

Franklin New York Intermediate-Term Tax-Free Income Fund

Advisor Class: FNYZX Class A: FKNQX

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 10year US Treasury (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.
- Detractors: Underweight allocation to muni bonds with 20 or more years to maturity, security selection in A rated bonds and overweight allocation to BBB rated bonds.
- Contributors: Security selection in BBB rated bonds, overweight allocation to A rated bonds and overweight allocation to muni bonds with two to 10 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 |
|---|---------|
| Distribution Frequency | Monthly |
| 30-Day SEC Yield (Advisor Class)—With Waiver | 3.07% |
| 30-Day SEC Yield (Advisor Class)—Without Waiver | 3.04% |
| Taxable Equivalent Yield (Advisor Class)—With Waiver | 6.91% |
| Taxable Equivalent Yield (Advisor Class)— Without Waiver | 6.29% |

Performance Review

- Over the quarter, Franklin New York Intermediate-Term Tax-Free Income Fund underperformed its benchmark, the Linked Bloomberg New York Muni Bond/10-Year Muni Bond Index.
- The fund's yield curve positioning detracted from relative performance during the third quarter, primarily driven by
 our underweight to muni bonds with 20 or more years to maturity. However, this was partially offset by our overweight to
 muni bonds with two to 10 years to maturity, which limited some of the losses.
- Rating allocations curbed 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 detracted from relative results, particularly due to
 selection in A and AA rated securities. Meanwhile, selection in BBB rated securities added to returns.

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

| | | | Without Sales Charge | | | | | | With Maximum Sales Charge | | | | | | | Expenses | | 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 CDS | Date Date |
| Advisor Class | 354128704 | FNYZX | 2.53 | 3.06 | 2.05 | 4.46 | 0.91 | 1.70 | 3.90 | 2.53 | 3.06 | 2.05 | 4.46 | 0.91 | 1.70 | 3.90 | 0.61 | 0.61 | _ | - 9/21/1992 |
| Class A | 354128860 | FKNQX | 2.57 | 2.89 | 1.90 | 4.22 | 0.68 | 1.49 | 3.80 | 0.26 | 0.57 | -0.39 | 3.43 | 0.22 | 1.26 | 3.73 | 0.86 | 0.86 | 2.25 | - 9/21/1992 |
| 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/10-Year 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 12/1/2008 and the fund began offering A Class shares on 9/10/2018. Performance quotations have been calculated as follows: (a) for Advisor Class periods prior to 12/1/2008, 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

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/10-Year Muni Bond Index** reflects performance of the Bloomberg 10-Year Municipal Bond Index from the fund's inception through 7/31/1993 and the Linked Bloomberg New York Muni Bond/10-Year Muni 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.

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cannot be terminated prior to 01/31/2026 without Board consent. Actual expenses may be higher and may impact portfolio returns.

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.

