



FRANKLIN TEMPLETON
INVESTMENTS

Franklin Income Fund—Class A

Product Profile

Fourth Quarter 2014

FUND CHARACTERISTICS (AS OF 12/31/14)

NASDAQ Symbol	FKINX
Fund Inception Date	8/31/48
Dividends	Monthly on the 3rd business day
Investment Style	Hybrid
Benchmarks	S&P 500 Index Barclays U.S. Aggregate Index
Lipper Classification	Mixed-Asset Target Alloc Moderate Funds
Morningstar Category™	Conservative Allocation
Total Net Assets—All Share Classes	92,535 million
Number of Holdings	695
Maximum Initial Sales Charge	4.25%

THIRD-PARTY FUND DATA

Overall Morningstar Rating™

Traditional



Load Waived



As of December 31, 2014 the fund's Class A shares received a traditional 4 star overall Morningstar Rating™ and a load waived 5 star Morningstar Rating™, measuring risk-adjusted returns against 575, 463 and 253 U.S.-domiciled Conservative Allocation 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 to maximize income, while maintaining prospects for capital appreciation, by investing in a diversified portfolio of stocks and bonds.

PERFORMANCE DATA

Average Annual Total Returns for Periods Ended December 31, 2014 (%)

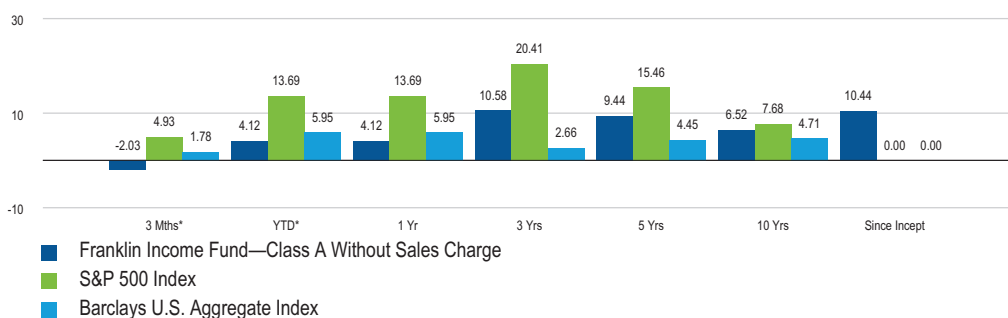
	3 Mths*	YTD*	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Incept (8/31/48)
With Sales Charge	-6.19	-0.41	-0.41	9.04	8.51	6.07	10.37
Without Sales Charge	-2.03	4.12	4.12	10.58	9.44	6.52	10.44
S&P 500 Index	4.93	13.69	13.69	20.41	15.46	7.68	N/A
Barclays U.S. Aggregate Index	1.78	5.95	5.95	2.66	4.45	4.71	N/A

Total Annual Operating Expenses—0.62%

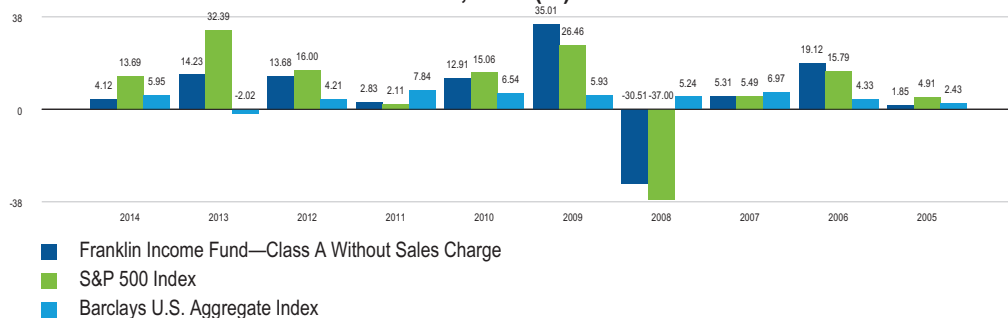
30-Day Standardized Yield (As of 12/31/14)—4.00%

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 December 31, 2014 (%)



Calendar Year Returns As of December 31, 2014 (%)



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 12/31/14)

Top Five Holdings

Stocks

Security Name	% of Total
ROYAL DUTCH SHELL	1.81
GENERAL ELECTRIC CO	1.57
PFIZER INC	1.52
BP PLC	1.48
TARGET CORP	1.48
Total	7.86

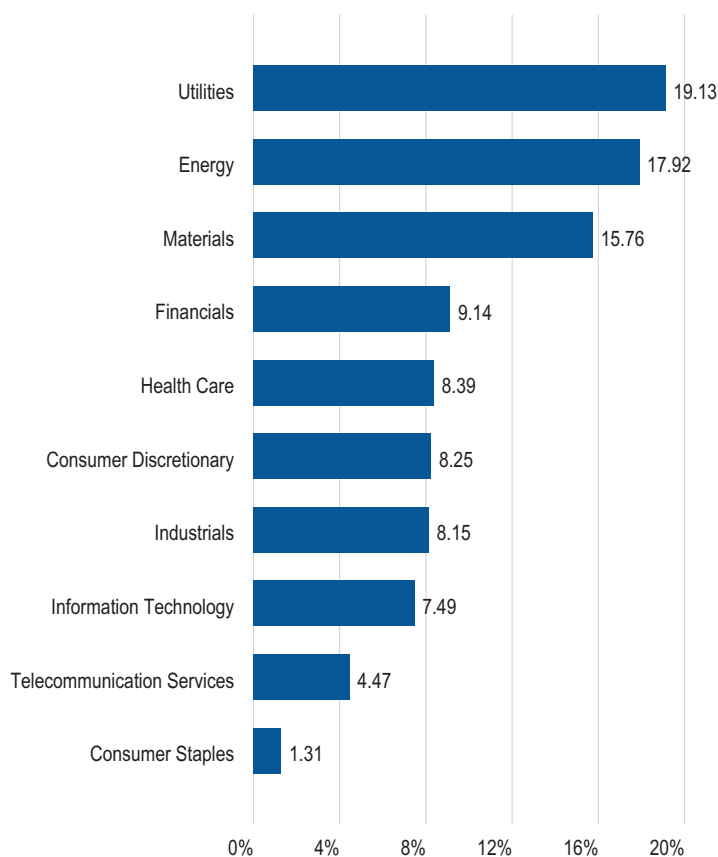
Convertibles

Security Name	% of Total
BANK OF AMERICA CORP	1.29
WELLS FARGO & CO	0.68
CISCO SYSTEMS INC	0.58
INTEL CORP	0.52
LYONDELLBASELL INDUSTRIES NV	0.51
Total	3.58

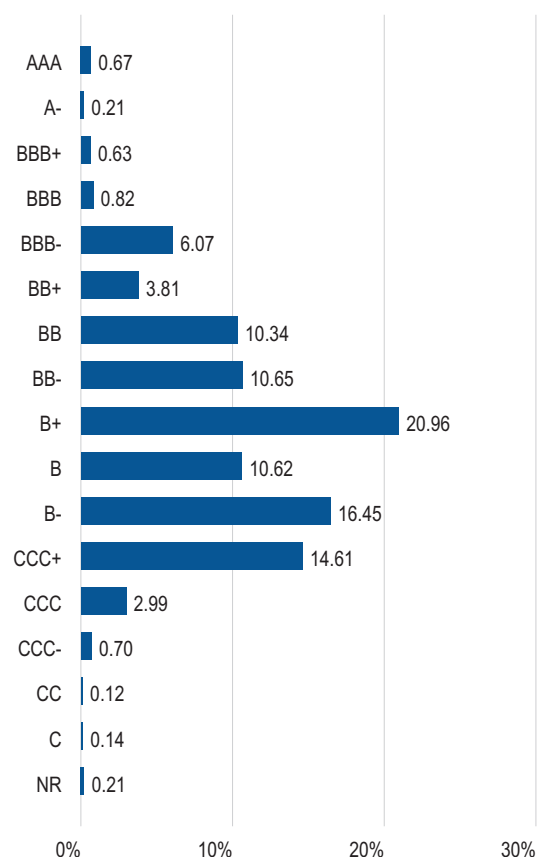
Bonds

Security Name	% of Total
FIRST DATA CORP	2.25
IHEARTCOMMUNICATIONS INC	2.07
SPRINT CORP	1.82
JPMORGAN CHASE & CO	1.67
TENET HEALTHCARE CORP	1.15
Total	8.96

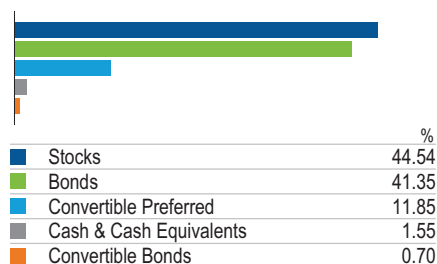
Equity Sector Weightings (% of Equity)



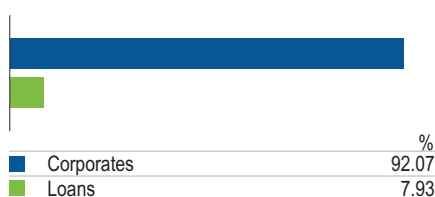
Fixed Income Quality Weightings (% of Fixed Income)



Portfolio Allocation



Bond Allocation



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. 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.

Portfolio and Bond Allocations: 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.

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

PORTFOLIO CHARACTERISTICS (AS OF 12/31/14)

Equity vs. S&P 500 Index	Fund	Benchmark	Fixed Income vs. Barclays U.S. Aggregate Index	Fund	Benchmark
Weighted Average Market Capitalization (Millions)	89,839	131,973	Average Duration	3.98 Yrs	5.55 Yrs
Price to Earnings (Weighted Average)	16.80x	21.29x	Average Weighted Maturity	5.84 Yrs	7.63 Yrs
Price to Book Value (Weighted Average)	1.82x	2.78x			
Price to Cash Flow (Weighted Average)	7.47x	11.18x			

PERFORMANCE RISK STATISTICS - Class A

Modern Portfolio Theory (MPT) Statistics
(As of 12/31/14)

Performance Risk Statistics	3 Years	5 Years	10 Years
Standard Deviation	6.83	8.74	11.53
Alpha	-1.50	0.27	0.69
Beta	0.62	0.60	0.69
Sharpe Ratio	1.54	1.07	0.44
Information Ratio	-1.87	-0.91	-0.16
Tracking Error	5.25	6.63	7.14
R-Squared	66.08	77.67	76.93

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.

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.

Benchmark: An unmanaged group of securities whose overall performance is used as a standard to measure investment performance.

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.

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

Price to Cash Flow (P/CF): Supplements price/earnings ratio as a measure of relative value; represents a weighted average of the price/cash flow ratios for the underlying fund holdings.

Price to Earnings (P/E): The share price of a stock, divided by its per-share earnings over the past year. P/E is a good indicator of market expectations about a company's prospects; the higher the P/E, the greater the expectations for a company's future growth in earnings.

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.

MARKET REVIEW

Despite steep intermittent selloffs that sent volatility gauges to two-year highs, major US equity indexes rose solidly in the fourth quarter amid rising corporate earnings and broadening US economic strength. Supportive domestic data helped US stocks overcome concerns about growth in China, Europe and Japan, intensifying geopolitical tensions with Russia, collapsing oil prices, and the Federal Reserve's (Fed's) plans for interest rates. As major US equity indexes advanced, seven out of 10 sectors traded higher, led by utilities, consumer discretionary and consumer staples, contrasting with modest declines for telecommunication services and materials as well as a pronounced selloff in the energy sector. Small-capitalization stocks generally outperformed their mid-cap peers by a wide margin, while both tiers topped the large-cap universe. By investment style, value-oriented equities slightly outperformed their growth counterparts among large- and mid-cap stocks, while the inverse was generally true for small caps.

PERFORMANCE REVIEW AND CONTRIBUTORS TO PERFORMANCE

Performance Review

Both the equity and fixed income portions of the fund detracted from its absolute return in the fourth quarter of 2014, with much of the overall decline owing to energy- and materials-related equity and fixed income holdings. Equity results were aided by the utilities, consumer discretionary, information technology (IT) and industrials sectors. In fixed income, investments in the consumer non-cyclical, technology and communications industries were helpful, though these and other contributors were outweighed by declines in energy and basic industry. In particular, high-yield bonds experienced heightened volatility as plummeting oil prices raised investor concerns about financial institutions' exposures to the energy sector, the outlook for inflation and how soon the Fed will raise baseline interest rates.

Equity Analysis

High-dividend-paying companies were the beneficiaries of lower bond yields as many investors sought them out as an alternative source of income. The more bond-like parts of the equity market, including utilities, fared quite well in this environment. At the same time, meaningful detractors from fund performance were concentrated in the energy and materials sectors. The collapse in global crude oil prices amid a rising supply/demand imbalance and a price war driven by OPEC (Organization of the Petroleum Exporting Countries) weighed heavily on share prices across the energy sector, including major integrated oil conglomerates, independent exploration and production (E&P) companies, and oilfield services and equipment providers. The most significant detractors for the period included some of the fund's larger integrated oil company positions such as Royal Dutch Shell, BP and Total. Convertible security positions in several E&P firms also declined sharply as commodity prices struggled to find a floor. While energy-related price declines negatively impacted the fund's net asset value by quarter-end, we have thus far seen little to no impact on the income generated from our related sector holdings. Additionally, we believe the indiscriminate and panicky selling during the fourth quarter provided long-term investors with potentially attractive opportunities.

The slowdown in economic activity around the world (particularly in regions outside North America) also weighed on materials and basic industry companies. Weakness in iron ore, copper and coal pricing led to declines in the fund's shares of BHP Billiton, Freeport McMoRan and Rio Tinto. Petrochemical producers LyondellBasell Industries and Dow Chemical also detracted from performance as lower global energy prices eroded investor perceptions concerning their recent North American feedstock advantage. Additionally, the fund had negative results in the financials sector, with an unfavorable court ruling driving down the value of Fannie Mae preferred shares and offsetting the positive performance from shares of Wells Fargo, and Bank of America.

Offsetting the weakness in energy, materials and financials were several sectors that generated attractive gains for the portfolio, including utilities, consumer discretionary and IT. Favorable bond market conditions such as continued low and stable long-term interest rates amid easing inflationary pressures, combined with the stable, yet moderate, growth profiles of many utility companies, helped underpin their share-price advances. Gains were widespread across the sector, including both regulated and diversified utilities. Notable contributors included PG&E, The Southern Company, Duke Energy, Exelon, Xcel Energy and NextEra Energy. Several consumer discretionary holdings benefited from the decline in oil prices, which reduced energy costs for consumers, boosting disposable incomes. Shares of top contributor Target increased solidly amid this favorable backdrop for retailers as new management effectively navigated some recent challenges, including a technology failure and data breach that hampered sales and negatively impacted its customers' perception of the company. Other perceived winners from the decline in energy prices included automotive manufacturers as reduced fuel costs spurred auto sales. Contributors to results included General Motors and Ford Motor. IT was another area of strength as most holdings advanced, especially technology bellwethers such as Cisco Systems and Intel.

Fixed Income Analysis

Bond markets generally benefited from the continuation of low long-term interest rates, with the 10-year US Treasury note yielding 2.17% at period-end as compared to 2.52% on September 30 and 3.04% at year-end 2013. At one point in December, the yield fell to 2.07%, the lowest closing level since May 2013. Generally low interest rates around the world, the easing of inflationary pressures and uncertain global economic conditions all contributed to the favorable fixed income environment. In particular, non-US investors found Treasuries attractive despite historically low yields, a sentiment largely based on favorable spreads versus comparable securities in Germany, Japan and elsewhere. In sharp contrast to their investment-grade counterparts, high-yield corporate bonds generally declined as credit spreads widened amid investor concerns over valuations and elevated risk in the high-yield market. Contributing to these concerns was the prominent role energy companies have played in recent years' bond issuance. As oil prices collapsed in the latter half of 2014, many investors have sought to reduce their exposures to high-yield energy sector positions, contributing to substantial widening of credit spreads across the range of energy-related debt securities. Ultimately, this trend contributed to a widening of credit spreads across the broader high-yield universe, compounded to some extent by recent investor outflows from the asset class.

Within the fund's fixed income portion, high-yield energy bonds were a key hindrance, including those of E&P companies negatively impacted by the decline in oil and gas prices. In this environment, major detractors included SandRidge Energy, Energy XXI Gulf Coast, Halcon Resources, Quicksilver Resources

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.

PERFORMANCE REVIEW AND CONTRIBUTORS TO PERFORMANCE (CONTINUED)

and W&T Offshore. The deteriorating outlook for upstream producers also weighed on energy services firms, including providers of contract offshore drilling services; among these companies, our major detractors were Hercules Offshore, Ocean Rig and Offshore Group Investment. Basic industry holdings also declined overall during the period, including coal producers such as Alpha Natural Resources, Arch Coal and Walter Energy, as well as Australian iron ore producer Fortescue Metals Group. Offsetting some of the weakness in energy and basic industry were consumer non-cyclical positions that generated positive results, including hospital operators Tenet Healthcare and HCA. The favorable backdrop for consumers also aided several technology sector positions, including First Data, and communications sector positions such as Charter Communications and T-Mobile USA. Most of our electric utility-related bonds also appreciated, led by Calpine.

Portfolio Positioning

In 2014's fourth quarter, we continued to have a heavier weighting in equity securities even as we added to the fixed income portion, with a period-end equity allocation of 57.1% of total holdings versus 41.4% for fixed income securities. For comparison, these positions were 60.6% and 38.9%, respectively, at September-end. The fund's largest equity sector allocations at year-end were utilities, energy and materials. Our largest exposures in fixed income were communications, energy and consumer non-cyclical. Included in our equity weighting was 12.6% in convertible securities and equity-linked notes that we believe are potentially well suited in terms of our investment objective of maximizing income while maintaining the ability to participate in potential future upside in the underlying common stock. The fund's exposure to non-US securities, at the high end of its historical exposure level, remained tilted more toward equities and was dominated by large multinational conglomerates that we believe could offer strong performance prospects in the months ahead.

Outlook & Strategy

With long-term interest rates anchored near historical lows in the United States and many global markets at year-end 2014, our search for securities offering attractive income and long-term growth potential has focused on a mix of equities and equity-linked securities as well as select opportunities in corporate bonds, particularly non-investment-grade debt securities. While financial markets generally proved favorable in 2014, there were several periods of elevated volatility, driven in part by concerns over slower growth in Europe and many emerging economies, including China, Russia and Brazil. Looking to 2015, we believe strength in corporate profits and consumer spending is likely to support further economic growth in the United States. Amid this favorable outlook, we believe fundamentals should continue to support asset prices and provide performance potential.

We also believe US equity-market fundamentals have continued to look strong, despite what many observers have been calling a late-stage bull market. Even with modest earnings or revenue growth, US companies have been generating tremendous amounts of cash amid strong profitability. While acknowledging the soundness of corporate balance sheets and significant free cash flow, we examine corporate management views on merger-and-acquisition activity, business investment, dividend growth and share buybacks. We seek to understand how managers of companies view capital allocation and how disciplined a process that is for them—key components of our analysis and investment criteria. For example, we think many companies may be poised to grow their dividends at or in excess of their earnings growth rate in 2015. Lately, these observations and our bottom-up strategy have been leading us to what we view as well-run, top-tier companies in the IT sector, and many of those with strong balance sheets and cash flows have been increasingly emphasizing dividends. Elsewhere, the energy and materials sectors have suffered from the recent commodities downdraft amid robust supply additions and uncertain demand levels. More so than materials, energy has been deeply out of favor lately. There are, we think, some valid reasons for the pullback in energy prices, but we believe selling in that sector has been more than warranted in some cases, and some of it appeared to be based largely on fear or forced selling. As a result, energy is one of the sectors that our bottom-up security selection process, which is based on fundamental research, has been steering us toward recently, with interesting opportunities in both stocks and bonds.

Within fixed income, long-term interest rates moved lower in 2014, contrary to most economists' forecasts at the beginning of the year, leading to continued robust corporate bond issuance. Meanwhile, corporate credit spreads have contracted and hovered around historically tight levels. Volatility has recently increased in the US high-yield corporate bond segment, with credit risk and trading liquidity issues becoming more of a concern to market participants. This has been the case especially at the lower end of the credit-quality spectrum, as significant investor outflows came into play in 2014's latter half. In part, we believe the selloff may have come in response to elevated geopolitical tensions or uncertainty about the pace of the Fed's interest-rate hike cycle that seemed to amplify existing valuation concerns following the asset class's rally over the past few years. This shift in investor sentiment occurred despite default rates that have remained near historical lows, even for lower-rated non-investment-grade credits. Although high-yield issuers have been re-levering, interest coverage ratios have improved over the past few years as companies took advantage of low borrowing costs and increased their cash holdings. With flexibility to consider other asset classes, we have been favoring equities in the recent market environment, which reflects our overall outlook for fixed income. However, in our view, the high-yield asset class has been fairly resilient amid bouts of volatility, which can help investors reassess their tolerance for risk, though we do not think periodic

PERFORMANCE REVIEW AND CONTRIBUTORS TO PERFORMANCE (CONTINUED)

pullbacks are necessarily unhealthy for the bond market, and we believe there are still pockets of opportunity in the corporate bond market.

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 Approach

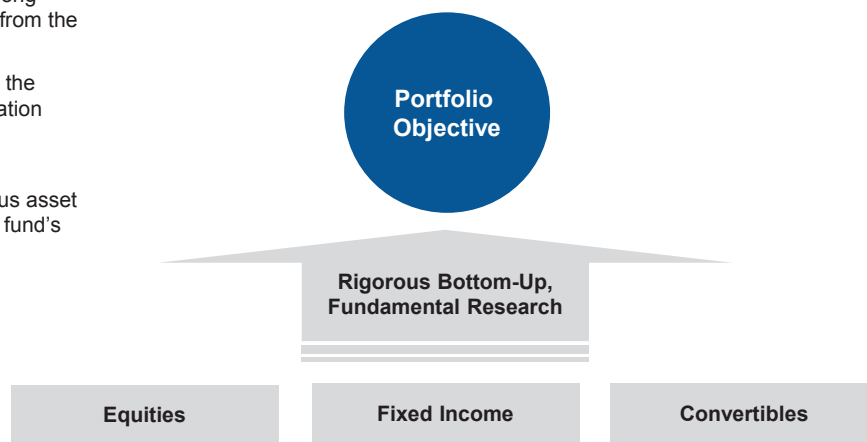
Investment Philosophy

We believe that we can identify unique investments with the potential to deliver attractive risk-adjusted total returns. We expect to profit from long-term investments that seek to exploit a fundamental view that differs from the “market consensus” regarding growth potential or valuation.

Our goal is to focus on investment opportunities that we believe offer the most compelling risk-reward trade-off between growth potential, valuation and risk.

Investment Approach

We utilize a flexible and diversified approach, searching across various asset classes including equities, fixed income and convertibles to meet the fund’s investment objective.



INVESTMENT AND MANAGEMENT TEAM (AS OF 12/31/14)

Franklin Income Fund Management Team	Years with Firm	Years Experience
Edward D. Perks, CFA	22	22
Matt Quinlan	9	20
Alex Peters, CFA	22	23
Charles B. Johnson	57	57
Franklin Equity Group	Years with Firm	Years Experience
Edward B. Jamieson - Chief Investment Officer	27	39
Franklin Equity Group	Number of Members	Average Years Experience
Portfolio Managers/Analysts	28	18
Research Analysts	33	13
Franklin Templeton Fixed Income Group	U.S. Growth	U.S. Value
Performance Analysis & Investment Risks	Global Growth & European Equity	Sector Strategy & Research

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.

EXPLANATORY NOTES**FUND CHARACTERISTICS**

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

THIRD-PARTY FUND DATA

Morningstar Rating™: Source: Morningstar® 12/31/14. 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 Income Fund received a traditional Morningstar Rating of 4, 4 and 3 star(s) for the 3-, 5- and 10-year periods, respectively. Load-waived Class A shares of Franklin Income Fund received Morningstar Ratings of 5, 5 and 4 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.

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On May 1, 1994, the fund implemented a Rule 12b-1 plan, which affects subsequent performance.

PORTFOLIO DIVERSIFICATION

Top Five Holdings: Holdings of the same issuer have been combined. 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.

Equity Sector Weightings: Weightings as percent of equity (unless otherwise noted). Percentage may not equal 100% due to rounding. Information is historical and may not reflect current or future portfolio characteristics.

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

Source for Index: FactSet. Indexes are unmanaged and one cannot invest directly in an index.

PORTFOLIO CHARACTERISTICS

Average Weighted Maturity/Average Duration: Data points pertain to the fixed income component of the fund.

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. All portfolio holdings are subject to change.

Source: FactSet. For the portfolio, the Price to Earnings, Price to Cash Flow, and Price to Book Value calculations for the weighted average use harmonic means. Values less than 0.01 (i.e., negative values) are excluded and values in excess of 200x are capped at 200x. For the benchmark, no limits are applied to these ratios in keeping with the benchmark's calculation methodology. Market capitalization statistics are indicated in the base currency for the portfolio presented.

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.



FRANKLIN TEMPLETON
INVESTMENTS

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