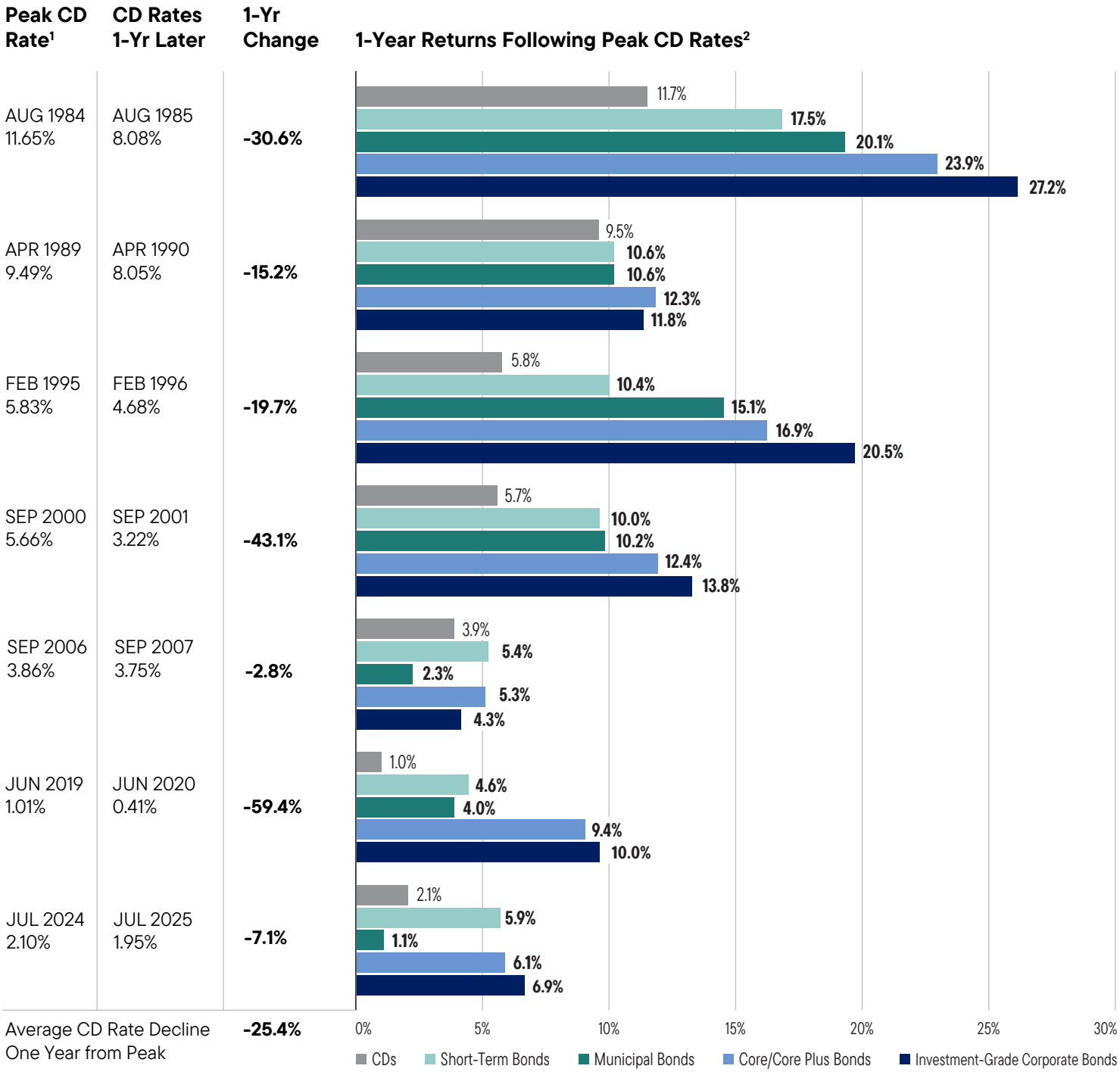
Rethinking Risk

Peak CD Rates Don't Always Result in Peak Performance

FRANKLIN TEMPLETON

History has shown that certificate of deposit (CD) rates can decline as rapidly as they rise. In the seven cycles that have occurred since 1984, CD rates declined by an average of -25.4% the year after peaking and underperformed most fixed income sectors. While investing in CDs at peak rates might seem like a sound strategy, it often hasn't translated into the best outcome for investors.



This chart is for illustrative purposes only and does not reflect the performance of any Franklin Templeton affiliated fund. Past performance does not guarantee future results.

Not FDIC Insured | No Bank Guarantee | May Lose Value

Adding Bonds for Better Investing Outcomes

Parking cash in CDs comes with potential reinvestment, liquidity, purchasing power and opportunity risks. An allocation to bonds may produce a better outcome for long-term investors.

One-Year Growth of $100,000 When Investing at Peak CD Rates[2]

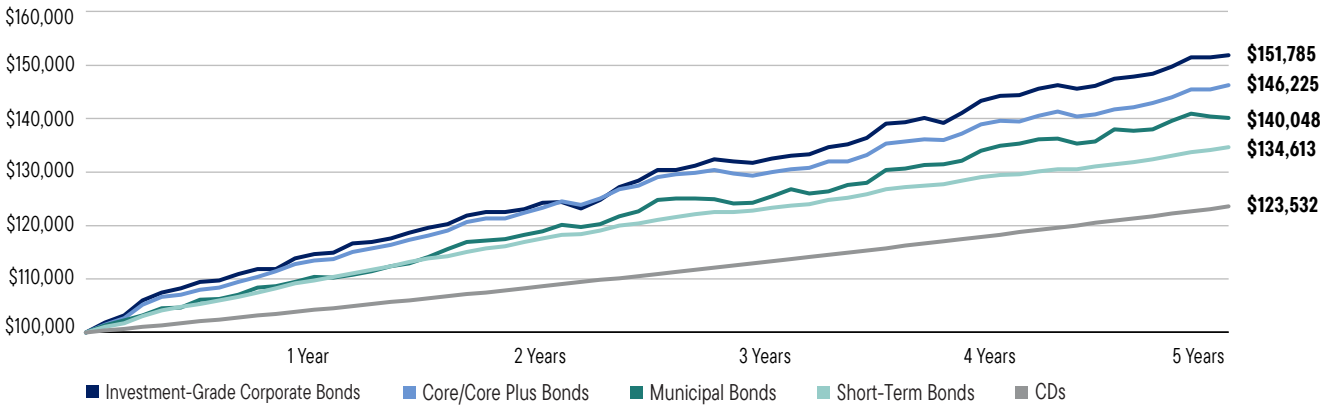
1-Year Periods Ended	CDs	Short-Term Bonds	Municipal Bonds	Core/Core-Plus Bonds	Investment-Grade Corporate Bonds
July 31, 1985	$111,650	$117,527	$120,083	$123,913	$127,248
March 31, 1990	$109,490	$110,633	$110,552	$112,339	$111,753
January 31, 1996	$105,830	$110,395	$115,053	$116,947	$120,480
August 31, 2001	$105,660	$110,028	$110,193	$112,354	$113,761
August 31, 2007	$103,860	$105,418	$102,298	$105,261	$104,321
May 31, 2020	$101,010	$104,573	$103,978	$109,415	$110,026
June 30, 2025	$102,100	$105,939	$101,113	$106,076	$106,907

Lowest Returning Asset Class

A Longer-Term View Yields Even Better Results for Bonds

CDs generate income, but don't appreciate when interest rates fall. Most bonds do and over longer time periods have historically delivered better investment performance after CD rates have peaked.

Average Growth of a $100,000 Investment Five Years after CD Rates Peak[2]



WHAT ARE THE RISKS?

All investments involve risks, including possible loss of principal.

CDs are insured by the Federal Deposit Insurance Corporation for up to the current maximum limit of $250,000 and offer a fixed rate of return. Early termination of CDs carries a penalty, usually the forfeiture of some or all of the interest earned. CDs do not offer the opportunity for capital appreciation.

Because bonds are sensitive to interest rate movements, a bond fund's yield and share price will fluctuate with market conditions. Bond prices generally move in the opposite direction of interest rates. Thus, as the prices of bonds in a fund adjust to a rise in interest rates, the fund's share price may 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.

1. Sources: Bloomberg, Bankrate. Peak CD rates are defined as the highest national average rate for 1-year CDs following a rise of at least 75 basis points, or 0.75% from prior lows.

2. Sources: Bloomberg, Bankrate. Returns represent an investment beginning the month CD rates peak and assume reinvestment of income and capital gain distributions. 5-year returns are an average of the 1984, 1989, 1995, 2000, 2006, 2019 and 2024 peak CD rate periods. 5-year CD returns assume a rollover of principal and interest at maturity into another 1-year CD at prevailing rates. Bond sectors are represented by the following Bloomberg indexes: **1–3-Year Government/Credit** (Short-Term Bonds), an index comprised of US dollar-denominated, investment-grade, fixed-rate securities with 1–3 years to maturity; **Municipal Bond** (Municipal Bonds), a broad measure of the municipal bond market with maturities of at least one year; **US Aggregate Bond** (Core/Core Plus Bonds), an index comprised of investment-grade, US dollar-denominated government, corporate, and mortgage- and asset-backed issues having at least one year to maturity; and **US Corporate Index** (Investment-Grade Corporate Bonds), an index comprised of US dollar-denominated, investment-grade, fixed-rate corporate bonds with at least one year to maturity. Indexes are unmanaged and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

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