



Franklin Floating Rate Daily Access Fund—Class A, C

Bank Loans
Fixed Income
September 30, 2019

Product Profile

Product Details¹

Fund Assets	\$2,390,756,527.11
Fund Inception Date	05/01/2001
Number of Holdings	178
Investment Style	Bank Loans
Benchmark	Credit Suisse Leveraged Loan Index
Lipper Classification	Loan Participation Funds
Morningstar Category™	Bank Loan
Dividend Frequency	Accrued daily and paid monthly on the last business day

Inception Date

Class A	05/01/2001
Class C	05/01/2001

CUSIP NASDAQ Symbol

Class A	353 612 823	FAFRX
Class C	353 612 799	FCFRX

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

	With Waiver	Without Waiver
Class A	0.87%	0.93%
Class C	1.27%	1.33%

30-Day Standardized Yield²

	With Waiver	Without Waiver
Class A	6.35%	6.33%
Class C	6.10%	6.07%

Fund Description

The fund seeks a high level of current income and, secondarily, preservation of capital, by investing predominantly in floating interest rate senior secured corporate loans (floating-rate loans) and corporate debt securities.

Performance Data^{3,4}

Average Annual Total Returns^{5,6} (%)

	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception
Class A - With Sales Charges	-2.38	0.37	-2.27	1.70	2.27	3.60	3.38
Class A - Without Sales Charges	-0.18	2.64	-0.04	2.47	2.74	3.84	3.50
Class C - With Sales Charges	-1.27	1.23	-1.39	2.06	2.31	3.43	3.10
Class C - Without Sales Charges	-0.29	2.21	-0.44	2.06	2.31	3.43	3.10
Credit Suisse Leveraged Loan Index	0.92	6.39	3.11	4.68	4.11	5.38	4.72



- Class A - With Sales Charges
- Class A - Without Sales Charges
- Credit Suisse Leveraged Loan Index

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 at (800) DIAL BEN/342-5236 or visit franklintempleton.com for the most recent month-end performance.

The fund has a fee waiver associated with any investment 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 fee waiver; without this waiver, the results would have been lower.

- All holdings are subject to change.
- 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.
- Periods shorter than one year are shown as cumulative total returns.
- Since inception return for the benchmark is calculated to the fund inception date.

Not FDIC Insured | May Lose Value | No Bank Guarantee

Calendar Year Returns (% Without Sales Charges)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Class A	0.54	2.18	11.62	-2.12	0.49	4.53	8.07	0.87	8.36	29.56
Class C	0.26	1.79	11.04	-2.40	0.09	4.12	7.53	0.59	7.81	29.22
Credit Suisse Leveraged Loan Index	1.14	4.25	9.88	-0.38	2.06	6.15	9.43	1.82	9.97	44.87

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

Portfolio Manager Insight⁷

Performance Review

QUARTERLY KEY PERFORMANCE DRIVERS

	Loan Selection	Quality/Tier	Sectors/Industries
HELPED	Consumer Products	Middle-Tier	Overweight in Food and Beverages
	Consumer Cyclical Services	Lower-Tier	Overweight in Automotive
	Technology	Upper-Tier	—
HURT	Metals and Mining Issuer	—	Overweight in Metals and Mining
	Paper Issuer	—	Overweight in Energy
	Restaurant Issuer	—	Overweight in Retailers

- During the quarter, industry allocation and loan selection were the primary detractors from relative results. Our overweight in metals and mining hindered performance, as did loan selection in the industry. Conversely, the fund's holdings in select discounted and higher spread credits benefitted results.
- We maintained our defensive positioning and overweight in Upper-Tier loans relative to the index.

Outlook & Strategy

- During September, as we have noted in the past, the bifurcation of loan performance persisted. The bifurcation has been driven by ratings as well as financial performance, which is being impacted by tariffs, regulations, commodity price volatility and secular challenges. Loans in the energy, retail, health care and metals and mining sectors have been particularly impacted.
- New deals from higher-rated, Upper-Tier (or more seasoned) issuers have been generally oversubscribed and, in some cases, have reduced pricing. On the other end of the credit quality spectrum, new issuance from highly-levered and/or secularly-challenged borrowers have required major concessions to attract investors. In the secondary market, companies that have performed below expectations have seen loan prices drop, while better performing companies have seen loans bid up.
- While steady collateralized loan obligation (CLO) formation has helped to stabilize loan demand, CLO vehicles have contributed toward the bifurcation phenomenon, in our view, as higher-rated paper is required to meet portfolio quality tests. We think that some of the bifurcation is justified, but also believe that the bifurcation based on ratings creates opportunities to buy higher-quality single-B rated names at a discount.
- September also marked a volatile month for SOFR (Secured Overnight Financing Rate: the proposed alternative to the LIBOR or London Interbank Offered Rate). While the Fed ultimately stepped in to stabilize interest rates, the episode highlights the growing pains that we think SOFR will have before it is accepted as a viable alternative to LIBOR. We are cognizant of the challenges ahead and are monitoring developments as the market marches toward the end of 2021 (the intended switchover date from LIBOR to SOFR).
- In general, we remain constructive on floating-rate credit in spite of the potential headwinds, due in part to the general strength of the US economy and subdued default outlook. Regardless of the current state of the loan market, our portfolio management discipline has remained consistent in our focus on security selection, rigorous credit quality screening and proper due diligence to identify potential risks that might lie beneath the surface.

7. 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^{8,9,10,11}

	Portfolio	Credit Suisse Leveraged Loan Index
Average Duration	0.13 Yrs	0.08 Yrs
Average Weighted Maturity	4.33 Yrs	4.86 Yrs
Annual Turnover Ratio (10/31/2018)	58.07%	-
Time to Reset	55.00 Days	-

Portfolio Diversification⁸**Top Ten Holdings**¹²

Top Holdings	%
Fieldwood Energy LLC	4.53
FGI Operating Company, LLC (Freedom Group)	2.57
Appvion Operations, Inc.	2.56
General Nutrition Centers, Inc.	2.56
Navistar, Inc.	2.10
Wolverine Fuels Holding, LLC	1.78
CSC Holdings, LLC (Cablevision)	1.75
JBS USA Lux S.A.	1.63
Berry Global Inc.	1.53
Sinclair Television Group Inc.	1.50

Loan Information by Seniority, Covenant and Size

Seniority	%
First Lien	82.95
Other, CLO and Unsecured	15.16
Second Lien	1.89
Covenant	%
Covenant Lite	69.02
Full Covenant	30.98
Size of Issue (Millions)	%
\$301MM and Over	87.77
\$0MM to \$100MM	4.51
\$101MM to \$200MM	4.26
\$201MM to \$300MM	3.46

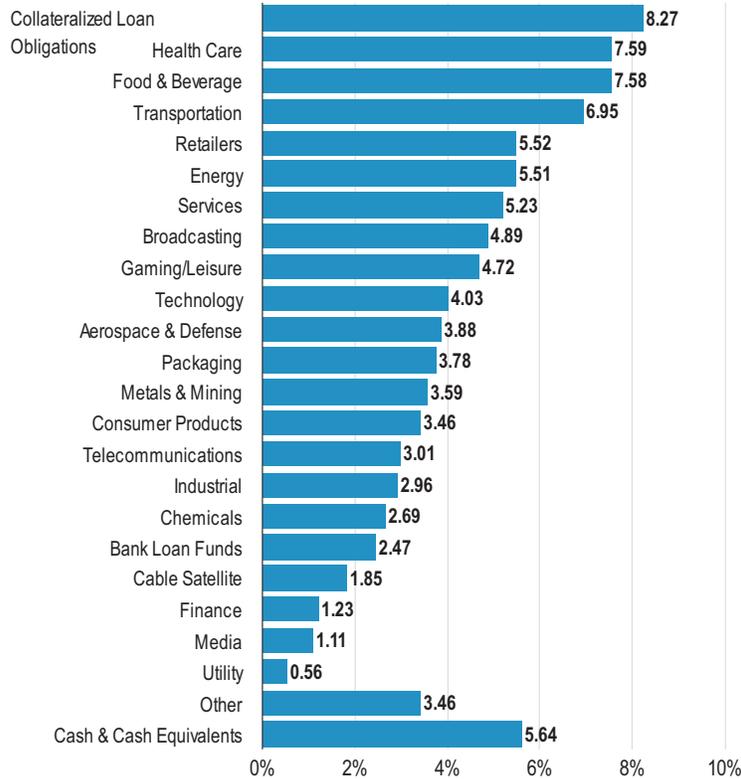
10. Turnover Ratio is as of the fund's fiscal year-end.

11. 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.

12. All holdings are subject to change. The information provided is not a recommendation to purchase, sell, or hold any particular security. The portfolio manager for the fund reserves the right to withhold release of information with respect to holdings that would otherwise be included.

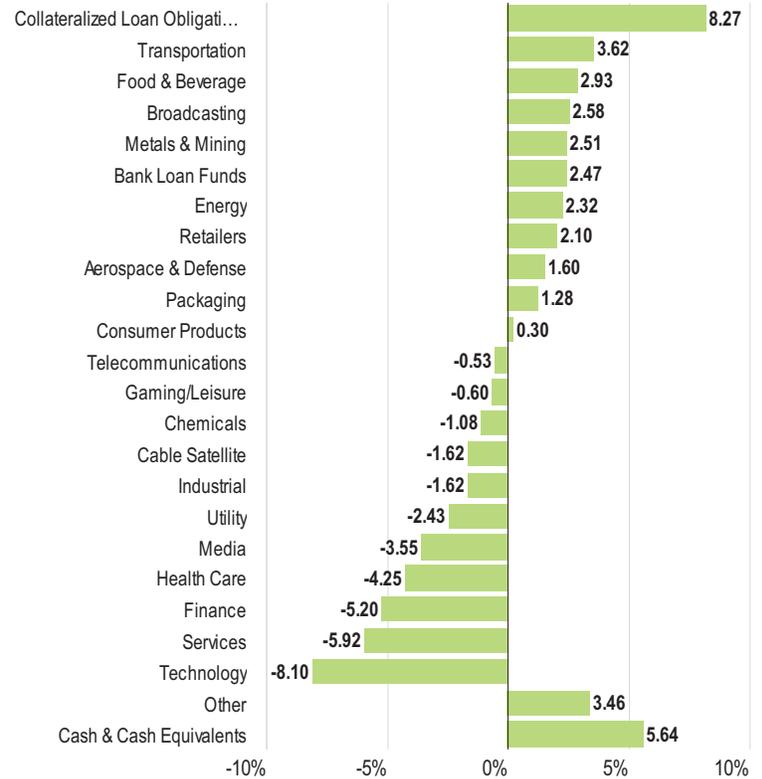
Sector Allocation¹³

Market Value—Percent of Total



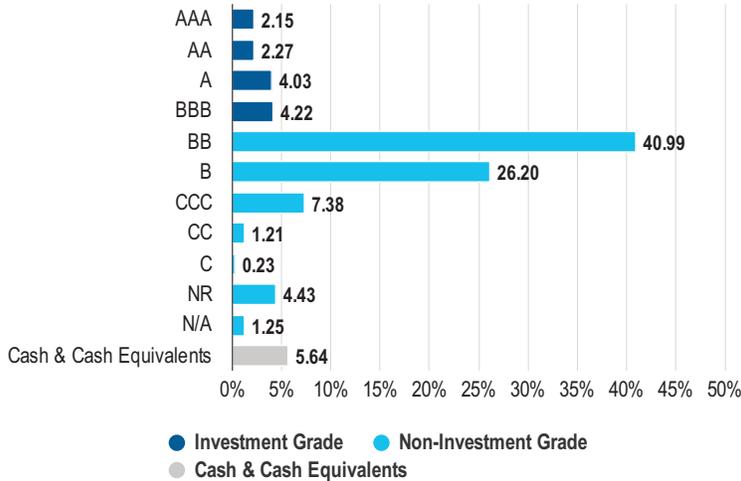
Sector Allocation vs. Credit Suisse Leveraged Loan Index^{13,14}

Market Value—Percent of Total



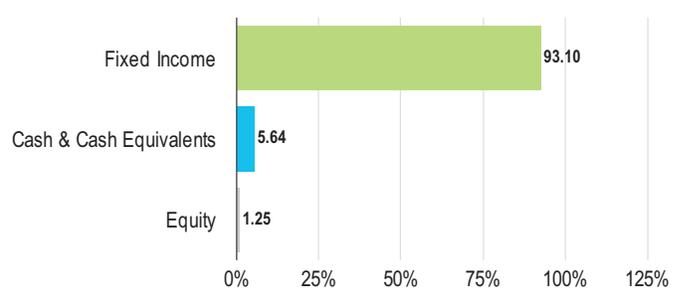
Credit Quality Allocation^{13,15}

Market Value—Percent of Total



Asset Allocation¹³

Market Value—Percent of Total



14. 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.

15. Ratings shown are assigned by one or more Nationally Recognized Statistical Rating Organizations ('NRSRO'), such as Standard & Poor's and Moody's. The ratings are an indication of an issuer's creditworthiness and typically range from AAA or Aaa (highest) to D (lowest). When ratings from both agencies are available, the lower 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^{16,17}

Class A

	3 Yrs	5 Yrs	10 Yrs
Standard Deviation (%)	2.10	2.97	3.05
Tracking Error (%)	1.00	1.04	0.96
Information Ratio	-2.21	-1.32	-1.60
Beta	0.78	0.99	0.92
Sharpe Ratio	0.45	0.60	1.09

Investment Philosophy

Focus on Income

We believe that independent credit research and active portfolio management can potentially achieve competitive levels of floating rate income, while significantly reducing uncompensated credit risk and principal volatility, for those investors desiring a portfolio of below investment-grade senior secured floating rate bank debt. Our core portfolios are primarily managed to pursue attractive levels of income while seeking to reduce default risk, and as such, do not explicitly seek price appreciation at the expense of high default exposure.

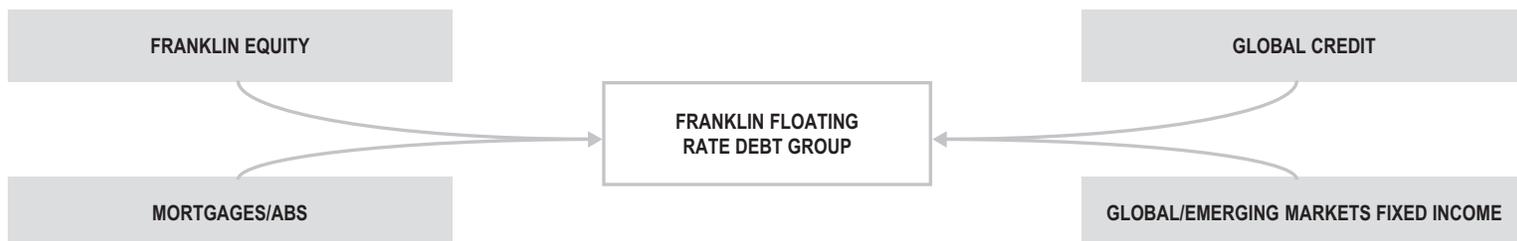
Investment Process

Consistent Investment Approach

- Fundamental Analysis
 - Dedicated, bottom-up credit research incorporating proprietary information.
- Disciplined Approach
 - Focus on capital preservation by seeking higher quality issues within the asset class with strong asset coverage.
 - Avoid companies with high expected defaults or high expected losses in event of default.
 - Maintain diversified portfolios through a disciplined portfolio construction process.
 - Focus primarily on new-issue market where we believe the risk/return profiles are the most favorable.
 - Add selectively to existing positions through secondary market.
- Risk Management
 - Integrate risk management in portfolio construction process by estimating expected frequency of default and expected loss in event of default, as well as total value at risk.

Integrated Research Approach

- The Franklin Floating Rate Debt Group leverages the insights of other fixed income and equity professionals throughout the firm.



Investment Team

Portfolio Manager	Years with Firm	Years Experience
Reema Agarwal, CFA, VP/Director of Research, Floating Rate	15	22
Justin G. Ma, CFA, VP / Portfolio Manager	13	13
Margaret Chiu, CFA, Portfolio Manager	7	7

Annual Turnover Ratio: Percentage of a fund's holdings replaced with other holdings during a fund's most recent full fiscal year.

Average Duration: The market-weighted average of the duration of bonds. Duration of each bond is the estimated percentage change in the bond's price for a 1% change in the bond's yield.

16. Beta, Information Ratio and Tracking Error information are measured against the Credit Suisse Leveraged Loan Index.

17. 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.

Beta: A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of the overall market (or appropriate market index). The market (or index) is assigned a beta of 1.00, so a portfolio with a beta of 1.20 would have seen its share price rise or fall by 12% when the overall market rose or fell by 10%.

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.

Time to Reset: The average time to reset for the portfolio will be based on the average number of days in which the loans in the portfolio will adjust to the new rate based on the current LIBOR rate in the market.

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. Investors should be aware that the fund's share price and yield will fluctuate with market conditions. The fund should not be considered an alternative to money market funds or certificates of deposit (CDs). The floating-rate loans and debt securities in which the fund invests tend to be rated below investment grade. Investing in higher-yielding, lower-rated, floating-rate loans and debt securities involves greater risk of default, which could result in loss of principal—a risk that may be heightened in a slowing economy. Interest earned on floating-rate loans varies with changes in prevailing interest rates. Therefore, while floating-rate loans offer higher interest income when interest rates rise, they will also generate less income when interest rates decline. 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 risks are discussed in the fund's prospectus.

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. Please carefully read a prospectus before you invest or send money.

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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.

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

9. Average Duration and Average Weighted Maturity reflect certain derivatives held in the portfolio (or their underlying reference assets).

13. 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.

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