FRANKLIN TEMPLETON INVESTMENTS

Fixed Income

Franklin Strategic Income Fund

FIXED INCOME ASSET ALLOCATION MADE SIMPLE

The Strategy

With the entire fixed income spectrum as its investment universe, Franklin Strategic Income Fund is positioned to benefit from the broad expertise of the 100-plus portfolio managers and research analysts that comprise the Franklin Templeton Fixed Income Group®. We take a research-driven, value-oriented approach to identifying bonds with the best prospects for income and capital appreciation.

1 | Proactive Sector Allocation

We start by taking a bird's eye view of the global economy to determine the fund's sector allocations. As a team, we evaluate key economic metrics such as housing and employment data, corporate earnings, inflation indicators, interest rates and global currencies in order to formulate our own outlook for the economy. Next, we consider the valuations of each of the key fixed income sectors (for example, high yield corporate bonds, mortgage-backed securities and foreign bonds) in combination with our economic outlook to strategically allocate the fund's assets.

2 | Selecting the "Best of the Best"

We tap the expertise of Franklin Templeton's fixed income sector leaders when selecting securities for the portfolio. And because the fund has the flexibility to invest in multiple types of fixed income securities, we can focus on the top investment ideas available within each sector.

3 | Ongoing Risk Management

Our dedicated risk management team is focused on monitoring portfolio risk. We review the portfolio's weightings within the fixed income market, and determine execution strategies that seek to maximize risk-adjusted returns over time.

"The quality and breadth of our team of fixed income professionals, along with our proactive approach to sector and security allocation decisions, are key factors in maximizing total return potential for fund shareholders."

ERIC TAKAHA, CFA[1]
Portfolio Manager

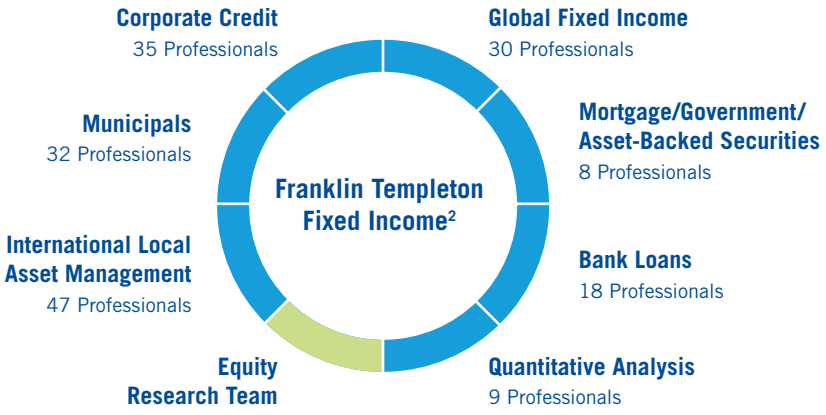
1. CFA® and Chartered Financial Analyst® are trademarks owned by CFA Institute.

Not FDIC Insured | May Lose Value | No Bank Guarantee

The Benefits

Depth and Breadth of Fixed Income Expertise

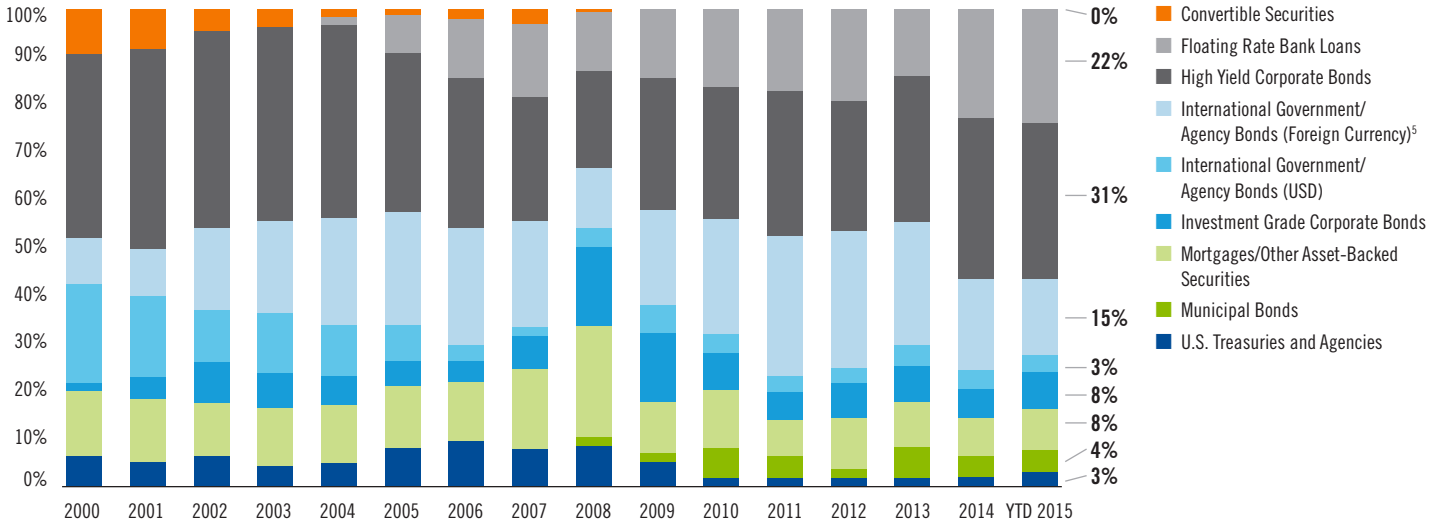
Franklin Templeton's fixed income teams are structured to provide comprehensive coverage of investment opportunities across fixed income sectors and around the world. Franklin Strategic Income Fund's flexible mandate allows the fund's managers to put this group's best ideas to work in the fund's portfolio. The fund's managers also tap the expertise of the Franklin equity research team to view investments from yet another perspective.



Fixed Income Diversification

As of June 30, 2015, the fund's $8.70 billion in assets were invested in 871 debt securities from 36 countries across multiple sectors as illustrated below.

Historical Sector Weightings[3,4] (2000–June 30, 2015)



2. As of 06/30/15. International local asset management professionals are located in Australia, Brazil, Canada, China, India, Korea, Malaysia, Mexico, Poland and the United Arab Emirates.

3. Holdings are subject to change. For the most current month-end information, call Franklin Templeton Investments at (800) DIAL BEN/342-5236 or visit franklintempleton.com. The fund typically has significant holdings in lower-rated securities, due to the higher yields they offer.

4. Historical Sector Weighting 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.

5. Represents non-U.S. dollar denominated foreign government bonds of countries that are not considered "developed" markets, but may be investment grade or non-investment grade rated.

The Results

FRANKLIN STRATEGIC INCOME FUND–CLASS A VS. LIPPER PEER GROUP AVERAGE

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

	1-Year	3-Year	5-Year	10-Year	15-Year	20-Year
Franklin Strategic Income Fund–Class A Without Sales Charge	-1.90%	3.93%	5.37%	5.75%	6.68%	7.06%
Lipper Peer Group Lipper Multi-Sector Income Funds Average[6]	-0.36%	4.08%	5.32%	5.17%	6.21%	6.19%
Percentile	Top 77%	Top 45%	Top 50%	Top 37%	Top 30%	Top 13%
Rank/# of Funds	207/269	85/187	73/146	35/94	18/61	4/32

Annual Total Returns

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Advisor Class	1.92%	3.45%	12.62%	2.91%	11.24%	25.72%	-10.62%	6.12%	8.36%	1.75%	10.23%	22.38%	4.85%	5.67%	2.96%
Class A (Without Sales Charge)	1.67%	3.20%	12.35%	2.65%	10.86%	25.55%	-10.94%	5.87%	8.20%	1.50%	9.86%	22.08%	4.70%	5.40%	2.60%
Class C (Without Sales Charge)	1.36%	2.69%	11.91%	2.25%	10.53%	24.90%	-11.21%	5.35%	7.78%	1.10%	9.43%	21.59%	4.30%	4.99%	2.18%

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

Average Annual Total Returns[7] (Periods Ended June 30, 2015)

	1-Year	5-Year	10-Year	20-Year	Since Inception	Inception Date
Advisor Class	-1.65%	5.62%	6.01%	7.27%	7.48%	5/24/94
Class A (Without Sales Charge)	-1.90%	5.37%	5.75%	7.06%	7.28%	5/24/94
Class A (With Sales Charge)	-6.04%	4.46%	5.29%	6.83%	7.06%	5/24/94
Class C (Without Sales Charge)	-2.29%	4.95%	5.33%	—	5.62%	5/1/98
Class C (With Sales Charge)	-3.21%	4.95%	5.33%	—	5.62%	5/1/98

Sales Charges: *Advisor Class: none; Class A: maximum 4.25% initial sales charge; Class C: 1% contingent deferred sales charge (CDSC) in the first year only.*
Total Annual Operating Expenses[8]:
Without Waiver: *Advisor Class: 0.61%; Class A: 0.86%; Class C: 1.26%;* ***With Waiver:*** *Advisor Class: 0.61%; Class A: 0.86%; Class C: 1.26%.*

Yields and Distribution Rates[8] (Periods Ended June 30, 2015)

	30-DAY STANDARDARIZED YIELD[9]		
	Without Waiver	With Waiver	Distribution Rate[10]
Advisor Class	4.46%	4.48%	5.92%
Class A	4.02%	4.04%	5.42%
Class C	3.80%	3.82%	5.24%

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 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 only offered to certain eligible investors as stated in the prospectus. They are offered without sales charges or Rule 12b-1 fees.

6. Source: Lipper, a Thompson Reuters Company, 6/30/15. Lipper calculations do not include sales charges and may have been different if such charges had been considered. For Class A shares only.

7. Class C: Prior to 1/1/04, these shares were offered with an initial sales charge; thus actual returns would have differed. Advisor: For periods prior to the fund's Advisor Class inception date, 8/12/99, 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. The fund offers other share classes, subject to different fees and expenses that will affect their performance. Please see the prospectus for more information.

8. The fund has a fee waiver associated with its investments in a Franklin Templeton money fund, contractually guaranteed through at least its current fiscal year end. Fund investment results reflect the fee waiver; without this reduction, the results would have been lower.

9. 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.

10. Based on an annualization of the respective class's dividend and maximum offering price per share on 6/30/15.

Franklin Templeton Investments

Gain From Our Perspective®

At Franklin Templeton Investments, we're dedicated to one goal: delivering exceptional asset management for our clients. By bringing together multiple, world-class investment teams in a single firm, we're able to offer specialized expertise across styles and asset classes, all supported by the strength and resources of one of the world's largest asset managers. This has helped us to become a trusted partner to individual and institutional investors across the globe.

Focus on Investment Excellence

At the core of our firm, you'll find multiple independent investment teams—each with a focused area of expertise—from traditional to alternative strategies and multi-asset solutions. And because our portfolio groups operate autonomously, their strategies can be combined to deliver true style and asset class diversification.

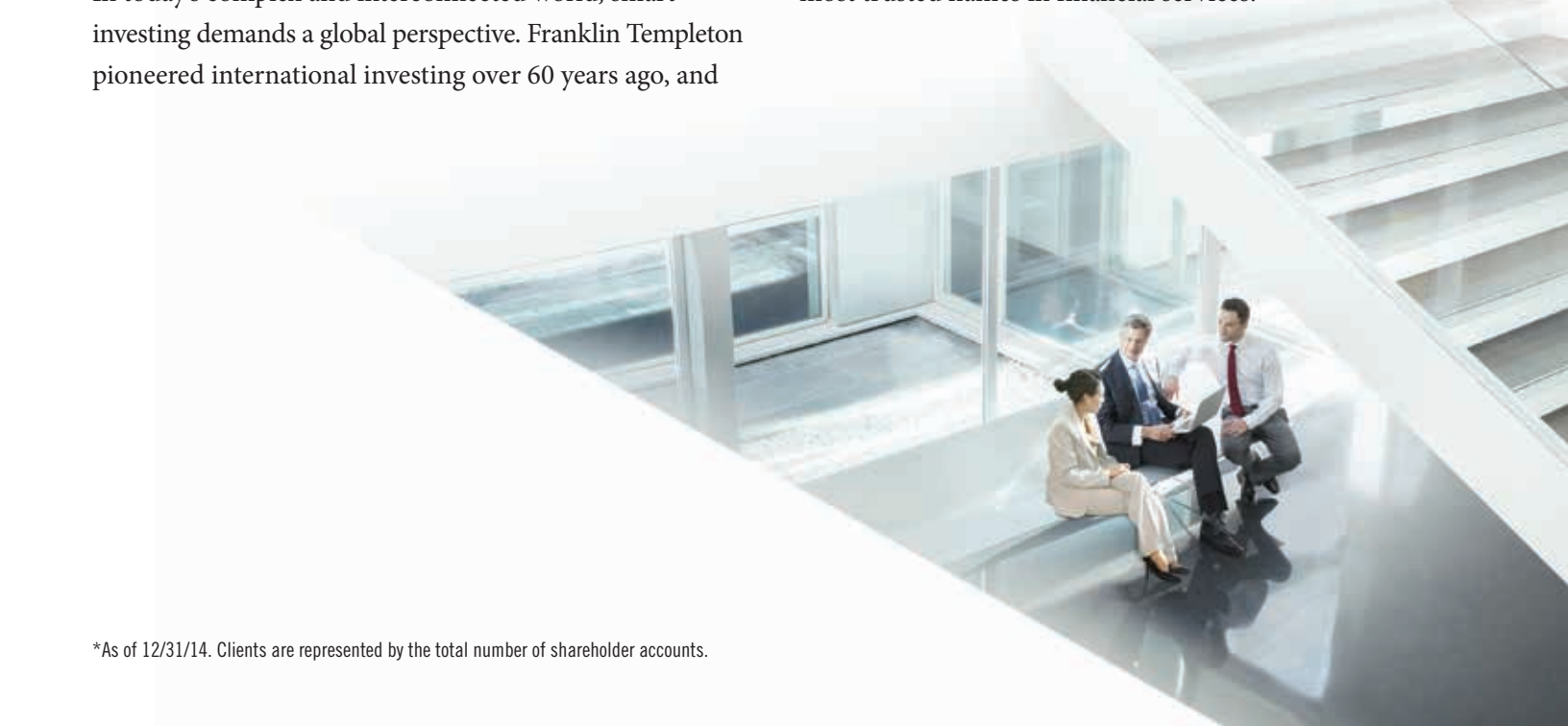
All of our investment teams share a common commitment to excellence grounded in rigorous, fundamental research and robust, disciplined risk management. Decade after decade, our consistent, research-driven processes have helped Franklin Templeton earn an impressive record of strong, long-term results.

Global Perspective Shaped by Local Expertise

In today's complex and interconnected world, smart investing demands a global perspective. Franklin Templeton pioneered international investing over 60 years ago, and our expertise in emerging markets spans more than a quarter of a century. Today, our investment professionals are on the ground across the globe, spotting investment ideas and potential risks firsthand. These locally based teams bring in-depth understanding of local companies, economies and cultural nuances, and share their best thinking across our global research network.

Strength and Experience

Franklin Templeton is a global leader in asset management serving clients in over 150 countries.* We run our business with the same prudence we apply to asset management, staying focused on delivering relevant investment solutions, strong long-term results and reliable, personal service. This approach, focused on putting clients first, has helped us to become one of the most trusted names in financial services.



*As of 12/31/14. Clients are represented by the total number of shareholder accounts.

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Franklin Templeton Investments
Your Source for:

- Mutual Funds
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Franklin Strategic Income Fund Symbols:

Class A: FRSTX
Class C: FSGCX
Class R: FKSRX
Class R6: FGKNX
Advisor: FKSAX

WHAT ARE THE RISKS?

All investments involve risks, including possible loss of principal. 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. High yields reflect the higher credit risks associated with certain lower-rated securities held in the portfolio. Floating-rate loans and high-yield corporate bonds are rated below investment grade and are subject to greater risk of default, which could result in loss of principal—a risk that may be heightened in a slowing economy. The risks of foreign securities include currency fluctuations and political uncertainty. Investments in developing markets involve heightened risks related to the same factors, in addition to those associated with their relatively small size and lesser liquidity. Investing in derivative securities and the use of foreign currency techniques involve special risks and as such may not achieve the anticipated benefits and/or may result in losses to the fund. These and other risk considerations are discussed in the fund's prospectus.

This brochure must be preceded or accompanied by a current Franklin Strategic Income Fund summary prospectus and/or prospectus. Please read a prospectus carefully before you invest or send money. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing.

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