

Franklin New York Tax-Free Income Fund

Advisor Class: FNYAX Class A: FNYQX

Commentary | as of March 31, 2026

Key Takeaways

- **Markets:** In the first quarter of 2026, new issuance of municipal (muni) bonds exceeded the average seen in the past few years. The war in the Middle East which began at the end of February continued throughout March, dominating market sentiment during the month. By quarter-end, the yield on the benchmark 10-year US Treasury (UST) note moved 15 basis points (bps) higher to 4.32%, and the yield on the 30-year UST bond increased by seven bps to 4.91%. The March US Federal Reserve (Fed) Federal Open Market Committee meeting left rates unchanged, and the statement and press conference emphasized uncertainty related to the Iran war. The Fed indicated that it would look through any initial oil supply shock effect on inflation to focus on core developments, while also noting a likely dragging effect on the economy; ultimately the Committee retained an easing bias.
- **Contributors:** Security selection in AA rated bonds, overweight allocation to muni bonds with no external credit rating and overweight allocation to BBB rated bonds.
- **Detractors:** Overweight allocation to muni bonds with 20 or more years to maturity and security selection in BBB rated bonds.
- **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	3.68%
30-Day SEC Yield (Advisor Class)—Without Waiver	3.67%
Taxable Equivalent Yield (Advisor Class)—With Waiver	8.28%
Taxable Equivalent Yield (Advisor Class)—Without Waiver	7.60%

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 detracted from relative performance during the first quarter, primarily driven by an overweight to muni bonds with 20 or more years to maturity. However, this was partially offset by an underweight to muni bonds with five years to maturity, which limited some of the losses.
- Rating allocations benefited relative returns for the period, led by overweight allocations to bonds with no external credit rating, along with an overweight to BBB rated bonds. An underweight to AAA rated bonds also contributed to relative performance. Security selection benefited relative results, particularly due to selection in AA and AAA rated securities. Meanwhile, selection in BBB rated securities hindered results.

Outlook

- The robust demand witnessed at the start of 2026 has begun to soften amid rising market uncertainty, while supply has persisted at a record-setting pace. Looking ahead to 2026, demand will play a crucial role as supply is projected to reach historical highs, primarily driven by infrastructure capital requirements that can no longer depend on previous government stimulus programs alone. The muni-bond yield curve shifted higher during the quarter.
- Fundamentals remain stable but slower economic growth will constrain revenue expansion across many sectors, particularly with respect to tax revenues. Rainy-day funds remain healthy at the state and local government levels, which should bolster fiscal resilience despite ongoing expense growth.
- Following the market pullback in March, municipal bond valuations have strengthened and continue to appear attractive, particularly on a tax-adjusted basis. Yields remain above five-year averages, 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 March 31, 2026

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	FNYAX	-0.11	-0.11	3.93	2.91	0.37	1.54	5.46	-0.11	-0.11	3.93	2.91	0.37	1.54	5.46	0.53	0.53	—	—	9/13/1982
Class A	354130809	FNYQX	-0.07	-0.07	3.68	2.66	0.14	1.32	5.36	-3.82	-3.82	-0.21	1.36	-0.63	0.94	5.26	0.78	0.78	3.75	—	9/13/1982
Benchmark	—	—	-0.11	-0.11	4.21	2.79	0.86	2.02	—	-0.11	-0.11	4.21	2.79	0.86	2.02	—	—	—	—	—	

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.

Important data provider notices and terms available at www.franklintempletondatasources.com. All data is subject to change.

Source: Bloomberg Indices.

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.

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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.