

Fund Fact Sheet | Share Classes: A, C
Fund Description

The fund seeks to provide high total return (a combination of high current income and capital appreciation) relative to the performance of the general mortgage securities market. The fund invests substantially in mortgage securities that are issued or guaranteed by the U.S. government, its agencies or instrumentalities, including securities issued by Ginnie Mae and government-sponsored entities such as Fannie Mae and Freddie Mac. The fund also invests in other types of residential and commercial mortgage securities, including securities that are not issued or guaranteed by the U.S. government, its agencies or instrumentalities.

Fund Overview

Total Net Assets [All Share Classes]	\$62 million
Fund Inception Date	2/1/1993
Dividend Frequency	Accrued daily and paid monthly on the last business day
Number of Issuers	81

Share Class Information

Share Class	CUSIP	NASDAQ Symbol
Advisor	354 71H 405	FSMZ
A	354 71H 207	FSMFX
C	354 71H 306	FSMHX
R6	354 71H 603	FSMQX

Fund Management

	Years with Firm	Years of Experience
Roger Bayston, CFA	27	33
Paul Varunok	18	27
David Yuen, CFA	23	31

Maximum Sales Charge

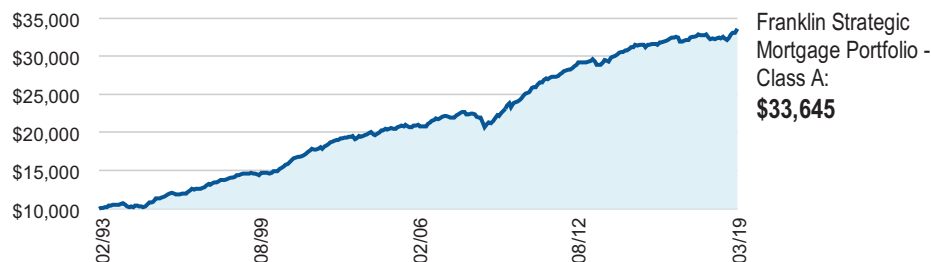
Class A: 3.75% initial sales charge
Class C: 1.00% contingent deferred sales charge (CDSC) in the first year only

Total Annual Operating Expenses

Share Class	With Waiver	Without Waiver
A	1.01%	1.21%
C	1.41%	1.61%

30-Day Standardized Yield

Share Class	With Waiver	Without Waiver
A	3.48%	3.17%
C	3.20%	2.88%

Performance
Growth of a \$10,000 Investment - Without Sales Charge (from 02/01/1993-03/31/2019)

Total Returns % (as of 3/31/2019)

Share Class		YTD	AVERAGE ANNUAL					Since Inception	Inception Date
			1 Yr	3 Yrs	5 Yrs	10 Yrs			
A	With Sales Charge	-1.57	-0.14	0.37	1.49	4.15	4.59	2/1/1993	
A	Without Sales Charge	2.26	3.70	1.66	2.28	4.55	4.75	2/1/1993	
C	With Sales Charge	1.05	2.18	1.26	1.88	4.12	4.16	2/1/1993	
C	Without Sales Charge	2.05	3.18	1.26	1.88	4.12	4.16	2/1/1993	

Calendar Year Total Returns % - Without Sales Charge

Share Class	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A	0.00	2.66	1.53	0.84	6.44	0.41	5.81	6.61	10.97	10.34
C	-0.28	2.26	1.13	0.44	6.02	0.02	5.31	6.14	10.65	9.72

Share Class	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
A	-6.74	4.01	4.22	1.93	4.24	2.42	8.42	7.93	11.47	0.94
C	-7.05	3.41	3.71	1.38	3.61	1.96	7.70	7.10	10.71	0.24

Performance data represents past performance, which does not guarantee future results. 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.

The fund has an expense reduction and a fee waiver associated with any investments it makes in a Franklin Templeton money fund and/or other Franklin Templeton fund, contractually guaranteed through January 31, 2020. Fund investment results reflect the expense reduction and fee waiver; without these reductions, the results would have been lower.

Top Ten Holdings (% of Total)

Security Name	% of Total
FHLMC, 4.00%, 4/01/48	10.39
FNMA, 3.50%, 4/01/48	9.77
FHLMC, 3.50%, 12/01/47	7.13
FNMA, 3.00%, 11/01/48	7.08
GNMA, 4.50%, 9/20/48	6.75
FNMA, 3.00%, 9/1/48	5.75
FNMA, 4.50%, 4/01/49	5.05
GNMA II, SF, 5.00%, 3/01/49	3.55
FHLMC, 4.50%, 1/01/49	2.99
FHLMC, 3.50%, 10/01/47	2.45

Fund Measures

Average Duration	4.11 Years
Average Weighted Maturity	5.36 Years
Standard Deviation (3 Yrs) - Class A	2.25%
Beta (3 Yrs, vs. Bloomberg Barclays US MBS Agency Fixed Rate MBS Index) - Class A	0.96

Composition of Fund

■ Franklin Strategic Mortgage Portfolio ■ Bloomberg Barclays U.S. MBS Agency Fixed Rate MBS Index

Asset Allocation (Market Value %)	% of Total	Sector (Notional Exposure)	% of Total
Fixed Income	104.61	Agency Mortgage-Backed Securities	75.14 / 100.00
Cash & Cash Equivalents	-4.61	Residential Mortgage-Backed Securities	23.61 / 0.00
		Interest Rate Derivatives	8.25 / 0.00
		CMBS	4.75 / 0.00
		U.S. Treasury	0.75 / 0.00
		Investment Grade Corporates	0.16 / 0.00
		Cash & Cash Equivalents	-4.61 / 0.00

Portfolio Data Disclosures

Market value figures reflect the trading value of the investments. Notional exposure figures are intended to estimate the portfolio's exposure, including any hedged or increased exposure through certain derivatives held in the portfolio (or their underlying reference assets). Interest Rate Derivatives sector consists of Treasury, interest rate and other derivatives that are primarily used for duration management. Average Duration and Average Weighted Maturity reflect certain derivatives held in the portfolio (or their underlying reference assets). Portfolio breakdown percentages may not total 100% and may be negative due to rounding, use of any derivatives, unsettled trades or other factors.

What Are the Risks?

All investments involve risks, including possible loss of principal. The share price and yield of Franklin Strategic Mortgage Portfolio will be affected by interest rate movements and mortgage prepayments. During periods of declining interest rates, principal prepayments tend to increase as borrowers refinance their mortgages at lower rates; therefore the fund may be forced to reinvest returned principal at lower interest rates, reducing income. 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. The fund may be affected by issuers that fail to make interest payments and repay principal when due. Changes in the financial strength of a bond issuer or in a bond's credit rating may affect its value. The fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. These and other risk considerations are discussed in the fund's prospectus.

Glossary

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.

Average Weighted Maturity: An estimate of the number of years to 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 the degree to which a fund's return varies from the average of its previous returns. The larger the standard deviation, the greater the likelihood (and risk) that a fund's performance will fluctuate from the average return.

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.

Fund Description: A portion of the mortgage securities owned by the fund, but not shares of the fund, are guaranteed by the U.S. government, its agencies or instrumentalities as to timely payment of principal and interest. Although Fannie Mae and Freddie Mac are chartered by Acts of Congress, their securities are backed only by the credit of the respective instrumentality and are not issued or guaranteed by the U.S. government. Please see the fund's prospectus for a detailed discussion regarding various levels of credit support for government agency or instrumentality securities. The fund's yield and share price are not guaranteed and will fluctuate with market conditions.

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.

Class A: Prior to 3/1/19, these shares were offered at a higher initial sales charge of 4.25%; thus actual returns would have differed. Total returns with sales charges have been restated to reflect the current maximum initial sales charge of 3.75%. Effective 2/1/12, Class A shares of Franklin Strategic Mortgage Portfolio closed to new investors and were renamed Class A1. A new Class A share, with a 25 basis point (0.25%) Rule 12b-1 fee, is available to investors as of 2/1/12. The new Class A performance shown has been calculated as follows: (a) For periods prior to 2/1/12 a restated figure is used based on Class A1 performance and including the Class A Rule 12b-1 fee, and (b) for periods after 2/1/12, actual Class A performance will be used, reflecting all charges and fees applicable to that class. **Class C:** The fund began offering a new Class C share on 2/1/12. Performance quotations for this class reflect the following methods of calculation: a) For periods prior to 2/1/12, a restated figure is used based on the fund's oldest share class, Class A1 excluding the effect of its maximum initial sales charge, but including Class C's sales charges and Rule 12b-1 fees as though in effect from the fund's inception; and b) for periods after the fund's Class C inception date, actual Class C 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.

Top Ten Holdings: The portfolio manager for the fund reserves the right to withhold release of information with respect to holdings that would otherwise be included.