

# Franklin Managed Income Fund

Advisor Class: FBFZX Class A: FBLAX

Commentary | as of June 30, 2025

## Key Takeaways

- **Markets:** US stocks advanced during the second quarter of 2025 as equity markets rebounded from April's lows and continued to rally through June, despite bouts of volatility. Temporary delays in tariff hikes, reduced fears of a recession, growing expectations of interest-rate cuts later in the year and easing geopolitical tensions helped drive US stocks higher. Major US indexes fluctuated, but each posted positive returns by period-end.
- **Contributors:** Allocations to both the fixed income and equity sides of the portfolio benefited absolute returns, while security selection assisted performance on a relative basis.
- **Detractors:** Positioning in fixed income and equity allocations modestly detracted from relative results.
- **Outlook:** We remained selective among equities and added to high-quality names. Moreover, we reduced exposure to investment-grade corporate bonds and added to agency mortgage-backed securities to potentially enhance yield and diversification.

## Performance Review

- Franklin Managed Income Fund **outperformed its benchmark**, the Blended 60% Bloomberg US Aggregate Index + 40% MSCI USA High Dividend Yield Index, for the quarter ended June 30, 2025, while its Class A shares (net of fees) slightly underperformed the Bloomberg US Aggregate Index.
- Over the course of the quarter, the fund **decreased its fixed income exposure** and **maintained its allocation to equities**.
- Fixed income allocations to **financials, securitized products and industrials had a positive effect** on absolute fund performance. Meanwhile, **US Treasuries (USTs) detracted** from fixed income returns during the period.
- On an individual issuer basis, **Government National Mortgage Association (Ginnie Mae), Freddie Mac and General Motors were the top performers** within the fund's fixed income holdings. In contrast, **USTs hindered returns**.
- In terms of equities, **the fund benefited from positions within the information technology, industrials and financials sectors**. However, **the energy, health care and utilities sectors detracted** from absolute returns.
- **Texas Instruments, Analog Devices and Boeing added value** within the fund's equity holdings. Conversely, **Chevron, UnitedHealth Group and Exxon Mobil 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 may continue to weigh on investor sentiment and the broader economy in the second half 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 US Federal Reserve policy.
- **Equities:** Following two years of narrow market breadth, we started to see a broadening out of market leadership in the second half of 2024's calendar year, which continued through the market volatility in 2025's second quarter. While we remain selective in engaging with equities as index level valuations are elevated, opportunities are available below the index levels, which we feel favors active management.
- **Treasuries/Government-Backed Bonds:** The long end of the yield curve has been particularly volatile as the outlook for deficit spending, as well as longer-term economic growth and inflation expectations, has had a larger impact on the longest-dated bonds. 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.
- **High-Yield Corporate Bonds:** Recent market volatility resulted in a combination of wider spreads and substantially higher yields, which has provided attractive investment opportunities, in our view. This opportunity was short-lived as spreads returned to relatively tight levels by the end of the quarter. While we think the high-yield market offers attractive yields, we remain balanced and selective due to the potential for higher refinancing costs impacting companies' fundamentals.

## Morningstar Rating™

Overall Rating as of June 30, 2025



**(4-Star) Advisor Class**



**(3-Star) Class A**

As of 06/30/2025 the fund's Advisor Class shares received a 4 star and Class A shares received a 3 star overall Morningstar rating™, measuring risk-adjusted returns against 216, 204 and 151 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	3.48%
30-Day SEC Yield (Advisor Class)—Without Waiver	3.45%

## Asset Allocation (% of Total)

Asset Class	Fund
Fixed Income	51.60
Equity	35.97
Convertibles/Equity-Linked Notes	10.54
Cash & Cash Equivalents	1.88

## Top Holdings (% of Total)

Issuer	Fund
GOVT NATL MORTG ASSN	7.70
FREDDIE MAC POOL	4.29
UNITED STATES TREASURY BOND	3.78
FANNIE MAE POOL	3.09
EXXON MOBIL CORP	2.38
SOUTHERN CO/THE	1.98
CHEVRON CORP	1.94
MORGAN STANLEY	1.88
TEXAS INSTRUMENTS INC	1.72
HOME DEPOT INC/THE	1.49

## Average annual total returns and fund expenses (%) - as of June 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	353612658	FBFZX	1.32	4.20	7.26	6.95	7.11	6.40	6.41	1.32	4.20	7.26	6.95	7.11	6.40	6.41	0.66	0.65	—	—	7/3/2006
Class A	353612682	FBLAX	1.17	3.99	7.01	6.66	6.83	6.13	6.12	-4.40	-1.74	1.13	4.65	5.63	5.53	5.80	0.91	0.90	5.50	—	7/3/2006
Benchmark 1	—	—	0.90	4.73	8.76	6.95	5.67	6.37	—	0.90	4.73	8.76	6.95	5.67	6.37	—	—	—	—	—	—
Benchmark 2	—	—	1.21	4.02	6.08	2.55	-0.73	1.76	—	1.21	4.02	6.08	2.55	-0.73	1.76	—	—	—	—	—	—

## 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](http://franklintempleton.com).

Gross 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. In addition, use of the fund or election of the option 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, based on their goals and personal situations, including time horizon, retirement income needs, risk tolerance, and tax bracket.

## Glossary

The **yield curve** shows the relationship between yields and maturity dates for a similar class of bonds.

## 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 **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. 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.

Important data provider notices and terms available at [www.franklintempletondatasources.com](http://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®, 06/30/2025. 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 Advisor Class shares received a Morningstar Rating of 2, 4 and 5 and fund's Class A shares received a Morningstar Rating of 2, 3 and 4 star(s) for the 3-, 5- and 10-year periods, respectively. Franklin Templeton provides this fund's Morningstar Rating™ for Advisor Class and Class A 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](http://www.franklintempleton.com). Please read it carefully.**



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