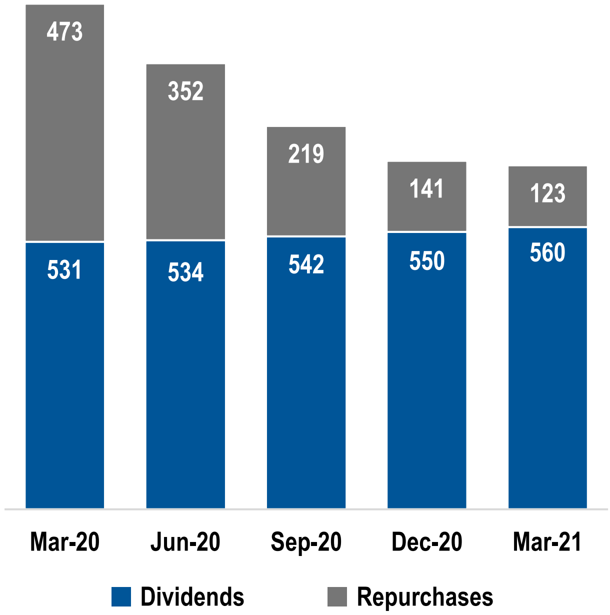


- Adjusted other expense, net, was $25 million this quarter. The decrease from the prior quarter was primarily attributable to lower investment income, adjusted for unrealized gains/losses.
- We redeemed the Legg Mason 6.375% $250 million notes due 2056 in the quarter, which will result in annual savings of approximately $12 million. It is our continuing expectation that in September of this year we will call the Legg Mason 5.45% notes with a face value of $500 million due September 2056, subject to approval by the Franklin Resources, Inc. Board of Directors, which would generate an additional $19 million in net annual interest expense savings.
- This quarter's GAAP tax rate of 21% was lower than the previous quarter due to a modestly lower expected annual effective tax rate. While there are movements in the tax rate each quarter, we expect our annual rate to fall within the 24%-26% range. Non-GAAP adjustments can have a meaningful impact on the rate applied to adjusted earnings.

Capital Management

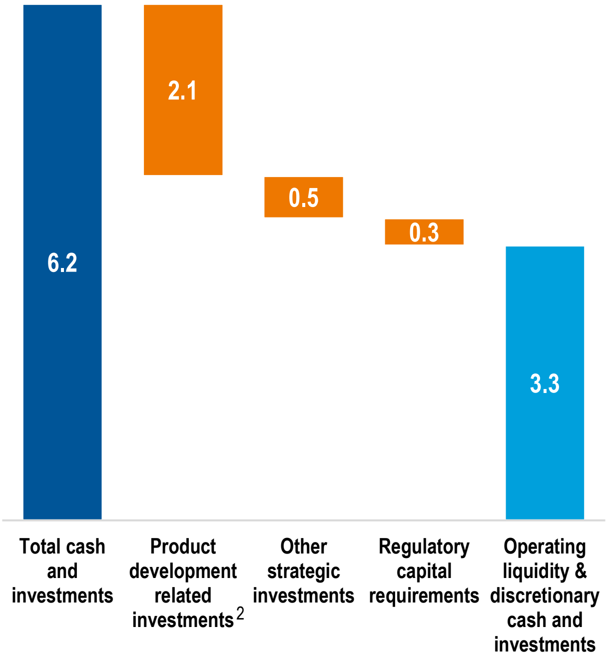
Dividends and Share Repurchases

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



Allocation of Cash and Investments[1]

(In US$ billions, as of March 31, 2021)



- In February, we announced a quarterly cash dividend in the amount of $0.28 per share, bringing total dividends declared for the trailing 12 months to $560 million. The company repurchased 1.7 million shares for a total cost of $45.8 million during the quarter, as we continue to offset issuance related to employee compensation plans.
- Total cash and investments were $6.2 billion as of March 31, 2021, including our direct investments in consolidated investment products, compared to $6.3 billion at December 31, 2020. The decrease in cash and investments was primarily attributable to the retirement of $250 million of Legg Mason junior notes due March 2056, our regular quarterly dividend and corporate tax payments, including an annual transition tax payment, partially offset by cash generated from operations.
- Product development related investments increased $130 million compared to the previous quarter, primarily due to new investments and appreciation.

1. Includes direct investments in CIPs of $1.0 billion
2. Includes undrawn capital commitments of $362 million

Appendix

Reconciliation of US GAAP results to Non-GAAP results: Three months ended March 31, 2021

(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	**1,598.4**	5.8	(128.2)	(9.3)	-	-	-	**1,466.7**
Sales and distribution fees	**413.6**	-	(413.6)	-	-	-	-	**-**
Shareholder servicing fees	**55.7**	-	-	-	-	-	-	**55.7**
Other	**8.8**	-	-	-	-	-	-	**8.8**
Total Operating Revenues	**2,076.5**	**5.8**	**(541.8)**	**(9.3)**	**-**	**-**	**-**	**1,531.2**
Expenses								
Compensation and benefits	**732.3**	-	-	(55.9)	(10.5)	-	(0.2)	**665.7**
Sales, distribution and marketing	**541.8**	-	(541.8)		-	-	-	**-**
Information systems and technology	**117.5**	-	-	(3.1)	-	-	-	**114.4**
Occupancy	**53.8**	-	-	3.1	-	-	-	**56.9**
Amortization of intangible assets	**57.9**	-	-	(57.9)	-	-	-	**-**
General, administrative and other	**116.9**	-	-	(3.8)	-	-	-	**113.1**
Total Operating Expenses	**1,620.2**	**-**	**(541.8)**	**(117.6)**	**(10.5)**	**-**	**(0.2)**	**950.1**
Operating Income	**456.3**	**5.8**	**-**	**108.3**	**10.5**	**-**	**0.2**	**581.1**
Other Income (Expense)								
Other income (expenses), net	**157.2**	(95.6)	-	(17.0)	-	(69.5)	(0.4)	**(25.3)**
Income before taxes	**613.5**	**(89.8)**	**-**	**91.3**	**10.5**	**(69.5)**	**(0.2)**	**555.8**
Taxes on income	**128.1**	-	-	22.9	2.8	(12.7)	-	**141.1**
Net income	**485.4**	**(89.8)**	**-**	**68.4**	**7.7**	**(56.8)**	**(0.2)**	**414.7**
Less: Net income (loss) attributable to noncontrolling interests	**103.6**	(83.5)	-	-	-	(8.9)	-	**11.2**
Net Income Attributable to Franklin Resources, Inc.	**381.8**	**(6.3)**	**-**	**68.4**	**7.7**	**(47.9)**	**(0.2)**	**403.5**
Diluted EPS	**$0.74**			**Adjusted Diluted EPS**				**$0.79**
Diluted Shares Outstanding	**490.9**			**Diluted Shares Outstanding**				**490.9**
Operating Margin	**22.0%**			**Adjusted Operating Margin**				**38.0%**

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**

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%**

Appendix

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

(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	**908.2**	6.2	(82.2)	-	-	**832.2**
Sales and distribution fees	**341.7**	-	(341.7)	-	-	**-**
Shareholder servicing fees	**54.8**	-	-	-	-	**54.8**
Other	**6.5**	-	-	-	-	**6.5**
Total Operating Revenues	**1,311.2**	**6.2**	**(423.9)**	**-**	**-**	**893.5**
Expenses						
Compensation and benefits	**365.7**	-	-	(27.2)	-	**338.5**
Sales, distribution and marketing	**423.9**	-	(423.9)	-	-	**-**
Information systems and technology	**61.8**	-	-	-	-	**61.8**
Occupancy	**34.4**	-	-	-	-	**34.4**
Amortization of intangible asset	**4.4**	-	-	(4.4)	-	**-**
General, administrative and other	**81.1**	-	-	(8.2)	-	**72.9**
Total Operating Expenses	**971.3**	**-**	**(423.9)**	**(39.8)**	**-**	**507.6**
Operating Income	**339.9**	**6.2**	**-**	**39.8**	**-**	**385.9**
Other Income (Expense)						
Other income (expenses), net	**(237.0)**	0.7	-	-	257.6	**21.3**
Income before taxes	**102.9**	**6.9**	**-**	**39.8**	**257.6**	**407.2**
Taxes on income	**44.1**	-	-	9.1	18.2	**71.4**
Net income	**58.8**	**6.9**	**-**	**30.7**	**239.4**	**335.8**
Less: Net income (loss) attributable to noncontrolling interests	**(20.3)**	23.3	-	-	-	**3.0**
Net Income Attributable to Franklin Resources, Inc.	**79.1**	**(16.4)**	**-**	**30.7**	**239.4**	**332.8**
Diluted EPS	**$0.16**		**Adjusted Diluted EPS**			**$0.66**
Diluted Shares Outstanding	**491.8**		**Diluted Shares Outstanding**			**491.8**
Operating Margin	**25.9%**		**Adjusted Operating Margin**			**43.2%**

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 preceded by words such as “anticipate,” “believe,” “could,” “depends,” “estimate,” “expect,” “intend,” “likely,” “may,” “plan,” “potential,” “seek,” “should,” “will,” “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 Reports 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, which adverse effects may 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.

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