

Franklin Floating Rate Daily Access Fund

Advisor Class: FDAAX Class A: FAFRX

Commentary | as of September 30, 2025

Key Takeaways

- Markets:. Over the last few months, the loan market processed the impact of increasing visibility on rate cuts, falling US
 Treasury yields and ongoing repricings, balanced by lackluster new-issue supply. Retail outflows increased, as investors
 looked at lower yields in this floating-rate asset class. Collateralized loan obligation (CLO) issuance stayed quite healthy
 though, which provided a buffer to loan spreads. Second-quarter 2025 earnings show the progress of responses to
 tariffs. Tariff-exposed sectors are talking more about pricing versus supply chain changes (a common theme), as pricing
 seems to be more often cited as a tool companies plan to use. Companies that have been working down inventory as
 they look for more clarity on tariffs will now need to start buying at higher rates.
- Contributors: Security selection in the transportation and retailers segments of the loan market.
- Detractors: Overweight exposure to and security selection in automotive -related companies.
- Outlook. On balance, we maintain our view that loan spreads will be generally range-bound with a bias toward
 widening in the near term, with choppiness over the coming months as the tariff and rate situation evolves. We view
 pockets of market volatility as opportunities to invest in fundamentally strong issuers with solid balance sheets, capital
 market access and lasting competitive advantages. Over the one-year period, we think loan spreads should remain
 stable, assuming a favorable or neutral macroeconomic environment.

Performance Review

- Industry allocations detracted from performance led by overweight exposure to the automotive and media sectors. In
 contrast, an overweight to the transportation and underweight to the chemical segments of the loan market helped returns
 for the quarter.
- Security selection in the transportation, retailers and chemical sectors contributed to returns. This was partially offset by security selection in the automotive, packaging, and consumer cyclical service sectors curbed results for the quarter.

Outlook

• The US Federal Reserve cut the fed funds rate at their September meeting, and we feel it is possible that we will see another cut by the end of this year. Macroeconomic and fundamental data have been mixed and do not seem to point to a broad-based recession. If we see a slow and measured pace of rate cuts in an economy that may cool a little but not fall into a recession, we could see lower-quality loan issuers trade up, which could offset incremental pickup in retail outflows as yield-sensitive investors pivot away from floating-rate loans. CLO demand continues to be present, providing support to loan spreads. On the supply side, we do think there is a potential for material mergers and acquisitions (such as the recent record leveraged buyout of Electronic Arts) to emerge later this year and early next year, as companies begin to benefit from lower interest burdens, more clarity on tariffs, and benefits of provisions in the "One Big Beautiful Bill," including the expensing of capital investments.

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 $^{\text{TM}}$, measuring risk-adjusted returns against 210, 200 and 169 Bank Loan 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	7.25%
30-Day SEC Yield (Advisor Class)—Without Waiver	7.24%

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-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception	Gross	Net	Initial Charge CDSC	Date
Advisor Class	353612781	FDAAX	1.02	3.85	6.03	10.00	7.45	4.51	4.07	1.02	3.85	6.03	10.00	7.45	4.51	4.07	0.72	0.70		5/1/2001
Class A	353612823	FAFRX	0.96	3.79	5.77	9.73	7.19	4.25	3.81	-1.25	1.41	3.36	8.89	6.70	4.01	3.72	0.97	0.95	2.25 —	5/1/2001
Benchmark	_	_	1.77	4.63	7.00	9.83	6.96	5.47	_	1.77	4.63	7.00	9.83	6.96	5.47	_	_	_		_

Benchmark(s)

Benchmark = Morningstar LSTA U.S. Leveraged Loan 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 analized. 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.

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. The fund should not be considered an alternative to money market funds or certificates of deposit (CDs). Floating-rate loans and debt securities are typically rated below investment grade and are subject to greater risk of default, which could result in loss of principal. Low-rated, high-yield bonds are subject to greater price volatility, illiquidity and possibility of default. 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. Active management does not ensure gains or protect against market declines. 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.

Glossary

A collateralized loan obligation (CLO) is a single security backed by a pool of debt.

Important Information

Effective March 1, 2024, the fund changed its benchmark to the Morningstar LSTA US Leveraged Loan 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 Morningstar LSTA US Leveraged Loan Index is designed to reflect the performance of the largest facilities in the leveraged loan market. This fund is not sponsored, endorsed, sold or promoted by Morningstar, Inc. or any of its affiliates.

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 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 4, 5 and 3 and fund's Advisor Class shares received a Morningstar Rating of 4, 5 and 3 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.

