



# Franklin New York Intermediate-Term Tax-Free Income Fund—Class A, C

Investment Grade  
Fixed Income  
March 31, 2019

## Product Profile

### Product Details<sup>1</sup>

Fund Assets	\$910,223,683.06
Fund Inception Date	09/21/1992
Number of Holdings	141
Investment Style	Investment Grade
Benchmark	Bloomberg Barclays 10-Year Municipal Bond Index
Lipper Classification	New York Intermdt Municipal Debt Funds
Morningstar Category™	Muni New York Intermediate
Dividend Frequency	Monthly, on or near the last business day
<b>Inception Date</b>	
Class A	09/10/2018
Class C	07/01/2003
<b>CUSIP NASDAQ Symbol</b>	
Class A	354 128 860 FKNQX
Class C	354 128 506 FKNCX

### Maximum Sales Charges

Class A	2.25% initial sales charge
Class C	1.00% contingent deferred sales charge (CDSC) in the first year only

### Total Annual Operating Expenses

Class A	0.83%
Class C	1.23%

### 30-Day Standardized Yield<sup>2</sup>

Class A	1.26%
Class C	0.88%

### Taxable Equivalent Yield<sup>3</sup>

Class A	2.71%
Class C	1.89%

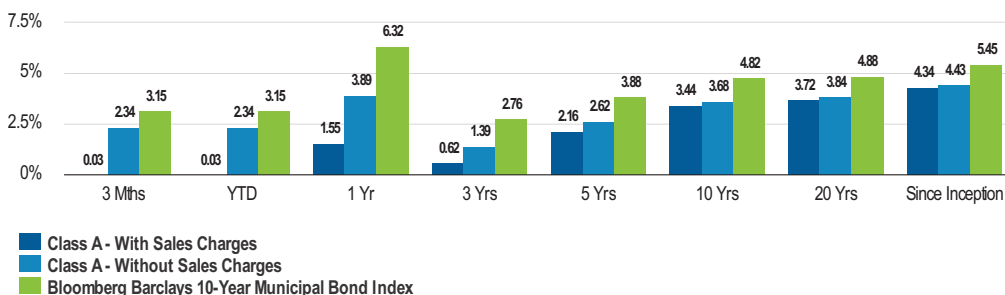
### Fund Description

The fund seeks to provide investors with as high a level of income exempt from federal income taxes and New York state and New York City personal income taxes as is consistent with prudent investment management and the preservation of shareholders' capital.<sup>4</sup> The fund maintains a dollar-weighted average portfolio maturity of three to 10 years.

### Performance Data<sup>5,6,7</sup>

#### Average Annual Total Returns<sup>8,9</sup> (%)

	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	20 Yrs	Since Inception
Class A - With Sales Charges	0.03	0.03	1.55	0.62	2.16	3.44	3.72	4.34
Class A - Without Sales Charges	2.34	2.34	3.89	1.39	2.62	3.68	3.84	4.43
Class C - With Sales Charges	1.23	1.23	2.39	0.86	2.09	3.12	-	2.73
Class C - Without Sales Charges	2.23	2.23	3.39	0.86	2.09	3.12	-	2.73
Bloomberg Barclays 10-Year Municipal Bond Index	3.15	3.15	6.32	2.76	3.88	4.82	4.88	5.45



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.

- All holdings are subject to change.
- 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.
- The Taxable Equivalent Yield assumes the maximum regular federal income tax rate, maximum New York State and New York City personal income tax rates, and the Medicare tax in effect on December 2018.
- Distributions of capital gains are generally taxable. Although the fund has the ability to invest up to 20% of its assets in bonds subject to the alternative minimum tax, the fund's current exposure to such bonds is 0%.
- Class C: Prior to 01/01/2004, these shares were offered with an initial sales charge; thus actual returns may differ. The fund offers other share classes subject to different fees and expenses, which will affect their performance. Please see the prospectus for details.
- 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.
- Effective 09/10/2018 Class A shares closed to new investors, were renamed Class A1 shares, and a new Class A share with a different expense structure became available. Class A performance shown has been calculated as follows: (a) for periods prior to 09/10/2018, a restated figure is used based on the fund's Class A1 performance and including any Rule 12b-1 rate differential as exists between Class A1 and Class A; and (b) for periods after 09/10/2018, actual Class A performance is used, reflecting all charges and fees applicable to that class.
- Periods shorter than one year are shown as cumulative total returns.
- Since inception return for the benchmark is calculated to the fund inception date.

## Calendar Year Returns (% Without Sales Charges)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Class A	0.31	3.41	-0.26	2.79	7.02	-2.64	4.90	11.00	2.78	9.33
Class C	-0.19	2.84	-0.80	2.30	6.35	-3.16	4.41	10.38	2.13	8.81
Bloomberg Barclays 10-Year Municipal Bond Index	1.41	5.83	-0.12	3.76	8.72	-2.17	5.70	12.32	4.05	9.86

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

Portfolio Manager Insight<sup>10</sup>

## Performance Review

## QUARTERLY KEY PERFORMANCE DRIVERS

	Duration	Quality	Sector
HELPED	Overweight Long End of Yield Curve (20 Years and Longer)	Underweight AAA Rated Bonds	Underweight Local General Obligation
	—	Overweight A Rated Bonds	Overweight Education
	—	—	Overweight Leasing
HURT	Underweight Intermediate Portion of Yield Curve (Five to Eight Years)	Underweight BBB Rated Bonds	Underweight Industrial Revenue
	—	—	Underweight Transportation
	—	—	—

- Over the quarter, higher-quality investment-grade municipal bonds (AAA and AA rated) underperformed lower-quality investment-grade municipal bonds. Our underweight to BBB rated bonds detracted from performance for the period.
- We continue to focus our purchases on essential purpose revenue bonds. Our overweight to these sectors contributed to relative returns over the period as these bonds outperformed general obligation bonds in the intermediate space.

## Outlook &amp; Strategy

- We continue to manage our strategies with a focus on maximizing tax-free income for investors. This approach relies heavily upon our research capabilities and credit analysis.
- In general, the performance and volatility of the municipal bond market are typically driven by supply and demand dynamics, as well as interest rates. From a credit perspective, there has been little change in underlying market fundamentals, in our view, as general creditworthiness and low default rates remain stable.
- As interest rates decline and volatility decreases, our strategies capitalize on market liquidity to optimize credit quality, diversification and overall portfolio structure, which can potentially help protect long-term investment income. When rates do rise and volatility returns, our strategies typically sell lower-yielding positions and replace them with higher-yielding securities, resulting in an increase in portfolio turnover and higher distributions of tax-free income for clients. Although we have been more conservatively positioned, we will use periods of volatility to buy opportunistically across available credits should relative values improve.
- Regardless of the market environment, our long history of navigating the various cycles of the municipal market has provided a steady source of tax-free income for our clients. As we continue to monitor the market, we seek to improve our income production and take advantage of market volatility, while maintaining our long-standing philosophy of investing conservatively in high-quality, diversified municipal bond portfolios.

10. 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<sup>11,12</sup>

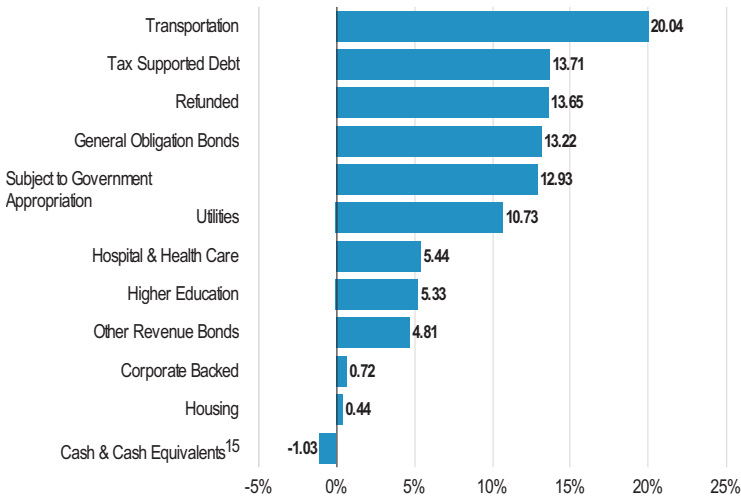
	Portfolio
Average Duration	4.75 Yrs
Average Weighted Maturity	8.00 Yrs
AMT Exposure	0.00%
Annual Turnover Ratio (09/30/2018)	11.15%

11. 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.

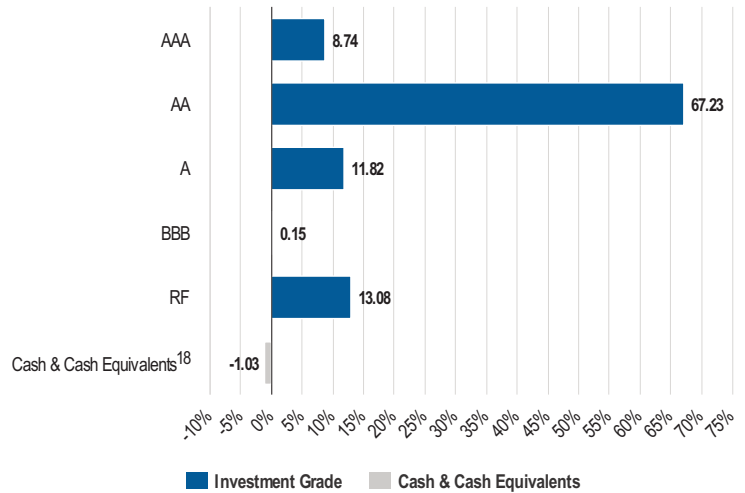
12. Turnover Ratio is as of the fund's fiscal year-end.

Portfolio Diversification

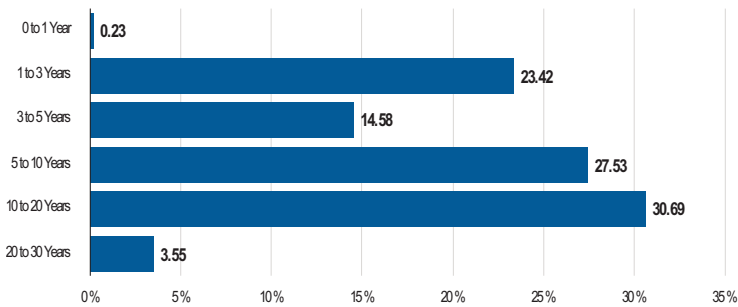
Sector Allocation<sup>13,14</sup>  
Percent of Total



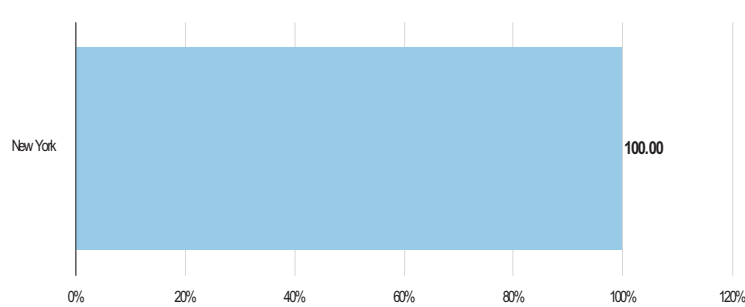
Credit Quality Ratings<sup>16,17</sup>  
Percent of Total



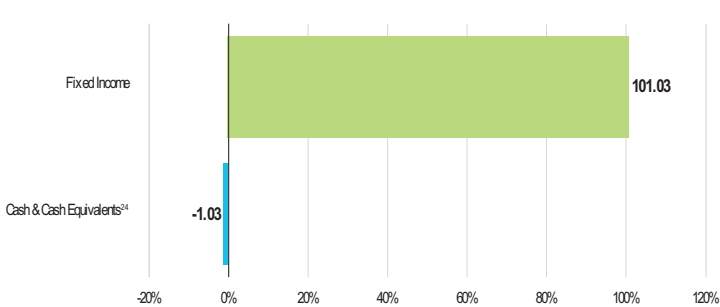
Maturity Allocation<sup>19</sup>  
Percent of Total



State / U.S. Territory Allocation (US)<sup>20,21</sup>  
Percent of Total



Asset Allocation<sup>22,23</sup>  
Percent of Total



13,20,22. 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.

14,15,17,18,23,24. The negative cash position reflects a temporary position that is a result of a delay in securities settlement transactions.

16. Securities, except for those labeled Not Rated ("NR"), are assigned ratings by one or more Nationally Recognized Statistical Rating Organizations ("NRSRO"), such as Standard & Poor's, Moody's and Fitch, that can be considered by the investment manager as part of its independent securities analysis. When ratings from multiple agencies are available, the highest is used, consistent with the portfolio investment process. Ratings reflect an NRSRO's opinion of an issuer's creditworthiness and typically range from AAA (highest) to D (lowest). The Refunded ("RF") category consists of refunded bonds secured by U.S. government or other high-quality securities and not rated by an NRSRO. The Not Rated category consists of ratable securities that have not been rated by an NRSRO. Cash includes equivalents, which may be rated. Information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change.

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

21. Uninvested cash is not included in the State / U.S. Territory Allocation.

## Supplemental Performance Statistics

### Supplemental Risk Statistics<sup>25,26</sup>

Class A

	3 Yrs	5 Yrs	10 Yrs
Standard Deviation (%)	3.04	2.80	3.77
Tracking Error (%)	1.02	0.85	0.74
Information Ratio	-1.34	-1.48	-1.54
Sharpe Ratio	0.06	0.67	0.87

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## Investment Philosophy

### Focus on Income

Franklin municipal managers aim to maximize monthly tax-free income for shareholders. Historically, the income return from municipal bonds has contributed much more to municipal bond returns than changes in municipal bond prices. Additionally, Franklin managers generally limit fund exposure to bonds with income that is subject to the Alternative Minimum Tax.

### No Leverage, No Derivatives, No Options

Franklin managers avoid investment practices that may expose shareholder capital to unnecessary risk. For example, we don't use leverage or invest in derivatives or futures, because they can increase portfolio volatility.

### Strict Internal Analysis

Our analysts are responsible for conducting research on credit-driven securities in the municipal market. They are responsible for evaluating an issuer's credit strengths and weaknesses and working with the portfolio managers on select fund purchase and sale decisions.

### Buy and Hold for the Long Term

Franklin managers are focused on seeking to maximize income; we don't actively trade bonds to try to capture capital gains. We typically sell holdings only if we see an opportunity to enhance a fund's portfolio structure or its income earning potential.

## Investment Process

### Market Analysis

On a daily basis, we analyze current market conditions, including:

- Trading activity
- Yield spreads
- Call option spreads
- New offerings
- Secondary market offerings
- Credit ratings
- Event risk

### Research

We search for high-quality, undervalued bonds that we believe should provide a high level of income until maturity.

We often make site visits to identify potential problems and opportunities that may not be readily visible on paper.

Analysts focus on credit-driven bond issues where we believe they can add the most value to the security selection process.

### Portfolio Construction

We build portfolios with diversification in mind, taking into consideration allocations to sectors, regions, coupons, calls, maturities and quality, as appropriate.

We don't make significant allocation shifts based on expected market conditions. Rather, we look for the best value in the marketplace from an income-oriented perspective.

## Investment Team

### Portfolio Manager

	Years with Firm	Years Experience
James Conn, CFA, SVP/ Portfolio Manager	26	32
John Pomeroy, SVP/ Portfolio Manager	32	33
Nicholas K. Bucklin, CFA, VP / Portfolio Manager	11	11

### Additional Resources

Municipals

**AMT Exposure:** Percentage of a fund's assets invested in bonds with income subject to the alternative minimum tax (AMT). For investors subject to the alternative minimum tax, a small portion of fund dividends may be taxable. Distributions of capital gains are generally taxable.

**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. The weighted average duration of a fund reflects the effective duration of the underlying issues, based on the size of each holding.

25. Information Ratio and Tracking Error information are displayed for the product versus the Bloomberg Barclays 10-Year Municipal Bond Index.

26. 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).

**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.

**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.

**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. Because municipal bonds are sensitive to interest rate movements, the fund's yield and share price will fluctuate with market conditions. Bond prices generally move in the opposite direction of interest rates. Thus, as prices of bonds in the fund adjust to a rise in interest rates, the fund's share price may decline. Because the fund invests principally in a single state, it is subject to greater risk of adverse economic and regulatory changes in that state than a geographically diversified fund. Changes in the credit rating of a bond, or in the credit rating or financial strength of a bond's issuer, insurer or guarantor, may affect the bond's value. The fund may invest a significant part of its assets in municipal securities that finance similar types of projects, such as utilities, hospitals, higher education and transportation. A change that affects one project would likely affect all similar projects, thereby increasing market risk.

**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](http://franklintempleton.com). Please carefully read a prospectus before you invest or send money.*

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