



FRANKLIN TEMPLETON INVESTMENTS

Franklin Floating Rate Daily Access Fund—Advisor Class

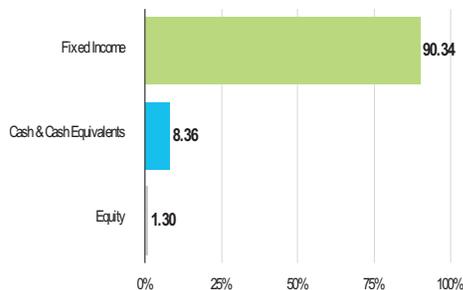
High Yield
Fixed Income
September 30, 2018

Product Profile

Product Details¹

Fund Assets	\$3,639,447,605.70
Fund Inception Date	05/01/2001
Number of Securities Including Cash	207
NASDAQ Symbol	FDAAX
Maximum Sales Charge	0.00
Base Currency	USD
Investment Style	High Yield
Benchmark	Credit Suisse Leveraged Loan Index
Lipper Classification	Loan Participation Funds
Morningstar Category™	Bank Loan
Dividend Frequency	Accrued daily and paid monthly on the last business day

Asset Allocation²



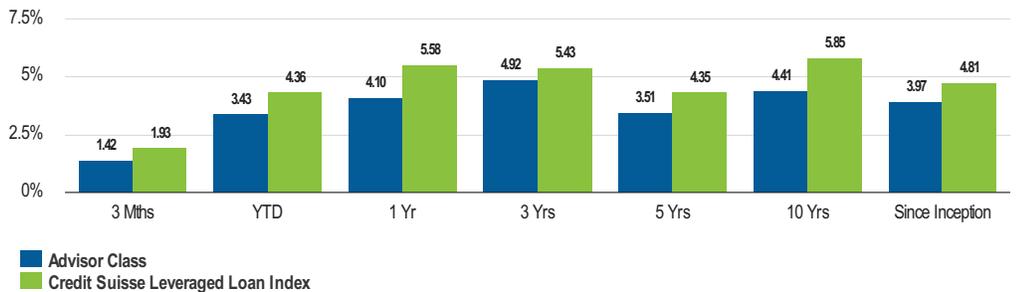
Fund Description

The fund seeks a high level of current income and, secondarily, preservation of capital, by investing predominantly in floating interest rate senior secured corporate loans (floating-rate loans) and corporate debt securities.

Performance Data³

Average Annual Total Returns⁴ (%)

	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (05/01/2001)
Advisor Class	1.42	3.43	4.10	4.92	3.51	4.41	3.97
Credit Suisse Leveraged Loan Index	1.93	4.36	5.58	5.43	4.35	5.85	4.81



Total Annual Operating Expenses—With Waiver: 0.61% Without Waiver: 0.66%

30-Day Standardized Yield⁵—With Waiver: 4.68% Without Waiver: 4.65%

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 02/28/2019. Fund investment results reflect the fee waiver; without this waiver, the results would have been lower.

Calendar Year Returns (%)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Advisor Class	2.42	11.76	-1.76	0.74	4.80	8.23	1.14	8.63	30.05	-22.65
Credit Suisse Leveraged Loan Index	4.25	9.88	-0.38	2.06	6.15	9.43	1.82	9.97	44.87	-28.75

1. All holdings are subject to change.

2. Figures reflect certain derivatives held in the portfolio (or their underlying reference assets) and may not total 100% or may be negative due to rounding, use of derivatives, unsettled trades or other factors. Information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change.

3. 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.

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

5. 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.

Portfolio Manager Insight⁶

Performance Review

QUARTERLY KEY PERFORMANCE DRIVERS

	Loan Selection	Quality/Tier	Sectors/Industries
HELPED	Retail industry	—	Overweight in retail industry
	Metals and mining industry	—	Overweight in energy industry
	—	—	Overweight in paper industry
HURT	Technology issuer	Upper-Tier	—
	Aero and defense issuer	Middle-tier	—
	Energy issuer	—	—

- For the quarter, the portfolio benefited from improved economics, such as widened spreads and tighter covenants, on discounted loans that were successfully amended or refinanced earlier this year.
- The primary detractor over the third quarter was a manufacturer of precision components for applications in the energy, transportation and industrial markets. Another detractor was a power company with gas and wind power assets.

Outlook & Strategy

- Activity related to leveraged buyouts (LBOs) dominated the floating-rate loan market in September; new issuance was concentrated in a few large mergers-and-acquisitions (M&A) transactions that were characterized by highly aggressive deal terms that significantly erode lender protections and create poor precedents. Regardless of the deterioration in deal terms, these transactions were met with strong demand.
- In the current environment of eroding lender protections, we are working diligently to identify potential risks that lie beneath the surface, especially as related to risks that are increasingly present in loan documentation. One such provision we continue to focus on is language in loan credit agreements that allows the issuer or their bank to choose a replacement for the London Interbank Offered Rate (LIBOR), without consent from all lenders. We believe investors should have consent rights to proposed changes in benchmark reference rates, especially when the replacement rate has the potential to reduce the interest payout of a loan.
- Regardless of the potential challenges we have mentioned, we maintain our view that due to the floating-rate nature of bank loans, we expect the supportive backdrop to continue in a rising interest-rate environment. Loan issuers in the retail sector continue to outperform as investors look to buy loans below par, which has led to upward price movements in the entire sector.
- We have consistently remained focused on loan selection and disciplined in our approach for screening new and secondary issues.
- In general, we continue to maintain our stance of moving up the credit-quality tier for our investment portfolio, given our view that we are in the latter stages of the economic cycle and of the loan market's general deterioration in credit quality. Overall, we remain cautiously constructive on the highest quality bank loan assets, as we believe rising interest-rate expectations, general seniority in the capital structure for loans and supportive demand conditions could continue to provide modest tailwinds for the sector.

6. 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^{7,8,9,10}

	Portfolio	Credit Suisse Leveraged Loan Index
Average Duration	0.19 Yrs	0.22 Yrs
Average Weighted Maturity	4.50 Yrs	5.19 Yrs
Annual Turnover Ratio (10/31/2017)	64.21%	-
Time to Reset	53.00 Days	-

7. The portfolio characteristics listed are based on the fund's underlying holdings, and do not necessarily reflect the fund's characteristics. Information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change.

8. Average Duration and Average Weighted Maturity reflect certain derivatives held in the portfolio (or their underlying reference assets).

9. Turnover Ratio is as of the fund's fiscal year-end.

10. 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.

Portfolio Diversification**Top Ten Holdings¹¹**

Top Holdings	%
Fieldwood Energy LLC	3.84
General Nutrition Centers, Inc.	2.24
Ascena Retail Group, Inc.	2.21
Octagon Investment Partners	2.09
NRG Energy, Inc.	1.82
Appvion, Inc.	1.81
Navistar, Inc.	1.71
JBS USA Lux S.A.	1.68
Delos Finance S.A.R.L. (AerCap)	1.65
Foresight Energy LLC	1.50

Loan Information by Seniority, Covenant and Size¹²

Seniority	%
First Lien	74.81
Other, CLO and Unsecured	23.73
Second Lien	1.46

Covenant	%
Covenant Lite	76.33
Full Covenant	23.67

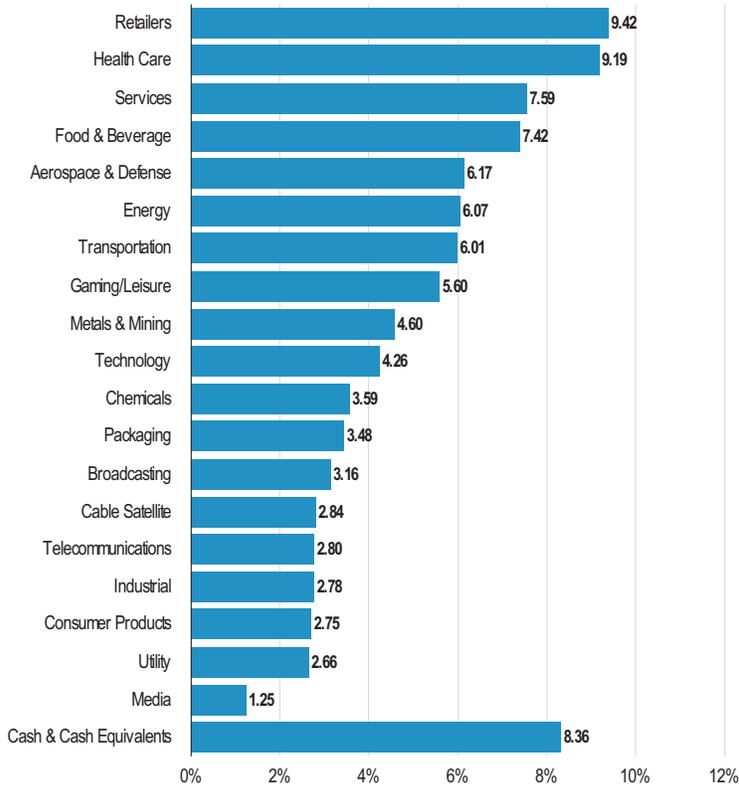
Size of Issue (Millions)	%
\$301MM and Over	93.77
\$201MM to \$300MM	2.91
\$0MM to \$100MM	1.79
\$101MM to \$200MM	1.53

11. 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.

12. 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.

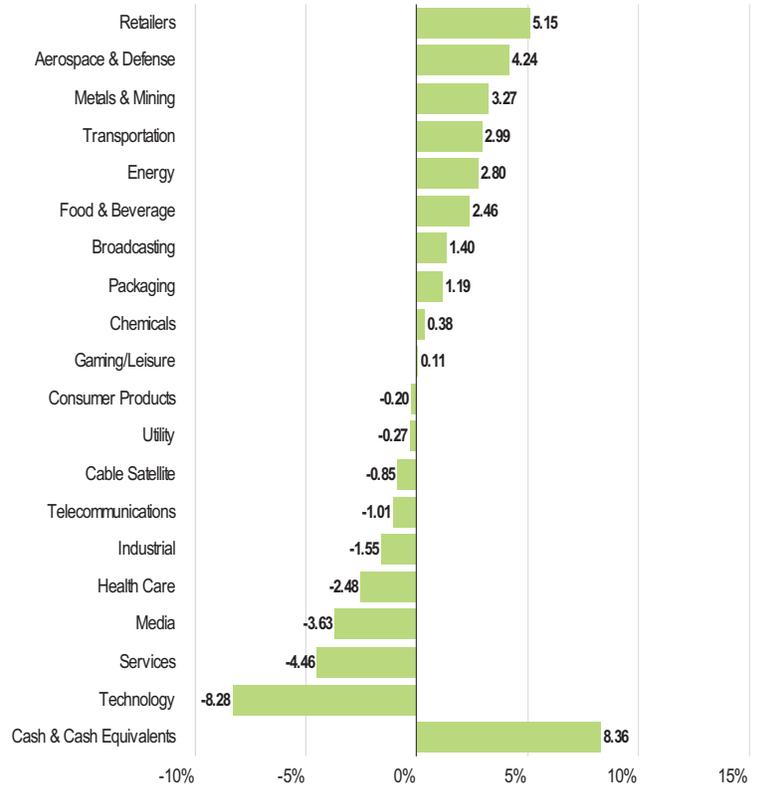
Sector Allocation¹³

Percent of Total



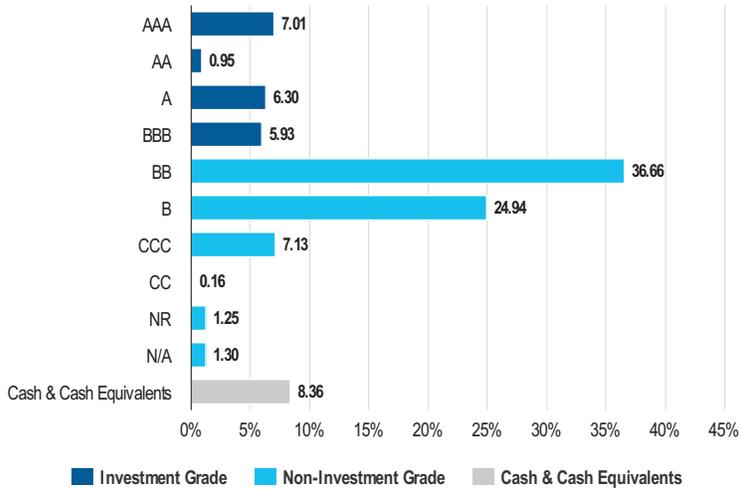
Sector Weightings vs. Credit Suisse Leveraged Loan Index^{14,15}

Percent of Total



Credit Quality Ratings¹⁶

Percent of Total



13,14. Figures reflect certain derivatives held in the portfolio (or their underlying reference assets) and may not total 100% or may be negative due to rounding, use of derivatives, unsettled trades or other factors. Information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change.

15. 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.

16. Ratings shown are assigned by one or more Nationally Recognized Statistical Rating Organizations ('NRSRO'), such as Standard & Poor's and Moody's. The ratings are an indication of an issuer's creditworthiness and typically range from AAA or Aaa (highest) to D (lowest). When ratings from both agencies are available, the lower 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. The NR category consists of rateable securities that have not been rated by an NRSRO. The N/A category consists of nonrateable securities (e.g., equities). Cash includes equivalents, which may be rated. Derivatives are excluded from this breakdown.

Supplemental Performance Statistics

Supplemental Risk Statistics^{17,18}

	3 Yrs	5 Yrs	10 Yrs
Standard Deviation (%)	2.98	2.66	6.15
Beta (%)	0.99	0.85	2.02
Information Ratio	-0.50	-0.98	-0.71
Beta	1.18	1.13	0.84
Sharpe Ratio	1.37	1.13	0.67

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.

Investment Philosophy

Focus on Income

We believe that independent credit research and active portfolio management can potentially achieve competitive levels of floating rate income, while significantly reducing uncompensated credit risk and principal volatility, for those investors desiring a portfolio of below investment-grade senior secured floating rate bank debt. Our core portfolios are primarily managed to pursue attractive levels of income while seeking to reduce default risk, and as such, do not explicitly seek price appreciation at the expense of high default exposure.

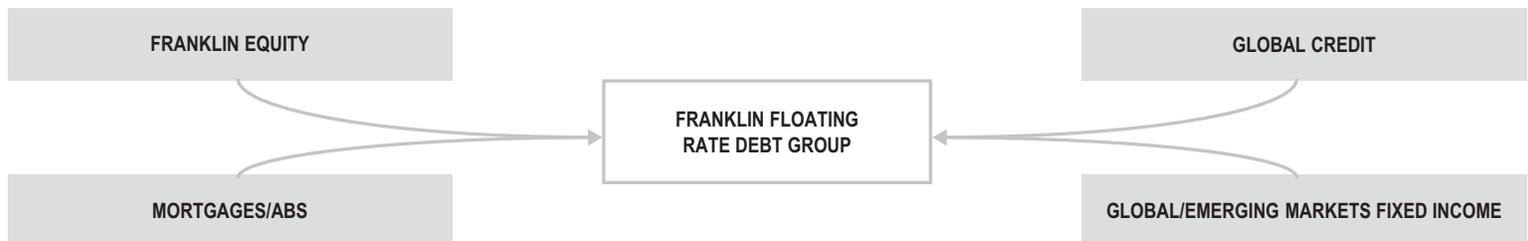
Investment Process

Consistent Investment Approach

- Fundamental Analysis
 - Dedicated, bottom-up credit research incorporating proprietary information.
- Disciplined Approach
 - Focus on capital preservation by seeking higher quality issues within the asset class with strong asset coverage.
 - Avoid companies with high expected defaults or high expected losses in event of default.
 - Maintain diversified portfolios through a disciplined portfolio construction process.
 - Focus primarily on new-issue market where we believe the risk/return profiles are the most favorable.
 - Add selectively to existing positions through secondary market.
- Risk Management
 - Integrate risk management in portfolio construction process by estimating expected frequency of default and expected loss in event of default, as well as total value at risk.

Integrated Research Approach

- The Franklin Floating Rate Debt Group leverages the insights of other fixed income and equity professionals throughout the firm.



Investment Team

Portfolio Manager	Years with Firm	Years Experience
Mark Boyadjian, CFA, SVP / Director of Floating Rate Group	20	31
Madeline Lam, VP / Portfolio Manager	20	27
Justin G. Ma, CFA, VP / Portfolio Manager	12	12

Additional Resources

Bank Loans	Quantitative
------------	--------------

17. Beta, Information Ratio and Tracking Error information are measured against the Credit Suisse Leveraged Loan 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).

Annual Turnover Ratio: Percentage of a fund's holdings replaced with other holdings during a fund's most recent full fiscal year.

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.

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.

Time to Reset: The average time to reset for the portfolio will be based on the average number of days in which the loans in the portfolio will adjust to the new rate based on the current LIBOR rate in the market.

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. Investors should be aware that the fund's share price and yield will fluctuate with market conditions. The fund should not be considered an alternative to money market funds or certificates of deposit (CDs). The floating-rate loans and debt securities in which the fund invests tend to be rated below investment grade. Investing in higher-yielding, lower-rated, floating-rate loans and debt securities involves greater risk of default, which could result in loss of principal—a risk that may be heightened in a slowing economy. Interest earned on floating-rate loans varies with changes in prevailing interest rates. Therefore, while floating-rate loans offer higher interest income when interest rates rise, they will also generate less income when interest rates decline. Changes in the financial strength of a bond issuer or in a bond's credit rating may affect its value. The fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. These and other risks 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.

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



**FRANKLIN TEMPLETON
INVESTMENTS**

Franklin Templeton Distributors, Inc.

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