FRANKLIN TEMPLETON INVESTMENTS

# Franklin Federal Intermediate-Term Tax-Free Income Fund

Tax-Free Income
June 30, 2016

**Fund Fact Sheet | Share Classes: A, C, Advisor**

## Fund Description

The fund seeks to provide investors with as high a level of income exempt from federal income taxes as is consistent with prudent investment management and the preservation of shareholders' capital. The fund maintains a dollar-weighted average portfolio maturity of three to 10 years.

## Fund Overview

| | |
|---|---|
| **Total Net Assets [All Share Classes]** | $4,601 million |
| **Fund Inception Date** | 9/21/1992 |
| **Dividend Frequency** | Monthly, on or near the last business day |
| **Number of Holdings** | 572 |

## Share Class Information

| Share Class | CUSIP | NASDAQ Symbol |
|---|---|---|
| A | 354 723 710 | FKITX |
| C | 354 723 298 | FCITX |
| Advisor | 354 723 215 | FITZX |

## Fund Management

| | Years with Firm | Years of Experience |
|---|---|---|
| John Pomeroy | 29 | 30 |
| James Conn, CFA | 19 | 29 |

## Maximum Sales Charge

**Class A**: 2.25% initial sales charge
**Class C**: 1.00% contingent deferred sales charge (CDSC) in the first year only
**Advisor Class**: None

## Total Annual Operating Expenses

| Share Class | |
|---|---|
| A | 0.68% |
| C | 1.21% |
| Advisor | 0.56% |

## 30-Day Standardized Yield

| Share Class | |
|---|---|
| A | 0.84% |
| C | 0.32% |
| Advisor | 0.96% |

## Taxable Equivalent Yield

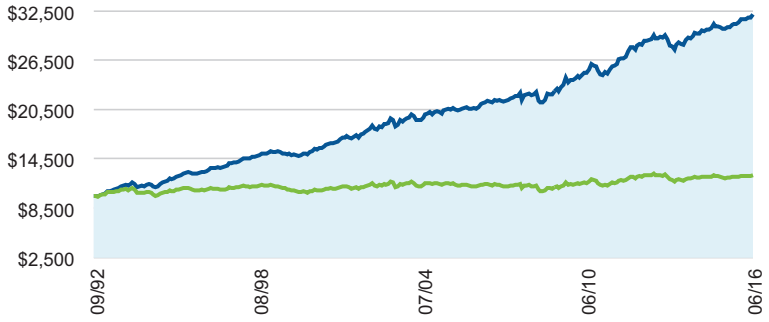
| Share Class | |
|---|---|
| A | 1.48% |
| C | 0.57% |
| Advisor | 1.70% |

## Asset Allocation (%)

| | |
|---|---|
| Fixed Income | 95.81 |
| Cash & Cash Equivalents | 4.19 |

## Performance

**Growth of a $10,000 Investment - Without Sales Charge (from 09/21/1992-06/30/2016)**




Class A:
**$32,112**
Total Value of Investment, Including Reinvestment of Dividends and Capital Gains

Value of Initial Investment:
**$12,620**

## Total Returns % (as of 6/30/2016)

| | | CUMULATIVE | AVERAGE ANNUAL | | | | | |
|---|---|---|---|---|---|---|---|---|
| Share Class | | YTD | 1 Yr | 3 Yrs | 5 Yrs | 10 Yrs | Since Inception | Inception Date |
| A | With Sales Charge | 0.68 | 3.43 | 3.43 | 3.95 | 4.28 | 4.93 | 9/21/1992 |
| | Without Sales Charge | 3.04 | 5.79 | 4.22 | 4.43 | 4.52 | 5.03 | 9/21/1992 |
| C | With Sales Charge | 1.83 | 4.21 | 3.67 | 3.87 | 3.96 | 3.43 | 7/1/2003 |
| | Without Sales Charge | 2.83 | 5.21 | 3.67 | 3.87 | 3.96 | 3.43 | 7/1/2003 |
| Advisor | | 3.16 | 5.89 | 4.34 | 4.55 | 4.62 | 5.07 | 9/21/1992 |

## Calendar Year Total Returns % – Without Sales Charge

| Share Class | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| A | 2.45 | 6.86 | -2.49 | 5.56 | 11.21 | 3.15 | 11.17 | -2.35 | 3.25 | 4.08 |
| C | 1.89 | 6.26 | -3.02 | 4.97 | 10.56 | 2.65 | 10.54 | -2.91 | 2.67 | 3.50 |
| Advisor | 2.47 | 7.04 | -2.39 | 5.66 | 11.29 | 3.33 | 11.38 | -2.36 | 3.25 | N/A |

| Share Class | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 |
|---|---|---|---|---|---|---|---|---|---|---|
| A | 2.16 | 3.71 | 5.35 | 8.94 | 5.57 | 7.41 | -1.84 | 5.80 | 7.69 | 4.30 |
| C | 1.59 | 3.22 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Advisor | N/A | 3.70 | 5.35 | 8.94 | 5.57 | N/A | -1.84 | 5.80 | 7.68 | 4.30 |

*Past performance is not an indicator or a guarantee of future performance. Current performance may differ from figures shown. The fund's investment returns and principal values will change with market conditions, and you may have a gain or a loss when you sell your shares. Please call Franklin Templeton at (800) DIAL BEN/(800) 342-5236 or visit **franklintempleton.com** for the most recent month-end performance.*

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

## Top 5 Holdings (% of Total)

| Security Name | |
|---|---|
| Arizona State COP, Department of Administration, Series A, AGMC Insured, 5.25%, 10/01/22 | 1.01 |
| Washington State GO, Motor Vehicle Fuel Tax, Refunding, Series B, 5.00%, 7/01/25 | 0.83 |
| Pennsylvania State Turnpike Commission Turnpike Revenue, Series B, 5.00%, 12/01/19 | 0.80 |
| San Antonio Electric and Gas Systems Revenue, Refunding, 5.25%, 2/01/25 | 0.78 |
| Virginia State Resources Authority Clean Water Revenue, Revolving Fund, Refunding, Series B, 5.00%, 10/01/26 | 0.74 |

## Fund Measures

| | |
|---|---|
| AMT Exposure | 0.00 |
| Average Duration | 4.58 Years |
| Average Weighted Maturity | 7.60 Years |
| Standard Deviation (3 Yrs) - Class A | 2.66 |
| Beta (3 Yrs, vs.Barclays 10-Year Municipal Bond Index) - Class A | 0.90 |

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**Not FDIC Insured | May Lose Value | No Bank Guarantee**

## Composition of Fund

| Sector | % of Total |
|---|---|
| Utilities | 21.64 |
| General Obligation Bonds | 20.53 |
| Transportation | 13.65 |
| Subject to Government Appropriation | 12.49 |
| Tax Supported Debt | 8.34 |
| Refunded | 6.29 |
| Hospital & Health Care | 6.12 |
| Higher Education | 4.40 |
| Other Revenue Bonds | 2.34 |
| Cash & Cash Equivalents | 4.19 |

| State / U.S. Territory Exposure | % of Total |
|---|---|
| Texas | 10.15 |
| New York | 9.83 |
| California | 9.25 |
| Florida | 7.08 |
| Ohio | 6.15 |
| New Jersey | 5.86 |
| Arizona | 4.89 |
| Pennsylvania | 4.22 |
| Virginia | 4.20 |
| Puerto Rico | 0.22 |
| Other | 38.15 |

## Morningstar Rating™—Class A

**Overall Morningstar Rating™**

As of June 30, 2016 the fund's Class A shares received a traditional 3 star overall Morningstar Rating™, measuring risk-adjusted returns against 306, 266 and 177 U.S.-domiciled Muni National Interm 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.

## 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. Puerto Rico municipal bonds have been impacted by recent adverse economic and market changes, which may cause the fund's share price to decline. 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.

## Glossary

**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.
**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 of maturity, taking the possibility of early payments into account, for the underlying holdings.
**Beta**: A measure of the fund's volatility relative to the market, as represented by the stated Index. A beta greater than 1.00 indicates volatility greater than the market.
**Standard Deviation**: A measure of risk; the larger the standard deviation, the greater the likelihood (and risk) that a fund's performance will fluctuate.

## Important 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.*

Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change.
Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.
**Fund Management**: CFA® and Chartered Financial Analyst® are trademarks owned by CFA Institute.
**Performance**: The fund offers other share classes subject to different fees and expenses, which will affect their performance. Advisor shares do not have sales charges or 12b-1 fees and are offered only to certain eligible investors as stated in the prospectus.
Class C: Prior to 1/1/04, these shares were offered with an initial sales charge; thus actual returns would have differed.
Advisor: Effective 12/1/08, the fund began offering Advisor Class Shares. For periods prior to the fund's Advisor Class inception date, a restated figure is used based on the fund's oldest share class, Class A performance, excluding the effect of Class A's maximum initial sales charge but reflecting the effect of the Class A Rule 12b-1 fees; and for periods after the fund's Advisor Class inception date, actual Advisor Class performance is used, reflecting all charges and fees applicable to that class.
**30-Day Standardized Yield**: 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.
**Taxable Equivalent Yield**: The Taxable Equivalent Yield assumes the maximum regular federal income tax rate and the Medicare tax in effect on June 2016.
**Top 5 Holdings**: The portfolio manager for the fund reserves the right to withhold release of information with respect to holdings that would otherwise be included.
**Composition of Fund**: Percentage may not equal 100% due to rounding.
Uninvested cash is not included in the State / U.S. Territory Exposure.
**Overall Morningstar Rating™:** Source: Morningstar® 6/30/16. 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 Federal Intermediate-Term Tax-Free Income Fund received a traditional Morningstar Rating of 2, 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 is not an indicator or a guarantee of future performance.** ©2016 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.


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