



Franklin California High Yield Municipal Fund—Advisor Class

Municipals
Fixed Income
September 30, 2019

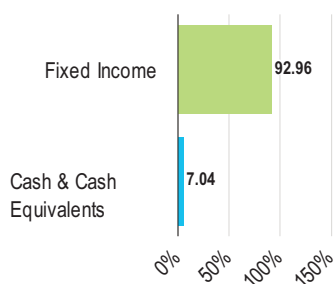
Product Profile

Product Details¹

Fund Assets	\$3,071,733,230.46
Fund Inception Date	05/03/1993
Number of Holdings	622
NASDAQ Symbol	FVCAX
Maximum Sales Charge	0.00
Investment Style	Municipals
Benchmark	Bloomberg Barclays Municipal Bond Index
Lipper Classification	California Municipal Debt Funds
Morningstar Category™	Muni California Long
Dividend Frequency	Monthly, on or near the last business day

Asset Allocation²

Percent of Total



Third-Party Fund Data

Overall Morningstar Rating™³



As of 09/30/2019 the fund's Advisor Class shares received a 5 star overall Morningstar Rating™, measuring risk-adjusted returns against 90, 87 and 69 U.S.-domiciled Muni California Long mutual funds and exchange traded 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.

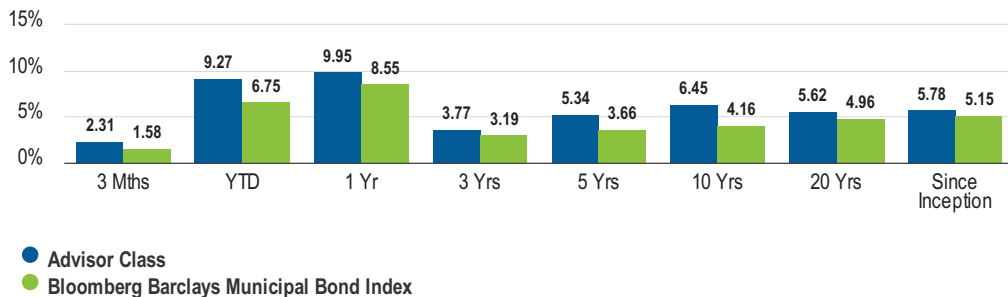
Fund Description

The fund seeks to provide investors with a high level of income exempt from federal and California personal income taxes, with capital appreciation as a secondary goal, by investing in municipal securities of any rating category, including higher yielding, lower-rated securities.⁴

Performance Data^{5,6}

Average Annual Total Returns⁷ (%)

	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	20 Yrs	Since Inception (05/03/1993)
Advisor Class	2.31	9.27	9.95	3.77	5.34	6.45	5.62	5.78
Bloomberg Barclays Municipal Bond Index	1.58	6.75	8.55	3.19	3.66	4.16	4.96	5.15



Total Annual Operating Expenses: 0.58%

30-Day Standardized Yield⁸: 1.96%

Taxable Equivalent Yield⁹: 4.18%

Performance data represents past performance, which does not guarantee future results. Current performance may differ from figures shown. The fund's investment return and principal value will change with market conditions, and you may have a gain or a loss when you sell your shares. Please call Franklin Templeton at (800) DIAL BEN/342-5236 or visit franklintempleton.com for the most recent month-end performance.

Advisor Class shares are offered only to certain eligible investors as stated in the prospectus. They are offered without sales charges or Rule 12b-1 fees. The fund offers other share classes subject to different fees and expenses, which will affect their performance. Please see the prospectus for details.

- All holdings are subject to change.
- Information is historical and may not reflect current or future portfolio characteristics. Percentage may not equal 100% due to rounding. All holdings are subject to change.
- Dividends are generally subject to state and local taxes, if any. For investors subject to the alternative minimum tax, a small portion of fund dividends may be taxable. Distributions of capital gains are generally taxable.
- Source for Index: FactSet. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.
- Periods shorter than one year are shown as cumulative total returns.
- The fund's 30-day standardized yield is calculated over a trailing 30-day period using the yield to maturity on bonds and/or the dividends accrued on stocks. It may not equal the fund's actual income distribution rate, which reflects the fund's past dividends paid to shareholders.
- The Taxable Equivalent Yield assumes the maximum regular federal income tax rate, maximum state personal income tax rate, and the Medicare tax in effect on December 2018. This combined rate does not consider the impact of California's surcharge on taxable incomes in excess of \$1 million.

Not FDIC Insured | May Lose Value | No Bank Guarantee

Calendar Year Returns (%)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Advisor Class	1.14	7.20	1.17	5.35	14.87	-3.71	13.63	14.69	5.05	28.53
Bloomberg Barclays Municipal Bond Index	1.28	5.45	0.25	3.30	9.05	-2.55	6.78	10.70	2.38	12.91

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Lipper Income Returns^{10,11} (%)

	1 Mth	3 Mths	1 Yr	3 Yrs	5 Yrs	10 Yrs	20 Yrs
Advisor Class	0.27	0.84	3.79	3.83	3.91	4.53	-
California Municipal Debt Funds Classification Average	0.22	0.68	2.98	3.06	3.18	3.64	4.07
California Municipal Debt Funds Classification Percentile Ranking - Advisor Class	13	9	4	7	8	6	-

Portfolio Manager Insight¹²

Performance Review

QUARTERLY KEY PERFORMANCE DRIVERS

	Duration	Quality	Sector
HELPED	Overweight Long End of Yield Curve (20 Years and Longer)	Overweight BBB Rated Bonds	Overweight Housing
	—	Overweight BB Rated Bonds	Underweight State General Obligation
	—	—	—
HURT	Underweight Intermediate Portion of Yield Curve (Five to 10 Years)	—	Overweight Refunded Bonds
	—	—	Security Selection in Housing
	—	—	—

- Our portfolio is positioned to provide stable, high levels of tax-free income. We continue to focus on income production within the portfolio, and our primary goal is to maintain an above-average income return ranking over the 1-, 3-, 5-, and 10-year trailing time periods.
- Our underweight to state general obligation bonds contributed to relative returns over the period as these municipal bonds generally underperformed their revenue bond counterparts. We continue to favor essential purpose revenue bonds over government sectors, where we believe unfunded pension liabilities may stress budgets in many cases around the country.
- Our overweight allocation to refunded bonds detracted from relative returns over the quarter. Refunded bonds provide a source of liquidity as we opportunistically allocate to other areas of the market during periods of volatility. Additionally, these bonds help deliver elevated levels of income and price stability in the portfolio.

Outlook & Strategy

- We continue to manage our strategies with a focus on maximizing tax-free income for investors. This approach relies heavily upon our research capabilities and credit analysis.
- In general, the performance and volatility of the municipal bond market are typically driven by supply and demand dynamics, as well as interest rates. From a credit perspective, there has been little change in underlying market fundamentals, in our view, as general creditworthiness and low default rates remain stable. Meanwhile, the municipal bond market has continued to see large inflows of funds, while net issuance has remained negative. This has caused measures of municipal bond yields versus those of Treasuries to fall.
- As interest rates decline and volatility decreases, our strategies capitalize on market liquidity to optimize credit quality, diversification and overall portfolio structure, which can potentially help protect long-term investment income and preserve shareholder capital. When rates do rise and volatility returns, our strategies typically sell lower-yielding positions and replace them with higher-yielding securities, resulting in an increase in portfolio turnover and higher distributions of tax-free income for clients. Although we have been more conservatively positioned, we will use periods of volatility to buy opportunistically across available credits should relative values improve.

10. Source: Lipper, Inc., 09/30/2019. Lipper figures do not include sales charges and may have been different if such charges had been considered. Lipper income return rankings are different than Lipper total return rankings. Income return rankings reflect performance from income only; they do not reflect performance from price gain or loss. Total return reflects performance from both income and price gain or loss. Rankings do not include sales charges. Other share classes may differ. Past performance is not an indicator or a guarantee of future performance.

11. Periods shorter than one year are shown as cumulative total returns.

- Regardless of the market environment, our long history of navigating the various cycles of the municipal market has provided a steady source of tax-free income for our clients. As we continue to monitor the market, we seek to improve our income production and take advantage of market volatility, while maintaining our long-standing philosophy of investing conservatively in high-quality, diversified municipal bond portfolios.

12. 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.

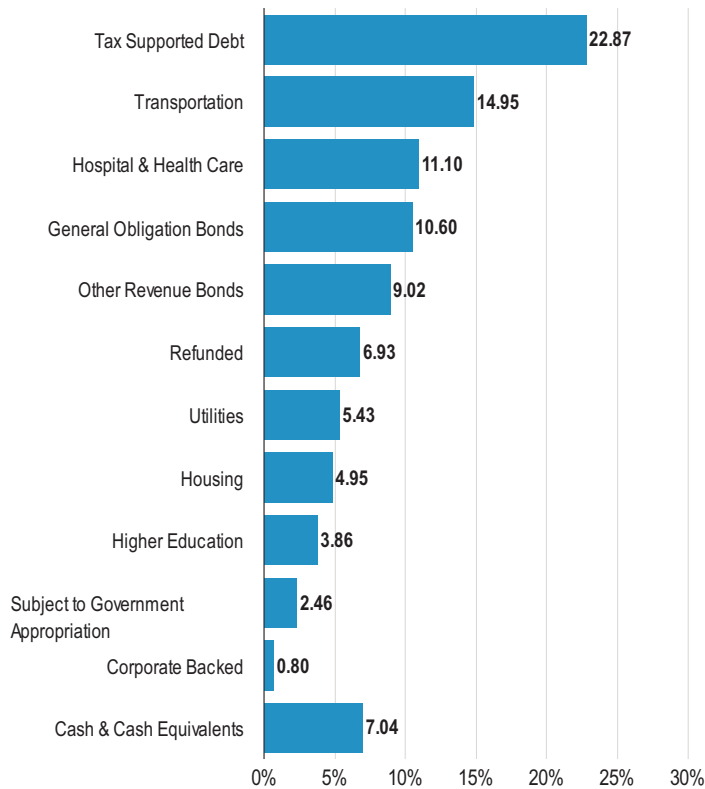
Portfolio Characteristics^{13,14,15}

	Portfolio	Bloomberg Barclays New York Municipal Bond Index
Average Duration	4.77 Yrs	5.32 Yrs
Average Weighted Maturity	19.40 Yrs	14.02 Yrs
AMT Exposure	0.00%	-
Annual Turnover Exposure (03/31/2019)	19.78%	-

Portfolio Diversification

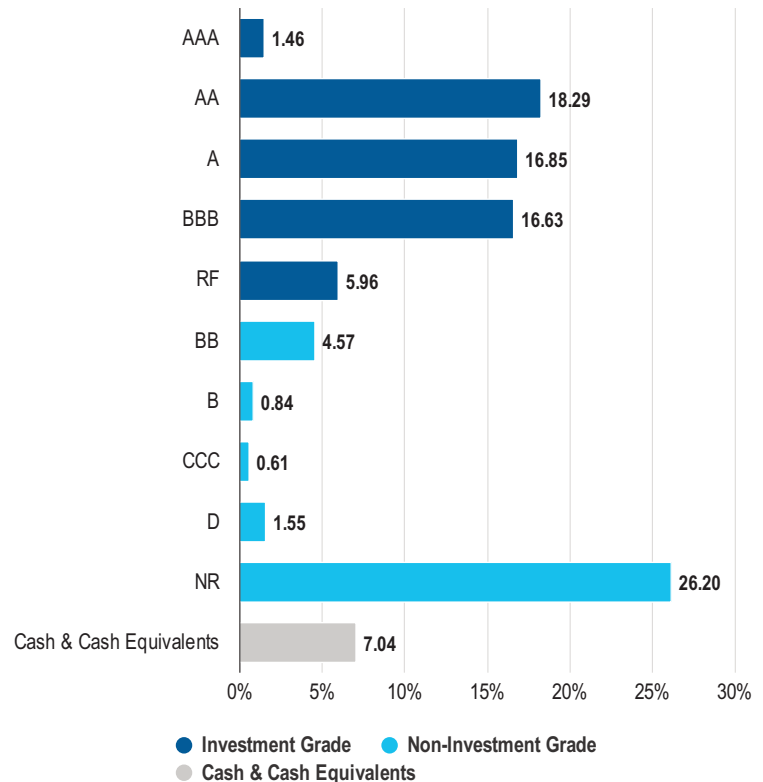
Sector Allocation¹⁶

Percent of Total



Credit Quality Ratings¹⁷

Percent of Total



13. The portfolio characteristics listed are based on the fund's underlying holdings, and do not necessarily reflect the fund's characteristics. Information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change.

14. Turnover Ratio is as of the fund's fiscal year-end.

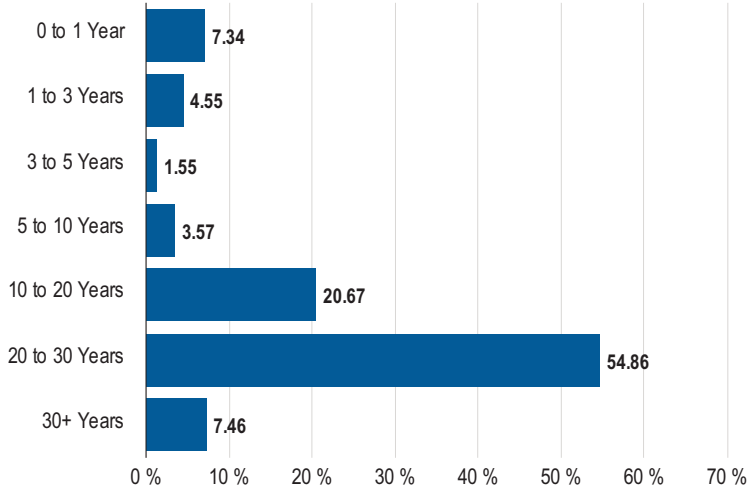
15. Source for Index: FactSet. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

16. Information is historical and may not reflect current or future portfolio characteristics. Percentage may not equal 100% due to rounding. All holdings are subject to change.

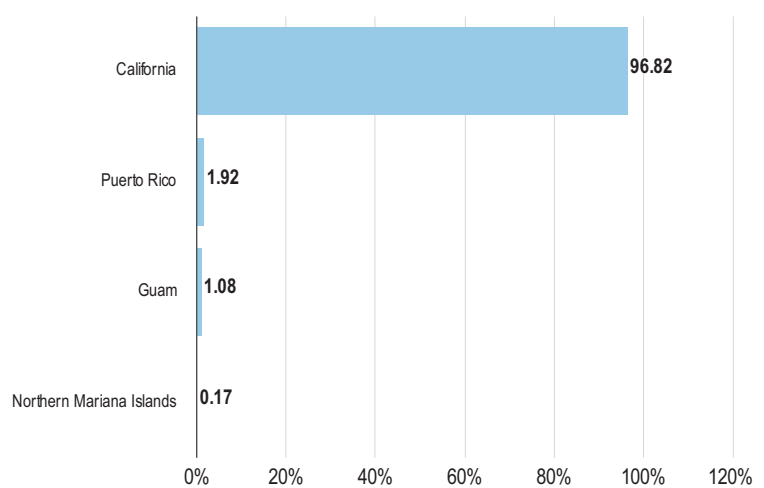
17. Securities, except for those labeled Not Rated ("NR"), are assigned ratings by one or more Nationally Recognized Statistical Rating Organizations ("NRSRO"), such as Standard & Poor's, Moody's and Fitch, that can be considered by the investment manager as part of its independent securities analysis. When ratings from multiple agencies are available, the highest is used, consistent with the portfolio investment process. Ratings reflect an NRSRO's opinion of an issuer's creditworthiness and typically range from AAA (highest) to D (lowest). The Refunded ("RF") category consists of refunded bonds secured by U.S. government or other high-quality securities and not rated by an NRSRO. The Not Rated category consists of ratable securities that have not been rated by an NRSRO. Cash includes equivalents, which may be rated. Information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change.

Maturity Allocation¹⁸

Percent of Total

**State / U.S. Territory Allocation^{19,20}**

Percent of Total

**Supplemental Performance Statistics****Supplemental Risk Statistics^{21,22}**

	3 Yrs	5 Yrs	10 Yrs
Standard Deviation (%)	4.48	3.99	4.94
Tracking Error (%)	1.39	1.37	1.90
Information Ratio	0.42	1.23	1.21
Sharpe Ratio	0.50	1.10	1.21

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Investment Philosophy**Focus on Income**

Franklin municipal managers aim to maximize monthly tax-free income for shareholders. Historically, the income return from municipal bonds has contributed much more to municipal bond returns than changes in municipal bond prices. Additionally, Franklin managers generally limit fund exposure to bonds with income that is subject to the Alternative Minimum Tax.

No Leverage, No Derivatives, No Options

Franklin managers avoid investment practices that may expose shareholder capital to unnecessary risk. For example, we don't use leverage or invest in derivatives or futures, because they can increase portfolio volatility.

Strict Internal Analysis

Our analysts are responsible for conducting research on credit-driven securities in the municipal market. They are responsible for evaluating an issuer's credit strengths and weaknesses and working with the portfolio managers on select fund purchase and sale decisions.

Buy and Hold for the Long Term

Franklin managers are focused on seeking to maximize income; we don't actively trade bonds to try to capture capital gains. We typically sell holdings only if we see an opportunity to enhance a fund's portfolio structure or its income earning potential.

18,20. Information is historical and may not reflect current or future portfolio characteristics. Percentage may not equal 100% due to rounding. All holdings are subject to change.

19. Uninvested cash is not included in the State / U.S. Territory Allocation.

21. Information Ratio and Tracking Error information are displayed for the product versus the Bloomberg Barclays Municipal Bond Index.

22. Information Ratio is a way to evaluate a manager's ability to outperform a benchmark in relation to the risk that manager is assuming, with risk defined as deviation from the benchmark. This measure is calculated by dividing the portfolio's excess return (portfolio return less the benchmark return) by the tracking error (derived by taking the standard deviation of the monthly differences between the portfolio return and the benchmark return over time).

Investment Process

Market Analysis

On a daily basis, we analyze current market conditions, including:

- Trading activity
- Yield spreads
- Call option spreads
- New offerings
- Secondary market offerings
- Credit ratings
- Event risk

Research

We search for high-quality, undervalued bonds that we believe should provide a high level of income until maturity.

We often make site visits to identify potential problems and opportunities that may not be readily visible on paper.

Analysts focus on credit-driven bond issues where we believe they can add the most value to the security selection process.

Portfolio Construction

We build portfolios with diversification in mind, taking into consideration allocations to sectors, regions, coupons, calls, maturities and quality, as appropriate.

We don't make significant allocation shifts based on expected market conditions. Rather, we look for the best value in the marketplace from an income-oriented perspective.

Investment Team

Portfolio Manager

	Years with Firm	Years Experience
John Wiley, SVP/ Portfolio Manager	30	30
Chris Sperry, CFA, VP/ Portfolio Manager	23	23

AMT Exposure: Percentage of a fund's assets invested in bonds with income subject to the alternative minimum tax (AMT). For investors subject to the alternative minimum tax, a small portion of fund dividends may be taxable. Distributions of capital gains are generally taxable

Annual Turnover Ratio: Percentage of a fund's holdings replaced with other holdings during a fund's most recent full fiscal year.

Average Duration: The market-weighted average of the duration of bonds. Duration of each bond is the estimated percentage change in the bond's price for a 1% change in the bond's yield.

Average Weighted Maturity: An estimate of the number of terms to maturity, taking the possibility of early payments into account, for the underlying holdings. Maturity is expressed as a number of years.

Information Ratio: In investing terminology, the ratio of expected return to risk. Usually, this statistical technique is used to measure a manager's performance against a benchmark. This measure explicitly relates the degree by which an investment has beaten the benchmark to the consistency by which the investment has beaten the benchmark.

Sharpe Ratio: To calculate a Sharpe ratio, an asset's excess returns (its return in excess of the return generated by risk-free assets such as Treasury bills) are divided by the asset's standard deviation.

Standard Deviation: A measure of the degree to which returns vary from the average of its previous returns. The larger the standard deviation, the greater the likelihood (and risk) that performance will fluctuate from the average return.

Tracking Error: Measure of the deviation of the return of a product compared to the return of a benchmark over a fixed period of time. Expressed as a percentage. The more passively the investment is managed, the smaller the tracking error.

What Are The Risks?

All investments involve risks, including possible loss of principal. Because municipal bonds are sensitive to interest rate movements, the fund's yield and share price will fluctuate with market conditions. Bond prices generally move in the opposite direction of interest rates. Thus, as prices of bonds in the fund adjust to a rise in interest rates, the fund's share price may decline. Because the fund invests principally in a single state, it is subject to greater risk of adverse economic and regulatory changes in that state than a geographically diversified fund. Investments in lower-rated bonds include higher risk of default and loss of principal. Puerto Rico municipal bonds have been impacted by recent adverse economic and market changes, which may cause the fund's share price to decline. 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. The fund may invest a significant part of its assets in municipal securities that finance similar types of projects, such as utilities, hospitals, higher education and transportation. A change that affects one project would likely affect all similar projects, thereby increasing market risk.

Important Legal Information

Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. To obtain a summary prospectus and/or prospectus, which contains this and other information, talk to your financial advisor, call us at (800) DIAL BEN/342-5236 or visit franklintempleton.com. Please carefully read a prospectus before you invest or send money.

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Important data provider notices and terms available at: www.franklintempletondatasources.com

3. Source: Morningstar®, 09/30/2019. For each mutual fund and exchange traded fund 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 5, 5 and 5 star(s) for the 3-, 5- and 10-year periods, respectively. Morningstar Rating™ is for the named share class only; other classes may have different performance characteristics. **Past performance is not an indicator or a guarantee of future performance.**

5. Effective 11/15/2006, the fund began offering Advisor Class Shares. For periods prior to the fund's Advisor Class inception date, a restated figure is used based on the fund's oldest share class, Class A1 performance, excluding the effect of Class A1's maximum initial sales charge but reflecting the effect of the Class A1 Rule 12b-1 fees; and b) for periods after the fund's Advisor Class inception date, actual Advisor Class performance is used, reflecting all charges and fees applicable to that class.

**Franklin Templeton Distributors, Inc.**

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