



FRANKLIN TEMPLETON
INVESTMENTS

**Annual Report
and Audited
Financial Statements**
for the year ended
July 31, 2018

Franklin Floating Rate Fund plc



CONTENTS

General Information	2
Investment Manager's Report	3
Report from the Alternative Investment Fund Manager (Unaudited)	5
Directors' Report	8
Report of the Depositary to the Shareholders	12
Independent Auditors' Report	13
Portfolio of Investments	18
Statement of Comprehensive Income	20
Statement of Financial Position	21
Statement of Changes in Net Assets Attributable to holders of Redeemable Shares	23
Statement of Cash Flows	24
Notes to the Financial Statements	25
Other Information (Unaudited)	44
Appendix A: Franklin Floating Rate Master Trust Annual Report and Audited Financial Statements for the year ended July 31, 2018	45

GENERAL INFORMATION

Board of Directors

Hans Wisser (German)
Francis Ennis* (Irish)
Gregory E. McGowan (U.S.)
David McGeough* (Irish)
Ken Lewis (U.S.)
(Alternate to Gregory E. McGowan)

* Independent Directors.
All Directors are non-executive.

Distributor

Franklin Templeton International Services S.à r.l.
8A, rue Albert Borschette
L-1246
Luxembourg

Legal Advisors

Matheson
70 Sir John Rogerson's Quay
Dublin 2
Ireland

Depository

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JPMorgan House
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Dublin 1
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Alternative Investment Fund Manager

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8A, rue Albert Borschette
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Investment Manager

Franklin Advisers, Inc.
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Administrator / Secretary

J.P. Morgan Administration Services (Ireland) Limited
JPMorgan House
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Dublin 1
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Independent Auditors

PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
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Ireland

Sponsoring Broker

Matheson
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Dublin 2
Ireland

Registered office

J.P. Morgan Bank (Ireland) plc
JPMorgan House
International Financial Services Centre
Dublin 1
Ireland

Registered Number

316174

INVESTMENT MANAGER'S REPORT

Franklin Floating Rate Fund Plc (the "Company")

This commentary reflects the position of the Franklin Floating Rate Master Trust (the "Master Trust"), as this is the sole investment of the Company.

Syndicated Bank Loan Market Overview

Technical conditions for the loan market remained supportive for much of the one-year period, despite bouts of volatility in the equity and high yield bond markets. Strong issuance of new collateralized-loan-obligations (CLOs) and modest inflows into loan retail vehicles helped to provide a base of support for loans. LIBOR continued to increase following US Federal Reserve rate hikes, which managed to attract investors back to the market, but the hikes also prompted further repricing transactions that constrained increases in income. However, institutional issuance increased toward the end of the period, curtailing many refinancing and repricing transactions.

Continued tight conditions and further repricing transactions helped to dampen retail investor interest in the asset class at the beginning of the period, but higher US Treasury yields and rising LIBOR helped flows to eventually turn positive as more investors looked for lower duration assets. Moreover, after the Fed hiked rates three times during the period and expectations for further hikes later in 2018 improved, interest from retail investors improved.

CLO issuance continued at a strong pace as liability spreads tightened further, with the highest rated tranches reaching tightest levels for vehicles launched after the financial crisis. While spreads widened slightly toward the end of the period due to heavy issuance, tighter liability spreads allowed CLO managers to maintain the necessary arbitrage that was challenged due to tighter spreads in the loan market. Furthermore, an increase in new issuance helped managers that had faced challenges finding collateral for new vehicles.

Repricing transactions remained prevalent as LIBOR increased and increasingly tight spreads over the benchmark rate became more acceptable to investors. Moreover, outside of repricing transactions, issuers also took advantage of relatively lower rates by switching to a 1-month LIBOR benchmark, rather than 3-month LIBOR, limiting increases in coupon. However, toward the end of the period, institutional issuance reached the highest volume since the beginning of the previous year as companies owned by private equity firms increased acquisitions due to high levels of cash.

The default rate increased to the highest level since 2015 during the period, following the widely expected default of a large broadcasting issuer and defaults of issuers in the energy, retail, and consumer durable industries. While the rate declined from its highpoint as more issuers rolled off the calculation, the 1-year default rate ended the period higher. Average first-lien debt leverage was also at a record high as more issuers came to the market launching only loans, rather than both loans and bonds, which diminished subordinated debt cushion for senior loan investors.

Investment Strategy

In anticipation of potential future volatility, we have maintained our overweight in loans rated in the upper tier, which we would expect to outperform. Furthermore, we have increased portions of our portfolio with greater liquidity in terms of settlement, including CLO and open-end fund investments, which we could potentially sell in a period of elevated redemptions, but could also provide relatively attractive credit exposure in low volatility periods. Although issuance has increased and resulted in many repricing transactions being curtailed, issuers have still been able to put forth looser loan documentation. Recent loan credit agreements have increasingly permitted issuers to change the reference rate from LIBOR without lender approval, which has led to us declining to participate in many primary transactions while maintaining relatively stronger lender protections among the loans within our portfolio.

Manager's Discussion

During the period under review, the fund returned 2.04%, underperforming its benchmark, the CS Leveraged Loan Index (CSLLI), which returned 4.72%. The Fund maintained an overweight in the upper tier of the market throughout the period, which detracted from performance as

INVESTMENT MANAGER'S REPORT (CONTINUED)

upper tier loans in the index returned 3.90%, middle tier returned 4.68%, and lower tier returned 9.24%, according to the index. The top contributors to performance included issuers where we had built relatively large positions and through proactive engagement, were able to execute transactions that contributed to returns. The first lien term loan of a provider of oil and gas traded higher after the company completed a restructuring plan and the exit term loan also increased spread. The term loan of a specialty retailer with multiple core brands traded higher after the company reported better than expected earnings and the loan attracted demand from CLOs due to its relatively higher spread and ratings. However, a manufacturer of firearms and ammunition detracted from performance after the company filed for bankruptcy due to weaker sales. Another term loan position, in a paper products manufacturer, also filed for bankruptcy and detracted from performance as the company faced price declines in its products due to competition and higher costs for a key raw material.

In addition to maintaining a significant overweight in higher-rated loans, the fund was also invested in AAA to A rated CLO tranches. Other positions included two open end funds, Franklin Middle Tier Floating Rate Fund and Franklin Lower Tier Floating Rate Fund, and an exchange traded fund, the Franklin Liberty Senior Loan ETF. The investments allowed the fund to have further exposure to credit, while providing a potential source of liquidity. The fund also held protection in HYCDX to protect against volatility in the credit markets.

Franklin Advisers, Inc.
Investment Manager

August 2018

REPORT FROM THE ALTERNATIVE INVESTMENT FUND MANAGER (UNAUDITED)

The Conducting Officers of Franklin Templeton International Services S.à r.l. (“FTIS S.à r.l.”) acting as Alternative Investment Fund Manager (“AIFM”) to Franklin Floating Rate Fund plc (the “Company”) submits the following report for the financial year ended July 31, 2018.

Risk and Leverage

The purpose of this section is to provide supplemental information to shareholders in the context of the Alternative Investment Fund Managers Directive (“AIFMD”) and should be considered in conjunction with the risk management information provided in note 8 of this Annual Report in line with International Financial Reporting Standards (“IFRS”) as adopted by the European Union.

Risk profile / Risk management systems

The purpose of this section is to provide information about risk management systems employed by the Company and the sensitivity of the Company to certain risks.

It needs to be highlighted that the responsibility of the AIFM risk management framework is limited to the Company and does not extend to Franklin Floating Rate Master Trust (the “Master Trust”).

The AIFM of the Company has established a permanent risk management function to ensure that effective risk management policies and procedures are in place and to monitor the risks and compliance with risk limits. The AIFM has a risk management process document filed with the regulator of the AIFM and risk management policies which cover the risks associated with the Company. The adequacy and effectiveness of this framework is reviewed and approved at least annually and updated as needed. Regular reporting is prepared and reviewed by the AIFM’s Senior Management and the Board of the Company is informed regularly about the risk profile and the risk measures monitored.

For each relevant risk area, risk factors are monitored which take into account the objectives, strategy and risk profile of the Company. Such factors may be of quantitative and qualitative nature and based on prospectus and regulatory requirements as well as internal considerations. The sensitivity of the portfolio to key risks is tested periodically, as appropriate, to ascertain the impact of changes in key variables to the Company. Exceptions from risk monitoring and stress testing would be reported to the Board of the Company immediately along with remedial measures being taken.

As stated in note 8, market price risk is mainly driven by the potential losses which could arise from price movements of the investment in the Master Trust. Amongst other measures regularly considered by the Investment Manager, the AIFM is assessing and monitoring market risk sensitivity through relative Value at Risk (VaR) calculated using the Monte Carlo approach. VaR is a statistical risk measure that estimates the potential portfolio loss from adverse market moves in an ordinary market environment. VaR analysis reflects the interdependencies between risk variables, unlike a traditional sensitivity analysis. VaR can be defined as the predicted loss a portfolio can experience at a specified confidence level (e.g. 99%) over a given period of time (e.g. 20 business days).

The VaR calculations are based on a confidence level of 99% with a holding period of not greater than 1 month (20 business days) and a historical observation period of not less than 1 year (250 business days). A 99% 1 month VaR means that the expectation is that 99% of the time over a 1 month period the Company will lose less than this number in percentage terms. Therefore, higher VaR numbers indicate higher risk. The AIFM uses the relative VaR methodology which is the absolute VaR of the portfolio divided by the absolute VaR of the benchmark. The benchmark that is used is the one that is most representative of the Company’s strategy and likely risk exposures.

It is noted that the use of this VaR methodology, as with any other statistical risk measure, has limitations. There is some probability that the loss could be greater than the VaR amounts and therefore the AIFM can neither guarantee that losses will not exceed the VaR indicated, nor that losses in excess of the VaR amounts will not occur more frequently.

REPORT FROM THE ALTERNATIVE INVESTMENT FUND MANAGER (UNAUDITED) (CONTINUED)

Credit risk is mitigated by the AIFM through regular reviews concerning the Depositary of the Company as well as the ongoing review and regular assessment of counterparties approved for trading including monitoring of the corresponding exposure limits.

No risk limits have been exceeded or were likely to be exceeded in the period to July 31, 2018.

Liquidity Risk

The AIFM employs a liquidity risk management framework assessing on a regular basis the liquidity risk arising from the assets held by the Company and the liabilities of the Company to ensure that shareholder redemptions can be met as described in the Company's prospectus.

The shares of the Master Trust, the sole investment of the Company, are redeemable daily. The primary liquidity risk oversight performed by the AIFM includes a review of daily shareholder transaction activity alongside a review of the liquidity of the Master Trust to monitor and mitigate any potential mismatch, regular monitoring for potential overdrafts and a review of the shareholder concentration within the Company.

As at July 31, 2018, the Company did not hold any assets subject to special arrangements arising from their illiquid nature. There were no new arrangements for managing the liquidity/liquidity risk of the Company during the year ending July 31, 2018.

Leverage under AIFMD considerations

The leverage definition under AIFMD is wider than the traditional gearing. In accordance with the EU Commission Delegated Regulation (EU) No 231/13 (the "AIFM Regulation") leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a percentage of the Company's exposure to its net asset value and is calculated on both a gross and commitment method.

Under the gross method, exposure represents the sum of the Company's positions (including all holdings like shares in the Master Trust) after deduction of cash balances and cash equivalents, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and cash equivalents and after certain hedging and netting positions are offset against each other if applicable.

The Company does not use any derivative instruments other than the forward foreign currency contracts strictly limited to the hedged currency share classes offered in line with the prospectus.

The maximum level of leverage the AIFM is entitled to employ for AIFMD monitoring and reporting purposes are the statutory limits set in the Company's prospectus and the applicable regulation for the hedged currency share classes.

This leverage amount permitted for share class hedging is 105% which, considering the opportunity to borrow up to 25% and 100% of long assets held in the portfolio, relates to a ratio of 2.3 (or 230%) under the AIFMD gross method. Under the commitment method the use of leverage derived from financial derivatives is limited to 100% incremental exposure which, considering the 100% long assets held in the portfolio, relates to a ratio of 2.0 (200%).

The actual level of leverage recorded under the requirements of AIFMD for July 31, 2018 is 1.00 (or 100%) using the "commitment" method and 1.02 (or 101.9%) under the "gross" method.

There was no change to the level of leverage limit applied for AIFMD monitoring and reporting purposes since August 1, 2017.

It should be noted that the above approach does not take leverage that might potentially be applied at the level of the Master Trust into consideration.

REPORT FROM THE ALTERNATIVE INVESTMENT FUND MANAGER (UNAUDITED) (CONTINUED)

Remuneration

The AIFM has a remuneration policy in place that applies to all Alternative Investment Funds (“AIF”) under its management.

Quantitative information relevant to the Company is outlined below. Further qualitative details are available upon request at the registered office of the AIFM.

Total amount of fixed remuneration paid by the AIFM and its delegates to its staff during the year ended September 30, 2017.*	EUR 200,504
Total amount of variable remuneration paid by the AIFM and its delegates to its staff during the year ended September 30, 2017.*	EUR 59,929
Number of staff of the AIFM and in its delegates as at September 30, 2017.	145
Total amount of compensation paid by the AIFM and its delegates to senior managers during the year ended September 30, 2017.*	EUR 73,391
Total amount paid by the AIFM and its delegates to other members of staff who have a material impact on the risk profile of the Company during the year ended September 30, 2017.*	EUR Nil

*Total amount of compensation paid by the AIFM and its delegates has been allocated to each AIF based on their pro rata share of the average month end total net assets of the AIFM for the year ended September 30, 2017.

Franklin Templeton International Services S.à r.l.
Alternative Investment Fund Manager

August 2018

DIRECTORS' REPORT

The Directors submit their annual report together with the audited financial statements for the Franklin Floating Rate Fund plc (the “Company”) for the year ended July 31, 2018.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable Irish Law and International Financial Reporting Standards (“IFRS”) as adopted by the European Union and in compliance with the Companies Act 2014.

Irish Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the assets, liabilities and financial position of the Company as at the end of the financial year and of the profit or loss of the Company for that year. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with the applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

Accounting records

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable those financial statements to be audited. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The assets of the Company have been entrusted to the Depositary for safekeeping. The Depositary is J.P. Morgan Bank (Ireland) plc.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The measures taken by the Directors to secure compliance with the Company’s obligations to keep adequate accounting records are the use of appropriate systems and procedures and the appointment of reputable service providers. J.P. Morgan Administration Services (Ireland) Limited were appointed as Administrator on July 31, 2009. Accordingly, the accounting records are kept at JPMorgan House, International Financial Services Centre, Dublin 1, Ireland.

Business review and future developments

The Company is organised as an investment fund with variable capital under the laws of Ireland as a public limited company pursuant to the Companies Act 2014. There was no change in the nature of the Company’s business during the year.

The Company’s investment objective is to provide a high level of current income and preservation of capital by investing up to 100% of its net assets in shares of the Franklin Floating Rate Master Series (the “Common Shares”) in the Franklin Floating Rate Master Trust (the “Master Trust”).

The Company will continue to pursue its investment objectives as set out in the prospectus.

DIRECTORS' REPORT (CONTINUED)

The Net Asset Value per share changed in the year as follows:

Share Class	NAV per share July 31, 2018	NAV per share July 31, 2017	Increase
A (acc) share	USD 15.17	USD 14.87	2.02%
A (dis) share	USD 8.52	USD 8.67	(1.73)%
Share Class	NAV per share July 31, 2018	NAV per share July 31, 2017	Increase
B share*	USD 8.52	USD 8.66	(1.62)%
N (acc) share	USD 13.72	USD 13.54	1.33%
N (dis) share	USD 8.66	USD 8.82	(1.81)%
C (acc) share	USD 10.15	USD 10.02	1.30%
C (dis) share	USD 8.52	USD 8.67	(1.73)%
AX share	USD 8.51	USD 8.66	(1.73)%
Z (acc) share	USD 13.87	USD 13.55	2.36%
Z (dis) share	USD 9.71	USD 9.87	(1.62)%
A (dis) SGD-H1 share	SGD 9.70	SGD 9.94	(2.41)%
A (dis) EUR-H1 share	EUR 9.23	EUR 9.62	(4.05)%
A (dis) RMB-H1 share	RMB 108.08	RMB 108.18	(0.09)%

*The Company discontinued the sale of Class B shares with effect from April 1, 2016.

Assets under management decreased from USD 2,095,520,489 to USD 1,761,737,916 during the year.

Results and dividends

The results for the year are stated on page 20 of the financial statements. The Directors proposed and paid total distributions of USD 26,617,133 (2017: USD 23,367,281) during the year.

Risk management objectives and policies

The main risks arising from the Company's financial instruments (shares in the Master Trust) are market price, concentration and liquidity risks. The company is also indirectly exposed to interest rate, foreign currency and credit risks.

The Investment Manager may use financial derivative instruments for hedging purposes in the Hedged Class Shares issued by the Company. The gains/losses on and the costs of the relevant financial instruments will accrue solely to the relevant Hedged Class.

For further information on risk management objectives and policies, please see note 8 on pages 35, 36 and 37.

Directors

The names of the Directors are set out on page 2. They served for the entire year, unless otherwise stated.

Directors' and Secretary's interests

The Directors and Secretary and their respective families had no interest in the share capital of the Company at July 31, 2018 (2017: Nil). None of the Directors had any material interests in any contracts of significance, either during the year or at the year end (2017: None), in relation to the business of the Company.

Significant events during the year

There have been no significant events during the year.

Significant events since the year end

On August 6, 2018, an updated prospectus was issued for the Company.

DIRECTORS' REPORT (CONTINUED)

Connected Parties Compliance Statement

The Central Bank of Ireland AIF Rulebook section on 'Dealings by management company, depositary, AIFM, investment manager or by delegates or group companies of these' states that any transaction carried out with the Company by a management company, depositary, AIFM, investment manager or by delegates or group companies of these ("connected parties") must be carried out as if negotiated at arm's length. Transactions must be in the best interests of the shareholders.

The Board of Directors is satisfied that there are arrangements (evidenced by written procedures) in place to ensure that the obligations set out above are applied to all transactions with connected parties; and the Board of Directors is satisfied that transactions with connected parties entered into during the year complied with the obligations set out in this paragraph.

Independent Auditors

The auditors, PricewaterhouseCoopers have indicated their willingness to continue in office in accordance with S.383 (2) of the Companies Act 2014.

Statement on relevant audit information

The following statements apply in the case of each of the persons who are Directors at the time the report was approved:

- a) So far as the Director is aware, there is no relevant audit information of which the Company's statutory auditors are unaware, and
- b) The Director has taken all steps that ought to have been taken by the Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The financial statements of the Master Trust for the year ended July 31, 2018 are attached in Appendix A. The Master Trust financial statements do not form part of these financial statements.

Statement of Corporate Governance

(a) General Requirements

The Company is subject to the requirements of the Companies Act 2014 and the European Union (Alternative Investment Fund Managers) Regulations 2013 (as amended). Although there is no statutory corporate governance code applicable to Irish collective investment schemes whose shares are listed on the Irish Stock Exchange ("ISE"), in December 2012 the Board adopted and have applied the provisions of the Irish Funds Industry Association corporate governance code.

The Company is also subject to corporate governance practices imposed by:

- (i) the Companies Act 2014 which can be obtained from the Irish statute book website at <http://www.irishstatutebook.ie> and is available for inspection at the registered office of the Company;
- (ii) the Articles of Association of the Company (the "Articles") which are available for inspection at the registered office of the Company and may be obtained at the registered office of the Administrator or at the Companies Registration Office in Ireland;
- (iii) the AIF Rulebook which can be obtained from the Central Bank of Ireland's website at <http://www.centralbank.ie>; and
- (iv) the ISE through the ISE Code of Listing Requirements and Procedures which can be obtained from the ISE's website at: <http://www.ise.ie>.

(b) Board of Directors

In accordance with the Companies Act 2014 and the Articles, unless otherwise determined by an ordinary resolution of the Company in a general meeting, the number of Directors shall not be less than two or more than twelve. The Board currently comprises of four Directors, two of whom are independent and all are non-executive board members. Details of the Directors are set out in the "Directors" section of the prospectus.

DIRECTORS' REPORT (CONTINUED)

The Board meets on at least a quarterly basis to fulfil its responsibilities. However, additional meetings may be convened as required and the Board may meet more frequently in general sessions of the Board to discuss matters of general importance to the Company.

The Board has delegated management of the Company to certain delegate service providers. These details are set out in the "Management and Administration" section of the prospectus.

Board materials, including a detailed agenda of items for consideration at each Board meeting, minutes of the previous meeting and reports from various internal and external stakeholders, including delegate service providers, are generally circulated in advance of the meeting to allow all Directors adequate time to consider the material.

The quorum necessary for the transaction of business at a meeting of Directors may be fixed by the Directors and unless so fixed at any other number shall be two. Directors generally attend all Board meetings.

The Board has not directly established any committees to whom business is delegated. The Board has regular direct contact with the delegate service providers and thus delegated responsibilities to committees are not deemed necessary.

(c) Risk Management Systems in Relation to Financial Reporting

The Board is responsible for establishing and maintaining adequate control and risk management systems of the Company in relation to the financial reporting process. The Board has entrusted the administration of the accounting records to the Administrator. The Board, through delegation to the Administrator has put in place a formal procedure to ensure that relevant accounting records for the Company are properly maintained and are readily available, and includes the procedure for the production of audited annual financial statements and semi-annual financial statements for the Company. The annual and semi-annual financial statements of the Company are prepared by the Administrator and presented to the Board of Directors for approval, prior to applicable filing such as with the Central Bank of Ireland or the ISE.

The Company has appointed an independent external audit firm to audit the financial statements in accordance with the Companies Act 2014. The auditor's report to shareholders, including any qualifications, is reproduced in full in the annual report.

(d) Shareholder Meetings

Subject to the provisions of the Companies Act 2014 allowing a General Meeting to be called at short notice, an Annual General Meeting and an Extraordinary General Meeting called for the passing of a Special Resolution shall be called by at least twenty- one clear days' notice and all other Extraordinary General Meetings shall be called by at least fourteen clear days' notice.

At any General Meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless before or upon the declaration of the result of the show of hands a poll is demanded by the Chairman or by at least five shareholders present or any shareholders present representing at least one tenth of the Shares in issue having the right to vote at the meeting.

On Behalf of the Board of Directors

Director

Director

Date: November 14, 2018

REPORT OF THE DEPOSITARY TO THE SHAREHOLDERS

We have enquired into the conduct of Franklin Floating Rate Fund plc (the “AIF”) and Franklin Templeton International Services S.à r.l. as the authorised alternative investment fund manager (the “AIFM”) for the year ended July 31, 2018 in our capacity as Depositary of the AIF.

This report, including the opinion, has been prepared for and solely for the shareholders in the AIF as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown.

Responsibilities of the Depositary

Our duties and responsibilities are outlined in the AIF’s constitutional document and the investment fund legislation (as defined in the Central Bank of Ireland’s (“CBI”) AIF Rulebook). One of those duties is to enquire into the conduct of the AIF and the AIFM in respect of the AIF in each annual accounting period and report thereon to the shareholders.

Our report shall state whether, in our opinion, the AIF has been managed in that period, in accordance with the limitations imposed on the investment and borrowing powers of the AIFM by the constitutional document and by the CBI under the powers granted to the CBI by the investment fund legislation. It is the overall responsibility of the AIFM to comply with these provisions. If the AIFM has not so complied, we as Depositary must state why this is the case and outline the steps which we have taken to rectify the situation.

Basis of Depositary Opinion

The Depositary conducts such reviews as it, in its reasonable opinion, considers necessary in order to comply with its duties as outlined in the AIF constitutional document and the investment fund legislation, and to ensure that, in all material respects, the AIF has been managed:

- (i) in accordance with the limitations imposed on the investment and borrowing powers of the AIF by the constitutional document and by the CBI under the powers granted to the CBI by the investment fund legislation; and
- (ii) otherwise in accordance with the provision of the constitutional document and the investment fund legislation.

Opinion

In our opinion, the AIF has been managed during the period, in all material respects:

- (i) in accordance with the limitations imposed on the investment and borrowing powers of the AIF by the constitutional document and by the CBI under the powers granted to it by the investment fund legislation; and
- (ii) otherwise in accordance with the provisions of the constitutional document and the investment fund legislation.

For and on behalf of
 J.P. Morgan Bank (Ireland) Plc
 JPMorgan House
 International Financial Services Centre
 Dublin 1 Ireland

Date: November 14, 2018

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FRANKLIN FLOATING RATE FUND PLC

Report on the audit of the financial statements

Opinion

In our opinion, Franklin Floating Rate Fund PLC's financial statements:

- give a true and fair view of the Company's assets, liabilities and financial position as at 31 July 2018 and of its results and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

We have audited the financial statements, included within the Annual Report and Audited Financial Statements, which comprise:

- the Statement of Financial Position as at 31 July 2018;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the Statement of Changes in Net Assets Attributable to holders of Redeemable Shares for the year then ended;
- the Portfolio of Investments as at 31 July 2018; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Board of Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law.

Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

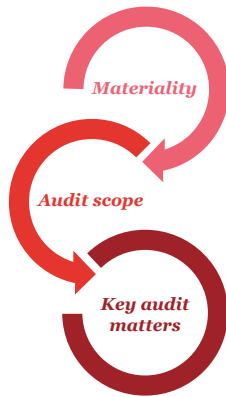
To the best of our knowledge and belief, we declare that non-audit services prohibited by IAASA's Ethical Standard were not provided to the Company.

We have provided no non-audit services to the Company in the period from 1 August 2017 to 31 July 2018.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FRANKLIN FLOATING RATE FUND PLC (CONTINUED)

Our audit approach

Overview



Materiality

- Overall materiality: 50 basis points of Net Assets Value (“NAV”) at 31 July 2018.

Audit scope

- The Company is an open-ended investment Company with variable capital and engages Franklin Templeton International Services S.a.r.l. (the “Manager”) to manage certain duties and responsibilities with regards to the day-to-day management of the Company. We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to below, the accounting processes and controls, and the industry in which the Company operates.

Key audit matters

- Valuation and existence of investments.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example the selection of pricing sources to value the investment portfolio. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors’ professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
------------------	--

Valuation and existence of investments

Refer to the Portfolio of Investments and Notes 9 and 13 in the financial statements.

The investment portfolio at 31 July 2018 comprises one underlying fund investment (Franklin Floating Rate Master Trust).

We focused on the valuation and existence of this investment because it represents the principal element of the net asset value as disclosed in the Statement of Financial Position in the financial statements.

We obtained independent confirmation of the number of units held and net asset value per unit of the investment from the administrator of the underlying fund as at the year-end date. We agreed the details confirmed to the valuation of this investment per the accounting records.

We obtained the audited financial statements of the underlying fund and performed the following:

- we agreed the net asset value per share used in the valuation of the investment to the net asset value per share as included in the audited financial statements;
- we read the independent auditors’ report included within the audited financial statements to ensure there were no modifications in the report; and
- we considered the types of investments held in the underlying fund.

No matters were noted as a result of performing these procedures.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FRANKLIN FLOATING RATE FUND PLC (CONTINUED)

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

The directors control the affairs of the Company and are responsible for the overall investment policy which is determined by them. The Company engages Franklin Advisers, Inc. ("The Manager") to manage certain duties and responsibilities with regards to the day to day management of the Company. The Manager has delegated certain responsibilities to Franklin Templeton International Services S.a.r.l. (the 'Investment Manager') and to J.P. Morgan Administration Services (Ireland) Limited (the 'Administrator'). The financial statements, which remain the responsibility of the directors, are prepared on their behalf by the Administrator. The Company has appointed J.P. Morgan Bank (Ireland) plc (the "Depositary") to act as Depositary of the Company's assets. In establishing the overall approach to our audit we assessed the risk of material misstatement taking into account the nature, likelihood and potential magnitude of any misstatement. As part of our risk assessment, we considered the Company's interaction with the Administrator, and we assessed the control environment in place at the Administrator.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality as follows:

Overall materiality and how we determined it	50 basis points (2017: 50 basis points) of Net Assets Value ("NAV") at 31 July 2018.
Rationale for benchmark applied	We have applied this benchmark because the main objective of the Company is to provide investors with a total return taking account of the capital and income returns.

We agreed with the Board of Directors that we would report to them misstatements identified during our audit above 5 basis points of the Company's NAV, for NAV per share impacting differences (2017: 5 basis points of the Company's NAV, for NAV per share impacting differences) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report and Audited Financial Statements other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FRANKLIN FLOATING RATE FUND PLC (CONTINUED)

or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the Companies Act 2014 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland) and the Companies Act 2014 require us to also report certain opinions and matters as described below:

Directors' Report

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 July 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.
- Based on our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

Corporate governance statement

- In our opinion, based on the work undertaken in the course of the audit of the financial statements, the description of the main features of the internal control and risk management systems in relation to the financial reporting process included in the Corporate Governance Statement, is consistent with the financial statements and has been prepared in accordance with section 1373(2)(c) of the Companies Act 2014.
- Based on our knowledge and understanding of the Company and its environment obtained in the course of the audit of the financial statements, we have not identified material misstatements in the description of the main features of the internal control and risk management systems in relation to the financial reporting process included in the Corporate Governance Statement.
- In our opinion, based on the work undertaken during the course of the audit of the financial statements, the information required by section 1373(2)(a),(b),(e) and (f) of the Companies Act 2014 is contained in the Corporate Governance Statement.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 8, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FRANKLIN FLOATING RATE FUND PLC (CONTINUED)

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at: https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf.

This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2014 opinions on other matters

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.

Companies Act 2014 exception reporting

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the directors on 1 December 1999 to audit the financial statements for the year ended 31 July 2000 and subsequent financial periods. The period of total uninterrupted engagement is 19 years, covering the years ended 31 July 2000 to 31 July 2018.

Joanne Kelly
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin

14 November 2018

PORTFOLIO OF INVESTMENTS

as at July 31, 2018

Security name	Holding August 1, 2017	Purchases	Sales	Holding July 31, 2018	Fair Value USD'000	% Net Asset Value
Unit Trust Holdings						
Franklin Floating Rate Master Trust	240,440,405	31,989,954	(66,224,563)	206,205,796	1,760,544	99.93%
Total Unit Trust Holdings					1,760,544	99.93%

Forward Foreign Currency Contracts

Maturity Date	Currency	Amount Bought	Currency	Amount Sold	Counterparty	Unrealised Gain USD'000	% Net Asset Value
August 20, 2018	SGD	5,071,063	USD	(3,707,335)	J.P. Morgan	19	0.00%
August 20, 2018	EUR	4,993,482	USD	(5,815,859)	Bank of America	31	0.01%
August 20, 2018	EUR	4,592,980	USD	(5,348,939)	Citibank	29	0.00%
August 20, 2018	USD	4,471,300	EUR	(3,815,054)	Bank of America	4	0.00%
August 20, 2018	EUR	4,024,188	USD	(4,688,943)	UBS	23	0.00%
August 20, 2018	EUR	3,888,764	USD	(4,529,341)	Morgan Stanley	24	0.00%
August 20, 2018	SGD	2,575,033	USD	(1,883,146)	Morgan Stanley	9	0.00%
August 20, 2018	SGD	2,560,682	USD	(1,877,000)	Citibank	5	0.00%
August 20, 2018	SGD	2,089,460	USD	(1,528,179)	Citibank	7	0.00%
August 20, 2018	EUR	1,868,473	USD	(2,174,110)	J.P. Morgan	14	0.00%
August 20, 2018	SGD	1,059,397	USD	(773,000)	Morgan Stanley	5	0.00%
August 20, 2018	SGD ¹	886,387	USD	(651,000)	Morgan Stanley	–	0.00%
August 20, 2018	SGD	783,331	USD	(574,000)	Bank of America	2	0.00%
August 20, 2018	SGD	671,064	USD	(490,993)	Bank of America	2	0.00%
August 20, 2018	EUR	631,635	USD	(736,452)	HSBC	3	0.00%
August 20, 2018	SGD	599,239	USD	(438,175)	Goldman Sachs	2	0.00%
August 20, 2018	SGD	598,525	USD	(437,800)	UBS	2	0.00%
August 20, 2018	EUR	596,878	USD	(695,068)	Goldman Sachs	4	0.00%
August 20, 2018	SGD	470,936	USD	(346,000)	Bank of America	1	0.00%
August 20, 2018	SGD ¹	383,000	USD	(281,000)	Bank of America	–	0.00%
August 20, 2018	SGD ¹	116,539	USD	(85,267)	HSBC	–	0.00%
August 20, 2018	SGD ¹	11,017	USD	(8,060)	BNP Paribas	–	0.00%
						186	0.01%

PORTFOLIO OF INVESTMENTS (CONTINUED)

as at July 31, 2018

Forward Foreign Currency Contracts

Maturity Date	Currency	Amount Bought	Currency	Amount Sold	Counterparty	Unrealised Loss USD'000	% Net Asset Value
August 20, 2018	CNH	2,389,227	USD	(353,518)	J.P. Morgan	(3)	0.00%
August 20, 2018	SGD	511,964	USD	(377,000)	Morgan Stanley	(1)	0.00%
August 20, 2018	CNH ¹	130,581	USD	(19,322)	Citibank	–	0.00%
August 20, 2018	CNH ¹	123,352	USD	(18,256)	Morgan Stanley	–	0.00%
August 20, 2018	CNH ¹	67,463	USD	(9,988)	Bank of America	–	0.00%
August 20, 2018	CNH ¹	66,469	USD	(9,841)	UBS	–	0.00%
						(4)	0.00%

¹Investments which are less than USD 500 have been rounded down to zero.

	Fair Value USD'000	% Net Asset Value
Total financial assets at fair value through profit or loss	1,760,730	99.94%
Total financial liabilities at fair value through profit or loss	(4)	0.00%
Other net assets	1,012	0.06%
Net assets attributable to holders of Redeemable Shares	1,761,738	100.00%

The accompanying notes form an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended July 31, 2018

	Notes	Year ended July 31, 2018 USD'000	Year ended July 31, 2017 USD'000
Income			
Net (losses)/gains on financial assets and liabilities at fair value through profit or loss	2	(35,011)	40,047
Investment income	1(f)	81,464	66,381
Total Net income		46,453	106,428
Operating expenses	3	(14,680)	(14,467)
Operating profit		31,773	91,961
Finance costs			
Distributions to holders of Redeemable Shares	4	(26,617)	(23,367)
Net gains after Distribution and before tax		5,156	68,594
Withholding taxes		(755)	(181)
Increase in net assets attributable to holders of Redeemable Shares from operations		4,401	68,413

The net income arose solely from continuing operations. There were no other recognised gains or losses for the year other than as set out in the above Statement of Comprehensive Income.

The accompanying notes form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

as at July 31, 2018

	Notes	As at July 31, 2018 USD'000	As at July 31, 2017 USD'000
Assets			
Financial assets at fair value through profit or loss	1(d)	1,760,730	2,091,735
Amounts receivable from subscription of shares		3,918	3,471
Cash and cash equivalents	1(k)	123	98
Investment income receivable		7,047	6,566
Sale of shares awaiting settlement		–	–
Other receivable		5	–
Total Assets		1,771,823	2,101,870
Current Liabilities			
Financial liabilities at fair value through profit or loss	1(d)	4	19
Amounts payable for redemption of shares		8,599	4,562
Cash collateral payable	1(l)	10	–
Distribution and shareholder maintenance fees	11	699	801
Administration fees	11	202	259
AIFM fees	11	417	490
Other liabilities		99	126
Legal fees		8	48
Depository fees	11	47	45
Total Current Liabilities (excluding net assets attributable to holders of Redeemable Shares)		10,085	6,350
Net assets attributable to holders of Redeemable Shares		1,761,738	2,095,520
Number of Redeemable Shares	5		
Class A (acc)		46,384,785	55,421,700
Class A (dis)		46,323,604	53,765,683
Class B*		530,684	1,004,368
Class N (acc)		15,458,004	18,008,003
Class N (dis)		4,694,475	5,374,457
Class C (acc)		2,606,752	602,469
Class C (dis)		17,399,424	20,164,006
Class AX		8,084,446	8,326,726
Class Z (acc)		7,786,307	12,683,026
Class Z (dis)		2,047,916	2,478,857
Class A (dis) SGD-H1		1,962,921	1,391,703
Class A (dis) EUR-H1		1,875,359	4,005,632
Class A (dis) RMB-H1		26,436	32,680

The accompanying notes form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION (CONTINUED)

as at July 31, 2018

	Notes	As at July 31, 2018 USD'000	As at July 31, 2017 USD'000
Net Asset Value per Redeemable Shares	5		
Class A (acc)		USD 15.17	USD 14.87
Class A (dis)		USD 8.52	USD 8.67
Class B*		USD 8.52	USD 8.66
Class N (acc)		USD 13.72	USD 13.54
Class N (dis)		USD 8.66	USD 8.82
Class C (acc)		USD 10.15	USD 10.02
Class C (dis)		USD 8.52	USD 8.67
Class AX		USD 8.51	USD 8.66
Class Z (acc)		USD 13.87	USD 13.55
Class Z (dis)		USD 9.71	USD 9.87
Class A (dis) SGD-H1		SGD 9.70	SGD 9.94
Class A (dis) EUR-H1		EUR 9.23	EUR 9.62
Class A (dis) RMB-H1		RMB 108.08	RMB 108.18

*The Company discontinued the sale of Class B shares with effect from April 1, 2016.

On Behalf of the Board of Directors

Director

Director

Date: November 14, 2018

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES

for the year ended July 31, 2018

	Year ended July 31, 2018 USD'000	Year ended July 31, 2017 USD'000
Net assets attributable to holders of Redeemable Shares at start of the year	2,095,520	1,363,639
Share transactions		
Issue of Redeemable Shares	607,615	1,379,247
Redemption of Redeemable Shares	(956,130)	(725,326)
Reinvestments	10,478	9,247
Income equalisation	(146)	300
Net (decrease)/increase from share transactions	(338,183)	663,468
Changes in net assets attributable to holders of Redeemable Shares from operations	4,401	68,413
Net assets attributable to holders of Redeemable Shares at end of the year	1,761,738	2,095,520

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

for the year ended July 31, 2018

	Year ended July 31, 2018 USD'000	Year ended July 31, 2017 USD'000
Cash flows from operating activities		
Purchases of financial assets at fair value through profit or loss	(275,272)	(835,952)
Unrealised gains on forwards currency contracts	182	1,090
Proceeds from sale of investments	571,070	174,336
Net investment income received	80,983	65,671
Operating expenses paid	(15,738)	(14,098)
Net cash provided by/(used in) operating activities	361,225	(608,953)
Cash flows from financing activities		
Issue of Redeemable Shares	617,500	1,389,910
Redemption of Redeemable Shares	(952,093)	(757,578)
Distributions to holders of Redeemable Shares	(26,617)	(23,367)
Net cash (used in)/provided by financing activities	(361,210)	608,965
Net increase in cash and cash equivalents	15	12
Cash and cash equivalents at start of the year	98	86
Cash, cash equivalents and cash collateral at end of the year	113	98

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended July 31, 2018

Introduction

The Company is an investment company with variable capital incorporated in the Republic of Ireland as a Public Limited Company on December 1, 1999, under the Companies Act 2014, with registered number 316174. Its Redeemable Shares (“RS”) are denominated in US dollars, other than the Class A (dis) SGD-H1 Shares, the Class A (dis) EUR-H1 Shares and the Class A (dis) RMB-H1 Shares. The Company is governed by the provisions of the European Union (Alternative Investment Fund Managers Directive) (“AIFMD”) Regulations 2013. The A (acc), A (dis), B*, N (acc), N (dis), C (dis), AX, Z (acc), Z (dis), A (dis) SGD-H1, A (dis) EUR-H1 and A (dis) RMB-H1 share classes are listed on the Irish Stock Exchange.

The Company’s investment objective is to provide a high level of current income and preservation of capital by investing up to 100% of its net assets in shares of the Franklin Floating Rate Master Series (the “Common Shares”) in the Franklin Floating Rate Master Trust (the “Master Trust”) (see note 13).

1. Accounting policies

The principal accounting policies and estimation techniques applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with the AIF Rulebook, the Companies Act 2014, Irish Stock Exchange Regulations and International Financial Reporting Standards (“IFRS”) as adopted by the European Union.

The investment in the Master Trust is included in the financial statements as financial assets at fair value through profit or loss. At the year end the Company holds 100% of the issued share capital of the Master Trust (see note 13). The Company has adopted the Investment Entities amendments to IFRS 10, IFRS 12 and IAS 27 which are effective January 1, 2014. The amendments to IFRS 10 define an investment entity and introduce an exemption from the consolidation requirements for investment entities. The Master Trust operates independently of the Company and the Trustees of the Master Trust may only be removed by the Company, in its capacity as shareholder, in certain circumstances which the Directors consider remote. The preparation of the financial statements on this basis has no effect on the net asset value (NAV) per RS or increase in the net assets resulting from operations.

The accounts of the Master Trust for the year ended July 31, 2018 are attached for information from page 45 onwards. The Master Trust financial statements do not form part of these financial statements.

IFRS 9 and IFRS 15 Amendments

IFRS 9, “Financial Instruments”, issued on 24 July 2014, is the IASB’s replacement of IAS 39 “Financial Instruments: Recognition and Measurement”. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The Company has yet to assess IFRS 9’s full impact. This amendment will become effective for annual periods beginning on or after January 1, 2018, although early application is permitted.

This is not expected to have a significant effect on the Company’s financial assets since they are measured at fair value through profit or loss. The Company does not plan to adopt this standard early.

*The Company discontinued the sale of Class B shares with effect from April 1, 2016.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting policies (continued)

(a) Basis of preparation (continued)

IFRS 9 and IFRS 15 Amendments (continued)

IFRS 15 “Revenue from Contracts with Customers” was issued in May 2014 and will become effective for periods beginning on or after January 1, 2018. The new standard is not expected to have any impact on the Company’s financial position, performance or disclosures in its financial statements.

(b) Estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts in the financial statements and accompanying notes. Management believes that the estimates utilised in preparing its financial statements are reasonable and prudent; however, actual results could differ from these estimates.

(c) Historical cost convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss.

(d) Financial assets and liabilities at fair value through profit or loss

This category has two sub-categories: financial assets and liabilities held for trading, and those designated by management at fair value through profit or loss at inception. Financial assets or liabilities held for trading are acquired or incurred principally for the purpose of selling or repurchasing in the short term.

Purchases and sales of investments are recognised on their trade date i.e. the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value, and transaction costs for all financial assets are expensed as incurred. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

Gains and losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category are included in the Statement of Comprehensive Income in the year in which they arise.

The Company may from time to time invest in financial instruments that are not traded in an active market (for example in over-the-counter derivatives). The fair value is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each Statement of Financial Position date. Valuation techniques used include the use of comparable recent arm’s length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participation. There were no such securities held as at July 31, 2018 (2017: USD Nil).

The financial assets of the Company represent its investment in the Master Trust. At July 31, 2018 the investment in the Master Trust is valued by reference to the audited NAV of the Master Trust. The assets of the Master Trust are carried at fair value at July 31, 2018. The Master Trust’s investments are predominantly level 2, which are generally readily marketable investments.

Realised gains and losses (net of transactions costs) on investment disposals are calculated using the average cost method.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting policies (continued)

(d) Financial assets and liabilities at fair value through profit or loss (continued)

The fair value of any investment, other than the Company's investment in the Master Trust, that is not quoted, listed or normally dealt in on a stock exchange or other market shall be the fair value thereof as ascertained by the Investment Manager on behalf of the Directors in good faith with the approval of the Depositary.

(e) Foreign exchange translation

(i) Functional and Presentation Currency

Items included in the Company's financial statements are measured and presented using the currency of the primary economic environment in which it operates (the "functional currency"). This is the US dollar as this is the primary currency of the Company.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income. Translation differences on non-monetary items held at fair value through profit or loss are reported as part of the fair value gain or loss.

(f) Investment income

Income arising from investments is accounted for on an ex-dividend basis and reported gross of non-reclaimable withholding tax. Interest income is accrued on an effective yield basis.

(g) Income equalisation

Income equalisation arrangements are applied to shares in the Company. These arrangements are intended to ensure that the income per share, which is distributed in respect of the distribution period, is not affected by changes in the number of shares in issue during that period. The calculation of equalisation is based on net income.

(h) Redeemable Shares and distributions to holders of Redeemable Shares

Redeemable Shares ("RS") are redeemable at the shareholder's option and are classified as financial liabilities. The distribution on these RS is recognised in the Statement of Comprehensive Income as a finance cost. The RS can be returned to the Company at any time for a cash amount equal to a proportionate share of the Company's NAV.

RS are issued and redeemed at the shareholder's option at prices based on the Company's NAV per share at the time of issue or redemption. The Company's NAV per share is calculated by dividing the net assets attributable to the holders of RS by the total number of outstanding RS.

The Articles of Association empower the Directors to declare dividends in respect of any shares out of net investment income together with the net realised capital gains of the Company. Any dividend unclaimed after a period of six years from the date of the declaration of such dividend shall be forfeited and shall revert to the Company.

The Company intends to declare monthly dividends to shareholders on the last business day of each month. The last business day of each month, or the last business day of each calendar quarter, as the case may be, is hereinafter referred to as the "Dividend Declaration Date". The Company will make a distribution payment to shareholders of the amount of net investment income received by it by way of distribution from the Master Trust which will be paid into an account disclosed in the relevant application form or such other account as may be notified to the Company by the shareholder. The Company will distribute any realised capital gains received from the Master Trust annually to its shareholders, in December each year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting policies (continued)

(i) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts, there is an intention to settle on a net basis, or realise and settle the liability simultaneously. Details of the financial assets and liabilities netted off are included in the Portfolio of Investments on pages 18 to 19.

(j) Forward foreign currency contracts

A forward foreign currency contract is a commitment between the Company and a counterparty to make or take delivery of a fixed amount of a specified foreign currency at a predetermined future date at a specific price. At each valuation, the difference between the contract price and the current forward rate for contracts of the same maturity is used to calculate the unrealised gain or loss of the Company's forward foreign currency contracts. The Company realises gains and losses at the time forward foreign currency contracts are settled or closed upon entering into an offsetting contract. The gains/losses on forward foreign currency contracts are disclosed in the net gains/(losses) on financial assets and liabilities at fair value through profit or loss in the Statement of Comprehensive Income on page 20.

(k) Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits, other short-term highly liquid investments with original maturities of three months or less. Cash balances are held by J.P. Morgan Bank (Ireland) plc.

(l) Cash collateral

Cash collateral provided to the fund by counterparties is identified on the Statement of Financial Position as cash collateral payable. The Company may reinvest this cash collateral and the assets purchased are included in financial assets at fair value through profit or loss on the Statement of Financial Position.

(m) Expenses

All expenses are recognised in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Net gains/(losses) on financial assets and liabilities at fair value through profit or loss

An analysis of gains and losses on financial assets at fair value through profit or loss for the year ended July 31, 2018 and July 31, 2017 is as follows:

	Year ended July 31, 2018 USD'000	Year ended July 31, 2017 USD'000
Total realised losses	(11,563)	(1,345)
Total movement in unrealised (losses)/gains	(23,448)	41,392
Net (losses)/gains on financial assets and liabilities at fair value through profit or loss	(35,011)	40,047

3. Operating expenses

	Year ended July 31, 2018 USD'000	Year ended July 31, 2017 USD'000
Administration fees (note 11)	1,291	1,300
AIFM fees (note 11)	4,668	4,604
Audit fees	26	26
Depositary fees (note 11)	147	132
Directors' fees (note 11)	50	50
Distribution fees (note 11)	4,849	4,784
Legal fees	2	48
Miscellaneous fees	214	172
Printing & publication fees	(8)	42
Shareholder maintenance fees (note 11)	3,457	3,327
VAT	(16)	(18)
	14,680	14,467

Audit fees solely relate to statutory audit fees. There were no other fees paid to PricewaterhouseCoopers in Ireland as the statutory auditor of the Company, as no other services were provided.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Distributions to holders of Redeemable Shares

The following distributions in USD were made by the Company for the year ended July 31, 2018.

Ex dividend date	Payment date	A (dis) USD per share	B USD per share	N (dis) USD per share	C (dis) USD per share	AX USD per share	Z (dis) USD per share	A (dis) SGD-H1 SGD per share	A (dis) EUR-H1 EUR per share	A (dis) RMB-H1 RMB per share
Aug 01, 2017	Aug 08, 2017	0.022137	0.014775	0.017277	0.016256	0.020632	0.027716	0.026143	0.021968	0.301504
Sep 01, 2017	Sep 08, 2017	0.023136	0.015786	0.018301	0.017259	0.021630	0.028847	0.026010	0.024094	0.282655
Oct 02, 2017	Oct 09, 2017	0.022663	0.015821	0.018182	0.017194	0.021182	0.028390	0.025881	0.025020	0.280099
Nov 01, 2017	Nov 08, 2017	0.026205	0.018647	0.021340	0.020225	0.024718	0.032413	0.030328	0.029784	0.331029
Dec 01, 2017	Dec 08, 2017	0.026708	0.019623	0.022117	0.021038	0.025245	0.032825	0.030452	0.029134	0.332244
Jan 02, 2018	Jan 08, 2018	0.025022	0.018200	0.020601	0.019574	0.023626	0.030817	0.028211	0.027092	0.308284
Feb 01, 2018	Feb 08, 2018	0.031800	0.024023	0.026820	0.025592	0.030207	0.038859	0.035523	0.033674	0.381630
Mar 01, 2018	Mar 08, 2018	0.025591	0.018979	0.021261	0.020249	0.024172	0.031389	0.029374	0.028337	0.318353
Apr 02, 2018	Apr 09, 2018	0.029320	0.022511	0.025064	0.023961	0.027995	0.035705	0.033447	0.032390	0.367631
May 01, 2018	May 08, 2018	0.033305	0.025792	0.028544	0.027315	0.031767	0.040485	0.038260	0.037191	0.419780
Jun 01, 2018	Jun 08, 2018	0.030045	0.022775	0.025276	0.024089	0.028430	0.036680	0.034749	0.033833	0.388595
Jul 02, 2018	Jul 10, 2018	0.026914	0.020126	0.022546	0.021489	0.025517	0.032960	0.031079	0.029454	0.352421

The following distributions in USD were made by the Company for the year ended July 31, 2017.

Ex dividend date	Payment date	A (dis) USD per share	B USD per share	N (dis) USD per share	C (dis) USD per share	AX USD per share	Z (dis) USD per share	A (dis) SGD-H1 SGD per share	A (dis) EUR-H1 EUR per share	A (dis) RMB-H1 RMB per share
Aug 01, 2016	Aug 08, 2016	0.027820	0.021157	0.023556	0.022496	0.026446	0.033926	0.031883	0.031428	0.335709
Sep 01, 2016	Sep 09, 2016	0.033118	0.025445	0.028230	0.026989	0.031535	0.040829	0.038675	0.037268	0.398338
Oct 03, 2016	Oct 10, 2016	0.027297	0.020262	0.022763	0.021677	0.025851	0.033463	0.031865	0.030918	0.330433
Nov 01, 2016	Nov 08, 2016	0.027440	0.020124	0.022708	0.021596	0.025937	0.033729	0.032156	0.031408	0.337561
Dec 01, 2016	Dec 08, 2016	0.023903	0.017083	0.019518	0.018417	0.022893	0.029866	0.033280	0.028067	0.298733
Jan 03, 2017	Jan 10, 2017	0.023923	0.016662	0.019158	0.018084	0.022429	0.029476	0.030513	0.027078	0.290833
Feb 01, 2017	Feb 08, 2017	0.023175	0.013277	0.018197	0.017300	0.021614	0.028029	0.074696	0.025421	0.277590
Mar 01, 2017	Mar 08, 2017	0.017622	0.010958	0.013180	0.012290	0.016263	0.022335	0.022376	0.018337	0.216781
Apr 03, 2017	Apr 10, 2017	0.018840	0.011459	0.013909	0.012938	0.017335	0.023963	0.016648	0.021460	0.234184
May 01, 2017	May 08, 2017	0.016929	0.010274	0.012482	0.011607	0.015574	0.021545	0.019726	0.018645	0.210554
Jun 01, 2017	Jun 08, 2017	0.020424	0.012576	0.015188	0.014146	0.018822	0.025929	0.023266	0.021910	0.248286
Jul 03, 2017	Jul 10, 2017	0.019665	0.012544	0.014934	0.013971	0.018212	0.024820	0.022703	0.021392	0.214813

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Redeemable Shares and Share Capital

Authorised share capital

The minimum authorised share capital of the Company is 2 (two) shares of no par value designated as unclassified shares. The maximum authorised share capital of the Company is 500,000,000,002 (five hundred billion and two) shares of no par value designated as unclassified shares.

Subscriber shares

Subscriber shares issued amount to USD 2, being 2 subscriber shares of USD 1, fully paid. The subscriber shares do not form part of the Net Asset Value (“NAV”) of the Company and are thus disclosed in the financial statements by way of this note only. In the opinion of the Directors, this disclosure reflects the nature of the Company’s business as an Investment Company.

Redeemable Shares (“RS”)

The issued share capital is at all times equal to the NAV of the Company. Shareholders may redeem any or all of their Shares on any Dealing Day except when dealings have been temporarily suspended. Redemption request forms must be received by the Company at the address specified in the redemption request form not later than the Valuation Point on the Repurchase Request Deadline. If the Company, as an investor in the Master Trust, is asked to vote on a proposed change in a fundamental policy of the Master Trust or any other matter pertaining to the Master Trust (other than continuation of the business of the Master Trust after withdrawal of another investor in the Master Trust), the Company will solicit proxies from its shareholders and vote its interest in the Master Trust for and against such matters proportionately to the instructions to vote for and against such matters received from the Company’s shareholders.

For the Master Trust, redemptions are processed on any day the Master Trust is open for business and are effected at the Net Asset Value per share next calculated after the Master Trust receives a redemption request in proper form. Redemption payments will be made within seven days after receipt of the redemption request in proper form. Proceeds for redemption orders cannot be wired on those business days when the Federal Reserve Bank System and the custodian bank are closed. In unusual circumstances, the Master Trust may temporarily suspend redemptions or postpone the payment of proceeds as allowed by federal securities law.

The movement in RS during the year is shown below:

	Year ended July 31, 2018	Year ended July 31, 2017
A (acc) shares opening balance at start of year	55,421,700	33,860,525
A (acc) shares subscriptions in the year	18,042,948	36,305,527
A (acc) shares redemptions in the year	(27,079,863)	(14,744,352)
Total A (acc) shares in issue at end of year	46,384,785	55,421,700
A (dis) shares opening balance at start of year	53,765,683	43,912,362
A (dis) shares subscriptions in the year	12,603,157	33,266,395
Reinvestments of shares in the year	515,187	531,323
A (dis) shares redemptions in the year	(20,560,423)	(23,944,397)
Total A (dis) shares in issue at end of year	46,323,604	53,765,683

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Redeemable Shares and Share Capital (continued)

Redeemable Shares (“RS”) (continued)

	Year ended July 31, 2018	Year ended July 31, 2017
B shares opening balance at start of year	1,004,368	1,677,864
B shares subscriptions in the year	1,745	1,373
Reinvestments of shares in the year	11,211	16,984
B shares redemptions in the year	(486,640)	(691,853)
Total B* shares in issue at end of year	530,684	1,004,368
N (acc) shares opening balance at start of year	18,008,003	12,333,350
N (acc) shares subscriptions in the year	3,956,725	10,832,720
N (acc) shares redemptions in the year	(6,506,724)	(5,158,067)
Total N (acc) shares in issue at end of year	15,458,004	18,008,003
N (dis) shares opening balance at start of year	5,374,457	4,780,458
N (dis) shares subscriptions in the year	1,377,041	3,045,061
Reinvestments of shares in the year	43,047	35,608
N (dis) shares redemptions in the year	(2,100,070)	(2,486,670)
Total N (dis) shares in issue at end of year	4,694,475	5,374,457
C (acc) shares opening balance at start of year	602,469	–
C (acc) shares subscriptions in the year	2,264,616	616,172
C (acc) shares redemptions in the year	(260,333)	(13,703)
Total C (acc) shares in issue at end of year	2,606,752	602,469
C (dis) shares opening balance at start of year	20,164,006	16,462,704
C (dis) shares subscriptions in the year	3,630,396	9,401,685
Reinvestments of shares in the year	284,421	258,171
C (dis) shares redemptions in the year	(6,679,399)	(5,958,554)
Total C (dis) shares in issue at end of year	17,399,424	20,164,006
AX shares opening balance at start of year	8,326,726	8,089,372
AX shares subscriptions in the year	1,676,386	1,786,628
Reinvestments of shares in the year	193,194	171,834
AX shares redemptions in the year	(2,111,860)	(1,721,108)
Total AX shares in issue at end of year	8,084,446	8,326,726
Z (acc) shares opening balance at start of year	12,683,026	6,750,103
Z (acc) shares subscriptions in the year	2,878,435	10,909,777
Z (acc) shares redemptions in the year	(7,775,154)	(4,976,854)
Total Z (acc) shares in issue at end of year	7,786,307	12,683,026

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Redeemable Shares and Share Capital (continued)

Redeemable Shares (“RS”) (continued)

	Year ended July 31, 2018	Year ended July 31, 2017
Z (dis) shares opening balance at start of year	2,478,857	909,831
Z (dis) shares subscriptions in the year	999,016	7,579,962
Reinvestments of shares in the year	28,550	21,558
Z (dis) shares redemptions in the year	(1,458,507)	(6,032,494)
Total Z (dis) shares in issue at end of year	2,047,916	2,478,857
A (dis) SGD-H1 shares opening balance at start of year	1,391,703	35,839
A (dis) SGD-H1 shares subscriptions in the year	1,684,993	2,329,641
Reinvestments of shares in the year	3,534	3
A (dis) SGD-H1 shares redemptions in the year	(1,117,309)	(973,780)
Total A (dis) SGD-H1 shares in issue at end of year	1,962,921	1,391,703
A (dis) EUR-H1 shares opening balance at start of year	4,005,632	23,553
A (dis) EUR-H1 shares subscriptions in the year	3,039,475	4,774,508
Reinvestments of shares in the year	106,745	28,635
A (dis) EUR-H1 shares redemptions in the year	(5,276,493)	(821,064)
Total A (dis) EUR-H1 shares in issue at end of year	1,875,359	4,005,632
A (dis) RMB-H1 shares opening balance at start of year	32,680	32,680
A (dis) RMB-H1 shares redemptions in the year	(6,244)	–
Total A (dis) RMB-H1 shares in issue at end of year	26,436	32,680

*The Company discontinued the sale of Class B shares with effect from April 1, 2016.

	July 31, 2018 Total NAV USD'000	July 31, 2017 Total NAV USD'000	July 31, 2016 Total NAV USD'000
Net assets attributable to holders of Redeemable Shares	1,761,738	2,095,520	1,363,639

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Redeemable Shares and Share Capital (continued)

Redeemable Shares (“RS”) (continued)

	July 31, 2018 NAV Per RS	July 31, 2017 NAV Per RS	July 31, 2016 NAV Per RS
Share Class			
Class A (acc)	USD 15.17	USD 14.87	USD 14.03
Class A (dis)	USD 8.52	USD 8.67	USD 8.46
Class B*	USD 8.52	USD 8.66	USD 8.45
Class N (acc)	USD 13.72	USD 13.54	USD 12.87
Class N (dis)	USD 8.66	USD 8.82	USD 8.60
Class C (acc)	USD 10.15	USD 10.02	–
Class C (dis)	USD 8.52	USD 8.67	USD 8.45
Class AX	USD 8.51	USD 8.66	USD 8.44
Class Z (acc)	USD 13.87	USD 13.55	USD 12.75
Class Z (dis)	USD 9.71	USD 9.87	USD 9.62
Class A (dis) SGD-H1	SGD 9.70	SGD 9.94	SGD 9.77
Class A (dis) EUR-H1	EUR 9.23	EUR 9.62	EUR 9.54
Class A (dis) RMB-H1	RMB 108.08	RMB 108.18	RMB 102.28

*The Company discontinued the sale of Class B shares with effect from April 1, 2016.

6. Taxation

Under current Irish law and practice, the Company qualifies as an investment undertaking as defined in Section 739B of the Taxes Consolidation Act, 1997, as amended. On that basis, it is not chargeable to Irish tax on its income or gains. However, Irish tax may arise on the occurrence of a “chargeable event”. A chargeable event includes any distribution payments to shareholders, any encashment, redemption, cancellation or transfer of shares and the holding of shares at the end of each eight year period beginning with the acquisition of such shares. No Irish tax will arise on the Company in respect of chargeable events in respect of:

- a shareholder who is neither Irish resident nor ordinarily resident in Ireland for tax purposes, at the time of the chargeable event, provided appropriate valid declarations in accordance with the provisions of the Taxes Consolidation Act, 1997, as amended are held by the Company or where the Company has been authorised by the Irish Revenue to make gross payments in the absence of appropriate declarations; and
- certain exempted Irish tax resident shareholders who have provided the Company with the necessary signed statutory declarations.

The Finance Act 2010 provides that the Revenue Commissioners may grant approval for investment funds marketed outside of Ireland to make payments to non-resident investors without deduction of Irish tax where no relevant declaration is in place, subject to meeting the “equivalent measures”. A fund wishing to receive approval must apply in writing to the Revenue Commissioners, confirming compliance with the relevant conditions.

Dividends, interest and capital gains (if any) received on investments made by the Company may be subject to withholding taxes imposed by the country from which the investment income/gains are received and such taxes may not be recoverable by the Company or its shareholders.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Exchange rates

The following USD exchange rates were used to convert the investments and other assets and liabilities denominated in currencies other than USD:

	July 31, 2018	July 31, 2017
Chinese Yuan Renminbi	6.8087	6.7271
Euro	0.8552	0.8449
Singapore Dollar	1.3614	1.3552

8. Financial risk management

The Company's investment goal is to provide a high level of current income and preservation of capital by investing up to 100% of its net assets in the Master Trust, which is registered in the USA under the US Investment Company Act of 1940, as amended, as an open-ended investment company, and consists of one fund, the Franklin Floating Rate Master Series. The shares are exempt from registration under the US Securities Act of 1933. The investment objectives, policies and restrictions of the Master Trust are described in the Prospectus of the Company.

There can be no assurance that the Company will achieve its investment objective. Investors should carefully assess the risks associated with an investment in the Company and, through this, the risks associated with the Master Trust. The risks of the Master Trust and the policies to manage those risks are described in the Investment Considerations, Investment Techniques and Risk Factors sections of the Prospectus of the Company.

Concentration and liquidity risk

Through its investment in the Master Trust, the Company bears a high degree of concentration risk. However it should be noted that the underlying investments within the Master Trust are well diversified.

In certain circumstances the Directors can limit redemptions as follows:

- Maximum of 10% of the outstanding shares in issue on any one dealing date.

The Trustees of the Master Trust have no powers to limit or restrict redemptions.

The financial liabilities of the Company, including net assets attributable to redeemable participating shareholders, all have a contractual maturity date of within one month.

The Company is 100% owned by Templeton Global Advisors Limited, which is made up of a number of nominee accounts.

At July 31, 2018 and July 31, 2017 the Company invested 99.93% and 99.77% respectively of its net assets in shares of the Franklin Floating Rate Master Series (the "Common Shares") in the Master Trust. A fractional portion is invested in forward foreign currency contracts as a hedging measure. The notional amount of those contracts is displayed on pages 18 to 19 of this report. The cost of hedging does not impact portfolio value per se and is allocated to respective hedge classes.

Market price risk

All investments present a risk of loss of capital. The Company's market price risk arises through its investment in the Master Trust. The Master Trust moderates this risk through a careful selection of securities and investments within specified limits. The maximum risk of the Company's investments is determined by the fair value of the investments as presented in the Statement of Financial Position.

Market price risk represents the potential loss the Company might suffer through price movements in the NAV of the Master Trust. If the price of the Master Trust had increased or decreased by 5% with all other variables held constant, this would have increased/decreased the net assets attributable to holders of RS by USD 88,027,191 (2017: USD 104,531,317).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Financial risk management (continued)

Market price risk (continued)

The market price risk information is a relative estimate of risk rather than a precise and accurate number as the models are based on historical data and cannot take account of the fact that future market price movements, correlations between markets and levels of market liquidity in conditions of market stress may bear no relation to historical patterns.

Interest rate risk

The Company holds cash balances which are subject to a floating rate of interest. These cash balances are placed with reputable financial institutions. The majority of the Company's assets are shares in the Master Trust which neither pay interest nor have a maturity date. At July 31, 2018 and July 31, 2017, any reasonably possible movement in interest rates would have an immaterial direct effect on the net assets attributable to holders of RS. However, any movement in interest rates may have an effect on the NAV of the Master Trust as well as the dividend income received by the Company from the Master Trust.

Interest rate risk sensitivity is monitored by the Investment Adviser through its incorporation in the VaR model.

Credit risk

The Company will be exposed to a credit risk on parties with whom it trades and will also bear the risk of settlement default. The Company's investment in the Master Trust is held by the Depositary in such a manner as to be separately identifiable from the Depositary's own investments, and will therefore be unavailable to the creditors of the Depositary.

The Company has an ongoing contract with its Depositary for the provision of custody services. Details of securities held in custody on behalf of the Company are received and reconciled monthly. To the extent that J.P. Morgan Bank (Ireland) Plc ("J.P. Morgan") carries out the above duties on the Company's behalf, the Company is exposed to counterparty risk. The current ratings of J.P. Morgan Chase Bank, N.A. are: S&P A+; Moody's Aa3; and Fitch AA.

Franklin Resources, Inc., which is the ultimate parent of both Franklin Advisers, Inc. ("Franklin Advisers" and "Investment Manager"), and Franklin Templeton International Services S.à r.l. as Alternative Investment Fund Manager (the "AIFM"), has a Counterparty Credit Committee which meets regularly to review and update a list of approved counterparties, change exposure limits and counterparty approval status. The committee has the authority to block trading with a particular counterparty. Total firm wide exposures to each counterparty along with each counterparty's credit rating and credit default swap spread are also monitored, and included in weekly reporting to the Trading and Portfolio Management teams, as contributory factors in determining the creditworthiness of counterparties.

With the exception of cash, the Company's assets held by J.P. Morgan or its sub-custodians are segregated in such a manner that they are not subject to creditor claims against J.P. Morgan. Securities received by J.P. Morgan in its capacity as Depositary (whether the securities are registered or bearer) do not form a part of J.P. Morgan's general assets. Assets are held on J.P. Morgan's system in accounts segregated from general assets of the firm. To the fullest extent permissible by law and local legislation, J.P. Morgan's sub-custodians hold assets in segregated accounts designated as holding assets belonging to clients of J.P. Morgan. Assets belonging to J.P. Morgan or to its sub-custodians cannot be deposited into these accounts. Cash held by J.P. Morgan is not segregated.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Financial risk management (continued)

Credit risk (continued)

The Master Trust invests in corporate loans. The Agent Banks are the lenders that administer the corporate loans and are responsible for collecting principal, interest and fee payments from the corporate borrowers. The corporate loans are not held by the Custodian of the Master Trust at the year end. The Investment Manager of the Master Trust performs a quarterly reconciliation to the Agent Banks books and records.

Foreign currency risk

SGD, EUR & RMB share classes are designated in a currency other than the base currency of the Company, being US dollars. In such circumstances, adverse exchange rate fluctuations between the base currency and the Class Currency may result in a decrease in return and/or a loss of capital for shareholders. The Investment Manager may try to mitigate this risk for holders of the Hedged Class Shares by using any of the efficient portfolio management techniques and instruments (including currency options and forward foreign currency contracts), within the conditions and limits imposed by the Central Bank, to hedge the foreign currency exposure of such classes into the base currency of the Company. A class may not be leveraged as a result of the use of such techniques and instruments however, subject to the below, hedging up to, but not exceeding 105% of the NAV attributable to the relevant class, is permitted. The Investment Manager will monitor hedging on at least a monthly basis and will increase or reduce the level of hedging to ensure that it neither exceeds nor remains below 100% of the NAV attributable to the relevant class at any month-end.

The Company invests in a number of non USD forward foreign currency contracts which amounted to USD 33,568,651 (2017: USD 54,318,452). Non USD cash held at the Statement of Financial Position date amounted to USD 82,404 (2017: USD 68,034).

Foreign currency risk sensitivity from portfolio cash balances or portfolio positions is monitored by the Investment Adviser through its incorporation in the VaR model.

Capital risk management

The capital of the Company is represented by the net assets attributable to holders of RS. The amount of net assets attributable to holders of RS can change significantly on a daily basis as the Company is subject to daily subscriptions and redemptions at the discretion of shareholders. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Company.

In order to maintain or adjust the capital structure, the Company's policy is to redeem and issue new shares in accordance with the constitutional documents of the Company, which include the ability to restrict redemptions and require certain minimum holdings and subscriptions.

The Board of Directors and the AIFM monitor capital on the basis of the value of net assets attributable to RS.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Fair value estimation

The Company is required to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; and
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These may include investment-grade corporate bonds and certain non-US sovereign obligations, listed equities, over-the-counter derivatives and investment funds. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. The Company holds 100% of the shares in issue of the Master Trust, and this investment has therefore been classified as Level 2.

There were no significant transfers between levels during the year.

The following table presents the investment in the Master Trust carried on the Statement of Financial Position by level within the valuation hierarchy as of July 31, 2018:

July 31, 2018	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
Assets				
Financial assets at fair value	–	1,760,544	–	1,760,544
Forward foreign currency contracts	–	186	–	186
Total Assets	–	1,760,730	–	1,760,730
Liabilities				
Forward foreign currency contracts	–	(4)	–	(4)
Total Liabilities	–	(4)	–	(4)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Fair value estimation (continued)

The following table presents the investment in the Master Trust carried on the Statement of Financial Position by level within the valuation hierarchy as of July 31, 2017:

July 31, 2017	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
Assets				
Financial assets at fair value	–	2,090,626	–	2,090,626
Forward foreign currency contracts	–	1,109	–	1,109
Total Assets	–	2,091,735	–	2,091,735
Liabilities				
Forward foreign currency contracts	–	(19)	–	(19)
Total Liabilities	–	(19)	–	(19)

For assets and liabilities carried at amortised cost, their carrying values are a reasonable approximation of fair value.

10. Efficient portfolio management

The Company may, for the purposes of efficient portfolio management and hedging of currency risks, enter into forward foreign currency contracts on the basis of “over the counter” (OTC) arrangements with highly rated financial institutions specialising in these types of transaction. Realised gains and losses on financial instruments held for efficient portfolio management purposes are included in the Statement of Comprehensive Income. Details of the open forward foreign currency contracts held as at July 31, 2018 are included in Portfolio of investments on pages 18 to 19.

11. Significant agreements and related party transactions

IAS 24 “Related Party Transactions” requires the disclosure of information relating to material transactions with parties who are deemed to be related to the reporting entity. The Master Trust has Franklin Advisers, Inc. as Investment manager, Franklin Templeton Services, LLC (“FT Services”) as the Administrative manager and Franklin Templeton Investor Services, LLC (“Investor Services”) as the Transfer agent.

Investment Adviser to the Master Trust

The Investment Adviser to the Master Trust has agreed to waive any preliminary or initial charge that it may otherwise be entitled to receive in respect of any investment made by the Company in the Master Trust. The Master Trust pays an investment management fee to Franklin Advisers based on the average daily net assets. For the year ended July 31, 2018, the effective investment management fee rate was 0.53% of the Fund’s average daily net assets (Up to and including USD 2.5 billion).

Under an agreement with Franklin Advisers, FT Services provides administrative services to the Master Trust. The fee is paid by Franklin Advisers based on the Master’s average daily net assets, and is not an additional expense of the Master Trust. Also, Investor Services, under terms of an agreement, performs shareholder servicing for the Master Trust and is not paid by the Master Trust for the services.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Significant agreements and related party transactions (continued)

AIFM, Distributor and shareholder maintenance

Franklin Templeton International Services S.à r.l. is the AIFM and principal distributor for the Company.

The Company will pay to Franklin Templeton International Services S.à r.l. a fee up to 0.26% per annum of the average daily NAV of the Company in respect of management company and principal distribution services. During the year the Company incurred AIFM fees of USD 4,668,463 (July 31, 2017: USD 4,604,169) of which USD 417,077 (July 31, 2017: USD 490,357) was payable at July 31, 2018.

The Distributor has an agreement with Societe Generale (“SG”) whereby SG finances the distribution fees payable on the B share class. In this regard, the principal distributor has authorised the Company to pay a portion of its distribution fees directly to SG on its behalf.

In addition, the Company will pay the Distributor a distribution fee of up to 0.5% per annum of the average daily NAV of the AX share class, a fee of up to 1% per annum of the N share class, a fee of up to 1.05% per annum of the average daily NAV of the B share class and a fee of up to 1.10% per annum of the average daily NAV of the C (dis) share class and C (acc) share class. These fees shall be accrued daily and paid monthly in arrears.

The Company will pay the Distributor a shareholder maintenance fee of up to 0.3% per annum of the average daily NAV of the A share classes and a shareholder maintenance fee of up to 0.25% per annum of the average daily NAV of the B share class. These fees shall be accrued daily and paid monthly in arrears.

There is an upfront sales charge of up to 6.5% of the total amount invested payable to the Distributor in respect of any investment in class A and class AX shares. There is an upfront sales charge of up to 3% of the total amount invested payable to the Distributor for the N share class.

During the year the Company incurred distribution fees of USD 4,848,807 (2017: USD 4,784,250) of which USD 4,781,054 (2017: USD 4,467,941) were earned by the Distributor and USD 67,753 (2017: USD 316,309) were earned by SG. Fees payable were USD 405,584 (2017: USD 449,473) and USD 4,284 (2017: USD 7,600) at July 31, 2018 to the Distributor and SG, respectively.

The Distributor earned shareholder maintenance fees of USD 3,457,273 (2017: USD 3,326,665) of which USD 289,322 (2017: USD 343,502) was payable at July 31, 2018.

The following distribution fees were incurred by the Company for the years ended July 31, 2018 and July 31, 2017.

Class	Annual Fee	Year ended July 31, 2018 USD'000	Year ended July 31, 2017 USD'000
AX	0.50%	336	358
B	1.05%	68	116
C (acc)	1.10%	194	5
C (dis)	1.10%	1,679	1,785
N (acc)	1.00%	2,146	2,068
N (dis)	1.00%	426	452
		<u>4,849</u>	<u>4,784</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Significant agreements and related party transactions (continued)

AIFM, Distributor and shareholder maintenance (continued)

The following shareholder maintenance fees were incurred by the Company for the years ended July 31, 2018 and July 31, 2017.

Class	Annual Fee	Year ended July 31, 2018 USD'000	Year ended July 31, 2017 USD'000
A (acc)	0.30%	2,073	1,890
A (dis)	0.30%	1,226	1,349
B	0.25%	16	28
A (dis) SGD-H1	0.30%	27	14
A (dis) EUR-H1	0.30%	114	45
A (dis) RMB-H1	0.30%	1	1
		<u>3,457</u>	<u>3,327</u>

Holders of B shares may be subject to a contingent deferred sales charge ("CDSC") payable to the Distributor; the amount of which is calculated by reference to the length of time the shares have been held by the relevant investor. The amount of CDSC payable is calculated as follows:

Period Held	CDSC for B Shares
Less than 1 year	4%
Equal or more than one year but less than two years	3%
Equal or more than two years but less than three years	2%
Equal or more than three years but less than four years	1%
Equal or more than four years	0%

Holders of Class C (dis) shares and Class C (acc) shares may be subject to a CDSC of 1% if the shares are held for less than twelve months, payable to the Distributor.

Holders of Class A and AX shares may be subject to a CDSC of 1% if the shares are held for less than eighteen months, payable to the Distributor.

Administrator

J.P. Morgan Administration Services (Ireland) Limited is the Administrator for the Company. With effect from December 1, 2017, the Administrator charges a fee of 0.0275% of the NAV of the Company up to USD 100 million, 0.0225% between USD 100 million and USD 250 million, 0.0175% between USD 250 million and USD 500 million, 0.0150% between USD 500 million and USD 1 billion and 0.0075% when the NAV is above USD 1 billion, subject to minimum fee of USD 25,000.

Up to November 30, 2017, the Administrator charged a fee of 0.0275% of the NAV of the Company up to USD 100 million, 0.0225% between USD 100 million and USD 250 million, 0.0175% between USD 250 million and USD 500 million and 0.0150% when the NAV was above USD 500 million.

During the year the Administrator earned fees of USD 1,290,765 (2017: USD 1,299,639) of which USD 202,311 (2017: USD 258,633) was payable at July 31, 2018.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Significant agreements and related party transactions (continued)

Depositary

The Depositary, J.P. Morgan Bank (Ireland) plc charges trustee/depositary fees on a tiered basis (0.01% on the first USD 1 billion, 0.005% on the remainder), subject to a minimum fee of USD 30,000. These fees are accrued daily and paid monthly in arrears.

During the year the Depositary earned fees of USD 147,186 (2017: USD 131,747) of which USD 47,197 (2017: USD 45,000) was payable at July 31, 2018.

Directors

Francis Ennis, David McGeough, Gregory E. McGowan and Hans Wisser are Directors of the Company*.

Francis Ennis receives a Director's fee of USD 20,000 per annum. David McGeough and Hans Wisser each receive a Director's fee of USD 15,000 per annum.

All transactions with affiliates were entered into in the ordinary course of business.

12. Transaction costs

In order to achieve its investment objective, the Company may incur transactions costs in relation to trading activity on its portfolio.

There were no transaction costs which are separately identifiable incurred by the Company for the years ended July 31, 2018 and July 31, 2017.

13. Franklin Floating Rate Master Trust

The transactions between the Company and the Master Trust consist only of dealing in the units of the Master Trust and the receipt of dividends by the Company from the Master Trust.

The Master Trust is an open-ended investment company, which was incorporated in November 1999. At the year end the balances between the Company and the Master Trust are disclosed on the Statement of Financial Position of the Company and comprise the investments in securities, proceeds due from investments sold and dividends receivable. The total dividend received from the Master Trust is disclosed as Investment income in the Statement of Comprehensive Income.

The registered office of the Master Trust, which is a US Investment Trust, is Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801, U.S.A. and the Company holds 100% (July 31, 2017: 100%) of the units of the Master Trust.

In accordance with the provisions of the Master Trust's Trust Deed and US GAAP, if market quotations are readily available for portfolio securities listed on a securities exchange, the Master Trust values those securities at the last quoted sale price or the official closing price of the day, or, if there is no reported sale, within the range of the most recent quoted bid and ask prices, for the purpose of determining NAV per unit for subscriptions and redemptions and for various fee calculations.

14. Soft commissions

There have been no soft commission arrangements affecting this Company during the year (2017: None).

15. Contingent liabilities

There are no contingent liabilities as of July 31, 2018 (2017: None).

*Ken Lewis acts as alternate to Gregory E. McGowan.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Significant events during the year

There have been no significant events during the year.

17. Statement of Changes in the Portfolio

A Statement of Changes in the Portfolio (unaudited) is available, free of charge, upon request from the Administrator.

18. Significant events since year end

On August 6, 2018, an updated prospectus was issued for the Company.

19. Authorisation of the financial statements

The financial statements were authorised for issue by the Board of Directors on November 8, 2018.

OTHER INFORMATION (UNAUDITED)

For the year ended July 31, 2018

Securities Financing Transactions

The Company did not engage in Securities Financing Transactions or Total Return Swaps (as defined in Article 3 of Regulation (EU) 2015/2365, securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions or sell-buy back transactions and margin lending transactions) during the year ended July 31, 2018. Accordingly, disclosures required by Article 13 of the Regulation are not applicable.

APPENDIX A

Franklin Floating Rate Master Trust

Annual Report and Audited Financial Statements
for the year ended July 31, 2018

APPENDIX A

Franklin Floating Rate Master Series Annual Report

This annual report for Franklin Floating Rate Master Series covers the fiscal year ended July 31, 2018.

Manager's Discussion

During the 12 months ended July 31, 2018, the Fund delivered a +2.73% cumulative total return. In comparison, its benchmark, the Credit Suisse Leveraged Loan Index (CS LLI), generated a +4.72% total return.¹

The Fund maintained an overweighting in the upper tier of the index throughout the period, which detracted from performance as upper tier loans in the index returned +3.90%, middle tier loans returned +4.68%, and lower tier loans returned +9.24%. The top contributors to performance included issuers in which we had built relatively large positions, and through proactive engagement, we were able to execute transactions that contributed to returns. The term loan of a provider of oil and gas traded higher after the company completed a restructuring plan and the exit term loan also increased spread. The term loan of a specialty retailer with multiple core brands traded higher after the company reported better-than-expected earnings and the loan attracted demand from collateralized loan obligations (CLOs) due to its relatively higher spread and credit ratings. However, our term loan position in a manufacturer of firearms and ammunition detracted from performance after the company filed for bankruptcy due to weaker sales. Another term loan position, in a paper products manufacturer, similarly detracted from performance as the company also filed for bankruptcy, and the company faced price declines in its products due to competition and higher costs for a key raw material.

Portfolio Composition 7/31/18	% of Total Net Assets
Senior Floating Rate Interests	70.60%
Other Long-Term Investments*	19.57%
Short-Term Investments & Other Net Assets	9.83%

*Common stocks and other equity interests, management investment companies, corporate bonds and asset-backed securities.

In addition to maintaining a significant overweighting in higher-rated loans, the Fund was also invested in AAA to A rated CLO tranches. Other positions included two open-end funds, Franklin Middle Tier Floating Rate Fund and Franklin Lower Tier Floating Rate Fund, and an exchange-traded fund, Franklin Liberty Senior Loan ETF. The investments allowed the Fund to have further credit exposure, while providing additional liquidity. The Fund also held a position in a high yield credit default swap index to protect against volatility in the credit markets.

Notes:

¹ Source: Credit Suisse Group.

The index is unmanaged and includes reinvestment of any income or distributions. It does not reflect any fees, expense or sales charges. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

See www.franklintempletondatasources.com for additional data provider information.

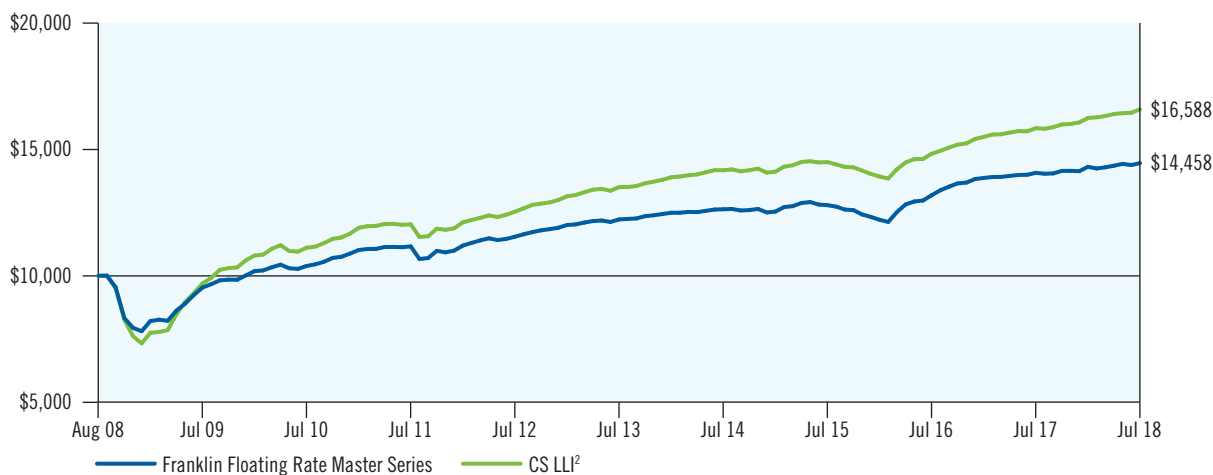
APPENDIX A (CONTINUED)

Franklin Floating Rate Master Series Annual Report

Total Return Index Comparison for a Hypothetical \$10,000 Investment¹

Total return represents the change in value of an investment over the periods shown. It includes any applicable maximum sales charge, Fund expenses, account fees and reinvested distributions. The unmanaged index includes reinvestment of any income or distributions. It differs from the Fund in composition and does not pay management fees or expenses. One cannot invest directly in an index.

8/1/08–7/31/18

**Performance as of 7/31/18¹**

Average Annual Total Return ³	
1-Year	+2.73%
5-Year	+3.40%
10-Year	+3.76%

¹ The Fund has a voluntary expense reduction, which can be discontinued at any time upon notification to the Fund's board. Fund investment results reflect the expense reduction; without this reduction, the results would have been lower.

² Source: Credit Suisse Group. The CS LLI is designed to mirror the investable universe of the US dollar-denominated leveraged loan market. Loans must be below investment grade and rated no higher than Baa1/BB+ or Ba1/BBB+ by Moody's or Standard & Poor's® (S&P).

³ Average annual total return represents the average annual change in value of an investment over the period indicated. Return for less than one year, if any, has not been annualized.

See www.franklintempletondatasources.com for additional data provider information.

APPENDIX A (CONTINUED)

Franklin Floating Rate Master Series Annual Report

Your Fund's Expenses

As a Fund shareholder, you can incur two types of costs:

- (1) transaction costs, including sales charges (loads) on Fund purchases and redemptions; and
- (2) ongoing Fund costs, including management fees, distribution and service (12b-1) fees, and other Fund expenses. All mutual funds have ongoing costs, sometimes referred to as operating expenses.

The table below shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other mutual funds. The table assumes a \$1,000 investment held for the six months indicated.

Actual Fund Expenses

The table below provides information about actual account values and actual expenses in the columns under the heading "Actual." In these columns the Fund's actual return, which includes the effect of Fund expenses, is used to calculate the "Ending Account Value."

You can estimate the expenses you paid during the period by following these steps (*of course, your account value and expenses will differ from those in this illustration*):

Divide your account value by \$1,000 (*if your account had an \$8,600 value, then $\$8,600 \div \$1,000 = 8.6$*).

Then multiply the result by the number in the row for your class of shares under the headings "Actual" and "Expenses Paid During Period" (*if Actual Expenses Paid During Period were \$7.50, then $8.6 \times \$7.50 = \64.50*).

In this illustration, the actual expenses paid this period are \$64.50.

Hypothetical Example for Comparison with Other Funds

Under the heading "Hypothetical" in the table, information is provided about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. This information may not be used to estimate the actual ending account balance or expenses you paid for the period, but it can help you compare ongoing costs of investing in the Fund with those of other funds. To do so, compare this 5% hypothetical example for the class of shares you hold with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transactional costs. Therefore, information under the heading "Hypothetical" is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transactional costs were included, your total costs would have been higher.

	Beginning Account Value 2/1/18	Ending Account Value 7/31/18	Paid During Period 2/1/18-7/31/18 ^{1,2}
Actual (actual return after expenses)	\$1,000	\$1,010.20	\$2.64
	Ending Account Value 7/31/18	Paid During Period 2/1/18-7/31/18 ^{1,2}	Net Annualized Expense Ratio ²
Hypothetical (5% annual return before expenses)	\$1,022.17	\$2.66	0.53%

¹ Expenses are equal to the annualized expense ratio for the six-month period as indicated above-in the far right column-multiplied by the simple average account value over the period indicated, and then multiplied by 181/365 to reflect the one-half year period.

² Reflects expenses after fee waivers and expense reimbursements. Does not include acquired fund fees and expenses.

APPENDIX A (CONTINUED)

Franklin Floating Rate Master Trust

Board Members and Officers

The name, year of birth and address of the officers and board members, as well as their affiliations, positions held with the Trust, principal occupations during at least the past five years and number of US registered portfolios overseen in the Franklin Templeton Investments fund complex, are shown below. Generally, each board member serves until that person's successor is elected and qualified.

Independent Board Members

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Harris J. Ashton (1932) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 1999	136	Bar-S Foods (meat packing company) (1981-2010).

Principal Occupation During at Least the Past 5 Years:

Director of various companies; and **formerly**, Director, RBC Holdings, Inc. (bank holding company) (until 2002); and President, Chief Executive Officer and Chairman of the Board, General Host Corporation (nursery and craft centers) (until 1998).

Terrence J. Checki (1945) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since March 2018	112	Hess Corporation (exploration of oil and gas) (2014-present).
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Principal Occupation During at Least the Past 5 Years:

Member of the Council on Foreign Relations (1996-present); Member of the National Committee on U.S.-China Relations (1999-present); member of the Board of Trustees of the Economic Club of New York (2013-present); member of the Board of Trustees of the Foreign Policy Association (2005-present) and member of various other boards of trustees and advisory boards; and **formerly**, Executive Vice President of the Federal Reserve Bank of New York and Head of its Emerging Markets and Internal Affairs Group and Member of Management Committee (1995-2014); and Visiting Fellow at the Council on Foreign Relations (2014).

Mary C. Choksi (1950) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2014	136	Avis Budget Group Inc. (car rental) (2007-present), Omnicom Group Inc. (advertising and marketing communications services) (2011-present) and White Mountains Insurance Group, Ltd. (holding company) (2017-present).
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Principal Occupation During at Least the Past 5 Years:

Director of various companies; and **formerly**, Founder and Senior Advisor, Strategic Investment Group (investment management group) (2015-2017); Founding Partner and Senior Managing Director, Strategic Investment Group (1987-2015); Founding Partner and Managing Director, Emerging Markets Management LLC (investment management firm) (1987-2011); and Loan Officer/Senior Loan Officer/Senior Pension Investment Officer, World Bank Group (international financial institution) (1977-1987).

Edith E. Holiday (1952) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 1999	136	Hess Corporation (exploration of oil and gas) (1993-present), Canadian National Railway (railroad) (2001-present), White Mountains Insurance Group, Ltd. (holding company) (2004-present), Santander Consumer USA Holdings, Inc. (consumer finance) (2016-present), RTI International Metals, Inc. (manufacture and distribution of titanium) (1999-2015) and H.J. Heinz Company (processed foods and allied products) (1994-2013).
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APPENDIX A (CONTINUED)

Franklin Floating Rate Master Trust

Independent Board Members (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Principal Occupation During at Least the Past 5 Years: Director or Trustee of various companies and trusts; and formerly , Assistant to the President of the United States and Secretary of the Cabinet (1990-1993); General Counsel to the United States Treasury Department (1989-1990); and Counselor to the Secretary and Assistant Secretary for Public Affairs and Public Liaison-United States Treasury Department (1988-1989).				
J. Michael Luttig (1954) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2009	136	Boeing Capital Corporation (aircraft financing) (2006-2013).
Principal Occupation During at Least the Past 5 Years: Executive Vice President, General Counsel and member of the Executive Council, The Boeing Company (aerospace company) (2006-present); and formerly , Federal Appeals Court Judge, U.S. Court of Appeals for the Fourth Circuit (1991-2006).				
Larry D. Thompson One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	136	The Southern Company (energy company) (2014-present; previously 2010-2012), Graham Holdings Company (education and media organization) (2011-present) and Cbeyond, Inc. (business communications provider) (2010-2012).
Principal Occupation During at Least the Past 5 Years: Director of various companies; Counsel, Finch McCranie, LLP (law firm) (2015-present); Independent Compliance Monitor and Auditor, Volkswagen AG (manufacturer of automobiles and commercial vehicles) (2017 – present); John A. Sibley Professor of Corporate and Business Law, University of Georgia School of Law (2015-present; previously 2011-2012); and formerly , Executive Vice President - Government Affairs, General Counsel and Corporate Secretary, PepsiCo, Inc. (consumer products) (2012-2014); Senior Vice President - Government Affairs, General Counsel and Secretary, PepsiCo, Inc. (2004-2011); Senior Fellow of The Brookings Institution (2003-2004); Visiting Professor, University of Georgia School of Law (2004); and Deputy Attorney General, U.S. Department of Justice (2001-2003).				
John B. Wilson (1959) One Franklin Parkway San Mateo, CA 94403-1906	Lead Independent Trustee	Trustee since 2007 and Lead Independent Trustee since 2008	112	None
Principal Occupation During at Least the Past 5 Years: President and Founder, Hyannis Port Capital, Inc. (real estate and private equity investing) (2002-present); Senior Advisor, McKinsey & Co. (consulting) (2017-present); serves on private and non-profit boards; and formerly , President, Staples International and Head of Global Transformation (office supplies) (2012-2016); Chief Operating Officer and Executive Vice President, Gap, Inc. (retail) (1996-2000); Chief Financial Officer and Executive Vice President – Finance and Strategy, Staples, Inc. (1992-1996); Senior Vice President – Corporate Planning, Northwest Airlines, Inc. (airlines) (1990-1992); and Vice President and Partner, Bain & Company (consulting firm) (1986-1990).				
**Gregory E. Johnson (1961) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	150	None
Principal Occupation During at Least the Past 5 Years: Chairman of the Board, Member - Office of the Chairman, Director and Chief Executive Officer, Franklin Resources, Inc.; officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 42 of the investment companies in Franklin Templeton Investments; Vice Chairman, Investment Company Institute; and formerly , President, Franklin Resources, Inc. (1994-2015).				

APPENDIX A (CONTINUED)

Franklin Floating Rate Master Trust

Interested Board Members and Officers

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
**Rupert H. Johnson, Jr. (1940) One Franklin Parkway San Mateo, CA 94403-1906	Chairman of the Board and Trustee	Since 2013	136	None
Principal Occupation During at Least the Past 5 Years: Vice Chairman, Member - Office of the Chairman and Director, Franklin Resources, Inc.; Director, Franklin Advisers, Inc.; Senior Vice President, Franklin Advisory Services, LLC; and officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 40 of the investment companies in Franklin Templeton Investments.				
Alison E. Baur (1964) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2012	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Deputy General Counsel, Franklin Templeton Investments; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 44 of the investment companies in Franklin Templeton Investments.				
Mark Boyadjian (1964) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2003	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Vice President, Franklin Advisers, Inc.; and officer of two of the investment companies in Franklin Templeton Investments.				
Gaston Gardey (1967) One Franklin Parkway San Mateo, CA 94403-1906	Chief Financial Officer, Chief Accounting Officer and Treasurer	Since 2009	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Treasurer, U.S. Fund Administration & Reporting, Franklin Templeton Investments; and officer of 28 of the investment companies in Franklin Templeton Investments.				
Aliya S. Gordon (1973) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2009	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; and officer of 44 of the investment companies in Franklin Templeton Investments.				
Steven J. Gray (1955) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2009	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; Vice President, Franklin Templeton Distributors, Inc. and FASA, LLC; and officer of 44 of the investment companies in Franklin Templeton Investments.				

APPENDIX A (CONTINUED)

Franklin Floating Rate Master Trust

Interested Board Members and Officers (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Matthew T. Hinkle (1971) One Franklin Parkway San Mateo, CA 94403-1906	Chief Executive Officer – Finance and Administration	Since 2017	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Vice President, Franklin Templeton Services, LLC; officer of 44 of the investment companies in Franklin Templeton Investments; and formerly , Vice President, Global Tax (2012-April 2017) and Treasurer/Assistant Treasurer, Franklin Templeton Investments (2009-2017).				
Robert Lim (1948) One Franklin Parkway San Mateo, CA 94403-1906	Vice President – AML Compliance	Since 2016	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Vice President, Franklin Templeton Companies, LLC; Chief Compliance Officer, Franklin Templeton Distributors, Inc. and Franklin Templeton Investor Services, LLC; and officer of 44 of the investment companies in Franklin Templeton Investments.				
Christopher J. Molumphy One Franklin Parkway San Mateo, CA 94403-1906	President and Chief Executive Officer - Investment Management	Since 2010	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Director and Executive Vice President, Franklin Advisers, Inc.; Executive Vice President, Franklin Templeton Institutional, LLC; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 21 of the investment companies in Franklin Templeton Investments.				
Kimberly H. Novotny (1972) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President	Since 2013	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Associate General Counsel, Franklin Templeton Investments; Vice President and Corporate Secretary, Fiduciary Trust International of the South; Vice President, Templeton Investment Counsel, LLC; Assistant Secretary, Franklin Resources, Inc.; and officer of 44 of the investment companies in Franklin Templeton Investments.				
Robert C. Rosselot (1960) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Chief Compliance Officer	Since 2013	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Director, Global Compliance, Franklin Templeton Investments; Vice President, Franklin Templeton Companies, LLC; officer of 44 of the investment companies in Franklin Templeton Investments; and formerly , Senior Associate General Counsel, Franklin Templeton Investments (2007-2013); and Secretary and Vice President, Templeton Group of Funds (2004-2013).				
Karen L. Skidmore (1952) One Franklin Parkway San Mateo, CA 94403-1906	Vice President and Secretary	Since 2006	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; and officer of 44 of the investment companies in Franklin Templeton Investments.				

APPENDIX A (CONTINUED)

Franklin Floating Rate Master Trust

Interested Board Members and Officers (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Navid J. Tofigh (1972) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2015	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:

Associate General Counsel, Franklin Templeton Investments; and officer of 44 of the investment companies in Franklin Templeton Investments.

Craig S. Tyle (1960) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2005	Not Applicable	Not Applicable
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Principal Occupation During at Least the Past 5 Years:

General Counsel and Executive Vice President, Franklin Resources, Inc.; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 44 of the investment companies in Franklin Templeton Investments.

Lori A. Weber (1964) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President	Since 2011	Not Applicable	Not Applicable
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Principal Occupation During at Least the Past 5 Years:

Senior Associate General Counsel, Franklin Templeton Investments; Assistant Secretary, Franklin Resources, Inc.; Vice President and Secretary, Templeton Investment Counsel, LLC; and officer of 44 of the investment companies in Franklin Templeton Investments.

* We base the number of portfolios on each separate series of the US registered investment companies within the Franklin Templeton Investments fund complex. These portfolios have a common investment manager or affiliated investment managers.

** Gregory E. Johnson is considered to be an interested person of the Fund under the federal securities laws due to his position as an officer and director of Franklin Resources, Inc. (Resources), which is the parent company of the Fund's investment manager and distributor. Rupert H. Johnson, Jr. is considered to be an interested person of the Fund under the federal securities laws due to his position as an officer and director and major shareholder of Resources.

Note 1: Rupert H. Johnson, Jr. is the uncle of Gregory E. Johnson.

Note 2: Officer information is current as of the date of this report. It is possible that after this date, information about officers may change.

The Sarbanes-Oxley Act of 2002 and Rules adopted by the Securities and Exchange Commission require the Fund to disclose whether the Fund's Audit Committee includes at least one member who is an audit committee financial expert within the meaning of such Act and Rules. The Fund's Board has determined that there is at least one such financial expert on the Audit Committee and has designated John B. Wilson as its audit committee financial expert. The Board believes that Mr. Wilson qualifies as such an expert in view of his extensive business background and experience, including service as chief financial officer of Staples, Inc. from 1992 to 1996. Mr. Wilson has been a Member and Chairman of the Fund's Audit Committee since 2007. As a result of such background and experience, the Board believes that Mr. Wilson has acquired an understanding of generally accepted accounting principles and financial statements, the general application of such principles in connection with the accounting estimates, accruals and reserves, and analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues generally comparable to those of the Fund, as well as an understanding of internal controls and procedures for financial reporting and an understanding of audit committee functions. Mr. Wilson is an independent Board member as that term is defined under the relevant Securities and Exchange Commission Rules and Releases.

The Statement of Additional Information (SAI) includes additional information about the board members and is available, without charge, upon request. Shareholders may call (800) DIAL BEN/342-5236 to request the SAI.

APPENDIX A (CONTINUED)
 Franklin Floating Rate Master Trust
 Franklin Floating Rate Master Series
 Shareholder Information

Board Approval of Investment Management Agreements

At an in-person meeting held on February 27, 2018 (Meeting), the Board of Trustees (Board) of Franklin Floating Rate Master Trust (Trust), including a majority of the trustees who are not “interested persons” as defined in the Investment Company Act of 1940 (Independent Trustees), reviewed and approved the continuance of the investment management agreement between Franklin Advisers, Inc. (Manager) and the Trust, on behalf of the Fund (Management Agreement) for an additional one-year period. The Independent Trustees received advice from and met separately with Independent Trustee counsel in considering whether to approve the continuation of the Management Agreement. In considering the continuation of the Management Agreement, the Board reviewed and considered information provided by the Manager at the Meeting and throughout the year at meetings of the Board and its committees. The Board also reviewed and considered information provided in response to a detailed set of requests for information submitted to the Manager by Independent Trustee counsel on behalf of the Independent Trustees in connection with the annual contract renewal process. In addition, prior to the Meeting, the Independent Trustees held a telephonic contract renewal meeting at which the Independent Trustees conferred amongst themselves and Independent Trustee counsel about contract renewal matters. The Board reviewed and considered all of the factors it deemed relevant in approving the continuance of the Management Agreement, including, but not limited to: (i) the nature, extent and quality of the services provided by the Manager; (ii) the investment performance of the Fund; (iii) the costs of the services provided and profits realized by the Manager and its affiliates from the relationship with the Fund; (iv) the extent to which economies of scale are realized as the Fund grows; and (v) whether fee levels reflect these economies of scale for the benefit of Fund investors. In approving the continuance of the Management Agreement, the Board, including a majority of the Independent Trustees, determined that the terms of the Management Agreement are fair and reasonable and that the continuance of such Management Agreement is in the interests of the Fund and its shareholders. While attention was given to all information furnished, the following discusses some primary factors relevant to the Board’s determination.

Nature, Extent and Quality of Services. The Board reviewed and considered information regarding the nature, extent and quality of investment management services provided by the Manager and its affiliates to the Fund and its shareholders. This information included, among other things, the qualifications, background and experience of the senior management and investment personnel of the Manager; the structure of investment personnel compensation; oversight of third-party service providers; investment performance reports and related financial information for the Fund; reports on expenses, and shareholder services; legal and compliance matters; risk controls; pricing and other services provided by the Manager and its affiliates; and management fees charged by the Manager and its affiliates to U.S. funds and other accounts, including management’s explanation of differences among accounts where relevant. The Board also reviewed and considered an annual report on payments made by Franklin Templeton Investments (FTI) or the Fund to financial intermediaries, as well as a memorandum relating to third-party servicing arrangements in response to a guidance update in 2016 from the U.S. Securities and Exchange Commission (SEC) relating to mutual fund distribution and sub-accounting fees. The Board noted management’s continuing efforts and expenditures in establishing effective business continuity plans and developing strategies to address areas of heightened concern in the mutual fund industry, such as cybersecurity and liquidity risk management. The Board also recognized management’s commitment to facilitating Board oversight of particular areas, including derivatives and payments to intermediaries, by enhanced reporting. The Board also reviewed and considered the benefits provided to Fund shareholders of investing in a fund that is part of the Franklin Templeton family of funds. The Board noted the financial position of Franklin Resources, Inc. (FRI), the Manager’s parent, and its commitment to the mutual fund business as evidenced by its continued introduction of new funds, reassessment of the fund offerings in response to the market environment and project initiatives and capital investments relating to the services provided to the Fund by the FTI organization. Following consideration of such information, the Board was satisfied with the nature, extent and quality of services provided by the Manager and its affiliates to the Fund and its shareholders.

APPENDIX A (CONTINUED)

Franklin Floating Rate Master Trust

Franklin Floating Rate Master Series

Board Approval of Investment Management Agreements (continued)

Fund Performance. The Board reviewed and considered the performance results of the Fund over various time periods ended December 31, 2017. The Board considered the performance returns for the Fund in comparison to the performance returns of mutual funds deemed comparable to the Fund included in a universe (Performance Universe) selected by Broadridge Financial Solutions, Inc. (Broadridge), an independent provider of investment company data. The Board received a description of the methodology used by Broadridge to select the mutual funds included in a Performance Universe. The Board also reviewed and considered Fund performance reports provided and discussions that occurred with portfolio managers at Board meetings throughout the year. A summary of the Fund's performance results is below. The Performance Universe for the Fund included the Fund and all retail and institutional loan participation funds. The Board noted that the Fund's annualized total return for the one- and 10-year periods was below the median of its Performance Universe, but for the three- and five-year periods was above the median of its Performance Universe. The Board concluded that the Fund's performance was acceptable. In doing so, the Board noted that the Fund's annualized total return was positive for each period, the Fund does not offer its shares to the public and the Fund's investor was exclusively an offshore Irish feeder fund.

Comparative Fees and Expenses. The Board reviewed and considered information regarding the Fund's actual total expense ratio and its various components, including, as applicable, management fees; transfer agent expenses; underlying fund expenses; Rule 12b-1 and non-Rule 12b-1 service fees; and other non-management fees. The Board considered the actual total expense ratio and, separately, the contractual management fee rate, without the effect of fee waivers (Management Rate), if any, of the Fund in comparison to the median expense ratio and median Management Rate, respectively, of other mutual funds deemed comparable to and with a similar expense structure as the Fund selected by Broadridge (Expense Group). Broadridge fee and expense data is based upon information taken from each fund's most recent annual report, which reflects historical asset levels that may be quite different from those currently existing, particularly in a period of market volatility. While recognizing such inherent limitation and the fact that expense ratios and Management Rates generally increase as assets decline and decrease as assets grow, the Board believed the independent analysis conducted by Broadridge to be an appropriate measure of comparative fees and expenses. The Broadridge Management Rate includes administrative charges, and the actual total expense ratio, for comparative consistency, was shown for Class A shares for funds with multiple classes of shares. The Board received a description of the methodology used by Broadridge to select the mutual funds included in an Expense Group. The Expense Group for the Fund included the Fund and 13 other loan participation funds. The Board noted that the Management Rate and actual total expense ratio for the Fund were below the medians of its Expense Group. The Board concluded that the Management Rate charged to the Fund is reasonable. In doing so, the Board noted that the Fund's actual total expense ratio reflected a fee waiver from management.

Profitability. The Board reviewed and considered information regarding the profits realized by the Manager and its affiliates in connection with the operation of the Fund. In this respect, the Board considered the Fund profitability analysis provided by the Manager that addresses the overall profitability of FTI's U.S. fund business, as well as its profits in providing investment management and other services to each of the individual funds during the 12-month period ended September 30, 2017, being the most recent fiscal year-end for FRI. The Board noted that although management continually makes refinements to its methodologies used in calculating profitability in response to organizational and product related changes, the overall methodology has remained consistent with that used in the Fund's profitability report presentations from prior years. Additionally, PricewaterhouseCoopers LLP, auditor to Franklin Resources, Inc. and certain Franklin Templeton funds, has been engaged by the Manager to periodically review and assess the allocation methodologies to be used solely by the Fund's Board with respect to the profitability analysis. The Board noted management's belief that costs incurred in establishing the infrastructure necessary for the type of mutual fund operations conducted by the Manager and its affiliates may not be fully reflected in the expenses allocated to the Fund in determining its profitability, as well as the fact that the level of profits, to a certain extent, reflected operational cost savings and efficiencies initiated by management. The Board also noted management's expenditures in improving shareholder services provided to the Fund, as well as the need to implement systems and meet additional regulatory and compliance requirements resulting from recent SEC and other regulatory requirements. The Board also considered the extent to which the Manager and its affiliates might derive ancillary benefits from fund operations, including revenues generated from transfer agent services, potential benefits resulting from personnel and systems enhancements necessitated by fund growth, as well as increased leverage with service providers and counterparties. Based upon its consideration of all these factors, the Board concluded that the level of profits realized by the Manager and its affiliates from providing services to the Fund was not excessive in view of the nature, extent and quality of services provided to the Fund.

APPENDIX A (CONTINUED)

Franklin Floating Rate Master Trust

Franklin Floating Rate Master Series

Board Approval of Investment Management Agreements (continued)

Economies of Scale. The Board reviewed and considered the extent to which the Manager may realize economies of scale, if any, as the Fund grows larger and whether the Fund's management fee structure reflects any economies of scale for the benefit of shareholders. With respect to possible economies of scale, the Board noted the existence of management fee breakpoints, which operate generally to share any economies of scale with a Fund's shareholders by reducing the Fund's effective management fees as the Fund grows in size. The Board considered the Manager's view that any analyses of potential economies of scale in managing a particular fund are inherently limited in light of the joint and common costs and investments the Manager incurs across the Franklin Templeton family of funds as a whole. The Board concluded that to the extent economies of scale may be realized by the Manager and its affiliates, the Fund's management fee structure provided a sharing of benefits with the Fund and its shareholders as the Fund grows.

Conclusion. Based on its review, consideration and evaluation of all factors it believed relevant, including the above-described factors and conclusions, the Board unanimously approved the continuation of the Management Agreement for an additional one-year period.

Proxy Voting Policies and Procedures

The Fund's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Fund uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Fund's complete Policies online at franklintempleton.com. Alternatively, shareholders may request copies of the Policies free of charge by calling the Proxy Group collect at (954) 527-7678 or by sending a written request to: Franklin Templeton Companies, LLC, 300 S.E. 2nd Street, Fort Lauderdale, FL 33301, Attention: Proxy Group. Copies of the Fund's proxy voting records are also made available online at franklintempleton.com and posted on the US Securities and Exchange Commission's website at sec.gov and reflect the most recent 12-month period ended June 30.

Quarterly Consolidated Statement of Investments

The Trust, on behalf of the Fund, files a complete consolidated statement of investments with the US Securities and Exchange Commission for the first and third quarters for each fiscal year on Form N-Q. Shareholders may view the filed Form N-Q by visiting the Commission's website at sec.gov. The filed form may also be viewed and copied at the Commission's Public Reference Room in Washington, DC. Information regarding the operations of the Public Reference Room may be obtained by calling (800) SEC-0330.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series

Financial Highlights

	Year Ended July 31,				
	2018	2017	2016	2015	2014
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	\$8.69	\$8.47	\$8.65	\$8.92	\$8.93
Income from investment operations^a:					
Net investment income	0.398	0.332	0.419	0.391	0.299
Net realized and unrealized gains (losses)	(0.156)	0.221	(0.184)	(0.270)	(0.010)
Total from investment operations	0.242	0.553	0.235	0.121	0.289
Less distributions from net investment income	(0.392)	(0.333)	(0.415)	(0.391)	(0.299)
Net asset value, end of year	\$8.54	\$8.69	\$8.47	\$8.65	\$8.92
Total return	2.73%	6.71%	3.07%	1.30%	3.28%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	0.55%	0.55%	0.55%	0.77%	0.92%
Expenses net of waiver and payments by affiliates ^b	0.53%	0.53%	0.53%	0.67%	0.80%
Net investment income	4.60%	3.78%	5.03%	4.43%	3.36%
Supplemental data					
Net assets, end of year (000's)	\$1,760,544	\$2,090,626	\$1,363,955	\$1,959,681	\$2,260,151
Portfolio turnover rate	49.97%	67.00%	28.94%	62.43%	70.55%

^a The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

^b Benefit of expense reduction rounds to less than 0.01%.

The accompanying notes are an integral part of these financial statements.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series
 Statement of Investments, July 31, 2018

Franklin Floating Rate Master Series	Country	Shares/ Units	Value	% of Net Assets
Common Stocks and Other Equity Interests				
Oil & Gas Exploration & Production				
Samson Resources II LLC	United States	155,501	\$3,732,024	0.21
Diversified Support Services				
^{a,b,c} Remington Outdoor Co. Inc	United States	870,865	15,038,779	0.86
^{a,b,c} Remington Outdoor Co. Inc., Litigation Units	United States	81,987	–	0.00
			15,038,779	0.86
Forest Products				
^{a,b,c} Appvion Inc.	United States	519,107	5,140,480	0.29
Total Common Stocks and Other Equity Interests (Cost \$49,304,337)			23,911,283	1.36
Management Investment Companies				
Other Diversified Financial Services				
^d Franklin Liberty Senior Loan ETF	United States	248,000	6,238,787	0.35
^d Franklin Lower Tier Floating Rate Fund	United States	3,405,364	33,304,460	1.89
^d Franklin Middle Tier Floating Rate Fund	United States	3,457,562	32,673,956	1.86
Total Management Investment Companies (Cost \$75,457,450)			72,217,203	4.10
			Principal Amount*	
Corporate Bonds (Cost \$8,692,485)				
Industrial Machinery				
^e Onsite Rental Group Operations Pty. Ltd., secured note, PIK, 6.10%, 10/26/23	Australia	\$10,100,685	7,828,031	0.45
Senior Floating Rate Interests				
Aerospace & Defense				
Delos Finance S.A.R.L. (AerCap), New Loans, 4.084%, (3-month USD LIBOR + 1.75%), 10/06/23	Luxembourg	32,284,435	32,392,039	1.84
Doncasters U.S. Finance LLC, Second Lien Term Loan, 10.584%, (3-month USD LIBOR + 8.25%), 10/09/20	United States	6,096,324	5,171,714	0.29
Term B Loans, 5.834%, (3-month USD LIBOR + 3.50%), 4/09/20	United States	14,887,914	13,957,419	0.79
Flying Fortress Holdings LLC (ILFC), New Loan, 4.084%, (3-month USD LIBOR + 1.75%), 10/30/22	United States	18,210,912	18,298,179	1.04
Leidos Innovations Corp., Term Loan B, 3.875%, (1-month USD LIBOR + 1.75%), 8/16/23	United States	1,559,615	1,570,825	0.09
			71,390,176	4.05
Agricultural Products				
Allflex Holdings III Inc., Second Lien Initial Term Loan, 9.347%, (3-month USD LIBOR + 7.00%), 7/19/21	United States	1,591,815	1,601,100	0.09
Airlines				
Air Canada, Term Loan, 4.072%, (1-month USD LIBOR + 2.00%), 10/06/23	Canada	16,944,482	17,022,139	0.97
American Airlines Inc., 2018 Replacement Term Loans, 3.827%, (1-month USD LIBOR + 1.75%), 6/27/25	United States	7,941,691	7,833,111	0.44
			24,855,250	1.41
Apparel Retail				
Ascena Retail Group Inc., Tranche B Term Loan, 6.625%, (1-month USD LIBOR + 4.50%), 8/21/22	United States	44,797,160	41,129,393	2.34

The accompanying notes are an integral part of these financial statements.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series
 Statement of Investments, July 31, 2018

Franklin Floating Rate Master Series	Country	Principal Amount*	Value	% of Net Assets
^{f,g} Senior Floating Rate Interests (continued)				
Auto Parts & Equipment				
Allison Transmission Inc., New Term Loans, 3.84%, (1-month USD LIBOR + 1.75%), 9/23/22	United States	\$14,528,482	\$14,626,854	0.83
American Axle and Manufacturing Inc., Tranche B Term Loan, 4.32%, (1-month USD LIBOR + 2.25%), 4/06/24	United States	1,949,682	1,946,432	0.11
TI Group Automotive Systems LLC, Initial US Term Loan, 4.577%, (1-month USD LIBOR + 2.50%), 6/30/22	United States	16,310,481	16,344,456	0.93
			<u>32,917,742</u>	<u>1.87</u>
Broadcasting				
Gray Television Inc., Term B-2 Loan, 4.34%, (1-month USD LIBOR + 2.25%), 2/07/24	United States	15,704,652	15,735,732	0.89
Mission Broadcasting Inc., Term Loan B-2, 4.592%, (1-month USD LIBOR + 2.50%), 1/17/24	United States	552,963	554,345	0.03
Nexstar Broadcasting Inc., Term A-2 Loan, 4.092%, (1-month USD LIBOR + 2.00%), 7/19/22	United States	7,190,617	7,190,617	0.41
Term Loan B-2, 4.592%, (1-month USD LIBOR + 2.50%), 1/17/24	United States	4,147,913	4,158,283	0.24
Sinclair Television Group Inc., Tranche B Term Loans, 4.33%, (1-month USD LIBOR + 2.25%), 1/03/24	United States	17,436,393	17,447,291	0.99
^{h,i} Tranche B-1 Term Loans, TBD, 1/31/25	United States	5,700,000	5,702,109	0.33
WXXA-TV LLC and WLAJ-TV LLC, Term Loan A-2, 4.092%, (1-month USD LIBOR + 2.00%), 7/19/22	United States	242,944	242,944	0.01
			<u>51,031,321</u>	<u>2.90</u>
Cable & Satellite				
Charter Communications Operating LLC, Term B Loan, 4.08%, (1-month USD LIBOR + 2.00%), 4/30/25	United States	18,952,381	18,984,695	1.08
CSC Holdings LLC, March 2017 Incremental Term Loans, 4.322%, (1-month USD LIBOR + 2.25%), 7/17/25	United States	18,724,379	18,655,885	1.06
Mediacom Illinois LLC, Tranche N Term Loan, 3.70%, (1-week USD LIBOR + 1.75%), 2/15/24	United States	4,764,852	4,776,764	0.27
			<u>42,417,344</u>	<u>2.41</u>
Casinos & Gaming				
^h Aristocrat Technologies Inc., Term B-3 Loans, 4.098%, (3-month USD LIBOR + 1.75%), 10/19/24	United States	9,098,989	9,101,310	0.52
Boyd Gaming Corp., Refinancing Term B Loans, 4.45%, (1-week USD LIBOR + 2.50%), 9/15/23	United States	7,994,008	8,044,970	0.46
Term A Loan, 4.20%, (1-week USD LIBOR + 2.25%), 9/15/21	United States	2,152,643	2,155,334	0.12
Caesars Resort Collection LLC/CRC Finco Inc., Term B Loans, 4.827%, (1-month USD LIBOR + 2.75%), 12/22/24	United States	6,334,085	6,337,480	0.36
CEOC LLC, Term B Loans, 4.077%, (1-month USD LIBOR + 2.00%), 10/06/24	United States	1,529,888	1,529,888	0.09
Eldorado Resorts Inc., Initial Term Loan, 4.375%, (1-month USD LIBOR + 2.25%), 4/17/24	United States	3,614,072	3,619,717	0.20
Initial Term Loan, 4.438%, (2-month USD LIBOR + 2.25%), 4/17/24	United States	2,585,414	2,589,452	0.15
Greektown Holdings LLC, Initial Term Loan, 5.077%, (1-month USD LIBOR + 3.00%), 4/25/24	United States	8,367,671	8,379,871	0.47

The accompanying notes are an integral part of these financial statements.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series
 Statement of Investments, July 31, 2018

Franklin Floating Rate Master Series	Country	Principal Amount*	Value	% of Net Assets
Senior Floating Rate Interests (continued)				
Casinos & Gaming (continued)				
Kingpin Intermediate Holdings LLC, Initial Term Loans, 5.58%, (1-month USD LIBOR + 3.50%), 7/03/24	United States	\$1,584,000	\$1,600,830	0.09
^h Las Vegas Sands LLC, Term B Loans, 3.827%, (1-month USD LIBOR + 1.75%), 3/27/25	United States	7,568,585	7,567,533	0.43
			<u>50,926,385</u>	<u>2.89</u>
Coal & Consumable Fuels				
Bowie Resource Holdings LLC, First Lien Initial Term Loan, 7.827%, (1-month USD LIBOR + 5.75%), 8/14/20	United States	18,177,382	17,927,443	1.02
Second Lien Initial Term Loan, 12.827%, (1-month USD LIBOR + 10.75%), 2/16/21	United States	2,232,389	2,143,093	0.12
Foresight Energy LLC, Term Loans, 7.827%, (1-month USD LIBOR + 5.75%), 3/28/22	United States	26,556,009	26,506,216	1.51
			<u>46,576,752</u>	<u>2.65</u>
Commodity Chemicals				
Ineos U.S. Finance LLC, 2024 Dollar Term Loan, 4.169%, (2-month USD LIBOR + 2.00%), 3/31/24	United States	11,621,368	11,617,336	0.66
Communications Equipment				
Ciena Corp., Refinancing Term Loan, 4.586%, (1-month USD LIBOR + 2.50%), 1/28/22	United States	8,678,039	8,726,853	0.50
CommScope Inc., Tranche 5 Term Loans, 4.077%, (1-month USD LIBOR + 2.00%), 12/29/22	United States	4,898,659	4,926,978	0.28
			<u>13,653,831</u>	<u>0.78</u>
Construction & Engineering				
AECOM, Term B Loans, 3.827%, (1-month USD LIBOR + 1.75%), 3/13/25	United States	7,844,218	7,869,986	0.45
Data Processing & Outsourced Services				
First Data Corp., Term A Loan, 3.819%, (1-month USD LIBOR + 1.75%), 6/02/20	United States	16,373,668	16,390,074	0.93
Iron Mountain Information Management LLC, Term B Loan, 3.827%, (1-month USD LIBOR + 1.75%), 1/26/26	United States	4,612,920	4,562,939	0.26
Wex Inc., Term B-2 Loan, 4.327%, (1-month USD LIBOR + 2.25%), 7/01/23	United States	9,802,242	9,829,375	0.56
			<u>30,782,388</u>	<u>1.75</u>
Diversified Chemicals				
Chemours Co., Tranche B-2 US\$ Term Loan, 3.83%, (1-month USD LIBOR + 1.75%), 4/03/25	United States	8,820,638	8,798,587	0.50
Diversified Support Services				
^h Ventia Pty. Ltd., Term B Loans (USD), 5.834%, (3-month USD LIBOR + 3.50%), 5/21/22	Australia	4,913,144	4,962,276	0.28
Electric Utilities				
EFS Cogen Holdings I LLC (Linden), Term B Advance, 5.59%, (3-month USD LIBOR + 3.25%), 6/28/23	United States	4,159,778	4,175,897	0.24

The accompanying notes are an integral part of these financial statements.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series
 Statement of Investments, July 31, 2018

Franklin Floating Rate Master Series	Country	Principal Amount*	Value	% of Net Assets
Senior Floating Rate Interests (continued)				
Fertilizers & Agricultural Chemicals				
Mosaic Co., Term Loan A, 3.572%, (1-month USD LIBOR + 1.50%), 11/18/21	United States	\$871,925	\$869,745	0.05
Food Distributors				
Aramark Corp., U.S. Term B-3 Loan, 4.084%, (3-month USD LIBOR + 1.75%), 3/11/25	United States	9,603,778	9,636,796	0.55
Nutraceutical International Corp., Term Loan B, 5.327%, (1-month USD LIBOR + 3.25%), 8/22/23	United States	2,904,212	2,896,951	0.16
			12,533,747	0.71
Food Retail				
BI-LO LLC (Southeastern Grocers), FILO Loan (ABL), 7.557%, (3-month USD LIBOR + 5.25%), 5/31/22	United States	5,000,000	4,925,000	0.28
Forest Products				
Appvion Inc., Term Loan, 8.09%, (1-month USD LIBOR + 6.00%), 6/15/26	United States	9,539,138	9,539,138	0.54
General Merchandise Stores				
^e 99 Cents Only Stores, First Lien Term Loan, PIK, 8.807% - 8.834%, (3-month USD LIBOR + 6.50%), 1/13/22	United States	17,540,704	16,619,905	0.95
Evergreen AcqCo. 1 LP (Savers), Term Loan, 5.93%, (2-month USD LIBOR + 3.75%), 7/09/19	United States	64,188	63,305	0.00 ^f
Term Loan, 6.097%, (3-month USD LIBOR + 3.75%), 7/09/19	United States	24,134,791	23,802,938	1.35
			40,486,148	2.30
Health Care Distributors				
Mallinckrodt International Finance SA/CB LLC, Extended Term Loan B, 5.203%, (6-month USD LIBOR + 2.75%), 9/24/24	Luxembourg	8,986,956	8,865,884	0.50
Health Care Facilities				
HCA Inc., ^h i Term Loan B10, TBD, 3/13/25	United States	4,472,368	4,503,626	0.25
Term Loan B11, 3.827%, (1-month USD LIBOR + 1.75%), 3/18/23	United States	2,573,550	2,587,825	0.15
			7,091,451	0.40
Health Care Services				
^h Air Medical Group Holdings Inc., 2018 New Term Loans, 6.329%, (1-month USD LIBOR + 4.25%), 3/14/25	United States	7,190,939	7,114,535	0.41
DaVita Healthcare Partners Inc., Tranche A Term Loan, 4.077%, (1-month USD LIBOR + 2.00%), 6/24/19	United States	5,999,714	6,018,463	0.34
^h Tranche B Term Loan, 4.827%, (1-month USD LIBOR + 2.75%), 6/24/21	United States	7,278,031	7,330,345	0.42
Envision Healthcare Corp., Initial Term Loans, 5.08%, (1-month USD LIBOR + 3.00%), 12/01/23	United States	4,794,685	4,799,902	0.27
U.S. Renal Care Inc., Initial Term Loan, 6.584%, (3-month USD LIBOR + 4.25%), 12/31/22	United States	8,935,936	8,813,067	0.50
			34,076,312	1.94

The accompanying notes are an integral part of these financial statements.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series
 Statement of Investments, July 31, 2018

Franklin Floating Rate Master Series	Country	Principal Amount*	Value	% of Net Assets
Senior Floating Rate Interests (continued)				
Health Care Technology				
IQVIA Inc.,				
^h Term B-1 Dollar Loans, 4.334%, (3-month USD LIBOR + 2.00%), 3/07/24	United States	\$5,681,250	\$5,697,226	0.32
Term B-3 Dollar Loans, 4.084%, (3-month USD LIBOR + 1.75%), 6/11/25	United States	3,000,000	2,992,500	0.17
			<u>8,689,726</u>	<u>0.49</u>
Hotels, Resorts & Cruise Lines				
Hilton Worldwide Finance LLC, Series B-2				
Term Loans, 3.814%, (1-month USD LIBOR + 1.75%), 10/25/23	United States	8,628,356	8,667,572	0.49
Household Products				
Spectrum Brands Inc.,				
USD Term Loans, 4.17%, (2-month USD LIBOR + 2.00%), 6/23/22	United States	32,491	32,567	0.00 [†]
USD Term Loans, 4.34% - 4.363%, (3-month USD LIBOR + 2.00%), 6/23/22	United States	12,801,467	12,831,474	0.73
			<u>12,864,041</u>	<u>0.73</u>
Independent Power Producers & Energy Traders				
Helix Gen Funding LLC, Term Loan, 5.827%, (1-month USD LIBOR + 3.75%), 6/02/24				
	United States	18,327,804	18,491,289	1.05
NRG Energy Inc., Term Loan B, 4.084%, (3-month USD LIBOR + 1.75%), 6/30/23	United States	32,134,296	32,114,372	1.82
			<u>50,605,661</u>	<u>2.87</u>
Industrial Machinery				
Harsco Corp., Term Loan B-2, 4.375%, (1-month USD LIBOR + 2.25%), 12/10/24				
	United States	9,280,471	9,340,405	0.53
Navistar Inc., Tranche B Term Loan, 5.60%, (1-month USD LIBOR + 3.50%), 11/06/24	United States	33,168,430	33,386,081	1.90
Onsite Rental Group Operations Property Ltd., Term Loan, 6.564%, (1-month USD LIBOR + 4.50%), 10/25/22	Australia	7,387,773	7,313,895	0.41
			<u>50,040,381</u>	<u>2.84</u>
Integrated Telecommunication Services				
Consolidated Communications Inc., Initial Term Loan, 5.08%, (1-month USD LIBOR + 3.00%), 10/05/23				
	United States	2,042,115	2,022,204	0.12
Global Tel*Link Corp.,				
Second Lien Term Loan, 10.584%, (3-month USD LIBOR + 8.25%), 11/23/20	United States	3,374,143	3,391,014	0.19
Term Loan, 6.334%, (3-month USD LIBOR + 4.00%), 5/23/20	United States	4,900,539	4,933,466	0.28
Securus Technologies Holdings Inc., Second Lien Initial Loan, 10.327%, (1-month USD LIBOR + 8.25%), 11/01/25	United States	817,114	820,859	0.05
Zayo Group LLC, 2017 Incremental Refinancing B-1 Term Loan, 4.077%, (1-month USD LIBOR + 2.00%), 1/19/21	United States	16,703,429	16,750,398	0.95
			<u>27,917,941</u>	<u>1.59</u>

The accompanying notes are an integral part of these financial statements.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series
 Statement of Investments, July 31, 2018

Franklin Floating Rate Master Series	Country	Principal Amount*	Value	% of Net Assets
Senior Floating Rate Interests (continued)				
Internet Software & Services				
^h Go Daddy Operating Co. LLC, Tranche B-1 Term Loans, 4.327%, (1-month USD LIBOR + 2.25%), 2/15/24	United States	\$7,913,579	\$7,940,288	0.45
Legalzoom.com Inc., Initial Term Loan, 6.331%, (1-month USD LIBOR + 4.25%), 11/21/24	United States	802,179	805,187	0.04
Rackspace Hosting Inc., Term B Loans, 5.363%, (3-month USD LIBOR + 3.00%), 11/03/23	United States	5,080,897	5,063,444	0.29
			<u>13,808,919</u>	<u>0.78</u>
IT Consulting & Other Services				
Gartner Inc., Tranche A Term Loans, 4.077%, (1-month USD LIBOR + 2.00%), 3/20/22	United States	1,509,272	1,511,158	0.09
Leisure Facilities				
24 Hour Fitness Worldwide Inc., Term Loan, 5.572%, (1-month USD LIBOR + 3.50%), 5/30/25	United States	7,380,422	7,421,937	0.42
^{h,i} Equinox Holdings Inc., Term Loan B, TBD, 3/08/24	United States	880,000	884,400	0.05
			<u>8,306,337</u>	<u>0.47</u>
Life Sciences Tools & Services				
Syneos Health Inc., Initial Term B Loans, 4.077%, (1-month USD LIBOR + 2.00%), 8/01/24	United States	8,278,132	8,283,927	0.47
Marine				
International Seaways Operating Corp., Initial Term Loans, 8.08%, (1-month USD LIBOR + 5.50%), 6/22/22	United States	3,127,209	3,131,118	0.18
Navios Maritime Partners LP, Initial Term Loan, 7.33%, (3-month USD LIBOR + 5.00%), 9/14/20	United States	8,297,396	8,325,051	0.47
			<u>11,456,169</u>	<u>0.65</u>
Metal & Glass Containers				
^{h,i} Berry Global Inc., Term Loan Q, TBD, 10/01/22	United States	1,408,801	1,413,301	0.08
Crown Americas LLC, Term B Loans, 4.077%, (1-month USD LIBOR + 2.00%), 4/03/25	United States	5,620,585	5,645,175	0.32
			<u>7,058,476</u>	<u>0.40</u>
Movies & Entertainment				
AMC Entertainment Holdings Inc., 2016 Incremental Term Loans, 4.322%, (1-month USD LIBOR + 2.25%), 12/15/23	United States	1,601,945	1,605,808	0.09
Initial Term Loans, 4.322%, (1-month USD LIBOR + 2.25%), 12/15/22	United States	2,731,224	2,737,809	0.16
Lions Gate Capital Holdings LLC, Term A Loan, 3.814%, (1-month USD LIBOR + 1.75%), 3/22/23	Canada	12,095,329	12,110,448	0.69
Live Nation Entertainment Inc., Term B-3 Loans, 3.875%, (1-month USD LIBOR + 1.75%), 10/31/23	United States	5,808,699	5,817,168	0.33
			<u>22,271,233</u>	<u>1.27</u>
Oil & Gas Exploration & Production				
Cantium LLC, Commitment, 8.34%, (3-month USD LIBOR + 6.00%), 6/13/20	United States	4,635,416	4,681,770	0.27
Fieldwood Energy LLC, Closing Date Loans, 7.327%, (1-month USD LIBOR + 5.25%), 4/11/22	United States	69,684,139	69,910,612	3.97
UTEX Industries Inc., First Lien Initial Term Loan, 6.077%, (1-month USD LIBOR + 4.00%), 5/21/21	United States	16,641,446	16,530,498	0.94
			<u>91,122,880</u>	<u>5.18</u>

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APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series
 Statement of Investments, July 31, 2018

Franklin Floating Rate Master Series	Country	Principal Amount*	Value	% of Net Assets
Senior Floating Rate Interests (continued)				
Oil & Gas Storage & Transportation				
OSG Bulk Ships Inc., Initial Term Loan, 6.77%, (3-month USD LIBOR + 4.25%), 8/05/19	United States	\$9,950,458	\$9,888,268	0.56
Strike LLC, Term Loan, 10.453%, (6-month USD LIBOR + 8.00%), 11/30/22	United States	3,459,500	3,511,392	0.20
			<u>13,399,660</u>	<u>0.76</u>
Other Diversified Financial Services				
Asurion LLC,				
^h AM No.14 Replacement B-4 Term Loans, 5.077%, (1-month USD LIBOR + 3.00%), 8/04/22	United States	4,269,566	4,274,903	0.24
Replacement B-6 Term Loans, 5.077%, (1-month USD LIBOR + 3.00%), 11/03/23	United States	1,745,482	1,746,261	0.10
			<u>6,021,164</u>	<u>0.34</u>
Packaged Foods & Meats				
CSM Bakery Supplies LLC,				
Second Lien Term Loan, 10.09%, (3-month USD LIBOR + 7.75%), 7/03/21	United States	7,271,086	6,881,777	0.39
Term Loans, 6.34%, (3-month USD LIBOR + 4.00%), 7/03/20	United States	2,560,483	2,499,671	0.14
^h JBS USA LUX SA, New Initial Term Loans, 4.834% - 4.835%, (3-month USD LIBOR + 2.50%), 10/30/22	United States	30,007,598	30,015,640	1.71
Pinnacle Foods Finance LLC, Initial B Term Loan, 3.84%, (1-month USD LIBOR + 1.75%), 2/03/24	United States	5,075,415	5,084,932	0.29
Post Holdings Inc., Series A Incremental Term Loans, 4.07%, (1-month USD LIBOR + 2.00%), 5/24/24	United States	17,127,786	17,153,958	0.97
			<u>61,635,978</u>	<u>3.50</u>
Paper Packaging				
Caraustar Industries Inc., Refinancing Term Loans, 7.834%, (3-month USD LIBOR + 5.50%), 3/14/22				
^h Reynolds Group Holdings Inc., Term B, TBD, 2/05/23	United States	12,669,501	12,799,617	0.73
	United States	2,326,531	2,336,709	0.13
			<u>15,136,326</u>	<u>0.86</u>
Personal Products				
^b FGI Operating Co. LLC (Freedom Group),				
Term Loan, 12.343%, (3-month USD LIBOR + 10.00%), 5/15/22	United States	8,563,000	8,563,000	0.49
Term Loan FILO, 8.843%, (3-month USD LIBOR + 6.50%), 5/15/21	United States	2,727,273	2,618,182	0.15
			<u>11,181,182</u>	<u>0.64</u>
Pharmaceuticals				
Bausch Health Companies Inc., Initial Term Loans, 5.092%, (1-month USD LIBOR + 3.00%), 6/02/25				
Endo Luxembourg Finance Co. I.S.A.R.L. and Endo LLC, Initial Term Loans, 6.375%, (1-month USD LIBOR + 4.25%), 4/29/24	United States	6,339,820	6,355,276	0.36
Grifols Worldwide Operations USA Inc., Tranche B Term Loan, 4.20%, (1-week USD LIBOR + 2.25%), 1/31/25	United States	20,757,544	20,812,676	1.18
Horizon Pharma Inc., Third Amendment Refinancing Term Loan, 5.375%, (1-month USD LIBOR + 3.25%), 3/29/24	United States	11,507,650	11,554,947	0.66
Innoviva Inc., Initial Term Loan, 6.831%, (3-month USD LIBOR + 4.50%), 8/18/22	United States	8,826,168	8,844,094	0.50
	United States	840,633	844,836	0.05
			<u>48,411,829</u>	<u>2.75</u>

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APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series
Statement of Investments, July 31, 2018

Franklin Floating Rate Master Series	Country	Principal Amount*	Value	% of Net Assets
Senior Floating Rate Interests (continued)				
Restaurants				
KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC (Yum Brands), Term Loan B, 3.829%, (1-month USD LIBOR + 1.75%), 4/03/25	United States	\$8,406,011	\$8,417,174	0.48
NPC International Inc., Second Lien Initial Term Loan, 9.577%, (1-month USD LIBOR + 7.50%), 4/20/25	United States	4,842,941	4,915,585	0.28
			<u>13,332,759</u>	<u>0.76</u>
Security & Alarm Services				
^h Prime Security Services Borrower LLC, Term B-1 Loans, 4.827%, (1-month USD LIBOR + 2.75%), 5/02/22	United States	4,491,184	4,503,346	0.26
Semiconductor Equipment				
MKS Instruments Inc., Tranche B-4 Term Loan, 3.827%, (1-month USD LIBOR + 1.75%), 4/29/23	United States	742,028	745,430	0.04
Semiconductors				
ON Semiconductor Corp., 2018 New Replacement Term B-3 Loans, 3.827%, (1-month USD LIBOR + 1.75%), 3/31/23	United States	14,139,597	14,174,946	0.81
Specialized Consumer Services				
Avis Budget Car Rental LLC, Tranche B Term Loans, 4.34%, (3-month USD LIBOR + 2.00%), 2/13/25	United States	19,176,144	19,230,125	1.09
^h NVA Holdings Inc., Term B-3 Loan, 4.827%, (1-month USD LIBOR + 2.75%), 2/02/25	United States	7,798,594	7,786,413	0.44
Sabre GLOB Inc., 2017 Other Term A Loans, 4.077%, (1-month USD LIBOR + 2.00%), 7/01/22	United States	6,324,381	6,340,192	0.36
2018 Other Term B Loans, 4.077%, (1-month USD LIBOR + 2.00%), 2/22/24	United States	1,542,460	1,545,472	0.09
			<u>34,902,202</u>	<u>1.98</u>
Specialized Finance				
^{h,i} Trans Union LLC, Term A-2 Facility, TBD, 8/09/22	United States	6,752,226	6,754,353	0.38
Specialty Chemicals				
^h Ashland LLC, Term B Loan, 3.827% - 3.829%, (1-month USD LIBOR + 1.75%), 5/17/24	United States	9,579,020	9,620,928	0.55
Axalta Coating Systems U.S. Holdings Inc., Term B-3 Dollar Loan, 4.084%, (3-month USD LIBOR + 1.75%), 6/01/24	United States	15,782,953	15,801,025	0.90
KMG Chemicals Inc., Initial Term Loan, 4.827%, (1-month USD LIBOR + 2.75%), 6/15/24	United States	1,429,522	1,438,456	0.08
Oxbow Carbon LLC, Second Lien Term Loan, 9.577%, (1-month USD LIBOR + 7.50%), 1/04/24	United States	7,556,614	7,707,746	0.44
Tranche A Term Loan, 4.327%, (1-month USD LIBOR + 2.50%), 1/04/22	United States	5,700,000	5,721,375	0.32
Tranche B Term Loan, 5.827%, (1-month USD LIBOR + 3.75%), 1/04/23	United States	4,797,000	4,868,955	0.28
WR Grace & Co., Term B-1 Loans, 4.084%, (3-month USD LIBOR + 1.75%), 4/03/25	United States	1,847,640	1,853,414	0.10
Term B-2 Loans, 4.084%, (3-month USD LIBOR + 1.75%), 4/03/25	United States	3,167,384	3,177,282	0.18
			<u>50,189,181</u>	<u>2.85</u>

The accompanying notes are an integral part of these financial statements.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series
 Statement of Investments, July 31, 2018

Franklin Floating Rate Master Series	Country	Principal Amount*	Value	% of Net Assets
^{f,g} Senior Floating Rate Interests (continued)				
Specialty Stores				
General Nutrition Centers Inc., FILO Term Loan (ABL), 9.08%, (1-month USD LIBOR + 7.00%), 12/31/22	United States	\$12,691,811	\$13,096,363	0.74
Tranche B-2 Term Loans, 10.83%, (1-month USD LIBOR + 8.75%), 3/04/21	United States	27,104,979	26,299,961	1.49
Michaels Stores Inc., 2018 New Replacement Term B Loan, 4.572% - 4.581%, (1-month USD LIBOR + 2.50%), 1/28/23	United States	13,665,750	13,675,999	0.78
			<u>53,072,323</u>	<u>3.01</u>
Technology Hardware, Storage & Peripherals				
Western Digital Corp., US Term B-4 Loan, 3.827%, (1-month USD LIBOR + 1.75%), 4/29/23	United States	2,992,500	2,996,552	0.17
Trucking				
Hertz Corp., Tranche B-1 Term Loan, 4.83%, (1-month USD LIBOR + 2.75%), 6/30/23	United States	20,823,331	20,808,692	1.18
Total Senior Floating Rate Interests (Cost \$1,241,805,349)			<u>1,242,963,533</u>	<u>70.60</u>
Asset-Backed Securities				
Other Diversified Financial Services				
^{i,k} Alinea CLO Ltd., 2018-1A, C, 144A, FRN, 4.207%, (3-month USD LIBOR + 1.90%), 7/20/31	United States	2,600,000	2,599,870	0.15
^{i,k} Annisa CLO Ltd., 2016-2A, CR, 144A, FRN, 4.348%, (3-month USD LIBOR + 2.00%), 7/20/31	United States	1,800,000	1,799,604	0.10
^{i,k} Ares CLO Ltd., 2018-48A, C, 144A, FRN, 4.139%, (3-month USD LIBOR + 1.80%), 7/20/30	United States	3,135,000	3,134,342	0.18
^{i,l,m} ARES XLIX CLO Ltd., 2018-49A, C, 144A, FRN, 4.293%, 7/22/30	United States	3,100,000	3,099,845	0.18
^{i,k} Ares XXXVII CLO Ltd., 2015-4A, BR, 144A, FRN, 4.139%, (3-month USD LIBOR + 1.80%), 10/15/30	United States	3,150,000	3,145,086	0.18
^{i,k} Atrium XI, 2011A, CR, 144A, FRN, 4.497%, (3-month USD LIBOR + 2.15%), 10/23/25	United States	2,352,136	2,358,393	0.13
^{i,k} Atrium XII, 2012A, CR, 144A, FRN, 3.997%, (3-month USD LIBOR + 1.65%), 4/22/27	United States	2,240,000	2,222,909	0.13
^{i,l,m} Atrium XIV LLC, 14A, B, 144A, FRN, 4.01%, 8/23/30	United States	7,200,000	7,200,144	0.41
14A, C, 144A, FRN, 4.26%, 8/23/30	United States	4,000,000	4,000,080	0.23
^{i,k} Betony CLO 2 Ltd., 2018-1A, B, 144A, FRN, 3.959%, (3-month USD LIBOR + 1.85%), 4/30/31	United States	2,400,000	2,395,512	0.14
^{i,k} BlueMountain CLO Ltd., 2012-2A, AR, 144A, FRN, 3.751%, (3-month USD LIBOR + 1.42%), 11/20/28	United States	10,790,000	10,808,775	0.61
2012-2A, CR, 144A, FRN, 4.931%, (3-month USD LIBOR + 2.60%), 11/20/28	United States	1,400,000	1,405,726	0.08
^{i,j} BlueMountain CLO XXII Ltd., 2018-1A, B, 144A, FRN, 4.039%, 7/30/30	United States	5,400,000	5,400,000	0.31
2018-1A, C, 144A, FRN, 4.389%, 7/30/30	United States	2,750,000	2,750,000	0.16
^{i,k} BlueMountain Fuji U.S. CLO I Ltd., 2017-1A, C, 144A, FRN, 4.698%, (3-month USD LIBOR + 2.35%), 7/20/29	United States	2,275,000	2,285,783	0.13
^{i,k} BlueMountain Fuji U.S. CLO III Ltd., 2017-3A, C, 144A, FRN, 4.048%, (3-month USD LIBOR + 1.70%), 1/15/30	United States	2,100,000	2,092,671	0.12
^{i,k} Bristol Park CLO Ltd., 2016-1A, A, 144A, FRN, 3.759%, (3-month USD LIBOR + 1.42%), 4/15/29	United States	22,000,000	22,135,520	1.26

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APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series
 Statement of Investments, July 31, 2018

Franklin Floating Rate Master Series	Country	Principal Amount*	Value	% of Net Assets
Asset-Backed Securities (continued)				
Other Diversified Financial Services (continued)				
^{i,k} Carlyle Global Market Strategies CLO Ltd., 2012-4A, C1R, 144A, FRN, 4.948%, (3-month USD LIBOR + 2.60%), 1/20/29	United States	\$3,675,000	\$3,697,123	0.21
2014-4RA, B, 144A, FRN, 3.887%, (3-month USD LIBOR + 1.90%), 7/15/30	United States	3,400,000	3,375,222	0.19
2015-2A, A1R, 144A, FRN, 3.117%, (3-month USD LIBOR + 0.78%), 4/27/27	United States	3,596,000	3,590,354	0.20
^{i,k} Carlyle U.S. CLO Ltd., 2017-1A, A1A, 144A, FRN, 3.648%, (3-month USD LIBOR + 1.30%), 4/20/31	United States	12,600,000	12,619,278	0.72
^{i,k} Cent CLO LP, 2014-22A, A1R, 144A, FRN, 3.773%, (3-month USD LIBOR + 1.41%), 11/07/26	United States	7,510,000	7,521,866	0.43
2014-22A, BR, 144A, FRN, 5.313%, (3-month USD LIBOR + 2.95%), 11/07/26	United States	3,200,000	3,205,312	0.18
^{i,k} Dryden 30 Senior Loan Fund, 2013-30A, A, 144A, FRN, 4.043%, (3-month USD LIBOR + 1.70%), 11/15/28	United States	2,100,000	2,084,670	0.12
^{i,k} Dryden CLO Ltd., 2018-55A, C, 144A, FRN, 3.941%, (3-month USD LIBOR + 1.90%), 4/15/31	United States	2,900,000	2,889,125	0.16
2018-58A, C, 144A, FRN, 4.121%, (3-month USD LIBOR + 1.80%), 7/17/31	United States	2,500,000	2,500,000	0.14
^{i,k} Dryden Senior Loan Fund, 2016-42A, CR, 144A, FRN, 4.389%, (3-month USD LIBOR + 2.05%), 7/15/30	United States	2,400,000	2,409,039	0.14
^{i,k} Eaton Vance CDO Ltd., 2014-1A, AR, 144A, FRN, 3.539%, (3-month USD LIBOR + 1.20%), 7/15/26	United States	2,650,000	2,651,245	0.15
^{i,k} Eaton Vance CLO Ltd., 2015-1A, CR, 144A, FRN, 4.248%, (3-month USD LIBOR + 1.90%), 1/20/30	United States	1,400,000	1,398,488	0.08
^j Emerson Park CLO Ltd., 2013-1A, C2R, 144A, 4.055%, 7/15/25	United States	1,100,000	1,101,628	0.06
^{i,k} Flagship CLO VIII Ltd., 2014-8A, CRR, 144A, FRN, 4.139%, (3-month USD LIBOR + 1.80%), 1/16/26	United States	2,900,000	2,899,977	0.16
^{i,k} Galaxy XVIII CLO Ltd., 2018-28A, C, 144A, FRN, 4.289%, (3-month USD LIBOR + 1.95%), 7/15/31	United States	2,700,000	2,679,302	0.15
^{i,l,m} LCM Loan Income Fund I Income Note Issuer Ltd., 2027A, C, 144A, FRN, 4.401%, 7/16/31	United States	2,700,000	2,700,054	0.15
^{i,k} LCM XXIV Ltd., 24A, A, 144A, FRN, 3.658%, (3-month USD LIBOR + 1.31%), 3/20/30	United States	26,400,000	26,489,760	1.50
^{i,k} LCM XXV Ltd., 25A, B2, 144A, FRN, 3.998%, (3-month USD LIBOR + 1.65%), 7/20/30	United States	4,075,000	4,084,006	0.23
25A, C2, 144A, FRN, 4.648%, (3-month USD LIBOR + 2.30%), 7/20/30	United States	1,625,000	1,632,166	0.09
^{i,k} Madison Park Funding Ltd., 2016-21A, A1, 144A, FRN, 3.865%, (3-month USD LIBOR + 1.53%), 7/25/29	United States	7,100,000	7,190,241	0.41
2018-28A, C, 144A, FRN, 4.187%, (3-month USD LIBOR + 1.85%), 7/15/30	United States	4,200,000	4,196,892	0.24
^{i,k} Madison Park Funding XXIV Ltd., 2016-24A, C1, 144A, FRN, 4.948%, (3-month USD LIBOR + 2.60%), 1/20/28	United States	1,750,000	1,758,768	0.10
^{i,k} Magnetite IX Ltd., 2014-9A, BR, 144A, FRN, 4.335%, (3-month USD LIBOR + 2.00%), 7/25/26	United States	2,793,000	2,795,039	0.16
^{i,k} Magnetite XI Ltd., 2014-11A, BR, 144A, FRN, 4.433%, (3-month USD LIBOR + 2.10%), 1/18/27	United States	1,172,500	1,175,033	0.07
^{i,k} Magnetite XIV Ltd., 2015-14A, A, 144A, FRN, 3.723%, (3-month USD LIBOR + 1.39%), 7/18/28	United States	1,460,000	1,462,613	0.08
^{i,k} Neuberger Berman CLO Ltd., 2017-26A, C, 144A, FRN, 4.083%, (3-month USD LIBOR + 1.75%), 10/18/30	United States	2,100,000	2,070,159	0.12

The accompanying notes are an integral part of these financial statements.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series
Statement of Investments, July 31, 2018

Franklin Floating Rate Master Series	Country	Principal Amount*	Value	% of Net Assets
Asset-Backed Securities (continued)				
Other Diversified Financial Services (continued)				
^{i,k} NZCG Funding Ltd., 2015-1A, A2R, 144A, FRN, 3.869%, (3-month USD LIBOR + 1.55%), 2/26/31	United States	\$5,810,000	\$5,813,195	0.33
^{i,k} Octagon Investment Partners 26 Ltd., 2016-1A, CR, 144A, FRN, 4.139%, (3-month USD LIBOR + 1.80%), 7/15/30	United States	3,300,000	3,296,799	0.19
^{i,l} Octagon Investment Partners 27 Ltd., 2016-1A, CR, 144A, FRN, 4.439%, 7/15/30	United States	3,500,000	3,500,000	0.20
^{i,k} Octagon Investment Partners 30 Ltd., 144A, FRN, 3.668%, (3-month USD LIBOR + 1.32%), 3/17/30	United States	11,942,857	11,998,750	0.68
^{i,k} Octagon Investment Partners 31 LLC, 2017-1A, C, 144A, FRN, 4.748%, (3-month USD LIBOR + 2.40%), 7/20/30	United States	2,288,855	2,295,607	0.13
^{i,k} Octagon Investment Partners 37 Ltd., 2018-2A, B, 144A, FRN, 4.11%, (3-month USD LIBOR + 1.75%), 7/25/30	United States	3,250,000	3,250,065	0.18
^{i,l,m} Octagon Investment Partners 38, 2018-1A, A3A, 144A, FRN, 3.857%, 7/20/30	United States	4,500,000	4,500,000	0.26
^{i,k} Octagon Investment Partners XVI Ltd., 2013-1A, CR, 144A, FRN, 4.137%, 7/20/30	United States	3,900,000	3,900,000	0.22
^{i,k} Octagon Investment Partners XVI Ltd., 2013-1A, CR, 144A, FRN, 4.186%, (3-month USD LIBOR + 1.85%), 7/17/30	United States	3,000,000	3,001,770	0.17
^{i,k} Octagon Investment Partners XXII Ltd., 2014-1A, CRR, 144A, FRN, 4.247%, (3-month USD LIBOR + 1.90%), 1/22/30	United States	2,100,000	2,097,879	0.12
^{i,l} Race Point X CLO Ltd., 2016-10A, C1R, 144A, FRN, 4.335%, 7/25/31	United States	2,300,000	2,300,000	0.13
^{i,k} TCI-Cent CLO Income Note Issuer Ltd., 2017-1A, B, 144A, FRN, 4.685%, (3-month USD LIBOR + 2.35%), 7/25/30	United States	3,000,000	3,006,600	0.17
^{i,k} Voya CLO Ltd., 2017-3A, B, 144A, FRN, 4.698%, (3-month USD LIBOR + 2.35%), 7/20/30	United States	2,508,761	2,519,072	0.14
Total Asset-Backed Securities (Cost \$240,448,857)			<u>240,491,357</u>	<u>13.66</u>
Total Investments before Short Term Investments (Cost \$1,615,708,478)			<u>1,587,411,407</u>	<u>90.17</u>

The accompanying notes are an integral part of these financial statements.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series
 Statement of Investments, July 31, 2018

Franklin Floating Rate Master Series	Country	Principal Amount*	Value	% of Net Assets
Short Term Investments				
U.S. Government and Agency Securities (Cost \$51,027,225)				
^m U.S. Treasury Bill, 3/28/19	United States	\$51,750,000	\$50,996,739	2.90
Repurchase Agreements (Cost \$180,369,470)				
^o Joint Repurchase Agreement, 1.906%, 8/01/18 (Maturity Value \$180,379,022) BNP Paribas Securities Corp. (Maturity Value \$63,951,578) Deutsche Bank Securities Inc. (Maturity Value \$20,501,880) HSBC Securities (USA) Inc. (Maturity Value \$95,925,564) Collateralized by U.S. Government Agency Securities, 3.50% - 4.50%, 6/20/44 - 8/20/47; ⁿ U.S. Treasury Bill, 8/02/18 - 7/18/19; U.S. Treasury Bond, 7.875% - 9.00%, 11/15/18 - 8/15/21; U.S. Treasury Note, 0.75% - 4.00%, 8/15/18 - 5/15/23; and U.S. Treasury Note, Index Linked, 0.625% - 2.125%, 1/15/19 - 4/15/23 (valued at \$183,978,105)				
	United States	\$180,369,470	180,369,470	10.24
Total Investments (Cost \$1,847,105,173)			<u>1,818,777,616</u>	<u>103.31</u>
Other Assets, less Liabilities			<u>(58,233,800)</u>	<u>(3.31)</u>
Net Assets			<u>\$1,760,543,816</u>	<u>100.00</u>

† Rounds to less than 0.01% of net assets.

* The principal amount is stated in U.S. dollars unless otherwise indicated.

^a Non-income producing.

^b Fair valued using significant unobservable inputs. See Note 13 regarding fair value measurements.

^c See Note 8 regarding restricted securities.

^d See Note 3(d) regarding investments in affiliated management investment companies.

^e Income may be received in additional securities and/or cash.

^f The coupon rate shown represents the rate at period end.

^g See Note 1(e) regarding senior floating rate interests.

^h A portion or all of the security purchased on a delayed delivery basis. See Note 1(c).

ⁱ A portion or all of the security represents an unsettled loan commitment. The coupon rate is to-be determined (TBD) at the time of settlement and will be based upon a reference index/floor plus a spread.

^j Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. These securities have been deemed liquid under guidelines approved by the Trust's Board of Trustees. At July 31, 2018, the aggregate value of these securities was \$240,491,357, representing 13.7% of net assets.

^k The coupon rate shown represents the rate inclusive of any caps or floors, if applicable, in effect at period end.

^l Adjustable rate security with an interest rate that is not based on a published reference index and spread. The rate is based on the structure of the agreement and current market conditions. The coupon rate shown represents the rate at period end.

^m Security purchased on a when-issued basis. See Note 1(c).

ⁿ The security was issued on a discount basis with no stated coupon rate.

^o See Note 1(b) regarding joint repurchase agreement.

At July 31, 2018, the Fund had the following credit default swap contracts outstanding. See Note 1(d).

The accompanying notes are an integral part of these financial statements.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series

Credit Default Swap Contracts

Description	Periodic Payment Rate Received (Paid)	Payment Frequency	Maturity Date	Notional Amount	Value	Unamortized Upfront Payments (Receipts)	Unrealized Appreciation (Depreciation)	Rating
Centrally Cleared Swap Contracts Contracts to Buy Protection ^a Traded Index								
CDX.NA.HY.26	(5.00)%	Quarterly	6/20/21	\$26,362,000	\$(2,080,079)	\$(1,435,472)	\$(644,607)	

^aPerformance triggers for settlement of contract include failure to pay or bankruptcy of the underlying securities for traded index swaps.

See Note 10 regarding other derivative information.
 See Abbreviations on page 82.

The accompanying notes are an integral part of these financial statements.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series

Statement of Assets and Liabilities July 31, 2018

	For the Year ended July 31, 2018 USD
Assets:	
Investments in securities:	
Cost – Unaffiliated issuers	\$1,591,278,253
Cost – Non-controlled affiliates (Note 3d)	75,457,450
Cost – Unaffiliated repurchase agreements	180,369,470
Value – Unaffiliated issuers	\$1,566,190,943
Value – Non-controlled affiliates (Note 3d)	72,217,203
Value – Unaffiliated repurchase agreements	180,369,470
Cash	6,202,964
Receivables:	
Investment securities sold	16,578,874
Dividends and interest	4,720,882
Deposits with brokers for:	
Centrally cleared swap contracts	509,864
Unrealized appreciation on unfunded loan commitments (Note 9)	56,644
Other assets	950
Total assets	1,846,847,794
Liabilities:	
Payables:	
Investment securities purchased	78,238,767
Management fees	808,160
Distributions to shareholders	7,089,112
Variation margin on centrally cleared swap contracts	20,650
Accrued expenses and other liabilities	147,289
Total liabilities	86,303,978
Net assets, at value	\$1,760,543,816
Net assets consist of:	
Paid-in capital	\$1,991,601,597
Undistributed net investment income	2,349,039
Net unrealized appreciation (depreciation)	(29,065,636)
Accumulated net realized gain (loss)	(204,341,184)
Net assets, at value	\$1,760,543,816
Shares outstanding	206,205,796
Net asset value and maximum offering price per share (\$1,760,543,816 ÷ 206,205,796 shares outstanding)	\$8.54

The accompanying notes are an integral part of these financial statements.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series

Statement of Operations for the year ended July 31, 2018

	For the Year ended July 31, 2018 USD
Investment income:	
Dividends: (net of foreign taxes)*	
Unaffiliated issuers	\$ (8,321)
Non-controlled affiliates (Note 3d)	4,375,379
Interest:	
Unaffiliated issuers	87,709,001
Total investment income	<u>92,076,059</u>
Expenses:	
Management fees (Note 3a)	9,521,551
Custodian fees (Note 4)	15,594
Reports to shareholders	4,585
Registration and filing fees	242
Professional fees	173,250
Trustees' fees and expenses	70,392
Other	40,035
Total expenses	<u>9,825,649</u>
Expense reductions (Note 4)	(18,307)
Expenses waived/paid by affiliates (Note 3d and 3e)	<u>(315,835)</u>
Net expenses	<u>9,491,507</u>
Net investment income	<u>82,584,552</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	(19,886,650)
Swap contracts	(472,787)
Capital gain distributions from management investment companies:	
Non-controlled affiliates (Note 3d)	<u>770,878</u>
Net realized gain (loss)	<u>(19,588,559)</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	(12,133,344)
Non-controlled affiliates (Note 3d)	(3,240,247)
Swap contracts	<u>(251,271)</u>
Net change in unrealized appreciation (depreciation)	<u>(15,624,862)</u>
Net realized and unrealized gain (loss)	<u>(35,213,421)</u>
Net increase (decrease) in net assets resulting from operations	<u>\$ 47,371,131</u>
* Foreign taxes withheld on dividends	\$ 114,301

The accompanying notes are an integral part of these financial statements.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series

Statements of Changes in Net Assets

	Year Ended July 31,	
	2018	2017
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$ 82,584,552	\$ 66,737,495
Net realized gain (loss)	(19,588,559)	(21,381,394)
Net change in unrealized appreciation (depreciation)	(15,624,862)	57,130,631
Net increase (decrease) in net assets resulting from operations	47,371,131	102,486,732
Distributions to shareholders from:		
Net investment income	(81,458,861)	(66,380,751)
Capital share transactions (Note 2)	(295,994,793)	690,565,052
Net increase (decrease) in net assets	(330,082,523)	726,671,033
Net assets:		
Beginning of year	2,090,626,339	1,363,955,306
End of year	\$ 1,760,543,816	\$ 2,090,626,339
Undistributed net investment income included in net assets:		
End of year	\$ 2,349,039	\$ 1,102,329

The accompanying notes are an integral part of these financial statements.

APPENDIX A (CONTINUED)

FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST

Franklin Floating Rate Master Series

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Franklin Floating Rate Master Trust (Trust) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company, consisting of three separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Franklin Floating Rate Master Series (Fund) is included in this report. The Fund's shares are exempt from registration under the Securities Act of 1933.

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

The Fund's investments in financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Fund calculates the net asset value (NAV) per share each business day as of 4 p.m. Eastern time or the regularly scheduled close of the New York Stock Exchange (NYSE), whichever is earlier. Under compliance policies and procedures approved by the Trust's Board of Trustees (the Board), the Fund's administrator has responsibility for oversight of valuation, including leading the cross-functional Valuation Committee (VC). The VC provides administration and oversight of the Fund's valuation policies and procedures, which are approved annually by the Board. Among other things, these procedures allow the Fund to utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Equity securities listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Over-the-counter (OTC) securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

Debt securities generally trade in the OTC market rather than on a securities exchange. The Fund's pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value.

Investments in repurchase agreements are valued at cost, which approximates fair value.

Certain derivative financial instruments are centrally cleared or trade in the OTC market. The Fund's pricing services use various techniques including industry standard option pricing models and proprietary discounted cash flow models to determine the fair value of those instruments. The Fund's net benefit or obligation under the derivative contract, as measured by the fair value of the contract, is included in net assets.

The Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the VC convenes on a regular basis to review such financial instruments and considers a number of factors, including significant unobservable valuation inputs, when arriving at fair value. The VC primarily employs a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine the fair value of the investment. An income-based valuation approach may also be used in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed. The VC employs various methods for calibrating these valuation approaches including a regular review of key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Joint Repurchase Agreement

The Fund enters into a joint repurchase agreement whereby its uninvested cash balance is deposited into a joint cash account with other funds managed by the investment manager or an affiliate of the investment manager and is used to invest in one or more repurchase agreements. The value and face amount of the joint repurchase agreement are allocated to the funds based on their pro-rata interest. A repurchase agreement is accounted for as a loan by the Fund to the seller, collateralized by securities which are delivered to the Fund's custodian. The fair value, including accrued interest, of the initial collateralization is required to be at least 102% of the dollar amount invested by the funds, with the value of the underlying securities marked to market daily to maintain coverage of at least 100%. Repurchase agreements are subject to the terms of Master Repurchase Agreements (MRAs) with approved counterparties (sellers).

The MRAs contain various provisions, including but not limited to events of default and maintenance of collateral for repurchase agreements. In the event of default by either the seller or the Fund, certain MRAs may permit the non-defaulting party to net and close-out all transactions, if any, traded under such agreements. The Fund may sell securities it holds as collateral and apply the proceeds towards the repurchase price and any other amounts owed by the seller to the Fund in the event of default by the seller. This could involve costs or delays in addition to a loss on the securities if their value falls below the repurchase price owed by the seller. The joint repurchase agreement held by the Fund at year end, as indicated in the Statement of Investments, had been entered into on July 31, 2018.

c. Securities Purchased on a When-Issued or Delayed Delivery Basis

The Fund purchases securities on a when-issued or delayed delivery basis, with payment and delivery scheduled for a future date. These transactions are subject to market fluctuations and are subject to the risk that the value at delivery may be more or less than the trade date purchase price. Although the Fund will generally purchase these securities with the intention of holding the securities, it may sell the securities before the settlement date. Sufficient assets have been segregated for these securities.

d. Derivative Financial Instruments

The Fund invested in derivative financial instruments in order to manage risk or gain exposure to various other investments or markets. Derivatives are financial contracts based on an underlying or notional amount, require no initial investment or an initial net investment that is smaller than would normally be required to have a similar response to changes in market factors, and require or permit net settlement. Derivatives contain various risks including the potential inability of the counterparty to fulfill their obligations under the terms of the contract, the potential for an illiquid secondary market, and/or the potential for market movements which expose the Fund to gains or losses in excess of the amounts shown in the Statement of Assets and Liabilities. Realized gain and loss and unrealized appreciation and depreciation on these contracts for the period are included in the Statement of Operations.

Collateral requirements differ by type of derivative. Collateral or initial margin requirements are set by the broker or exchange clearing house for exchange traded and centrally cleared derivatives. Initial margin deposited is held at the exchange and can be in the form of cash and/or securities.

The Fund entered into credit default swap contracts primarily to manage and/or gain exposure to credit risk. A credit default swap is an agreement between the Fund and a counterparty whereby the buyer of the contract receives credit protection and the seller of the contract guarantees the credit worthiness of a referenced debt obligation. These agreements may be privately negotiated in the over-the-counter market (OTC credit default swaps) or may be executed in a multilateral trade facility platform, such as a registered exchange (centrally cleared credit default swaps). The underlying referenced debt obligation may be a single issuer of corporate or sovereign debt, a credit index, a basket of issuers or indices, or a tranche of a credit index or basket of issuers or indices. In the event of a default of the underlying referenced debt obligation, the buyer is entitled to receive the notional amount of the credit default swap contract from the seller in exchange for the referenced debt obligation, a net settlement amount equal to the notional amount of the credit default swap less the recovery value of the referenced debt obligation, or other agreed upon amount. For centrally cleared credit default swaps, required initial margins are pledged by the Fund, and the daily change in fair value is accounted for as a variation margin payable or receivable in the Statement of Assets and Liabilities. Over the term of the contract, the buyer pays the seller a periodic stream of payments, provided that no event of default has occurred. Such periodic payments are accrued daily as an unrealized appreciation or depreciation until the payments are made, at which time they are realized. Upfront payments and receipts are reflected in the Statement of Assets and Liabilities and represent compensating factors between stated terms of the credit default swap agreement and prevailing market conditions (credit spreads and other relevant factors).

These upfront payments and receipts are amortized over the term of the contract as a realized gain or loss in the Statement of Operations.

See Note 10 regarding other derivative information.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Senior Floating Rate Interests

The Fund invests in senior secured corporate loans that pay interest at rates which are periodically reset by reference to a base lending rate plus a spread. These base lending rates are generally the prime rate offered by a designated U.S. bank or the London InterBank Offered Rate (LIBOR). Senior secured corporate loans often require prepayment of principal from excess cash flows or at the discretion of the borrower. As a result, actual maturity may be substantially less than the stated maturity. Senior secured corporate loans in which the Fund invests are generally readily marketable, but may be subject to certain restrictions on resale.

f. Income Taxes

The Fund is a disregarded entity for U.S. income tax purposes. As such, no provision has been made for income taxes because all income, expenses, gains and losses are allocated to a non-U.S. beneficial owner for inclusion in its individual income tax return, as applicable.

g. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Facility fees are recognized as income over the expected term of the loan. Dividend income and realized gain distributions are recorded on the ex-dividend date. The Fund's net investment income is allocated to the owner daily and paid monthly. Net capital gains (or losses) realized by the Fund will not be distributed.

Distributions to shareholders are recorded on the ex-dividend date. Distributable earnings are determined according to income tax regulations (tax basis) and may differ from earnings recorded in accordance with U.S. GAAP. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

Common expenses incurred by the Trust are allocated among the Funds based on the ratio of net assets of each Fund to the combined net assets of the Trust or based on the ratio of number of shareholders of each Fund to the combined number of shareholders of the Trust. Fund specific expenses are charged directly to the Fund that incurred the expense.

h. Accounting Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

i. Guarantees and Indemnifications

Under the Trust's organizational documents, its officers and trustees are indemnified by the Trust against certain liabilities arising out of the performance of their duties to the Trust. Additionally, in the normal course of business, the Trust, on behalf of the Fund, enters into contracts with service providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. Currently, the Trust expects the risk of loss to be remote.

2. SHARES OF BENEFICIAL INTEREST

At July 31, 2018, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended July 31,			
	2018		2017	
	Shares	Amount	Shares	Amount
Shares sold	31,816,088	\$ 273,788,383	96,198,198	\$ 835,951,774
Shares redeemed	(66,050,697)	(569,783,176)	(16,796,844)	(145,386,722)
Net increase (decrease)	(34,234,609)	\$(295,994,793)	79,401,354	\$ 690,565,052

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. TRANSACTIONS WITH AFFILIATES

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton Investments. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Advisers, Inc. (Advisers)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

a. Management Fees

The Fund pays an investment management fee to Advisers based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
0.530%	Up to and including \$2.5 billion
0.450%	Over \$2.5 billion, up to and including \$6.5 billion
0.430%	Over \$6.5 billion, up to and including \$11.5 billion
0.400%	Over \$11.5 billion, up to and including \$16.5 billion
0.390%	Over \$16.5 billion, up to and including \$19 billion
0.380%	Over \$19 billion, up to and including \$21.5 billion
0.370%	In excess of \$21.5 billion

For the year ended July 31, 2018, the gross effective investment management fee rate was 0.530% of the Fund's average daily net assets.

b. Administrative Fees

Under an agreement with Advisers, FT Services provides administrative services to the Fund. The fee is paid by Advisers based on the Fund's average daily net assets, and is not an additional expense of the Fund.

c. Transfer Agent Fees

Investor Services, under terms of an agreement, performs shareholder servicing for the Fund and is not paid by the Fund for the services.

d. Investments in Affiliated Management Investment Companies

The Fund invests in one or more affiliated management investment companies for purposes other than exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the year ended July 31, 2018, the Fund held investments in affiliated management investment companies as follows:

	Number of Shares Held at Beginning of Year	Gross Additions	Gross Reductions	Number of Shares Held at End of Year	Value at End of Year	Dividend Income	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)
Non-Controlled Affiliates								
Franklin Liberty Senior Loan ETF	–	248,000	–	248,000	\$ 6,238,787	\$ 23,222	\$ –	\$ (10,193)
Franklin Lower Tier Floating Rate Fund	–	3,405,364	–	3,405,364	33,304,460	2,439,253	770,878 ^a	(1,891,836)
Franklin Middle Tier Floating Rate Fund	–	3,457,562	–	3,457,562	32,673,956	1,912,904	–	(1,338,218)
Total Affiliated Securities					\$72,217,203	\$4,375,379	\$ 770,878	\$(3,240,247)

^aIncludes realized gain distributions received.

e. Waiver and Expense Reimbursements

Advisers has voluntarily agreed in advance to waive or limit its fees and to assume as its own expense certain expenses otherwise payable by the Fund so that the expenses (excluding acquired fund fees and expenses) do not exceed 0.53% based on the average net assets of the Fund (other than certain non-routine expenses or costs, including those relating to litigation, indemnification, reorganizations, and liquidations). Advisers may discontinue this waiver at any time upon notice to the Board.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. TRANSACTIONS WITH AFFILIATES (continued)

f. Other Affiliated Transactions

At July 31, 2018, Franklin Floating Rate Fund, PLC owned 100% of the Fund's outstanding shares. Investment activities of this shareholder could have a material impact on the Fund.

g. Interfund Transactions

The Fund engaged in purchases and sales of investments with funds or other accounts that have common investment managers (or affiliated investment managers), directors, trustees or officers. During the year ended July 31, 2018, these purchase and sale transactions aggregated \$2,353,900 and \$0, respectively.

4. EXPENSE OFFSET ARRANGEMENT

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended July 31, 2018, the custodian fees were reduced as noted in the Statement of Operations.

5. INCOME TAXES

At July 31, 2018, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	<u>\$1,845,250,679</u>
Unrealized appreciation	\$ 11,270,209
Unrealized depreciation	<u>(39,973,468)</u>
Net unrealized appreciation (depreciation)	<u>\$ (28,703,259)</u>

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatment of bond discounts and premiums.

6. INVESTMENT TRANSACTIONS

Purchases and sales of investments (excluding short term securities) for the year ended July 31, 2018, aggregated \$816,071,729 and \$1,100,365,707, respectively.

7. CREDIT RISK

At July 31, 2018, the Fund had 65.5% of its portfolio invested in high yield securities, senior secured floating rate notes, or other securities rated below investment grade and unrated securities, if any. These securities may be more sensitive to economic conditions causing greater price volatility and are potentially subject to a greater risk of loss due to default than higher rated securities.

8. RESTRICTED SECURITIES

The Fund invests in securities that are restricted under the Securities Act of 1933 (1933 Act) or which are subject to legal, contractual, or other agreed upon restrictions on resale. Restricted securities are often purchased in private placement transactions, and cannot be sold without prior registration unless the sale is pursuant to an exemption under the 1933 Act. Disposal of these securities may require greater effort and expense, and prompt sale at an acceptable price may be difficult. The Fund may have registration rights for restricted securities. The issuer generally incurs all registration costs.

At July 31, 2018, investments in restricted securities, excluding securities exempt from registration under the 1933 Act deemed to be liquid, were as follows:

Shares	Issuer	Acquisition Date	Cost	Value
519,107	^a Appvion Inc.	6/14/18	\$ 5,320,516	\$ 5,140,480
870,865	Remington Outdoor Co. Inc.	4/13/12 – 5/08/17	43,284,066	15,038,779
81,987	Remington Outdoor Co. Inc., Litigation Units	5/16/18	–	–
	Total Restricted Securities (Value is 1.15% of Net Assets)		<u>\$48,604,582</u>	<u>\$20,179,259</u>

^aThe Fund also invests in unrestricted securities of the issuer, valued at \$9,539,138 as of July 31, 2018.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. UNFUNDED LOAN COMMITMENTS

The Fund enters into certain credit agreements, all or a portion of which may be unfunded. The Fund is obligated to fund these loan commitments at the borrowers' discretion. Unfunded loan commitments and funded portions of credit agreements are marked to market daily and any unrealized appreciation or depreciation is included in the Statement of Assets and Liabilities and the Statement of Operations. Funded portions of credit agreements are presented in the Statement of Investments.

At July 31, 2018, unfunded commitments were as follows:

Borrower	Unfunded Commitment
Franklin Floating Rate Master Series	
BMC Software Finance Inc., Non-Extended US Revolving Commitment	\$6,435,560
FGI Operating Co. LLC (Freedom Group), DDTL Filo	272,727
	\$6,708,287

10. OTHER DERIVATIVE INFORMATION

At July 31, 2018, the Fund's investments in derivative contracts are reflected in the Statement of Assets and Liabilities as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Asset Derivatives		Liability Derivatives	
	Statement of Assets and Liabilities Location	Fair Value	Statement of Assets and Liabilities Location	Fair Value
	Variation margin on centrally cleared swap contracts	\$ -	Variation margin on centrally cleared swap contracts	\$644,607 ^a

^aThis amount reflects the cumulative appreciation (depreciation) of centrally cleared swap contracts as reported in the Statement of Investments. Only the variation margin receivable/payable at year end is separately reported within the Statement of Assets and Liabilities. Prior variation margin movements were recorded to cash upon receipt or payment.

For the year ended July 31, 2018, the effect of derivative contracts in the Fund's Statement of Operations was as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Statement of Operations Location	Net Realized Gain (Loss) for the Year	Statement of Operations Location	Net Change in Unrealized Appreciation (Depreciation) for the Year
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
Credit contracts	Swap contracts	\$(472,787)	Swap contracts	\$(251,271)

For the year ended July 31, 2018, the average month end notional amount of swap contracts represented \$26,424,077. See Note 1(d) regarding derivative financial instruments.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. SHAREHOLDER DISTRIBUTIONS

For the period ended July 31, 2018, the Fund made the following distributions:

Payment Date	Amount Per Share
8/31/2017	\$ 0.028047
9/29/2017	0.028132
10/31/2017	0.030491
11/30/2017	0.031613
12/29/2017	0.031581
1/31/2018	0.035123
2/28/2018	0.030840
3/29/2018	0.037126
4/30/2018	0.037680
5/31/2018	0.034465
6/29/2018	0.032639
7/31/2018	0.034458
Total	<u>\$0.392195</u>

12. CREDIT FACILITY

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton Investments, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2 billion (Global Credit Facility) which matures on February 8, 2019. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the year ended July 31, 2018, the Fund did not use the Global Credit Facility.

13. FAIR VALUE MEASUREMENTS

The Fund follows a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Fund's own market assumptions (unobservable inputs). These inputs are used in determining the value of the Fund's financial instruments and are summarized in the following fair value hierarchy:

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments)

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

For movements between the levels within the fair value hierarchy, the Fund has adopted a policy of recognizing the transfers as of the date of the underlying event which caused the movement.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

13. FAIR VALUE MEASUREMENTS (continued)

A summary of inputs used as of July 31, 2018, in valuing the Fund's assets and liabilities carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments in Securities: ^a				
Equity Investments: ^b				
Diversified Support Services	\$ –	\$ –	\$ 15,038,779 ^c	\$ 15,038,779
Forest Products	–	–	5,140,480	5,140,480
Oil & Gas Exploration & Production	–	3,732,024	–	3,732,024
All Other Equity Investments	72,217,203	–	–	72,217,203
Corporate Bonds	–	7,828,031	–	7,828,031
Senior Floating Rate Interests:				
Personal Products	–	–	11,181,182	11,181,182
All Other Senior Floating Rate Interests	–	1,231,782,351	–	1,231,782,351
Asset-Backed Securities	–	240,491,357	–	240,491,357
Short Term Investments	50,996,739	180,369,470	–	231,366,209
Total Investments in Securities	\$ 123,213,942	\$ 1,664,203,233	\$ 31,360,441	\$ 1,818,777,616
Other Financial Instruments:				
Unfunded Loan Commitments	\$ –	\$ 57,354	\$ –	\$ 57,354
Liabilities:				
Other Financial Instruments:				
Swap Contracts	\$ –	\$ 644,607	\$ –	\$ 644,607
Unfunded Loan Commitments	–	–	710	710
Total Other Financial Instruments	\$ –	\$ 644,607	\$ 710	\$ 645,317

^a For detailed categories, see the accompanying Statement of Investments.

^b Includes common stocks and management investment companies as well as other equity interests.

^c Includes securities determined to have no value at July 31, 2018.

A reconciliation of assets in which Level 3 inputs are used in determining fair value is presented when there are significant Level 3 financial instruments at the beginning and/or end of the year. At July 31, 2018, the reconciliation of assets, is as follows:

	Balance at Beginning of Year	Purchases (Sales)	Transfer Into Level 3 ^a	Transfer Out of Level 3 ^b	Cost Basis Adjustments	Net Realized Gain (Loss)	Net Unrealized Appreciation (Depreciation)	Balance at End of Year	Net Change in Unrealized Appreciation (Depreciation) on Assets Held at Year End
Assets:									
Investments in Securities:									
Equity Investments ^c									
Diversified Support Services	\$ –	\$ –	\$ 10,813,952	\$ –	\$ –	\$ –	\$ 4,224,827	\$ 15,038,779 ^d	\$ 4,224,827
Forest Products	–	–	5,320,516	–	–	–	(180,036)	5,140,480	(180,036)
Steel	854,640	–	–	(943,997)	–	–	89,357	–	–
Asset-Backed Securities	3,000,000	–	–	(2,999,940)	–	–	(60)	–	–
Senior Floating Rate Interests									
Personal Products	–	–	11,181,182	–	–	–	–	11,181,182	–
Total Investments in Securities	\$ 3,854,640	\$ –	\$ 27,315,650	\$ (3,943,937)	\$ –	\$ –	\$ 4,134,088	\$ 31,360,441	\$ 4,044,791
Liabilities:									
Other Financial Instruments:									
Unfunded Loan Commitments	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	(710)	(710)	(710)

^a The investments were transferred into Level 3 as a result of the unavailability of a quoted market price in an active market for identical securities and other significant observable valuation inputs. May include amounts related to a corporate action.

^b The investments were transferred out of Level 3 as a result of the availability of a quoted price in an active market for identical securities and other significant observable valuation inputs.

^c Includes common stocks as well as other equity interests.

^d Includes securities determined to have no value.

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

13. FAIR VALUE MEASUREMENTS (continued)

Significant unobservable valuation inputs for material Level 3 financial instruments and impact to fair value as a result of changes in unobservable valuation inputs as of July 31, 2018, are as follows:

Description	Fair Value at End of Year	Valuation Technique	Unobservable Input	Amount/Range	Impact to Fair Value if Input Increases ^a
Assets:					
Investments in Securities:					
Equity Investments:					
Diversified Support Services	\$ 15,038,779	Discounted cash flow	Discount for lack of marketability	20.0%	Decrease
			Long-term revenue growth rate	1.0%	Increase
			Weighted average cost of capital	12.8%	Decrease ^b
		Consensus Pricing	Offered/Bid quotes	\$10.25 – \$19.11	Increase
Forest Products	5,140,480	Market Comparables	Discount for lack of marketability	20.0%	Decrease ^c
			EV/EBITDA multiple	5.3X	Increase ^c
All other investments ^d	11,181,182 ^e				
Total	\$ 31,360,441				
Liabilities:					
Other Financial Instruments					
Unfunded Loan	\$ 710				
Commitments ^d					

^a Represents the directional change in the fair value of the Level 3 financial instruments that would result from a significant and reasonable increase in the corresponding input. A significant and reasonable decrease in the input would have the opposite effect. Significant impacts, if any, to fair value and/or net assets have been indicated.

^b Represents a significant impact to fair value and net assets.

^c Represents a significant impact to fair value but not net assets.

^d Includes financial instruments with values derived using prior transaction prices or third party pricing information without adjustment for which such inputs are unobservable. May also include fair value of immaterial financial instruments developed using various valuation techniques and unobservable inputs.

^e Includes securities determined to have no value at July 31, 2018.

Abbreviations List

EBITDA	Earnings before interest, taxes, depreciation and amortization
EV	Enterprise value

14. SUBSEQUENT EVENTS

The Fund has evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure.

ABBREVIATIONS

Currency	Selected Portfolio	Index
USD United States Dollar	CDO Collateralized Debt Obligation	CDX.NA.HY.Series number CDX North America High Yield Index
	CLO Collateralized Loan	
	FRN Floating Rate Note	
	LIBOR London InterBank Offered	
	PIK Payment-In-Kind	
	TBD To Be Determined	

APPENDIX A (CONTINUED)
 FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
 Franklin Floating Rate Master Series

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Franklin Floating Rate Master Trust and Shareholders of Franklin Floating Rate Master Series

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Franklin Floating Rate Master Series (the “Fund”) as of July 31, 2018, the related statement of operations for the year ended July 31, 2018, the statement of changes in net assets for each of the two years in the period ended July 31, 2018, including the related notes, and the financial highlights for each of the five years in the period ended July 31, 2018 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of July 31, 2018, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended July 31, 2018 and the financial highlights for each of the five years in the period ended July 31, 2018 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Fund’s management. Our responsibility is to express an opinion on the Fund’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of July 31, 2018 by correspondence with the custodian and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California

September 18, 2018

We have served as the auditor of one or more investment companies in the Franklin Templeton funds since 1948.

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