FRANKLIN TEMPLETON

FRANKLIN RESOURCES, INC.

Executive Earnings Commentary

Third Quarter Results

August 3, 2021

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Conference Call Details:

Access to the teleconference at 11:00 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 6559334, after 2:00 p.m. Eastern Time on August 3, 2021 through August 10, 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.

THIRD QUARTER 2021 HIGHLIGHTS

FINANCIAL	‣ Adjusted revenues increased by 8% to $1.6 billion from the prior quarter, reflecting higher average AUM, elevated performance fees and one additional calendar day in the period. This quarter's adjusted effective fee rate was 38.9 bps, excluding performance fees, compared to 38.7 bps in the second quarter. Performance fees increased to $102.5 million, driven by strong investment performance from a diverse group of alternative strategies.
	‣ Adjusted operating income increased by 3% to $601.2 million from the prior quarter and the adjusted operating margin was 36.5%, a 150 bps decrease from the prior quarter due to the one-time impact of $45.3 million in closed-end fund product launch costs associated with the $1.0 billion Western Asset Diversified Income Fund. Excluding these product launch costs, the adjusted operating margin would have been 130 bps higher compared to the prior quarter.
	‣ Adjusted net income and adjusted earnings per share both increased 22% to $493.7 million and $0.96 per share, respectively. This quarter included closed-end fund product launch costs of $45.3 million ($0.07 per share), partially offset by a discrete one-time tax benefit of $23.1 million ($0.05 per share).
	‣ Cash and investments totaled $6.4 billion at June 30, 2021. 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 (net of interest paid on the portion of the notes issued in October 2020 which would be used to fund this repayment).
INVESTMENT PERFORMANCE	‣ Investment performance was strong with 68%, 70%, 73%, and 75% of our strategy composites outperforming their respective benchmarks on a 1-, 3-, 5-, and 10-year basis. Overall results continue to reflect outperformance in fixed income strategies (Western Asset, Brandywine Global), alternative asset strategies, and global and international equity strategies across Franklin Templeton equities. Our 3- and 5-year results improved, driven by global fixed income, and growth and value equity strategies.
	‣ Mutual funds with four- or five-star ratings by Morningstar[1] increased to over 150 funds this quarter.
AUM AND FLOWS	‣ As previously reported, ending assets under management reached a record high of $1.55 trillion this quarter, reflecting strong market gains partially offset by $6.6 billion in long-term net outflows. Average assets under management increased by 2% from the prior quarter to $1.53 trillion.
	‣ Third quarter long-term net outflows were $6.6 billion compared to $4.2 billion in the prior quarter. This quarter included two equity redemptions totaling $5.9 billion (a $3.7 billion sub-advised mutual fund and a $2.2 billion institutional redemption that had minimal impact on revenue) and approximately $1.2 billion of previously disclosed fixed income outflows from the non-management fee earning India credit funds that are in the process of liquidation. Alternative assets and fixed income posted positive net flows of $3.1 billion and $2.1 billion, respectively. Reinvested dividends were $3.2 billion this quarter.
	‣ We saw positive net flows into the majority of our specialist investment managers. Benefit Street Partners, Clarion, ClearBridge, Fiduciary Trust International, and Martin Currie all reached record high assets under management this quarter. Western Asset ended the quarter with AUM the highest since 2008.
	‣ Our global distribution teams continued to gain traction with collective sales initiatives across our business and deepening relationships. Despite seasonally lower activity in our third quarter, we made progress diversifying our net flows across funds, vehicles, and asset classes, scaling smaller products and creating broader sources of revenue. For example, 15 of our top 20 net fund flows are being generated in products outside our largest 20 funds that have an average AUM of less than $2 billion.
	‣ We continued to see evidence that our collective sales initiatives are yielding positive results with net flows in the U.S., our largest sales region by AUM. In particular, we saw net flows into U.S. retail, our largest distribution opportunity, and in global financial institutions, our largest client opportunity. We also added a number of new agreements with large distribution partners in the U.S.

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AUM AND FLOWS

- We continued to leverage our infrastructure and the sales, marketing and product packaging expertise of the combined firm to increase diversification of our asset base across vehicles. We launched a number of long-dated vehicles that will deliver steady and predictable revenue across the life of each product.
  - The $1.0 billion launch (pre-leverage) of the Western Asset Diversified Income Fund was our largest-ever fixed income closed-end fund IPO, reflecting the robust distribution capabilities of our newly combined distribution organization, particularly in the U.S. This launch brings our closed-end fund assets to $24 billion globally. In the U.S., we are the 5th largest provider of exchange-traded closed-end funds.
  - Our CLO AUM grew to $11.4 billion with the addition of Benefit Street Partners CLO XXIII ($600 million) and in July, Western Asset Crown City CLO III added $358 million.
- Our SMA business continued to generate strong net flows in the quarter across the firm and grew to $126 billion in assets under management. With the goal of adding further diversification to the business, we leveraged the expertise and infrastructure of legacy Legg Mason and Franklin Templeton's resources to gain traction with SMA strategies broadly across our investment platform. These efforts improved net sales of legacy Franklin Templeton SMAs, which accounted for 45% of our SMA net flows this quarter. We continue to further enhance our customization capabilities.
- Alternative asset strategies grew by $9.7 billion to a record $141 billion in assets under management in the third quarter, with contributions from real estate, absolute return, private credit, infrastructure, and hedge fund strategies. Given our focus on retail alternatives, we dedicated a separate specialist distribution team to the asset class. We saw continued investor demand for retail alternative products, including from hedge funds, infrastructure, MLP, and absolute return strategies.
- 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, approximately 94% 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 $200 billion at quarter end.

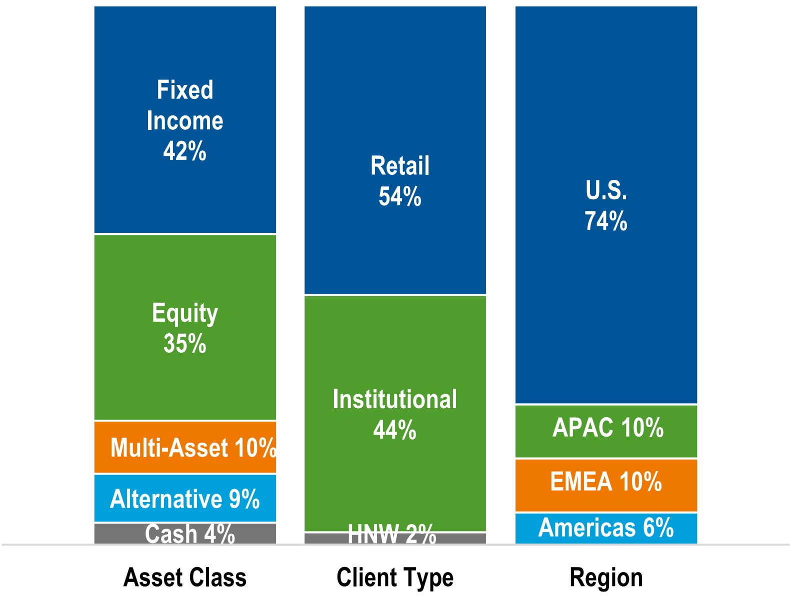
ADDITIONAL HIGHLIGHTS

- Benefit Street Partners Realty Trust, a commercial mortgage REIT managed by Benefit Street Partners, announced a merger with Capstead Mortgage Corporation in late July, which will create the 4th largest publicly-traded commercial mortgage REIT upon closing, adding $900 million in equity and bringing pro forma equity to nearly $2 billion. The transaction brings additional scale to BSP's commercial real estate lending team. At closing, the REIT will be renamed Franklin BSP Realty Trust and trade on the NYSE under the new ticker symbol FBRT.
- On July 29, we agreed to sell our 26% stake in UK-based Embark Group, a fast growing investment and retirement platform business, to Scottish Widows, an insurance, savings and investment division of Lloyds Banking Group, the largest retail financial services provider in the UK. This allows Franklin Templeton to build on its current partnership with Embark Group and develop further opportunities in the investment and retirement solutions space.
- On July 30, Brandywine Global closed the acquisition of Diamond Hill's high yield-focused, U.S. corporate credit mutual funds, which each had an overall 5-star Morningstar rating (I class shares). The addition of this team complements Brandywine Global's existing value-driven, macro-oriented offerings, expands its suite of global corporate credit strategies, and adds $3.4 billion to assets under management, which is accretive to our effective fee rate.
- We announced the appointment of Karen King to our Board of Directors, increasing board membership to 11 directors. Karen is an independent director with over 17 years of experience at Silver Lake, a leading global investment firm focused on large-scale opportunities in the tech, tech-enabled and related growth sectors, and has advised on a myriad of large-scale transactions and investments.
- We announced two new appointments to drive forward our distribution strategy in the Asia Pacific region, which has $161 billion AUM (excluding $11 billion in our China joint venture). Dr. Yu (Ben) Meng was appointed as Executive Vice President and Chairman of Asia Pacific. Ben will help drive our Asia Pacific and global growth strategy with a particular focus on private equity, venture capital and other alternative asset capabilities. Additionally, Tariq Ahmed, CEO and Head of Asia for Brandywine Global, was named as our Head of Asia Distribution. Leveraging his extensive experience, Tariq will provide strategic direction on product innovation and customized investment solutions to cater to shifting client needs in Asia.

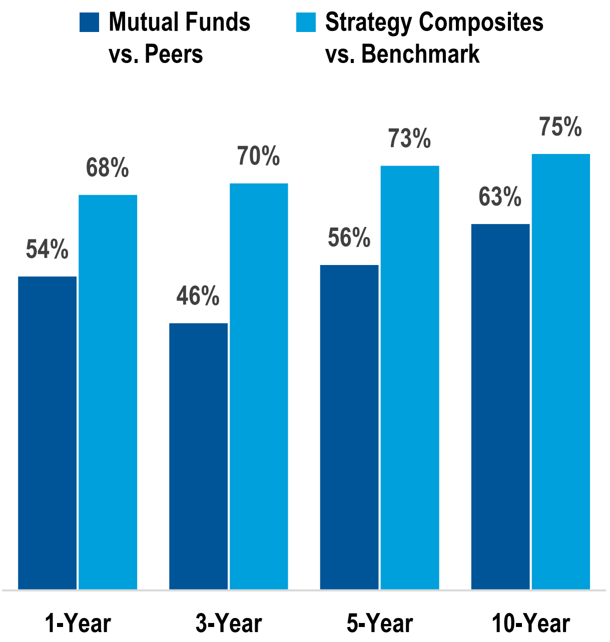
Assets Under Management (AUM) and Investment Performance

Globally Diversified by Asset Class, Client Type and Region

AUM of $1.6 trillion as of June 30, 2021



Percentage of AUM Above Peer Median and Benchmark[2]



- Assets under management of $1.55 trillion remain diversified across asset classes, client types, and regions.
- Investment performance was strong with 68%, 70%, 73%, and 75% of our strategy composites outperforming their respective benchmarks on a 1-, 3-, 5-, and 10-year basis. Overall results continue to reflect good performance in fixed income strategies (Western Asset, Brandywine Global), alternative asset strategies, and global and international equity strategies across Franklin Templeton equities. Our 3- and 5-year results improved, driven by global fixed income, and growth and value equity strategies.
- At quarter end, we had over 150 funds rated four or five stars by Morningstar. Our mutual fund relative investment performance improved for the 1-, 5-, and 10-year periods this quarter, with more than half of our ranked assets in the top two quartiles for the same periods. Multi-asset strategies delivered top quartile relative performance for the 1-, 5- and 10-year periods. One of our largest multi-asset strategies (managed for yield) moved into the third quartile for the 3-year period which weighed on firm level performance, but was in the top quartile across all other periods. Our fixed income strategies continued to outperform across all time periods, with particular improvement in global fixed income in the quarter, and our equity rankings improved across the 1-, 5- and 10- year time periods.

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%, 68%, 68% and 63%, respectively of the firm's total AUM as of June 30, 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 42%, 42%, 41% and 39%, respectively of the firm's total AUM as of June 30, 2021.

Assets Under Management and Flows

(In US$ billions, for the three months ended) [1]

	Jun-21	Mar-21	Jun-21 vs. Mar-21	Jun-20	Jun-21 vs. Jun-20
Beginning AUM	1,498.9	1,498.0	0%	580.3	158%
Long-term inflows	83.7	101.7	(18%)	35.1	138%
Long-term outflows	(90.3)	(105.9)	(15%)	(46.4)	95%
Long-term net flows	**(6.6)**	**(4.2)**	**57%**	**(11.3)**	**(42%)**
Cash management net flows	(2.2)	1.2	(283%)	(0.3)	633%
Total net flows	**(8.8)**	**(3.0)**	**193%**	**(11.6)**	**(24%)**
Acquisition	-	-	NM	3.5	NM
Net market change, dist. & other	62.0	3.9	NM	50.6	23%
Ending AUM	**1,552.1**	**1,498.9**	**4%**	**622.8**	**149%**
Average AUM	**1,531.0**	**1,497.9**	**2%**	**605.0**	**153%**

1. Excludes approximately $11 billion of AUM in our China joint venture.

- As previously reported, total AUM was $1.55 trillion at June 30, 2021, a 4% increase over the prior quarter, reflecting strong market gains partially offset by $6.6 billion in long-term net outflows. Average AUM was $1.53 trillion for the quarter, a 2% increase from the prior quarter.

- Long-term inflows decreased to $83.7 billion in the quarter reflecting seasonality in sales typical of our third quarter. Long-term outflows improved over the prior quarter to $90.3 billion.

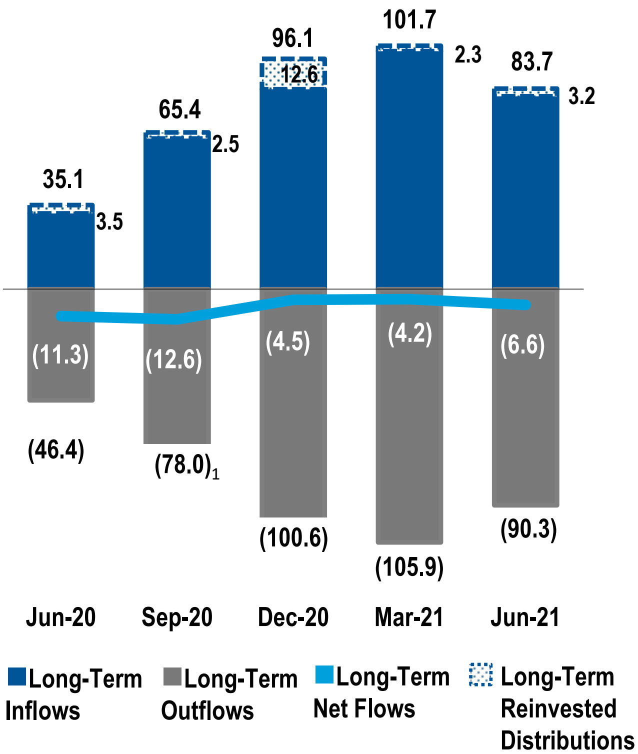
- Third quarter long-term net outflows were $6.6 billion compared to $4.2 billion in the prior quarter. This quarter included two equity redemptions totaling $5.9 billion (a $3.7 billion sub-advised mutual fund and a $2.2 billion institutional redemption that had minimal impact on revenue) and $1.2 billion of previously disclosed fixed income outflows from the non-management-fee-earning India credit funds that are in the process of liquidation. Alternative and fixed income posted positive net flows of $3.1 billion and $2.1 billion, respectively. Reinvested dividends were $3.2 billion this quarter.

- As of quarter end, our institutional pipeline with a combined total of won but unfunded mandates increased to $14.1 billion and is diversified across asset classes and specialist investment managers.

- In July, we experienced a previously-disclosed $5.4 billion redemption from a 529 plan related to the acquisition of Legg Mason, and added $3.4 billion in AUM from the acquisition of Diamond Hill's high yield-focused, U.S. corporate credit mutual funds, which each had an overall 5-star Morningstar rating (I class shares). We expect the net impact to be de minimis to revenue.

Long-Term Flows

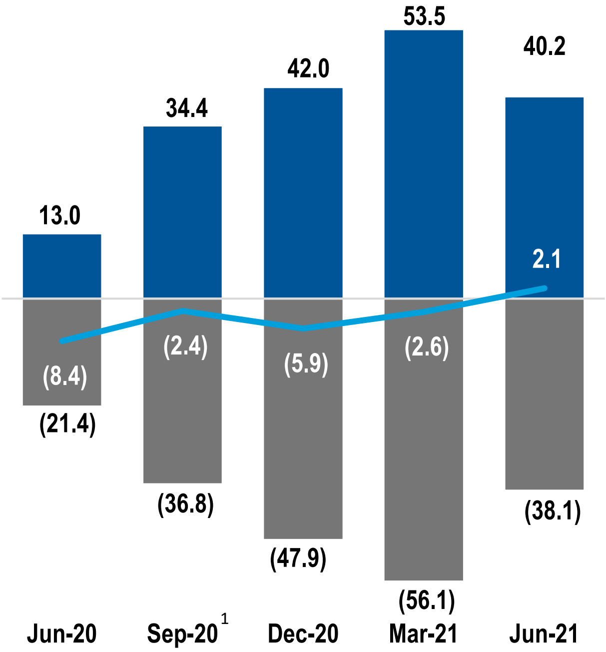
(In US$ billions, for the three months ended)



[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.

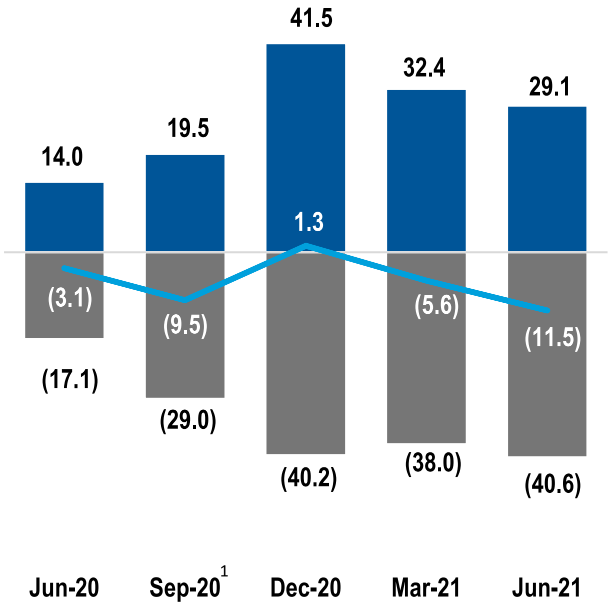
Fixed Income

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



Equity

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



[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.

- Fixed income inflows decreased to $40.2 billion. Long-term outflows improved by $18.0 billion to $38.1 billion, largely due to decreased redemptions in global fixed income strategies. Positive contributions were from a diverse group of fixed income strategies, including core bond, core plus, multi-sector bond, short and long duration.

- Net flows moved into positive territory this quarter and were $2.1 billion, reflecting a $4.7 billion increase from the prior quarter, inclusive of $1.2 billion of outflows from our closed India credit funds that were non-management-fee earning that are in the process of liquidation.

- Western Asset had another strong quarter of positive net flows with AUM the highest since 2008. Brandywine Global returned to positive net flows due to demand for its global fixed income strategies.

- Equity inflows were $29.1 billion compared $32.4 billion in the prior quarter with positive contributions from emerging market and sector strategies.

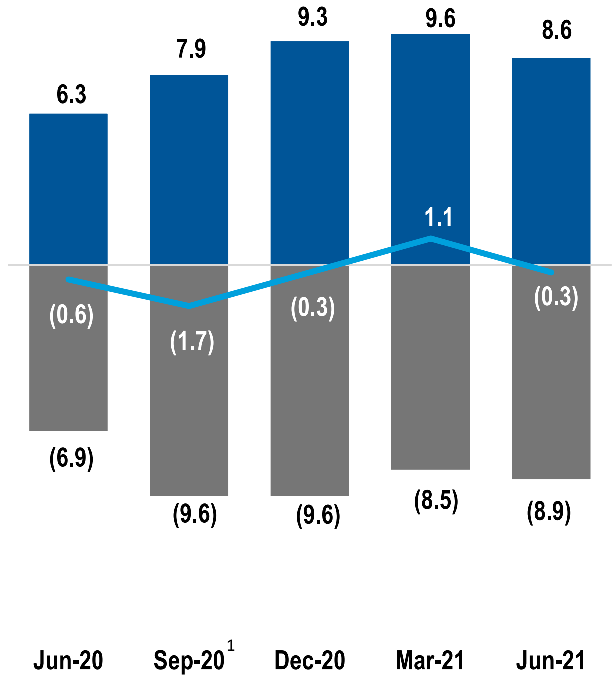
- Equity net outflows were $11.5 billion this quarter, inclusive of two redemptions totaling $5.9 billion (a $3.7 billion sub-advised mutual fund and a $2.2 billion institutional redemption that had minimal impact on revenue).

- We continued to see positive net flow contributions from Franklin Equity, Franklin Emerging Markets, and Martin Currie. Of note, ClearBridge and Martin Currie reported another quarter of record high AUM.

- This quarter, we expanded our diverse ETF platform with the launch of five ESG funds increasing our sustainability line-up from Brandywine Global, ClearBridge, Martin Currie and Royce in Canada.

Multi-Asset

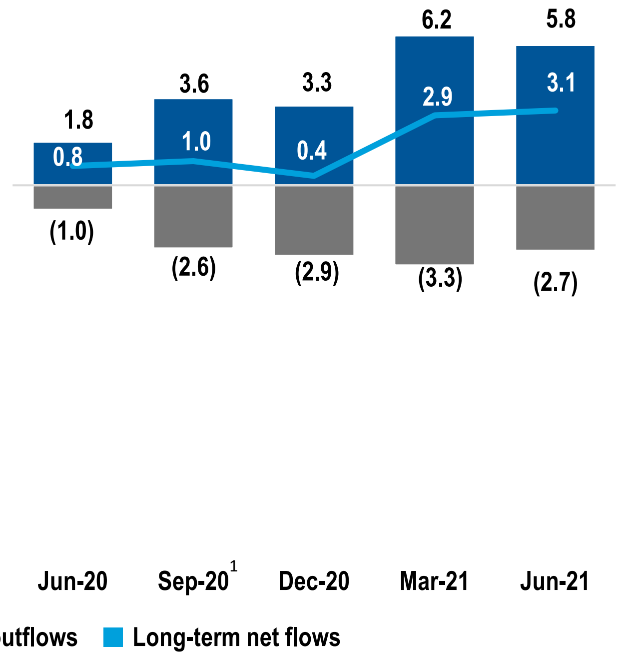
(in US$ billions, for the three months ended)



[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.

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, long-term net inflows for alternatives would have been $3.7 billion.

- Multi-asset inflows were $8.6 billion this quarter.
- Multi-asset net outflows were $0.3 billion compared to last quarter net inflows of $1.1 billion, which included $2.1 billion of exchanges into the Multi-asset class from Equities.
- Franklin Income Fund, our flagship retail strategy, was a positive contributor to net flows and experienced a significant decline in redemptions due to improving investment performance.
- Fiduciary Trust International, which recently celebrated its 90th anniversary, generated another quarter of positive net flows and reached record assets under management.

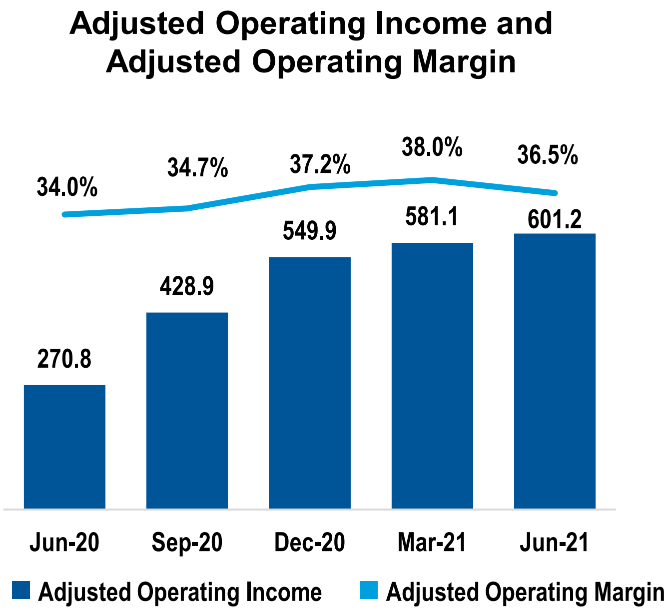
- Alternative asset inflows were $5.8 billion this quarter. Net inflows were $3.1 billion, setting a record for quarterly net flows, driven by real estate, absolute return, alternative credit, infrastructure and hedge fund strategies.
- Clarion Partners reached another quarter of record AUM to $64.7 billion with strong inflows as investor demand continued for the real estate asset class. Uncalled committed capital increased to $1.7 billion.
- Benefit Street Partners AUM increased for the fourth straight quarter to reach an all-time high of over $32 billion, and received commitments in our Senior Opportunities Fund and Debt Opportunity Fund. It also received approximately $650 million in new capital across CLO/long only, real estate, and senior secured debt strategies. Uncalled committed capital increased to $3.3 billion.
- K2 alternative strategies also contributed to positive net flows. This quarter, we expanded our liquid alternatives offerings with the launch of two UCITS funds, the Franklin K2 Catastrophe Bond and Franklin K2 Athena Risk Premia funds in Europe.

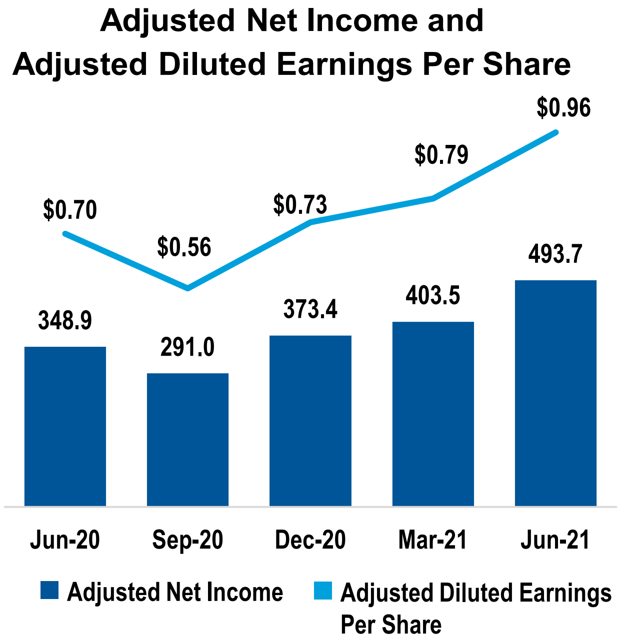
Financial Results

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

US GAAP	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Operating Income	232.5	103.6	409.1	456.3	478.1
Operating Margin	20.0%	6.1%	20.5%	22.0%	22.0%

US GAAP	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Net Income	290.4	78.9	345.3	381.8	438.4
Diluted EPS	$0.58	$0.15	$0.67	$0.74	$0.86





- Adjusted operating income for the quarter increased to $601 million, a 3% increase over the prior quarter.
- Adjusted operating margin was 36.5%, inclusive of the one-time impact of $45.3 million closed-end fund product launch costs associated with the Western Asset Diversified Income Fund. Excluding these product launch costs, the adjusted operating margin would have been 130 bps higher compared to the prior quarter.
- 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 70% of run-rate synergies have been achieved as of June 30, 2021 and we 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 increased 22% to $494 million and $0.96 per share, respectively. This quarter included closed-end fund product launch costs of $45.3 million ($0.07 per share), partially offset by a discrete one-time tax benefit of $23.1 million ($0.05 per share).

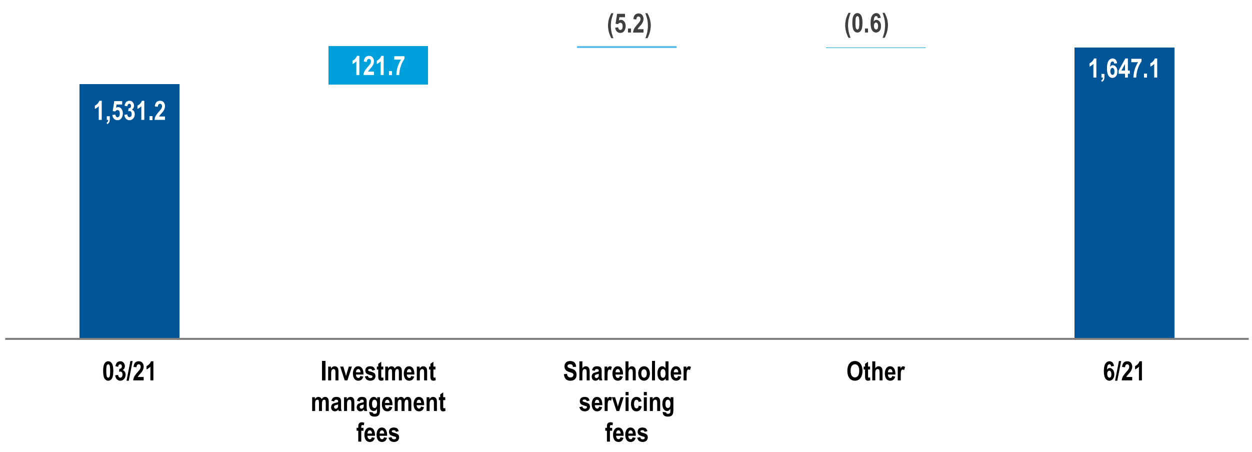
For the reconciliations from US GAAP to non-GAAP measures see the appendix to this commentary and the Supplemental Non-GAAP Financial Measures section of the earnings release. For prior periods please refer to historical earnings commentaries available at franklinresources.com.

Revenues

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

	Jun-21 US GAAP	Adjustments	Jun-21 Adjusted	Mar-21 Adjusted	Jun-21 Adjusted vs. Mar-21 Adjusted	Jun-20 Adjusted	Jun-21 Adjusted vs. Jun-20 Adjusted
Investment management fees	1,697.3	(108.9)	1,588.4	1,466.7	8%	747.6	112%
Sales and distribution fees	416.9	(416.9)	-	-	-	-	-
Shareholder servicing fees	50.5	-	50.5	55.7	(9%)	44.7	13%
Other	8.2	-	8.2	8.8	(7%)	5.2	58%
Total Operating Revenues	**2,172.9**	**(525.8)**	**1,647.1**	**1,531.2**	**8%**	**797.5**	**107%**

Adjusted Operating Revenues—Quarter Ended March 31, 2021 vs June 30, 2021



- Total adjusted operating revenues increased to $1.65 billion, reflecting an 8% increase from the prior quarter driven by higher average assets under management fees, elevated performance fees and one additional calendar day in the period. Investment management fees, as adjusted, were $1.59 billion inclusive of performance fees of $102.5 million.

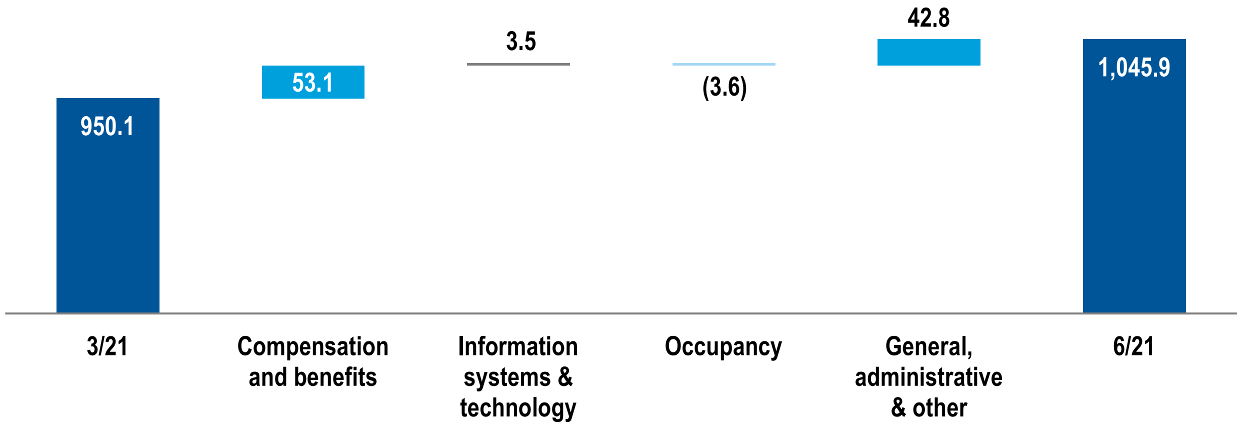
- Our adjusted effective fee rate for the quarter, excluding performance fees, was 38.9 bps compared to 38.7 bps in the prior quarter, reflecting our asset mix.

Expenses

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

	Jun-21 US GAAP	Adjustments	Jun-21 Adjusted	Mar-21 Adjusted	Jun-21 Adjusted vs. Mar-21 Adjusted	Jun-20 Adjusted	Jun-21 Adjusted vs. Jun-20 Adjusted
Compensation & benefits	771.4	(52.6)	718.8	665.7	8%	362.3	98%
Sales, distribution & marketing	531.0	(531.0)	-	-	-	-	-
Information systems & technology	121.8	(3.9)	117.9	114.4	3%	62.1	90%
Occupancy	54.6	(1.3)	53.3	56.9	(6%)	31.5	69%
Amortization of intangible assets	58.0	(58.0)	-	-	-	-	-
General, administrative & other	158.0	(2.1)	155.9	113.1	38%	70.8	120%
Total Operating Expenses	**1,694.8**	**(648.9)**	**1,045.9**	**950.1**	**10%**	**526.7**	**99%**

Adjusted Operating Expenses—Quarter Ended March 31, 2021 vs June 30, 2021



- Adjusted operating expenses were $1.0 billion, reflecting a 10% increase compared to the prior quarter, primarily due to $45.3 million ($43.0 million in general, administrative & other and $2.3 million in compensation & benefits) of closed-end fund product launch costs associated with the June 2021 close of the $1.0 billion Western Asset Diversified Income Fund and performance fee related compensation.
- Adjusted compensation and benefits expense was approximately 44% of adjusted revenues, consistent with the prior quarter. The $53.1 million or 8% increase in adjusted compensation expense over the prior quarter was primarily attributable to higher assets under management and performance fee related compensation.
- Non-compensation adjusted expenses were $327 million. The increase was driven by $43.0 million of closed-end fund product launch costs in general, administrative & other expense. Excluding these product launch costs, non-compensation adjusted expenses were flat compared to the prior quarter.
- Our full-year adjusted expense guidance is now approximately $3.875 to $3.925 billion due to closed-end fund product costs and performance fee related compensation in the quarter and remains 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. For prior periods please refer to historical earnings commentaries available at franklinresources.com.

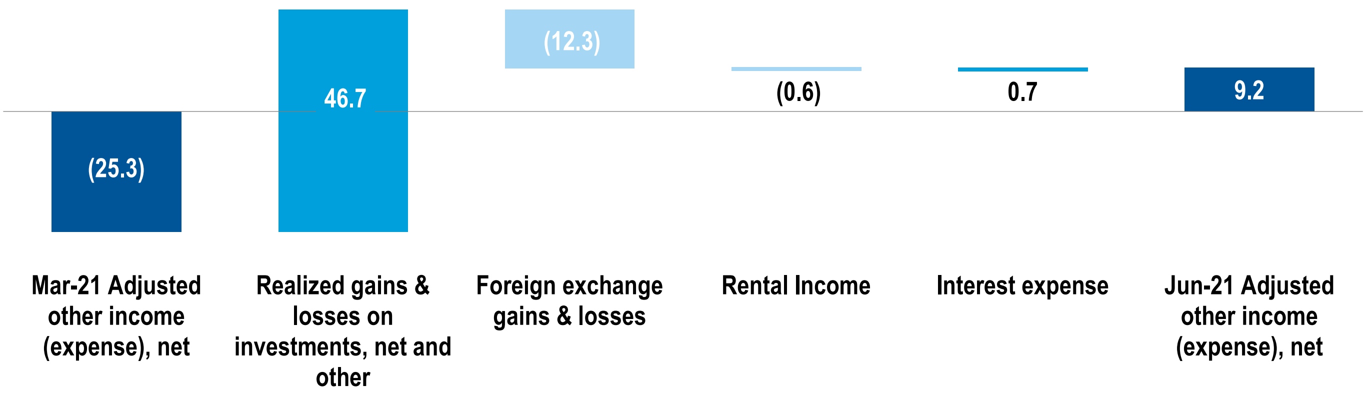
Other Income (Expense), Net

(GAAP and non-GAAP results, in US$ millions, for the three months ended June 30, 2021)

Other Income (Expense), Net

	Jun-21 US GAAP	Adjustments	Jun-21 Adjusted	Mar-21 Adjusted	Jun-21 Adjusted vs. Mar-21 Adjusted	Jun-20 Adjusted	Jun-21 Adjusted vs. Jun-20 Adjusted
Investment and other income (losses), net	52.9	(11.6)	41.3	7.5	451%	88.3	(53%)
Interest expense	(25.7)	(6.4)	(32.1)	(32.8)	(2%)	(5.2)	517%
Investment and other income of CIPs	61.0	(61.0)	-	-	-	-	-
Expenses of CIPs	(10.9)	10.9	-	-	-	-	-
Other Income (Expense), Net	**77.3**	**(68.1)**	**9.2**	**(25.3)**	**(136%)**	**83.1**	**(89%)**

Adjusted Other Income (Expense), Net —Quarter Ended March 31, 2021 vs June 30, 2021



- Adjusted other income, net, was $9.2 million this quarter. The increase from the prior quarter was primarily attributable to higher realized gains/losses.

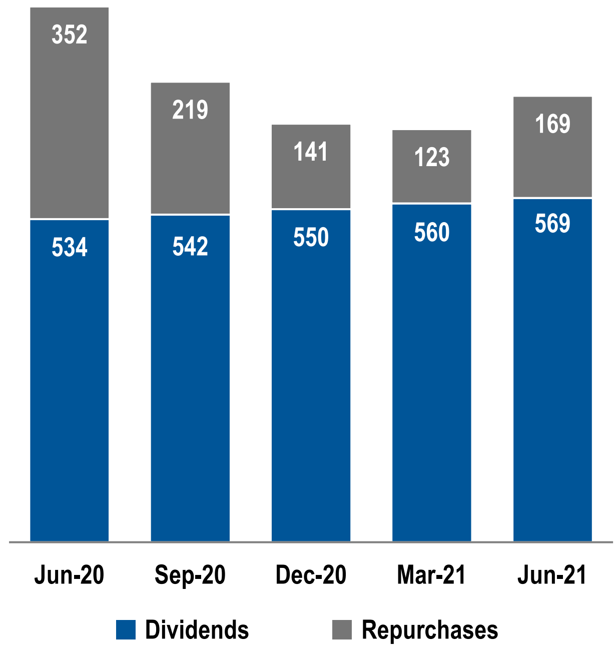
- Interest paid to debt holders was $30.6 million and reflected a full quarter of savings from the redemption of our March notes. Rental income was $7.2 million.

- Our GAAP tax rate was 15.1% this quarter, which reflected a $23.1 million increase in our expected ability to utilize our tax attributes as we continue to optimize our global structure post acquisition and a slight shift in our mix of earnings toward lower tax jurisdictions. Excluding discrete adjustments, we expect our normalized tax rate for next quarter to fall within the 24-25% range.

Capital Management

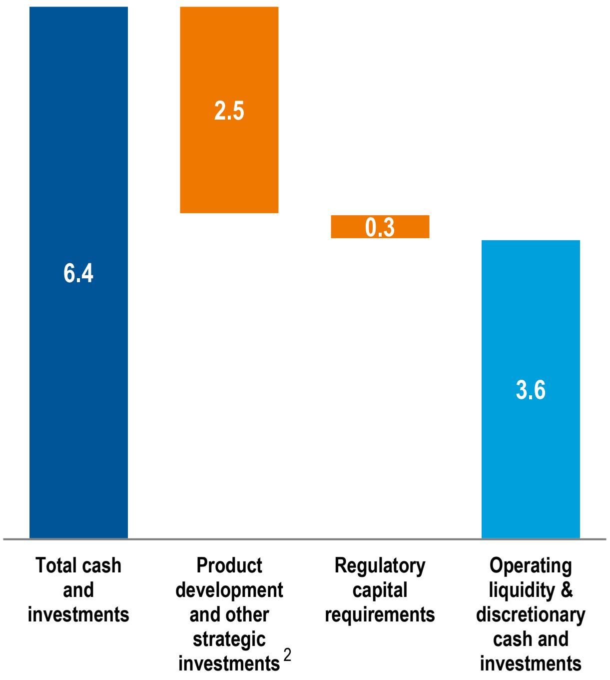
Dividends and Share Repurchases

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



Allocation of Cash and Investments[1]

(In US$ billions, as of June 30, 2021)



- In June, we announced a quarterly cash dividend in the amount of $0.28 per share, bringing total dividends declared for the trailing 12 months to $569 million. The company repurchased 1.4 million shares for a total cost of $46.4 million during the quarter.

- Total cash and investments were $6.4 billion as of June 30, 2021, including our direct investments in consolidated investment products, compared to $6.2 billion at March 31, 2021. The increase in cash and investments was primarily attributable to cash generated by operations offset by our regular quarterly dividend, corporate tax payments, and share repurchases.

- 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 (net of interest paid on the portion of the notes issued in October 2020 which would be used to fund this repayment).

- Product development related and strategic corporate investments increased $83 million compared to the previous quarter, primarily due to net new investments and appreciation. Fiscal year to date, we have invested approximately $440 million in new seed investments across our specialist investment managers, which has raised over $4 billion in new assets so far.

1. Includes direct investments in CIPs of $958 million
2. Includes undrawn capital commitments of $291 million

Appendix

Reconciliation of US GAAP results to Non-GAAP results: Three months ended June 30, 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	**1,697.3**	5.2	(114.1)	-	-	-	-	**1,588.4**
Sales and distribution fees	**416.9**	-	(416.9)	-	-	-	-	**-**
Shareholder servicing fees	**50.5**	-	-	-	-	-	-	**50.5**
Other	**8.2**	-	-	-	-	-	-	**8.2**
Total Operating Revenues	**2,172.9**	**5.2**	**(531.0)**	**-**	**-**	**-**	**-**	**1,647.1**
Expenses								
Compensation and benefits	**771.4**	-	-	(39.1)	(3.9)	-	(9.6)	**718.8**
Sales, distribution and marketing	**531.0**	-	(531.0)	-	-	-	-	**-**
Information systems and technology	**121.8**	-	-	(3.9)	-	-	-	**117.9**
Occupancy	**54.6**	-	-	(1.3)	-	-	-	**53.3**
Amortization of intangible assets	**58.0**	-	-	(58.0)	-	-	-	**-**
General, administrative and other	**158.0**	-	-	(2.1)	-	-	-	**155.9**
Total Operating Expenses	**1,694.8**	**-**	**(531.0)**	**(104.4)**	**(3.9)**	**-**	**(9.6)**	**1,045.9**
Operating Income	**478.1**	**5.2**	**-**	**104.4**	**3.9**	**-**	**9.6**	**601.2**
Other Income (Expense)								
Investment and other income (losses) net	**52.9**	37.0	-	(0.1)	-	(38.0)	(10.5)	**41.3**
Interest expense	**(25.7)**	-	-	(6.4)	-	-	-	**(32.1)**
Investment and other income of CIPs	**61.0**	(61.0)	-	-	-	-	-	**-**
Expenses of CIPs	**(10.9)**	10.9	-	-	-	-	-	**-**
Total Other Income (Expense)	**77.3**	**(13.1)**	**-**	**(6.5)**	**-**	**(38.0)**	**(10.5)**	**9.2**
Income before taxes	**555.4**	**(7.9)**	**-**	**97.9**	**3.9**	**(38.0)**	**(0.9)**	**610.4**
Taxes on income	**83.8**	-	-	24.5	0.9	(10.2)	(0.3)	**98.7**
Net income	**471.6**	**(7.9)**	**-**	**73.4**	**3.0**	**(27.8)**	**(0.6)**	**511.7**
Less: Net income (loss) attributable to noncontrolling interests	**33.2**	(7.3)	-	-	-	(7.9)	-	**18.0**
Net Income Attributable to Franklin Resources, Inc.	**438.4**	**(0.6)**	**-**	**73.4**	**3.0**	**(19.9)**	**(0.6)**	**493.7**
Less: allocation of earnings to participating nonvested stock and stock unit awards	**19.4**							**21.9**
Net Income Available to Franklin Resources, Inc. Common Stockholders	**419.0**							**471.8**
Diluted EPS	**$0.86**			**Adjusted Diluted EPS**				**$0.96**
Diluted Shares Outstanding	**489.9**			**Diluted Shares Outstanding**				**489.9**
Operating Margin	**22.0%**			**Adjusted Operating Margin**				**36.5%**

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)								
Investment and other income (losses) net	**67.1**	10.4	-	(0.1)		(69.5)	(0.4)	**7.5**
Interest expense	**(15.9)**	-	-	(16.9)	-	-	-	**(32.8)**
Investment and other income of CIPs	**111.2**	(111.2)	-	-	-	-	-	**-**
Expenses of CIPs	**(5.2)**	5.2	-	-	-	-	-	**-**
Total Other Income (Expense)	**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**
Less: allocation of earnings to participating nonvested stock and stock unit awards	**16.9**							**17.9**
Net Income Available to Franklin Resources, Inc. Common Stockholders	**364.9**							**385.6**
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 June 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	Non-GAAP Basis
Revenues							
Investment management fees	**809.2**	4.8	(66.4)	-	-	-	**747.6**
Sales and distribution fees	**302.1**	0.1	(302.2)	-	-	-	**-**
Shareholder servicing fees	**44.6**	0.1	-	-	-	-	**44.7**
Other	**5.2**	-	-	-	-	-	**5.2**
Total Operating Revenues	**1,161.1**	**5.0**	**(368.6)**	**-**	**-**	**-**	**797.5**
Expenses							
Compensation and benefits	**386.5**	-	-	(15.5)	(8.7)	-	**362.3**
Sales, distribution and marketing	**368.6**	-	(368.6)	-	-	-	**-**
Information systems and technology	**62.1**	-	-	-	-	-	**62.1**
Occupancy	**31.5**	-	-	-	-	-	**31.5**
Amortization of intangible asset	**4.7**	-	-	(4.7)	-	-	**-**
General, administrative and other	**75.2**	-	-	(4.4)	-	-	**70.8**
Total Operating Expenses	**928.6**	**-**	**(368.6)**	**(24.6)**	**(8.7)**	**-**	**526.7**
Operating Income	**232.5**	**5.0**	**-**	**24.6**	**8.7**	**-**	**270.8**
Other Income (Expense)							
Investment and other income (losses) net	**49.6**	13.7	-	(1.7)	-	26.7	**88.3**
Interest expense	**(5.2)**	-	-	-	-	-	**(5.2)**
Investment and other income of CIPs	**0.3**	(0.3)	-	-	-	-	**-**
Expenses of CIPs	**(7.4)**	7.4	-	-	-	-	**-**
Total Other Income (Expense)	**37.3**	**20.8**	**-**	**(1.7)**	**-**	**26.7**	**83.1**
Income before taxes	**269.8**	**25.8**	**-**	**22.9**	**8.7**	**26.7**	**353.9**
Taxes on income	**16.1**	-	-	5.4	2.0	(1.9)	**21.6**
Net income	**253.7**	**25.8**	**-**	**17.5**	**6.7**	**28.6**	**332.3**
Less: Net income (loss) attributable to noncontrolling interests	**(36.7)**	20.1	-	-	-	-	**(16.6)**
Net Income Attributable to Franklin Resources, Inc.	**290.4**	**5.7**	**-**	**17.5**	**6.7**	**28.6**	**348.9**
Less: allocation of earnings to participating nonvested stock and stock unit awards	**4.2**						**5.0**
Net Income Available to Franklin Resources, Inc. Common Stockholders	**286.2**						**343.9**
Diluted EPS	**$0.58**			**Adjusted Diluted EPS**			**$0.70**
Diluted Shares Outstanding	**490.7**			**Diluted Shares Outstanding**			**490.7**
Operating Margin	**20.0%**			**Adjusted Operating Margin**			**34.0%**

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.

Investor Relations Contact

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