FRANKLIN TEMPLETON INVESTMENTS

Franklin High Income Fund—Class A

Product Profile Second Quarter 2015

FUND CHARACTERISTICS (AS OF 6/30/15)

NASDAQ Symbol	FHAIX
Fund Inception Date	12/31/69
Dividends	Monthly on or near the 3rd business day
Benchmark	Credit Suisse High Yield Index
Lipper Classification	High Yield Funds
Morningstar Category™	High Yield Bond
Total Net Assets—All Share Classes	6,063 million
Number of Holdings	336
Maximum Initial Sales Charge	4.25%

THIRD-PARTY FUND DATA

Overall Morningstar Rating™

Traditional

★★★

Load Waived

★★★

As of June 30, 2015 the fund's Class A shares received a traditional 3 star overall Morningstar Rating™ and a load waived 3 star Morningstar Rating™, measuring risk-adjusted returns against 611, 516 and 362 U.S.-domiciled High Yield Bond 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.

Load waived Class A share Morningstar Ratings do not include front-end sales charges and are intended for investors who have access to such purchase terms (e.g., fee-based programs and participants of a defined contribution plan). Investors should contact their financial advisor to determine their eligibility to purchase Class A shares without paying the sales charge.

FUND DESCRIPTION

The fund seeks a high level of current income, with a secondary focus on capital appreciation, by investing substantially in higher-yielding, lower-rated corporate bonds.

PERFORMANCE DATA

Average Annual Total Returns for Periods Ended June 30, 2015 (%)

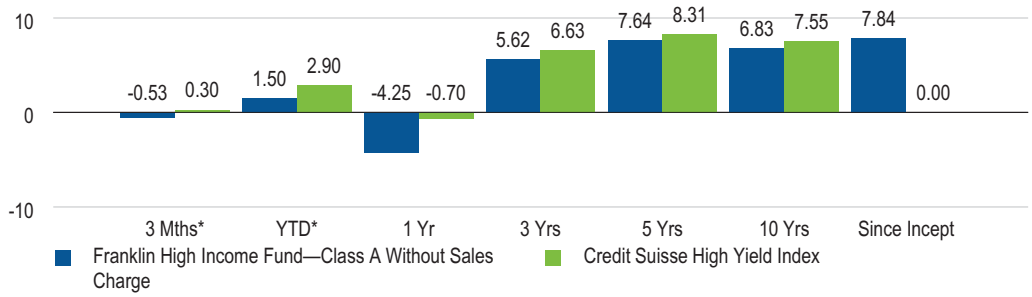
	3 Mths*	YTD*	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Incept (12/31/69)
With Sales Charge	-4.83	-2.91	-8.49	4.08	6.75	6.39	7.73
Without Sales Charge	-0.53	1.50	-4.25	5.62	7.64	6.83	7.84
Credit Suisse High Yield Index	0.30	2.90	-0.70	6.63	8.31	7.55	N/A

Total Annual Operating Expenses—*0.76%*

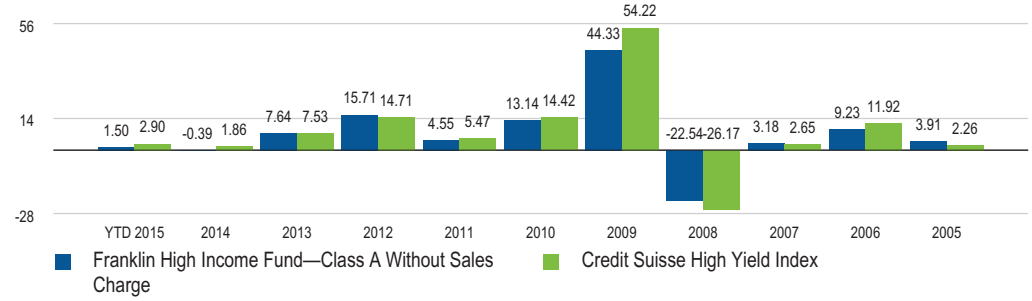
30-Day Standardized Yield (As of 6/30/15)— 5.59%

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/(800) 342-5236 or visit franklintempleton.com for the most recent month-end performance.

Average Annual Total Returns for Periods Ended June 30, 2015 (%)



Calendar Year Returns As of June 30, 2015 (%)



If the Fund's sales charge had been included, the returns would have been lower.

The 30-Day Standardized Yield reflects an estimated yield to maturity. It should be regarded as an estimate of the fund's rate of investment income, and it may not equal the fund's actual income distribution rate, which reflects the fund's past dividends paid to shareholders.

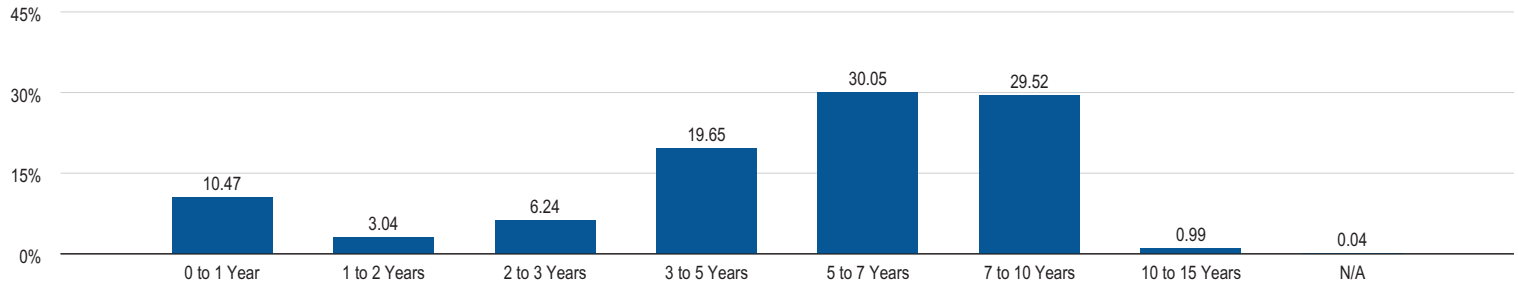
*Cumulative Total Returns.

For information related to the "Fund Characteristics," "Third-Party Fund Data," and "Performance Data" sections, please see Explanatory Notes.

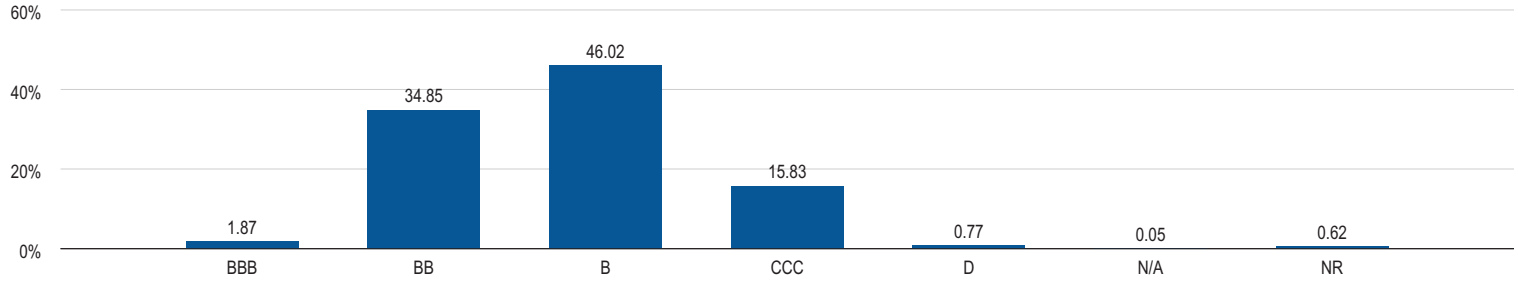
Not FDIC Insured | May Lose Value | No Bank Guarantee

PORTFOLIO DIVERSIFICATION (AS OF 6/30/15)—Fund

Maturity Weightings



Quality Weightings



Top Ten Holdings

	Portfolio %
SPRINT COMMUNICATIONS INC	2.47
HCA INC	2.04
VALEANT PHARMACEUTICALS INTERN	1.51
ENERGY TRANSFER EQUITY LP	1.32
INTELSAT JACKSON HOLDINGS SA	1.28
NAVIENT CORP	1.27
REYNOLDS GROUP ISSUER INC / RE	1.19
CCO HOLDINGS LLC / CCO HOLDING	1.16
FIRST DATA CORP	1.15
T-MOBILE USA INC	1.12

Sector Weightings

	Portfolio %
Energy	20.29
Health Care	9.75
Finance	7.87
Cable Satellite	7.51
Metals & Mining	7.42
Wireless	6.34
Technology	4.97
Media Non Cable	3.85
Building	3.67
Food & Beverage	3.31
Gaming	2.97
Packaging	2.52
Utility	2.47
Automotive	2.16
Transportation	1.88
Aerospace & Defense	1.70
Wired	1.47
Chemicals	1.39
Industrial	1.38
Consumer Products	1.06
Restaurants	0.93
Leisure	0.68
Retailers	0.50
Others	0.48
Consumer Cyclical Services	0.18
Paper	0.06
Cash & Cash Equivalents	3.18

Maturity and Sector Weightings: Portfolio weights 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 any derivatives, unsettled trades or other factors.

Quality Weightings: 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. 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 and equivalents (defined as bonds with stated maturities, or that can be redeemed at intervals, of seven days or less) as well as derivatives are excluded from this breakdown. As a result, the chart does not reflect the fund's total net assets.

For information related to the “Portfolio Diversification” section, please see Explanatory Notes.

PORTFOLIO CHARACTERISTICS (AS OF 6/30/15)—Fund vs. Credit Suisse High Yield Index

	Fund	Benchmark
Average Duration	4.36 Yrs	4.25 Yrs
Average Weighted Maturity	5.37 Yrs	5.09 Yrs
Annual Turnover Ratio (As of 5/31/14)	29.33%	N/A

PERFORMANCE RISK STATISTICS - Class A

Modern Portfolio Theory (MPT) Statistics (As of 6/30/15)

Performance Risk Statistics	3 Years	5 Years	10 Years
Standard Deviation	5.18	6.70	9.77
Alpha	-2.15	-2.15	-0.65
Beta	1.19	1.20	1.00
Sharpe Ratio	1.08	1.13	0.57
Information Ratio	-0.79	-0.46	-0.38
Tracking Error	1.28	1.47	1.88
R-Squared	96.43	97.90	96.26

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/(800) 342-5236 or visit franklintempleton.com for the most recent month-end performance.

GLOSSARY

Alpha: Alpha measures the difference between a fund's actual returns and its expected returns given its risk level as measured by its beta. A positive alpha figure indicates the fund has performed better than its beta would predict. In contrast, a negative alpha indicates a fund has underperformed, given the expectations established by the fund's beta. Some investors see alpha as a measurement of the value added or subtracted by a fund's manager.
Annual Turnover Ratio: Percentage of a fund's holdings replaced with other holdings during a fund's most recent full fiscal year. A fund's fiscal year end can be found in a fund's current summary prospectus and/or prospectus.
Average Duration: Also known as 'effective' or 'Macaulay' duration it is 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. It's an indication of an issue's coupon relative to its maturity. Rising interest rates mean falling bond prices; declining interest rates mean rising bond prices. The bigger the duration number, the greater the interest-rate risk; (or reward for bond prices). The weighted average duration of a fund reflects the effective duration of the underlying issues, based on the size of each holding. This value differs with 'Modified Duration' which is modified for the market (dirty) price of an issue.
Average Weighted Maturity: An estimate of the number of terms to maturity, taking the possibility of early payments into account, for the underlying holdings. The calculation uses the weighted average time to the receipt of all future cash flows for all holdings. Also known as 'average life' for fixed-term products. The weighted average maturity of a fund reflects the maturity of the underlying issues, based on the size of each holding.
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.
R-Squared: A measure of how much of a portfolio's performance can be explained by the returns from the overall market (or a benchmark index). If a portfolio's total return precisely matched that of the overall market or benchmark, its R-squared would be 100. If a portfolio's return bore no relationship to the market's returns, its R-squared would be 0.
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 a fund's return varies from its previous returns or from the average of all similar funds. The larger the standard deviation, the greater the likelihood (and risk) that a security's performance will fluctuate from the average return.
Tracking Error: Measure of the deviation of the return of a fund compared to the return of a benchmark over a fixed period of time. Expressed as a percentage. The more passively the investment fund is managed, the smaller the tracking error.

Portfolio Characteristics: The figures shown for Average Duration and Average Weighted Maturity reflect certain derivatives held in the portfolio (or their underlying reference assets). Beta, Information Ratio, R-Squared, and Tracking Error are measured against the Credit Suisse High Yield Index.
For information related to the "Portfolio Characteristics" section, please see Explanatory Notes.

MARKET REVIEW

During the quarter, the high-yield market displayed resilience even as the US yield curve began to move higher. However, investor risk aversion took a toll on market sentiment toward quarter-end as fears of the consequences of a Greek exit from the eurozone took hold. Amid these headwinds, high-yield market spreads eventually ended the period relatively flat compared to the prior quarter-end, but not before tightening for much of the quarter. In comparison, US equity market performance was relatively flat, with the S&P 500® Index registering a 0.28% total return.

Interest rates on 10-year and five-year US Treasury notes ended the quarter higher as the US Federal Reserve (Fed) signaled firmness in its intent to raise interest rates. In terms of high-yield trading technical conditions, US high-yield new-issue supply trailed 2014 levels on a year-to-date basis, as second-quarter 2015 supply was about a quarter less than the prior year's new issuance. Looking at demand, while high-yield retail vehicles saw mixed investor flows during the second quarter, the net result was negative. In this environment, overall, B-rated high-yield bonds generally outperformed both higher-rated (i.e., BB) and lower-rated (i.e., CCC) ratings tiers, as BB bonds felt a greater negative impact from the rise in government bond yields, while CCC bonds were pushed lower by increased financial market risk aversion.

PERFORMANCE REVIEW AND CONTRIBUTORS TO PERFORMANCE

Performance Review

During the quarter, security selection was the main detractor from relative returns. In contrast, our ratings-quality tilt was a positive contributor to relative performance.

The fund ranked in the fourth quartile of its Lipper peer group for the second quarter and one year periods. For longer-term peer performance, the Fund ranked in the third quartile for the past three and five years, in the second quartile for the 10- year and 20-year periods.3

Portfolio Positioning

At quarter-end, the fund held a higher beta positioning, driven by the fund's overweighting of the energy sector.

Outlook & Strategy

Looking forward into the rest of 2015, we think an initial rate hike has been well telegraphed (unlike the 2013 “taper tantrum” period) by Fed officials. Given this view, we believe the market's fixation with attempting to determine the precise date for the first rate hike is somewhat misplaced. While we could see some short-term outflows from high-yield retail vehicles due to a concern over rising US rates, over time we think flows are likely to normalize, with spreads helping to cushion investors from the increase in rates.

Away from interest rates, corporate fundamentals have remained broadly supportive, in our view, with the exception of commodity-oriented sectors. The year-over-year declines in oil and certain other global commodity prices will likely continue to pressure operating results for energy and mining issuers. Nonetheless, we have continued to find value in select issuers in these sectors at recent valuation levels.

The above commentary does not provide a complete analysis of every material fact regarding any market, region, industry, security, portfolio or pooled investment vehicle. Portfolio holdings information, opinions and other market or economic information and data provided are as of the date of the commentary, unless another date is expressly indicated, and may change without notice. Statements of fact cited by the manager have been obtained from sources considered reliable but no representation is made as to their completeness or accuracy. The manager’s assessment of a particular industry, region, security, sector or investment is intended solely to provide insight into the manager’s investment process and is not a recommendation to buy or sell any security, nor investment advice. References to particular securities or sectors are only for the limited purpose of illustrating general market or economic conditions and are not recommendations to buy or sell a security. Although historical data is no guarantee of future results, these insights may help you understand our investment management philosophy.

INVESTMENT PHILOSOPHY AND PROCESS

Investment Philosophy

We believe that strong high-yield returns can be best sought through the disciplined application of a research-based approach that seeks to capitalize on inefficiencies across the high-yield market. Through rigorous bottom-up research, we seek to identify attractive income and total return opportunities with the potential to add value over a three- to five-year horizon.

Investment Process

Fundamental Analysis

- Conduct independent, bottom-up analysis focusing on critical factors that affect a company's long-term performance, such as financial structure, cash flow and earnings prospects, products, market share and strategic positioning

Long-Term Outlook

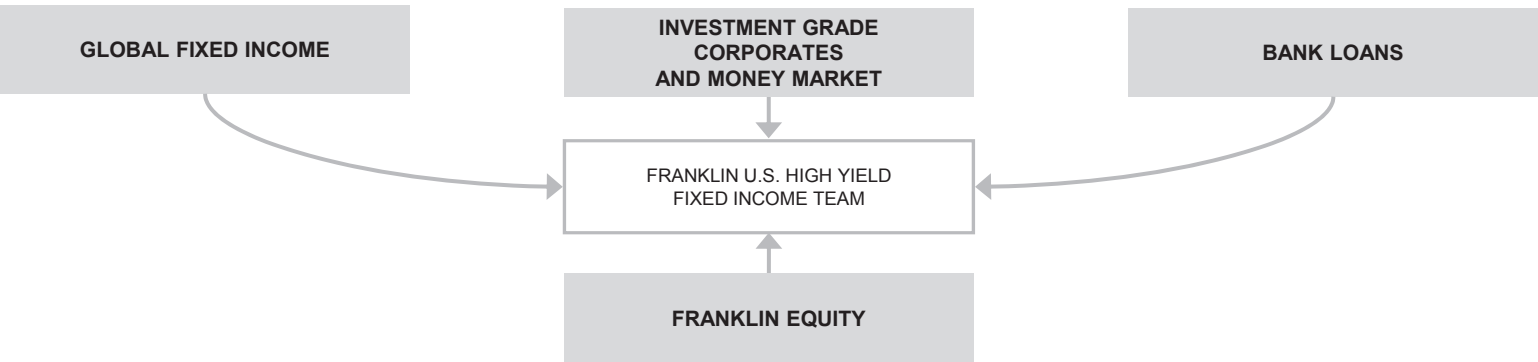
- Analyze securities whose projected return potential over three to five years surpasses the potential risk of adverse price movements or default

Seek Valuation Inefficiencies

- Invest opportunistically in companies and sectors that are infrequently followed or are out of favor with the marketplace

Disciplined Approach

- Seeks to adhere to a long-term strategy through changing market environments, supported by separate in-house risk management and quantitative research groups



INVESTMENT AND MANAGEMENT TEAM (AS OF 6/30/15)

Franklin High Income Fund Management Team	Years with Firm	Years Experience
Christopher Molumphy, CFA	26	28
Eric Takaha, CFA	23	23
Glenn Voyles	21	22
Franklin Templeton Fixed Income Management Team	**Years with Firm**	**Years Experience**
Christopher Molumphy, CFA - Chief Investment Officer	26	28
Franklin Templeton Fixed Income	**Number of Members**	**Average Years Experience**
Portfolio Managers/Analysts	19	17
Research Analysts	67	13
Traders	12	17
Corporate Credit/High Yield Research Team	**Number of Members**	**Average Years Experience**
Portfolio Managers	4	26
Portfolio Managers/Analysts	6	22
Additional Resources		
Bank Loans	Global Fixed Income	Mortgages/ABS
Quantitative	Municipals	Franklin Equity

WHAT ARE THE RISKS

All investments involve risks, including possible loss of principal. The risks associated with higher-yielding, lower-rated securities include higher risk of default and loss of principal. Changes in the financial strength of a bond issuer or in a bond's credit rating may affect its value. In addition, interest rate movements will affect the fund's share price and yield. 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. Investment in foreign securities also involves special risks, including currency fluctuations, and political and economic uncertainty. These and other risk considerations are discussed in the fund's prospectus.

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EXPLANATORY NOTES

FUND CHARACTERISTICS

Number of Holdings: All portfolio holdings are subject to change.

THIRD-PARTY FUND DATA

Morningstar Rating™: Source: Morningstar® 6/30/15. For each fund with at least a three-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 after adjusting for sales loads (except for load-waived A shares), redemption fees, and the risk free rate, 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. Class A shares of Franklin High Income Fund received a traditional Morningstar Rating of 2, 2 and 3 star(s) for the 3-, 5- and 10-year periods, respectively. Load-waived Class A shares of Franklin High Income Fund received Morningstar Ratings of 3, 3 and 3 star(s) for the 3-, 5- and 10- year periods, respectively. The Morningstar Rating™ may differ among share classes of a mutual fund as a result of different sales loads and/or expense structure. **Past performance does not guarantee future results.** ©2015 Morningstar, Inc. All rights reserved. The information contained herein is proprietary to Morningstar and/or its content providers; may not be copied or distributed; and is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

PERFORMANCE DATA

The fund offers other share classes subject to different fees and expenses, which will affect their performance.
Source for Index: FactSet. Indexes are unmanaged and one cannot invest directly in an index.

PORTFOLIO DIVERSIFICATION

Top Ten Holdings: Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change. The portfolio manager for the fund reserves the right to withhold release of information with respect to holdings that would otherwise be included. For updated information, call Franklin Templeton Investments at (800) DIAL BEN/(800) 342-5236 or visit franklintempleton.com.
Maturity/Quality/Sector Weightings: Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change.

PORTFOLIO CHARACTERISTICS

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 portfolio holdings are subject to change.

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/(800) 342-5236 or visit franklintempleton.com. Please carefully read a prospectus before you invest or send money.

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