



Franklin Total Return Fund—Class A, C

Investment Grade
Fixed Income
March 31, 2019

Product Profile

Product Details¹

Fund Assets	\$4,294,291,602.46
Fund Inception Date	08/03/1998
Number of Holdings	805
Investment Style	Investment Grade
Benchmark	Bloomberg Barclays US Aggregate Index
Lipper Classification	Core Plus Bond Funds
Morningstar Category™	Intermediate-Term Bond
Dividend Frequency	Accrued daily and paid monthly on the last business day

Inception Date

Class A	08/03/1998
Class C	03/01/2002

CUSIP NASDAQ Symbol

Class A	353 612 856	FKBAX
Class C	353 612 757	FCTLX

Maximum Sales Charges

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 With Waiver Without Waiver

Class A	0.88%	0.92%
Class C	1.28%	1.32%

30-Day Standardized Yield² With Waiver Without Waiver

Class A	3.14%	3.12%
Class C	2.86%	2.83%

Fund Description

The fund seeks to provide high current income consistent with preservation of capital. Capital appreciation over the long term is a secondary goal. The fund primarily invests in debt securities, which may be represented by derivatives that provide exposure to debt securities. The fund focuses on government and corporate debt securities and mortgage- and asset-backed securities.^{3,4}

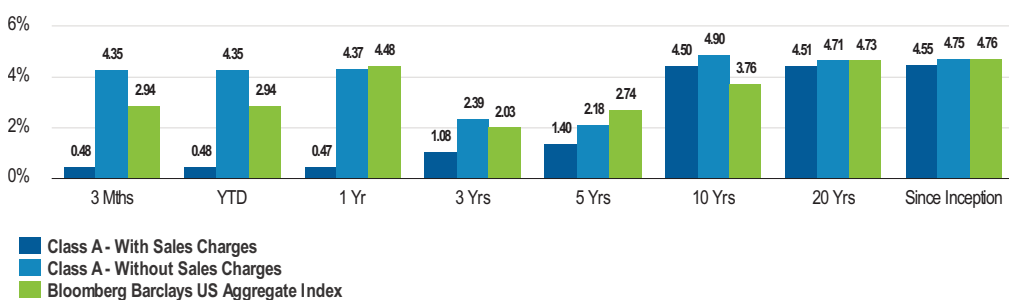
Performance Data^{5,6}

Average Annual Total Returns^{7,8} (%)

	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	20 Yrs	Since Inception
Class A - With Sales Charges	0.48	0.48	0.47	1.08	1.40	4.50	4.51	4.55
Class A - Without Sales Charges	4.35	4.35	4.37	2.39	2.18	4.90	4.71	4.75
Class C - With Sales Charges	3.28	3.28	2.91	1.99	1.78	4.48	-	4.07
Class C - Without Sales Charges	4.28	4.28	3.91	1.99	1.78	4.48	-	4.07
Bloomberg Barclays US Aggregate Index	2.94	2.94	4.48	2.03	2.74	3.76	4.73	4.76

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.

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 02/29/2020. Fund investment results reflect the expense reduction and fee waiver; without these reductions, the results would have been lower.



2. 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.

4. Although US government-sponsored entities may be chartered or sponsored by Acts of Congress, their securities are neither issued nor guaranteed by the US 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 vary with market conditions.

5. 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%. 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.

7. Periods shorter than one year are shown as cumulative total returns.

8. 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	-1.81	3.53	2.80	-1.59	5.98	-0.98	8.33	5.53	10.13	15.39
Class C	-2.19	3.15	2.40	-1.99	5.50	-1.36	7.83	5.15	9.61	14.95
Bloomberg Barclays US Aggregate Index	0.01	3.54	2.65	0.55	5.95	-2.02	4.21	7.84	6.54	5.93

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

Portfolio Manager Insight⁹

Performance Review

QUARTERLY KEY PERFORMANCE DRIVERS

	Sector Exposure	Duration/Yield Curve
HELPED	Corporate credit: particularly exposure to high-yield (HY) corporate and investment-grade (IG) corporate bonds, senior secured floating-rate bank loans and collateralized loan obligations (CLOs)	Non-US duration positioning
	Allocation to sovereign emerging-market debt	—
	Allocation to non-agency residential mortgage-backed securities (RMBS)	—
HURT	Security selection in sovereign emerging-market debt	US duration positioning
	Exposure to agency mortgage-backed securities (MBS)	—
	—	—

- As the credit markets recovered during Q1, our corporate credit exposure contributed significantly to relative results over the period. We pared our exposure to IG over the quarter, along with HY corporate bonds, senior secured floating-rate loans and CLOs.
- We increased our RMBS allocation which contributed to relative performance. For our RMBS exposure we prefer to remain allocated to the seasoned Credit Risk Transfer and Re-performing Loan sectors, where both fundamental and technical forces remain positive. Our Non-US duration positioning also contributed to results during the period, while our US-duration positioning detracted.
- Our foreign-currency exposure is held through a basket of developed-market shorts with major positions in the South Korean won, Australian dollar, Canadian dollar and the euro versus a basket of emerging-market longs with major positions in the Mexican peso and Indonesian rupiah. Foreign currency exposure was additive overall for returns mainly from our long Mexican peso exposure which offset negative returns mainly from our Swedish krona exposure.

Outlook & Strategy

- The underpinnings of the US economy's expansion appear solid, in our view, particularly once the length of the current economic cycle is considered. The strength of the labor market should provide a cushion for US consumers, with slow-but-steady wage growth likely to further bolster spending. Though some recent data have come in below consensus expectations, the misses may have been exaggerated by seasonal factors, which have often skewed calculations around this time of the year.
- Given the economy's residual strength and these potential statistical anomalies, we would expect any first-quarter 2019 weakness to prove temporary, and a stabilization of growth over the rest of the year looks like a far more plausible scenario than a slide into recession. Political risks remain, however, especially surrounding the terms of trade between the United States and China. Nevertheless, in the absence of any major geopolitical shocks, we anticipate the Fed could resume its monetary tightening path in the latter part of 2019.

9. 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^{10,11,12,13}

	Portfolio	Bloomberg Barclays US Aggregate Index
Average Duration	5.62 Yrs	5.82 Yrs
Average Weighted Maturity	7.59 Yrs	8.02 Yrs
Annual Turnover Ratio (10/31/2018)	84.86%	-

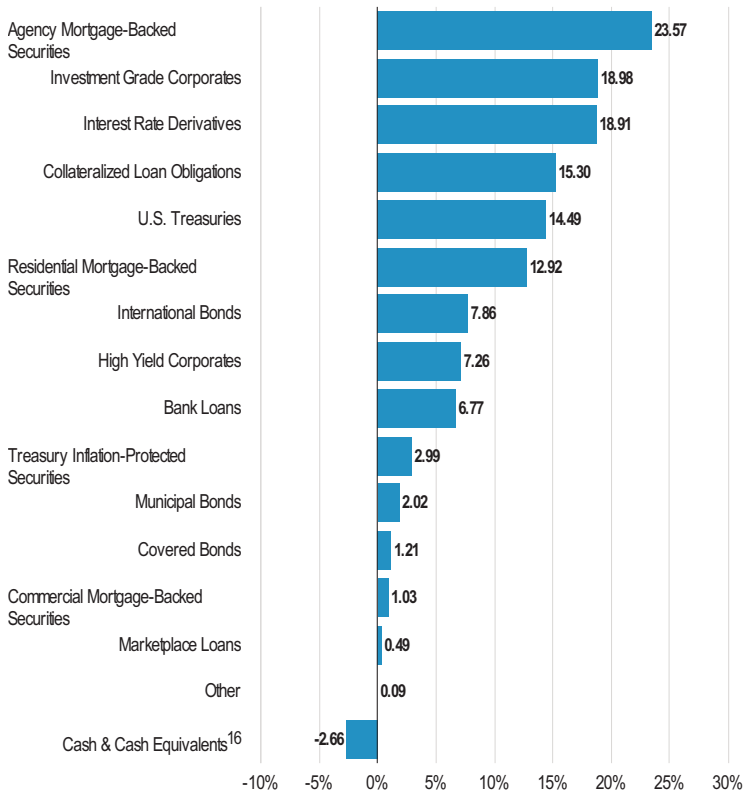
12. Turnover Ratio is as of the fund's fiscal year-end.

13. 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.

Portfolio Diversification¹⁰

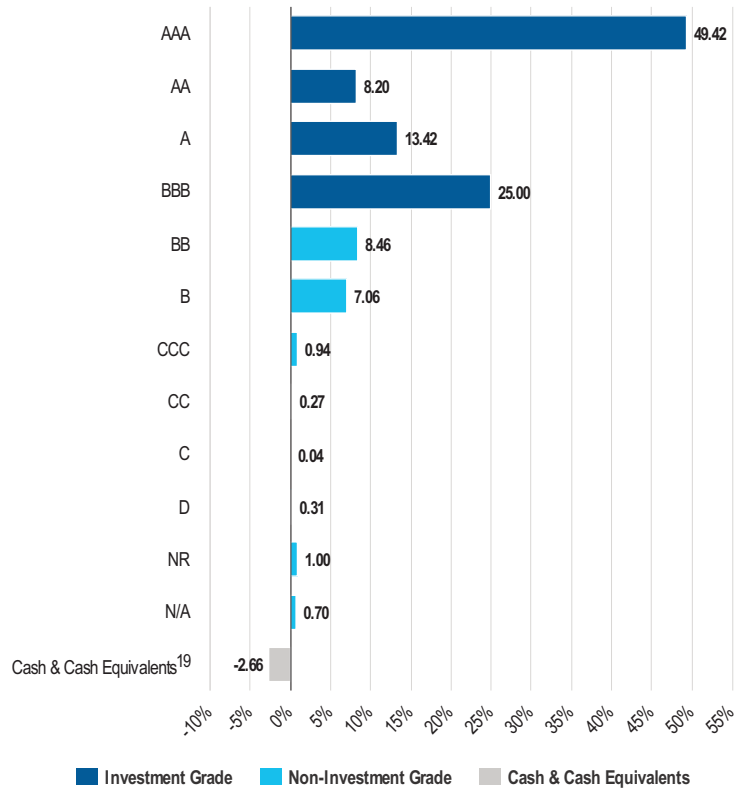
Sector Exposure^{14,15}

Notional Exposure—Percent of Total



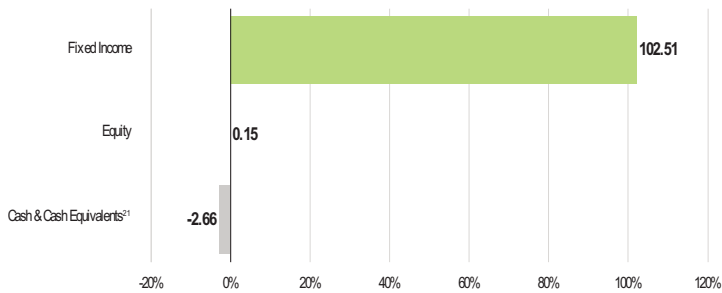
Credit Quality Exposure^{17,18}

Notional Exposure—Percent of Total



Asset Allocation²⁰

Market Value—Percent of Total



16,19,21. The negative cash position reflects a temporary position that is a result of a delay in securities settlement transactions.

17. Notional exposure figures are intended to estimate the portfolio's exposure to issuer credit risk, including any hedged or increased exposure through credit derivatives held in the portfolio (or their underlying reference assets). Any credit derivatives are assigned the ratings of 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.

18. 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 ratable securities that have not been rated by an NRSRO. The N/A category consists of nonratable securities (e.g., equities). Cash includes equivalents, which may be rated.

Supplemental Performance Statistics

Supplemental Risk Statistics^{22,23}

Class A

	3 Yrs	5 Yrs	10 Yrs
Standard Deviation (%)	2.92	2.76	3.35
Tracking Error (%)	1.12	1.50	2.17
Information Ratio	0.32	-0.37	0.53
Sharpe Ratio	0.41	0.52	1.34

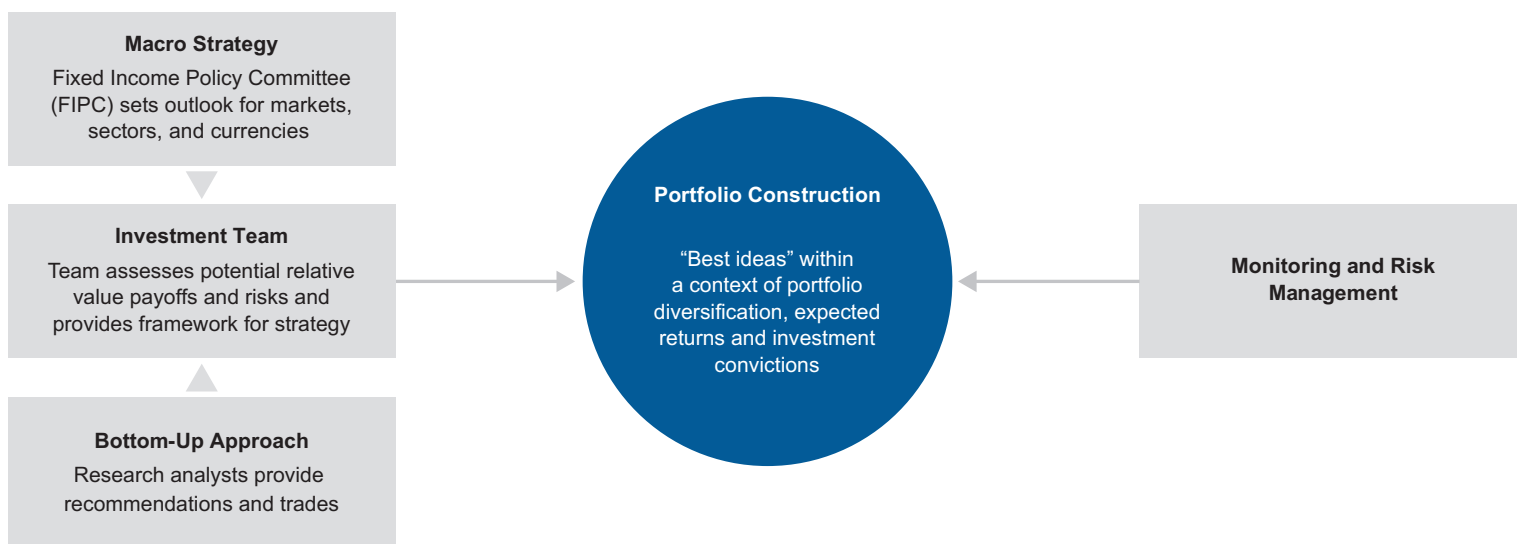
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Investment Philosophy

We believe that applying a disciplined process to investing across fixed income sectors, seeking opportunities to add value in the market cycles, can potentially result in attractive risk-adjusted returns over the long term. The Fund's principal investment goal is to provide high current income, consistent with preservation of capital. Its secondary goal is capital appreciation over the long term. Under normal market conditions, the Fund invests at least 80% of its assets in investment grade debt instruments. The Fund focuses on government and corporate debt securities and mortgage- and asset-backed securities.

Investment Process

- Long term, fundamentally driven investment focus
- Diversified multi-sector fund with a flexible mandate to invest across fixed income sectors, with a focus on investment-grade debt.
- Proactive asset allocation and diversification
 - Flexible, multi-sector structure allows the managers to focus on investment ideas believed to have the most potential within each sector and opportunistically invest across the fixed income universe.
 - Centralized decision making structure, formalized through our Fixed Income Policy Committee (FIPC), allows for nimble and flexible sector allocation potential to capitalize on investment opportunities.
- Depth and breadth of fixed income expertise
 - Leverages expertise and experience across the Franklin Templeton Fixed Income Group's sector and strategy teams—credit, municipal, international fixed income and structured products.



22. Information Ratio and Tracking Error information are displayed for the product versus the Bloomberg Barclays US Aggregate Index.

23. 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).

Investment Team

Portfolio Manager	Years with Firm	Years Experience
Sonal Desai, Ph. D., EVP/CIO Head of U.S. Fixed Income	9	25
Kent Burns, CFA, SVP/ Portfolio Manager	25	26
Roger Bayston, CFA, SVP / Director, Investment Grade Fixed Income	27	33
David Yuen, CFA, SVP/Head of Quantitative Portfolio Management Group	23	31
Michael Materasso, SVP / Head of Insurance Portfolio Management / Co-Chair of FIPC	30	47
Additional Resources		
Investment Risk Management Group	Global Sovereign/EMD	Local Asset Management
MBS	Municipals	Quantitative

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.

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. Interest rate movements and mortgage prepayments will affect the fund's share price and yield. 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 risks associated with higher-yielding, lower-rated securities include higher risk of default and loss of principal. Investment in foreign securities also involves special risks, including currency fluctuations, and political and economic uncertainty. Derivatives, including currency management strategies, involve costs and can create economic leverage in the portfolio which may result in significant volatility and cause the fund to participate in losses (as well as gains) on an amount that exceeds the fund's initial investment. The fund may not achieve the anticipated benefits, and may realize losses when a counterparty fails to perform as promised. These and other risk considerations are discussed in the fund's prospectus.

Important Legal Information

Effective May 1, 2018, the fund invests primarily in investment grade debt securities, which may be represented by derivatives that provide exposure to debt securities.

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.

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Important data provider notices and terms available at: www.franklintempletondatasources.com

1. All holdings are subject to change.
3. Although US government-sponsored entities may be chartered or sponsored by Acts of Congress, their securities are neither issued nor guaranteed by the US 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 vary with market conditions.
6. 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.
10. Information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change.
11. Average Duration and Average Weighted Maturity reflect certain derivatives held in the portfolio (or their underlying reference assets).
14. 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). Portfolio breakdown percentages may not total 100% and may be negative due to rounding, use of any derivatives, unsettled trades or other factors.
15. Interest Rate Derivatives sector consists of Treasury, interest rate and other derivatives that are primarily used for duration management; a negative number indicates that we are seeking to hedge interest rate risk.
20. Market value figures reflect the trading value of the investments. Portfolio breakdown percentages may not total 100% and may be negative due to rounding, use of any derivatives, unsettled trades or other factors.

**Franklin Templeton Distributors, Inc.**

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