FRANKLIN TEMPLETON INVESTMENTS

Franklin Floating Rate Daily Access Fund —Class A

Product Profile Third Quarter 2015

FUND CHARACTERISTICS (AS OF 9/30/15)

NASDAQ Symbol	FAFRX
Fund Inception Date	5/1/01
Dividends	Accrued daily/paid monthly on last business day
Benchmark	Credit Suisse Leveraged Loan Index
Lipper Classification	Loan Participation Funds
Morningstar Category™	Bank Loan
Total Net Assets—All Share Classes	3,666 million
Number of Holdings	198
Maximum Initial Sales Charge	2.25%

THIRD-PARTY FUND DATA

Overall Morningstar Rating™

Traditional

★★★

Load Waived

★★★

As of September 30, 2015 the fund's Class A shares received a traditional 3 star overall Morningstar Rating™ and a load waived 3 star Morningstar Rating™, measuring risk-adjusted returns against 195, 134 and 54 U.S.-domiciled Bank Loan 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.

Load waived Class A share Morningstar Ratings do not include front-end sales charges and are intended for investors who have access to such purchase terms (e.g., fee-based programs and participants of a defined contribution plan). Investors should contact their financial advisor to determine their eligibility to purchase Class A shares without paying the sales charge.

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

Average Annual Total Returns for Periods Ended September 30, 2015 (%)

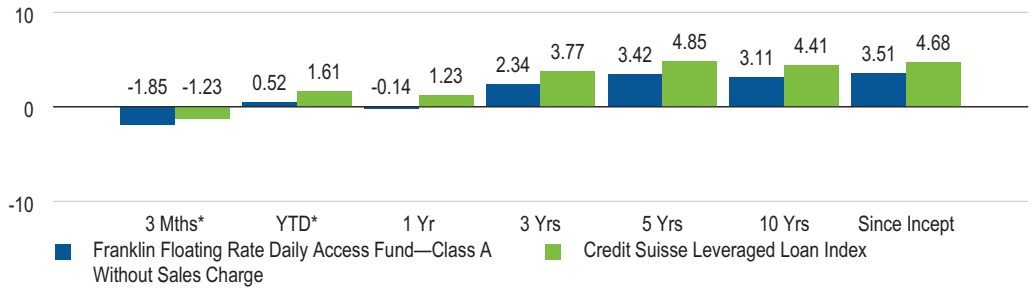
	3 Mths*	YTD*	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Incept (5/1/01)
With Sales Charge	-4.11	-1.80	-2.40	1.57	2.94	2.88	3.35
Without Sales Charge	-1.85	0.52	-0.14	2.34	3.42	3.11	3.51
Credit Suisse Leveraged Loan Index	-1.23	1.61	1.23	3.77	4.85	4.41	4.68

Total Annual Operating Expenses—*0.85%*

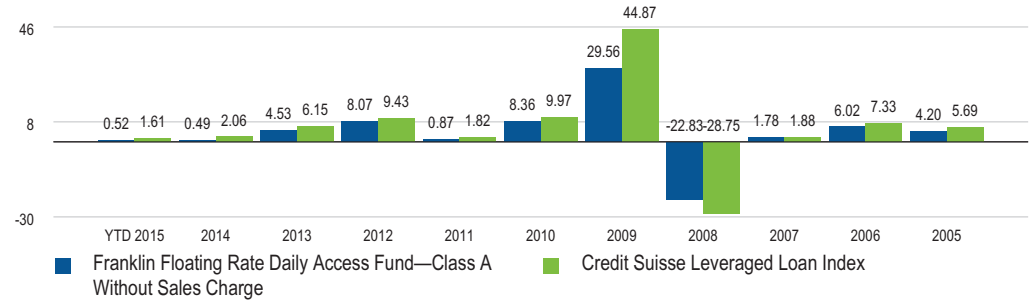
30-Day Standardized Yield (As of 9/30/15)—5.39%

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

Average Annual Total Returns for Periods Ended September 30, 2015 (%)



Calendar Year Returns As of September 30, 2015 (%)



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

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.

*Cumulative Total Returns.

For information related to the "Fund Characteristics," "Third-Party Fund Data," and "Performance Data" sections, please see Explanatory Notes.

Not FDIC Insured | May Lose Value | No Bank Guarantee

PORTFOLIO DIVERSIFICATION (AS OF 9/30/15)

Top Ten Holdings

Security Name	% of Total
FMG America Finance, Inc. (Fortescue Metals Group)	2.34
Community Health Systems, Inc.	2.33
MoneyGram International, Inc.	2.29
Alinta Energy Finance Pty Ltd	2.09
Valeant Pharmaceuticals International, Inc.	2.09
Caraustar Industries, Inc.	1.91
Peabody Energy Corporation	1.71
Fitness International, LLC	1.66
BMC Software Finance, Inc.	1.63
Caesars Entertainment Resort Properties, LLC	1.61

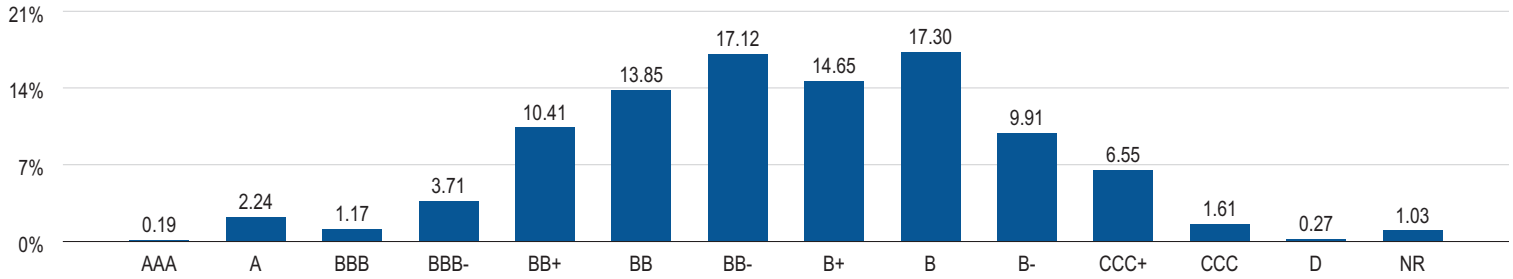
Loan Information by Seniority, Covenant and Size

Seniority	%
First Lien	85.59
Second Lien	9.46
Other, CLO and Unsecured	4.96

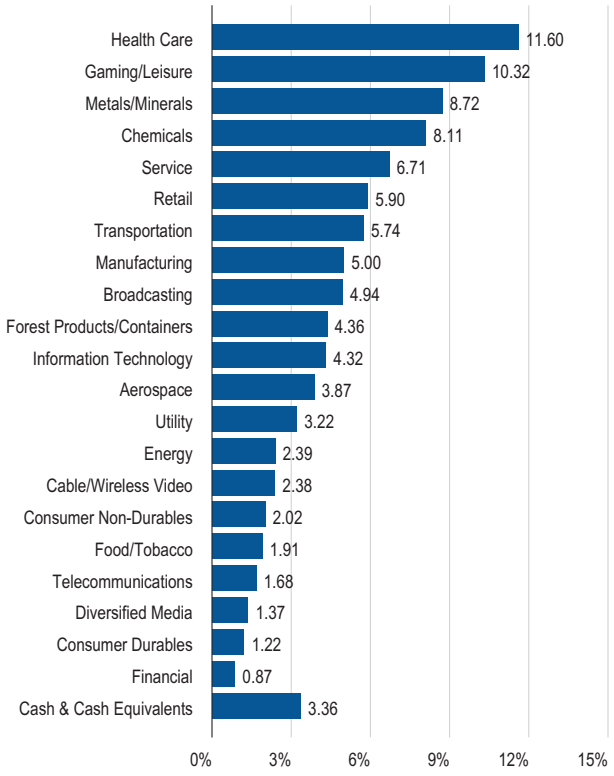
Covenant	%
Full Covenant	24.46
Covenant Lite	75.54

Size of Issue (Millions)	%
0 to 100	2.05
101 to 200	3.72
201 to 300	5.44
301 and Over	88.79

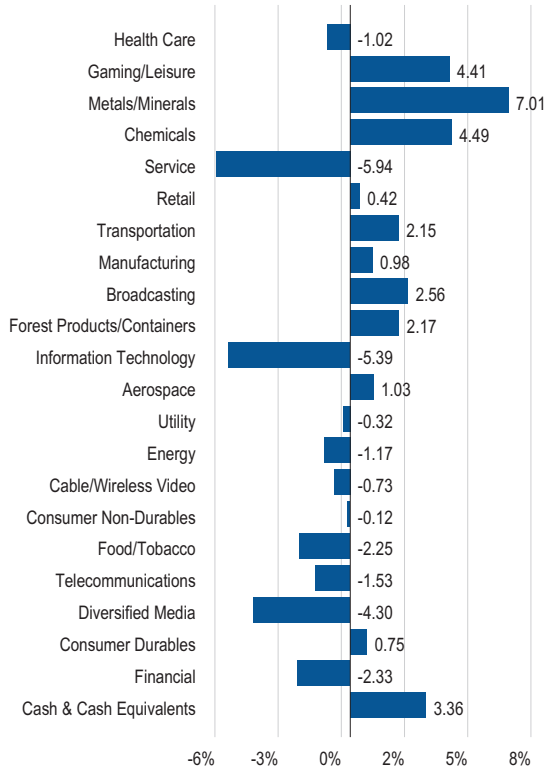
Quality Weightings



Sector Weightings



Over/Under Sector Weights vs. Credit Suisse Leveraged Loan Index



Quality Weightings: Ratings shown are assigned by Standard & Poor's, a Nationally Recognized Statistical Credit Rating Organization. The ratings are an indication of an issuer's creditworthiness and typically range from AAA (highest) to D (lowest). The NR category consists of ratable securities that have not been rated by S&P. Cash and equivalents as well as derivatives are excluded from this breakdown. As a result, the chart does not reflect the fund's total net assets.

Sector Weightings: Portfolio weights 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 any derivatives, unsettled trades or other factors.

For information related to the "Portfolio Diversification" section, please see Explanatory Notes.

PORTFOLIO CHARACTERISTICS (AS OF 9/30/15)—Fund vs. Credit Suisse Leveraged Loan Index

	Fund	Benchmark
Average Duration	0.22 Yrs	N/A
Average Weighted Maturity	4.59 Yrs	N/A
Annual Turnover Ratio (As of 10/31/14)	83.93%	N/A
Weighted Average		
Time to Reset	80 Days	N/A

PERFORMANCE RISK STATISTICS - Class A

Modern Portfolio Theory (MPT) Statistics (As of 9/30/15)

Performance Risk Statistics	3 Years	5 Years	10 Years
Standard Deviation	1.84	3.04	6.48
Alpha	-1.24	-1.23	-0.74
Beta	0.96	0.97	0.83
Sharpe Ratio	1.26	1.11	0.29
Information Ratio	-2.72	-2.26	-0.62
Tracking Error	0.52	0.63	2.10
R-Squared	92.05	95.80	93.46

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

GLOSSARY

Alpha: Alpha measures the difference between a fund's actual returns and its expected returns given its risk level as measured by its beta. A positive alpha figure indicates the fund has performed better than its beta would predict. In contrast, a negative alpha indicates a fund has underperformed, given the expectations established by the fund's beta. Some investors see alpha as a measurement of the value added or subtracted by a fund's manager.
Annual Turnover Ratio: Percentage of a fund's holdings replaced with other holdings during a fund's most recent full fiscal year. A fund's fiscal year end can be found in a fund's current summary prospectus and/or prospectus.
Average Duration: Also known as 'effective' or 'Macaulay' duration it is 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. It's an indication of an issue's coupon relative to its maturity. Rising interest rates mean falling bond prices; declining interest rates mean rising bond prices. The bigger the duration number, the greater the interest-rate risk; (or reward for bond prices). The weighted average duration of a fund reflects the effective duration of the underlying issues, based on the size of each holding. This value differs with 'Modified Duration' which is modified for the market (dirty) price of an issue.
Average Weighted Maturity: An estimate of the number of terms to maturity, taking the possibility of early payments into account, for the underlying holdings. The calculation uses the weighted average time to the receipt of all future cash flows for all holdings. Also known as 'average life' for fixed-term products. The weighted average maturity of a fund reflects the maturity of the underlying issues, based on the size of each holding.
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.
R-Squared: A measure of how much of a portfolio's performance can be explained by the returns from the overall market (or a benchmark index). If a portfolio's total return precisely matched that of the overall market or benchmark, its R-squared would be 100. If a portfolio's return bore no relationship to the market's returns, its R-squared would be 0.
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 a fund's return varies from its previous returns or from the average of all similar funds. The larger the standard deviation, the greater the likelihood (and risk) that a security's performance will fluctuate from the average return.
Time to Reset: Bank loans pay interest at a rate negotiated between the borrower and lender. The interest rate is linked to, but generally at a spread above, the current London Interbank Offering Rate (LIBOR), which typically resets every 3 months. However, the time period in which bank loans reset can vary between loans and is dictated by the terms of the loan between the borrower and lender. 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 fund compared to the return of a benchmark over a fixed period of time. Expressed as a percentage. The more passively the investment fund is managed, the smaller the tracking error.

Portfolio Characteristics: The figures shown for Average Duration and Average Weighted Maturity reflect certain derivatives held in the portfolio (or their underlying reference assets).
Beta, Information Ratio, R-Squared, and Tracking Error are measured against the Credit Suisse Leveraged Loan Index.
For information related to the “Portfolio Characteristics” section, please see Explanatory Notes.

MARKET REVIEW

Amid concerns of slowing global growth, volatility in the capital markets resumed during the third quarter and led to further price declines in the loan market. Technical conditions for loans also weakened despite subdued new supply, as outflows from loan retail vehicles accelerated and new collateralized loan obligation (CLO) activity slowed. The heightened uncertainty surrounding the global economy especially impacted issuers with exposure to commodities, including energy issuers and metals and minerals issuers. However, relative to the high-yield bond market, the loan market's lower exposure to commodities and a more favorable balance between supply and demand led to more moderate declines.

PERFORMANCE REVIEW AND CONTRIBUTORS TO PERFORMANCE

Performance Review

During the quarter, the fund benefited from its underweight allocation and loan selection within the lower tier segment of the market. However, the fund's loan selection within the upper and middle tiers detracted from relative performance. Within these tiers, our overweight allocation to the metals and minerals sector, as well as our loan selection in the energy sector, detracted from relative performance.

Portfolio Positioning

During the quarter, we continued to increase our weighting in the upper tier of the market, including loans rated BB- and Ba3 or higher, while we reduced our weighting in the middle and lower tiers. The fund increased its overweight in the upper tier during the period, shifting from 33.1% to 40.2% of the loan portfolio (versus 33.9% to 34.1% for the index). It also shifted from overweight to underweight in the middle tier, from 60.4% to 53.7% (versus 56.7% to 56.4% for the index), and increased its underweight in the lower tier from 6.5% to 6.1% (versus 6.7% to 6.6% for the index). In the third quarter, upper tier loans in the index returned -0.03%, the middle tier returned -1.02%, and the lower tier returned -8.95%, as measured by the Credit Suisse Leveraged Loan Index.1 Meanwhile, our allocation to CLO tranches rated A or A2 increased from 3.1% to 3.3% during the quarter.

Relative to the index, the fund had overweight positions in the metals and minerals and the chemicals industries, while we were underweight in service and information technology.

The weighted average price of loans in the fund declined from 96.4 at the start of the third quarter of 2015 to 93.6 at the end and included loans purchased during the period at discounts to par. In the same period, the weighted average price of loans in the index declined from 96.6 to 94.2. The weighted average all-in coupon of the fund declined to 510 basis points at the end of the quarter, compared to 520 basis points at the end of the prior quarter. All-in coupons in the index declined during the quarter, ending at 476 basis points, from 479 basis points at the beginning of the period.

Approximately 95.3% (by par amount) of the portfolio had a London Interbank Offered Rate (LIBOR) floor, with a weighted average floor of 99 basis points at the end of the third quarter of 2015. At the end of 2015's second quarter, 95.5% of the fund had LIBOR floors, with an average floor of 101 basis points. In comparison, approximately 92.0% (also by par amount) of the loan market had a LIBOR floor at the end of the third quarter, with a weighted average floor of 100 basis points. At the end of the second quarter, 91.9% of the market had floors, with an average floor of 101 basis points.

Outlook & Strategy

As the loan market has most recently experienced heightened volatility related to significant declines in commodity prices, we have attempted to take advantage of periods of indiscriminate selling to purchase higher credit quality loans trading at discounts to par. While our near-term outlook on credit remains constructive overall, we expect to continue to shift toward the upper tier of the loan market, seeking to position for a more uncertain default outlook in 2016 and later. Furthermore, prior to a significant increase in default rates, the prospect of an extended period of rising interest rates could lead to an increased level of demand for floating-rate assets. We believe significant demand could lead to a refinancing wave that may reduce income and further deteriorate credit quality in the market, as issuers launch increasingly aggressive transactions in the middle and lower tiers. We expect our shift to the upper tier to mitigate the effects of this transitory period of refinancing, as well as to provide a potentially more defensive portfolio prior to the next market downturn.

The above commentary does not provide a complete analysis of every material fact regarding any market, region, industry, security, portfolio or pooled investment vehicle. Portfolio holdings information, opinions and other market or economic information and data provided are as of the date of the commentary, unless another date is expressly indicated, and may change without notice. Statements of fact cited by the manager have been obtained from sources considered reliable but no representation is made as to their completeness or accuracy. The manager's assessment of a particular industry, region, security, sector or investment is intended solely to provide insight into the manager's investment process and is not a recommendation to buy or sell any security, nor investment advice. References to particular securities or sectors are only for the limited purpose of illustrating general market or economic conditions and are not recommendations to buy or sell a security. Although historical data is no guarantee of future results, these insights may help you understand our investment management philosophy.

Investment Philosophy and Process

Investment Philosophy

We believe that independent credit research and active portfolio management can 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 generate attractive levels of income while seeking to minimize default risk, and as such, do not explicitly seek price appreciation at the expense of high default exposure.

Investment Process

Fundamental Analysis

- Independent, bottom-up credit research incorporating proprietary information.

Disciplined Approach

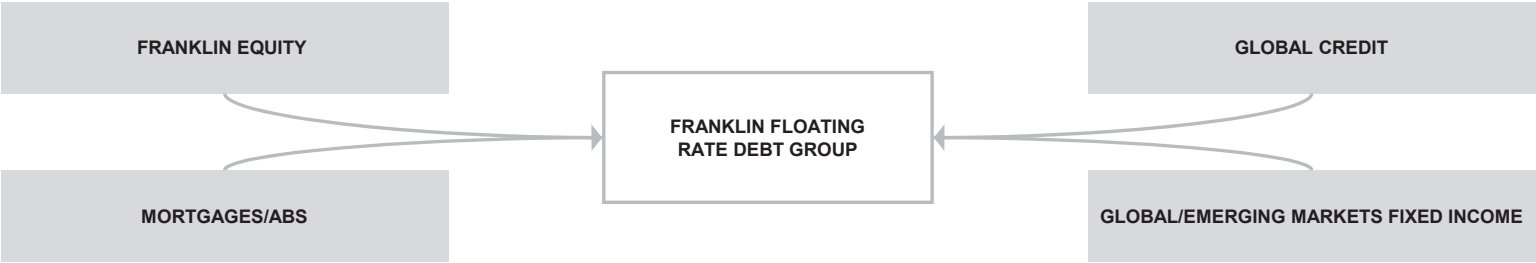
- Focus on capital preservation by seeking higher quality issues within the asset class with strong asset coverage.
- Avoid companies with high expected defaults or high expected losses in event of default.
- Maintain diversification through a disciplined portfolio construction process.
- Focus primarily 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 AND MANAGEMENT TEAM (AS OF 9/30/15)

Franklin Floating Rate Daily Access Fund Management Team	Years with Firm	Years Experience
Mark Boyadjian, CFA	17	28
Madeline Lam	17	24
Justin Ma	9	9
Franklin Templeton Fixed Income Management Team	**Years with Firm**	**Years Experience**
Christopher Molumphy, CFA - Chief Investment Officer	27	28
Franklin Templeton Fixed Income Group	**Number of Members**	**Average Years of Experience**
Portfolio Managers/Analysts	21	17
Research Analysts	65	13
Traders	12	17
Bank Loans Team	**Number of Members**	**Average Years of Experience**
Portfolio Managers	7	16
Portfolio Managers/Analysts	1	17
Additional Resources		
Quantitative	Corporates/High Yield	Equity

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.

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EXPLANATORY NOTES

FUND CHARACTERISTICS

Number of Holdings: All portfolio holdings are subject to change.

THIRD-PARTY FUND DATA

Morningstar Rating™: Source: Morningstar® 9/30/15. 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 Floating Rate Daily Access Fund received a traditional Morningstar Rating of 2, 2 and 3 star(s) for the 3-, 5- and 10-year periods, respectively. Load-waived Class A shares of Franklin Floating Rate Daily Access Fund received Morningstar Ratings of 3, 2 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 does not guarantee future results.** ©2015 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.

PERFORMANCE DATA

The fund offers other share classes subject to different fees and expenses, which will affect their performance.
Source for Index: FactSet. Indexes are unmanaged and one cannot invest directly in an index.

PORTFOLIO DIVERSIFICATION

Fund Holdings: Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change. The portfolio manager for the fund reserves the right to withhold release of information with respect to holdings that would otherwise be included. For updated information, call Franklin Templeton Investments at (800) DIAL BEN/(800) 342-5236 or visit franklintempleton.com.
Loan Information by Seniority, Covenant and Size: All portfolio holdings are subject to change.
Quality/Sector Weightings: Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change.

PORTFOLIO CHARACTERISTICS

The portfolio characteristics listed are based on the fund's underlying holdings, and do not necessarily reflect the fund's characteristics. Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change.

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/(800) 342-5236 or visit franklintempleton.com. Please carefully read a prospectus before you invest or send money.

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