

# FRANKLIN CALIFORNIA INTERMEDIATE-TERM TAX-FREE INCOME FUND

Franklin California Tax-Free Trust  
November 1, 2017



FRANKLIN TEMPLETON  
INVESTMENTS

Class A	Class C	Class R6	Advisor Class
FKCIX	FCCIX	FCCR	FRCZX

The U.S. Securities and Exchange Commission (SEC) has not approved or disapproved these securities or passed upon the adequacy of this prospectus. Any representation to the contrary is a criminal offense.

**SUPPLEMENT DATED MARCH 15, 2018  
TO THE CURRENTLY EFFECTIVE PROSPECTUS  
OF EACH OF THE FUNDS LISTED BELOW**

**Franklin Alternative Strategies Funds**

Franklin K2 Alternative Strategies Fund  
Franklin K2 Global Macro Opportunities Fund  
Franklin K2 Long Short Credit Fund  
Franklin Pelagos Commodities Strategy Fund

**Franklin California Tax-Free Income Fund****Franklin California Tax-Free Trust**

Franklin California Intermediate-Term Tax-Free Income Fund  
Franklin California Ultra-Short Tax-Free Income Fund

**Franklin Custodian Funds**

Franklin Dynatech Fund  
Franklin Focused Growth Fund  
Franklin Growth Fund  
Franklin Income Fund  
Franklin U.S. Government Securities Fund  
Franklin Utilities Fund

**Franklin Federal Tax-Free Income Fund****Franklin Fund Allocator Series**

Franklin Corefolio Allocation Fund  
Franklin Founding Funds Allocation Fund  
Franklin LifeSmart™ Retirement Income Fund  
Franklin LifeSmart™ 2020 Retirement Target Fund  
Franklin LifeSmart™ 2025 Retirement Target Fund  
Franklin LifeSmart™ 2030 Retirement Target Fund  
Franklin LifeSmart™ 2035 Retirement Target Fund  
Franklin LifeSmart™ 2040 Retirement Target Fund  
Franklin LifeSmart™ 2045 Retirement Target Fund  
Franklin LifeSmart™ 2050 Retirement Target Fund  
Franklin LifeSmart™ 2055 Retirement Target Fund  
Franklin Conservative Allocation Fund  
Franklin Moderate Allocation Fund  
Franklin Growth Allocation Fund  
Franklin NextStep Conservative Fund  
Franklin NextStep Moderate Fund  
Franklin NextStep Growth Fund  
Franklin Payout 2018 Fund  
Franklin Payout 2019 Fund  
Franklin Payout 2020 Fund  
Franklin Payout 2021 Fund  
Franklin Payout 2022 Fund  
Franklin Payout 2023 Fund

**Franklin Global Trust**

Franklin Emerging Markets Debt Opportunities Fund  
Franklin Global Listed Infrastructure Fund  
Franklin Global Real Estate Fund  
Franklin International Growth Fund  
Franklin International Small Cap Growth Fund

**Franklin Gold and Precious Metals Fund****Franklin Investors Securities Trust**

Franklin Adjustable U.S. Government Securities Fund  
Franklin Balanced Fund  
Franklin Convertible Securities Fund  
Franklin Equity Income Fund  
Franklin Floating Rate Daily Access Fund  
Franklin Low Duration Total Return Fund  
Franklin Real Return Fund  
Franklin Total Return Fund

**Franklin Managed Trust**

Franklin Rising Dividends Fund

**Franklin Municipal Securities Trust**

Franklin California High Yield Municipal Fund  
Franklin Tennessee Municipal Bond Fund

**Franklin Mutual Series Funds**

Franklin Mutual Beacon Fund  
Franklin Mutual European Fund  
Franklin Mutual Financial Services Fund  
Franklin Mutual Global Discovery Fund  
Franklin Mutual International Fund  
Franklin Mutual Quest Fund  
Franklin Mutual Shares Fund

**Franklin New York Tax-Free Income Fund****Franklin New York Tax-Free Trust**

Franklin New York Intermediate-Term Tax-Free Income Fund

**Franklin Strategic Mortgage Portfolio****Franklin Strategic Series**

Franklin Biotechnology Discovery Fund  
Franklin Flexible Alpha Fund  
Franklin Focused Core Equity Fund  
Franklin Growth Opportunities Fund  
Franklin Natural Resources Fund  
Franklin Small Cap Growth Fund  
Franklin Small-Mid Cap Growth Fund  
Franklin Strategic Income Fund

**Franklin High Income Trust**

Franklin High Income Fund

**Franklin Real Estate Securities Trust**

Franklin Real Estate Securities Fund

**Franklin Tax-Free Trust**

Franklin Federal Intermediate-Term Tax-Free Income Fund  
Franklin Federal Limited-Term Tax-Free Income Fund  
Franklin High Yield Tax-Free Income Fund  
Franklin Massachusetts Tax-Free Income Fund  
Franklin New Jersey Tax-Free Income Fund  
Franklin Alabama Tax-Free Income Fund  
Franklin Florida Tax-Free Income Fund  
Franklin Georgia Tax-Free Income Fund  
Franklin Kentucky Tax-Free Income Fund  
Franklin Louisiana Tax-Free Income Fund  
Franklin Maryland Tax-Free Income Fund  
Franklin Missouri Tax-Free Income Fund  
Franklin North Carolina Tax-Free Income Fund  
Franklin Virginia Tax-Free Income Fund  
Franklin Arizona Tax-Free Income Fund  
Franklin Colorado Tax-Free Income Fund  
Franklin Connecticut Tax-Free Income Fund

Franklin Michigan Tax-Free Income Fund  
Franklin Minnesota Tax-Free Income Fund  
Franklin Ohio Tax-Free Income Fund  
Franklin Oregon Tax-Free Income Fund  
Franklin Pennsylvania Tax-Free Income Fund

**Franklin Templeton Global Trust**

Templeton Global Currency Fund

**Franklin Templeton International Trust**

Franklin India Growth Fund

**Franklin Templeton Money Fund Trust**

Franklin Templeton U.S. Government Money Fund

**Franklin U.S. Government Money Fund****Franklin Value Investors Trust**

Franklin Balance Sheet Investment Fund  
Franklin Microcap Value Fund  
Franklin Small Cap Value Fund

**Institutional Fiduciary Trust**

Money Market Portfolio

**Templeton China World Fund****Templeton Developing Markets Trust****Templeton Funds**

Templeton Foreign Fund  
Templeton World Fund

**Templeton Global Investment Trust**

Templeton Dynamic Equity Fund  
Templeton Emerging Markets Balanced Fund  
Templeton Emerging Markets Small Cap Fund  
Templeton Foreign Smaller Companies Fund  
Templeton Frontier Markets Fund  
Templeton Global Balanced Fund

**Templeton Global Opportunities Trust****Templeton Global Smaller Companies Fund****Templeton Growth Fund, Inc.****Templeton Income Trust**

Templeton Emerging Markets Bond Fund  
Templeton Global Bond Fund  
Templeton Global Total Return Fund  
Templeton International Bond Fund

**Templeton Institutional Funds**

Emerging Markets Series  
Foreign Smaller Companies Series  
Global Equity Series  
International Equity Series

I. For the Franklin K2 Global Macro Opportunities Fund, the following is added to the “Fund Details – Principal Investment Policies and Practices” section:

The Sub-Advisors may from time to time also invest in credit-linked notes. The use of such instruments may allow the Fund to obtain exposure to selected countries, regions or credit risks. The Sub-Advisors consider various factors, such as availability and cost, in deciding whether, when and to what extent to enter into derivative transactions.

A typical credit-linked note is set-up as a “pass-through” note structure created by a broker or bank as an alternative investment for the Fund or other purchaser to buying directly a bond or group of bonds. Credit-linked notes are typically issued at par, with a one to one relationship with the notional value to the underlying bond. The performance of the credit-linked notes, however, including maturity value, is linked to the performance of the specified underlying bond as well as that of the issuing entity. A credit-linked note is typically structured as a limited recourse, unsecured obligation of the issuer of the note so that the note will usually be the obligation solely of the issuer and will not be an obligation or responsibility of any other person, including the issuer of the underlying bond.

II. For the Franklin K2 Global Macro Opportunities Fund, the following is added to the “Fund Details – Principal Risks – Derivative Instruments section:

With respect to credit-linked notes, in addition to the risk of loss of its principal investment or failure of the issuer of the note to perform, a downgrade or impairment to the credit rating of the issuer will also likely impact negatively the price of the credit-linked note, regardless of the price of the bond(s) underlying the credit-linked note. Changes in liquidity may result in significant, rapid and unpredictable changes in the prices of credit-linked notes. In certain cases, a market price for a credit-linked note may not be available or may not be reliable, and the Fund could experience difficulty in selling such security at a price the Sub-Advisor believes is fair.

III. For the Franklin International Small Cap Growth Fund, effective April 1, 2018, the third paragraph under the heading “Franklin International Small Cap Growth Fund – Fund Details– Principal Investment Policies and Practices” section on page 30 is replaced with the following:

The Fund considers international companies to be those organized under the laws of a country outside of the United States or having a principal office in a country outside of the United States, or whose securities are listed or traded principally on a recognized stock exchange or over-the-counter market outside of the United States. The Fund may invest up to 15% of its net assets in developing or emerging market countries.

IV. The following is added as the last section under the “Fund Details – Management” section for each of the following Funds: Franklin California Tax-Free Income Fund, Franklin California Ultra-Short Tax-Free Income Fund, Franklin Federal Tax-Free Income Fund, Franklin Conservative Allocation Fund, Franklin LifeSmart™ 2020 Retirement Target Fund, Franklin LifeSmart™ 2025 Retirement Target Fund, Franklin LifeSmart™ 2030 Retirement Target Fund, Franklin LifeSmart™ 2035 Retirement Target Fund, Franklin LifeSmart™ 2040 Retirement Target Fund, Franklin LifeSmart™ 2050 Retirement Target Fund, Franklin LifeSmart™ 2055 Retirement Target Fund, Franklin Emerging Market Debt Opportunities Fund, Franklin Global Real Estate Fund, Franklin International Growth Fund, Franklin International Small Cap Growth Fund, Franklin High Income Fund, Franklin California High Yield Municipal Fund, Franklin Tennessee Municipal Bond Fund, Franklin Biotechnology Discovery Fund, Franklin Focused Core Equity Fund, Franklin Growth Opportunities Fund, Franklin Small-Mid Cap Growth Fund, Franklin Strategic Income Fund, Franklin Alabama Tax-Free Income Fund, Franklin Arizona Tax-Free Income Fund, Franklin Colorado Tax-Free Income Fund, Franklin Connecticut Tax-Free Income Fund, Franklin Federal Intermediate-Term Tax-Free Income Fund, Franklin Federal Limited-Term Tax-Free Income Fund, Franklin Florida Tax-Free Income Fund, Franklin Georgia Tax-Free Income Fund, Franklin High Yield Tax-Free Income Fund, Franklin Kentucky Tax-Free Income Fund, Franklin Louisiana Tax-Free Income Fund, Franklin Massachusetts Tax-Free Income Fund, Franklin Minnesota Tax-Free Income Fund, Franklin Missouri Tax-Free Income Fund, Franklin North Carolina Tax-Free Income Fund, Franklin Oregon Tax-Free Income Fund, Franklin Virginia Tax-Free Income Fund, Templeton Dynamic Equity Fund, Templeton Emerging Markets Balanced Fund, Templeton Emerging Markets Small Cap Fund, Templeton Global Balanced Fund, Templeton Emerging Markets Bond Fund, Templeton Global Bond Fund, Templeton Global Total Return Fund, Templeton International Bond Fund, Foreign Smaller Companies Series and Global Equity Series.

#### **Manager of Managers Structure**

The investment manager and the Trust have received an exemptive order from the SEC that allows the Fund to operate in a “manager of managers” structure whereby the investment manager can appoint and replace both wholly-owned and unaffiliated sub-advisors, and enter into, amend and terminate sub-advisory agreements with such sub-advisors, each subject to board approval but without obtaining prior shareholder approval (Manager of Managers Structure). The Fund

will, however, inform shareholders of the hiring of any new sub-advisor within 90 days after the hiring. The SEC exemptive order provides the Fund with greater flexibility and efficiency by preventing the Fund from incurring the expense and delays associated with obtaining shareholder approval of such sub-advisory agreements.

The use of the Manager of Managers Structure with respect to the Fund is subject to certain conditions that are set forth in the SEC exemptive order. Under the Manager of Managers Structure, the investment manager has the ultimate responsibility, subject to oversight by the Fund's board of trustees, to oversee sub-advisors and recommend their hiring, termination and replacement. The investment manager will also, subject to the review and approval of the Fund's board of trustees: set the Fund's overall investment strategy; evaluate, select and recommend sub-advisors to manage all or a portion of the Fund's assets; and implement procedures reasonably designed to ensure that each sub-advisor complies with the Fund's investment goal, policies and restrictions. Subject to review by the Fund's board of trustees, the investment manager will allocate and, when appropriate, reallocate the Fund's assets among sub-advisors and monitor and evaluate the sub-advisors' performance.

- V. The following replaces the "Your Account – Choosing a Share Class – Financial Intermediary Exchanges from Class C Shares to Class A Shares" section of the prospectus:

**Financial Intermediary Exchanges from Class C Shares to Class A Shares.**

Class C shares purchased through financial intermediaries may be exchanged by the financial intermediary on behalf of the shareholder for Class A shares of the same Fund under certain circumstances. Such exchange will be on the basis of each Class' NAV per share, without the imposition of any sales charge, fee or other charge.

- VI. The following replaces the "Fund Details – Distributions and Taxes – Capital gains" section for each Fund, as applicable:

**Capital gains.** Fund distributions of short-term capital gains are also subject to tax at ordinary rates. Fund distributions of long-term capital gains are taxable at the reduced long-term capital gains rates no matter how long you have owned your Fund shares. For single individuals with taxable income not in excess of \$38,600 in 2018 (\$77,200 for married individuals filing jointly), the long-term capital gains tax rate is 0%. For single individuals and joint filers with taxable income in excess of these amounts but not more than \$425,800 or \$479,000, respectively, the long-term capital gains tax rate is 15%. The rate is 20% for single individuals with taxable income in excess of \$425,800 and married individuals filing jointly with taxable income in excess of \$479,000. An additional 3.8% Medicare tax may also be imposed as discussed below.

- VII. The following is added to "Appendix A – Intermediary Sales Charge Discounts and Waivers:"

**CLASS A PURCHASES THROUGH MORGAN STANLEY**

Morgan Stanley Wealth Management clients purchasing Class A shares are entitled to a waiver of the front-end load in the following additional circumstances:

1. Employer-sponsored retirement plans (e.g., 401(k) plans, 457 plans, employer-sponsored 403(b) plans, profit sharing and money purchase pension plans and defined benefit plans). For purposes of this provision, employer-sponsored retirement plans does not include SEP IRAs, Simple IRAs, SAR-SEPs or Keogh plans.
2. Morgan Stanley employee and employee-related accounts according to Morgan Stanley's account linking rules.
3. Shares purchased through reinvestment of dividends and capital gains distributions when purchasing shares of the same fund.
4. Shares purchased through a Morgan Stanley self-directed brokerage account
5. Class C (level load) share positions that are converted to a Class A share in the same fund pursuant to Morgan Stanley Wealth Management's share class conversion program.
6. Shares purchased from the proceeds of redemptions within the same fund family under a Rights of Reinstatement provision, provided the repurchase occurs within 90 days following the redemption, the redemption and purchase occur in the same account, and redeemed shares were subject to a front-end or deferred sales load.

**CLASS A AND CLASS C PURCHASES THROUGH AMERIPRISE FINANCIAL**

*Automatic exchange of Class C shares.* Class C shares will automatically exchange to Class A shares in the month of the 10-year anniversary of the purchase date.

*Class A Shares Front-End Sales Charge Waivers Available at Ameriprise Financial:*

The following information applies to Class A shares purchases if you have an account with or otherwise purchase Fund shares through Ameriprise Financial:

Effective June 1, 2018, shareholders purchasing Fund shares through an Ameriprise Financial platform or account will be eligible for the following front-end sales charge waivers and discounts, which may differ from those disclosed elsewhere in this Fund's prospectus or SAI:

- Employer-sponsored retirement plans (e.g., 401(k) plans, 457 plans, employer-sponsored 403(b) plans, profit sharing and money purchase pension plans and defined benefit plans). For purposes of this provision, employer-sponsored retirement plans do not include SEP IRAs, Simple IRAs or SAR-SEPs.
- Shares purchased through an Ameriprise Financial investment advisory program (if an Advisory or similar share class for such investment advisory program is not available).
- Shares purchased by third party investment advisors on behalf of their advisory clients through Ameriprise Financial's platform (if an Advisory or similar share class for such investment advisory program is not available).
- Shares purchased through reinvestment of capital gains distributions and dividend reinvestment when purchasing shares of the same Fund (but not any other fund within the same fund family).
- Shares exchanged from Class C shares of the same fund in the month of or following the 10-year anniversary of the purchase date. To the extent that this prospectus elsewhere provides for a waiver with respect to such shares following a shorter holding period, that waiver will apply to exchanges following such shorter period. To the extent that this prospectus elsewhere provides for a waiver with respect to exchanges of Class C shares for load waived shares, that waiver will also apply to such exchanges.
- Employees and registered representatives of Ameriprise Financial or its affiliates and their immediate family members.
- Shares purchased by or through qualified accounts (including IRAs, Coverdell Education Savings Accounts, 401(k)s, 403(b) TSCAs subject to ERISA and defined benefit plans) that are held by a covered family member, defined as an Ameriprise financial advisor and/or the advisor's spouse, advisor's lineal ascendant (mother, father, grandmother, grandfather, great grandmother, great grandfather), advisor's lineal descendant (son, daughter, grandson, granddaughter, great grandson, great granddaughter) or any spouse of a covered family member who is a lineal descendant.
- Shares purchased from the proceeds of redemptions within the same fund family, provided (1) the repurchase occurs within 90 days following the redemption, (2) the redemption and purchase occur in the same account, and (3) redeemed shares were subject to a front-end or deferred sales load (i.e. Rights of Reinstatement).

*Please keep this supplement with your prospectus for future reference.*

**SUPPLEMENT DATED FEBRUARY 9, 2018  
TO THE CURRENTLY EFFECTIVE PROSPECTUS  
OF EACH OF THE FUNDS LISTED BELOW**

**FRANKLIN CALIFORNIA TAX-FREE TRUST**  
Franklin California Intermediate-Term Tax-Free Income Fund

**FRANKLIN GLOBAL TRUST**  
Franklin Global Listed Infrastructure Fund  
Franklin International Growth Fund

**FRANKLIN INVESTORS SECURITIES TRUST**  
Franklin Low Duration Total Return Fund

**FRANKLIN MUTUAL SERIES FUNDS**  
Franklin Mutual International Fund

**FRANKLIN TAX-FREE TRUST**  
Franklin Federal Intermediate-Term Tax-Free Income Fund  
Franklin Federal Limited-Term Tax-Free Income Fund

**TEMPLETON DEVELOPING MARKETS TRUST**

**TEMPLETON FUNDS**  
Templeton Foreign Fund

**TEMPLETON INCOME TRUST**  
Templeton Emerging Markets Bond Fund

The prospectus is amended as follows:

I. The following replaces the “Annual Fund Operating Expenses” table and “Example” table in the “Fund Summary – Fees and Expenses of the Fund” section of the Franklin California Intermediate-Term Tax-Free Income Fund prospectus on page 3:

**Annual Fund Operating Expenses**

(expenses that you pay each year as a percentage of the value of your investment)

	<b>Class A</b>	<b>Class C</b>	<b>Class R6</b>	<b>Advisor Class</b>
Management fees	0.46%	0.46%	0.46%	0.46%
Distribution and service (12b-1) fees	0.10%	0.65%	None	None
Other expenses <sup>1</sup>	0.07%	0.07%	0.04%	0.07%
<b>Total annual Fund operating expenses</b>	<b>0.63%</b>	<b>1.18%</b>	<b>0.50%</b>	<b>0.53%</b>
Fee waiver and/or expense reimbursement <sup>2</sup>	-0.04%	-0.04%	-0.04%	-0.04%
<b>Total annual Fund operating expenses after fee waiver and/or expense reimbursement<sup>2</sup></b>	<b>0.59%</b>	<b>1.14%</b>	<b>0.46%</b>	<b>0.49%</b>

1. The Fund began offering Class R6 shares on August 1, 2017. Other expenses for Class R6 are based on estimated amounts for the current fiscal year.

2. The fee waiver and/or expense reimbursement above has been updated to reflect that the investment manager has contractually agreed to waive or assume certain expenses so that common expenses (excluding Rule 12b-1 fees and acquired fund fees and expenses and certain non-routine expenses) for each class of the Fund do not exceed 0.49% through October 31, 2019. Contractual fee waiver and/or expense reimbursement agreements may not be changed or terminated during the time period set forth above.

II. The following replaces the “Example” table in the “Fund Summary – Fees and Expenses of the Fund” section of the Franklin California Intermediate-Term Tax-Free Income Fund prospectus on page 3:

**Example**

	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>
<b>Class A</b>	\$284	\$418	\$564	\$990
<b>Class C</b>	\$216	\$371	\$645	\$1,428
<b>Class R6</b>	\$47	\$156	\$276	\$624
<b>Advisor Class</b>	\$50	\$166	\$292	\$661
<b>If you do not sell your shares:</b>				
<b>Class C</b>	\$116	\$371	\$645	\$1,428

III. The following replaces the “Annual Fund Operating Expenses” table and “Example” table in the “Fund Summary – Fees and Expenses of the Fund” section of the Franklin Global Listed Infrastructure Fund prospectus on page 3:

**Annual Fund Operating Expenses**

(expenses that you pay each year as a percentage of the value of your investment)

	Class A	Class C	Class R	Class R6	Advisor Class
Management fees	1.00%	1.00%	1.00%	1.00%	1.00%
Distribution and service (12b-1) fees	0.25%	1.00%	0.50% <sup>1</sup>	None	None
Other expenses <sup>2</sup>	0.74%	0.74%	0.74%	1.31%	0.74%
<b>Total annual Fund operating expenses</b>	<b>1.99%</b>	<b>2.74%</b>	<b>2.24%</b>	<b>2.31%</b>	<b>1.74%</b>
Fee waiver and/or expense reimbursement <sup>2</sup>	-0.75%	-0.75%	-0.75%	-1.49%	-0.75%
<b>Total annual Fund operating expenses after fee waiver and/or expense reimbursement<sup>2</sup></b>	<b>1.24%</b>	<b>1.99%</b>	<b>1.49%</b>	<b>0.82%</b>	<b>0.99%</b>

1. Class R distribution and service (12b-1) fees have been restated to reflect the maximum annual contractual rate for the current fiscal year. Consequently, the "Total annual Fund operating expenses" and "Total annual Fund operating expenses after fee waiver and/or expense reimbursement" line items differ from the ratios of expenses to average net assets shown in the Financial Highlights.

2. The fee waiver and/or expense reimbursement above has been updated to reflect that the investment manager has contractually agreed to waive or assume certain expenses so that total annual Fund operating expenses (excluding Rule 12b-1 fees, acquired fund fees and expenses and certain non-routine expenses) for each class of the Fund do not exceed 0.99% through November 30, 2019. In addition, the transfer agent also has contractually agreed to cap transfer agency fees for Class R6 shares of the Fund so that transfer agency fees for that class do not exceed 0.03% until November 30, 2019. Contractual fee waiver and/or expense reimbursement agreements may not be changed or terminated during the time period set forth above.

IV. The following replaces the "Example" table in the "Fund Summary – Fees and Expenses of the Fund" section of the Franklin Global Listed Infrastructure Fund prospectus on page 4:

**Example**

	1 Year	3 Years	5 Years	10 Years
<b>Class A</b>	\$694	\$1,095	\$1,521	\$2,702
<b>Class C</b>	\$302	\$779	\$1,383	\$3,016
<b>Class R</b>	\$152	\$628	\$1,132	\$2,516
<b>Class R6</b>	\$84	\$578	\$1,099	\$2,530
<b>Advisor Class</b>	\$101	\$475	\$873	\$1,989
<b>If you do not sell your shares:</b>				
<b>Class C</b>	\$202	\$779	\$1,383	\$3,016

V. The following replaces the "Annual Fund Operating Expenses" table and "Example" table in the "Fund Summary – Fees and Expenses of the Fund" section of the Franklin International Growth Fund prospectus on page 3:

**Annual Fund Operating Expenses**

(expenses that you pay each year as a percentage of the value of your investment)

	Class A	Class C	Class R	Class R6	Advisor Class
Management fees <sup>1</sup>	0.76%	0.76%	0.76%	0.76%	0.76%
Distribution and service (12b-1) fees	0.25%	1.00%	0.50% <sup>2</sup>	None	None
Other expenses	0.46%	0.46%	0.46%	0.07%	0.46%
Acquired fund fees and expenses	0.01%	0.01%	0.01%	0.01%	0.01%
<b>Total annual Fund operating expenses<sup>1</sup></b>	<b>1.48%</b>	<b>2.23%</b>	<b>1.73%</b>	<b>0.84%</b>	<b>1.23%</b>
Fee waiver and/or expense reimbursement <sup>3</sup>	-0.36%	-0.36%	-0.36%	-0.20%	-0.36%
<b>Total annual Fund operating expenses after fee waiver and/or expense reimbursement<sup>3</sup></b>	<b>1.12%</b>	<b>1.87%</b>	<b>1.37%</b>	<b>0.64%</b>	<b>0.87%</b>

1. Management fees in the table above have been restated to reflect a reduction in the management fee of the Fund effective on December 1, 2016. If the management fees had not been restated, management fees would have been 0.83% for each class of shares of the Fund and the Total annual Fund operating expenses for Class A, Class C, Class R, Class R6 and Advisor Class shares in the table above would have been 1.55%, 2.30%, 1.80%, 0.91% and 1.30%, respectively.

2. Class R distribution and service (12b-1) fees have been restated to reflect the current fiscal year distribution and service (12b-1) fees.

3. The fee waiver and/or expense reimbursement above has been updated to reflect that the investment manager has contractually agreed to waive or assume certain expenses so that total annual Fund operating expenses (excluding Rule 12b-1 fees, acquired fund fees and expenses and certain non-routine expenses) for each class of the Fund do not exceed 0.86% through November 30, 2019. The investment manager also has contractually agreed in advance to reduce its fees as a result of the Fund's investment in a Franklin Templeton money fund (acquired fund) for the next 12 month period. Contractual fee waiver and/or expense reimbursement agreements may not be changed or terminated during the time period set forth above.

VI. The following replaces the "Example" table in the "Fund Summary – Fees and Expenses of the Fund" section of the Franklin International Growth Fund prospectus on page 4:

**Example**

	1 Year	3 Years	5 Years	10 Years
<b>Class A</b>	\$683	\$983	\$1,304	\$2,213
<b>Class C</b>	\$290	\$663	\$1,162	\$2,538



<b>Class R</b>	\$139	\$510	\$905	\$2,012
<b>Class R6</b>	\$65	\$248	\$446	\$1,019
<b>Advisor Class</b>	\$89	\$355	\$641	\$1,457
<b>If you do not sell your shares:</b>				
<b>Class C</b>	\$190	\$663	\$1,162	\$2,538

VII. The following replaces the “Annual Fund Operating Expenses” table and “Example” table in the “Fund Summary – Fees and Expenses of the Fund” section of the Franklin Low Duration Total Return Fund prospectus on page 22:

#### Annual Fund Operating Expenses

(expenses that you pay each year as a percentage of the value of your investment)

	<b>Class A</b>	<b>Class C</b>	<b>Class R6</b>	<b>Advisor Class</b>
Management fees	0.50%	0.50%	0.50%	0.50%
Distribution and service (12b-1) fees	0.25%	0.65%	None	None
Other expenses <sup>1</sup>	0.20%	0.20%	0.05%	0.20%
Acquired fund fees and expenses	0.02%	0.02%	0.02%	0.02%
<b>Total annual Fund operating expenses<sup>1</sup></b>	<b>0.97%</b>	<b>1.37%</b>	<b>0.57%</b>	<b>0.72%</b>
Fee waiver and/or expense reimbursement <sup>2</sup>	-0.26%	-0.26%	-0.26%	-0.26%
<b>Total annual Fund operating expenses after fee waiver and/or expense reimbursement<sup>1,2</sup></b>	<b>0.71%</b>	<b>1.11%</b>	<b>0.31%</b>	<b>0.46%</b>

1. Other expenses of the Fund have been restated to exclude non-recurring prior period expenses and for Class R6 shares, to reflect current fiscal year expenses. If the non-recurring prior period expenses were included in the table above, the amounts stated would have been greater. Consequently, the total annual Fund operating expenses differ from the ratio of expenses to average net assets shown in the Financial Highlights.

2. The fee waiver and/or expense reimbursement above has been updated to reflect that the investment manager has contractually agreed to waive or assume certain expenses so that total annual Fund operating expenses (excluding Rule 12b-1 fees, acquired fund fees and expenses and certain non-routine expenses) for each class of the Fund do not exceed 0.44% through February 28, 2019. The investment manager also has contractually agreed in advance to reduce its fees as a result of the Fund's investments in Franklin Templeton affiliated funds (acquired funds) for the next 12-month period. Contractual fee waiver and/or expense reimbursement agreements may not be changed or terminated during the time period set forth above.

VIII. The following replaces the “Example” table in the “Fund Summary – Fees and Expenses of the Fund” section of the Franklin Low Duration Total Return Fund prospectus on page 22:

#### Example

	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>
<b>Class A</b>	\$296	\$502	\$725	\$1,366
<b>Class C</b>	\$213	\$408	\$725	\$1,625
<b>Class R6</b>	\$32	\$156	\$293	\$689
<b>Advisor Class</b>	\$47	\$204	\$375	\$871
<b>If you do not sell your shares:</b>				
<b>Class C</b>	\$113	\$408	\$725	\$1,625

IX. The following replaces the “Annual Fund Operating Expenses” table and “Example” table in the “Fund Summary – Fees and Expenses of the Fund” section of the Franklin Mutual International Fund prospectus on page 55:

#### Annual Fund Operating Expenses

(expenses that you pay each year as a percentage of the value of your investment)

	<b>Class A</b>	<b>Class C</b>	<b>Class R</b>	<b>Class R6</b>	<b>Class Z</b>
Management fees	0.88%	0.88%	0.88%	0.88%	0.88%
Distribution and service (12b-1) fees	0.25%	1.00%	0.50%	None	None
Other expenses	0.34%	0.34%	0.34%	0.18%	0.34%
<b>Total annual Fund operating expenses</b>	<b>1.47%</b>	<b>2.22%</b>	<b>1.72%</b>	<b>1.06%</b>	<b>1.22%</b>
Fee waiver and/or expense reimbursement <sup>1</sup>	-0.25%	-0.25%	-0.25%	-0.25%	-0.25%
<b>Total annual Fund operating expenses after fee waiver and/or expense reimbursement<sup>1</sup></b>	<b>1.22%</b>	<b>1.97%</b>	<b>1.47%</b>	<b>0.81%</b>	<b>0.97%</b>

1. The fee waiver and/or expense reimbursement above has been updated to reflect that the investment manager has contractually agreed to waive or assume certain expenses so that total annual Fund operating expenses (excluding Rule 12b-1 fees, acquired fund fees and expenses and certain non-routine expenses) for each class of the Fund do not exceed 0.97% through April 30, 2019. Contractual fee waiver and/or expense reimbursement agreements may not be changed or terminated during the time period set forth above.

X. The following replaces the “Example” table in the “Fund Summary – Fees and Expenses of the Fund” section of the Franklin Mutual International Fund prospectus on page 55:



**Example**

	1 Year	3 Years	5 Years	10 Years
<b>Class A</b>	\$692	\$990	\$1,309	\$2,211
<b>Class C</b>	\$300	\$670	\$1,167	\$2,535
<b>Class R</b>	\$150	\$518	\$910	\$2,009
<b>Class R6</b>	\$82	\$312	\$559	\$1,269
<b>Class Z</b>	\$99	\$362	\$646	\$1,455
<b>If you do not sell your shares:</b>				
<b>Class C</b>	\$200	\$670	\$1,167	\$2,535

XI. The following replaces the “Annual Fund Operating Expenses” table and “Example” table in the “Fund Summary – Fees and Expenses of the Fund” section of the Franklin Federal Intermediate Term Tax-Free Income Fund prospectus beginning on page 11:

**Annual Fund Operating Expenses**

(expenses that you pay each year as a percentage of the value of your investment)

	Class A	Class C	Class R6	Advisor Class
Management fees	0.45%	0.45%	0.45%	0.45%
Distribution and service (12b-1) fees	0.10%	0.65%	None	None
Other expenses <sup>1</sup>	0.11%	0.11%	0.04%	0.11%
<b>Total annual Fund operating expenses</b>	<b>0.66%</b>	<b>1.21%</b>	<b>0.49%</b>	<b>0.56%</b>
Fee waiver and/or expense reimbursement <sup>2</sup>	-0.10%	-0.10%	-0.10%	-0.10%
<b>Total annual Fund operating expenses after fee waiver and/or expense reimbursement<sup>2</sup></b>	<b>0.56%</b>	<b>1.11%</b>	<b>0.39%</b>	<b>0.46%</b>

1. The Fund began offering Class R6 shares on August 1, 2017. Other expenses for Class R6 are based on estimated amounts for the current fiscal year.

2. The fee waiver and/or expense reimbursement above has been updated to reflect that the investment manager has contractually agreed to waive or assume certain expenses so that common expenses (excluding Rule 12b-1 fees and acquired fund fees and expenses and certain non-routine expenses) for each class of the Fund do not exceed 0.46% through June 30, 2019. Contractual fee waiver and/or expense reimbursement agreements may not be changed or terminated during the time period set forth above.

XII. The following replaces the “Example” table in the “Fund Summary – Fees and Expenses of the Fund” section of the Franklin Federal Intermediate Term Tax-Free Income Fund prospectus beginning on page 11:

**Example**

	1 Year	3 Years	5 Years	10 Years
<b>Class A</b>	\$281	\$422	\$575	\$1,020
<b>Class C</b>	\$213	\$374	\$655	\$1,457
<b>Class R6</b>	\$40	\$147	\$264	\$606
<b>Advisor Class</b>	\$47	\$169	\$303	\$692
<b>If you do not sell your shares:</b>				
<b>Class C</b>	\$113	\$374	\$655	\$1,457

XIII. The following replaces the “Annual Fund Operating Expenses” table and “Example” table in the “Fund Summary – Fees and Expenses of the Fund” section of the Franklin Federal Limited Term Tax-Free Income Fund prospectus beginning on page 11:

**Annual Fund Operating Expenses**

(expenses that you pay each year as a percentage of the value of your investment)

	Class A	Class R6	Advisor Class
Management fees	0.47%	0.47%	0.47%
Distribution and service (12b-1) fees	0.15%	None	None
Other expenses <sup>1</sup>	0.08%	0.04%	0.08%
<b>Total annual Fund operating expenses</b>	<b>0.70%</b>	<b>0.51%</b>	<b>0.55%</b>
Fee waiver and/or expense reimbursement <sup>2</sup>	-0.15%	-0.15%	-0.15%
<b>Total annual Fund operating expenses after fee waiver and/or expense reimbursement<sup>2</sup></b>	<b>0.55%</b>	<b>0.36%</b>	<b>0.40%</b>

1. The Fund began offering Class R6 shares on August 1, 2017. Other expenses for Class R6 are based on estimated amounts for the current fiscal year.

2. The fee waiver and/or expense reimbursement above has been updated to reflect that the investment manager has contractually agreed to waive or assume certain expenses so that common expenses (excluding Rule 12b-1 fees and acquired fund fees and expenses and certain non-routine expenses) for each class of the Fund do not exceed 0.40% through June 30, 2019. Contractual fee waiver and/or expense reimbursement agreements may not be changed or terminated during the time period set forth above.

XIV. The following replaces the “Example” table in the “Fund Summary – Fees and Expenses of the Fund” section of the Franklin Federal Limited Term Tax-Free Income Fund prospectus beginning on page 11:

**Example**

	1 Year	3 Years	5 Years	10 Years
<b>Class A</b>	\$280	\$429	\$591	\$1,062
<b>Class R6</b>	\$37	\$148	\$270	\$626
<b>Advisor Class</b>	\$41	\$161	\$292	\$675

XV. The following replaces the “Annual Fund Operating Expenses” table and “Example” table in the “Fund Summary – Fees and Expenses of the Fund” section of the Templeton Developing Markets Trust prospectus on page 3:

**Annual Fund Operating Expenses**

(expenses that you pay each year as a percentage of the value of your investment)

	Class A	Class C	Class R	Class R6	Advisor Class
Management fees	1.21%	1.21%	1.21%	1.21%	1.21%
Distribution and service (12b-1) fees	0.25%	1.00%	0.50%	None	None
Other expenses	0.33%	0.33%	0.33%	0.09%	0.33%
Acquired fund fees and expenses <sup>1</sup>	0.01%	0.01%	0.01%	0.01%	0.01%
<b>Total annual Fund operating expenses<sup>1</sup></b>	<b>1.80%</b>	<b>2.55%</b>	<b>2.05%</b>	<b>1.31%</b>	<b>1.55%</b>
Fee waiver and/or expense reimbursement <sup>2</sup>	-0.41%	-0.41%	-0.41%	-0.41%	-0.41%
<b>Total annual Fund operating expenses after fee waiver and/or expense reimbursement<sup>1,2</sup></b>	<b>1.39%</b>	<b>2.14%</b>	<b>1.64%</b>	<b>0.90%</b>	<b>1.14%</b>

1. Total annual Fund operating expenses differ from the ratio of expenses to average net assets shown in the Financial Highlights, which reflect the operating expenses of the Fund and do not include acquired fund fees and expenses.

2. The fee waiver and/or expense reimbursement above has been updated to reflect that the investment manager has contractually agreed to waive or assume certain expenses so that total annual Fund operating expenses (excluding Rule 12b-1 fees, acquired fund fees and expenses and certain non-routine expenses) for each class of the Fund do not exceed 1.13% through April 30, 2019. The investment manager also has contractually agreed in advance to reduce its fees as a result of the Fund’s investment in a Franklin Templeton money fund (acquired fund) for the next 12 month period. Contractual fee waiver and/or expense reimbursement agreements may not be changed or terminated during the time period set forth above.

XVI. The following replaces the “Example” table in the “Fund Summary – Fees and Expenses of the Fund” section of the Templeton Developing Markets Trust prospectus on page 3:

**Example**

	1 Year	3 Years	5 Years	10 Years
<b>Class A</b>	\$708	\$1,071	\$1,458	\$2,538
<b>Class C</b>	\$317	\$755	\$1,319	\$2,856
<b>Class R</b>	\$167	\$603	\$1,066	\$2,348
<b>Class R6</b>	\$92	\$375	\$679	\$1,544
<b>Advisor Class</b>	\$116	\$449	\$806	\$1,811
<b>If you do not sell your shares:</b>				
<b>Class C</b>	\$217	\$755	\$1,319	\$2,856

XVII. The following replaces the “Annual Fund Operating Expenses” table and “Example” table in the “Fund Summary – Fees and Expenses of the Fund” section of the Templeton Foreign Fund prospectus on page 3:

**Annual Fund Operating Expenses**

(expenses that you pay each year as a percentage of the value of your investment)

	Class A	Class C	Class R	Class R6	Advisor Class
Management fees	0.69%	0.69%	0.69%	0.69%	0.69%
Distribution and service (12b-1) fees	0.25%	1.00%	0.50%	None	None
Other expenses <sup>1</sup>	0.25%	0.25%	0.25%	0.05%	0.25%
<b>Total annual Fund operating expenses</b>	<b>1.19%</b>	<b>1.94%</b>	<b>1.44%</b>	<b>0.74%</b>	<b>0.94%</b>
Fee waiver and/or expense reimbursement <sup>2</sup>	-0.09%	-0.09%	-0.09%	-0.09%	-0.09%
<b>Total annual Fund operating expenses after fee waiver and/or expense reimbursement<sup>2</sup></b>	<b>1.10%</b>	<b>1.85%</b>	<b>1.35%</b>	<b>0.65%</b>	<b>0.85%</b>

1. Other expenses of the Fund have been restated to exclude non-recurring prior period expenses. If such expenses were included in the table above, the amounts stated would have been greater. Consequently, the total annual Fund operating expenses differ from the ratio of expenses to average net assets shown in the Financial Highlights.

2. The fee waiver and/or expense reimbursement above has been updated to reflect that the investment manager has contractually agreed to waive or assume certain expenses so that total annual Fund operating expenses (excluding Rule 12b-1 fees, acquired fund fees and expenses and certain non-routine expenses)

for each class of the Fund do not exceed 0.85% through December 31, 2019. Contractual fee waiver and/or expense reimbursement agreements may not be changed or terminated during the time period set forth above.

XVIII. The following replaces the “Example” table in the “Fund Summary – Fees and Expenses of the Fund” section of the Templeton Foreign Fund prospectus on page 3:

**Example**

	1 Year	3 Years	5 Years	10 Years
<b>Class A</b>	\$681	\$923	\$1,184	\$1,928
<b>Class C</b>	\$288	\$600	\$1,039	\$2,257
<b>Class R</b>	\$137	\$447	\$778	\$1,716
<b>Class R6</b>	\$66	\$228	\$403	\$910
<b>Advisor Class</b>	\$87	\$291	\$511	\$1,146
<b>If you do not sell your shares:</b>				
<b>Class C</b>	\$188	\$600	\$1,039	\$2,257

XIX. The following replaces the “Annual Fund Operating Expenses” table and “Example” table in the “Fund Summary – Fees and Expenses of the Fund” section of the Templeton Emerging Markets Bond Fund prospectus on page 3:

**Annual Fund Operating Expenses**

(expenses that you pay each year as a percentage of the value of your investment)

	Class A	Class C	Class R	Class R6	Advisor Class
Management fees	1.05%	1.05%	1.05%	1.05%	1.05%
Distribution and service (12b-1) fees <sup>1</sup>	0.16%	0.65%	0.32%	None	None
Other expenses	2.04%	2.04%	2.04%	4.54%	2.04%
Acquired fund fees and expenses <sup>2</sup>	0.03%	0.03%	0.03%	0.03%	0.03%
<b>Total annual Fund operating expenses<sup>1</sup></b>	<b>3.28%</b>	<b>3.77%</b>	<b>3.44%</b>	<b>5.62%</b>	<b>3.12%</b>
Fee waiver and/or expense reimbursement <sup>3</sup>	-2.23%	-2.23%	-2.23%	-4.80%	-2.23%
<b>Total annual Fund operating expenses after fee waiver and/or expense reimbursement<sup>2,3</sup></b>	<b>1.05%</b>	<b>1.54%</b>	<b>1.21%</b>	<b>0.82%</b>	<b>0.89%</b>

1. Class A and Class R distribution and service (12b-1) fees have been restated to reflect the amounts expected to be incurred for the current fiscal year. Distribution and service (12b-1) fees for Class A shares and Class R shares are monitored for compliance over an annual period that differs from the Fund’s fiscal year and therefore may differ from the amount for the fiscal year as a result of accrual adjustments and timing differences.

2. Total annual Fund operating expenses differ from the ratio of expenses to average net assets shown in the Financial Highlights, which reflect the operating expenses of the Fund and do not include acquired fund fees and expenses.

3. The fee waiver and/or expense reimbursement above has been updated to reflect that the investment manager has contractually agreed to waive or assume certain expenses so that total annual Fund operating expenses (excluding Rule 12b-1 fees, acquired fund fees and expenses and certain non-routine expenses) for each class of the Fund do not exceed 0.86% through April 30, 2019. In addition, the transfer agent has contractually agreed to cap transfer agency fees for Class R6 shares of the Fund so that transfer agency fees for that class do not exceed 0.01% through April 30, 2019. The investment manager also has agreed in advance to reduce its fees as a result of the Fund’s investment in Franklin Templeton affiliated funds (acquired funds), including a Franklin Templeton money fund, for the next 12-month period. The fee waiver and/or expense reimbursement numbers above reflect the amount to be waived for the current fiscal year. Contractual fee waiver and/or expense reimbursement agreements may not be changed or terminated during the time period set forth above.

XX. The following replaces the “Example” table in the “Fund Summary – Fees and Expenses of the Fund” section of the Templeton Emerging Markets Bond Fund prospectus on page 4:

**Example**

	1 Year	3 Years	5 Years	10 Years
<b>Class A</b>	\$528	\$1,192	\$1,879	\$3,703
<b>Class C</b>	\$257	\$946	\$1,756	\$3,868
<b>Class R</b>	\$123	\$849	\$1,597	\$3,571
<b>Class R6</b>	\$84	\$1,248	\$2,398	\$5,210
<b>Advisor Class</b>	\$91	\$753	\$1,440	\$3,274
<b>If you do not sell your shares:</b>				
<b>Class C</b>	\$157	\$946	\$1,756	\$3,868

*Please keep this supplement with your prospectus for future reference.*

**SUPPLEMENT DATED NOVEMBER 20, 2017  
TO THE CURRENTLY EFFECTIVE PROSPECTUS  
OF EACH OF THE FUNDS LISTED BELOW**

**Franklin Alternative Strategies Funds**

Franklin K2 Alternative Strategies Fund  
Franklin K2 Global Macro Opportunities Fund  
Franklin K2 Long Short Credit Fund  
Franklin Pelagos Commodities Strategy Fund

**Franklin California Tax-Free Income Fund****Franklin California Tax-Free Trust**

Franklin California Intermediate-Term Tax-Free Income Fund  
Franklin California Ultra-Short Tax-Free Income Fund

**Franklin Custodian Funds**

Franklin Dynatech Fund  
Franklin Focused Growth Fund  
Franklin Growth Fund  
Franklin Income Fund  
Franklin U.S. Government Securities Fund  
Franklin Utilities Fund

**Franklin Federal Tax-Free Income Fund****Franklin Fund Allocator Series**

Franklin Corefolio Allocation Fund  
Franklin Founding Funds Allocation Fund  
Franklin LifeSmart™ Retirement Income Fund  
Franklin LifeSmart™ 2020 Retirement Target Fund  
Franklin LifeSmart™ 2025 Retirement Target Fund  
Franklin LifeSmart™ 2030 Retirement Target Fund  
Franklin LifeSmart™ 2035 Retirement Target Fund  
Franklin LifeSmart™ 2040 Retirement Target Fund  
Franklin LifeSmart™ 2045 Retirement Target Fund  
Franklin LifeSmart™ 2050 Retirement Target Fund  
Franklin LifeSmart™ 2055 Retirement Target Fund

Franklin Conservative Allocation Fund  
Franklin Moderate Allocation Fund  
Franklin Growth Allocation Fund  
Franklin NextStep Conservative Fund  
Franklin NextStep Growth Fund  
Franklin NextStep Moderate Fund  
Franklin Payout 2017 Fund  
Franklin Payout 2018 Fund  
Franklin Payout 2019 Fund  
Franklin Payout 2020 Fund  
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Franklin Payout 2022 Fund  
Franklin Payout 2023 Fund

**Franklin Global Trust**

Franklin Emerging Markets Debt Opportunities Fund  
Franklin Global Listed Infrastructure Fund  
Franklin Global Real Estate Fund  
Franklin International Growth Fund

Franklin International Small Cap Growth Fund

**Franklin Gold and Precious Metals Fund****Franklin Investors Securities Trust**

Franklin Adjustable U.S. Government Securities Fund  
Franklin Balanced Fund  
Franklin Convertible Securities Fund  
Franklin Equity Income Fund  
Franklin Floating Rate Daily Access Fund  
Franklin Low Duration Total Return Fund  
Franklin Real Return Fund  
Franklin Total Return Fund

**Franklin Managed Trust**

Franklin Rising Dividends Fund

**Franklin Mutual Series Funds**

Franklin Mutual Beacon Fund  
Franklin Mutual European Fund  
Franklin Mutual Financial Services Fund  
Franklin Mutual Global Discovery Fund  
Franklin Mutual International Fund  
Franklin Mutual Quest Fund  
Franklin Mutual Shares Fund

**Franklin New York Tax-Free Trust**

Franklin New York Intermediate-Term Tax-Free Income Fund

**Franklin Strategic Mortgage Portfolio****Franklin Strategic Series**

Franklin Biotechnology Discovery Fund  
Franklin Flexible Alpha Fund  
Franklin Focused Core Equity Fund  
Franklin Growth Opportunities Fund  
Franklin Natural Resources Fund  
Franklin Small Cap Growth Fund  
Franklin Small-Mid Cap Growth Fund  
Franklin Strategic Income Fund

**Franklin Real Estate Securities Trust**

Franklin Real Estate Securities Fund

**Franklin High Income Trust**

Franklin High Income Fund

**Franklin New York Tax-Free Income Fund****Franklin Municipal Securities Trust**

Franklin California High Yield Municipal Fund  
Franklin Tennessee Municipal Bond Fund

**Franklin Tax-Free Trust**

Franklin Alabama Tax-Free Income Fund  
Franklin Arizona Tax-Free Income Fund  
Franklin Colorado Tax-Free Income Fund  
Franklin Connecticut Tax-Free Income Fund  
Franklin Federal Intermediate-Term Tax-Free Income Fund  
Franklin Federal Limited-Term Tax-Free Income Fund  
Franklin Florida Tax-Free Income Fund  
Franklin Georgia Tax-Free Income Fund  
Franklin High Yield Tax-Free Income Fund  
Franklin Kentucky Tax-Free Income Fund  
Franklin Louisiana Tax-Free Income Fund  
Franklin Maryland Tax-Free Income Fund

Franklin Massachusetts Tax-Free Income Fund

Franklin Michigan Tax-Free Income Fund  
Franklin Minnesota Tax-Free Income Fund  
Franklin Missouri Tax-Free Income Fund  
Franklin New Jersey Tax-Free Income Fund  
Franklin North Carolina Tax-Free Income Fund

Franklin Ohio Tax-Free Income Fund  
Franklin Oregon Tax-Free Income Fund  
Franklin Pennsylvania Tax-Free Income Fund  
Franklin Virginia Tax-Free Income Fund

**Franklin Templeton Global Trust**

Templeton Global Currency Fund

**Franklin Templeton International Trust**

Franklin India Growth Fund

**Franklin Templeton Money Fund Trust**

Franklin Templeton U.S. Government Money Fund

**Franklin U.S. Government Money Fund****Franklin Value Investors Trust**

Franklin Balance Sheet Investment Fund  
Franklin Microcap Value Fund  
Franklin Midcap Value Fund  
Franklin Small Cap Value Fund

**Institutional Fiduciary Trust**

Money Market Portfolio

**Templeton China World Fund****Templeton Developing Markets Trust****Templeton Funds**

Templeton Foreign Fund  
Templeton World Fund

**Templeton Global Investment Trust**

Templeton Dynamic Equity Fund  
Templeton Emerging Markets Balanced Fund  
Templeton Emerging Markets Small Cap Fund  
Templeton Foreign Smaller Companies Fund

Templeton Frontier Markets Fund

Templeton Global Balanced Fund

**Templeton Global Opportunities Trust****Templeton Global Smaller Companies Fund****Templeton Growth Fund, Inc.****Templeton Income Trust**

Templeton Emerging Markets Bond Fund  
Templeton Global Bond Fund  
Templeton Global Total Return Fund  
Templeton International Bond Fund

**Templeton Institutional Funds**

Emerging Markets Series  
Foreign Smaller Companies Series  
Global Equity Series  
International Equity Series

The prospectus is amended as follows:

I. For all Funds, the section “Your Account – Buying Shares – Table” is replaced with the following:

**Buying Shares**

	<b>Opening an account</b>	<b>Adding to an account</b>
<b>Through your investment representative</b>	Contact your investment representative	Contact your investment representative
<b>By Phone/Online</b> (800) 632-2301 franklintempleton.com <i>Note: certain account types are not available for online account access.</i>	If you have another Franklin Templeton fund account with your bank account information on file, you may open a new identically registered account by phone. To make a same day investment, your phone order must be received and accepted by us prior to 1 p.m. Pacific time or the close of the New York Stock Exchange, whichever is earlier. Any orders after that time will receive the next day's NAV. You may open certain new accounts online at franklintempleton.com.	Before requesting a telephone or online purchase into an existing account, please make sure we have your bank account information on file. If we do not have this information, you will need to send written instructions with your bank's name and address and a voided check or savings account deposit slip. All bank and Fund account owners must sign the request. If the bank and Fund accounts do not have at least one common owner, each individual must also have his or her signature notarized.  To make a same day investment, your phone or online order must be received and accepted by us prior to 1 p.m. Pacific time or the close of the New York Stock Exchange, whichever is earlier. Any orders after that time will receive the next day's NAV.
<b>By Mail</b>	Make your check payable to the Fund.  Mail the check and your signed application to Investor Services.	Make your check payable to the Fund. Include your account number on the check.  Fill out the deposit slip from your account statement. If you do not have a slip, include a note with your name, the Fund name, and your account number.  Mail the check and deposit slip or note to Investor Services.
<b>By Wire</b> (800) 632-2301 or (650) 312-2000 collect	Call to receive a wire control number and wire instructions.  Wire the funds and mail your signed application to Investor Services. Please include the wire control number or your new account number on the application.  To make a same day wire investment, the wired funds must be received and accepted by us prior to 1 p.m. Pacific time or the close of the New York Stock Exchange, whichever is earlier. Any orders after that time will receive the next day's NAV.	Call to receive a wire control number and wire instructions.  To make a same day wire investment, the wired funds must be received and accepted by us prior to 1 p.m. Pacific time or the close of the New York Stock Exchange, whichever is earlier. Any orders after that time will receive the next day's NAV.
<b>By Exchange</b> franklintempleton.com	Call Shareholder Services at (800) 632-2301, or send signed written instructions. You also may place an online exchange order.  (Please see “Exchanging Shares” for more information on exchanges.)	Call Shareholder Services at (800) 632-2301, or send signed written instructions. You also may place an online exchange order.  (Please see “Exchanging Shares” for more information on exchanges.)

II. For all Funds, the paragraph under “Your Account – Selling Shares” section is replaced with the following”

You can sell your shares at any time. To make a same day redemption, the redemption request must be received and accepted by us prior to 1 p.m. Pacific time or the close of the New York Stock Exchange, whichever is earlier. Any orders after that time will receive the next day's NAV. Please keep in mind that a contingent deferred sales charge (CDSC) may apply.

*Please keep this supplement with your prospectus for future reference.*

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## For More Information

Where to learn more about the Fund

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## Fund Summary

### Investment Goal

To provide investors with as high a level of income exempt from federal income taxes and California personal income taxes as is consistent with prudent investment management and the preservation of shareholders' capital.

### Fees and Expenses of the Fund

These tables describe the fees and expenses that you may pay if you buy and hold shares of the Fund. You may qualify for sales charge discounts in Class A if you and your family invest, or agree to invest in the future, at least \$100,000 in Franklin Templeton funds. More information about these and other discounts is available from your financial professional and under "Your Account" on page 27 in the Fund's Prospectus and under "Buying and Selling Shares" on page 41 of the Fund's Statement of Additional Information. In addition, more information about sales charge discounts and waivers for purchases of shares through specific financial intermediaries is set forth in Appendix A – "Intermediary Sales Charge Discounts and Waivers" to the Fund's prospectus.

Please note that the tables and examples below do not reflect any transaction fees that may be charged by financial intermediaries, or commissions that a shareholder may be required to pay directly to its financial intermediary when buying or selling Class R6 or Advisor Class shares.

#### Shareholder Fees

(fees paid directly from your investment)

	Class A	Class C	Class R6 <sup>1</sup>	Advisor Class
Maximum Sales Charge (Load) Imposed on Purchases (as percentage of offering price)	2.25%	None	None	None
Maximum Deferred Sales Charge (Load) (as percentage of the lower of original purchase price or sale proceeds)	None <sup>2</sup>	1.00%	None	None

1. The Fund began offering Class R6 shares on August 1, 2017.

2. There is a 0.75% contingent deferred sales charge that applies to investments of \$1 million or more (see "Investments of \$1 Million or More" under "Choosing a Share Class") and purchases by certain retirement plans without an initial sales charge on shares sold within 18 months of purchase.

### Annual Fund Operating Expenses

(expenses that you pay each year as a percentage of the value of your investment)

	Class A	Class C	Class R6	Advisor Class
Management fees	0.46%	0.46%	0.46%	0.46%
Distribution and service (12b-1) fees	0.10%	0.65%	None	None
Other expenses <sup>1</sup>	0.07%	0.07%	0.04%	0.07%
<b>Total annual Fund operating expenses</b>	<b>0.63%</b>	<b>1.18%</b>	<b>0.50%</b>	<b>0.53%</b>

1. The Fund began offering Class R6 shares on August 1, 2017. Other expenses for Class R6 are based on estimated amounts for the current fiscal year.

### Example

This Example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds. The Example assumes that you invest \$10,000 in the Fund for the time periods indicated and then redeem all of your shares at the end of the period. The Example also assumes that your investment has a 5% return each year and that the Fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

	1 Year	3 Years	5 Years	10 Years
<b>Class A</b>	\$288	\$422	\$568	\$994
<b>Class C</b>	\$220	\$375	\$649	\$1,432
<b>Class R6</b>	\$51	\$160	\$280	\$628
<b>Advisor Class</b>	\$54	\$170	\$296	\$665
If you do not sell your shares:				
<b>Class C</b>	\$120	\$375	\$649	\$1,432

### Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual Fund operating expenses or in the Example, affect the Fund's performance. During the most recent fiscal year, the Fund's portfolio turnover rate was 21.19% of the average value of its portfolio.

## Principal Investment Strategies

Under normal market conditions, the Fund invests at least 80% of its total assets in securities that pay interest free from federal income taxes, including the federal alternative minimum tax, and from California personal income taxes. Under normal market conditions, the Fund invests at least 65% of its total assets in California municipal securities. Although the Fund tries to invest all of its assets in tax-free securities, it is possible, although not anticipated, that up to 20% of its total assets may be in securities that pay taxable interest, including interest that may be subject to the federal alternative minimum tax. Some of the Fund's portfolio securities are supported by credit enhancements, which may be provided by either U.S. or foreign entities.

The Fund maintains a dollar-weighted average portfolio maturity of three to 10 years and only buys securities rated, at the time of purchase, in one of the top four ratings categories by one or more U.S. nationally recognized rating services or comparable unrated or short-term rated securities.

The Fund may invest in insured municipal securities, which are covered by insurance policies that guarantee the timely payment of principal and interest. The insurance premium costs, however, are typically reflected in a lower yield and/or higher price for the insured bond. It is important to note that insurance does not guarantee the market value of an insured security, or the Fund's share price or distributions, and shares of the Fund are not insured.

Although the investment manager will search for investments across a large number of municipal securities that finance different types of projects, from time to time, based on economic conditions, the Fund may have significant positions in municipal securities that finance similar types of projects.

The investment manager selects securities that it believes will provide the best balance between risk and return within the Fund's range of allowable investments and typically uses a buy and hold strategy. This means it generally holds securities in the Fund's portfolio for income purposes, rather than trading securities for capital gains, although the investment manager may sell a security at any time if it believes it could help the Fund meet its goal. The investment manager also may consider the cost of insurance when selecting securities for the Fund.

## Principal Risks

You could lose money by investing in the Fund. Mutual fund shares are not deposits or obligations of, or guaranteed or endorsed by, any bank, and are not insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other agency of the U.S. government.

**Interest Rate** When interest rates rise, debt security prices generally fall. The opposite is also generally true: debt security prices rise when interest rates fall. Interest rate changes are influenced by a number of factors, including government policy, monetary policy, inflation expectations, perceptions of risk, and supply and demand of bonds. In general, securities with longer maturities or durations are more sensitive to interest rate changes.

**California** Because the Fund invests predominantly in California municipal securities, events in California are likely to affect the Fund's investments and its performance. These events may include economic or political policy changes, tax base erosion, state constitutional limits on tax increases, budget deficits and other financial difficulties, and changes in the credit ratings assigned to municipal issuers of California.

**Focus** The Fund may invest more than 25% of its assets in municipal securities that finance similar types of projects, such as utilities, hospitals, higher education and transportation. A change that affects one project, such as proposed legislation on the financing of the project, a shortage of the materials needed for the project, or a declining need for the project, would likely affect all similar projects, thereby increasing market risk.

**Credit** An issuer of debt securities may fail to make interest payments or repay principal when due, in whole or in part. Changes in an issuer's financial strength or in a security's credit rating may affect a security's value.

A change in the credit rating of a municipal bond insurer that insures securities in the Fund's portfolio may affect the value of the securities it insures, the Fund's share price and Fund performance. The Fund might also be adversely impacted by the inability of an insurer to meet its insurance obligations.

**Tax-Exempt Securities** Failure of a municipal security issuer to comply with applicable tax requirements may make income paid thereon taxable, resulting in a decline in the security's value. In addition, there could be changes in applicable tax laws or tax treatments that reduce or eliminate the current federal income tax exemption on municipal securities or otherwise adversely affect the current federal or state tax status of municipal securities.

**Income** Because the Fund can only distribute what it earns, the Fund's distributions to shareholders may decline when prevailing interest rates fall or when the Fund experiences defaults on debt securities it holds.

**Bond Insurers** Market conditions or changes to ratings criteria could adversely impact the ratings of municipal bond insurance companies. Downgrades and withdrawal of ratings from municipal bond insurers have substantially limited the availability of insurance sought by municipal bond issuers thereby reducing the supply of insured municipal securities.

Because of the consolidation among municipal bond insurers the Fund is subject to additional risks including the risk that credit risk may be concentrated among fewer insurers and the risk that events involving one or more municipal bond insurers could have a significant adverse effect on the value of the securities insured by an insurer and on the municipal markets as a whole.

**Prepayment** Prepayment risk occurs when a debt security can be repaid in whole or in part prior to the security's maturity and the Fund must reinvest the proceeds it receives, during periods of declining interest rates, in securities that pay a lower rate of interest. Also, if a security has been purchased at a premium, the value of the premium would be lost in the event of prepayment. Prepayments generally increase when interest rates fall.

**Market** The market values of securities or other investments owned by the Fund will go up or down, sometimes rapidly or unpredictably. The market value of a security or other investment may be reduced by market activity or other results of supply and demand unrelated to the issuer. This is a basic risk associated with all investments. When there are more sellers than buyers, prices tend to fall. Likewise, when there are more buyers than sellers, prices tend to rise.

**Liquidity** From time to time, the trading market for a particular security or type of security or other investments in which the Fund invests may become less liquid or even illiquid. Reduced liquidity will have an adverse impact on the Fund's ability to sell such securities or other investments when necessary to meet the Fund's liquidity needs or in response to a specific economic event and will also generally lower the value of a security or other investments. Market prices for such securities or other investments may be volatile.

**Management** The Fund is subject to management risk because it is an actively managed investment portfolio. The Fund's investment manager applies investment techniques and risk analyses in making investment decisions for the Fund, but there can be no guarantee that these decisions will produce the desired results.

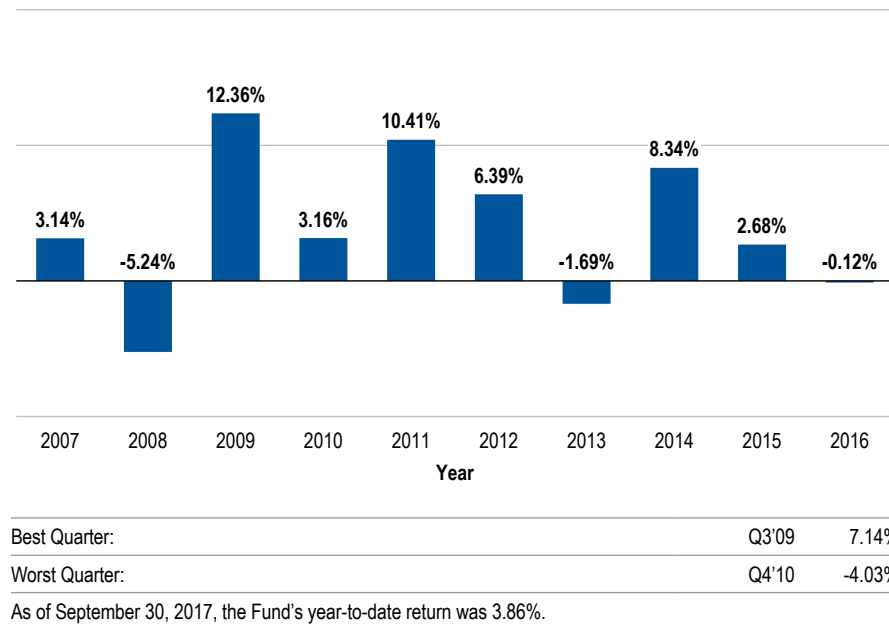
## Performance

The following bar chart and table provide some indication of the risks of investing in the Fund. The bar chart shows changes in the Fund's performance from year to year for Class A shares. The table shows how the Fund's average annual returns

for 1 year, 5 years, 10 years or since inception, as applicable, compared with those of a broad measure of market performance. The Fund's past performance (before and after taxes) is not necessarily an indication of how the Fund will perform in the future. You can obtain updated performance information at [franklintempleton.com](http://franklintempleton.com) or by calling (800) DIAL BEN/342-5236.

Sales charges are not reflected in the bar chart, and if those charges were included, returns would be less than those shown.

### Class A Annual Total Returns



### Average Annual Total Returns

(figures reflect sales charges)

For the periods ended December 31, 2016

	1 Year	5 Years	10 Years
<b>Franklin California Intermediate-Term Tax-Free Income Fund - Class A</b>			
Return Before Taxes	-2.36%	2.59%	3.57%
Return After Taxes on Distributions	-2.36%	2.59%	3.57%
Return After Taxes on Distributions and Sale of Fund Shares	-0.19%	2.70%	3.55%
<b>Franklin California Intermediate-Term Tax-Free Income Fund - Class C</b>			
	-1.64%	2.49%	3.24%
<b>Franklin California Intermediate-Term Tax-Free Income Fund - Advisor Class</b>			
	-0.02%	3.17%	3.91%
Bloomberg Barclays 10-Year Municipal Bond Index (index reflects no deduction for fees, expenses or taxes)	-0.12%	3.10%	4.70%

Performance information for Class R6 shares is not shown because this class did not have a full calendar year of operations as of the date of this prospectus.

The after-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown. After-tax returns are shown only for Class A and after-tax returns for other classes will vary.

### Investment Manager

Franklin Advisers, Inc. (Advisers)

### Portfolio Managers

#### Christopher Sperry, CFA

Vice President of Advisers and portfolio manager of the Fund since 2000.

#### John Wiley

Senior Vice President of Advisers and portfolio manager of the Fund since 1992.

### Purchase and Sale of Fund Shares

You may purchase or redeem shares of the Fund on any business day online through our website at [franklintempleton.com](http://franklintempleton.com), by mail (Franklin Templeton Investor Services, P.O. Box 997151, Sacramento, CA 95899-7151), or by telephone at (800) 632-2301. For Class A and C, the minimum initial purchase for most accounts is \$1,000 (or \$50 under an automatic investment plan). Class R6 and Advisor Class are only available to certain qualified investors and the minimum initial investment

will vary depending on the type of qualified investor, as described under "Your Account — Choosing a Share Class — Qualified Investors — Class R6" and "— Advisor Class" in the Fund's prospectus. There is no minimum investment for subsequent purchases.

### Taxes

The Fund's distributions are primarily exempt from regular federal and state income tax for individual residents of California. A portion of these distributions, however, may be subject to the federal alternative minimum tax. The Fund may also make distributions that are taxable to you as ordinary income or capital gains.

### Payments to Broker-Dealers and Other Financial Intermediaries

If you purchase shares of the Fund through a broker-dealer or other financial intermediary (such as a bank), the Fund and its related companies may pay the intermediary for the sale of Fund shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. Ask your financial advisor or visit your financial intermediary's website for more information.

## Fund Details

### Investment Goal

The Fund's investment goal is to provide investors with as high a level of income exempt from federal income taxes and California personal income taxes as is consistent with prudent investment management and the preservation of shareholders' capital.

### Principal Investment Policies and Practices

Under normal market conditions, the Fund invests at least 80% of its net assets in securities that pay interest free from federal income taxes, including the federal alternative minimum tax, and from California personal income taxes. Under normal market conditions, the Fund invests at least 65% of its total assets in California municipal securities. Although the Fund tries to invest all of its assets in tax-free securities, it is possible, although not anticipated, that up to 20% of its net assets may be in securities that pay taxable interest, including interest that may be subject to the federal alternative minimum tax. Some of the Fund's portfolio securities may be supported by credit enhancements, which may be provided by either U.S. or foreign entities.

Municipal securities are issued by state and local governments, their agencies and authorities, as well as by the District of Columbia and U.S. possessions, to borrow money for various public and private projects. Municipal securities generally pay a fixed, floating or variable rate of interest, and require that the amount borrowed (principal) be repaid at maturity.

The Fund maintains a dollar-weighted average portfolio maturity of three to 10 years and only buys securities rated, at the time of purchase, in one of the top four ratings categories by one or more U.S. nationally recognized rating services or comparable unrated or short-term rated securities.

The Fund may invest in insured municipal securities, which are covered by insurance policies that guarantee the timely payment of principal and interest. The Fund generally purchases bonds that have insurance in place so it does not pay insurance premiums directly. The premium costs, however, are reflected in a lower yield and/or higher price for the insured bond. When the Fund believes that it could be beneficial, the Fund may purchase insurance for an uninsured bond directly from a qualified municipal bond insurer, in which case the Fund pays the insurance premium directly to the insurance company. It is important to note that insurance does not guarantee the market value of an insured security, or the Fund's share price or distributions, and shares of the Fund are not insured.

Other investments in which the Fund may invest include municipal lease obligations, zero coupon securities and deferred interest securities. Municipal lease obligations generally are issued to support a government's infrastructure by financing or refinancing equipment or property acquisitions or the construction, expansion or rehabilitation of public facilities. In such transactions, equipment or property is leased to a state or local government, which, in turn, pays lease payments to the lessor consisting of interest and principal payments on the obligations.

The Fund may also invest in municipal securities that are issued on a when-issued or delayed delivery basis.

Although the investment manager will search for investments across a large number of municipal securities that finance different types of projects, from time to time, based on economic conditions, the Fund may have significant positions in municipal securities that finance similar types of projects.

The investment manager selects securities that it believes will provide the best balance between risk and return within the Fund's range of allowable investments and typically uses a buy and hold strategy. This means it generally holds securities in the Fund's portfolio for income purposes, rather than trading securities for capital gains, although the investment manager may sell a security at any time if it believes it could help the Fund meet its goal.

### Temporary Investments

When the investment manager believes market or economic conditions are unusual or unfavorable for investors, the investment manager may invest up to 100% of the Fund's assets in a temporary defensive manner by holding all or a substantial portion of its assets in cash, cash equivalents or other high quality short-term investments, such as variable rate demand notes. Temporary defensive investments generally may include securities that pay taxable interest. The investment manager may also invest in these types of securities or hold cash when securities meeting the Fund's investment criteria are unavailable or to maintain liquidity. In these circumstances, the Fund may be unable to achieve its investment goal.

## Principal Risks

### Interest Rate

Interest rate changes can be sudden and unpredictable, and are influenced by a number of factors, including government policy, monetary policy, inflation expectations, perceptions of risk, and supply and demand of bonds. Changes in government monetary policy, including changes in tax policy or changes in a central bank's implementation of specific policy goals, may have a substantial impact on interest rates. There can be no guarantee that any particular government or central



bank policy will be continued, discontinued or changed, nor that any such policy will have the desired effect on interest rates. Debt securities generally tend to lose market value when interest rates rise and increase in value when interest rates fall. A rise in interest rates also has the potential to cause investors to rapidly move out of fixed income securities. A substantial increase in interest rates may also have an adverse impact on the liquidity of a security, especially those with longer maturities or durations. Securities with longer maturities or durations or lower coupons or that make little (or no) interest payments before maturity tend to be more sensitive to interest rate changes.

### California

Investment in the Fund may involve more risk than an investment in a fund that does not focus on securities of a single state. Because the Fund invests predominantly in California municipal securities, events in California are likely to affect the Fund's investments and its performance. These events may include economic or political policy changes, man-made or natural disasters, tax base erosion, state constitutional limits on tax increases, budget deficits and other financial difficulties, and changes in the credit ratings assigned to California's municipal issuers. A negative change in any one of these or other areas could affect the ability of California municipal issuers to meet their obligations. In addition, any downgrade to the credit rating of the securities issued by the U.S. government may result in a downgrade of securities issued by California.

After years of job losses and an increasing unemployment rate beginning in 2008, the state is now showing year-over-year job gains. As of August 2017, the preliminary year-over-year increase in non-farm employment was 256,100 jobs, or 1.6%. The preliminary unemployment rate has improved to 5.1% as of August 2017 as compared to 5.4% a year earlier. Personal income taxes, the state's largest and one of its most volatile revenue sources, often improves as employment improves. The state is seeing higher collections due to job growth as well as passage of Proposition 30 in November 2012 although collections are starting to fall below expectations.

The governor revised his proposed fiscal year 2018 budget in May. The proposed general fund budget of \$124.0 billion includes revenue growth of 6.2%, expenditure growth of 1.4% and a surplus of \$2.6 billion. The governor projects the state's Rainy Day Fund could grow to \$8.5 billion by fiscal year end 2018. In conjunction with the budget release, the state is warning that revenue growth is slowing and it reduced tax revenue projections by \$3.3 billion over the past year. The budget was adopted in June 2017.

Voters approved Proposition 30 in 2012 which temporarily increased personal income and sales taxes. The taxes were set to sunset on December 31, 2016. Voters approved Proposition 55 in November 2016 which extended the personal

income tax increases through December 31, 2030. The sales tax sunset on December 31, 2016 as originally planned. Despite this tax increase, the state still faces large challenges in the future including increasing pension costs, an unemployment insurance fund debt to the Federal government, and increasing debt service. In conjunction with the fiscal year 2017 and 2018 budget proposals, the governor warned that revenue growth is slowing and it has reduced tax revenue projections down.

The discussion above does not include all relevant facts or economic or political conditions that may affect the ability of municipal issuers to meet their debt obligations, and is subject to change without notice. The information provided is based on data as of October 10, 2017, from historically reliable sources, but the investment manager has not independently verified it. This information could change quickly and without notice and is generally only updated annually.

### Focus

The Fund may invest more than 25% of its assets in municipal securities that finance similar types of projects, such as utilities, hospitals, higher education and transportation. A change that affects one project, such as proposed legislation on the financing of the project, a shortage of the materials needed for the project, or a declining need for the project, would likely affect all similar projects, thereby increasing market risk.

### Credit

The Fund could lose money on a debt security if the issuer or borrower is unable or fails to meet its obligations, including failing to make interest payments and/or to repay principal when due. Changes in an issuer's financial strength, the market's perception of the issuer's financial strength or a security's credit rating, which reflects a third party's assessment of the credit risk presented by a particular issuer, may affect debt securities' values. The Fund may incur substantial losses on debt securities that are inaccurately perceived to present a different amount of credit risk by the market, the investment manager or the rating agencies than such securities actually do.

The Fund's portfolio securities may be supported by credit enhancements provided by an insurance company, bank, or other foreign or domestic entity. For example, some municipal securities are insured by a policy that guarantees the timely payment of principal and interest. Other municipal securities may be backed by letters of credit, guarantees, or escrow or trust accounts containing high quality securities, including securities backed by the full faith and credit of the U.S. government, to secure the payment of principal and interest. Securities supported by credit enhancements have the credit risk of the entity providing the credit support. To the extent the Fund holds these securities, a change in the credit

rating of the entity providing credit support may affect the value of the securities it supports, the Fund's share price and Fund performance. The Fund might also be adversely impacted by the inability of an entity providing credit support to meet its obligations.

### **Tax-Exempt Securities**

While the Fund endeavors to purchase only bona fide tax-exempt securities (i.e., a security issued as paying tax-exempt interest income), there are risks that: (a) a tax-exempt security may be reclassified by the Internal Revenue Service, or a state tax authority, as paying taxable interest income instead and/or (b) future legislative, administrative or court actions could adversely impact the qualification of income from a tax-exempt security as tax-free. Such reclassifications or actions could cause interest from a security to become taxable, possibly retroactively, subjecting you to increased tax liability. In addition, such reclassifications or actions could cause the Fund to have to sell securities at inopportune times or prices and may cause the value of the security, and therefore the value of the Fund's shares, to decline.

### **Income**

Because the Fund can only distribute what it earns, the Fund's distributions to shareholders may decline when prevailing interest rates fall or when the Fund experiences defaults on debt securities it holds. The Fund's income generally declines during periods of falling interest rates because the Fund must reinvest the proceeds it receives from existing investments (upon their maturity, prepayment, amortization, call, or buy-back) at a lower rate of interest or return.

### **Inflation**

The market price of debt securities generally falls as inflation increases because the purchasing power of the future income and repaid principal is expected to be worth less when received by the Fund. Debt securities that pay a fixed rather than variable interest rate are especially vulnerable to inflation risk because variable-rate debt securities may be able to participate, over the long term, in rising interest rates which have historically corresponded with long-term inflationary trends.

### **Bond Insurers**

Market conditions or changes to ratings criteria could adversely impact the ratings of municipal bond insurance companies. Rating agencies have lowered their ratings and withdrawn ratings on some municipal bond insurers. In such cases the insurance may be providing little or no enhancement of credit or resale value to the municipal security and the security rating will reflect the higher of the insurer rating or the rating of the underlying security.

Additional downgrades and withdrawal of ratings of municipal bond insurers would substantially limit the availability of insurance sought by municipal bond issuers thereby reducing the supply of insured municipal securities meeting the Fund's investment guidelines.

Market conditions have weakened the municipal bond insurance industry leading state regulators from time to time to require municipal bond insurers to suspend claims payments on outstanding insurance in force. Certain municipal bond insurers have withdrawn from the market. These circumstances have led to a consolidation among municipal bond insurers which have led to a decrease in the supply of insured municipal securities and a concentration of the insurance company credit risk on the securities in the Fund's portfolio amongst fewer municipal bond insurers. Due to this consolidation, events involving one or more municipal bond insurers could have a significant adverse effect on the value of the securities insured by an insurer and on the municipal markets as a whole.

### **Prepayment**

Debt securities are subject to prepayment risk when the issuer can "call" the security, or repay principal, in whole or in part, prior to the security's maturity. When the Fund reinvests the prepayments of principal it receives, it may receive a rate of interest that is lower than the rate on the existing security, potentially lowering the Fund's income, yield and its distributions to shareholders. Securities subject to partial or complete prepayment(s) may offer less potential for gains during a declining interest rate environment and have greater price volatility. Prepayment risk is greater in periods of falling interest rates for fixed-rate assets, and for floating or variable rate securities, rising interest rates generally increase the risk of refinancings or prepayments.

### **Market**

The market values of securities or other investments owned by the Fund will go up or down, sometimes rapidly or unpredictably. Securities or other investments may decline in value due to factors affecting individual issuers, markets generally or sectors within the markets. The value of a security or other investment may go up or down due to general market conditions which are not specifically related to a particular issuer, such as real or perceived adverse economic conditions, changes in interest rates or exchange rates, or adverse investor sentiment generally. The value may also go up or down due to factors that affect an individual issuer or a particular sector. During a general downturn in the securities markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that securities or other investments held by the Fund will participate in or otherwise benefit from the advance.



### When-Issued and Delayed Delivery Transactions

Municipal securities may be issued on a when-issued or delayed delivery basis, where payment and delivery take place at a future date beyond the normal settlement date. Because the market price of the security may fluctuate during the time before payment and delivery, the Fund assumes the risk that the value of the security at delivery may be more or less than the purchase price.

### Municipal Lease Obligations

Municipal lease obligations differ from other municipal securities because the relevant legislative body must appropriate the money each year to make the lease payments. If the money is not appropriated, the lease may be cancelled without penalty and investors who own the lease obligations may not be paid.

### Unrated Debt Securities

Unrated debt securities determined by the investment manager to be of comparable quality to rated securities which the Fund may purchase may pay a higher interest rate than such rated debt securities and be subject to a greater risk of illiquidity or price changes. Less public information is typically available about unrated securities or issuers.

### Illiquid Securities

Certain securities are illiquid due to a limited trading market, financial weakness of the issuer, legal or contractual restrictions on resale or transfer, or are otherwise illiquid in the sense that they cannot be sold within seven days at approximately the price at which the Fund values them. Securities that are illiquid involve greater risk than securities with more liquid markets. Market quotations for such securities may be volatile and/or subject to large spreads between bid and ask prices. Illiquidity may have an adverse impact on market price and the Fund's ability to sell particular securities when necessary to meet the Fund's liquidity needs or in response to a specific economic event.

### Liquidity

Liquidity risk exists when the markets for particular securities or types of securities or other investments are or become relatively illiquid so that the Fund is unable, or it becomes more difficult for the Fund, to sell the security or other investment at the price at which the Fund has valued the security. Illiquidity may result from political, economic or issuer specific events; supply/demand imbalances; changes in a specific market's size or structure, including the number of participants; or overall market disruptions. Securities or other investments with reduced liquidity or that become illiquid may involve greater risk than securities with more liquid markets. Market prices or quotations for illiquid securities may be volatile, and there may be large spreads between bid and ask prices. Reduced liquidity may have an adverse impact on market price and the Fund's ability to sell particular securities when

necessary to meet the Fund's liquidity needs or in response to a specific economic event. To the extent that the Fund and its affiliates hold a significant portion of an issuer's outstanding securities, the Fund may be subject to greater liquidity risk than if the issuer's securities were more widely held.

### Management

The Fund is actively managed and could experience losses if the investment manager's judgment about markets, interest rates or the attractiveness, relative values, liquidity, or potential appreciation of particular investments made for the Fund's portfolio prove to be incorrect. There can be no guarantee that these techniques or the investment manager's investment decisions will produce the desired results. Additionally, legislative, regulatory, or tax developments may affect the investment techniques available to the investment manager in connection with managing the Fund and may also adversely affect the ability of the Fund to achieve its investment goal.

### Zero Coupon and Deferred Interest Securities

These bonds tend to react more sharply to changes in interest rates than traditional bonds. The original discount on zero coupon or delayed interest bonds approximates the total amount of interest the bonds will accumulate over the period until maturity or the first cash payment date and compounds at a rate of interest reflecting the market rate of the security at the time of issuance. The discount varies depending on the time remaining until maturity or the cash payment date, as well as prevailing interest rates, liquidity of the market for the security, and the perceived credit quality of the issuer. The discount typically increases as interest rates rise, the market becomes less liquid or the creditworthiness of the issuer deteriorates. Because investors receive no cash prior to the maturity or cash payment date, an investment in debt securities issued at a discount generally has a greater potential for complete loss of principal and/or return than an investment in debt securities that make periodic interest payments. Such investments are more vulnerable to the creditworthiness of the issuer and any other parties upon which performance relies.

### Debt Securities Ratings

The use of credit ratings in evaluating debt securities can involve certain risks, including the risk that the credit rating may not reflect the issuer's current financial condition or events since the security was last rated by a rating agency. Credit ratings may be influenced by conflicts of interest or based on historical data that no longer apply or that are no longer accurate.

More detailed information about the Fund, its policies and risks and about municipal securities held by the Fund can be found in the Fund's Statement of Additional Information (SAI).

A description of the Fund's policies and procedures regarding the release of portfolio holdings information is also available in the Fund's SAI. Portfolio holdings information can be viewed online at [franklintempleton.com](http://franklintempleton.com).

## Management

Franklin Advisers, Inc. (Advisers), One Franklin Parkway, San Mateo, CA 94403-1906, is the Fund's investment manager. Together, Advisers and its affiliates manage, as of September 30, 2017, over \$753 billion in assets, and have been in the investment management business since 1947.

The Fund is managed by a team of dedicated professionals focused on investments in California municipal securities. The portfolio managers of the team are as follows:

### **Christopher Sperry, CFA Vice President of Advisers**

Mr. Sperry has been an analyst or portfolio manager of the Fund since 2000. He joined Franklin Templeton Investments in 1996.

### **John Wiley Senior Vice President of Advisers**

Mr. Wiley has been an analyst or portfolio manager of the Fund since 1992. He joined Franklin Templeton Investments in 1989.

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The portfolio managers of the Fund are jointly and primarily responsible for the day-to-day management of the Fund's portfolio. They have equal authority over all aspects of the Fund's investment portfolio, including, but not limited to, purchases and sales of individual securities, portfolio risk assessment, and the management of daily cash balances in accordance with anticipated investment management requirements. The degree to which each portfolio manager may perform these functions, and the nature of these functions, may change from time to time.

The Fund's SAI provides additional information about portfolio manager compensation, other accounts that they manage and their ownership of Fund shares.

The Fund pays Advisers a fee for managing the Fund's assets. For the fiscal year ended June 30, 2017, the Fund paid 0.46% of its average net assets to the investment manager for its services.

A discussion regarding the basis for the board of trustees approving the investment management contract of the Fund is available in the Fund's annual report to shareholders for the fiscal year ended June 30.

## Financial Highlights

The Financial Highlights present the Fund's financial performance for the past five years or since its inception. Certain information reflects financial results for a single Fund share. The total returns represent the rate that an investor would have earned or lost on an investment in the Fund assuming reinvestment of dividends and capital gains. This information has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, whose report, along with the Fund's financial statements, are included in the annual report, which is available upon request.

**Class A**

Year Ended June 30,

	2017	2016	2015	2014	2013
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	\$12.50	\$12.01	\$12.02	\$11.73	\$12.04
Income from investment operations: <sup>a</sup>					
Net investment income <sup>b</sup>	0.32	0.34	0.35	0.39	0.38
Net realized and unrealized gains (losses)	(0.47)	0.48	(0.01)	0.28	(0.31)
Total from investment operations	(0.15)	0.82	0.34	0.67	0.07
Less distributions from net investment income	(0.32)	(0.33)	(0.35)	(0.38)	(0.38)
<b>Net asset value, end of year</b>	<b>\$12.03</b>	<b>\$12.50</b>	<b>\$12.01</b>	<b>\$12.02</b>	<b>\$11.73</b>
Total return <sup>c</sup>	(1.18)%	6.97%	2.84%	5.81%	0.55%
Ratios to average net assets					
Expenses	0.63%	0.63%	0.63%	0.63%	0.63%
Net investment income	2.68%	2.75%	2.89%	3.28%	3.14%
Supplemental data					
Net assets, end of year (000's)	\$908,564	\$1,003,322	\$888,213	\$853,496	\$785,196
Portfolio turnover rate	21.19%	3.91%	4.85%	15.62%	6.01%

a. The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations in the annual report 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. Based on average daily shares outstanding.

c. Total return does not reflect sales commissions or contingent deferred sales charges, if applicable.

**Class C**

Year Ended June 30,

	2017	2016	2015	2014	2013
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	\$12.55	\$12.06	\$12.06	\$11.77	\$12.08
Income from investment operations: <sup>a</sup>					
Net investment income <sup>b</sup>	0.26	0.27	0.29	0.32	0.32
Net realized and unrealized gains (losses)	(0.48)	0.49	(0.01)	0.28	(0.31)
Total from investment operations	(0.22)	0.76	0.28	0.60	0.01
Less distributions from net investment income	(0.25)	(0.27)	(0.28)	(0.31)	(0.32)
<b>Net asset value, end of year</b>	<b>\$12.08</b>	<b>\$12.55</b>	<b>\$12.06</b>	<b>\$12.06</b>	<b>\$11.77</b>
Total return <sup>c</sup>	(1.72)%	6.36%	2.34%	5.22%	(0.01)%
Ratios to average net assets					
Expenses	1.18%	1.18%	1.18%	1.19%	1.18%
Net investment income	2.13%	2.20%	2.34%	2.73%	2.59%
Supplemental data					
Net assets, end of year (000's)	\$252,254	\$282,917	\$243,664	\$219,197	\$197,263
Portfolio turnover rate	21.19%	3.91%	4.85%	15.62%	6.01%

a. The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations in the annual report 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. Based on average daily shares outstanding.

c. Total return does not reflect sales commissions or contingent deferred sales charges, if applicable.

## Advisor Class

Year Ended June 30,

	2017	2016	2015	2014	2013
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	\$12.53	\$12.04	\$12.04	\$11.75	\$12.07
Income from investment operations: <sup>a</sup>					
Net investment income <sup>b</sup>	0.34	0.35	0.36	0.40	0.40
Net realized and unrealized gains (losses)	(0.48)	0.49	(—) <sup>c</sup>	0.28	(0.32)
Total from investment operations	(0.14)	0.84	0.36	0.68	0.08
Less distributions from net investment income	(0.33)	(0.35)	(0.36)	(0.39)	(0.40)
<b>Net asset value, end of year</b>	<b>\$12.06</b>	<b>\$12.53</b>	<b>\$12.04</b>	<b>\$12.04</b>	<b>\$11.75</b>
Total return	(1.08)%	7.05%	3.02%	5.90%	0.56%
Ratios to average net assets					
Expenses	0.53%	0.53%	0.53%	0.54%	0.53%
Net investment income	2.78%	2.85%	2.99%	3.38%	3.24%
Supplemental data					
Net assets, end of year (000's)	\$639,716	\$583,200	\$423,951	\$252,663	\$218,524
Portfolio turnover rate	21.19%	3.91%	4.85%	15.62%	6.01%

a. The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations in the annual report 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. Based on average daily shares outstanding.

c. Amount rounds to less than \$0.01 per share.

## Distributions and Taxes

### Income and Capital Gain Distributions

As a regulated investment company, the Fund generally pays no federal income tax on the income and gains it distributes to you. The Fund intends to declare income dividends from its net investment income each day that its net asset value (NAV) is calculated and pay them monthly. Your account begins to receive dividends on the day after the Fund receives your investment and continues to receive dividends through the day it receives a request to sell your shares. Capital gains, if any, may be paid at least annually. The Fund may distribute income dividends and capital gains more frequently, if necessary, in order to reduce or eliminate federal excise or income taxes on the Fund. The amount of any distribution will vary, and there is no guarantee the Fund will pay either income dividends or capital gain distributions. Your income dividends and capital gain distributions will be automatically reinvested in additional shares at net asset value unless you elect to receive them in cash.

**Annual statements.** After the close of each calendar year, you will receive tax information from the Fund with respect to the federal income tax treatment of the Fund's distributions and any taxable sales or exchanges of Fund shares occurring during the prior calendar year. If the Fund finds it necessary to reclassify its distributions or adjust the cost basis of any covered shares sold or exchanged after you receive your tax information, the Fund will send you revised tax information. Distributions declared in December to shareholders of record in such month and paid in January are treated as if they were paid in December. Additional tax information about the Fund's distributions is available at [franklintempleton.com](http://franklintempleton.com).

**Avoid "buying a dividend."** At the time you purchase your Fund shares, the Fund's net asset value may reflect undistributed taxable income, undistributed capital gains, or net unrealized appreciation in the value of the portfolio securities held by the Fund. For taxable investors, a subsequent distribution to you of such amounts, although constituting a return of your investment, would be taxable. Buying shares in the Fund just before it declares a distribution of taxable income or capital gains is sometimes known as "buying a dividend."

### Tax Considerations

The Fund's distributions are primarily exempt from regular federal and state income tax for individual residents of California. A portion of these distributions, however, may be subject to the federal alternative minimum tax. The Fund may also make distributions that are taxable to you as ordinary income or capital gains. This is the case whether you reinvest your distributions in additional Fund shares or receive them in cash.

- **Exempt-interest dividends.** Most Fund distributions will consist of exempt-interest dividends that are exempt from regular federal and California state personal income tax. A portion of these distributions from private activity bond interest may be subject to the federal alternative minimum tax (AMT). Exempt-interest dividends are taken into account when determining the taxable portion of your social security or railroad retirement benefits. Because of these tax exemptions, a tax-free fund may not be a suitable investment for retirement plans or other tax-exempt investors.
- **Capital gains.** Fund distributions of capital gains are generally subject to federal and state income tax. Fund distributions of short-term capital gains are subject to tax at ordinary rates. For federal income tax purposes, Fund distributions of long-term capital gains are taxable at the reduced long-term capital gains rates no matter how long you have owned your Fund shares. For individuals in the 10% and 15% federal income tax brackets, the long-term capital gains tax rate is 0%. For individuals in higher tax brackets, the long-term capital gains rate is 15% (20% for certain high income taxpayers). An additional 3.8% Medicare tax may also be imposed as discussed below.
- **Taxable income dividends.** The Fund may invest a portion of its assets in securities that pay income that is not tax-exempt. Distributions derived from this income, if any, are generally subject to federal and state income tax at ordinary rates. The Fund expects that none of its distributions will be qualified dividends subject to reduced rates of tax to individuals. A return-of-capital distribution is generally not taxable but will reduce the cost basis of your shares, and will result in a higher capital gain or a lower capital loss when you later sell your shares.

**Reclassification risk.** While the Fund endeavors to purchase only bona fide tax-exempt securities there are risks that: (a) a tax-exempt security may be reclassified by the IRS, or a state tax authority, as paying taxable interest income instead and/or (b) future legislative, administrative or court actions could adversely impact the qualification of income from a tax-exempt security as tax-free. These events may create taxable income for the Fund and its shareholders. In such circumstances, the Fund may be required to send to you and file with the IRS and state tax authorities information returns for the current (or prior) calendar years classifying (or reclassifying) some of its exempt-interest dividends as taxable dividends. With respect to prior year dividends, you may need to file amended income tax returns and pay additional tax and interest to avoid additional penalties and to limit interest charges on any taxable dividends. In addition, such reclassifications or actions could cause the value of the security, and therefore the value of the Fund's shares, to decline.

**Sales of Fund shares.** When you sell your shares in the Fund, or exchange them for shares of a different Franklin Templeton fund, you will generally recognize a taxable capital gain or loss for federal and state income tax purposes. If you have owned your Fund shares for more than one year, any net long-term capital gains will qualify for the reduced rates of federal income taxation on long-term capital gains. An exchange of your shares in one class of the Fund for shares of another class of the same Fund is not taxable and no gain or loss will be reported on the transaction.

**Cost basis reporting.** If you acquire shares in the Fund on or after January 1, 2012, generally referred to as "covered shares," and sell or exchange them after that date, the Fund is generally required to report cost basis information to you and the IRS annually. The Fund will compute the cost basis of your covered shares using the average cost method, the Fund's "default method," unless you contact the Fund to select a different method, or choose to specifically identify your shares at the time of each sale or exchange. If your account is held by your financial advisor or other broker-dealer, that firm may select a different default method. In these cases, please contact the firm to obtain information with respect to the available methods and elections for your account. Shareholders should carefully review the cost basis information provided by the Fund and make any additional basis, holding period or other adjustments that are required when reporting these amounts on their federal and state income tax returns. Additional information about cost basis reporting is available at [franklintempleton.com/costbasis](http://franklintempleton.com/costbasis).

**Medicare tax.** An additional 3.8% Medicare tax is imposed on certain net investment income (including ordinary dividends and capital gain distributions received from the Fund and net gains from redemptions or other taxable dispositions of Fund shares) of U.S. individuals, estates and trusts to the extent that such person's "modified adjusted gross income" (in the case of an individual) or "adjusted gross income" (in the case of an estate or trust) exceeds a threshold amount. Net investment income does not include exempt-interest dividends. Any liability for this additional Medicare tax is reported on, and paid with, your federal income tax return.

**Backup withholding.** A shareholder may be subject to backup withholding on any distributions of income (including exempt-interest dividends), capital gains, or proceeds from the sale or exchange of Fund shares if the shareholder has provided either an incorrect tax identification number or no number at all, is subject to backup withholding by the IRS for failure to properly report payments of interest or dividends, has failed to certify that the shareholder is not subject to backup withholding, or has not certified that the shareholder is a U.S. person (including a U.S. resident alien). The backup withholding rate is currently 28%. State backup withholding may also apply.

**Non-U.S. investors.** Non-U.S. investors may be subject to U.S. withholding tax at 30% or a lower treaty rate on Fund dividends of ordinary income. Non-U.S. investors may be subject to U.S. estate tax on the value of their shares. They are subject to special U.S. tax certification requirements to avoid backup withholding, claim any exemptions from withholding and claim any treaty benefits. Exemptions from U.S. withholding tax are generally provided for capital gains realized on the sale of Fund shares, exempt-interest dividends, capital gain dividends paid by the Fund from net long-term capital gains, short-term capital gain dividends paid by the Fund from net short-term capital gains and interest-related dividends paid by the Fund from its qualified net interest income from U.S. sources. However, notwithstanding such exemptions from U.S. withholding tax at source, any such dividends and distributions of income and capital gains will be subject to backup withholding at a rate of 28% if you fail to properly certify that you are not a U.S. person.

**Other reporting and withholding requirements.** Payments to a shareholder that is either a foreign financial institution (FFI) or a non-financial foreign entity (NFFE) within the meaning of the Foreign Account Tax Compliance Act (FATCA) may be subject to a 30% withholding tax on: (a) income dividends (other than exempt-interest dividends), and (b) after December 31, 2018, certain capital gain distributions, return-of-capital distributions and the gross proceeds from the redemption or exchange of Fund shares paid by the Fund. FATCA withholding tax generally can be avoided by an FFI, subject to any applicable intergovernmental agreement or other exemption, if it enters into a valid agreement with the IRS to, among other requirements, report required information about certain direct and indirect ownership of foreign financial accounts held by U.S. persons with the FFI, and by an NFFE, if it certifies that it has no substantial U.S. persons as owners or if it does have such owners, reports information relating to them to the withholding agent, which will, in turn, report that information to the IRS. The Fund may be required to report the information that it receives from its shareholders to the IRS, non-U.S. taxing authorities or other parties as necessary to comply with FATCA. Withholding also may be required if a foreign entity that is a shareholder of the Fund fails to provide the Fund with appropriate certifications or other documentation concerning its status under FATCA.

**Other tax information.** This discussion of “Distributions and Taxes” is for general information only and is not tax advice. You should consult your own tax advisor regarding your particular circumstances, and about any federal, state, local and foreign tax consequences before making an investment in the Fund. Additional information about the tax consequences of investing in the Fund may be found in the SAI.

## Your Account

### Choosing a Share Class

Each class has its own sales charge and expense structure, allowing you to choose the class that best meets your situation. Your investment representative can help you decide. Investors may purchase Class C shares only for Fund accounts on which they have appointed an investment representative (financial advisor) of record. Investors who have not appointed an investment representative (financial advisor) to existing Class C share Fund accounts, may not make additional purchases to those accounts but may exchange their shares for shares of a Franklin Templeton fund that offers Class C shares. Dividend and capital gain distributions may continue to be reinvested in existing Class C share Fund accounts.

Class A	Class C	Class R6	Advisor Class
Initial sales charge of 2.25% or less	No initial sales charge	See “Qualified Investors - Class R6” below	See “Qualified Investors - Advisor Class” below
Deferred sales charge of 0.75% on purchases of \$1 million or more sold within 18 months	Deferred sales charge of 1% on shares you sell within 12 months		
Lower annual expenses than Class C due to lower distribution fees	Higher annual expenses than Class A due to higher distribution fees		

The Fund began offering Class R6 shares on August 1, 2017.

### Class A & C

**The availability of certain sales charge waivers and discounts may depend on whether you purchase your shares directly from the Fund or through a financial intermediary. Different intermediaries may impose different sales charges (including potential reductions in or waivers of sales charges) other than those listed below. Such intermediary-specific sales charge variations are described in Appendix A to this prospectus, entitled “Intermediary Sales Charge Discounts and Waivers.” Appendix A is incorporated herein by reference (is legally a part of this prospectus).**

**In all instances, it is the purchaser’s responsibility to notify the Fund or the purchaser’s financial intermediary at the time of purchase of any relationship or other facts qualifying the purchaser for sales charge waivers or discounts. For waivers and discounts not available through a particular intermediary, shareholders will have to purchase Fund shares directly from the Fund or through another intermediary to receive these waivers or discounts.**



### Sales Charges - Class A

when you invest this amount	the sales charge makes up this % of the offering price <sup>1</sup>	which equals this % of your net investment <sup>1</sup>
Under \$100,000	2.25	2.30
\$100,000 but under \$250,000	1.75	1.78
\$250,000 but under \$500,000	1.25	1.27
\$500,000 but under \$1 million	1.00	1.01

1. The dollar amount of the sales charge is the difference between the offering price of the shares purchased (which factors in the applicable sales charge in this table) and the net asset value of those shares. Since the offering price is calculated to two decimal places using standard rounding criteria, the number of shares purchased and the dollar amount of the sales charge as a percentage of the offering price and of your net investment may be higher or lower depending on whether there was a downward or upward rounding.

### Sales Charge Reductions

**Quantity discounts.** We offer two ways for you to combine your current purchase of Class A Fund shares with other existing Franklin Templeton fund share holdings that might enable you to qualify for a lower sales charge with your current purchase. You can qualify for a lower sales charge when you reach certain “sales charge breakpoints.” This quantity discount information is also available free of charge at [franklintempleton.com/quantity-discounts](http://franklintempleton.com/quantity-discounts). This web page can also be reached at [franklintempleton.com](http://franklintempleton.com) by clicking the “Products & Planning” tab and then choosing “Quantity Discounts for Class A Shares” under “Fund Resources.”

**1. Cumulative quantity discount** - lets you combine certain existing holdings of Franklin Templeton fund shares - referred to as “cumulative quantity discount eligible shares” - with your current purchase of Class A shares to determine if you qualify for a sales charge breakpoint.

Cumulative quantity discount eligible shares are Franklin Templeton fund shares registered to (or held by a financial intermediary for):

- You, individually;
- Your “family member,” defined as your spouse or domestic partner, as recognized by applicable state law, and your children under the age of 21;
- You jointly with one or more family members;
- You jointly with another person(s) who is (are) not family members if that other person has not included the value of the jointly-owned shares as cumulative quantity discount eligible shares for purposes of that person’s separate investments in Franklin Templeton fund shares;
- A Coverdell Education Savings account for which you or a family member is the identified responsible person;

- A trustee/custodian of an IRA (which includes a Roth IRA and an employer sponsored IRA such as a SIMPLE IRA) or your non-ERISA covered 403(b) plan account, if the shares are registered/recorded under your or a family member’s Social Security number;
- A 529 college savings plan over which you or a family member has investment discretion and control;
- Any entity over which you or a family member has (have) individual or shared authority, as principal, has investment discretion and control (for example, an UGMA/UTMA account for a child on which you or a family member is the custodian, a trust on which you or a family member is the trustee, a business account [not to include retirement plans] for your solely owned business [or the solely owned business of a family member] on which you or a family member is the authorized signer);
- A trust established by you or a family member as grantor.

Franklin Templeton fund shares held through an administrator or trustee/custodian of an Employer Sponsored Retirement Plan (see definition below) such as a 401(k) plan do not qualify for a cumulative quantity discount.

Franklin Templeton fund assets held in multiple Employer Sponsored Retirement Plans may be combined in order to qualify for sales charge breakpoints at the plan level if the plans are sponsored by the same employer.

If you believe there are cumulative quantity discount eligible shares that can be combined with your current purchase to achieve a sales charge breakpoint (for example, shares held in a different broker-dealer’s brokerage account or with a bank or an investment advisor), it is your responsibility to specifically identify those shares to your financial advisor at the time of your purchase (including at the time of any future purchase). It may be necessary for you to provide your financial advisor with information and records (including account statements) of all relevant accounts invested in the Franklin Templeton funds. If you have not designated a financial advisor associated with your Franklin Templeton fund shares, it is your responsibility to specifically identify any cumulative quantity discount eligible shares to the Fund’s transfer agent at the time of any purchase.

If there are cumulative quantity discount eligible shares that would qualify for combining with your current purchase and you do not tell your financial advisor or the Franklin Templeton funds’ transfer agent at the time of any purchase, you may not receive the benefit of a reduced sales charge that might otherwise be available since your financial advisor and the Fund generally will not have that information.



The value of cumulative quantity discount eligible shares equals the cost or current value of those shares, whichever is higher. The current value of shares is determined by multiplying the number of shares by their highest current public offering price. It is your responsibility to retain any records necessary to substantiate historical share costs because neither your current financial advisor nor the Franklin Templeton funds may have or maintain this information.

An “Employer Sponsored Retirement Plan” is a Qualified Retirement Plan, ERISA covered 403(b) plan and certain non-qualified deferred compensation arrangements that operate in a similar manner to a Qualified Retirement Plan, such as 457 plans and executive deferred compensation arrangements, but not including employer sponsored IRAs. A “Qualified Retirement Plan” is an employer sponsored pension or profit sharing plan that qualifies under section 401(a) of the Internal Revenue Code, including 401(k), money purchase pension, profit sharing and defined benefit plans.

**2. Letter of intent (LOI)** - expresses your intent to buy a stated dollar amount of “cumulative quantity discount eligible shares” (as defined in the “Cumulative quantity discount” section above) over a 13-month period and lets you receive the same sales charge as if all shares had been purchased at one time. We will reserve 5% of your total intended purchase in Class A shares registered in your name until you fulfill your LOI to cover any additional sales charge that may apply if you do not buy the amount stated in your LOI. It is your responsibility to tell your financial advisor when you believe you have fulfilled your LOI with sufficient cumulative quantity discount eligible shares. If you have not designated a financial advisor associated with your Franklin Templeton fund shares, it is your responsibility to tell the Fund’s transfer agent when you believe you have fulfilled your LOI with sufficient cumulative quantity discount eligible shares. Please refer to the SAI for more LOI details.

To sign up for these programs, complete the appropriate section of your account application.

**Franklin Templeton funds** include all of the U.S. registered mutual funds of Franklin Templeton. They do not include the funds in the Franklin Templeton Variable Insurance Products Trust.

### Sales Charge Waivers

Class A shares may be purchased without an initial sales charge or contingent deferred sales charge (CDSC) by certain investors. If you would like information about available sales charge waivers, call your investment representative or call Shareholder Services at (800) 632-2301.

**Waivers for certain investors.** The following investors or investments qualify to buy Class A shares without an initial sales charge or CDSC due to anticipated economies in sales efforts and expenses, including:

- Current employees of securities dealers that have executed a selling agreement with Franklin Templeton Distributors, Inc. (Distributors) and their affiliates and their family members, as allowed by the internal policies of their employer.
- Assets held in accounts managed by a subsidiary of Franklin Resources, Inc.: (1) under an advisory agreement (including sub-advisory agreements); and/or (2) as trustee of an inter vivos or testamentary trust.
- Purchases by a bank, trust company or thrift institution that is acting as a fiduciary exercising investment discretion.
- Advisory Fee Programs. Shares acquired by an investor in connection with a comprehensive fee or other advisory fee arrangement between the investor and a registered broker-dealer, investment advisor, trust company, bank, or other financial intermediary (referred to as the “Sponsor”) in which the investor pays that Sponsor a fee for investment advisory services and the Sponsor or a broker-dealer through whom the shares are acquired has an agreement with Distributors authorizing the sale of Fund shares. No minimum initial investment.
- Clients of financial intermediaries who have entered into an agreement with Distributors and have been approved by Distributors to offer Fund shares through a network, platform or self-directed investment brokerage account that may charge a transaction or other fee to customers.
- Shareholders who purchase directly from the Funds and not through any financial intermediary (i.e., Distributors is the broker of record).

### Investments of \$1 Million or More

If you invest \$1 million or more, either as a lump sum or through our cumulative quantity discount or letter of intent programs, you can buy Class A shares without an initial sales charge. However, there is a 0.75% CDSC on any shares you sell within 18 months of purchase. The way we calculate the CDSC is the same for each class (please see “Contingent Deferred Sales Charge (CDSC) - Class A & C”).

### Distribution and Service (12b-1) Fees

Class A has a distribution plan, sometimes known as a Rule 12b-1 plan, which allows the Fund to pay distribution fees of up to 0.10% per year to those who sell and distribute Class A shares and provide other services to shareholders. Because these fees are paid out of Class A’s assets on an ongoing basis, over time these fees will increase the cost of your investment and may cost you more than paying other types of sales charges.

We calculate the amount of these fees over a 12-month period that may differ from the Fund's fiscal year. Therefore, the amount shown from time to time in the Fund's fee table (which is based upon the Fund's fiscal year) may differ from the amount set forth in the Rule 12b-1 plan due to timing differences.

### Sales Charges - Class C

With Class C shares, there is no initial sales charge.

We place any investment of \$1 million or more in Class A shares, since Class A's annual expenses are lower.

### CDSC

There is a 1% CDSC on any Class C shares you sell within 12 months of purchase. The way we calculate the CDSC is the same for each class (please see "Contingent Deferred Sales Charge (CDSC) - Class A & C").

### Distribution and Service (12b-1) Fees

Class C has a distribution plan, sometimes known as a Rule 12b-1 plan, that allows the Fund to pay distribution and other fees of up to 0.65% per year for the sale of Class C shares and for services provided to shareholders. Because these fees are paid out of Class C's assets on an ongoing basis, over time these fees will increase the cost of your investment and may cost you more than paying other types of sales charges.

### Contingent Deferred Sales Charge (CDSC) - Class A & C

The CDSC for each class is based on the current value of the shares being sold or their net asset value when purchased, whichever is less. There is no CDSC on shares you acquire by reinvesting your dividends or capital gain distributions.

To keep your CDSC as low as possible, each time you place a request to sell shares we will first sell any shares in your account that are not subject to a CDSC. If there are not enough of these to meet your request, we will sell the shares in the order they were purchased. We will use this same method if you exchange your shares into another Franklin Templeton fund (please see "Exchanging Shares").

The **holding period for the CDSC** begins on the day you buy your shares. Your shares will age one month on that same date the next month and each following month. For example, if you buy shares on the 18th of the month, they will age one month on the 18th day of the next month and each following month.

### Reinstatement Privilege

If you sell any class of shares of a Franklin Templeton Investments fund, you may reinvest all or a portion of the proceeds from that sale within 90 days within the same share class without an initial sales charge. If at the time of investment your shares are registered directly with the Fund's transfer agent: Class C or Class

R shares will be reinvested in Class A shares if the account does not have an investment representative of record; and, proceeds from the earlier sale of Class Z shares from another fund may also be reinvested in Class A shares.

This reinstatement privilege does not apply to: (i) a purchase of Fund shares made through a regularly scheduled automatic investment plan such as a purchase by a regularly scheduled payroll deduction or transfer from a bank account, or (ii) a purchase of Fund shares with proceeds from the sale of Franklin Templeton fund shares that were held indirectly through a non-Franklin Templeton individual or employer sponsored IRA.

In order to take advantage of this reinstatement privilege, you must inform your investment representative or the Fund's transfer agent of this privilege at the time of your investment.

Generally, if you paid a CDSC when you sold your Class A or Class C shares, Distributors will credit back to you the CDSC paid on the amount you are reinvesting within 90 days of the sale by adding it to the amount of your reinvestment. For Class A shares reinvested with a CDSC credit, a new CDSC will apply and the CDSC holding period will begin again. For Class C shares reinvested with a CDSC credit in Class A shares, you will not receive a CDSC credit in the new Class A shares and your reinvestment will not be subject to any otherwise applicable CDSC.

### Qualified Investors - Class R6

Class R6 shares are available to the following investors:

- Employer Sponsored Retirement Plans where plan level or omnibus accounts are held on the books of Franklin Templeton Investor Services.
- Endowments; foundations; local, city and state governmental institutions; corporations; non-profit organizations that are organized as corporations; and insurance companies, (collectively "institutional investors") when purchasing directly from a Fund. The minimum initial investment for institutional investors is \$1,000,000 per Fund.
- Other Franklin Templeton funds and funds for which Franklin Templeton investment managers provide advisory or subadvisory services.
- Intermediaries that execute an addendum to their selling agreement acknowledging that they are acting exclusively as agents of their clients in transacting in Class R6 shares.
- Advisory Fee Programs. A registered broker-dealer, investment advisor, trust company, bank, or other financial intermediary (referred to as a "Sponsor") that has an agreement with Distributors authorizing the sale of Fund shares and that

acquires shares of the Fund for its clients in connection with a comprehensive fee or other advisory fee arrangement for which the client pays the Sponsor a fee for investment advisory services. No minimum initial investment.

### Qualified Investors - Advisor Class

The following investors or investments qualify to buy Advisor Class shares of the Fund:

- Advisory Fee Programs. Shares acquired by an investor in connection with a comprehensive fee or other advisory fee arrangement between the investor and a registered broker-dealer, investment advisor, trust company, bank, or other financial intermediary (referred to as the “Sponsor”) in which the investor pays that Sponsor a fee for investment advisory services and the Sponsor or a broker-dealer through whom the shares are acquired has an agreement with Distributors authorizing the sale of Fund shares. No minimum initial investment.
- Governments, municipalities, and tax-exempt entities that meet the requirements for qualification under section 501 of the Internal Revenue Code when purchasing direct from the Fund.
- Current and former officers, trustees, directors, and full-time employees (and, in each case, their family members) of Franklin Templeton Investments or Franklin Templeton funds (including any foundation, trust or benefit plan maintained, owned, controlled, or established by or for any such person), consistent with our then-current policies. Minimum initial investment: \$1,000 (\$50 for accounts with an automatic investment plan).
- Assets held in accounts managed by a subsidiary of Franklin Resources, Inc.: (1) under an advisory agreement (including sub-advisory agreements); and/or (2) as trustee of an inter vivos or testamentary trust.
- Plans with aggregate plan assets of \$1 million or more invested directly with Franklin Templeton Investments funds.
- An individual or entity associated with a current customer of Franklin Templeton Institutional, LLC (FTI, LLC) if approved by FTI, LLC in consultation with its customers.
- Unaffiliated U.S. registered mutual funds, including those that operate as “fund of funds.”
- Assets held in accounts under the recommendation of an investment consultant provided that (1) assets are held with a firm unaffiliated with the investment consultant’s firm; (2) the investment consultant is under a retainer or other similar fee arrangement with its clients; (3) the client is not an individual; and (4) a subsidiary of Franklin Resources, Inc. approves the investment.

- Clients of financial intermediaries who have entered into an agreement with Distributors and have been approved by Distributors to offer Fund shares through a network, platform, or self-directed investment brokerage account that may charge a transaction or other fee to customers. Minimum initial investment \$100,000.

### Waivers for Exchanges between Classes of the Same Fund

#### Financial Intermediary Exchanges between Classes of the Same Fund.

Exchanges between Classes of the same Fund as described below generally will be tax-free for federal income tax purposes. You should also consult with your tax advisor regarding the state and local tax consequences of such an exchange of Fund shares. These exchange privileges are subject to termination and may be amended from time to time.

**Advisory Programs Eligible for Advisor Class or Class Z shares.** Class A and Class C shares purchased by accounts participating in certain programs sponsored by and/or controlled by financial intermediaries (“Advisory Programs”) may be exchanged by the financial intermediary on behalf of the shareholder for Advisor Class shares of the same Fund under certain circumstances, including such Advisory Program’s eligibility to purchase Advisor Class shares of the Fund. Such exchange will be on the basis of each Class’ NAV per share, without the imposition of any sales charge, fee or other charge. Unless otherwise permitted, any CDSC owed must be paid on Class A and C shares that you wish to exchange.

#### Financial Intermediary Exchanges from Class C Shares to Class A Shares.

Class C shares purchased through financial intermediaries may be exchanged by the financial intermediary on behalf of the shareholder for Class A shares of the same Fund under certain circumstances. Such exchange will be on the basis of each Class’ NAV per share, without the imposition of any sales charge, fee or other charge.

## Buying Shares

### Minimum Investments - Class A & C

	Initial
Regular accounts, UGMA/UTMA accounts, current and former full-time employees, officers, trustees and directors of Franklin Templeton entities, and their family members	\$1,000
Automatic investment plans	\$50
Broker-dealer sponsored wrap account programs	no minimum

Please note that you may only buy shares (including the purchase side of an exchange) of a fund eligible for sale in your state or jurisdiction. The Fund and other Franklin Templeton funds are intended for sale to residents of the United States, and, with very limited exceptions, are not registered or otherwise offered for sale in other jurisdictions.

In particular, the Fund is not registered in any provincial or territorial jurisdiction in Canada, and shares of the Fund have not been qualified for sale in any Canadian jurisdiction. The shares offered by this prospectus may not be directly or indirectly offered or sold in any provincial or territorial jurisdiction in Canada or to or for the benefit of residents thereof. Prospective investors may be required to declare that they are not Canadian residents and are not acquiring shares on behalf of any Canadian residents. Similarly, the Fund is not registered, and shares of the Fund have not been qualified for distribution, in any member country of the European Union (EU) or European Economic Area (EEA), and may not be directly or indirectly offered or distributed in any such country. If an investor becomes a Canadian, EU or EEA resident after purchasing shares of the Fund, the investor will not be able to

purchase any additional shares of the Fund (other than reinvestment of dividends and capital gains) or exchange shares of the Fund for other U.S. registered Franklin Templeton funds.

## Account Application

If you are opening a new account, please complete and sign the enclosed account application. Make sure you indicate the share class you have chosen. If you do not indicate a class, we will place your purchase in Class A shares. To save time, you can sign up now for services you may want on your account by completing the appropriate sections of the application (see “Investor Services”). For example, if you would like to link one of your bank accounts to your Fund account so that you may use electronic funds transfer to and from your bank account to buy and sell shares, please complete the bank information section of the application. We will keep your bank information on file for future purchases and redemptions. We do not accept cash, credit card convenience checks, non-bank money orders, travelers checks or checks drawn on foreign banks as forms of payment to purchase shares.

## Buying Shares

	Opening an account	Adding to an account
<b>Through your investment representative</b>	Contact your investment representative	Contact your investment representative
<b>By Phone/Online</b> (800) 632-2301 franklintempleton.com <i>Note: certain account types are not available for online account access.</i>	If you have another Franklin Templeton fund account with your bank account information on file, you may open a new identically registered account by phone. To make a same day investment, your phone order must be received and accepted by us prior to 1 p.m. Pacific time. You may open certain new accounts online at franklintempleton.com.	Before requesting a telephone or online purchase into an existing account, please make sure we have your bank account information on file. If we do not have this information, you will need to send written instructions with your bank's name and address and a voided check or savings account deposit slip. All bank and Fund account owners must sign the request. If the bank and Fund accounts do not have at least one common owner, each individual must also have his or her signature notarized.  To make a same day investment, your phone or online order must be received and accepted by us prior to 1 p.m. Pacific time.
<b>By Mail</b>	Make your check payable to the Fund. Mail the check and your signed application to Investor Services.	Make your check payable to the Fund. Include your account number on the check. Fill out the deposit slip from your account statement. If you do not have a slip, include a note with your name, the Fund name, and your account number. Mail the check and deposit slip or note to Investor Services.

(continued)

## Buying Shares (cont.)

	Opening an account	Adding to an account
<b>By Wire</b> (800) 632-2301 or (650) 312-2000 collect	Call to receive a wire control number and wire instructions. Wire the funds and mail your signed application to Investor Services. Please include the wire control number or your new account number on the application. To make a same day wire investment, the wired funds must be received and accepted by us prior to 1 p.m. Pacific time.	Call to receive a wire control number and wire instructions. To make a same day wire investment, the wired funds must be received and accepted by us prior to 1 p.m. Pacific time.
<b>By Exchange</b> franklintempleton.com	Call Shareholder Services at (800) 632-2301, or send signed written instructions. You also may place an online exchange order. (Please see "Exchanging Shares" for more information on exchanges.)	Call Shareholder Services at (800) 632-2301, or send signed written instructions. You also may place an online exchange order. (Please see "Exchanging Shares" for more information on exchanges.)

Franklin Templeton Investor Services  
 P.O. Box 997151  
 Sacramento, CA 95899-7151  
 Call toll-free: (800) 632-2301  
 or visit us online 24 hours a day,  
 7 days a week, at franklintempleton.com

## Investor Services

### Automatic Investment Plan

This plan offers a convenient way for you to invest in the Fund by automatically transferring money from your checking or savings account each month to buy shares. To sign up, visit us online at franklintempleton.com or complete the appropriate section of your account application and send it to Investor Services. If you are opening a new account, please include your minimum initial investment with your application.

### Automated Telephone System

Our automated system offers around-the-clock access to information about your account or any Franklin Templeton fund. This service is available by dialing any of the following numbers from a touch-tone phone:

<b>Shareholder Services</b>	(800) 632-2301
<b>Advisor Services</b>	(800) 524-4040

### Distribution Options

You may reinvest distributions you receive from the Fund in an existing account in the same share class\* of the Fund or another Franklin Templeton fund. Initial sales charges and CDSCs will not apply to reinvested distributions. You also can have your distributions deposited in a bank account, or mailed by check. Deposits to a bank account may be made by electronic funds transfer.

\*Class C shareholders may reinvest their distributions in Class A shares of any Franklin Templeton money fund. Advisor Class shareholders may reinvest in Advisor Class or Class A shares of another Franklin Templeton fund. To reinvest your distributions in Advisor Class shares of another Franklin Templeton fund, you must be a current shareholder in Advisor Class or otherwise qualify to buy that fund's Advisor Class shares.

If you received a distribution and chose to return it to purchase additional shares in Class A shares of another Franklin Templeton fund, you will not be charged an initial sales charge if you invest the distribution within 90 days of the distribution date.

Please indicate on your application the distribution option you have chosen, otherwise we will reinvest your distributions in the same share class of the Fund.

### Telephone/Online Privileges

You will automatically receive telephone/online privileges when you open your account, allowing you to obtain or view your account information, and conduct a number of transactions by phone or online, including: buy, sell, or exchange shares of most funds; use electronic funds transfer to buy or sell shares of most funds; change your address; and add or change account services (including distribution options, systematic withdrawal plans and automatic investment plans).



To view your account information or request online transactions, you will first need to register for these services at the shareholder section of our website at [franklintempleton.com](http://franklintempleton.com). You will be asked to accept the terms of an online agreement(s) and establish a password for online services. If you are registered for online services, you may enroll online in Franklin Templeton's electronic delivery program for your shareholder documents. This will allow you to receive electronic delivery (through our website) of most Franklin Templeton funds' prospectuses, annual/semiannual reports to shareholders, and proxy statements, as well as your account(s) statements and trade confirmations, and discontinue receiving your paper copies through the U.S. mail. Using our shareholder website means you are consenting to sending and receiving personal financial information over the Internet, so you should be sure you are comfortable with the risks.

As long as we follow reasonable security procedures and act on instructions we reasonably believe are genuine, we will not be responsible for any losses that may occur from unauthorized requests. We will request passwords or other information, and also may record calls. We have the right (but have no obligation) to refuse a telephone request if the caller is unable to provide the requested information or if we reasonably believe the caller is not an individual authorized to act on the account. To help safeguard your account, keep your password confidential, and verify the accuracy of your confirmation statements immediately after you receive them. Contact us immediately if you believe someone has obtained unauthorized access to your account or password. For transactions done over the Internet, we recommend the use of an Internet browser with 128-bit encryption. Certain methods of contacting us (such as by phone or by Internet) may be unavailable or delayed during periods of unusual market activity. *Of course, you can choose not to register for online privileges. Additionally, if you don't want telephone privileges, or want to discontinue telephone/online privileges at any time please contact us for instructions.* You may reinstate these privileges at any time in writing, including online registration with respect to online privileges.

**Note:** We discourage you from including confidential or sensitive information in any Internet communication to us. If you do choose to send email (encrypted or not) to us over the Internet, you are accepting the associated risks of lack of confidentiality (such as the possibility that your personal information may be stolen or sold to others by third parties).

### Systematic Withdrawal Plan

This plan allows you to automatically sell your shares and receive regular payments from your account. A CDSC may apply to withdrawals that exceed certain amounts. Certain terms and minimums apply. To sign up, visit us online at [franklintempleton.com](http://franklintempleton.com) or contact us for instructions.

### Franklin Templeton VIP Services®

You may be eligible for Franklin Templeton VIP Services® if you are currently eligible for the \$500,000 sales charge breakpoint based solely on shares registered directly with the Franklin Templeton funds' transfer agent and excluding shares held indirectly through brokerage accounts. Franklin Templeton VIP Services® shareholders enjoy enhanced service and transaction capabilities. Please contact Shareholder Services at (800) 632-2301 for additional information on this program.



## Selling Shares

You can sell your shares at any time. Please keep in mind that a contingent deferred sales charge (CDSC) may apply.

### Selling Shares in Writing

Generally, requests to sell \$100,000 or less can be made over the phone, online, or with a simple letter. Sometimes, however, to protect you and the Fund we will need written instructions signed by all registered owners, with a signature guarantee for each owner, if:

- you are selling more than \$100,000 worth of shares
- you want your proceeds paid to someone who is not a registered owner
- you want to send your proceeds somewhere other than the address of record, or preauthorized bank or brokerage firm account

We also may require a signature guarantee when: we receive instructions from an agent, not the registered owners; you want to send your proceeds to a bank account that was added or changed on your account without a signature guarantee within the last 15 days; you want to send proceeds to your address that was changed without a signature guarantee within the last 15 days; or we believe it would protect the Fund against potential claims based on the instructions received.

The amount may be higher for members of Franklin Templeton VIP Services®. Please see “Franklin Templeton VIP Services®” above for more information regarding eligibility.

A **signature guarantee** helps protect your account against fraud. You can obtain a signature guarantee at most banks and securities dealers.

A notary public CANNOT provide a signature guarantee.

### Selling Recently Purchased Shares

If you sell shares recently purchased, we may delay sending you the proceeds until your check, draft or wire/electronic funds transfer has cleared, which may take seven business days.

### Redemption Proceeds

Your redemption check will be sent within seven days after we receive your request in proper form. We are not able to receive or pay out cash in the form of currency.

## Selling Shares

### To sell some or all of your shares

**Through your investment representative**  
Contact your investment representative

#### By Mail

Send written instructions and endorsed share certificates (if you hold share certificates) to Investor Services. Corporate, partnership or trust accounts may need to send additional documents.

Specify the Fund, the account number and the dollar value or number of shares you wish to sell. Be sure to include all necessary signatures and any additional documents, as well as signature guarantees if required.

A check will be mailed to the name(s) and address on the account, or otherwise according to your written instructions.

#### By Phone/Online

(800) 632-2301  
franklintempleton.com

As long as your transaction is for \$100,000 or less and you do not hold share certificates, you can sell your shares by phone or online. The amount may be higher for members of Franklin Templeton VIP Services®. Please see “Franklin Templeton VIP Services®” above for more information regarding eligibility.

A check will be mailed to the name(s) and address on the account, or a pre-authorized secondary address. Written instructions, with a signature guarantee, are required to send the check to another address or to make it payable to another person.

If you have changed your address within the last 15 days without a signature guarantee, requests to sell your shares and mail the check to the name(s) and address on the account must be in writing and we may require a signature guarantee. Requests to sell your shares and send the proceeds to a pre-

authorized secondary address may be requested by phone or online.

#### By Electronic Funds Transfer (ACH)

You can call, write, or visit us online to have redemption proceeds sent to a bank account. See the policies at left for selling shares by mail, phone, or online.

Before requesting to have redemption proceeds sent to a bank account, please make sure we have your bank account information on file. If we do not have this information, you will need to send written instructions with your bank's name and a voided check or savings account deposit slip. All bank and Fund account owners must sign the request. If the bank and Fund accounts do not have at least one common owner, each individual must also have his or her signature notarized.

If the bank account was added or changed without a signature guarantee within the last 15 days, you may be required to provide written instructions signed by all Fund account owners, with a signature guarantee for each Fund account owner.

If we receive your request in proper form prior to 1 p.m. Pacific time, proceeds sent by ACH generally will be available within two to three business days.

#### By Exchange

Obtain a current prospectus for the fund you are considering. Prospectuses are available online at franklintempleton.com.

Call Shareholder Services at the number below or send signed written instructions. You also may place an exchange order online. See the policies at left for selling shares by mail, phone, or online.

If you hold share certificates, you will need to return them to the Fund before your exchange can be processed.

Franklin Templeton Investor Services  
P.O. Box 997151  
Sacramento, CA 95899-7151  
Call toll-free: (800) 632-2301  
or visit us online 24 hours a day, 7 days a week, at franklintempleton.com

## Exchanging Shares

### Exchange Privilege

#### Class A & C

You can exchange shares between most Franklin Templeton funds within the same class,\* generally without paying any additional sales charges. If you exchange shares from a money fund and those shares were not charged a sales charge previously, however, a sales charge may apply.

\*Class Z shareholders of Franklin Mutual Series Funds may exchange into Class A without any sales charge. Advisor Class shareholders of another Franklin Templeton fund also may exchange into Class A without any sales charge. If you exchange into Class A shares and you later decide you would like to exchange into a fund that offers an Advisor Class or Class Z, you may exchange your Class A shares for Advisor Class or Class Z shares if you are a current shareholder in Advisor Class or Class Z or you otherwise qualify to buy the fund's Advisor Class or Class Z shares.

Any CDSC will continue to be calculated from the date of your initial investment and will not be charged at the time of the exchange. The purchase price for determining a CDSC on exchanged shares will be the price you paid for the original shares.

#### Class R6

You can exchange your Class R6 shares for Class R6 shares of other Franklin Templeton funds. You also may exchange your Class R6 shares for Advisor Class shares of a fund that does not currently offer Class R6 shares.

#### Advisor Class

You can exchange your Advisor Class shares for Advisor Class shares of other Franklin Templeton funds. You also may exchange your Advisor Class shares for Class A shares of a fund that does not currently offer an Advisor Class (without any sales charge)\* or for Class Z shares of Franklin Mutual Series Funds.

\*If you exchange into Class A shares and you later decide you would like to exchange into a fund that offers an Advisor Class, you may exchange your Class A shares for Advisor Class shares if you are a current shareholder in Advisor Class or you otherwise qualify to buy the fund's Advisor Class shares.

#### All Classes

The remainder of the "Exchanging Shares" section applies to all classes.

Generally exchanges may only be made between identically registered accounts, unless you send written instructions with a signature guarantee.

An **exchange** is really two transactions: a sale of one fund and the purchase of another. In general, the same policies that apply to purchases and sales also apply to exchanges, including minimum investment amounts (except exchanges of an entire account balance). Exchanges also generally have the same tax consequences as ordinary sales and purchases.

**Rejected exchanges.** If the Fund rejects an exchange request involving the sale of Fund shares, the rejected exchange request will also mean rejection of the request to purchase shares of another fund with the proceeds of the sale. Of course, you may generally redeem shares of the Fund at any time.

**Exchanges through financial intermediaries.** If you are investing indirectly in the Fund through a financial intermediary such as a broker-dealer, a bank, an insurance company separate account, an investment advisor, an administrator or trustee of an IRS-recognized tax-deferred savings plan such as a 401(k) retirement plan and a 529 college savings plan that maintains a master account (an Omnibus Account) with the Fund for trading on behalf of its customers, different exchange and/or transfer limit guidelines and restrictions may apply. The financial intermediary through whom you are investing may choose to adopt different trading restrictions designed to discourage short-term or excessive trading. Consult with your financial intermediary (or in the case of a 401(k) retirement plan, your plan sponsor) to determine what trading restrictions, including exchange/transfer limitations, may be applicable to you.

**Fund exchange privilege changes/waiver.** The Fund may terminate or modify (temporarily or permanently) this exchange privilege in the future. You will receive at least 60 days' notice of any material changes, unless otherwise provided by law.

**Other funds' exchange privileges.** If there is a conflict between the exchange privileges of two funds involved in an exchange transaction, the stricter policy will apply to the transaction. Other Franklin Templeton funds may have different exchange restrictions. Check each fund's prospectus for details.

### Frequent Trading Policy

The Fund's board of trustees has adopted the following policies and procedures with respect to frequent trading in Fund shares (Frequent Trading Policy).

The Fund does not intend to accommodate short-term or frequent purchases and redemptions of Fund shares that may be detrimental to the Fund. For example, this type of trading activity could interfere with the efficient management of the Fund's portfolio or materially increase the Fund's transaction costs, administrative costs or taxes.

Through its transfer agent, the Fund performs ongoing monitoring of shareholder trading in shares of the Fund and other Franklin Templeton funds in order to try and identify shareholder trading patterns that suggest an ongoing short-term trading strategy. If shareholder trading patterns identified by the transfer agent through monitoring or from other information regarding the shareholder's trading activity in non-Franklin Templeton funds leads the transfer agent to reasonably conclude that such trading may be detrimental to the Fund as described in this Frequent Trading Policy, the transfer agent, on behalf of the Fund, may temporarily or permanently bar future purchases into the Fund or, alternatively, may limit the amount, number or frequency of any future purchases and/or the method by which you may request future purchases and redemptions (including purchases and/or redemptions by an exchange or transfer between the Fund and any other mutual fund).

In considering an investor's trading patterns, the Fund may consider, among other factors, the investor's trading history both directly and, if known, through financial intermediaries, in the Fund, in other Franklin Templeton funds, in non-Franklin Templeton mutual funds, or in accounts under common control or ownership (see, for example, "Buying and Selling Shares - Investment by asset allocators and large shareholders" in the SAI). The transfer agent may also reject any purchase or redemption request, whether or not it represents part of any ongoing trading pattern, if the Fund's investment manager or transfer agent reasonably concludes that the amount of the requested transaction may disrupt or otherwise interfere with the efficient management of the Fund's portfolio. In determining what actions should be taken, the Fund's transfer agent may consider a variety of factors, including the potential impact of such remedial actions on the Fund and its shareholders. If the Fund is a "fund of funds," the Fund's transfer agent may take into account the impact of the trading activity and of any proposed remedial action on both the Fund and the underlying funds in which the Fund invests.

**Frequent trading through financial intermediaries.** You are an investor subject to this Frequent Trading Policy whether you are a direct shareholder of the Fund or you are investing indirectly in the Fund through a financial intermediary, such as a broker-dealer, bank, trust company, insurance company product such as an annuity contract, investment advisor, or an administrator or trustee of an IRS-recognized tax-deferred savings plan such as a 401(k) retirement plan and a 529 college savings plan.

Some financial intermediaries maintain master accounts with the Fund on behalf of their customers ("omnibus accounts"). The Fund has entered into "information sharing agreements" with these financial intermediaries, which permit the Fund to obtain, upon request, information about the trading activity of the intermediary's customers that invest in the Fund. If the Fund's transfer agent identifies omnibus account level trading patterns that have the potential to be detrimental to the Fund, the transfer agent may, in its sole discretion, request from the financial intermediary information concerning the trading activity of its customers. Based upon its review of the information, if the transfer agent determines that the trading activity of any customer may be detrimental to the Fund, it may, in its sole discretion, request the financial intermediary to restrict or limit further trading in the Fund by that customer. There can be no assurance that the transfer agent's monitoring of omnibus account level trading patterns will enable it to identify all short-term trading by a financial intermediary's customers.

**Revocation of trades.** While the Fund reserves the right to reject any purchase order for any reason, the Fund may also revoke executed purchase orders that the transfer agent reasonably concludes in its sole discretion may have been contrary to the objectives of the Fund's Frequent Trading Policy.

## Account Policies

### Calculating Share Price

#### Class A & C

When you buy shares, you pay the "offering price" for the shares. The "offering price" is determined by dividing the NAV per share by an amount equal to 1 minus the sales charge applicable to the purchase (expressed in decimals), calculated to two decimal places using standard rounding criteria. The number of Fund shares you will be issued will equal the amount invested divided by the applicable offering price for those shares, calculated to three decimal places using standard rounding criteria. For example, if the NAV per share is \$10.25 and the applicable sales charge for the purchase is 5.75%, the offering price would be calculated as follows:  $10.25 \div (1.00 - 0.0575) = 10.87533$ , which, when rounded to two decimal points, equals 10.88. The offering price per share would be \$10.88.

When you sell shares, you receive the NAV minus any applicable CDSC.

#### All Classes

The value of a mutual fund is determined by deducting the fund's liabilities from the total assets of the portfolio. The NAV per share is determined by dividing the total net asset value of each fund's share class by the applicable number of shares outstanding per share class.

The Fund calculates the NAV per share each business day as of 1 p.m. Pacific time which normally coincides with the close of trading on the New York Stock Exchange (NYSE). The Fund does not calculate the NAV on days the NYSE is closed for trading, which include New Year's Day, Martin Luther King Jr. Day, President's Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. If the NYSE has a scheduled early close or unscheduled early close, the Fund's share price would still be determined as of 1 p.m. Pacific time/4 p.m. Eastern time. The Fund's NAV per share for each class is readily available online at [www.franklintempleton.com/performance](http://www.franklintempleton.com/performance).

Requests to buy and sell shares are processed at the NAV next calculated after we or an approved financial intermediary receive your request in proper form.

When determining its NAV, the Fund values cash and receivables at their realizable amounts, and records interest as accrued and dividends on the ex-dividend date. The Fund generally utilizes two independent pricing services to assist in determining a current market value for each security. If market quotations are readily available for portfolio securities listed on a securities exchange, the Fund values those securities at the last quoted sale price or the official closing price of the day, respectively, or, if there is no reported sale, within the range of the most recent quoted bid and ask prices. The Fund values over-the-counter portfolio securities

within the range of the most recent bid and ask prices. If portfolio securities trade both in the over-the-counter market and on a stock exchange, the Fund values them according to the broadest and most representative market. Prices received by the Fund for securities may be based on institutional “round lot” sizes, but the Fund may hold smaller, “odd lot” sizes. Odd lots may trade at lower prices than round lots.

Generally, trading in corporate bonds, U.S. government securities and money market instruments is substantially completed each day at various times before 1 p.m. Pacific time. The value of these securities used in computing the NAV is determined as of such times. Occasionally, events affecting the values of these securities may occur between the times at which they are determined and 1 p.m. Pacific time that will not be reflected in the computation of the NAV. The Fund relies on third-party pricing vendors to provide evaluated prices that reflect current fair market value at 1 p.m. Pacific time.

### **Fair Valuation – Individual Securities**

The Fund has procedures, approved by the board of trustees, to determine the fair value of individual securities and other assets for which market prices are not readily available (such as certain restricted or unlisted securities and private placements) or which may not be reliably priced (such as in the case of trade suspensions or halts, price movement limits set by certain foreign markets, and thinly traded or illiquid securities). Some methods for valuing these securities may include: fundamental analysis (earnings multiple, etc.), matrix pricing, discounts from market prices of similar securities, or discounts applied due to the nature and duration of restrictions on the disposition of the securities. The board of trustees oversees the application of fair value pricing procedures.

The application of fair value pricing procedures represents a good faith determination based upon specifically applied procedures. There can be no assurance that the Fund could obtain the fair value assigned to a security if it were able to sell the security at approximately the time at which the Fund determines its NAV per share.

### **Security Valuation - Municipal Securities - Matrix Pricing (Fair Valuation)**

Municipal securities generally trade in the over-the-counter market rather than on a securities exchange. The Fund’s pricing services use valuation models or matrix pricing to determine current value. In general, they use information with respect to comparable bond and note transactions, quotations from bond dealers or by reference to other securities that are considered comparable in such characteristics as rating, interest rate and maturity date. Matrix pricing is considered a form of fair value pricing.

### **Accounts with Low Balances**

If your account has been open for more than one year and its value falls below \$500, we will mail you a notice asking you to bring the account back up to its applicable minimum investment amount. If you choose not to do so within 30 days, we will close your account and mail the proceeds to the address of record. You will not be charged a CDSC if your account is closed for this reason. This policy does not apply to: (1) certain broker-controlled accounts established through the National Securities Clearing Corporation’s Networking system; (2) Class A accounts established pursuant to a conversion from Class B; (3) tax-deferred retirement plan accounts; (4) active automatic investment plan accounts; (5) broker-dealer sponsored separately managed accounts (wrap accounts); (6) accounts held through a 529 college savings program; and (7) Coverdell Education Savings Plan accounts.

### **Redemptions**

Typically, the Fund uses cash and cash equivalents held in its portfolio or sells portfolio assets to meet all redemption needs. In unusual circumstances or under stressed market conditions, the Fund may use other methods to meet redemptions, such as the use of lines of credit or interfund lending in reliance on exemptive relief from the SEC. Also, see “Account Policies – Redemptions in Kind” for information regarding redemption requests that exceed \$250,000 or 1% of the value of the Fund’s assets, whichever is less.

### **Redemptions in Kind**

If your redemption requests during any 90-day period exceed \$250,000 (or 1% of the value of the Fund’s net assets, if less), the Fund reserves the right to make payments in whole or in part in securities or other assets of the Fund. You should expect to incur transaction costs upon the disposition of the securities received in the distribution. In addition, you will bear the market risk of the securities you hold until the securities are sold.

### **Statements, Reports and Prospectuses**

You will receive quarterly account statements that show all your account transactions during the quarter. You also will receive written notification after each transaction affecting your account (except for distributions and transactions made through automatic investment or withdrawal programs, which will be reported on your quarterly statement). Upon receipt, review all account statements and written notifications after each transaction affecting your account and notify us immediately if there is a discrepancy.



You also will receive the Fund's financial reports every six months as well as an annual updated prospectus. To reduce Fund expenses, we try to identify related shareholders in a household and send only one copy of the financial reports and prospectus. This process, called "householding," will continue indefinitely unless you instruct us otherwise.

If you prefer not to have these documents househanded, please call us at (800) 632-2301. At any time you may view current prospectuses and financial reports on our website.

If you choose, you may receive your statements, financial reports and prospectuses through electronic delivery (please see "Investor Services - Telephone/Online Privileges").

### Investment Representative Account Access

If there is a dealer or other investment representative of record on your account, he or she will be able to obtain your account information, conduct transactions for your account, and also will receive copies of all notifications and statements and other information about your account directly from the Fund.

### Street or Nominee Accounts

You may transfer your shares from the street or nominee name account of one dealer to another, as long as both dealers have an agreement with Distributors. We will process the transfer after we receive authorization in proper form from your delivering securities dealer.

### Joint Accounts

Unless you specify a different registration, shares issued to two or more owners are registered as "joint tenants with rights of survivorship" (shown as "Jt Ten" on your account statement). To make any ownership changes to jointly owned shares, or to sever a joint tenancy in jointly owned shares, all owners must agree in writing.

### Joint Account Risk with Telephone/Online Privileges

You will automatically receive telephone/online privileges when you open your account. If your account has more than one registered owner, telephone/online privileges allow the Fund to accept online registration for online services (including electronic delivery of shareholder documents) and transaction instructions online or by telephone from only one registered owner. This means that *any one registered owner on your account, acting alone and without the consent of any other registered owner*, may give the Fund instructions by telephone, online or in writing (subject to any limitations in telephone or online privileges) to:

- Exchange shares from a jointly registered Fund account requiring all registered owner signatures into an identically registered money fund account that only requires one registered owner's signature to redeem shares;

- Redeem Fund shares and direct the redemption proceeds to a pre-established bank account that may or may not be owned by you and, if owned by you jointly with someone else, only requires one person to withdraw funds by check or otherwise; and
- Purchase Fund shares by debiting a pre-established bank account that may be owned by you.

If you do NOT want another registered owner on your account to be able to issue these kinds of instructions to the Fund without your consent, you must instruct the Fund to deny/terminate online privileges and the ability to issue such instructions by telephone so that these types of instructions will only be accepted in writing signed by all account owners. This decision will apply to any other fund into which you may exchange your jointly owned Fund shares. Any later decision to permit these types of instructions by telephone and/or online will need to be given to the Fund in a written instruction signed by all registered owners.

### Additional Policies

Please note that the Fund maintains additional policies and reserves certain rights, including:

- The Fund may restrict, reject or cancel any purchase orders, including an exchange request.
- Typically, redemptions are processed by the next business day provided the redemption request is received in proper form and good order, but may take up to seven days to be processed if making immediate payment would adversely affect the Fund or there is another cause for delay (for example, if you sell shares recently purchased, proceeds may be delayed until your check, draft or wire/ electronic funds transfer has cleared).
- The Fund may modify, suspend, or terminate telephone/online privileges at any time.
- The Fund may make material changes to or discontinue the exchange privilege on 60 days' notice or as otherwise provided by law.
- The Fund may stop offering shares completely or may offer shares only on a limited basis, for a period of time or permanently.
- In unusual circumstances, we may temporarily suspend redemptions or postpone the payment of proceeds, as allowed by federal securities laws.
- For redemptions over a certain amount, the Fund may pay redemption proceeds in securities or other assets rather than cash if the investment manager determines it is in the best interest of the Fund, consistent with applicable law. Investors should expect to incur transaction costs upon the disposition of the securities received in the distribution.

- You may only buy shares of a fund (including the purchase side of an exchange) eligible for sale in your state or jurisdiction.
- To permit investors to obtain the current price, dealers are responsible for transmitting all orders to the Fund promptly.
- For non-retirement accounts, if you are receiving a dividend, capital gains or a systematic withdrawal plan payment in cash, and at least three consecutive checks remain uncashed for at least six months, the Fund reserves the right to change your distribution option to reinvest future distributions or discontinue your systematic withdrawal plan.

## Dealer Compensation Class A & C

Qualifying dealers who sell Fund shares may receive sales commissions and other payments. These are paid by Distributors from sales charges received from purchasing or redeeming shareholders, from distribution and service (12b-1) fees from the Fund and from Distributors' other financial resources. Dealers may also receive shareholder servicing fees for servicing investors who indirectly hold Franklin Templeton fund shares through dealer-maintained brokerage accounts as more fully described under "Shareholder servicing and transfer agent" of the "Management and Other Services" section in the SAI. These fees are paid by the Fund's transfer agent from payments it receives under its agreement with the Fund.

No dealer commission will be paid on Class A NAV purchases by Employer Sponsored Retirement Plans.

If any dealer commissions are paid in connection with a purchase which is subsequently rejected or results in any trading restriction placed on the purchaser as a result of a determination by the Fund's investment manager or transfer agent that the purchase may be connected with trading activity that may be detrimental to the Fund as described in the Fund's "Frequent Trading Policy," the dealer shall, upon demand, refund such commissions to Distributors.

	Class A	Class C
<b>Commission (%)</b>	—	1.00 <sup>1</sup>
Investment under \$100,000	2.00	—
\$100,000 but under \$250,000	1.50	—
\$250,000 but under \$500,000	1.00	—
\$500,000 but under \$1 million	0.85	—
\$1 million or more	up to 0.75	—
<b>12b-1 fee to dealer</b>	0.10 <sup>2</sup>	0.65 <sup>3</sup>

1. Commission includes advance of the first year's 0.15% 12b-1 service fee. Distributors may pay a prepaid commission.
2. For purchases at NAV where Distributors paid a prepaid commission, dealers may start to receive the 12b-1 fee in the 13th month after purchase. For purchases at NAV where Distributors did not pay a prepaid commission, dealers may start to receive the 12b-1 fee at the time of purchase.
3. Dealers may be eligible to receive up to 0.15% at the time of purchase and may be eligible to receive 0.65% starting in the 13th month. During the first 12 months, the full 12b-1 fee will be paid to Distributors to partially offset the commission and the prepaid service fee paid at the time of purchase. For purchases at NAV where Distributors did not pay a prepaid commission, dealers may start to receive the 12b-1 fee at the time of purchase.

**Purchases of Certain Share Classes through Financial Intermediaries (Class R6 and Advisor Class)** There are no associated sales charges or Rule 12b-1 distribution and service fees for the purchase of Class R6 and Advisor Class shares. However, pursuant to SEC guidance, certain financial intermediaries acting as agents on behalf of their customers may directly impose on shareholders sales charges or transaction fees determined by the financial intermediary related to the purchase of these shares. These charges and fees are not disclosed in this prospectus. You should consult with your financial advisor or visit your financial intermediary's website for more information.

The Fund's service providers also may pay financial intermediaries for marketing support and other related services as disclosed below for Advisor Class shares, but not for Class R6 shares. These payments may create a conflict of interest by influencing the financial intermediary and your salesperson to recommend one share class over another. There is some uncertainty concerning whether marketing support or other similar payments may be made or received in connection with Advisor Class shares where a financial intermediary has imposed its own sales charges or transaction fees. Based on future regulatory developments, such payments may be terminated.

**Other financial intermediary compensation** Except with respect to Class R6 shares, Distributors may make marketing support payments (a portion of which may be reimbursable under the terms of the Fund's Rule 12b-1 distribution plans) to certain dealers and other financial intermediaries, such as banks, insurance companies, or plan administrators, in connection with their efforts to educate financial advisors or provide other services which may facilitate, directly or indirectly, investment in Franklin Templeton mutual funds. In the case of any one

intermediary, marketing support payments will generally not exceed 0.05% of the total assets of Franklin Templeton mutual funds attributable to that intermediary, on an annual basis. For an intermediary exceeding \$15 billion in total assets of Franklin Templeton mutual funds, Distributors may agree to make annual marketing support payments exceeding 0.05% of such assets. For an intermediary exceeding \$50 billion in total assets of Franklin Templeton mutual funds, Distributors may agree to make annual marketing support payments up to a limit of 0.06% of such assets. Marketing support payments made to organizations located outside the U.S., with respect to investments in the Fund by non-U.S. persons, may exceed this limitation. Any assets held on behalf of Employer Sponsored Retirement Plans for which payment is made to a financial intermediary pursuant to the following paragraph will be excluded from the calculation of marketing support payments pursuant to this paragraph.

Except with respect to Class R6 shares, Distributors and/or its affiliates may also make payments (a portion of which may be reimbursable under the terms of the Fund's Rule 12b-1 distribution plans) to certain financial intermediaries in connection with their activities that are intended to assist in the sale of shares of Franklin Templeton mutual funds, directly or indirectly, to certain Employer Sponsored Retirement Plans. In the case of any one financial intermediary, such payments will not exceed 0.10% of the total assets of Franklin Templeton mutual funds held, directly or indirectly, by such Employer Sponsored Retirement Plans, on an annual basis.

A number of factors will be considered in determining these payments, including the qualifying financial intermediary's sales, assets and redemption rates, the nature and quality of any servicing provided by the financial intermediary, and the quality of the financial intermediary's relationship with Distributors. Distributors will, on an annual basis, determine the advisability of continuing these payments. These payments may be in addition to any shareholder servicing fees paid by the Fund's transfer agent from payments it receives under its agreement with the Fund.

To the extent permitted by SEC and Financial Industry Regulatory Authority rules and other applicable laws and regulations, Distributors may, in addition to marketing support payments, pay or allow other promotional incentives or payments to financial intermediaries, such as payments related to transaction support, various financial intermediary-sponsored events intended to educate financial advisers and their clients about the Franklin Templeton mutual funds, and data analytics and support.

Sales of Fund shares, as well as shares of other mutual funds in Franklin Templeton Investments, is not considered a factor in the selection of financial intermediaries to execute the Fund's portfolio transactions. Accordingly, the allocation of portfolio transactions for execution by financial intermediaries that sell Fund shares is not considered marketing support payments to such financial intermediaries.

You can find further details in the SAI about the payments made by Distributors and the services provided by your financial advisor. Your financial advisor may charge you additional fees or commissions other than those disclosed in this prospectus. You should ask your financial advisor for information about any payments it receives from Distributors and any services it provides, as well as about fees and/or commissions it charges.

## Questions

If you have any questions about the Fund or your account, you can write to us at P.O. Box 997151, Sacramento, CA 95899-7151. You also can call us at one of the following numbers. For your protection and to help ensure we provide you with quality service, all calls may be monitored or recorded.

Department Name	Telephone Number
Shareholder Services	(800) 632-2301
Fund Information	(800) DIAL BEN (800) 342-5236
Retirement Services	(800) 527-2020
Advisor Services	(800) 524-4040
Hearing Impaired Assistance	For hearing impaired assistance, please contact us via a Relay Service.
Automated Telephone System	(800) 632-2301 (800) 524-4040 (800) 527-2020

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## FOR MORE INFORMATION

You can learn more about the Fund in the following documents:

### Annual/Semiannual Report to Shareholders

Includes a discussion of recent market conditions and Fund strategies that significantly affected Fund performance during its last fiscal year, financial statements, detailed performance information, portfolio holdings and, in the annual report only, the independent registered public accounting firm's report.

### Statement of Additional Information (SAI)

Contains more information about the Fund, its investments and policies. It is incorporated by reference (is legally a part of this prospectus).

For a free copy of the current annual/semiannual report or the SAI, please contact your investment representative or call us at the number below. You also can view the current annual/semiannual report and the SAI online through [franklintempleton.com](http://franklintempleton.com).

### Appendix A to the Prospectus — Intermediary Sales Charge Discounts and Waivers

Contains more information about specific sales charge discounts and waivers available for shareholders who purchase Fund shares through a specific financial intermediary. Appendix A is a separate document and is incorporated herein by reference (is legally a part of this prospectus).

You also can obtain information about the Fund by visiting the SEC's Public Reference Room in Washington, DC (phone (202) 551-8090) or the EDGAR Database on the SEC's Internet site at <http://www.sec.gov>. You can obtain copies of this information, after paying a duplicating fee, by writing to the SEC's Public Reference Section, Washington, DC 20549-1520 or by electronic request at the following email address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov).



One Franklin Parkway  
San Mateo, CA 94403-1906  
(800) DIAL BEN®/342-5236  
[franklintempleton.com](http://franklintempleton.com)

For hearing impaired assistance, please contact us via a Relay Service.

Investment Company Act file #811-04356

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 10% Total Recycled Fiber

## APPENDIX A INTERMEDIARY SALES CHARGE DISCOUNTS AND WAIVERS

Specific intermediaries may have different policies and procedures regarding the availability of front-end sales load (charge) waivers or CDSC waivers, which are discussed below. In all instances, it is the purchaser's responsibility to notify the Fund or the purchaser's financial intermediary at the time of purchase of any relationship or other facts qualifying the purchaser for sales charge waivers or discounts. For waivers and discounts not available through a particular intermediary, shareholders will have to purchase Fund shares directly from the Fund or through another intermediary to receive such waivers or discounts. Please see the section entitled "Fund Details – Your Account – Choosing a Share Class – Class A, & C" for more information on sales charges and waivers available for different classes.

The information in this Appendix is part of, and incorporated into, the Fund's prospectus.

### CLASS A AND CLASS C PURCHASES THROUGH MERRILL LYNCH

Shareholders purchasing Fund shares through a Merrill Lynch platform or account will be eligible only for the following load waivers (front-end sales charge waivers and contingent deferred or back-end, sales charge waivers) and discounts, which may differ from those disclosed elsewhere in this Fund's prospectus or SAI.

Front-end Sales Load Waivers on Class A Shares available at Merrill Lynch
Employer-sponsored retirement, deferred compensation and employee benefit plans (including health savings accounts) and trusts used to fund those plans, provided that the shares are not held in a commission-based brokerage account and shares are held for the benefit of the plan
Shares purchased by or through a 529 Plan
Shares purchased through a Merrill Lynch affiliated investment advisory program
Shares purchased by third party investment advisors on behalf of their advisory clients through Merrill Lynch's platform
Shares of funds purchased through the Merrill Edge Self-Directed platform (if applicable)
Shares purchased through reinvestment of capital gains distributions and dividend reinvestment when purchasing shares of the same fund (but not any other fund within the fund family)
Shares exchanged from Class C (i.e. level-load) shares of the same fund in the month of or following the 10-year anniversary of the purchase date
Employees and registered representatives of Merrill Lynch or its affiliates and their family members
Directors or Trustees of the Fund, and employees of the Fund's investment adviser or any of its affiliates, as described in this prospectus
Shares purchased from the proceeds of redemptions within the same fund family, provided (1) the repurchase occurs within 90 days following the

redemption, (2) the redemption and purchase occur in the same account, and (3) redeemed shares were subject to a front-end or deferred sales load (known as Rights of Reinstatement)

CDSC Waivers on A and C Shares available at Merrill Lynch

Death or disability of the shareholder

Shares sold as part of a systematic withdrawal plan as described in the Fund's prospectus

Return of excess contributions from an IRA Account

Shares sold as part of a required minimum distribution for IRA and retirement accounts due to the shareholder reaching age 70½

Shares sold to pay Merrill Lynch fees but only if the transaction is initiated by Merrill Lynch

Shares acquired through a right of reinstatement

Shares held in retirement brokerage accounts, that are exchanged for a lower cost share class due to transfer to certain fee based accounts or platforms

Front-end load Discounts Available at Merrill Lynch:  
Breakpoints, Rights of Accumulation & Letters of Intent

Breakpoints as described in this prospectus.

Rights of Accumulation (ROA) which entitle shareholders to breakpoint discounts will be automatically calculated based on the aggregated holding of fund family assets held by accounts within the purchaser's household at Merrill Lynch. Eligible fund family assets not held at Merrill Lynch may be included in the ROA calculation only if the shareholder notifies his or her financial advisor about such assets

Letters of Intent (LOI) which allow for breakpoint discounts based on anticipated purchases within a fund family, through Merrill Lynch, over a 13-month period of time (if applicable)