

Franklin Managed Income Fund

Advisor Class: FBFZX Class A: FBLAX

Commentary | as of September 30, 2025

Key Takeaways

- Markets: US equities delivered strong performance over 2025's third quarter, buoyed in part by easing trade tensions
 and optimism surrounding artificial intelligence. The US Federal Reserve's (Fed's) interest-rate cut in September also
 supported market sentiment, as did robust corporate earnings. Both the S&P 500 Index and the Nasdaq Composite
 Index ended the quarter at new record highs.
- Contributors: Allocations to both the fixed income and equity sides of the portfolio benefited absolute returns. On a
 relative basis, security selection and underweight positioning within fixed income assisted performance, as did an
 overweight allocation to equities.
- **Detractors:** Stock selection weakened relative equity returns.
- Outlook: We maintain a balanced stance on fixed income, while continuing to favor a diversified mix across US
 Treasuries (USTs), securitized products and corporate issues. Moreover, our preference remains for selective exposure
 within equities, balancing growth sectors with quality cyclicals and dividend payers.

Performance Review

- Franklin Managed Income Fund (Advisor Class without sales charges) underperformed its benchmark, the Blended 60% Bloomberg US Aggregate Index + 40% MSCI USA High Dividend Yield Index, for the quarter ended September 30, 2025, but it outperformed the Bloomberg US Aggregate Index.
- Over the course of the quarter, the fund decreased its fixed income exposure and increased its allocation to equities.
- Fixed income allocations to securitized products, as well as the financials and utilities sectors, had a positive effect
 on absolute fund performance. No sectors detracted from fixed income returns during the period.
- By individual issuer, USTs, Freddie Mac and Fannie Mae were the top performers within the fund's fixed income holdings. Meanwhile, no fixed income holdings meaningfully hindered returns.
- In terms of equities, the fund benefited from positions within the health care, utilities, and energy sectors. However, the consumer staples, communication services and information technology sectors detracted from absolute returns.
- Johnson & Johnson, AbbVie and Chevron added value within the fund's equity holdings. Conversely, Texas Instruments, Philip Morris International and Comcast detracted from returns during the period.

Outlook

- **Economy**: The economic growth outlook continues to be a major area of focus for the fund. The US economy remains resilient, but ongoing uncertainty in monetary, fiscal and trade policy could weigh on investor sentiment and the broader economy throughout the remainder of the year. 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 Fed policy.
- Equities: Following two years of narrow market breadth, we have seen a broadening out of market leadership in 2025. While index level valuations are elevated, opportunities continue to evolve below the index levels, which we feel favors active management. 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: Interest-rate volatility has declined despite continued uncertainty regarding
 tariffs and concerns about their ultimate impact on growth, inflation and corporate fundamentals. Government securities
 continue to provide an attractive investment opportunity, in our view, as yields remain elevated based on 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: While absolute yield levels are still attractive for an income-generating strategy, credit spreads have contracted materially over the past year, which has decreased the attractiveness of investment-grade corporate bonds, in our assessment. With credit spreads at historically tight levels, we believe future returns may be driven by interest-rate moves and carry rather than further spread compression.

Morningstar Rating™

Overall Rating as of September 30, 2025



(4-Star) Advisor Class



(4-Star) Class A

As of 09/30/2025 the fund's Class A and Advisor Class shares received a 4 star overall Morningstar rating™, measuring risk-adjusted returns against 217, 206 and 162 Moderately Conservative Allocation 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.

Fund Characteristics	Fund
Distribution Frequency	Monthly
30-Day SEC Yield (Advisor Class)—With Waiver	3.32%
30-Day SEC Yield (Advisor Class)—Without Waiver	3.29%

Top Holdings (% of Total)

Issuer	Fund
GOVT NATL MORTG ASSN	7.63
UNITED STATES TREASURY BOND	3.86
FREDDIE MAC POOL	3.75
FANNIE MAE POOL	3.55
EXXON MOBIL CORP	2.48
CHEVRON CORP	2.10
SOUTHERN CO/THE	2.03
MORGAN STANLEY	1.98
TEXAS INSTRUMENTS INC	1.91
JOHNSON & JOHNSON	1.67

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

		Without Sales Charge						With Maximum Sales Charge								ses	Sales Charges		Inception		
Class	CUSIP	Ticker	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception	3-Мо	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception	Gross	Net	Initial Charge	CDSC	Date
Advisor Class	353612658	FBFZX	3.05	7.38	3.89	9.83	7.29	7.29	6.49	3.05	7.38	3.89	9.83	7.29	7.29	6.49	0.66	0.65	_	_	7/3/2006
Class A	353612682	FBLAX	3.07	7.19	3.64	9.57	7.03	7.03	6.20	-2.60	1.27	-2.07	7.53	5.83	6.42	5.89	0.91	0.90	5.50	_	7/3/2006
Benchmark 1	_	_	3.37	8.25	4.55	10.42	5.73	6.93	_	3.37	8.25	4.55	10.42	5.73	6.93	_	_	_	_	_	_
Benchmark 2	_	_	2.03	6.13	2.88	4.93	-0.45	1.84	_	2.03	6.13	2.88	4.93	-0.45	1.84	_	_	_	_	_	_

Benchmark(s)

Benchmark 1=Linked 60% Bloomberg U.S. Aggregate Index & 40% MSCI USA High Dividend Yield Index

Benchmark 2=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. Net expenses are the fund's total annual operating expenses as of the fund's prospectus available at the time of publication. Actual expenses may be higher and may impact portfolio returns. Net expenses reflect contractual fee waivers, expense caps and/or reimbursements, which cannot be terminated prior to 02/28/2026 without Board consent. Additional amounts may be voluntarily waived and/or reimbursed and may be modified or discontinued at any time without notice.

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. Equity securities are subject to price fluctuation and possible loss of principal. 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. Managed Distribution Policy Risks - The fund is not guaranteed to achieve its investment goal nor is there any guarantee that the fund will provide sufficient income at or through the investor's retirement. In addition, some of its distributions may be treated in part as a return of capital, which will decrease shareholders' cost basis in the fund and affect the amount of any capital gain or loss that they realize when selling or exchanging fund shares. The annual payout rate may be adjusted higher or lower from year to year and could vary substantially over time. It is possible for the fund to suffer substantial investment losses and simultaneously experience additional asset reductions as a result of its distributions to shareholders under the managed distribution policy. Investors who hold the fund within a tax-advantaged retirement account should consult their tax professional to discuss tax consequences of receiving cash distributions, use of the fund or election of the potion to receive distribution payments in cash may be restricted in certain retirement plans by the terms of the governing plan documents and/or the discretion of the plan administrator. Investors are strongly advised to consult with their financial professional for assistance before selecting the appropriate fund, ba

Glossary

Nasdaq Composite Index is a market-capitalization-weighted index that is designed to represent the performance of NASDAQ securities and includes over 3,000 stocks. Source: Nasdaq OMX. The S&P 500 Index features 500 leading U.S. publicly traded companies, with a primary emphasis on market capitalization. Source:

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Important Information

Effective 3/1/2019, Franklin Balanced Fund repositioned to become an income strategy. The fund changed its name to Franklin Managed Income Fund, as well as its dividend policy, investment management fee and primary benchmark. Effective March 1, 2025, the fund changed its benchmark to the Linked 60% Bloomberg U.S. Aggregate Index & 40% MSCI USA High Dividend Yield Index.

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 **Bloomberg US Aggregate 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. Source: Bloomberg Indices. 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, its parent index. Source: MSCI makes no warranties and shall have no liability with respect to any MSCI data reproduced herein. No further redistribution or use is permitted. This report is not prepared or endorsed by MSCI.

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.

Morningstar Rating™: Source: Morningstar®, 09/30/2025. For each mutual fund and ETF with at least a 3-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, and does not take into account the effects of sales charges and loads, 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. The weights are: 100% 3-year rating for 36-59 months of total returns, 60% 5-year rating/40% 3-year rating for 60-119 months of total returns, and 50% 10-year rating/30% 5-year rating/20% 3-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent 3-year period actually has the greatest impact because it is included in all three rating periods. The fund's Class A shares received a Morningstar Rating of 2, 4 and 4 star(s) for the 3-, 5- and 10-year periods, respectively. Franklin Templeton provides this fund's Morningstar Rating™ for Class A and Advisor Class shares only. Other share classes may have different Morningstar ratings.

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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.

