

Franklin Low Duration U.S. Government Securities Fund

Advisor Class: FAUZX Class A: FISAX Class C: FCSCX Class R6: FAURX
Government | Factsheet as of December 31, 2025

Investment Overview

The fund seeks a high level of current income, consistent with preservation of capital. The Fund invests at least 80% of its net assets in U.S. government securities, including adjustable-rate mortgage securities (ARMs) and fixed-rate mortgage securities and other mortgage-backed securities, including collateralized mortgage obligations (CMOs). The fund also invests in direct obligations of the U.S. government, such as Treasury bills, bonds or notes or its agencies instrumentalities or sponsored enterprises. The fund currently targets an estimated portfolio duration of 1 to 3.5 years.

Average Annual Total Returns (%)

| | Without Sales Charges | | | | | With Sales Charges | | | | | Inception Date |
|---------------|-----------------------|------|------|-------|-----------|--------------------|------|------|-------|-----------|----------------|
| | 1-Yr | 3-Yr | 5-Yr | 10-Yr | Inception | 1-Yr | 3-Yr | 5-Yr | 10-Yr | Inception | |
| Advisor Class | 5.40 | 5.01 | 2.35 | 1.70 | 3.40 | 5.40 | 5.01 | 2.35 | 1.70 | 3.40 | 10/20/1987 |
| Class A | 5.00 | 4.71 | 2.10 | 1.45 | 3.28 | 2.68 | 3.93 | 1.64 | 1.21 | 3.22 | 10/20/1987 |
| Class C | 4.72 | 4.34 | 1.70 | 1.04 | 1.36 | 3.72 | 4.34 | 1.70 | 1.04 | 1.36 | 7/1/2003 |
| Class R6 | 5.42 | 5.04 | 2.41 | 1.80 | 3.52 | 5.42 | 5.04 | 2.41 | 1.80 | 3.52 | 10/20/1987 |
| Benchmark | 5.17 | 4.50 | 1.76 | 1.84 | — | 5.17 | 4.50 | 1.76 | 1.84 | — | — |

Cumulative Total Returns (% Without Sales Charge)

| | 3-Mo | YTD | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---------------|------|------|------|------|------|-------|-------|------|------|------|-------|-------|
| Advisor Class | 1.32 | 5.40 | 5.40 | 5.30 | 4.35 | -2.88 | -0.13 | 1.52 | 2.12 | 1.02 | 0.26 | 0.34 |
| Class A | 1.26 | 5.00 | 5.00 | 5.18 | 3.95 | -3.11 | -0.25 | 1.14 | 1.99 | 0.77 | 0.00 | 0.09 |
| Class C | 1.16 | 4.72 | 4.72 | 4.63 | 3.68 | -3.51 | -0.77 | 0.87 | 1.59 | 0.36 | -0.51 | -0.31 |
| Class R6 | 1.33 | 5.42 | 5.42 | 5.33 | 4.37 | -2.80 | -0.01 | 1.63 | 2.37 | 1.15 | 0.40 | 0.44 |
| Benchmark | 1.14 | 5.17 | 5.17 | 4.04 | 4.32 | -3.81 | -0.60 | 3.14 | 3.59 | 1.58 | 0.45 | 0.87 |

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 5/15/2008, and the fund began offering R6 Class shares on 9/20/2013. Performance quotations have been calculated as follows: (a) for Advisor Class periods prior to 5/15/2008, a restated figure is used based on the fund's Class A performance; for R6 Class periods prior to 9/20/2013, a restated figure is used based on the fund's Class Advisor 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.

Share Class Details

| | CUSIP | Ticker | Sales Charges (%) | | Expenses (%) | | 30-Day SEC Yield (%) | | Fund |
|---------------|-----------|--------|-------------------|------|--------------|------|----------------------|-------------|------|
| | | | Max | CDSC | Gross | Net | Without Waiver | With Waiver | |
| Advisor Class | 353612625 | FAUZX | 0.00 | — | 0.73 | 0.59 | 3.86 | 4.02 | |
| Class A | 353612302 | FISAX | 2.25 | — | 0.99 | 0.84 | 3.54 | 3.70 | |
| Class C | 353612732 | FCSCX | 0.00 | 1.00 | 1.39 | 1.24 | 3.22 | 3.38 | |
| Class R6 | 353612492 | FAURX | 0.00 | — | 0.65 | 0.56 | 3.95 | 4.05 | |

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. There is a 1% CDSC on any Class C shares you sell within 12 months of purchase. Effective March 1, 2023 the fund changed its benchmark to the Bloomberg US Government (1-3 Year) Index.

Morningstar Rating™

Overall Rating as of December 31, 2025



Class A

As of 12/31/2025 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 69, 62 and 55 Short Government 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.

Growth of \$10,000

Advisor Class Shares—Inception through 31st December 2025
Excluding Effects of Sales Charges



Fund Overview

| | |
|----------------------------|---------------------|
| Dividend Frequency, if any | Monthly |
| Morningstar Category | Short Government |
| Lipper Classification | Short US Govt Funds |
| Turnover (fiscal yr) | 15% |

Benchmark(s)

Bloomberg US Government (1-3 Year) Index

Fund Characteristics

| | |
|---------------------------|-----------------|
| Total Net Assets | \$383.7 Million |
| Number of Holdings | 1,212 |
| Weighted Average Maturity | 2.62 Years |
| Effective Duration | 1.14 Years |

Risk Statistics (3-Year—Advisor Class)

| Fund |
|------------------------|
| Beta |
| R-Squared |
| Sharpe Ratio |
| Standard Deviation (%) |

Sector Allocation (% of Total)

| | Fund |
|--|-------|
| Mortgage Backed Securities | 29.82 |
| Agency Adjustable Rate Mortgages (ARMs) | 26.03 |
| U.S. Treasuries | 22.93 |
| Collateralized Mortgage Obligations (CMOs) | 15.30 |
| Cash & Cash Equivalents | 5.92 |

Portfolio Management

| | Years with Firm | Years of Experience |
|-----------------------|-----------------|---------------------|
| Michael V Salm | 28 | 36 |
| Jatin Misra, PhD, CFA | 21 | 21 |
| Neil Dhruv | 23 | 23 |

What should I know before investing?

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.

Asset-backed, mortgage-backed or mortgage-related securities are subject to prepayment and extension risks.

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. These and other risks are discussed in the fund's prospectus.

Glossary

Beta: A measure of the fund's volatility relative to the market, as represented by the stated Index. A beta greater than 1.00 indicates volatility greater than the market. **R-squared** measures the strength of the linear relationship between the fund and its benchmark. R-squared at 1 implies perfect linear relationship and zero implies no relationship exists. **Sharpe Ratio** refers to a risk-adjusted measure calculated using standard deviation and excess returns to determine reward per unit of risk. The higher the ratio, the greater the risk-adjusted performance.

Standard Deviation: Measure of the degree to which a fund's return varies from the average of its previous returns. The larger the standard deviation, the greater the likelihood (and risk) that a fund's performance will fluctuate from the average return. 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. **Turnover** is a measure of the fund's trading activity which represents the portion of the fund's holdings that has changed over a twelve-month period through the fiscal year end. There is no assurance that the fund will maintain its current level of turnover. **Weighted**

Average Maturity: An estimate of the number of years to maturity, taking the possibility of early payments into account, for the underlying holdings. **Effective Duration** is a duration calculation for bonds with embedded options. Effective duration takes into account that expected cash flows will fluctuate as interest rates change. Duration measures the sensitivity of price (the value of principal) of a fixed-income investment to a change in interest rates. The higher the duration number, the more sensitive a fixed-income investment will be to interest rate changes.

Important Information

Effective March 1, 2023, Franklin Adjustable U.S. Government Securities Fund was renamed Franklin Low Duration U.S. Government Securities Fund. There were also changes to the fund's investment goal, investment policy and benchmark. For more information, please visit the fund's page on franklintempleton.com.

A portion of the mortgage securities owned by the fund, but not shares of the fund, are guaranteed by the U.S. government, its agencies or instrumentalities as to timely payment of principal and interest. Although Fannie Mae and Freddie Mac are chartered by Acts of Congress, their securities are backed only by the credit of the respective instrumentality and are not issued or guaranteed by the U.S. government. Please see the fund's prospectus for a detailed discussion regarding various levels of credit support for government agency or instrumentality securities. The fund's yield and share price are not guaranteed and will fluctuate with market conditions.

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The **Bloomberg US Government (1-3 Year) Index** includes public obligations of the U.S. Treasury with at least one year up to, but not including, three years to final maturity and publicly issued debt of U.S. government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. government. Important data provider notices and terms available at www.franklintempletondatasources.com. All data is subject to change.

Source: Bloomberg Indices.

Morningstar Rating™. Source: Morningstar®, 12/31/2025. 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 4, 4 and 3 and fund's Class A shares received a Morningstar Rating of 4, 4 and 2 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. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Franklin Distributors, LLC. Member FINRA/SIPC.

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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.