

# Fixed Income Investing with Franklin Templeton



### Franklin Templeton Investments

Gain From Our Perspective

Franklin Templeton's distinct multi-manager structure combines the specialized expertise of three world-class investment management groups—Franklin, Templeton and Mutual Series.



#### **Specialized Expertise**

Each of our portfolio management groups operates autonomously, relying on its own research and staying true to the unique investment disciplines that underlie its success.

**Franklin.** Founded in 1947, Franklin is a recognized leader in fixed income investing and also brings expertise in growth- and value-style U.S. equity investing.

**Templeton.** Founded in 1940, Templeton pioneered international investing and, in 1954, launched what has become the industry's oldest global fund. Today, with offices in over 25 countries, Templeton offers investors a truly global perspective.

**Mutual Series.** Founded in 1949, Mutual Series is dedicated to a unique style of value investing, searching aggressively for opportunity among what it believes are undervalued stocks, as well as arbitrage situations and distressed securities.

#### **True Diversification**

Because our management groups work independently and adhere to different investment approaches, Franklin, Templeton and Mutual Series funds typically have distinct portfolios. That's why our funds can be used to build truly diversified allocation plans covering every major asset class.

#### **Reliability You Can Trust**

At Franklin Templeton Investments, we seek to provide investors with strong risk-adjusted returns over the long term, as well as the reliable, accurate and personal service that has helped us become one of the most trusted names in financial services.

### Why Invest for Income?

#### **Diversification and Regular Checks**

To reach your financial objectives, most investment professionals would agree that it's important to diversify your portfolio with stocks for their capital appreciation potential, and bonds for their income and relative stability.

No matter where you are along the financial life cycle—from capital accumulation to needing income in retirement—fixed income investments can help diversify your portfolio, lower overall portfolio volatility and provide regular income. Please remember, diversification does not guarantee a profit or protect against a loss.



"The value of our stock portfolio went up and down more than we would have liked. Diversifying with fixed income investments has helped us lower our overall portfolio volatility."



"We're at the stage where growth and capital preservation are both important. Our fixed income investments have helped add stability to our overall portfolio."



"Our fixed income investments **provide income** to supplement our retirement savings."

The investor profiles above are not intended to serve as investment recommendations. Please consult with your financial advisor to identify investments that best match your personal financial objectives.

### The Benefits of Bonds

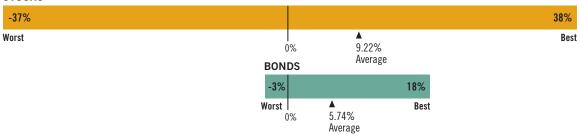
#### **Bonds Can Help Preserve Wealth**

Nobody knows with certainty what will happen next in the financial markets, but looking to the past you can gain a sense of what is possible. While long-term stock returns have edged those of bonds, stocks have historically experienced much greater downside potential.

#### Stocks and Bonds: Best and Worst Annual Returns<sup>1</sup>

20-Year Period Ended December 31, 2013

#### **STOCKS**

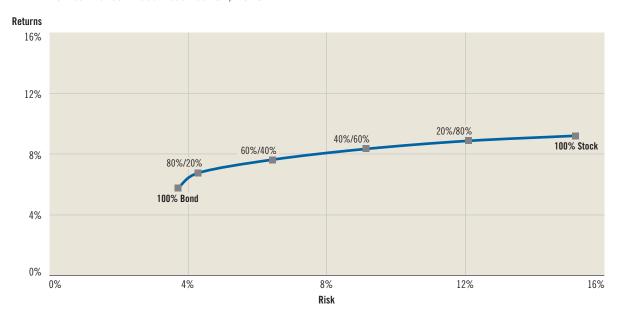


#### Bonds Can Help Reduce a Portfolio's Risk

Combining bonds with stocks has historically lowered the overall risk profile of a hypothetical portfolio. For example, in the period shown below, a 40% allocation to bonds would have reduced volatility by 40%, while still achieving 91% of the return of the all-stock portfolio.

#### Blending Bonds with Stocks Has Historically Reduced Risk<sup>2</sup>

20-Year Period Ended December 31, 2013



Charts are for illustrative purposes only and do not reflect the past or future performance of any Franklin Templeton fund.

1. Source: © 2014 Morningstar (stocks as represented by the S&P 500 Index; bonds as represented by the Barclays U.S. Aggregate Index). Returns include reinvestment of interest and dividends. All rights reserved. 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. Past performance does not guarantee future results. Indexes are unmanaged, and one cannot invest directly in an index.

2. © 2014 Morningstar, 12/31/13. Stocks as represented by the S&P 500 Index; bonds as represented by the Barclays U.S. Aggregate Index. Risk is measured by the annualized standard deviation of monthly total returns. Successive data points on the line represent incremental changes of 20% in the portfolio allocations from 100% stocks/0% bonds to 0% stocks/100% bonds. Portfolios rebalanced annually. Past performance does not guarantee future results. Indexes are unmanaged, and one cannot invest directly in an index.

#### Bonds Can Help Contribute to Portfolio Growth Over the Long Term...

Lower portfolio volatility may be an important factor in helping you *stay* invested over the long term. As shown below, a portfolio comprised of 60% stocks and 40% bonds may be less vulnerable to the sharp stock market swings of an all-stock portfolio. For example, between 2000 and 2002, the all-stock portfolio suffered over four times the decline of the 60% stocks/40% bonds portfolio.

#### Bonds Can Help Balance a Stock Portfolio<sup>3</sup>

20-Year Period Ended December 31, 2013



#### ...And May Help Reduce the Negative Impact of Volatility in the Short Term<sup>3</sup>

10-Year Period Ended December 31, 2013



Charts are for illustrative purposes only and do not reflect the past or future performance of any Franklin Templeton fund.

3. © 2014 Morningstar, 12/31/13. Stocks as represented by the S&P 500 Index; bonds as represented by the Barclays U.S. Aggregate Index. Past performance does not guarantee future results. Indexes are unmanaged, and one cannot invest directly in an index.

### Today's Fixed Income Market Is Complex

#### ANNUAL TOTAL RETURNS OF KEY FIXED INCOME SECTORS OVER THE PAST

The size and scope of the fixed income market is much larger than the stock market. In fact, at more than \$39 trillion in size, the U.S. fixed income market is the largest securities market in the world.4 Within this large marketplace, there are different types of sectors and securities that may react differently to economic and interest rate changes. For this reason, it is essential to make sure the fixed income allocation of your portfolio is well diversified. At Franklin Templeton, we offer a wide variety of fixed income funds, including multi-sector funds that invest across the entire fixed income spectrum. Diversification does not assure or guarantee better performance and cannot eliminate the risk of investment losses.

The chart is for illustrative purposes only and does not reflect the performance of any Franklin Templeton fund. For performance of any Franklin Templeton fund, please call Franklin Templeton Investments at (800) DIAL BEN/342-5236 or visit franklintempleton.com.

Doot	1993	1994	1995	1996	1997	1998	1999	2000
Best •	HIGH-YIELD BONDS	FLOATING-RATE LOANS	EMERGING MARKETS DEBT (EMD)	EMERGING MARKETS DEBT (EMD)	HIGH-YIELD BONDS	INTERNATIONAL BONDS	EMERGING MARKETS DEBT (EMD)	10-YEAR U.S. TREASURY BONDS
	18.91%	10.32%	26.38%	35.23%	12.63%	17.79%	24.18%	17.22%
	INTERNATIONAL BONDS	INTERNATIONAL BONDS	INVESTMENT- GRADE CORP. BONDS	HIGH-YIELD BONDS INVESTMENT-GRADE CORP. BONDS		GLOBAL BONDS	FLOATING-RATE LOANS	PREFERREDS
	15.12%	5.99%	22.25%	12.42%	10.23%	15.30%	4.69%	16.20%
	GLOBAL BONDS	GLOBAL BONDS	10-YEAR U.S. TREASURY BONDS	FLOATING-RATE LOANS	EMERGING MARKETS DEBT (EMD)	10-YEAR U.S. TREASURY BONDS	SHORT-TERM GOV'T BONDS	EMERGING MARKETS DEBT (EMD)
	13.27%	2.34%	21.29%	7.48%	11.95%	14.58%	3.41%	14.41%
	MUNICIPAL BONDS	SHORT-TERM GOV'T BONDS	PREFERREDS	PREFERREDS	PREFERREDS	AGENCIES	HIGH-YIELD BONDS	TIPS
	12.28%	1.39%	20.41%	7.44%	9.99%	8.85%	3.28%	13.18%
	INVESTMENT- GRADE CORP. BONDS	ASSET BACKED SECURITIES (ABS)	INTERNATIONAL BONDS	MORTGAGE- BACKED SECURITIES	10-YEAR U.S. TREASURY BONDS	INVESTMENT- GRADE CORP. BONDS	TIPS	AGENCIES
	12.16%	0.13%	19.55%	5.35%	9.91%	8.57%	2.39%	12.18%
	FLOATING-RATE LOANS	HIGH-YIELD BONDS	GLOBAL BONDS	SHORT-TERM GOV'T BONDS	AGENCIES	ASSET BACKED SECURITIES (ABS)	MORTGAGE- BACKED SECURITIES	MUNICIPAL BONDS
	11.17%	-0.97%	19.03%	5.32%	9.70%	7.76%	1.86%	11.69%
	10-YEAR U.S. TREASURY BONDS	MORTGAGE- BACKED SECURITIES	AGENCIES	ASSET BACKED SECURITIES (ABS)	MORTGAGE- BACKED SECURITIES	MORTGAGE- BACKED SECURITIES	ASSET BACKED SECURITIES (ABS)	MORTGAGE- BACKED SECURITIES
	11.12%	-1.61%	18.27%	5.05%	9.49%	6.96%	1.82%	11.16%
	AGENCIES	AGENCIES	MUNICIPAL Bonds	MUNICIPAL Bonds	MUNICIPAL Bonds	PREFERREDS	AGENCIES	ASSET BACKED SECURITIES (ABS)
	10.51%	-3.32%	17.46%	4.43%	9.19%	6.72%	-0.94%	10.84%
	PREFERREDS	INVESTMENT- GRADE CORP. BONDS	HIGH-YIELD BONDS	INTERNATIONAL BONDS	FLOATING-RATE LOANS	SHORT-TERM GOV'T BONDS	INVESTMENT- GRADE CORP. BONDS	INVESTMENT- GRADE CORP. BONDS
	9.76%	-3.93%	17.38%	4.08%	8.30%	6.59%	-1.96%	9.08%
	ASSET BACKED SECURITIES (ABS)	MUNICIPAL BONDS	MORTGAGE- BACKED SECURITIES	GLOBAL BONDS	ASSET BACKED SECURITIES (ABS)	MUNICIPAL BONDS	MUNICIPAL BONDS	SHORT-TERM GOV'T BONDS
	7.95%	-5.17%	16.81%	3.62%	7.41%	6.48%	-2.06%	7.66%
	MORTGAGE- BACKED SECURITIES	PREFERREDS	ASSET BACKED SECURITIES (ABS)	AGENCIES	SHORT-TERM GOV'T BONDS	FLOATING-RATE LOANS	GLOBAL BONDS	FLOATING-RATE LOANS
	6.84%	-5.69%	13.43%	3.29%	6.40%	5.31%	-4.27%	4.94%
	SHORT-TERM GOV'T BONDS	10-YEAR U.S. TREASURY BONDS	SHORT-TERM GOV'T BONDS	INVESTMENT- GRADE CORP. BONDS	GLOBAL BONDS	TIPS	PREFERREDS	GLOBAL BONDS
	4.88%	-5.71%	9.77%	3.28%	0.23%	3.95%	-4.43%	1.59%
	EMERGING MARKETS DEBT (EMD)	EMERGING MARKETS DEBT (EMD)	FLOATING-RATE LOANS	10-YEAR U.S. TREASURY BONDS	INTERNATIONAL BONDS	HIGH-YIELD BONDS	INTERNATIONAL BONDS	INTERNATIONAL BONDS
	N/A	-18.35%	8.91%	1.50%	-4.26%	0.58%	-5.07%	-2.63%
	TIPS	TIPS	TIPS	TIPS	TIPS	EMERGING MARKETS DEBT (EMD)	10-YEAR U.S. TREASURY BONDS	HIGH-YIELD BONDS
Worst	N/A	N/A	N/A	N/A	N/A	-11.54%	-7.74%	-5.21%
DS	3.00%	5.50%	5.50%	5.25%	5.50%	4.75%	5.50%	6.50%
SURY	5.83%	7.84%	5.58%	6.43%	5.75%	4.65%	6.45%	5.12%
/IELD <sup>6</sup>	3.36%	6.89%	5.37%	5.46%	5.74%	4.97%	6.08%	6.10%

Diversification does not assure or guarantee better performance and cannot eliminate the risk of investment losses.

FEDERAL FUNDS TARGET RATE<sup>6</sup> 10-YEAR TREASURY BOND YIELD<sup>6</sup> 6-MONTH CD YIELD<sup>6</sup>

<sup>4.</sup> Sources: U.S. Department of Treasury, Federal Reserve, Federal Agencies, Dealogic, Thomson Financial, Bloomberg, Loan Performance, SIFMA, 1/31/14. Most recent data available.

<sup>5.</sup> Sources: © 2014 Morningstar, Credit Suisse, Federal Reserve, Federal Reserve H.15 Report. Floating-rate loans as represented by the Credit Suisse Leveraged Loan Index; Short-term government bonds as represented by the Barclays U.S. Government 1–2 Year Index; High-yield bonds as represented by the Credit Suisse High Yield Index; Global bonds as represented by the Citigroup World Government Bond Index; Treasury inflation-protected securities as represented by the Barclays U.S. Tips Index, which is a component of the Barclays U.S. Treasury Index; Municipal bonds as represented by the Payden & Rygel 10-Year U.S. Treasury Index; Mortgage-backed securities as represented by the Barclays U.S. Mortgage-Backed Securities Index;

#### 20 YEARS (1993-2013)<sup>5</sup>

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
INVESTMENT- GRADE CORP. BONDS	INTERNATIONAL Bonds	HIGH-YIELD Bonds	INTERNATIONAL Bonds	EMERGING MARKETS DEBT (EMD)	HIGH-YIELD Bonds	TIPS	10-YEAR U.S. TREASURY BONDS	HIGH-YIELD Bonds	HIGH-YIELD Bonds	10-YEAR U.S. TREASURY BONDS	EMERGING MARKETS DEBT (EMD)	HIGH-YIELD BONDS
10.31%	21.99%	27.94%	12.14%	10.73%	11.92%	11.64%	20.42%	54.22%	14.42%	16.14%	18.54%	7.53%
PREFERREDS	GLOBAL BONDS	EMERGING MARKETS DEBT (EMD)	HIGH-YIELD BONDS	FLOATING-RATE LOANS	EMERGING MARKETS DEBT (EMD)	INTERNATIONAL BONDS	GLOBAL BONDS	FLOATING-RATE LOANS	PREFERREDS	TIPS	HIGH-YIELD BONDS	FLOATING-RATE LOANS
9.84%	19.49%	25.66%	11.95%	5.69%	9.88%	11.45%	10.89%	44.87%	13.66%	13.56%	14.71%	6.15%
ASSET BACKED SECURITIES (ABS)	TIPS	INTERNATIONAL BONDS	EMERGING MARKETS DEBT (EMD)	MUNICIPAL BONDS	PREFERREDS	GLOBAL BONDS	INTERNATIONAL BONDS	EMERGING MARKETS DEBT (EMD)	EMERGING MARKETS DEBT (EMD)	MUNICIPAL BONDS	PREFERREDS	SHORT-TERM GOV'T BONDS
9.81%	16.57%	18.52%	11.73%	3.51%	8.10%	10.95%	10.11%	28.18%	12.04%	10.70%	13.60%	0.39%
AGENCIES	10-YEAR U.S. TREASURY BONDS	GLOBAL BONDS	GLOBAL BONDS	10-YEAR U.S. TREASURY BONDS	FLOATING-RATE LOANS	10-YEAR U.S. TREASURY BONDS	AGENCIES	ASSET BACKED SECURITIES (ABS)	FLOATING-RATE LOANS	EMERGING MARKETS DEBT (EMD)	INVESTMENT- GRADE CORP. BONDS	ASSET BACKED SECURITIES (ABS)
8.31%	15.38%	14.91%	10.35%	3.02%	7.33%	10.03%	9.26%	24.71%	9.97%	8.46%	9.82%	-0.27%
SHORT-TERM GOV'T BONDS	EMERGING MARKETS DEBT (EMD)	FLOATING-RATE LOANS	TIPS	TIPS	INTERNATIONAL BONDS	AGENCIES	MORTGAGE- BACKED SECURITIES	PREFERREDS	INVESTMENT- GRADE CORP. BONDS	INVESTMENT- GRADE CORP. BONDS	FLOATING-RATE LOANS	AGENCIES
8.23%	13.11%	11.01%	8.46%	2.84%	6.94%	7.90%	8.34%	20.07%	9.00%	8.15%	9.43%	-1.38%
MORTGAGE- BACKED SECURITIES	AGENCIES	PREFERREDS	FLOATING-RATE LOANS	MORTGAGE- BACKED SECURITIES	GLOBAL BONDS	MORTGAGE- BACKED SECURITIES	SHORT-TERM GOV'T BONDS	INVESTMENT- GRADE CORP. BONDS	10-YEAR U.S. TREASURY BONDS	GLOBAL BONDS	TIPS	MORTGAGE- BACKED SECURITIES
8.22%	11.01%	9.43%	5.60%	2.61%	6.12%	6.90%	5.96%	18.68%	7.89%	6.35%	6.98%	-1.41%
TIPS	INVESTMENT- GRADE CORP. BONDS	TIPS	INVESTMENT- GRADE CORP. BONDS	AGENCIES	MORTGAGE- BACKED SECURITIES	SHORT-TERM GOV'T BONDS	TIPS	MUNICIPAL Bonds	TIPS	MORTGAGE- BACKED SECURITIES	MUNICIPAL BONDS	INVESTMENT- GRADE CORP. BONDS
7.90%	10.12%	8.40%	5.39%	2.33%	5.22%	6.64%	-2.35%	12.91%	6.31%	6.23%	6.78%	-1.53%
HIGH-YIELD BONDS	MUNICIPAL BONDS	INVESTMENT- GRADE CORP. BONDS	PREFERREDS	HIGH-YIELD BONDS	MUNICIPAL BONDS	EMERGING MARKETS DEBT (EMD)	MUNICIPAL BONDS	TIPS	ASSET BACKED SECURITIES (ABS)	HIGH-YIELD BONDS	ASSET BACKED SECURITIES (ABS)	MUNICIPAL BONDS
5.80%	9.60%	8.24%	5.11%	2.26%	4.84%	6.28%	-2.48%	11.41%	5.85%	5.47%	3.66%	-2.55%
10-YEAR U.S. TREASURY BONDS	MORTGAGE- BACKED SECURITIES	MUNICIPAL Bonds	MORTGAGE- BACKED SECURITIES	ASSET BACKED SECURITIES (ABS)	ASSET BACKED SECURITIES (ABS)	INVESTMENT- GRADE CORP. BONDS	INVESTMENT- GRADE CORP. BONDS	MORTGAGE- BACKED SECURITIES	MORTGAGE- BACKED SECURITIES	INTERNATIONAL Bonds	10-YEAR U.S. TREASURY BONDS	PREFERREDS
5.40%	8.75%	5.31%	4.70%	2.09%	4.70%	4.56%	-4.94%	5.89%	5.37%	5.17%	2.73%	-3.65%
MUNICIPAL Bonds	ASSET BACKED SECURITIES (ABS)	ASSET BACKED SECURITIES (ABS)	10-YEAR U.S. TREASURY BONDS	SHORT-TERM GOV'T BONDS	AGENCIES	MUNICIPAL Bonds	ASSET BACKED SECURITIES (ABS)	INTERNATIONAL Bonds	INTERNATIONAL Bonds	ASSET BACKED SECURITIES (ABS)	MORTGAGE- BACKED SECURITIES	GLOBAL BONDS
5.13%	8.55%	4.01%	4.51%	1.93%	4.37%	3.36%	-12.72%	4.39%	5.21%	5.14%	2.59%	-4.00%
FLOATING-RATE LOANS	PREFERREDS	MORTGAGE- BACKED SECURITIES	MUNICIPAL Bonds	INVESTMENT- GRADE CORP. BONDS	INVESTMENT- GRADE CORP. BONDS	HIGH-YIELD BONDS	EMERGING MARKETS DEBT (EMD)	GLOBAL BONDS	GLOBAL BONDS	AGENCIES	AGENCIES	INTERNATIONAL BONDS
2.65%	7.66%	3.07%	4.48%	1.68%	4.30%	2.65%	-10.91%	2.55%	5.17%	4.82%	2.16%	-4.56%
EMERGING MARKETS DEBT (EMD)	SHORT-TERM GOV'T BONDS	AGENCIES	AGENCIES	PREFERREDS	SHORT-TERM GOV'T BONDS	ASSET BACKED SECURITIES (ABS)	PREFERREDS	AGENCIES	AGENCIES	PREFERREDS	GLOBAL BONDS	EMERGING MARKETS DEBT (EMD)
1.36%	5.13%	2.59%	3.33%	0.96%	4.18%	2.21%	-25.24%	1.53%	4.36%	4.11%	1.65%	-6.58%
GLOBAL BONDS	HIGH-YIELD BONDS	SHORT-TERM GOV'T BONDS	ASSET BACKED SECURITIES (ABS)	GLOBAL BONDS	10-YEAR U.S. TREASURY BONDS	FLOATING-RATE LOANS	HIGH-YIELD BONDS	SHORT-TERM GOV'T BONDS	MUNICIPAL BONDS	FLOATING-RATE LOANS	INTERNATIONAL BONDS	10-YEAR U.S. TREASURY BONDS
-0.99%	3.10%	1.89%	3.01%	-6.88%	2.53%	1.88%	-26.17%	1.28%	2.38%	1.82%	1.51%	-8.50%
INTERNATIONAL BONDS	FLOATING-RATE LOANS	10-YEAR U.S. TREASURY BONDS	SHORT-TERM GOV'T BONDS	INTERNATIONAL Bonds	TIPS	PREFERREDS	FLOATING-RATE LOANS	10-YEAR U.S. TREASURY BONDS	SHORT-TERM GOV'T BONDS	SHORT-TERM GOV'T BONDS	SHORT-TERM GOV'T BONDS	TIPS
-3.54%	1.12%	0.18%	0.92%	-9.20%	0.41%	-11.31%	-28.75%	-10.09%	1.65%	1.01%	0.37%	-8.61%
1.75%	1.25%	1.00%	2.25%	4.25%	5.25%	4.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%
5.07%	3.83%	4.27%	4.24%	4.39%	4.71%	4.04%	2.25%	3.85%	3.30%	1.89%	1.78%	3.04%
1.92%	1.32%	1.16%	2.72%	4.65%	5.32%	4.62%	1.70%	0.28%	0.40%	0.64%	0.33%	0.33%

Investment-grade corporate bonds as represented by the Barclays U.S. Corporate Investment Grade Index; ■ Emerging markets debt (EMD) as represented by the JP Morgan Emerging Market Bond Index Global; International bonds as represented by the Citigroup World Government Bond Index Non-U.S.; ■ Agencies as represented by the Barclays U.S. Agency Index; ■ Asset-backed securities (ABS) as represented by the Barclays Asset Backed Securities Index; ■ Preferreds as represented by the Bank of America Merrill Lynch Preferred Stock Fixed Rate Index. Past performance does not guarantee future results. Indexes are unmanaged, and one cannot invest directly in an index.

<sup>6.</sup> Source: © 2014 Morningstar, Bloomberg, L.P.

### A Comprehensive Fund Lineup

Franklin Templeton has been a pioneer in fixed income investing. And, as the fixed income market has evolved, we've expanded our fixed income fund offerings to help investors take advantage of marketplace innovations. Today, we offer a wide variety of fixed income funds covering a broad spectrum of credit quality and interest rate sensitivity to help you meet your investment needs.

#### A Comprehensive Fixed Income Fund Lineup

Symbols/CUSII	Ps for Franklin Templeton Income Funds	Class A	Class C
HIGH-YIELD Bonds	Franklin High Income Fund	FHAIX	FCHIX
01.0041	Franklin Templeton Hard Currency Fund	ICPHX	_
GLOBAL Bonds	Templeton Global Bond Fund	TPINX	TEGBX
ROND2	Templeton Global Total Return Fund	TGTRX	TTRCX
EMERGING MARKETS DEBT (EMD)	Templeton Emerging Markets Bond Fund	880 208 830	880 208 822
INTERNATIONAL BONDS	Templeton International Bond Fund	TBOAX	880 208 608
FLOATING- Rate Loans	Franklin Floating Rate Daily Access Fund	FAFRX	FCFRX
	Franklin Low Duration Total Return Fund	FLDAX	_
MULTI-	Franklin Strategic Income Fund	FRSTX	FSGCX
SECTOR	Franklin Total Return Fund	FKBAX	FCTLX
MORTGAGE-	Franklin Adjustable U.S. Government Securities Fund <sup>7</sup>	FISAX	FCSCX
BACKED	Franklin Strategic Mortgage Portfolio	354 71H 207	354 71H 306
SECURITIES	Franklin U.S. Government Securities Fund <sup>7</sup>	FKUSX	FRUGX
TIPS	Franklin Real Return Fund <sup>8</sup>	FRRAX	_
SHORT-TERM GOV'T BONDS	Franklin Limited Maturity U.S. Government Securities Fund <sup>7</sup>	FRGVX	_
	Franklin Federal Intermediate-Term Tax-Free Income Fund <sup>10</sup>	FKITX	FCITX
MUNICIPAL	Franklin Federal Limited-Term Tax-Free Income Fund <sup>10</sup>	FFTFX	_
BONDS9	Franklin Federal Tax-Free Income Fund <sup>10</sup>	FKTIX	FRFTX
	Franklin High Yield Tax-Free Income Fund <sup>10</sup>	FRHIX	FHYIX
	Franklin Insured Tax-Free Income Fund <sup>7, 10</sup>	FTFIX	FRITX

Franklin also offers 27 state-specific municipal bond funds.



"The Franklin Templeton Fixed Income Group" has global specialist teams focusing on every major sector of the fixed income market. This worldwide breadth gives us an advantage in identifying investment opportunities for our fund portfolios."

CHRISTOPHER MOLUMPHY, CIO, FRANKLIN TEMPLETON FIXED INCOME GROUP

<sup>7.</sup> An investment in the fund is neither insured nor guaranteed by the U.S. government or by any other entity or institution.

<sup>8.</sup> Investors in Franklin Real Return Fund who do not reinvest income that comes from inflation adjustments may not maintain the purchasing power of the investment over the long term. Income earned depends on the amount of principal invested, and that principal may not keep up with inflation if the investor does not reinvest the principal adjustment paid out as part of the fund's income.

<sup>9.</sup> For investors subject to the alternative minimum tax, a small portion of a fund's dividends may be taxable. Distributions of capital gains are generally taxable.

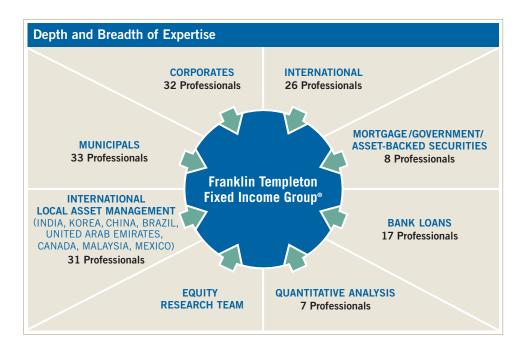
<sup>10.</sup> Dividends are generally subject to state and local taxes, if any.

### Franklin Templeton Fixed Income Group®

#### **Extensive Expertise**

Franklin Templeton has been managing fixed income assets since 1948 and dedicated fixed income mutual funds since 1970. During that time, we have become one of the most respected names in the industry, as well as one of the largest fixed income fund managers in the country.<sup>11</sup>

- A fixed income leader. The Franklin Templeton Fixed Income Group® manages over \$389 billion in fixed income assets for over 1.5 million shareholder accounts.<sup>12,13</sup>
- **Research expertise.** Our fixed income team includes over 150 investment professionals with an average of 15 years of industry experience. We are also able to tap the expertise of the Franklin equity research team, which gives us the ability to view our investments from yet another perspective.
- Extensive resources. Our dedicated risk management team partners with managers to analyze and monitor portfolio risk.
- Over 50 fixed income funds. We offer funds covering the entire fixed income spectrum, including
  government securities, municipal bonds, corporate bonds, floating-rate loans, global bonds and
  multi-sector strategies that capitalize on our expertise in each of these areas.



Over 150 dedicated fixed income investment professionals, including 55 CFA® Charterholders and 11 Ph.Ds.15

<sup>11.</sup> Strategic Insight, ICI as of 1/31/14.

<sup>12.</sup> Fixed income assets managed as of 1/31/14.

<sup>13.</sup> Number of shareholder accounts as of 1/31/14.

<sup>14.</sup> As of 12/31/13. Investment professionals include portfolio managers, analysts and traders.

<sup>15.</sup> As of 12/31/13.

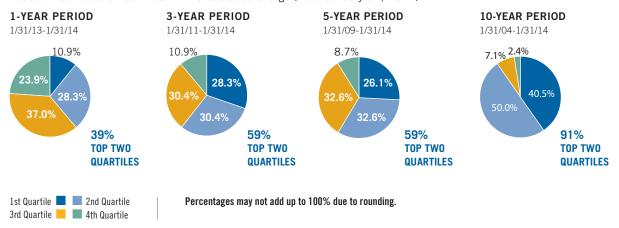
## Strong, Historical Long-Term Performance

Our commitment to high-quality investment management has resulted in strong long-term performance across our fixed income fund lineup. In fact, nearly 40% of Franklin Templeton fixed income funds (Class A) ranked in the top two Lipper quartiles for 1-, 3-, 5- and 10-year cumulative total returns as of January 31, 2014.

#### **Lipper Rankings**

#### Franklin Templeton Fixed Income Funds-Class A

Based on Cumulative Total Return-Without Sales Charge (As of January 31, 2014)



#### **Lower Expenses**

As of December 31, 2013, 93% of our fixed income funds (Class A) had lower expense ratios than their Lipper peer group averages.<sup>17</sup>

#### Lower Fund Expenses<sup>17</sup>

As of December 31, 2013



Past performance does not guarantee future results.

16. Source: Lipper, Inc., 1/31/14. Lipper rankings do not include sales charges and are for Class A shares only. Of the eligible Franklin Templeton non-money market fixed income funds tracked by Lipper, 5, 13, 12 and 17 ranked in the top quartile; 13, 14, 15 and 21 ranked in the second quartile; 17, 14, 15 and 3 ranked in the third quartile; and 11, 5, 4 and 1 ranked in the fourth quartile of their respective Lipper peer groups for the 1-, 3-, 5- and 10-year periods, respectively, for cumulative total return. Past performance does not guarantee future results.

17. Lipper, Inc., 12/31/13. Expense ratios are for Class A shares only and are based on a simple average of the Franklin Templeton non-money market fixed income funds tracked by Lipper.

### Different Needs Require Different Strategies

We've highlighted six common investor needs, along with corresponding fixed income fund strategies. Your financial advisor can help you choose among the different fixed income funds discussed on this page based on your individual investment objective, time frame and risk tolerance.

NEED	FIXED INCOME FUND SOLUTION	FRANKLIN TEMPLETON FUNDS-CLASS A
One Diversified Income Investment	<b>Multi-sector funds</b> have the flexibility to invest across various sectors of the fixed income market.	Franklin Total Return Fund (FKBAX) Franklin Strategic Income Fund (FRSTX)
Current Income and High Credit Quality	U.S. government securities funds invest in government-backed securities such as Government National Mortgage Association (GNMA) securities.	Franklin U.S. Government Securities Fund <sup>18</sup> (FKUSX)
High Income	<b>High-yield funds</b> invest in higher-yielding, lower-rated corporate bonds, which typically provide a higher level of income because they have a greater risk of default.	Franklin High Income Fund (FHAIX)
Limited Sensitivity to Interest Rate Changes	Floating-rate loan funds invest in floating-rate bank loans. These loans are generally less sensitive to interest rate risk because their rates reset as certain benchmark rates change. However, they are rated below investment grade, which involves greater risk of default.	Franklin Floating Rate Daily Access Fund (FAFRX)
Global Diversification	Global bond funds invest in bonds from around the world, which can offer valuable diversification to a U.Sfocused portfolio.	Templeton Global Bond Fund (TPINX)
Current Income and Tax Savings	<b>Municipal bond funds</b> invest in municipal bonds, which provide income free from federal tax, and in many cases, state and local income taxes as well.	Franklin tax-free income funds <sup>19</sup> 32 funds, including limited-term, intermediate-term, long-term, high-yield and insured funds

"We're looking for an income-oriented investment.
What type of fixed income fund is right for us?"



<sup>18.</sup> 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. The fund's yield and share price are not guaranteed and will fluctuate with market conditions.

<sup>19.</sup> Franklin tax-free income funds seek income free from regular federal and, depending on the fund, state and personal income taxes. For investors subject to the alternative minimum tax, a small portion of fund dividends may be taxable. Distributions of capital gains are generally taxable.

#### WHAT ARE THE RISKS?

All investments involve risks, including possible loss of principal. Bonds are affected by interest rate movements. Bond prices and, likewise a bond fund's share price, generally move in the opposite direction of interest rates. As the prices of bonds in a fund adjust to a rise in interest rates, a fund's share price may decline. Investors should be aware of the special risks involved with investments in high-yield bonds, floating-rate loan funds and global bonds. High-yield bond and floating-rate funds invest in lower-rated, higher-yielding instruments, which are subject to increased risk of default and can potentially result in loss of principal. Global bond risks include currency fluctuations and political uncertainty. Mortgage-backed securities are susceptible to prepayment risk. Changes in the financial strength of a bond issuer or in a bond's credit rating may affect its value. These and other risk considerations are discussed in the applicable fund prospectus.

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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 (800) DIAL BEN/342-5236 or visit **franklintempleton.com**. Please carefully read a prospectus before you invest or send money.