

# Franklin New York Tax-Free Income Fund

Advisor Class: FNYAX Class A: FNYQX

Commentary | as of September 30, 2025

## Key Takeaways

- **Markets:** In the third quarter of 2025 (Q3), new issuance of municipal (muni) bonds exceeded the average seen in the past few years, driven by a 34% year-over-year surge in July issuance. By quarter end, the yield on the benchmark 10-year US Treasuries (UST) note fell by eight basis points (bps) to 4.15%, while the 30-year UST yield decreased by four bps to 4.73%. US markets rose on clearer tariff policies, economic resilience and a more dovish Fed, which cut rates by 25 bps to 4.00%-4.25% in September.
- **Contributors:** Overweight allocation to muni bonds with 20 or more years to maturity, security selection in AA rated bonds and overweight allocation to A rated bonds.
- **Detractors:** Overweight allocation to BBB rated bonds and underweight allocation to muni bonds with two to five years to maturity.
- **Outlook:** Municipal bond valuations continue to appear attractive, particularly on a tax-adjusted basis. In a more challenging environment, strong bottom-up research and disciplined security selection will be essential to identifying relative value and preserving portfolio quality.

## Fund Characteristics

Fund Characteristics	Fund
Distribution Frequency	Monthly
30-Day SEC Yield (Advisor Class)—With Waiver	3.69%
30-Day SEC Yield (Advisor Class)—Without Waiver	3.68%
Taxable Equivalent Yield (Advisor Class)—With Waiver	8.31%
Taxable Equivalent Yield (Advisor Class)—Without Waiver	7.62%

## Performance Review

- Over the quarter, Franklin New York Tax-Free Income Fund **outperformed its benchmark**, the Linked Bloomberg Muni Bond New York Exempt/Muni Bond Index.
- **The fund's yield curve positioning contributed to relative performance** during the third quarter, primarily driven by our overweight to muni bonds with 20 or more years to maturity. However, our underweight to muni bonds with two to five years to maturity curbed returns.
- **Rating allocations detracted from relative returns for the period**, owing to our overweight to BBB rated bonds. Conversely, our overweight to A rated bonds partially lifted results. **Security selection benefited relative results**, particularly due to selection in AA and BBB rated securities.

## Outlook

- Muni bond issuance exceeded historical averages in Q3 as issuers, who had been reluctant to issue new bonds under the looming threat to their tax-exempt status, came to market. Positive fund flows into the asset class were not able to keep up with the supply. The muni bond yield curve continues to steepen, with longer-maturity bond valuations cheapening somewhat.
- Fundamentals remain broadly stable, however, as the economy slows and inflationary pressures ease, tax revenue growth at the state and local level is expected to moderate, placing greater importance on credit selectivity going forward.
- Municipal bond valuations continue to appear attractive, particularly on a tax-adjusted basis. Yields are near multi-year highs, allowing investors to lock in compelling income. In a more challenging environment, strong bottom-up research and disciplined security selection will be essential to identifying relative value and preserving portfolio quality.

Average annual total returns and fund expenses (%) - as of September 30, 2025

Class	CUSIP	Ticker	Without Sales Charge							With Maximum Sales Charge							Expenses		Sales Charges		Inception Date
			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	
Advisor Class	354130403	FNYPX	3.35	1.17	-0.06	4.90	0.44	1.60	5.49	3.35	1.17	-0.06	4.90	0.44	1.60	5.49	0.53	0.53	—	—	9/13/1982
Class A	354130809	FNYPX	3.40	0.99	-0.21	4.65	0.21	1.39	5.39	-0.48	-2.80	-3.95	3.32	-0.56	1.01	5.29	0.78	0.78	3.75	—	9/13/1982
Benchmark	—	—	2.98	2.13	0.91	4.88	0.99	2.18	—	2.98	2.13	0.91	4.88	0.99	2.18	—	—	—	—	—	—

Benchmark(s)

Benchmark =Linked Bloomberg New York Muni Bond/Muni Bond 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 10/1/2001. Performance quotations have been calculated as follows: (a) for Advisor Class periods prior to 10/1/2001, 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. Gross expenses are the fund's total annual operating expenses as of the fund's prospectus available at the time of publication. Net expenses are capped under a contractual agreement, which cannot be terminated prior to 06/30/2026 without Board consent. 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. Portfolios focused on a single state are subject to greater risk of adverse economic and regulatory changes in that state than a geographically diversified fund. Changes in the credit rating of a bond, or in the credit rating or financial strength of a bond's issuer, insurer or guarantor, may affect the bond's value. An investor may be subject to the federal Alternative Minimum Tax, and state and local taxes may apply. These and other risks are discussed in the fund's prospectus.

Glossary

A basis point (bp, or bps) is one one-hundredth of one percent (1/100% or 0.01%). The yield curve shows the relationship between yields and maturity dates for a similar class of bonds.

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 fund's benchmark is the Bloomberg New York Municipal Bond Index. The Linked Bloomberg New York Muni Bond/Muni Bond Index reflects performance of the Bloomberg Municipal Bond Index from the fund's inception through 7/31/1993 and the Bloomberg New York Municipal Bond Index thereafter. The Bloomberg New York Municipal Bond Index is a market value weighted index of New York investment-grade fixed-rate municipal bonds with maturities of one year or more. Source: Bloomberg Indices. Important data provider notices and terms available at www.franklintempletondatasources.com. All data is subject to change. 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. Franklin Distributors, LLC. Member FINRA/SIPC. © Franklin Templeton. All rights reserved.

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.