FRANKLIN TEMPLETON

Franklin Income Fund

Advisor Class: FRIAX Class A: FKIQX | **Commentary | as of September 30, 2026**

Key Takeaways

- **Markets:** US equities, as measured by the S&P 500 Index, advanced over the third quarter, though performance diverged sharply during the period as leadership rotated between value- and growth-oriented areas of the market. Corporate earnings were notably robust, but September saw large-cap growth and technology stocks reassert themselves amid narrowing market breadth, while small-cap stocks posted their weakest month since March 2025.
- **Contributors:** The equity side of the portfolio contributed to the fund's absolute returns, while stock selection assisted relative results.
- **Detractors:** Fixed income positioning weakened absolute performance. Meanwhile, security selection, as well as an overweight allocation to fixed income and underweight exposure to equities, detracted from relative returns.
- **Outlook:** While markets may continue to react to evolving headlines, we believe the underlying drivers of US economic growth remain intact, supported by ongoing capital investments and resilient US consumer spending. Against this backdrop, diversification and flexibility remain central to our approach as we navigate the rest of the year.

Performance Review

- Franklin Income Fund (Advisor Class shares without sales charges) **outperformed its benchmark**, the Blended 50% MSCI USA High Dividend Yield Index + 25% Bloomberg High Yield Very Liquid Index + 25% Bloomberg US Aggregate Index, for the quarter ended September 30, 2026.
- Over the course of the quarter, the fund **increased its fixed income allocation** and **decreased its equity exposure**.
- Fixed income allocation to **the energy sector had a positive effect** on absolute fund performance. However, **US Treasuries (USTs), financials and securitized products hindered results** during the period.
- On an individual issuer basis, **Venture Global Partners II, Bausch Health and Calumet were leading contributors** within the fund's fixed income positioning. In contrast, **USTs, Community Health Systems and Tronox Holdings detracted** from returns.
- In terms of equities, the fund **benefited from positions within the energy, information technology and health care sectors**. This **performance was partially offset by utilities, consumer discretionary and industrials stocks**, which detracted from absolute returns.
- **Chevron, ExxonMobil and Microsoft added value** within the fund's equity holdings. However, **Home Depot, International Business Machines and Southern Co. detracted** from returns during the period.

Outlook

- **Economy**: The outlook for economic growth and inflation continues to be a major area of focus for the fund. The US economy remains resilient, but ongoing uncertainty in monetary and fiscal policy, as well as trade and geopolitical risks, remain sources of volatility. Moreover, while the labor market has incrementally cooled, unemployment levels are still low on a historical basis. We continue to monitor financial conditions as a leading indicator of future economic performance and US Federal Reserve policy.
- **Equities**: Following an extended period of concentrated market leadership, 2026 has been characterized by periods of elevated equity market dispersion and significant sector and style rotation, creating opportunities for active stock selection. As leadership narrowed in September, it created opportunities to add to positioning within the financials and utilities sectors. Ultimately, given current valuations, we remain selective in engaging with equities and continue to focus on broad diversification across sectors while maintaining flexibility to capitalize on potential dislocations.
- **Treasuries/Government-Backed Bonds**: Government securities continue to provide an attractive investment opportunity, in our view, as yields have increased relative to recent history. We believe they continue to offer good diversification potential and can serve as a ballast to help hedge portfolios during market volatility.
- **Investment-Grade Corporate Bonds**: Absolute yield levels look increasingly attractive for an income-generating strategy, but credit spreads remain tight, despite some recent widening. With credit spreads at current levels, we believe future returns may be driven by interest-rate moves and carry rather than from meaningful spread compression.
- **High-Yield Corporate Bonds**: Although we think the high-yield market offers attractive yields, we remain balanced and selective with a focus on strong company fundamentals. We maintain a vigilant approach to security selection within our high-yield portfolio, with our preference for companies that have a greater degree of flexibility to address upcoming maturities.

Fund Characteristics

Fund Characteristics	Fund
Distribution Frequency	Monthly
30-Day SEC Yield (Advisor Class)—With Waiver	3.96%
30-Day SEC Yield (Advisor Class)—Without Waiver	3.95%

Asset Allocation (% of Total)

Asset Class	Fund
Fixed Income	53.92
Convertibles/Equity-Linked Notes	23.59
Equity	22.02
Cash & Cash Equivalents	0.48

Top Holdings (% of Total)

Issuer	Fund
UNITED STATES TREASURY BOND	7.17
CHS/COMMUNITY HEALTH SYSTEMS INC	3.19
AMAZON.COM INC	2.68
ALPHABET INC	2.32
EXXONMOBIL HOLDINGS CORP	2.09
CHEVRON CORP	1.97
MICROSOFT CORP	1.70
PROCTER & GAMBLE CO/THE	1.68
GOVT NATL MORTG ASSN	1.60
BANK OF AMERICA CORP	1.59

Sector Allocation (Equity as a % of Total)

Sector	Fund
Information Technology	10.06
Energy	6.74
Financials	5.41
Health Care	5.35
Utilities	4.40
Consumer Discretionary	3.69
Consumer Staples	3.44
Materials	2.32
Industrials	2.19
Communication Services	2.01

Sector Allocation (Fixed Income as a % of Total)

Sector	Fund
High Yield Corporates	22.30
Investment Grade Corporates	18.00
U.S. Treasuries	8.13
Mortgage-Backed Securities	4.15
Floating-Rate Loans	1.32

Not FDIC Insured | No Bank Guarantee | May Lose Value

Average annual total returns and fund expenses (%) - as of September 30, 2026

			Without Sales Charge							With Maximum Sales Charge							Expenses		Sales Charges		Inception
Class	CUSIP	Ticker	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception	Gross	Net	Initial Charge	CDSC	Date
Advisor Class	353496847	FRIAX	-0.63	4.22	6.85	10.46	6.37	6.98	9.84	-0.63	4.22	6.85	10.46	6.37	6.98	9.84	0.46	0.46	—	—	8/31/1948
Class A	353496490	FKIQX	-0.68	4.00	6.55	10.30	6.15	6.70	9.73	-4.41	0.10	2.56	8.90	5.34	6.30	9.68	0.71	0.71	3.75	—	8/31/1948
Benchmark	—	—	-1.24	5.06	6.42	10.43	5.53	6.62	—	-1.24	5.06	6.42	10.43	5.53	6.62	—	—	—	—	—	—

Benchmark(s)

Benchmark =Blended 50% MSCI USA High Dividend Yield Index + 25% Bloomberg High Yield Very Liquid Index + 25% Bloomberg US Aggregate Index

Performance data quoted represents past performance, which does not guarantee future results. *Current performance may be lower or higher than the figures shown. Principal value and investment returns will fluctuate, and investors' shares, when redeemed, may be worth more or less than the original cost. Performance would have been lower if fees had not been waived in various periods. Total returns assume the reinvestment of all distributions and the deduction of all fund expenses. Returns with sales charge reflect a deduction of the stated maximum sales charge. An investor cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges. Returns for periods of less than one year are not annualized. All classes of shares may not be available to all investors or through all distribution channels. For current month-end performance, please visit franklintempleton.com.*
The fund began offering Advisor Class shares on 12/31/1996 and the fund began offering A Class shares on 9/10/2018. Performance quotations have been calculated as follows: (a) for Advisor Class periods prior to 12/31/1996, a restated figure is used based on the fund's Class A1 performance; for A Class periods prior to 9/10/2018, a restated figure is used based on the fund's Class A1 performance. The performance was adjusted to take into account differences in class-specific operating expenses and maximum sales charges. (b) For periods after share class offering, performance for the specific share class is used, reflecting the expenses and maximum sales charges applicable to that class.
The total annual operating expenses are as of the fund's prospectus available at the time of publication. Actual expenses may be higher and may impact portfolio returns.

What are the Risks?

All investments involve risks, including possible loss of principal. Fixed income securities involve interest rate, credit, inflation and reinvestment risks, and possible loss of principal. As interest rates rise, the value of fixed income securities falls. **Low-rated, high-yield bonds** are subject to greater price volatility, illiquidity and possibility of default. **Equity securities** are subject to price fluctuation and possible loss of principal. Investments in **equity-linked notes** often have risks similar to their underlying securities, which could include management risk, market risk and, as applicable, foreign securities and currency risks. **Asset-backed, mortgage-backed or mortgage-related securities** are subject to prepayment and extension risks. To the extent the portfolio invests in a **concentration of certain securities, regions or industries,** it is subject to increased volatility. **International investments** are subject to special risks, including currency fluctuations and social, economic and political uncertainties, which could increase volatility. These risks are magnified in **emerging markets.** The manager may consider **environmental, social and governance (ESG) criteria** in the research or investment process; however, ESG considerations may not be a determinative factor in security selection. In addition, the manager may not assess every investment for ESG criteria, and not every ESG factor may be identified or evaluated. These and other risks are discussed in the fund's prospectus.

Glossary

The **S&P 500 Index** features 500 leading U.S. publicly traded companies, with a primary emphasis on market capitalization. Source: © S&P Dow Jones Indices LLC. All rights reserved.

Important Information

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.

The **Benchmark:** 50% USA High Div Yield + 25% High Yield Very Liquid + 25% US Agg Index is composed of the Blended 50% MSCI USA High Dividend Yield Index + 25% Bloomberg High Yield Very Liquid Index + 25% Bloomberg US Aggregate Index. The MSCI USA High Dividend Yield Index is designed to reflect the performance of mid- and large-cap equities (excluding REITs) with higher dividend income, which is sustainable and persistent, than average dividend yields of securities in the MSCI USA Index. The Bloomberg US High Yield Very Liquid Index (VLI) is a component of the US Corporate High Yield Index designed to track a more liquid component of the U.S. dollar-denominated, high-yield, fixed-rate corporate bond market. The Bloomberg US Aggregate Bond Index is comprised of investment-grade, U.S. dollar-denominated government, corporate, and mortgage- and asset-backed issues having at least one year to maturity.

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The **30-day SEC yield** is calculated using the net income (interest and dividends) per share earned over a trailing 30-day period (annualized), divided by the fund's share price at the end of that period. It may not equal the fund's actual income distribution rate, which reflects the fund's past dividends paid to shareholders.

Holdings are provided for informational purposes only and should not be construed as a recommendation to purchase or sell any security.

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Before investing, carefully consider a fund's investment objectives, risks, charges and expenses. You can find this and other information in each prospectus, or summary prospectus, if available, at www.franklintempleton.com. Please read it carefully.

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