



FRANKLIN TEMPLETON INVESTMENTS

Franklin Income Fund—Advisor Class

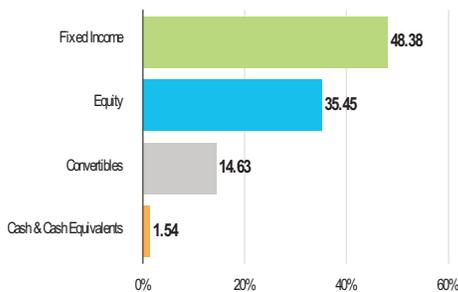
Income
Multi-Asset
September 30, 2018

Product Profile

Product Details¹

Fund Assets	\$76,640,289,437.67
Fund Inception Date	08/31/1948
Number of Issuers	198
NASDAQ Symbol	FRIAX
Maximum Sales Charge	0.00
Investment Style	Income
Benchmark	S&P 500 Index Bloomberg Barclays US Aggregate Index
Lipper Classification	Mixed-Asset Target Allocation Moderate Funds
Morningstar Category™	Allocation—30% to 50% Equity
Dividend Frequency	Monthly, on the 3rd business day

Asset Allocation² Percent of Total



Third-Party Fund Data

Overall Morningstar Rating™³



As of 09/30/2018 the fund's Advisor Class shares received a 5 star overall Morningstar Rating™, measuring risk-adjusted returns against 439, 355 and 256 U.S.-domiciled Allocation—30% to 50% Equity mutual funds and exchange traded funds over the 3-, 5- and 10- year periods, respectively. A fund's overall rating is derived from a weighted average of the performance figures associated with its 3-, 5- and 10-year (if applicable) rating metrics.

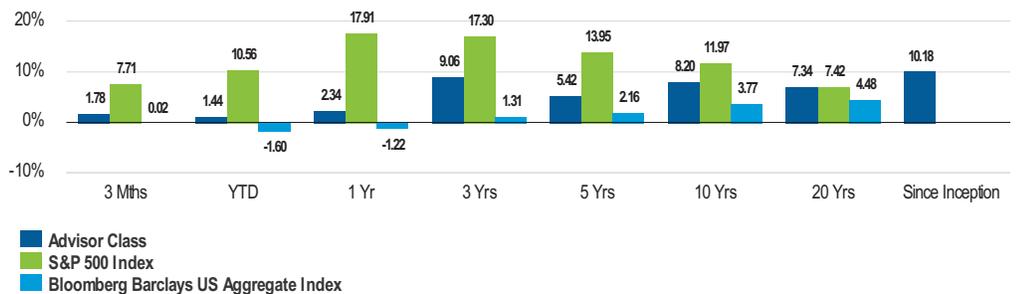
Fund Description

The fund seeks to maximize income, while maintaining prospects for capital appreciation, by investing in a diversified portfolio of stocks and bonds.

Performance Data^{4,5}

Average Annual Total Returns⁶ (%)

	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	20 Yrs	Since Inception (08/31/1948)
Advisor Class	1.78	1.44	2.34	9.06	5.42	8.20	7.34	10.18
S&P 500 Index	7.71	10.56	17.91	17.30	13.95	11.97	7.42	-
Bloomberg Barclays US Aggregate Index	0.02	-1.60	-1.22	1.31	2.16	3.77	4.48	-



Total Annual Operating Expenses—With Waiver: 0.47% Without Waiver: 0.48%

30-Day Standardized Yield⁷—With Waiver: 4.02% Without Waiver: 4.02%

Performance data represents past performance, which does not guarantee future results. Current performance may differ from figures shown. The fund's investment return and principal value will change with market conditions, and you may have a gain or a loss when you sell your shares. Please call Franklin Templeton Investments at (800) DIAL BEN/342-5236 or visit franklintempleton.com for the most recent month-end performance.

Advisor Class shares are offered only to certain eligible investors as stated in the prospectus. They are offered without sales charges or Rule 12b-1 fees. The fund offers other share classes subject to different fees and expenses, which will affect their performance. Please see the prospectus for details.

The fund has a fee waiver associated with any investment it makes in a Franklin Templeton money fund and/or other Franklin Templeton fund, contractually guaranteed through 01/31/2019. Fund investment results reflect the fee waiver; without this waiver, the results would have been lower.

1. All holdings are subject to change. Holdings of the same issuers have been combined.

2. Information is historical and may not reflect current or future portfolio characteristics. Percentage may not equal 100% due to rounding. All holdings are subject to change.

5. Source for Index: FactSet. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

6. Periods shorter than one year are shown as cumulative total returns.

7. The fund's 30-day standardized yield is calculated over a trailing 30-day period using the yield to maturity on bonds and/or the dividends accrued on stocks. It may not equal the fund's actual income distribution rate, which reflects the fund's past dividends paid to shareholders.

Calendar Year Returns (%)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Advisor Class	8.62	16.61	-7.75	3.86	14.50	14.48	2.51	13.15	35.43	-30.27
S&P 500 Index	21.83	11.96	1.38	13.69	32.39	16.00	2.11	15.06	26.46	-37.00
Bloomberg Barclays US Aggregate Index	3.54	2.65	0.55	5.95	-2.02	4.21	7.84	6.54	5.93	5.24

Portfolio Manager Insight⁸

Performance Review

QUARTERLY KEY PERFORMANCE DRIVERS

	Equity Holdings	Equity Sectors	Fixed Income Holdings	Fixed Income Sectors/Industries
HELPED	Pfizer	Health Care	Community Health Systems	Consumer Non-Cyclical
	Merck	Communication Services	Chesapeake Energy	Communications
	Microsoft	Information Technology (IT)	Sprint	Energy
HURT	General Electric	Consumer Discretionary	Weatherford International	—
	Ford Motor	Materials	Sanchez Energy	—
	General Motors	Industrials	—	—

- Equity and bond holdings had widespread gains across sectors over the summer quarter, and contributed nearly evenly to the fund's absolute returns. The fund's health care equities outpaced the market with a double-digit average percentage gain. Pfizer's common stock rallied on the company's second-quarter earnings report that featured positive product pipeline news. Sales increased despite the loss of patent protection for Viagra, while newer products like Prevnar and Eliquis helped fill Viagra's sales void, and a lower tax liability allowed adjusted earnings to rise by 19% from the prior quarter.
- Our investments in General Electric suffered substantial three-month declines amid ongoing investor worries about the company's recent write-downs and cash flow warnings, downgrades in its long-term credit rating, and turnover in key leadership positions amid a difficult and lengthy restructuring effort.
- Big US automakers, including Ford and GM, lowered their profit outlooks for 2018, which weighed on the fund's results for equities in the consumer discretionary sector. A general downtrend in US vehicle sales and fallout from tariffs on aluminum and steel exacted a toll, as did certain non-US currency devaluations and an increasingly hostile business environment in China, where recently increased tariffs threaten to erode future profits.
- Our corporate bond positions continued to emphasize higher-yielding credits in the below-investment grade tier, and most of these holdings enjoyed robust, equity-like returns for the quarter. Notably, debt from energy companies generally advanced on a rally in oil and natural-gas prices, with companies such as Chesapeake Energy appearing to be poised for credit upgrades, according to our analysis. High-yield issuance in 2018 thus far has dropped versus 2017 levels, which has helped the supply/demand balance, as rising interest rates—which push bond prices down—has dampened new issuance in most types of US corporate bonds outside the energy sector.

Outlook & Strategy

- We continue to focus on individual company profiles in assessing portfolio risk. Recent market shifts have related to factors such as decelerating and desynchronizing global economic growth, higher US interest rates, a gradual rise in inflation that is now hovering around the US Federal Reserve's medium-term target, geopolitical uncertainty in several regions of the world, select emerging-market challenges, and policy risks with a view toward worsening US-China trade relations. In response, we have softened our overall investment posture while remaining arguably "risk-on" amid actions taken to reduce total expected portfolio risk as we move forward.
- We expect corporate earnings to continue to be supported by US and global growth, business spending and expanding manufacturing activity. Moreover, our balance sheet work remains as important as our assessment of forward earnings. While we acknowledge that fears of trade protectionism are not new and have often surfaced in various parts of the world, we continue to navigate through the short- and long-term implications of recent tariffs, especially in relation to China.
- Within the portfolio's equity portion, the recent strong performance of our energy equities led us to modestly reduce select holdings over the summer due to their full valuations (underscoring significant recoveries from the low levels of just two to three years ago), opening up the prospect to increase portfolio holdings in other areas with less perceived risk.
- As it pertains to the fund's bond holdings, we have been focusing a bit more on the shorter end of the yield curve, and we hold a generally positive bias toward corporate credit because we continue to think the fundamental backdrop remains supportive. We also have been seeing improved relative value and selective buying in the investment-grade corporate bond tier as higher-quality credits have recently been hindered by rising long-term rates and credit spread widening.
- As certain high-yield corporate bonds and equities appeared to reach our estimates of full valuation, we have reallocated proceeds into short-duration US Treasuries in the one- to five-year range, given the recent increase in yields in those categories. Importantly, we believe this can provide the fund with flexibility to take advantage of potential periods of volatility in late 2018 and early 2019.

- Distress in the high-yield corporate bond market remains idiosyncratic, not widespread, across sectors; speculative-grade debt defaults have been trending down and the near-term credit outlook among high-yield companies is generally benign. The fund has begun to see what we expect to be a positive development of credit upgrades for several key holdings in the below-investment-grade tier. As such, the overall credit quality on the fixed income side of the portfolio has drifted higher lately as several positive re-ratings pushed some previously speculative credits up into the investment-grade range. We expect this trend to continue in the coming months within the high-yield tier.

8. The information provided is not a complete analysis of every material fact regarding any country, market, industry, security or fund. Because market and economic conditions are subject to change, comments, opinions and analyses are rendered as of the date of this material and may change without notice. A portfolio manager's assessment of a particular security, investment or strategy is not intended as individual investment advice or a recommendation or solicitation to buy, sell or hold any security or to adopt any investment strategy; it is intended only to provide insight into the fund's portfolio selection process. Holdings are subject to change.

Portfolio Characteristics^{9,10,11}

	Portfolio	S&P 500 Index
Price to Earnings (12 Month Trailing)	17.00x	23.25x
Price to Book	2.14x	3.51x
Price to Cash Flow	8.55x	13.51x
Market Capitalization (Millions in USD)	173,051	247,832

	Portfolio	Bloomberg Barclays US Aggregate Index
Average Duration	3.16 Yrs	6.03 Yrs
Average Weighted Maturity	4.27 Yrs	8.38 Yrs

Portfolio Diversification

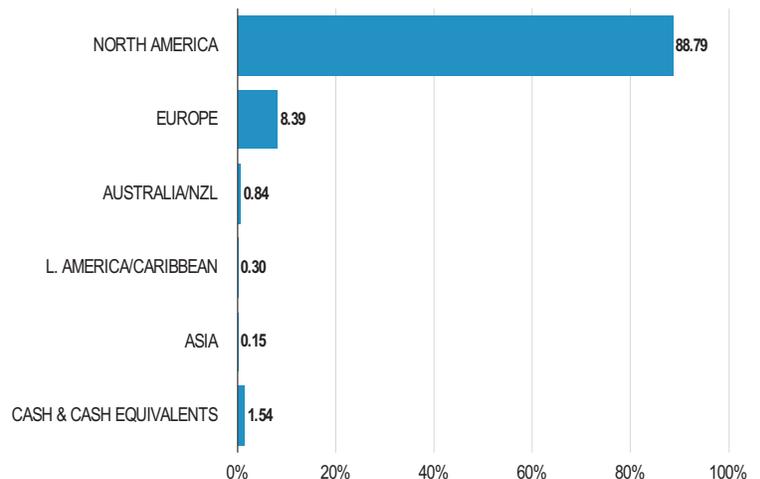
Top Ten Holdings¹²

Percent of Total

Top Holdings	%
GOVERNMENT OF THE UNITED STATES OF AMERICA	6.78
COMMUNITY HEALTH SYSTEMS INC	4.10
CHESAPEAKE ENERGY CORP	3.08
JPMORGAN CHASE & CO	2.76
WELLS FARGO & CO	2.74
TENET HEALTHCARE CORP	2.68
WEATHERFORD INTERNATIONAL PLC	2.06
BANK OF AMERICA CORP	1.94
SPRINT CORP	1.76
SEMPRA ENERGY	1.75

Geographic Allocation¹³

Percent of Total



9. The portfolio characteristics listed are based on the fund's underlying holdings, and do not necessarily reflect the fund's characteristics. Due to data limitations all equity holdings are assumed to be the primary equity issue (usually the ordinary or common shares) of each security's issuing company. This methodology may cause small differences between the portfolio's reported characteristics and the portfolio's actual characteristics. In practice, Franklin Templeton's portfolio managers invest in the class or type of security which they believe is most appropriate at the time of purchase. The market capitalization figures for both the portfolio and the benchmark are at the security level, not aggregated up to the main issuer. Source: Factset. Price ratio calculations for weighted average use harmonic means. Any exceptions to this are noted. Average Weighted Maturity and Average Duration data points pertain to the fixed income component of the fund. Information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change.

10. Source: FactSet. Price ratio calculations for weighted average use harmonic means. Any exceptions to this are noted.

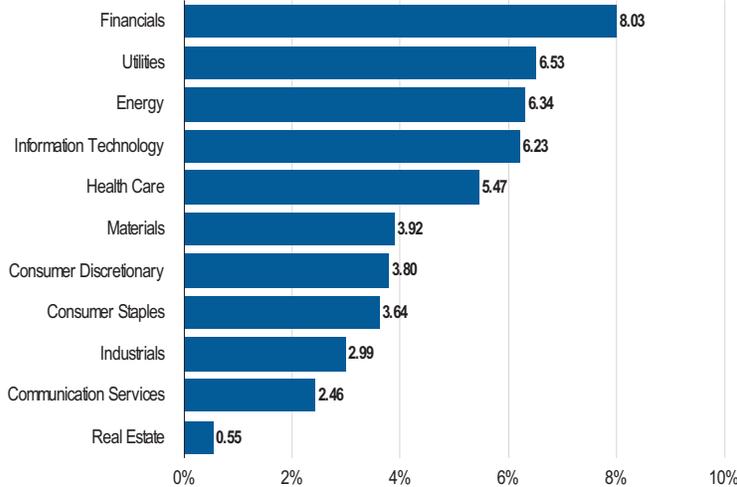
11. Source for Index: FactSet. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

12. Holdings of the same issuers have been combined. Top ten holdings information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change. The information provided is not a recommendation to purchase, sell, or hold any particular security. The portfolio manager for the fund reserves the right to withhold release of information with respect to holdings that would otherwise be included.

13. Information is historical and may not reflect current or future portfolio characteristics. Percentage may not equal 100% due to rounding. All holdings are subject to change.

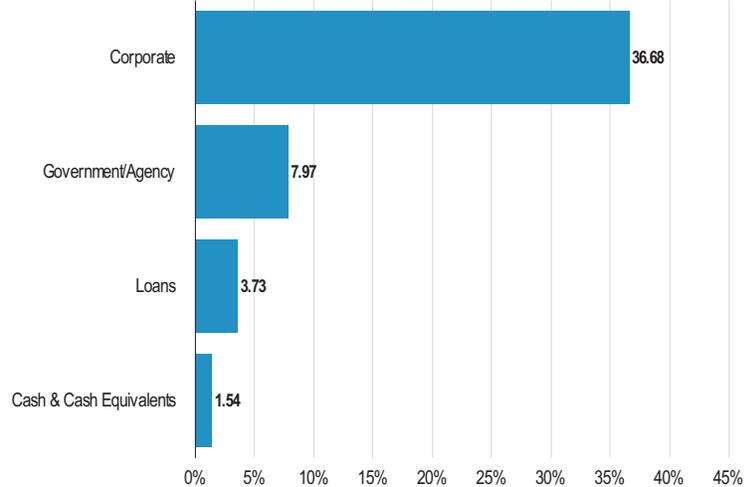
Sector Allocation¹⁴

Equity as a Percent of Total



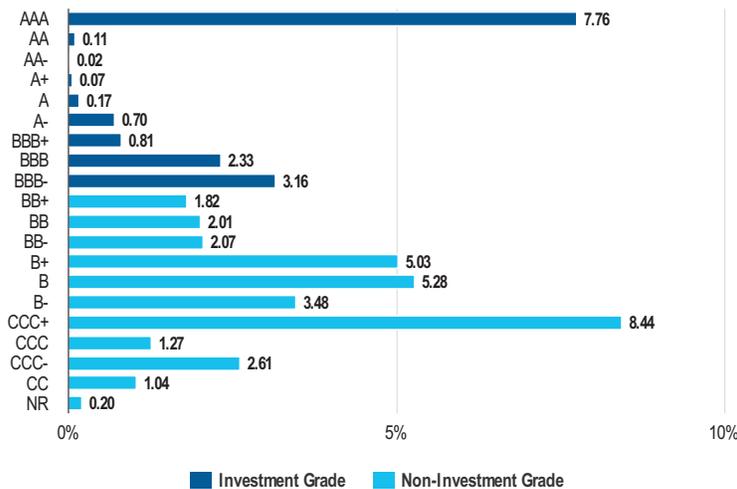
Sector Allocation¹⁵

Fixed Income as a Percent of Total



Credit Quality Ratings¹⁶

Fixed Income as a Percent of Total



Supplemental Performance Statistics

Supplemental Risk Statistics^{17,18}

	3 Yrs	5 Yrs	10 Yrs
Standard Deviation (%)	6.99	7.44	10.73
Tracking Error (%)	5.09	5.30	7.13
Information Ratio	-1.62	-1.61	-0.53
Beta	0.64	0.65	0.66
Sharpe Ratio	1.18	0.66	0.74

Performance data represents past performance, which does not guarantee future results. Current performance may differ from figures shown. The fund's investment return and principal value will change with market conditions, and you may have a gain or a loss when you sell your shares. Please call Franklin Templeton Investments at (800) DIAL BEN/342-5236 or visit franklintempleton.com for the most recent month-end performance.

14,15. Information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change.

16. Ratings shown are assigned by one or more Nationally Recognized Statistical Rating Organizations ("NRSRO"), such as Standard & Poor's, Moody's and Fitch. The ratings are an indication of an issuer's creditworthiness and typically range from AAA or Aaa (highest) to D (lowest). When ratings from all three agencies are available, the middle rating is used; when two are available, the lowest rating is used; and when only one is available, that rating is used. Foreign government bonds without a specific rating are assigned the country rating provided by an NRSRO, if available. If listed, the NR category consists of ratable securities that have not been rated by an NRSRO. The N/A category consists of nonratable securities (e.g., equities). Cash and equivalents as well as derivatives are excluded from this breakdown. As a result, the chart does not reflect the fund's total net assets. Information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change.

17. Beta, Information Ratio and Tracking Error information are measured against the S&P 500 Index.

18. Information Ratio is a way to evaluate a manager's ability to outperform a benchmark in relation to the risk that manager is assuming, with risk defined as deviation from the benchmark. This measure is calculated by dividing the portfolio's excess return (portfolio return less the benchmark return) by the tracking error (derived by taking the standard deviation of the monthly differences between the portfolio return and the benchmark return over time).

Investment Philosophy and Process

Investment Philosophy

To maximize income while maintaining prospects for capital appreciation.

Investment Approach

Opportunistic Across Capital Structure

Seek to take advantage of investment opportunities where our fundamental views may differ from the market consensus.

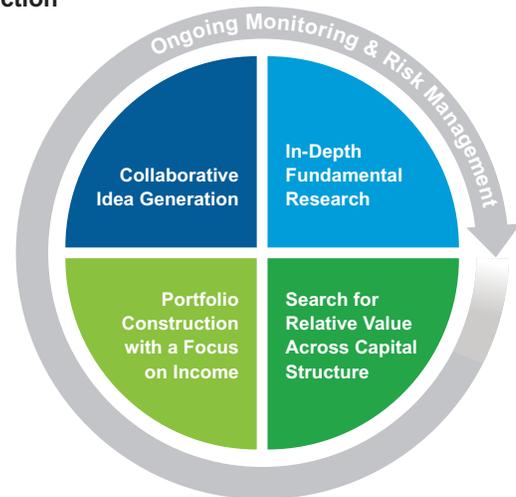
Focus on Income & Relative Value

Search for undervalued or out-of-favor securities that offer attractive income and strong long-term capital appreciation potential.

Broad Opportunity Set

Seek relative value opportunities across the capital structure including equities, fixed income and convertible securities.

Investment Process: Fundamental Research Drives Portfolio Construction



Investment Team

Portfolio Manager	Years with Firm	Years Experience
Edward D. Perks, CFA, CIO Multi-Asset Solutions	25	25
Matt Quinlan, Portfolio Manager/Research Analyst	12	23
Todd Brighton, CFA, Vice President / Portfolio Manager/Research Analyst	18	18
Richard Hsu, CFA, Vice President / Portfolio Manager	22	22

Average Duration: A measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years.

Average Weighted Maturity: An estimate of the number of terms to maturity, taking the possibility of early payments into account, for the underlying holdings. Maturity is expressed as a number of years.

Beta: A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of the overall market (or appropriate market index). The market (or index) is assigned a beta of 1.00, so a portfolio with a beta of 1.20 would have seen its share price rise or fall by 12% when the overall market rose or fell by 10%.

Information Ratio: In investing terminology, the ratio of expected return to risk. Usually, this statistical technique is used to measure a manager's performance against a benchmark. This measure explicitly relates the degree by which an investment has beaten the benchmark to the consistency by which the investment has beaten the benchmark.

Market Capitalization: A determination of a company's value, calculated by multiplying the total number of company stock shares outstanding by the price per share. Market capitalization is expressed in millions of USD.

Price to Book Value: The price per share of a stock divided by its book value (i.e., net worth) per share. For a portfolio, the value represents a weighted average of the stocks it holds.

Price to Cash Flow: Supplements price/earnings ratio as a measure of relative value for a stock. For a portfolio, the value represents a weighted average of the stocks it holds.

Price to Earnings (12-mo Trailing): The share price of a stock, divided by its per-share earnings over the past year. For a portfolio, the value represents a weighted average of the stocks it holds.

Sharpe Ratio: To calculate a Sharpe ratio, an asset's excess returns (its return in excess of the return generated by risk-free assets such as Treasury bills) are divided by the asset's standard deviation.

Standard Deviation: A measure of the degree to which returns vary from the average of its previous returns. The larger the standard deviation, the greater the likelihood (and risk) that performance will fluctuate from the average return.

Tracking Error: Measure of the deviation of the return of a product compared to the return of a benchmark over a fixed period of time. Expressed as a percentage. The more passively the investment is managed, the smaller the tracking error.

What Are The Risks?

All investments involve risks, including possible loss of principal. The fund's share price and yield will be affected by interest rate movements. Bond prices generally move in the opposite direction of interest rates. Thus, as the prices of bonds in the fund adjust to a rise in interest rates, the fund's share price may decline. Changes in the financial strength of a bond issuer or in a bond's credit rating may affect its value. The fund's portfolio includes a substantial portion of higher-yielding, lower-rated corporate bonds because of the relatively higher yields they offer. Floating-rate loans are lower-rated, higher-yielding instruments, which are subject to increased risk of default and can potentially result in loss of principal. These securities carry a greater degree of credit risk relative to investment-grade securities. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. These and other risk considerations are discussed in the fund's prospectus.

Important Legal Information

Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. To obtain a summary prospectus and/or prospectus, which contains this and other information, talk to your financial advisor, call us at (800) DIAL BEN/342-5236 or visit franklintempleton.com. Please carefully read a prospectus before you invest or send money.

CFA® and Chartered Financial Analyst® are trademarks owned by CFA Institute.

Standard & Poor's®, S&P® and S&P 500® are registered trademarks of Standard & Poor's Financial Services LLC. S&P does not sponsor, endorse, sell or promote and S&P index-based product.

Important data provider notices and terms available at: www.franklintempletondatasources.com

3. Source: Morningstar®, 09/30/2018. For each mutual fund and exchange traded fund with at least a 3-year history, Morningstar calculates a Morningstar Rating™ based on how a fund ranks on a Morningstar Risk-Adjusted Return measure against other funds in the same category. This measure takes into account variations in a fund's monthly performance, and does not take into account the effects of sales charges and loads, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. The weights are: 100% 3-year rating for 36-59 months of total returns, 60% 5-year rating/40% 3-year rating for 60-119 months of total returns, and 50% 10-year rating/30% 5-year rating/20% 3-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent 3-year period actually has the greatest impact because it is included in all three rating periods. The Fund's Advisor Class shares received a Morningstar Rating of 5, 4 and 5 star(s) for the 3-, 5- and 10-year periods, respectively. Morningstar Rating™ is for the named share class only; other classes may have different performance characteristics. **Past performance is not an indicator or a guarantee of future performance.**

4. Effective 12/31/1996, the fund began offering Advisor Class Shares. For periods prior to the fund's Advisor Class inception date, a restated figure is used based on the fund's oldest share class, Class A1 performance, excluding the effect of Class A1's maximum initial sales charge but reflecting the effect of the Class A1 Rule 12b-1 fees; and b) for periods after the fund's Advisor Class inception date, actual Advisor Class performance is used, reflecting all charges and fees applicable to that class.



**FRANKLIN TEMPLETON
INVESTMENTS**

Franklin Templeton Distributors, Inc.

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