

SEMIANNUAL REPORT

# FRANKLIN CALIFORNIA HIGH YIELD MUNICIPAL FUND

A Series of Franklin Municipal Securities Trust

August 31, 2023



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The Securities and Exchange Commission has adopted new regulations that will result in changes to the design and delivery of annual and semiannual shareholder reports beginning in July 2024.

If you have previously elected to receive shareholder reports electronically, you will continue to do so and need not take any action.

Otherwise, paper copies of the Fund's shareholder reports will be mailed to you beginning in July 2024. If you would like to receive shareholder reports and other communications from the Fund electronically instead of by mail, you may make that request at any time by contacting your financial intermediary (such as a broker-dealer or bank) or, if you are a direct investor, enrolling at [franklintempleton.com](https://franklintempleton.com).

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# Franklin California High Yield Municipal Fund

This semiannual report for Franklin California High Yield Municipal Fund covers the period ended August 31, 2023.

## Fund Overview

### Your Fund's Goal and Main Investments

The Fund seeks to provide investors with a high level of income exempt from federal and California personal income taxes by normally investing at least 80% of its net assets in municipal securities in any rating category, including securities rated below investment grade, that pay interest free from such taxes.<sup>1</sup> Its secondary goal is capital appreciation to the extent possible and consistent with its principal investment goal.

### Performance Overview

The Fund's Class A share price, as measured by net asset value, decreased from \$9.69 on February 28, 2023, to \$9.54 on August 31, 2023. The Fund's Class A shares paid dividends totaling 19.7938 cents per share for the reporting period.<sup>2</sup> The Performance Summary beginning on page 3 shows that at the end of this reporting period the Fund's Class A shares' distribution rate was 4.04%, based on an annualization of August's 3.3344 cents per share monthly dividend and the maximum offering price of \$9.91 on August 31, 2023. An investor in the 2023 maximum combined effective federal and California personal income tax bracket of 53.10% (including 3.80% Medicare tax) would need to earn a distribution rate of 8.61% from a taxable investment to match the Fund's Class A tax-free distribution rate. For other performance data, please see the Performance Summary.

*Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to [franklintempleton.com](http://franklintempleton.com) or call (800) 342-5236.*

### Portfolio Composition 8/31/23

	% of Total Investments*
Special Tax	23.37%
Housing	17.97%
Transportation	16.00%
Education	11.55%
Local	7.78%
Health Care	7.58%
Industrial Dev. Revenue and Pollution Control	5.46%
Other Revenue Bonds	3.98%
Refunded	3.30%
Utilities	1.86%
State General Obligation	0.89%
Lease	0.26%

\*Does not include cash and cash equivalents.

Thank you for your continued participation in Franklin California High Yield Municipal Fund. We look forward to serving your future investment needs.

1. The Fund may invest up to 100% of its assets in bonds whose interest payments are subject to federal alternative minimum tax. All or a significant portion of the income on these obligations may be subject to such tax. Distributions of capital gains are generally taxable. To avoid imposition of 28% backup withholding on all Fund distributions and redemption proceeds, U.S. investors must be properly certified on Form W-9 and non-U.S. investors on Form W-8BEN.

2. The distribution amount is the sum of all estimated tax-basis net investment income distributions for the period shown. A portion or all of the distribution may be reclassified as return of capital or short-term or long-term capital gains once final tax designations are known. Assumes shares were purchased and held for the entire accrual period. Since dividends accrue daily, your actual distributions will vary depending on the date you purchased your shares and any account activity. All Fund distributions will vary depending upon current market conditions, and past distributions are not indicative of future trends.

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Schedule of Investments (SOI). The SOI begins on page 11.

## Performance Summary as of August 31, 2023

The performance tables do not reflect any taxes that a shareholder would pay on Fund dividends, capital gain distributions, if any, or any realized gains on the sale of Fund shares. Total return reflects reinvestment of the Fund's dividends and capital gain distributions, if any, and any unrealized gains or losses. Your dividend income will vary depending on dividends or interest paid by securities in the Fund's portfolio, adjusted for operating expenses of each class. Capital gain distributions are net profits realized from the sale of portfolio securities.

### Performance as of 8/31/23<sup>1</sup>

*Cumulative total return excludes sales charges. Average annual total return includes maximum sales charges. Sales charges will vary depending on the size of the investment and the class of share purchased. The maximum is 3.75% and the minimum is 0%. **Class A:** 3.75% maximum initial sales charge; **Advisor Class:** no sales charges. For other share classes, visit [franklintempleton.com](http://franklintempleton.com).*

Share Class	Cumulative Total Return <sup>2</sup>	Average Annual Total Return <sup>3</sup>
<b>A<sup>4,5</sup></b>		
6-Month	+0.47%	-3.29%
1-Year	-0.71%	-4.44%
5-Year	+4.62%	+0.14%
10-Year	+42.80%	+3.23%
<b>Advisor</b>		
6-Month	+0.60%	+0.60%
1-Year	-0.57%	-0.57%
5-Year	+5.63%	+1.10%
10-Year	+45.08%	+3.79%

Share Class	Distribution Rate <sup>6</sup>	Taxable Equivalent Distribution Rate <sup>7</sup>	30-Day Standardized Yield <sup>8</sup>	Taxable Equivalent 30-Day Standardized Yield <sup>7</sup>
A	4.04%	8.61%	4.11%	8.76%
Advisor	4.45%	9.49%	4.52%	9.64%

*Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to [franklintempleton.com](http://franklintempleton.com) or call (800) 342-5236.*

See page 4 for Performance Summary footnotes.

## Distributions (3/1/23–8/31/23)

Share Class	Net Investment Income
A	\$0.197938
A1	\$0.205322
C	\$0.178144
R6	\$0.211972
Advisor	\$0.210181

## Total Annual Operating Expenses<sup>9</sup>

Share Class	
A	0.81%
Advisor	0.55%

Each class of shares is available to certain eligible investors and has different annual fees and expenses, as described in the prospectus.

Events such as the spread of deadly diseases, disasters, and financial, political or social disruptions, may heighten risks and adversely affect performance.

**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. **Low-rated, high-yield bonds** are subject to greater price volatility, illiquidity, and possibility of default. These and other risks are discussed in the Fund's prospectus.

1. 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 cannot be terminated prior to 6/30/24 without Board consent. Actual expenses may be higher and may impact portfolio returns.
  2. Cumulative total return represents the change in value of an investment over the periods indicated.
  3. Average annual total return represents the average annual change in value of an investment over the periods indicated. Return for less than one year, if any, has not been annualized.
  4. Effective 9/10/18, Class A shares closed to new investors, were renamed Class A1 shares, and a new Class A share with a different expense structure became available. Class A performance shown has been calculated as follows: (a) for periods prior to 9/10/18, a restated figure is used based on the Fund's Class A1 performance that includes any Rule 12b-1 rate differential that exists between Class A1 and Class A; and (b) for periods after 9/10/18, actual Class A performance is used, reflecting all charges and fees applicable to that class.
  5. Prior to 3/1/19, these shares were offered at a higher initial sales charge of 4.25%, thus actual returns (with sales charges) would have differed. Average annual total returns (with sales charges) have been restated to reflect the current maximum initial sales charge of 3.75%.
  6. Distribution rate is based on an annualization of the respective class's August dividend and the maximum offering price (NAV for Advisor Class) per share on 8/31/23.
  7. Taxable equivalent distribution rate and yield assume the published rates as of 6/22/23 for the maximum combined effective federal and California state personal income tax rate of 53.10%, based on the federal income tax rate of 37.00% plus 3.80% Medicare tax.
  8. 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.
  9. Figures are as stated in the Fund's current prospectus and may differ from the expense ratios disclosed in the Your Fund's Expenses and Financial Highlights sections in this report. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.
- See [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com) for additional data provider information.

## Your Fund's Expenses

As a Fund shareholder, you can incur two types of costs: (1) transaction costs, including sales charges (loads) on Fund purchases and redemptions; and (2) ongoing Fund costs, including management fees, distribution and service (12b-1) fees, and other Fund expenses. All mutual funds have ongoing costs, sometimes referred to as operating expenses. The table below shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other mutual funds. The table assumes a \$1,000 investment held for the six months indicated.

### Actual Fund Expenses

The table below provides information about actual account values and actual expenses in the columns under the heading "Actual." In these columns the Fund's actual return, which includes the effect of Fund expenses, is used to calculate the "Ending Account Value" for each class of shares. You can estimate the expenses you paid during the period by following these steps (*of course, your account value and expenses will differ from those in this illustration*): Divide your account value by \$1,000 (*if your account had an \$8,600 value, then  $\$8,600 \div \$1,000 = 8.6$* ). Then multiply the result by the number in the row for your class of shares under the headings "Actual" and "Expenses Paid During Period" (*if Actual Expenses Paid During Period were \$7.50, then  $8.6 \times \$7.50 = \$64.50$* ). In this illustration, the actual expenses paid this period are \$64.50.

### Hypothetical Example for Comparison with Other Funds

Under the heading "Hypothetical" in the table, information is provided about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. This information may not be used to estimate the actual ending account balance or expenses you paid for the period, but it can help you compare ongoing costs of investing in the Fund with those of other funds. To do so, compare this 5% hypothetical example for the class of shares you hold with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transactional costs. Therefore, information under the heading "Hypothetical" is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transactional costs were included, your total costs would have been higher.

Share Class	Beginning Account Value 3/1/23	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio <sup>2</sup>
		Ending Account Value 8/31/23	Expenses Paid During Period 3/1/23–8/31/23 <sup>1,2</sup>	Ending Account Value 8/31/23	Expenses Paid During Period 3/1/23–8/31/23 <sup>1,2</sup>	
A	\$1,000	\$1,004.70	\$4.10	\$1,021.05	\$4.13	0.81%
A1	\$1,000	\$1,005.50	\$3.34	\$1,021.80	\$3.37	0.66%
C	\$1,000	\$1,001.70	\$6.08	\$1,019.06	\$6.13	1.21%
R6	\$1,000	\$1,006.20	\$2.65	\$1,022.49	\$2.68	0.53%
Advisor	\$1,000	\$1,006.00	\$2.83	\$1,022.31	\$2.86	0.56%

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 184/366 to reflect the one-half year period.

2. Reflects expenses after fee waivers and expense reimbursements. Does not include acquired fund fees and expenses.

## Financial Highlights

### Franklin California High Yield Municipal Fund

	Six Months Ended August 31, 2023 (unaudited)	Year Ended February 28, 2023	Year Ended February 28, 2022 <sup>a</sup>	Year Ended May 31,		Year Ended May 31, 2019 <sup>b</sup>
				2021	2020	
<b>Class A</b>						
<b>Per share operating performance</b>						
(for a share outstanding throughout the period)						
Net asset value, beginning of period . . . . .	\$9.69	\$11.02	\$11.49	\$10.81	\$11.10	\$10.70
Income from investment operations <sup>c</sup> :						
Net investment income <sup>d</sup> . . . . .	0.20	0.36	0.26	0.35	0.34	0.27
Net realized and unrealized gains (losses) . . . . .	(0.15)	(1.35)	(0.49)	0.67	(0.29)	0.41
Total from investment operations . . . . .	0.05	(0.99)	(0.23)	1.02	0.05	0.68
Less distributions from:						
Net investment income . . . . .	(0.20)	(0.34)	(0.24)	(0.34)	(0.34)	(0.28)
Net asset value, end of period . . . . .	\$9.54	\$9.69	\$11.02	\$11.49	\$10.81	\$11.10
Total return <sup>e</sup> . . . . .	0.47%	(9.03)%	(2.09)%	9.57%	0.43%	6.56%
<b>Ratios to average net assets<sup>f</sup></b>						
Expenses <sup>g</sup> . . . . .	0.81%	0.88%	0.81%	0.79%	0.80%	0.83%
Net investment income . . . . .	4.02%	3.63%	2.88%	3.10%	3.10%	3.55%
<b>Supplemental data</b>						
Net assets, end of period (000's) . . . . .	\$611,372	\$595,614	\$714,052	\$618,967	\$425,757	\$244,196
Portfolio turnover rate . . . . .	5.73%	18.77%	10.19%	9.20%	23.29%	13.91%

<sup>a</sup>For the period June 1, 2021 to February 28, 2022.

<sup>b</sup>For the period September 10, 2018 (effective date) to May 31, 2019.

<sup>c</sup>The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

<sup>d</sup>Based on average daily shares outstanding.

<sup>e</sup>Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

<sup>f</sup>Ratios are annualized for periods less than one year.

<sup>g</sup>Benefit of expense reduction rounds to less than 0.01%.



**Franklin California High Yield Municipal Fund** (continued)

	Six Months Ended August 31, 2023 (unaudited)	Year Ended February 28, 2023	Year Ended February 28, 2022 <sup>a</sup>	Year Ended May 31,			
				2021	2020	2019	2018
<b>Class A1</b>							
<b>Per share operating performance</b>							
(for a share outstanding throughout the period)							
Net asset value, beginning of period . . . . .	\$9.67	\$10.99	\$11.47	\$10.79	\$11.08	\$10.70	\$10.89
Income from investment operations <sup>b</sup> :							
Net investment income <sup>c</sup> . . . . .	0.20	0.38	0.26	0.37	0.36	0.40	0.39
Net realized and unrealized gains (losses) . . . . .	(0.14)	(1.35)	(0.49)	0.67	(0.29)	0.39	(0.19)
Total from investment operations. . . . .	0.06	(0.97)	(0.23)	1.04	0.07	0.79	0.20
Less distributions from:							
Net investment income. . . . .	(0.21)	(0.35)	(0.25)	(0.36)	(0.36)	(0.41)	(0.39)
Net asset value, end of period . . . . .	\$9.52	\$9.67	\$10.99	\$11.47	\$10.79	\$11.08	\$10.70
Total return <sup>d</sup> . . . . .	0.55%	(8.83)%	(2.07)%	9.76%	0.58%	7.56%	1.92%
<b>Ratios to average net assets<sup>e</sup></b>							
Expenses . . . . .	0.66% <sup>f</sup>	0.72% <sup>f</sup>	0.66% <sup>f</sup>	0.64% <sup>f</sup>	0.65% <sup>f</sup>	0.68% <sup>f</sup>	0.66%
Net investment income . . . . .	4.18%	3.78%	3.04%	3.27%	3.25%	3.70%	3.63%
<b>Supplemental data</b>							
Net assets, end of period (000's) . . . . .	\$814,098	\$862,312	\$1,166,095	\$1,254,701	\$1,282,022	\$1,386,291	\$1,378,169
Portfolio turnover rate . . . . .	5.73%	18.77%	10.19%	9.20%	23.29%	13.91%	11.08%

<sup>a</sup>For the period June 1, 2021 to February 28, 2022.

<sup>b</sup>The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

<sup>c</sup>Based on average daily shares outstanding.

<sup>d</sup>Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

<sup>e</sup>Ratios are annualized for periods less than one year.

<sup>f</sup>Benefit of expense reduction rounds to less than 0.01%.

**Franklin California High Yield Municipal Fund** (continued)

	Six Months Ended August 31, 2023 (unaudited)	Year Ended February 28, 2023	Year Ended February 28, 2022 <sup>a</sup>	Year Ended May 31,			
				2021	2020	2019	2018
<b>Class C</b>							
<b>Per share operating performance</b>							
(for a share outstanding throughout the period)							
Net asset value, beginning of period . . . . .	\$9.75	\$11.08	\$11.56	\$10.87	\$11.17	\$10.78	\$10.97
Income from investment operations <sup>b</sup> :							
Net investment income <sup>c</sup> . . . . .	0.18	0.32	0.21	0.30	0.30	0.34	0.33
Net realized and unrealized gains (losses) . . . . .	(0.16)	(1.35)	(0.49)	0.69	(0.30)	0.40	(0.19)
Total from investment operations. . . . .	0.02	(1.03)	(0.28)	0.99	—	0.74	0.14
Less distributions from:							
Net investment income. . . . .	(0.18)	(0.30)	(0.20)	(0.30)	(0.30)	(0.35)	(0.33)
Net asset value, end of period . . . . .	\$9.59	\$9.75	\$11.08	\$11.56	\$10.87	\$11.17	\$10.78
Total return <sup>d</sup> . . . . .	0.17%	(9.35)%	(2.46)%	9.18%	(0.04)%	7.01%	1.34%
<b>Ratios to average net assets<sup>e</sup></b>							
Expenses . . . . .	1.21% <sup>f</sup>	1.27% <sup>f</sup>	1.20% <sup>f</sup>	1.19% <sup>f</sup>	1.20% <sup>f</sup>	1.23% <sup>f</sup>	1.21%
Net investment income . . . . .	3.59%	3.19%	2.47%	2.69%	2.70%	3.15%	3.08%
<b>Supplemental data</b>							
Net assets, end of period (000's) . . . . .	\$103,609	\$118,149	\$180,173	\$223,652	\$253,579	\$272,186	\$327,022
Portfolio turnover rate . . . . .	5.73%	18.77%	10.19%	9.20%	23.29%	13.91%	11.08%

<sup>a</sup>For the period June 1, 2021 to February 28, 2022.

<sup>b</sup>The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

<sup>c</sup>Based on average daily shares outstanding.

<sup>d</sup>Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

<sup>e</sup>Ratios are annualized for periods less than one year.

<sup>f</sup>Benefit of expense reduction rounds to less than 0.01%.

**Franklin California High Yield Municipal Fund** (continued)

	Six Months Ended August 31, 2023 (unaudited)	Year Ended February 28, 2023	Year Ended February 28, 2022 <sup>a</sup>	Year Ended May 31,			Year Ended May 31, 2018 <sup>b</sup>
				2021	2020	2019	
<b>Class R6</b>							
<b>Per share operating performance</b>							
(for a share outstanding throughout the period)							
Net asset value, beginning of period . . . . .	\$9.70	\$11.03	\$11.51	\$10.82	\$11.12	\$10.74	\$10.88
Income from investment operations <sup>c</sup> :							
Net investment income <sup>d</sup> . . . . .	0.21	0.39	0.27	0.38	0.38	0.41	0.35
Net realized and unrealized gains (losses) . . . . .	(0.15)	(1.35)	(0.49)	0.68	(0.30)	0.39	(0.15)
Total from investment operations. . . . .	0.06	(0.96)	(0.22)	1.06	0.08	0.80	0.20
Less distributions from:							
Net investment income. . . . .	(0.21)	(0.37)	(0.26)	(0.37)	(0.38)	(0.42)	(0.34)
Net asset value, end of period . . . . .	\$9.55	\$9.70	\$11.03	\$11.51	\$10.82	\$11.12	\$10.74
Total return <sup>e</sup> . . . . .	0.62%	(8.76)%	(1.96)%	9.97%	0.63%	7.66%	1.84%
<b>Ratios to average net assets<sup>f</sup></b>							
Expenses before waiver and payments by affiliates . . . . .	0.53%	0.58%	0.53%	0.52%	0.52%	0.57%	0.55%
Expenses net of waiver and payments by affiliates . . . . .	0.53% <sup>g,h</sup>	0.58% <sup>g,h</sup>	0.52% <sup>g</sup>	0.51% <sup>g</sup>	0.51% <sup>g</sup>	0.55% <sup>g</sup>	0.53%
Net investment income . . . . .	4.31%	3.91%	3.16%	3.37%	3.39%	3.83%	3.76%
<b>Supplemental data</b>							
Net assets, end of period (000's) . . . . .	\$48,133	\$44,724	\$60,366	\$45,216	\$26,741	\$21,214	\$13,004
Portfolio turnover rate . . . . .	5.73%	18.77%	10.19%	9.20%	23.29%	13.91%	11.08%

<sup>a</sup>For the period June 1, 2021 to February 28, 2022.

<sup>b</sup>For the period August 1, 2017 (effective date) to May 31, 2018.

<sup>c</sup>The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

<sup>d</sup>Based on average daily shares outstanding.

<sup>e</sup>Total return is not annualized for periods less than one year.

<sup>f</sup>Ratios are annualized for periods less than one year.

<sup>g</sup>Benefit of expense reduction rounds to less than 0.01%.

<sup>h</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.

**Franklin California High Yield Municipal Fund** (continued)

	Six Months Ended August 31, 2023 (unaudited)	Year Ended February 28, 2023	Year Ended February 28, 2022 <sup>a</sup>	Year Ended May 31,			
				2021	2020	2019	2018
<b>Advisor Class</b>							
<b>Per share operating performance</b>							
(for a share outstanding throughout the period)							
Net asset value, beginning of period . . . . .	\$9.69	\$11.02	\$11.50	\$10.82	\$11.11	\$10.73	\$10.91
Income from investment operations <sup>b</sup> :							
Net investment income <sup>c</sup> . . . . .	0.21	0.39	0.27	0.38	0.37	0.41	0.40
Net realized and unrealized gains (losses) . . . . .	(0.15)	(1.36)	(0.49)	0.67	(0.29)	0.39	(0.18)
Total from investment operations . . . . .	0.06	(0.97)	(0.22)	1.05	0.08	0.80	0.22
Less distributions from:							
Net investment income . . . . .	(0.21)	(0.36)	(0.26)	(0.37)	(0.37)	(0.42)	(0.40)
Net asset value, end of period . . . . .	\$9.54	\$9.69	\$11.02	\$11.50	\$10.82	\$11.11	\$10.73
Total return <sup>d</sup> . . . . .	0.60%	(8.80)%	(1.99)%	9.84%	0.68%	7.64%	2.10%
<b>Ratios to average net assets<sup>e</sup></b>							
Expenses . . . . .	0.56% <sup>f</sup>	0.62% <sup>f</sup>	0.56% <sup>f</sup>	0.54% <sup>f</sup>	0.55% <sup>f</sup>	0.58% <sup>f</sup>	0.56%
Net investment income . . . . .	4.27%	3.87%	3.13%	3.35%	3.35%	3.80%	3.73%
<b>Supplemental data</b>							
Net assets, end of period (000's) . . . . .	\$891,208	\$922,275	\$1,186,382	\$1,113,278	\$903,694	\$889,990	\$748,355
Portfolio turnover rate . . . . .	5.73%	18.77%	10.19%	9.20%	23.29%	13.91%	11.08%

<sup>a</sup>For the period June 1, 2021 to February 28, 2022.

<sup>b</sup>The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

<sup>c</sup>Based on average daily shares outstanding.

<sup>d</sup>Total return is not annualized for periods less than one year.

<sup>e</sup>Ratios are annualized for periods less than one year.

<sup>f</sup>Benefit of expense reduction rounds to less than 0.01%.

## Schedule of Investments (unaudited), August 31, 2023

## Franklin California High Yield Municipal Fund

	Principal Amount	Value
<b>Corporate Bonds 2.9%</b>		
<b>Commercial Services &amp; Supplies 0.8%</b>		
<sup>a,b,c</sup> CalPlant I LLC,		
21A, Senior Secured Note, 144A, 9.5%, 8/31/23 . . . . .	\$1,370,000	\$1,370,000
21B, Senior Secured Note, 144A, 9.5%, 8/31/23 . . . . .	5,220,000	5,220,000
22A, Senior Secured Note, 144A, 9.5%, 8/31/23 . . . . .	2,875,000	2,875,000
22B, Senior Secured Note, 144A, 9.5%, 8/31/23 . . . . .	250,000	250,000
22C, Senior Secured Note, 144A, 9.5%, 8/31/23 . . . . .	1,885,000	1,885,000
22X, Senior Secured Note, 144A, 9.5%, 8/31/23 . . . . .	2,830,000	2,830,000
23A, Senior Secured Note, 144A, 9.5%, 8/31/23 . . . . .	1,000,000	1,000,000
23B, Senior Secured Note, 144A, 9.5%, 8/31/23 . . . . .	890,000	890,000
23C, Senior Secured Note, 144A, 9.5%, 8/31/23 . . . . .	1,415,000	1,415,000
23D, Senior Secured Note, 144A, 9.5%, 8/31/23 . . . . .	1,230,000	1,230,000
23E, Senior Secured Note, 144A, 9.5%, 8/31/23 . . . . .	1,385,000	1,385,000
		<u>20,350,000</u>
<b>Diversified Consumer Services 1.7%</b>		
Grand Canyon University, Secured Note, 5.125%, 10/01/28 . . . . .	45,335,000	<u>40,973,773</u>
<b>Electric Utilities 0.4%</b>		
<sup>c</sup> Mission Rock Utilities, Inc., 144A, 7%, 7/01/27 . . . . .	10,000,000	<u>9,564,284</u>
<b>Total Corporate Bonds (Cost \$75,583,772) . . . . .</b>		<b><u>70,888,057</u></b>
<b>Municipal Bonds 96.7%</b>		
<b>California 86.9%</b>		
Alameda Community Facilities District,		
City of Alameda Community Facilities District No. 22-1, Special Tax, 2023, 5%, 9/01/38 . . . . .	850,000	828,561
City of Alameda Community Facilities District No. 22-1, Special Tax, 2023, 5%, 9/01/43 . . . . .	1,000,000	953,168
City of Alameda Community Facilities District No. 22-1, Special Tax, 2023, 5%, 9/01/53 . . . . .	1,000,000	911,668
California Community College Financing Authority,		
<sup>c</sup> NCCD-Napa Valley Properties LLC, Revenue, 144A, 2022 A, 5.75%, 7/01/60 . . . . .	17,500,000	17,234,987
<sup>c</sup> NCCD-Napa Valley Properties LLC, Revenue, 144A, 2022 B, 7.75%, 7/01/30 . . . . .	2,405,000	2,221,373
<sup>c</sup> NCCD-Napa Valley Properties LLC, Revenue, 144A, 2022 C, 6.75%, 7/01/60 . . . . .	7,050,000	6,862,587
NCCD-Orange Coast Properties LLC, Revenue, 2018, 5.25%, 5/01/48 . . . . .	225,000	226,459
NCCD-Orange Coast Properties LLC, Revenue, 2018, 5.25%, 5/01/53 . . . . .	6,785,000	6,806,719
<sup>c</sup> California Community Housing Agency,		
Annadel Apartments, Revenue, 144A, 2019 A, 5%, 4/01/49 . . . . .	27,050,000	22,338,077
Serenity at Larkspur Apartments, Revenue, 144A, 2020 A, 5%, 2/01/50 . . . . .	22,525,000	17,764,841
Twin Creek Apartments, Revenue, Junior Lien, 144A, 2022 B, 5.5%, 2/01/40 . . . . .	4,475,000	3,981,789
Verdant at Green Valley Apartments, Revenue, 144A, 2019 A, 5%, 8/01/49 . . . . .	15,000,000	13,760,669
California County Tobacco Securitization Agency,		
Revenue, 2020 B-2, Refunding, Zero Cpn., 6/01/55 . . . . .	125,010,000	20,552,431
Gold Country Settlement Funding Corp., Revenue, 2020 B-2, Refunding, Zero Cpn., 6/01/55 . . . . .	13,420,000	2,825,271
Merced County Tobacco Funding Corp., Revenue, 2020 B, Refunding, 5%, 6/01/50 . . . . .	3,000,000	2,955,812
Sonoma County Securitization Corp., Revenue, 2020 B-2, Refunding, Zero Cpn., 6/01/55 . . . . .	10,000,000	2,105,269
California Educational Facilities Authority,		
Art Center College of Design, Revenue, 2018 A, Refunding, 5%, 12/01/37 . . . . .	1,265,000	1,293,167
Art Center College of Design, Revenue, 2018 A, Refunding, 5%, 12/01/38 . . . . .	1,125,000	1,146,970
Art Center College of Design, Revenue, 2018 A, Refunding, 5%, 12/01/44 . . . . .	10,375,000	10,434,595
Chapman University, Revenue, 2015, 5%, 4/01/40 . . . . .	5,000,000	5,060,268
Leland Stanford Junior University (The), Revenue, T-1, 5%, 3/15/39 . . . . .	4,185,000	4,817,857
Leland Stanford Junior University (The), Revenue, U-3, 5%, 6/01/43 . . . . .	5,815,000	6,641,529

**Franklin California High Yield Municipal Fund** (continued)

	Principal Amount	Value
<b>Municipal Bonds</b> (continued)		
<b>California</b> (continued)		
California Educational Facilities Authority, (continued)		
University of the Pacific, Revenue, 2015, Refunding, 5%, 11/01/36 . . . . .	\$3,000,000	\$3,068,580
<sup>c</sup> California Enterprise Development Authority,		
Rocklin Academy Obligated Group, Revenue, 144A, 2021 A, Refunding, 4%, 6/01/36 . . . . .	250,000	222,721
Rocklin Academy Obligated Group, Revenue, 144A, 2021 A, Refunding, 4%, 6/01/51 . . . . .	630,000	479,433
Rocklin Academy Obligated Group, Revenue, 144A, 2021 A, Refunding, 4%, 6/01/61 . . . . .	845,000	611,016
California Health Facilities Financing Authority,		
Adventist Health System/West Obligated Group, Revenue, 2016 A, Refunding, 4%, 3/01/39 . . . . .	8,190,000	7,677,842
Children's Hospital Los Angeles Obligated Group, Revenue, 2017 A, Refunding, 4%, 8/15/49 . . . . .	3,375,000	3,000,825
El Camino Hospital, Revenue, 2017, 4%, 2/01/42 . . . . .	6,500,000	6,131,653
El Camino Hospital, Revenue, 2017, 5%, 2/01/42 . . . . .	5,000,000	5,115,958
Lucile Salter Packard Children's Hospital at Stanford Obligated Group, Revenue, 2014 A, 5%, 8/15/43 . . . . .	7,160,000	7,232,544
Sutter Health Obligated Group, Revenue, 2018 A, 5%, 11/15/48 . . . . .	12,485,000	12,766,640
California Housing Finance Agency,		
Revenue, 2019-2, A, 4%, 3/20/33 . . . . .	52,687	50,872
Revenue, 2021-1, A, 3.5%, 11/20/35 . . . . .	4,820,636	4,435,269
<sup>c</sup> Redwood Gardens Renewal LP, Revenue, 144A, 2021 N-S, 4%, 3/01/37 . . . . .	3,165,000	2,552,291
<sup>c,d</sup> Shermanair Apartments Owner LP, Revenue, 144A, 2021 Q-S, Mandatory Put, 4.5%, 9/01/36 . . . . .	4,000,000	3,473,783
<sup>c</sup> California Infrastructure & Economic Development Bank,		
Goodwill Industries of Sacramento Valley & Northern Nevada, Inc., Revenue, 144A, 2016 A, 5%, 1/01/47 . . . . .	10,360,000	7,644,557
WFCS Holdings II LLC, Revenue, 144A, 2021 A-1, 5%, 1/01/56 . . . . .	1,600,000	1,247,300
WFCS Holdings LLC, Revenue, 144A, 2020 A-1, 5%, 1/01/55 . . . . .	2,300,000	1,817,675
California Municipal Finance Authority,		
Revenue, 2022 A-1, 4.25%, 12/01/37 . . . . .	16,700,000	13,661,826
<sup>c,d</sup> Revenue, 144A, 2023 B-1, Mandatory Put, 7%, 4/01/33 . . . . .	20,770,000	20,386,420
<sup>c,d</sup> Revenue, 144A, 2023 B-2, Mandatory Put, 7%, 4/01/33 . . . . .	13,825,000	13,523,243
<sup>c</sup> Revenue, 144A, 2023, II, 7%, 7/01/51 . . . . .	12,655,000	11,936,069
Special Tax, 2021 B, 4%, 9/01/41 . . . . .	900,000	800,100
Special Tax, 2022 B, Refunding, 6%, 9/01/52 . . . . .	2,920,000	2,932,528
Special Tax, 2022 B, Refunding, 6.3%, 9/01/52 . . . . .	1,205,000	1,230,866
Special Tax, 2022 C, 6.25%, 9/01/52 . . . . .	4,050,000	3,987,325
Special Tax, 2022 D, 6.125%, 9/01/52 . . . . .	6,885,000	6,973,822
1717 University Associates LLC, Revenue, 2020 A-S, 5%, 9/01/57 . . . . .	1,175,000	912,431
ACI Royal York, Inc., Revenue, 2020 A, 4%, 2/15/55 . . . . .	2,375,000	1,810,153
American Heritage/Escondido/Heritage K-8 Charter School Obligated Group,		
Revenue, 2016 A, Refunding, 5%, 6/01/36 . . . . .	3,000,000	3,019,364
Biola University, Inc., Revenue, 2017, Refunding, 5%, 10/01/36 . . . . .	1,100,000	1,127,614
Biola University, Inc., Revenue, 2017, Refunding, 5%, 10/01/39 . . . . .	1,000,000	1,015,038
Bowles Hall Foundation, Revenue, 2015 A, 5%, 6/01/35 . . . . .	600,000	603,128
Bowles Hall Foundation, Revenue, 2015 A, 5%, 6/01/50 . . . . .	3,250,000	3,252,407
<sup>c</sup> California Baptist University, Revenue, 144A, 2015 A, 5.375%, 11/01/40 . . . . .	5,000,000	5,030,411
<sup>c</sup> California Baptist University, Revenue, 144A, 2015 A, 5.5%, 11/01/45 . . . . .	10,000,000	10,045,524
<sup>c</sup> California Baptist University, Revenue, 144A, 2016 A, 5%, 11/01/36 . . . . .	2,500,000	2,506,341
<sup>c</sup> Capital Christian Center, Revenue, 144A, 2021 A, 5%, 10/01/51 . . . . .	8,425,000	6,952,684
<sup>c</sup> Capital Christian Center, Revenue, 144A, 2021 B, Refunding, 4%, 10/01/37 . . . . .	8,150,000	6,447,733
Caritas Affordable Housing, Inc., Revenue, Senior Lien, 2014 A, 5%, 8/15/30 . . . . .	1,000,000	1,009,630
Caritas Affordable Housing, Inc., Revenue, Senior Lien, 2014 A, 5.25%, 8/15/39 . . . . .	1,200,000	1,208,529
Caritas Affordable Housing, Inc., Revenue, Senior Lien, 2014 A, 5.25%, 8/15/49 . . . . .	3,500,000	3,518,864
CHF-Davis I LLC, Revenue, 2018, 5%, 5/15/51 . . . . .	5,000,000	4,955,198
CHF-Davis II LLC, Revenue, 2021, BAM Insured, 3%, 5/15/51 . . . . .	550,000	394,133
CHF-Davis II LLC, Revenue, 2021, BAM Insured, 3%, 5/15/54 . . . . .	2,585,000	1,806,075

**Franklin California High Yield Municipal Fund** (continued)

	Principal Amount	Value
<b>Municipal Bonds</b> (continued)		
<b>California</b> (continued)		
California Municipal Finance Authority, (continued)		
CHF-Riverside I LLC, Revenue, 2018, 5%, 5/15/40 . . . . .	\$1,500,000	\$1,517,537
CHF-Riverside II LLC, Revenue, 2019, 5%, 5/15/49 . . . . .	9,575,000	9,533,120
◦ Claremont Graduate University, Revenue, 144A, 2020 B, Refunding, 5%, 10/01/39 . . . . .	1,120,000	1,048,218
◦ Claremont Graduate University, Revenue, 144A, 2020 B, Refunding, 5%, 10/01/49 . . . . .	4,290,000	3,805,095
◦ Claremont Graduate University, Revenue, 144A, 2020 B, Refunding, 5%, 10/01/54 . . . . .	1,875,000	1,633,469
Community Facilities District No. 2021-11, Special Tax, 2022, 5%, 9/01/52 . . . . .	2,500,000	2,393,964
Community Facilities District No. 2021-13, Special Tax, 2022, 5%, 9/01/42 . . . . .	1,000,000	992,738
Community Facilities District No. 2021-13, Special Tax, 2022, 5%, 9/01/52 . . . . .	5,150,000	4,916,886
Community Facilities District No. 2021-6 Improvement Area No. 2, Special Tax, 2022, 6%, 9/01/52 . . . . .	4,350,000	4,420,108
◦ Community Health Centers of The Central Coast, Inc., Revenue, 144A, 2021 A, 3%, 12/01/23 . . . . .	100,000	99,332
◦ Community Health Centers of The Central Coast, Inc., Revenue, 144A, 2021 A, 4%, 12/01/26 . . . . .	200,000	194,574
◦ Community Health Centers of The Central Coast, Inc., Revenue, 144A, 2021 A, 5%, 12/01/27 . . . . .	100,000	101,573
◦ Community Health Centers of The Central Coast, Inc., Revenue, 144A, 2021 A, 5%, 12/01/29 . . . . .	50,000	51,291
◦ Community Health Centers of The Central Coast, Inc., Revenue, 144A, 2021 A, 5%, 12/01/31 . . . . .	130,000	133,748
◦ Community Health Centers of The Central Coast, Inc., Revenue, 144A, 2021 A, 5%, 12/01/36 . . . . .	350,000	350,958
◦ Community Health Centers of The Central Coast, Inc., Revenue, 144A, 2021 A, 5%, 12/01/54 . . . . .	2,000,000	1,854,092
Community Hospitals of Central California Obligated Group, Revenue, 2015 A, Pre-Refunded, 5%, 2/01/40 . . . . .	5,000,000	5,130,873
Community Hospitals of Central California Obligated Group, Revenue, 2017 A, Refunding, 4%, 2/01/42 . . . . .	10,000,000	9,243,519
Congregational Homes, Inc. Obligated Group, Revenue, 2019, Refunding, 5%, 11/15/39 . . . . .	2,670,000	2,519,669
Congregational Homes, Inc. Obligated Group, Revenue, 2019, Refunding, 5%, 11/15/49 . . . . .	480,000	426,790
◦ Creative Center of Los Altos (The), Revenue, 144A, 2016 B, 4%, 11/01/36 . . . . .	1,395,000	1,185,587
◦ Creative Center of Los Altos (The), Revenue, 144A, 2016 B, 4.5%, 11/01/46 . . . . .	1,600,000	1,296,494
Del Harbor Foundation, Revenue, 2015, Refunding, 5%, 11/01/32 . . . . .	3,020,000	3,147,749
Del Harbor Foundation, Revenue, 2015, Refunding, 5%, 11/01/39 . . . . .	6,525,000	6,738,833
Developmental Services Support Foundation, Revenue, 2019 A, Refunding, 5%, 5/01/49 . . . . .	2,895,000	2,956,081
Eisenhower Medical Center, Revenue, 2017 A, Refunding, 5%, 7/01/37 . . . . .	2,625,000	2,672,856
Eisenhower Medical Center, Revenue, 2017 B, Refunding, 5%, 7/01/47 . . . . .	5,000,000	4,980,880
HumanGood California Obligated Group, Revenue, 2019 A, Refunding, 5%, 10/01/44 . . . . .	5,500,000	5,561,731
HumanGood California Obligated Group, Revenue, 2021, 3%, 10/01/49 . . . . .	5,000,000	3,413,650
Inland Counties Regional Center, Inc., Revenue, 2015, Refunding, 5%, 6/15/37 . . . . .	9,965,000	10,238,318
◦ King/Chavez Facilities LLC, Revenue, 144A, 2016 A, Refunding, 5%, 5/01/36 . . . . .	2,050,000	2,014,050
◦ King/Chavez Facilities LLC, Revenue, 144A, 2016 A, Refunding, 5%, 5/01/46 . . . . .	2,775,000	2,606,572
LAX Integrated Express Solutions LLC, Revenue, Senior Lien, 2018 A, 5%, 12/31/43 . . . . .	13,915,000	13,922,625
LAX Integrated Express Solutions LLC, Revenue, Senior Lien, 2018 A, 4%, 12/31/47 . . . . .	6,085,000	5,190,125
LAX Integrated Express Solutions LLC, Revenue, Senior Lien, 2018 A, 5%, 12/31/47 . . . . .	22,250,000	21,979,393
Literacy First Charter School Issuer LLC, Revenue, 2019 A, 5%, 12/01/49 . . . . .	4,165,000	4,030,611
Northbay Healthcare Group Obligated Group, Revenue, 2015, 5%, 11/01/35 . . . . .	1,100,000	1,103,972
Northbay Healthcare Group Obligated Group, Revenue, 2015, 5%, 11/01/44 . . . . .	1,050,000	945,603
Northbay Healthcare Group Obligated Group, Revenue, 2017 A, 5.25%, 11/01/47 . . . . .	3,000,000	2,737,014
◦ P3 Claremont Holdings LLC, Revenue, 144A, 2020 A, 5%, 7/01/30 . . . . .	520,000	516,407
◦ Palmdale Aerospace Academy, Inc. (The), Revenue, 144A, 2016 A, 5%, 7/01/31 . . . . .	1,000,000	1,005,415
◦ Palmdale Aerospace Academy, Inc. (The), Revenue, 144A, 2016 A, 5%, 7/01/36 . . . . .	2,750,000	2,719,055
◦ Palmdale Aerospace Academy, Inc. (The), Revenue, 144A, 2016 A, 5%, 7/01/41 . . . . .	1,750,000	1,651,264

**Franklin California High Yield Municipal Fund** (continued)

	Principal Amount	Value
<b>Municipal Bonds</b> (continued)		
<b>California</b> (continued)		
California Municipal Finance Authority, (continued)		
° Palmdale Aerospace Academy, Inc. (The), Revenue, 144A, 2018 A, 3.875%, 7/01/28	\$855,000	\$815,950
° Palmdale Aerospace Academy, Inc. (The), Revenue, 144A, 2018 A, 5%, 7/01/38	1,100,000	1,063,042
° Palmdale Aerospace Academy, Inc. (The), Revenue, 144A, 2018 A, 5%, 7/01/49	3,600,000	3,243,238
ROP WMCC LLC, Revenue, 2013 A, Pre-Refunded, 5.625%, 11/15/33	1,000,000	1,004,469
° Santa Rosa Academy LLC, Revenue, 144A, 2015, 5.125%, 7/01/35	450,000	444,278
° Santa Rosa Academy LLC, Revenue, 144A, 2015, 5.375%, 7/01/45	1,400,000	1,390,109
South Central Los Angeles Regional Center for Developmentally Disabled Persons, Revenue, 2013, 5.5%, 12/01/33	3,115,000	3,126,760
South Central Los Angeles Regional Center for Developmentally Disabled Persons, Revenue, 2013, 5.75%, 12/01/43	7,000,000	7,019,303
° STREAM Charter School, Revenue, 144A, 2020 A, 5%, 6/15/41	925,000	858,026
° STREAM Charter School, Revenue, 144A, 2020 A, 5%, 6/15/51	1,385,000	1,217,326
° STREAM Charter School, Revenue, 144A, 2020 B, 6.4%, 6/15/32	790,000	740,324
° California Pollution Control Financing Authority,		
° CalPlant I LLC, Revenue, 144A, 2017, 7%, 7/01/22	3,500,000	175,000
° CalPlant I LLC, Revenue, 144A, 2017, 7.5%, 7/01/32	13,000,000	650,000
° CalPlant I LLC, Revenue, 144A, 2017, 8%, 7/01/39	11,500,000	575,000
° CalPlant I LLC, Revenue, 144A, 2020, 7.5%, 7/01/32	4,500,000	585,000
Poseidon Resources Channelside LP, Revenue, 144A, 2012, 5%, 11/21/45	21,685,000	21,171,762
° Rialto Bioenergy Facility LLC, Revenue, 144A, 2018, 6.75%, 12/01/28	1,165,000	699,000
° Rialto Bioenergy Facility LLC, Revenue, 144A, 2018, 7.5%, 12/01/40	5,425,000	3,254,952
California Public Finance Authority,		
° Crossroads Christian Schools Obligated Group, Revenue, 144A, 2020, 5%, 1/01/56	4,015,000	3,196,284
Henry Mayo Newhall Hospital Obligated Group, Revenue, 2017, Refunding, 5%, 10/15/37	1,100,000	1,109,186
° Kendal at Sonoma Obligated Group, Revenue, 144A, 2021 A, Refunding, 5%, 11/15/36	1,000,000	968,937
° Kendal at Sonoma Obligated Group, Revenue, 144A, 2021 A, Refunding, 5%, 11/15/56	2,000,000	1,718,421
° Kendal at Sonoma Obligated Group, Revenue, 144A, 2021 B-1, Refunding, 3.125%, 5/15/29	2,510,000	2,376,942
° California School Finance Authority,		
Alliance for College Ready Public Schools Obligated Group, Revenue, 144A, 2016 C, 5%, 7/01/46	10,000,000	9,861,379
Alternative Schools, Inc., Revenue, 144A, 2021 A, Refunding, 4%, 6/01/41	500,000	381,713
Alternative Schools, Inc., Revenue, 144A, 2021 A, Refunding, 4%, 6/01/51	2,835,000	1,956,862
Alternative Schools, Inc., Revenue, 144A, 2021 A, Refunding, 4%, 6/01/61	3,675,000	2,391,286
Aspire Public Schools Obligated Group, Revenue, 144A, 2015, Refunding, 5%, 8/01/35	1,000,000	1,009,825
Aspire Public Schools Obligated Group, Revenue, 144A, 2015, Refunding, 5%, 8/01/45	1,100,000	1,077,638
Aspire Public Schools Obligated Group, Revenue, 144A, 2016, 5%, 8/01/41	2,010,000	2,009,968
Aspire Public Schools Obligated Group, Revenue, 144A, 2016, Pre-Refunded, 5%, 8/01/41	190,000	196,285
Citizens of the World Los Angeles Obligated Group, Revenue, 144A, 2022 A, 6.25%, 4/01/52	2,000,000	1,963,323
Citizens of the World Los Angeles Obligated Group, Revenue, 144A, 2022 A, 6.375%, 4/01/62	2,000,000	1,970,236
Classical Academy Obligated Group, Revenue, 144A, 2017 A, Refunding, 5%, 10/01/37	1,485,000	1,491,814
Classical Academy Obligated Group, Revenue, 144A, 2017 A, Refunding, 5%, 10/01/44	5,610,000	5,402,645
Classical Academy Obligated Group, Revenue, 144A, 2020 A, 5%, 10/01/40	500,000	493,339
Classical Academy Obligated Group, Revenue, 144A, 2020 A, 5%, 10/01/50	3,570,000	3,352,672
Ednovate Obligated Group, Revenue, 144A, 2018, 5%, 6/01/48	1,000,000	885,581



## Franklin California High Yield Municipal Fund (continued)

	Principal Amount	Value
<b>Municipal Bonds</b> (continued)		
<b>California</b> (continued)		
°California School Finance Authority, (continued)		
Ednovate Obligated Group, Revenue, 144A, 2018, 5%, 6/01/56 . . . . .	\$1,710,000	\$1,474,678
Fenton Charter Public Schools, Revenue, 144A, 2020 A, 5%, 7/01/40. . . . .	225,000	218,121
Fenton Charter Public Schools, Revenue, 144A, 2020 A, 5%, 7/01/50. . . . .	1,275,000	1,172,683
Granada Hills Charter High School Obligated Group, Revenue, 144A, 2019, 5%, 7/01/43. . . . .	2,000,000	1,973,768
Granada Hills Charter High School Obligated Group, Revenue, 144A, 2019, 5%, 7/01/49. . . . .	5,750,000	5,534,382
Green Dot Public Schools Obligated Group, Revenue, 144A, 2015 A, 5%, 8/01/35 .	2,525,000	2,552,568
Green Dot Public Schools Obligated Group, Revenue, 144A, 2015 A, 5%, 8/01/45 .	3,500,000	3,371,037
Green Dot Public Schools Obligated Group, Revenue, 144A, 2018 A, 5%, 8/01/38 .	1,000,000	1,004,051
Green Dot Public Schools Obligated Group, Revenue, 144A, 2018 A, 5%, 8/01/48 .	1,750,000	1,661,594
iLEAD Lancaster, Revenue, 144A, 2021 A, 4%, 6/01/31 . . . . .	250,000	229,570
iLEAD Lancaster, Revenue, 144A, 2021 A, 5%, 6/01/41 . . . . .	435,000	403,084
iLEAD Lancaster, Revenue, 144A, 2021 A, 5%, 6/01/51 . . . . .	600,000	533,378
iLEAD Lancaster, Revenue, 144A, 2021 A, 5%, 6/01/61 . . . . .	1,320,000	1,130,438
John Adams Academies Obligated Group, Revenue, 144A, 2022 A, 4.5%, 7/01/32 .	615,000	594,518
John Adams Academies Obligated Group, Revenue, 144A, 2022 A, 5%, 7/01/42. . .	2,140,000	1,996,339
John Adams Academies Obligated Group, Revenue, 144A, 2022 A, 5%, 7/01/52. . .	3,175,000	2,817,047
John Adams Academies Obligated Group, Revenue, 144A, 2022 A, 5.125%, 7/01/62	8,125,000	7,146,494
KIPP SoCal Public Schools Obligated Group, Revenue, 144A, 2015 A, 5%, 7/01/35	1,200,000	1,220,772
KIPP SoCal Public Schools Obligated Group, Revenue, 144A, 2015 A, 5%, 7/01/45	1,675,000	1,678,766
KIPP SoCal Public Schools Obligated Group, Revenue, 144A, 2017 A, 5%, 7/01/47	1,500,000	1,504,176
KIPP SoCal Public Schools Obligated Group, Revenue, 144A, 2019 A, 5%, 7/01/39	1,000,000	1,020,165
KIPP SoCal Public Schools Obligated Group, Revenue, 144A, 2019 A, 5%, 7/01/49	1,000,000	1,002,092
KIPP SoCal Public Schools Obligated Group, Revenue, 144A, 2019 A, 5%, 7/01/54	2,300,000	2,296,107
Larchmont Schools, Revenue, 144A, 2018 A, 5%, 6/01/55 . . . . .	2,050,000	1,923,014
Lifeline Education Charter School, Inc., Revenue, 144A, 2020 A, 3%, 7/01/30. . . . .	365,000	323,224
Lifeline Education Charter School, Inc., Revenue, 144A, 2020 A, 5%, 7/01/45. . . . .	1,200,000	1,094,366
Lifeline Education Charter School, Inc., Revenue, 144A, 2020 A, 5%, 7/01/55. . . . .	1,235,000	1,080,896
Lighthouse Community Public Schools Obligated Group, Revenue, 144A, 2022 A, 6.375%, 6/01/52. . . . .	1,250,000	1,266,287
Lighthouse Community Public Schools Obligated Group, Revenue, 144A, 2022 A, 6.5%, 6/01/62. . . . .	1,500,000	1,518,386
NCCD-Santa Rosa Properties LLC, Revenue, 144A, 2021 A, 4%, 11/01/31. . . . .	1,000,000	959,531
NCCD-Santa Rosa Properties LLC, Revenue, 144A, 2021 A, 4%, 11/01/36. . . . .	1,670,000	1,520,879
NCCD-Santa Rosa Properties LLC, Revenue, 144A, 2021 A, 4%, 11/01/51. . . . .	16,730,000	13,196,781
NCCD-Santa Rosa Properties LLC, Revenue, 144A, 2021 A, 4%, 11/01/55. . . . .	1,400,000	1,079,613
Orange County Educational Arts Academy, Revenue, 144A, 2023 A, Refunding, 5%, 6/01/33. . . . .	650,000	643,536
Orange County Educational Arts Academy, Revenue, 144A, 2023 A, Refunding, 5.625%, 6/01/43. . . . .	560,000	552,074
Orange County Educational Arts Academy, Revenue, 144A, 2023 A, Refunding, 5.875%, 6/01/53. . . . .	600,000	590,001
Partnerships to Uplift Communities Obligated Group, Revenue, 144A, 2023, Refunding, 5%, 8/01/33. . . . .	815,000	826,203
Partnerships to Uplift Communities Obligated Group, Revenue, 144A, 2023, Refunding, 5.25%, 8/01/38 . . . . .	500,000	494,882
Partnerships to Uplift Communities Obligated Group, Revenue, 144A, 2023, Refunding, 5.5%, 8/01/43 . . . . .	550,000	550,801
Partnerships to Uplift Communities Obligated Group, Revenue, 144A, 2023, Refunding, 5.5%, 8/01/47 . . . . .	525,000	516,739
River Springs Charter School, Inc., Revenue, 144A, 2017 A, 5%, 7/01/30 . . . . .	1,250,000	1,255,087
River Springs Charter School, Inc., Revenue, 144A, 2017 A, 5%, 7/01/37 . . . . .	2,000,000	1,907,640
River Springs Charter School, Inc., Revenue, 144A, 2017 A, 5%, 7/01/47 . . . . .	1,975,000	1,755,891
River Springs Charter School, Inc., Revenue, 144A, 2017 A, 5%, 7/01/52 . . . . .	1,340,000	1,162,119
River Springs Charter School, Inc., Revenue, 144A, 2023 A, 5.75%, 7/01/42. . . . .	995,000	996,148

**Franklin California High Yield Municipal Fund** (continued)

	Principal Amount	Value
<b>Municipal Bonds</b> (continued)		
<b>California</b> (continued)		
California School Finance Authority, (continued)		
Rocketship Education Obligated Group, Revenue, 144A, 2017 A, 5%, 6/01/34 . . . .	\$750,000	\$752,797
Rocketship Education Obligated Group, Revenue, 144A, 2017 A, 5.125%, 6/01/47 .	845,000	784,204
Rocketship Education Obligated Group, Revenue, 144A, 2017 A, 5.25%, 6/01/52 . .	2,440,000	2,265,974
Rocketship Education Obligated Group, Revenue, 144A, 2017 G, 5%, 6/01/30 . . . .	315,000	318,076
Rocketship Education Obligated Group, Revenue, 144A, 2017 G, 5%, 6/01/37 . . . .	360,000	351,491
Santa Clarita Valley International Charter School, Revenue, 144A, 2021 A, 4%, 6/01/31 . . . . .	260,000	243,467
Santa Clarita Valley International Charter School, Revenue, 144A, 2021 A, 4%, 6/01/41 . . . . .	600,000	491,124
Santa Clarita Valley International Charter School, Revenue, 144A, 2021 A, 4%, 6/01/51 . . . . .	800,000	598,057
Santa Clarita Valley International Charter School, Revenue, 144A, 2021 A, 4%, 6/01/61 . . . . .	1,300,000	921,947
Summit Public Schools Obligated Group, Revenue, 144A, 2017, Refunding, 5%, 6/01/47 . . . . .	1,500,000	1,328,596
California Statewide Communities Development Authority,		
Revenue, 2015 R-1, Refunding, 5%, 9/02/40 . . . . .	2,230,000	2,245,196
Special Assessment, 2016 A, 5%, 9/02/36 . . . . .	1,035,000	1,057,188
Special Assessment, 2017 A, 4%, 9/02/27 . . . . .	1,305,000	1,302,451
Special Assessment, 2017 A, 5%, 9/02/37 . . . . .	1,970,000	2,016,649
Special Assessment, 2017 A, 5%, 9/02/46 . . . . .	2,455,000	2,473,255
Special Assessment, 2017 B, 5%, 9/02/37 . . . . .	3,260,000	3,337,196
Special Assessment, 2017 B, 5%, 9/02/47 . . . . .	2,520,000	2,537,444
Special Assessment, 2017 C, 5%, 9/02/37 . . . . .	4,405,000	4,514,174
Special Assessment, 2018 A, 5%, 9/02/38 . . . . .	2,150,000	2,197,091
Special Assessment, 2018 A, 5%, 9/02/47 . . . . .	3,745,000	3,768,435
Special Assessment, 2018 B, 5%, 9/02/38 . . . . .	2,760,000	2,822,928
Special Assessment, 2018 B, 5%, 9/02/43 . . . . .	4,690,000	4,742,499
Special Assessment, 2018 B, 5%, 9/02/48 . . . . .	4,605,000	4,629,236
Special Assessment, 2018 C, 5%, 9/02/38 . . . . .	5,765,000	5,896,441
Special Assessment, 2018 C, 5%, 9/02/48 . . . . .	6,605,000	6,636,859
Special Assessment, 2019 A, 5%, 9/02/39 . . . . .	1,600,000	1,642,449
Special Assessment, 2019 A, 5%, 9/02/44 . . . . .	940,000	953,456
Special Assessment, 2019 B, 5%, 9/02/44 . . . . .	1,150,000	1,165,863
Special Assessment, 2019 C, 5%, 9/02/39 . . . . .	850,000	873,000
Special Assessment, 2020 A, 5%, 9/02/40 . . . . .	1,250,000	1,276,033
Special Assessment, 2020 A, 4%, 9/02/50 . . . . .	900,000	740,893
Special Assessment, 2020 A, 5%, 9/02/50 . . . . .	1,000,000	998,292
Special Assessment, 2020 B, 4%, 9/02/40 . . . . .	565,000	486,849
Special Assessment, 2020 B, 4%, 9/02/50 . . . . .	695,000	559,360
Special Assessment, 2021 A, 4%, 9/02/41 . . . . .	995,000	836,115
Special Assessment, 2021 A, 4%, 9/02/51 . . . . .	3,275,000	2,506,228
Special Assessment, 2021 B, 4%, 9/02/41 . . . . .	3,285,000	2,859,885
Special Assessment, 2021 B, 4%, 9/02/51 . . . . .	5,150,000	4,143,395
Special Assessment, 2021 C-1, 4%, 9/02/41 . . . . .	2,435,000	2,068,688
Special Assessment, 2021 C-1, 4%, 9/02/51 . . . . .	3,610,000	2,838,664
Special Assessment, 2021 C-2, 5%, 9/02/41 . . . . .	3,375,000	2,696,610
Special Assessment, 2021 C-2, 5.5%, 9/02/51 . . . . .	3,575,000	2,584,532
Special Assessment, 2022 B, 5%, 9/02/42 . . . . .	3,000,000	2,924,624
Special Assessment, 2022 B, 5%, 9/02/52 . . . . .	3,000,000	2,817,840
Special Assessment, 2022 C, 5.375%, 9/02/52 . . . . .	2,000,000	1,895,419
<sup>e</sup> Special Assessment, 2023 D, 5.5%, 9/02/53 . . . . .	1,000,000	986,908
Special Tax, 2023 C-1, 5.25%, 9/02/53 . . . . .	3,000,000	2,786,605
Aldersly Obligated Group, Revenue, 2015 A, Pre-Refunded, 5%, 5/15/32 . . . . .	750,000	771,896
Aldersly Obligated Group, Revenue, 2015 A, Pre-Refunded, 5%, 5/15/40 . . . . .	1,010,000	1,039,487
Assessment District No. 14-01, Special Assessment, 2015, 5%, 9/02/35 . . . . .	2,000,000	2,034,587

## Franklin California High Yield Municipal Fund (continued)

	Principal Amount	Value
<b>Municipal Bonds</b> (continued)		
<b>California</b> (continued)		
California Statewide Communities Development Authority, (continued)		
Assessment District No. 14-01, Special Assessment, 2015, 5%, 9/02/45 . . . . .	\$3,810,000	\$3,823,893
◦ California Baptist University, Revenue, 144A, 2014 A, 5.125%, 11/01/23 . . . . .	115,000	115,026
◦ California Baptist University, Revenue, 144A, 2014 A, 6.125%, 11/01/33 . . . . .	1,565,000	1,569,764
◦ California Baptist University, Revenue, 144A, 2014 A, 6.375%, 11/01/43 . . . . .	4,035,000	4,044,028
◦ California Baptist University, Revenue, 144A, 2017 A, Refunding, 5%, 11/01/32 . . .	1,135,000	1,155,794
◦ California Baptist University, Revenue, 144A, 2017 A, Refunding, 5%, 11/01/41 . . .	1,875,000	1,826,853
Cedars-Sinai Medical Center Obligated Group, Revenue, 2018, 4%, 7/01/48 . . . . .	6,000,000	5,415,293
CHF-Irvine LLC, Revenue, 2016, Refunding, 5%, 5/15/40 . . . . .	1,500,000	1,517,974
CHF-Irvine LLC, Revenue, 2017, 5%, 5/15/42 . . . . .	710,000	718,539
Community Facilities District No. 2016-02, Special Tax, 2016 A, 5%, 9/01/46 . . . . .	10,860,000	10,909,853
Community Facilities District No. 2016-02, Special Tax, 2019, 5%, 9/01/39 . . . . .	1,230,000	1,257,433
Community Facilities District No. 2016-02, Special Tax, 2019, 5%, 9/01/49 . . . . .	3,000,000	3,015,884
Community Facilities District No. 2016-02, Special Tax, 2020, 4%, 9/01/40 . . . . .	3,845,000	3,389,111
Community Facilities District No. 2016-02, Special Tax, 2020, 4%, 9/01/50 . . . . .	3,845,000	3,164,417
Community Facilities District No. 2016-02, Special Tax, 2022, 5.5%, 9/01/52 . . . . .	7,500,000	7,406,177
Community Facilities District No. 2018-01, Special Tax, 2019, 5%, 9/01/39 . . . . .	1,710,000	1,743,229
Community Facilities District No. 2018-01, Special Tax, 2019, 5%, 9/01/48 . . . . .	2,000,000	2,010,518
Community Facilities District No. 2022-07 Improvement Area No. 1, Special Tax, 2023, 5%, 9/01/53 . . . . .	1,485,000	1,359,764
Enloe Medical Center Obligated Group, Revenue, 2015, Pre-Refunded, California Mortgage Insured, 5%, 8/15/38 . . . . .	6,000,000	6,295,463
Eskaton Properties, Inc. Obligated Group, Revenue, 2012, 5.25%, 11/15/34 . . . . .	4,350,000	4,324,206
◦ Lancer Educational Housing LLC, Revenue, 144A, 2016 A, Refunding, 5%, 6/01/46 . . . . .	12,735,000	11,742,705
◦ Lancer Educational Housing LLC, Revenue, 144A, 2019 A, 5%, 6/01/34 . . . . .	375,000	366,146
◦ Lancer Educational Housing LLC, Revenue, 144A, 2019 A, 5%, 6/01/39 . . . . .	950,000	909,001
◦ Loma Linda University Medical Center Obligated Group, Revenue, 144A, 2016 A, 5%, 12/01/41 . . . . .	1,245,000	1,221,793
◦ Loma Linda University Medical Center Obligated Group, Revenue, 144A, 2016 A, 5.25%, 12/01/56 . . . . .	45,755,000	44,762,780
◦ Loma Linda University Medical Center Obligated Group, Revenue, 144A, 2018 A, 5.5%, 12/01/58 . . . . .	6,250,000	6,254,477
Marin General Hospital Obligated Group, Revenue, 2018 A, 4%, 8/01/45 . . . . .	1,500,000	1,268,732
Methodist Hospital of Southern California Obligated Group, Revenue, 2018, Refunding, 5%, 1/01/48 . . . . .	5,000,000	5,042,197
◦ NCCD-Hooper Street LLC, Revenue, 144A, 2019, 5.25%, 7/01/39 . . . . .	4,325,000	4,198,040
◦ NCCD-Hooper Street LLC, Revenue, 144A, 2019, 5.25%, 7/01/49 . . . . .	8,000,000	7,525,987
◦ NCCD-Hooper Street LLC, Revenue, 144A, 2019, 5.25%, 7/01/52 . . . . .	2,635,000	2,453,861
Chino Community Facilities District, City of Chino Community Facilities District No. 2003-3 Improvement Area No. 6, Special Tax, 2015, 5%, 9/01/45 . . . . .	1,665,000	1,671,061
◦ City & County of San Francisco, Community Facilities District No. 2016-1 Improvement Area No. 2, Special Tax, 144A, 2022 A, 4%, 9/01/52 . . . . .	5,270,000	4,276,031
Infrastructure & Revitalization Financing District No. 1, Tax Allocation, 144A, 2022 A, 5%, 9/01/37 . . . . .	385,000	383,968
Infrastructure & Revitalization Financing District No. 1, Tax Allocation, 144A, 2022 A, 5%, 9/01/52 . . . . .	2,000,000	1,837,596
Infrastructure & Revitalization Financing District No. 1, Tax Allocation, 144A, 2022 B, 5%, 9/01/52 . . . . .	1,000,000	905,511
City of Dixon, Community Facilities District No. 2013-1 Parklane, Special Tax, 2019, 5%, 9/01/49 . . . . .	2,400,000	2,413,944
City of Dublin, Community Facilities District No. 2015-1, Special Tax, 2019, 5%, 9/01/39 . . . . .	2,765,000	2,838,323
Community Facilities District No. 2015-1 Improvement Area No. 1, Special Tax, 2017, 5%, 9/01/47 . . . . .	500,000	502,918
Community Facilities District No. 2015-1 Improvement Area No. 2, Special Tax, 2019, 5%, 9/01/44 . . . . .	3,425,000	3,474,004

**Franklin California High Yield Municipal Fund** (continued)

	Principal Amount	Value
<b>Municipal Bonds</b> (continued)		
<b>California</b> (continued)		
City of Dublin, (continued)		
Community Facilities District No. 2015-1 Improvement Area No. 2, Special Tax, 2019, 5%, 9/01/49	\$4,100,000	\$4,130,169
City of Fairfield, Community Facilities District No. 2016-1, Special Tax, 2019 A, 5%, 9/01/44	1,000,000	1,000,362
City of Fillmore,		
Community Facilities District No. 5, Special Tax, 2015, 5%, 9/01/40	1,500,000	1,509,357
Community Facilities District No. 5, Special Tax, 2015, 5%, 9/01/45	2,630,000	2,634,635
City of Fremont,		
Community Facilities District No. 1, Special Tax, 2015, Refunding, 5%, 9/01/40	4,655,000	4,684,037
Community Facilities District No. 1, Special Tax, 2015, Refunding, 5%, 9/01/45	3,255,000	3,266,848
City of Fullerton,		
Community Facilities District No. 2, Special Tax, 2014, 5%, 9/01/34	1,075,000	1,075,816
Community Facilities District No. 2, Special Tax, 2014, 5%, 9/01/44	2,450,000	2,450,293
City of Irvine,		
Community Facilities District No. 2013-3, Special Tax, 2014, 5%, 9/01/39	1,000,000	1,005,643
Community Facilities District No. 2013-3, Special Tax, 2014, 5%, 9/01/44	1,500,000	1,504,968
Community Facilities District No. 2013-3, Special Tax, 2014, 5%, 9/01/49	2,750,000	2,756,632
Community Facilities District No. 2013-3, Special Tax, 2018, 5%, 9/01/43	5,000,000	5,075,894
City of La Verne, Copacabana Mobilehome Park, Revenue, 2014, Refunding, 5%, 6/15/49	1,765,000	1,767,577
City of Long Beach,		
Marina System, Revenue, 2015, 5%, 5/15/34	1,300,000	1,318,033
Marina System, Revenue, 2015, 5%, 5/15/40	3,500,000	3,512,280
Marina System, Revenue, 2015, 5%, 5/15/45	2,500,000	2,502,407
City of Los Angeles, Department of Airports, Revenue, 2019 D, 4%, 5/15/44	5,525,000	5,174,496
City of Murrieta, Community Facilities District No. 2005-5 Golden City, Special Tax, 2018, 5%, 9/01/48	3,740,000	3,761,312
City of Ontario,		
Community Facilities District No. 28, Special Tax, 2017, 5%, 9/01/42	1,000,000	1,012,244
Community Facilities District No. 28, Special Tax, 2017, 5%, 9/01/47	500,000	503,458
City of Oroville,		
Oroville Hospital, Revenue, 2019, 5.25%, 4/01/49	4,500,000	2,661,020
Oroville Hospital, Revenue, 2019, 5.25%, 4/01/54	3,000,000	1,774,075
City of Palm Desert, Community Facilities District No. 2021-1, Special Tax, 2021, Refunding, 4%, 9/01/41	450,000	396,613
City of Rancho Cordova,		
Community Facilities District No. 2014-1, Special Tax, 2022, 5%, 9/01/51	1,200,000	1,172,504
Ranch Community Facilities District No. 2021-1 Improvement Area No. 1, Special Tax, 2022, 5.25%, 9/01/52	2,000,000	1,951,256
Sunridge North Douglas Community Facilities District No. 2005-1, Special Tax, 2015, 5%, 9/01/40	1,200,000	1,206,807
Sunridge North Douglas Community Facilities District No. 2005-1, Special Tax, 2015, 5%, 9/01/45	1,250,000	1,254,080
City of Roseville,		
Creekview Community Facilities District No. 1, Special Tax, 2020, 5%, 9/01/40	630,000	638,238
Creekview Community Facilities District No. 1 Improvement Area No. 1, Special Tax, 2020, 5%, 9/01/45	1,280,000	1,283,317
Creekview Community Facilities District No. 1 Improvement Area No. 2, Special Tax, 2023, 5%, 9/01/43	500,000	483,712
Creekview Community Facilities District No. 1 Improvement Area No. 2, Special Tax, 2023, 5.25%, 9/01/53	1,850,000	1,790,227
° Fiddymont Ranch Community Facilities District No. 5, Special Tax, 144A, 2017, Refunding, 5%, 9/01/32	1,265,000	1,316,806

**Franklin California High Yield Municipal Fund** (continued)

	Principal Amount	Value
<b>Municipal Bonds</b> (continued)		
<b>California</b> (continued)		
City of Roseville, (continued)		
° Fiddymment Ranch Community Facilities District No. 5, Special Tax, 144A, 2017, Refunding, 5%, 9/01/47 . . . . .	\$6,500,000	\$6,542,614
HP Campus Oaks Community Facilities District No. 1, Special Tax, 2016, 5%, 9/01/36 . . . . .	1,950,000	1,994,004
HP Campus Oaks Community Facilities District No. 1, Special Tax, 2016, 5.5%, 9/01/46 . . . . .	6,415,000	6,545,234
Ranch at Sierra Vista Community Facilities District No. 1, Special Tax, 2020, 4%, 9/01/40 . . . . .	575,000	517,164
SVSP Westpark-Federico Community Facilities District No. 1, Special Tax, 2019, 5%, 9/01/39 . . . . .	440,000	450,045
SVSP Westpark-Federico Community Facilities District No. 1, Special Tax, 2019, 5%, 9/01/44 . . . . .	1,000,000	1,011,189
SVSP Westpark-Federico Community Facilities District No. 1, Special Tax, 2021, 4%, 9/01/41 . . . . .	400,000	354,287
Villages at Sierra Vista Community Facilities District No. 1, Special Tax, 2019, 5%, 9/01/49 . . . . .	3,870,000	3,878,547
Westbrook Community Facilities District No. 1, Special Tax, 2014, 5%, 9/01/29 . . . . .	500,000	504,493
Westbrook Community Facilities District No. 1, Special Tax, 2014, 5%, 9/01/34 . . . . .	1,100,000	1,108,396
Westbrook Community Facilities District No. 1, Special Tax, 2014, 5%, 9/01/39 . . . . .	1,885,000	1,887,687
Westbrook Community Facilities District No. 1, Special Tax, 2014, 5%, 9/01/44 . . . . .	1,650,000	1,613,739
Westbrook Community Facilities District No. 1, Special Tax, 2019, 5%, 9/01/49 . . . . .	3,800,000	3,822,078
Westpark Community Facilities District No. 1, Special Tax, 2015, Refunding, 5%, 9/01/32 . . . . .	1,120,000	1,143,531
Westpark Community Facilities District No. 1, Special Tax, 2015, Refunding, 5%, 9/01/33 . . . . .	1,000,000	1,020,874
Westpark Community Facilities District No. 1, Special Tax, 2015, Refunding, 5%, 9/01/37 . . . . .	1,250,000	1,265,389
City of Sacramento,		
Greenbriar Community Facilities District No. 2018-03, Special Tax, 2021, 4%, 9/01/41 . . . . .	1,000,000	887,903
° Natomas Meadows Community Facilities District No. 2007-1, Special Tax, 144A, 2017, 5%, 9/01/32 . . . . .	300,000	311,917
° Natomas Meadows Community Facilities District No. 2007-1, Special Tax, 144A, 2017, 5%, 9/01/37 . . . . .	710,000	726,812
° Natomas Meadows Community Facilities District No. 2007-1, Special Tax, 144A, 2017, 5%, 9/01/47 . . . . .	1,900,000	1,911,772
North Natomas Community Facilities District No. 4, Special Tax, 2013 E, Refunding, 5.25%, 9/01/33 . . . . .	2,725,000	2,741,853
City of San Clemente,		
Community Facilities District No. 2006-1, Special Tax, 2015, 5%, 9/01/40 . . . . .	1,745,000	1,765,132
Community Facilities District No. 2006-1, Special Tax, 2015, 5%, 9/01/46 . . . . .	2,445,000	2,460,926
City of San Diego, Tobacco Settlement Revenue Funding Corp., Revenue, 2018 C, Refunding, 4%, 6/01/32 . . . . .	450,000	444,422
City of San Francisco, 5.25%, 9/01/49 . . . . .	14,000,000	10,248,812
City of Simi Valley, Assessment District No. 98-1, 1915 Act, Special Assessment, 1999, 7.3%, 9/02/24 . . . . .	445,000	451,010
City of Stockton, Community Facilities District No. 2018-2 Improvement Area No. 2, Special Tax, 2022, 5.125%, 9/01/52 . . . . .	3,660,000	3,478,661
City of Vernon, Electric System, Revenue, 2020 A, Refunding, 5%, 8/01/36 . . . . .	1,525,000	1,600,979
City of Woodland, Community Facilities District No. 2004-1, Special Tax, 2019, 5%, 9/01/44 . . . . .	1,470,000	1,484,013
City of Yucaipa,		
Community Facilities District No. 98-1, Special Tax, 2011, Refunding, 5%, 9/01/26 . . . . .	1,000,000	1,002,650
Community Facilities District No. 98-1, Special Tax, 2011, Refunding, 5.375%, 9/01/30 . . . . .	1,800,000	1,806,356

**Franklin California High Yield Municipal Fund** (continued)

	Principal Amount	Value
<b>Municipal Bonds</b> (continued)		
<b>California</b> (continued)		
Clovis Unified School District,		
GO, 2004 A, NATL Insured, ETM, Zero Cpn., 8/01/27 . . . . .	\$1,205,000	\$1,065,190
GO, 2004 A, NATL Insured, Zero Cpn., 8/01/27 . . . . .	6,295,000	5,487,647
GO, 2004 A, NATL Insured, Zero Cpn., 8/01/28 . . . . .	3,000,000	2,524,142
<sup>c</sup> CMFA Special Finance Agency, Solana at Grand, Revenue, Junior Lien, 144A, 2021 A-2, 4%, 8/01/45 . . . . .	13,980,000	11,071,687
<sup>c</sup> CMFA Special Finance Agency Enclave, Revenue, Junior Lien, 144A, 2022 A-2, 4.5%, 8/01/51 . . . . .	39,885,000	29,385,369
<sup>c</sup> CMFA Special Finance Agency I, Mix at CTR City (The), Revenue, 144A, 2021 A-T, 5%, 4/01/41 . . . . .	7,690,000	7,265,261
<sup>c</sup> CMFA Special Finance Agency XII, Allure Apartments, Revenue, 144A, 2022 A-2, 4.375%, 8/01/49 . . . . .	22,280,000	16,882,342
Coachella Valley Unified School District,		
GO, 2012 D, AGMC Insured, Zero Cpn., 8/01/42 . . . . .	8,500,000	3,491,998
GO, 2012 D, AGMC Insured, Zero Cpn., 8/01/43 . . . . .	3,000,000	1,170,592
Corona-Norco Unified School District, Community Facilities District No. 05-1, Special Tax, 2016, Refunding, 5%, 9/01/36 . . . . .	500,000	511,001
Cotati-Rohnert Park Unified School District, GO, A, Pre-Refunded, BAM Insured, 5%, 8/01/45 . . . . .	4,000,000	4,136,059
County of El Dorado, Community Facilities District No. 2014-1, Special Tax, 2018, 5%, 9/01/48 . . . . .	2,850,000	2,862,262
County of Imperial, Community Facilities District No. 1998-1, Special Tax, 1999, LOC BNP Paribas SA, 6.5%, 9/01/31 . . . . .	4,295,000	4,337,427
County of Madera,		
Community Facilities District No. 2021-1 Improvement Area No. 1, Special Tax, 2022, 5.875%, 9/01/53 . . . . .	1,100,000	1,054,396
Community Facilities District No. 2021-1 Improvement Area No. 2, Special Tax, 2022, 5.75%, 9/01/53 . . . . .	3,080,000	2,952,652
Community Facilities District No. 2021-1 Improvement Area No. 2, Special Tax, 2022, 5.875%, 9/01/53 . . . . .	1,100,000	1,054,395
County of San Bernardino,		
Community Facilities District No. 2006-1, Special Tax, 2015, Refunding, 5%, 9/01/40	1,000,000	1,006,238
Community Facilities District No. 2006-1, Special Tax, 2015, Refunding, 5%, 9/01/45	1,000,000	1,003,640
<sup>c</sup> CSCDA Community Improvement Authority,		
Crescent (The), Revenue, 144A, 2022 B, 5.5%, 7/01/59 . . . . .	16,000,000	13,254,873
Park Crossing Apartments, Revenue, 144A, 2021 B, 4%, 12/01/48 . . . . .	10,000,000	7,091,732
Theo Apartments, Revenue, 144A, 2021 B, 4%, 5/01/57 . . . . .	10,000,000	6,832,217
Wood Creek Apartments, Revenue, Sub. Lien, 144A, 2021 B, 4%, 12/01/59 . . . . .	31,800,000	19,892,945
Daly City Housing Development Finance Agency, Franciscan Park LLC, Revenue, 2007 B, Refunding, 5.85%, 12/15/47 . . . . .	4,375,000	4,377,065
Del Mar Race Track Authority, Revenue, 2015, Refunding, 5%, 10/01/35 . . . . .	2,000,000	1,917,649
Duarte Redevelopment Agency, Tax Allocation, 1999, ETM, Zero Cpn., 12/01/28 . . . .	11,205,000	8,415,305
El Rancho Unified School District, GO, 2004, NATL Insured, Zero Cpn., 8/01/29 . . . .	2,400,000	1,926,759
<sup>e</sup> Elsinore Valley Municipal Water District,		
Community Facilities District No. 2020-1, Special Tax, 144A, 2021 A, 4%, 9/01/51 . .	1,245,000	1,000,130
Community Facilities District No. 2020-1, Special Tax, 144A, 2021 A, 4.5%, 9/01/51	2,500,000	2,078,122
<sup>c</sup> Fairfield Community Facilities District,		
City of Fairfield Community Facilities District No. 2019-1 Improvement Area No. 1, Special Tax, 144A, 2020 A, 5%, 9/01/35 . . . . .	1,000,000	1,045,177
City of Fairfield Community Facilities District No. 2019-1 Improvement Area No. 1, Special Tax, 144A, 2020 A, 5%, 9/01/50 . . . . .	3,255,000	3,244,659
<sup>f</sup> FHLMC, Multi-family ML Pass-Through Certificates,		
FRN, 2019-ML06, XCA, 1.105%, 7/25/35 . . . . .	133,895,494	8,795,595
<sup>c</sup> 144A, FRN, 2020-ML07, XCA, 2.132%, 1/25/37 . . . . .	120,620,844	16,892,949

**Franklin California High Yield Municipal Fund** (continued)

	Principal Amount	Value
<b>Municipal Bonds</b> (continued)		
<b>California</b> (continued)		
Folsom Ranch Financing Authority,		
City of Folsom Community Facilities District No. 19, Special Tax, 2017, 5%, 9/01/47	\$3,280,000	\$3,281,480
City of Folsom Community Facilities District No. 20, Special Tax, 2018, 5%, 9/01/33	530,000	553,052
City of Folsom Community Facilities District No. 20, Special Tax, 2018, 5%, 9/01/38	850,000	864,429
City of Folsom Community Facilities District No. 20, Special Tax, 2018, 5%, 9/01/48	1,675,000	1,674,951
City of Folsom Community Facilities District No. 23, Special Tax, 2020, 4%, 9/01/40	1,245,000	1,113,128
Foothill-Eastern Transportation Corridor Agency,		
Revenue, 2013 A, Refunding, Zero Cpn., 1/15/42	75,000,000	31,056,990
Revenue, 2013 B-1, Refunding, 3.95%, 1/15/53	25,000,000	22,394,187
Revenue, 2013 B-2, Refunding, 3.5%, 1/15/53	17,500,000	14,220,425
Revenue, 2015 A, Refunding, Zero Cpn., 1/15/33	19,000,000	13,084,871
Revenue, Senior Lien, 2021 A, Refunding, 4%, 1/15/46	4,979,000	4,674,911
Hanford Joint Union High School District,		
GO, B, AGMC Insured, Zero Cpn., 8/01/32	3,635,000	2,613,395
GO, B, AGMC Insured, Zero Cpn., 8/01/33	3,705,000	2,552,007
GO, B, AGMC Insured, Zero Cpn., 8/01/35	4,120,000	2,569,608
Hartnell Community College District, GO, 2009 D, Zero Cpn., 8/01/49	10,000,000	2,818,595
Imperial Community College District, GO, 2011 A, Pre-Refunded, AGMC Insured, 6.75%, 8/01/40	3,500,000	3,726,090
Independent Cities Finance Authority,		
Augusta Communities III LLC, Revenue, 2021, Refunding, 4%, 11/15/56	8,160,000	5,812,637
COACH of San Diego LLC, Revenue, 2014 A, Refunding, 5.25%, 5/15/44	2,015,000	2,024,630
COACH of San Diego LLC, Revenue, 2014 A, Refunding, 5.25%, 5/15/49	4,800,000	4,820,524
Millennium Housing LLC, Revenue, 2021, Refunding, 3%, 5/15/56	4,000,000	2,674,745
Millennium Housing of California, Revenue, 2019, Refunding, 5%, 5/15/48	3,000,000	3,042,834
San Juan Mobile Estates, Revenue, 2015, Refunding, 5%, 8/15/45	5,000,000	5,026,909
San Juan Mobile Estates, Revenue, 2015, Refunding, 5%, 8/15/50	4,900,000	4,918,605
Indio Community Facilities District, City of Indio Community Facilities District No. 2004- 3 Improvement Area No. 1, Special Tax, 2015, Refunding, 5%, 9/01/35	1,135,000	1,155,052
Inland Valley Development Agency,		
Tax Allocation, 2014 A, Refunding, 5.25%, 9/01/37	7,500,000	7,543,898
Tax Allocation, 2014 A, Refunding, 5%, 9/01/44	9,000,000	9,013,102
Irvine Facilities Financing Authority, City of Irvine Community Facilities District No. 2013-3, Special Tax, 2023 A, BAM Insured, 4%, 9/01/58	16,500,000	15,465,796
Irvine Unified School District,		
Community Facilities District No. 09-1, Special Tax, 2017 A, 5%, 9/01/42	690,000	698,448
Community Facilities District No. 09-1, Special Tax, 2017 B, 5%, 9/01/42	995,000	1,007,183
Community Facilities District No. 09-1, Special Tax, 2017 B, 5%, 9/01/51	2,485,000	2,488,941
Community Facilities District No. 09-1, Special Tax, 2017 C, 5%, 9/01/47	995,000	1,002,241
Community Facilities District No. 09-1, Special Tax, 2017 D, 5%, 9/01/49	995,000	1,000,821
Community Facilities District No. 09-1, Special Tax, 2018 A, Refunding, 5%, 9/01/49	3,975,000	3,998,254
Jurupa Public Financing Authority,		
Special Tax, 2014 A, Refunding, 5%, 9/01/42	2,220,000	2,238,293
Special Tax, 2015 A, Refunding, 5%, 9/01/43	4,000,000	4,118,527
Special Tax, Sub. Lien, 2015 B, Refunding, 5%, 9/01/40	4,000,000	4,024,951
Kaweah Delta Health Care District Guild, Revenue, 2015 B, 5%, 6/01/40	3,250,000	2,648,472
Lake Tahoe Unified School District, GO, 2012, Zero Cpn., 8/01/40	1,140,000	1,091,403
Lammersville Joint Unified School District,		
Community Facilities District No. 2014-1, Special Tax, 2017, 5%, 9/01/47	1,250,000	1,258,645
Community Facilities District No. 2014-1 Improvement Area No. 1, Special Tax, 2017, 5%, 9/01/42	2,750,000	2,789,666
Las Virgenes Unified School District, GO, 2011 C, Zero Cpn., 8/01/33	8,050,000	8,655,838
Lathrop Financing Authority,		
Special Tax, 2013 A, Refunding, 6%, 9/02/28	1,010,000	1,010,000

**Franklin California High Yield Municipal Fund** (continued)

	Principal Amount	Value
<b>Municipal Bonds</b> (continued)		
<b>California</b> (continued)		
Lathrop Financing Authority, (continued)		
Special Tax, 2013 A, Refunding, 6%, 9/02/29 .....	\$1,070,000	\$1,070,000
Special Tax, 2013 A, Refunding, 6%, 9/02/30 .....	1,075,000	1,075,000
Special Tax, 2013 A, Refunding, 5.5%, 9/02/35 .....	3,670,000	3,670,000
Lee Lake Public Financing Authority,		
Special Tax, Junior Lien, 2013 B, 5.25%, 9/01/32 .....	1,145,000	1,146,031
Special Tax, Junior Lien, 2013 B, 5.375%, 9/01/35 .....	790,000	790,715
Lemon Grove Community Development Agency Successor Agency, Tax Allocation, 2014, Refunding, AGMC Insured, 4%, 8/01/34 .....	1,000,000	1,030,332
Lemon Grove School District, GO, 2010 B, AGMC Insured, Zero Cpn., 8/01/45 .....	6,500,000	5,903,113
Long Beach Bond Finance Authority, Revenue, 2007 A, 5%, 11/15/29 .....	4,630,000	4,809,440
Los Alamitos Unified School District,		
COP, 2012, Zero Cpn., 8/01/34 .....	1,500,000	1,625,928
COP, 2012, Zero Cpn., 8/01/42 .....	4,500,000	4,711,618
Mendocino-Lake Community College District,		
GO, 2011 B, AGMC Insured, 6.55%, 8/01/36 .....	5,150,000	6,275,370
GO, 2011 B, AGMC Insured, Zero Cpn., 8/01/40 .....	7,500,000	8,159,221
Menifee Union School District,		
Community Facilities District No. 2011-1, Special Tax, 2018, 5%, 9/01/48 .....	1,500,000	1,507,888
Community Facilities District No. 2011-1 Improvement Area No. 3, Special Tax, 2018, 5%, 9/01/43 .....	1,000,000	1,011,630
Middle Fork Project Finance Authority,		
Revenue, 2020, Refunding, 5%, 4/01/34 .....	1,100,000	1,169,220
Revenue, 2020, Refunding, 5%, 4/01/35 .....	1,150,000	1,217,448
Moreno Valley Unified School District, Community Facilities District No. 2015-3, Special Tax, 2019, 4.125%, 9/01/48 .....	360,000	312,568
M-S-R Energy Authority, Revenue, 2009 B, 6.5%, 11/01/39 .....	32,300,000	38,380,394
Norman Y Mineta San Jose International Airport SJC,		
Revenue, 2017 A, Refunding, 5%, 3/01/36 .....	2,250,000	2,319,819
Revenue, 2017 A, Refunding, 5%, 3/01/37 .....	2,500,000	2,568,527
Revenue, 2017 A, Refunding, BAM Insured, 4%, 3/01/42 .....	5,000,000	4,682,505
Oak Park Unified School District, GO, 2011 A, 7.1%, 8/01/38 .....	6,600,000	7,972,184
Orange County Community Facilities District,		
County of Orange Community Facilities District No. 2015-1, Special Tax, 2015 A, 5%, 8/15/34 .....	1,495,000	1,528,532
County of Orange Community Facilities District No. 2015-1, Special Tax, 2015 A, 5.25%, 8/15/45 .....	4,880,000	4,933,192
County of Orange Community Facilities District No. 2017-1, Special Tax, 2018 A, 5%, 8/15/47 .....	11,550,000	11,677,007
Palomar Health,		
Obligated Group, Revenue, 2016, Refunding, 5%, 11/01/39 .....	12,190,000	12,270,481
Palomar Health Obligated Group, COP, 4%, 11/01/38 .....	5,000,000	4,465,453
Palomar Health Obligated Group, COP, 4%, 11/01/47 .....	6,000,000	4,910,531
Paso Robles Joint Unified School District, GO, 2010 A, Zero Cpn., 9/01/45 .....	15,000,000	5,146,786
Perris Community Facilities District, City of Perris Community Facilities District No. 2001-2, Special Tax, 2014 A, Refunding, 5.25%, 9/01/32 .....	4,500,000	4,504,284
Perris Joint Powers Authority,		
Community Facilities District No. 2001-1, Special Tax, 2014 A, Refunding, 5.375%, 9/01/33 .....	1,925,000	1,926,951
Community Facilities District No. 2001-1, Special Tax, 2014 E, Refunding, 4.25%, 9/01/38 .....	4,140,000	3,939,006
Community Facilities District No. 2002-1, Special Tax, 2013 B, Refunding, 5.25%, 9/01/33 .....	3,745,000	3,748,574
Community Facilities District No. 2014-1, Special Tax, 2018 A, 4%, 9/01/48 .....	1,530,000	1,307,265



**Franklin California High Yield Municipal Fund** (continued)

	Principal Amount	Value
<b>Municipal Bonds</b> (continued)		
<b>California</b> (continued)		
Redondo Beach Unified School District, GO, 2011 E, 6.2%, 8/01/31. . . . .	\$2,750,000	\$3,299,372
Richland School District, GO, 2009 C, AGMC Insured, Zero Cpn., 8/01/49 . . . . .	22,000,000	5,764,524
Rio Hondo Community College District, GO, 2010 C, Zero Cpn., 8/01/42 . . . . .	13,000,000	15,129,962
Rio Vista Community Facilities District,		
City of Rio Vista Community Facilities District No. 2018-1, Special Tax, 2018,		
Refunding, 5%, 9/01/33. . . . .	1,625,000	1,682,307
City of Rio Vista Community Facilities District No. 2018-1, Special Tax, 2018,		
Refunding, 5%, 9/01/38. . . . .	1,000,000	1,008,994
City of Rio Vista Community Facilities District No. 2018-1, Special Tax, 2018,		
Refunding, 5%, 9/01/48. . . . .	1,190,000	1,176,632
River Islands Public Financing Authority,		
Community Facilities District No 2003-1 Improvement Area No. 2, Special Tax, 2022,		
5.75%, 9/01/52 . . . . .	4,250,000	4,128,883
Community Facilities District No. 2021-1, Special Tax, 2021, 2.625%, 9/01/34. . . . .	860,000	707,979
Community Facilities District No. 2021-1, Special Tax, 2021, 2.625%, 9/01/35. . . . .	925,000	741,295
Community Facilities District No. 2021-1, Special Tax, 2021, 4%, 9/01/46 . . . . .	1,500,000	1,245,572
Riverbank Unified School District,		
GO, 2008 B, AGMC Insured, Zero Cpn., 8/01/38. . . . .	6,690,000	3,414,402
GO, 2008 B, AGMC Insured, Zero Cpn., 8/01/43. . . . .	8,750,000	3,367,163
Riverside County Community Facilities Districts, County of Riverside Community		
Facilities District No. 03-1, Special Tax, 2014, Refunding, 5%, 9/01/30 . . . . .	1,500,000	1,516,313
Riverside County Transportation Commission, Revenue, Senior Lien, 2013 B, Zero		
Cpn., 6/01/43. . . . .	7,500,000	2,767,315
Riverside Public Financing Authority, Loc Measure A Sales Tax, COP, 2013,		
Refunding, AGMC Insured, 5%, 6/01/33 . . . . .	4,280,000	4,289,765
Romoland School District,		
Community Facilities District No. 2004-1, Special Tax, 2015, Refunding, 5%, 9/01/35	4,690,000	4,758,524
Community Facilities District No. 2004-1, Special Tax, 2015, Refunding, 5%, 9/01/38	3,000,000	3,021,125
Community Facilities District No. 2004-1 Improvement Area No. 3, Special Tax, 2013,		
5%, 9/01/36 . . . . .	1,500,000	1,500,636
Rowland Unified School District,		
GO, 2009 B, Zero Cpn., 8/01/34. . . . .	5,000,000	3,178,708
GO, 2009 B, Zero Cpn., 8/01/39. . . . .	15,000,000	7,188,839
GO, 2009 B, Zero Cpn., 8/01/42. . . . .	10,750,000	4,473,818
San Bernardino Community College District,		
GO, 2008 D, Pre-Refunded, 5%, 8/01/48 . . . . .	3,760,000	3,894,960
GO, 2009 B, Zero Cpn., 8/01/44. . . . .	12,495,000	4,555,697
San Diego Unified School District,		
GO, 2010 C, Zero Cpn., 7/01/47. . . . .	26,025,000	21,973,785
GO, 2012 E, Zero Cpn., 7/01/42. . . . .	6,940,000	4,862,031
GO, 2012 E, Zero Cpn., 7/01/47. . . . .	13,500,000	9,427,725
San Francisco City & County Airport Comm-San Francisco International Airport,		
Revenue, 2019 A, Refunding, 5%, 5/01/37 . . . . .	5,535,000	5,806,420
Revenue, 2019 A, Refunding, 5%, 5/01/44 . . . . .	10,000,000	10,275,378
Revenue, 2019 A, Refunding, 5%, 5/01/49 . . . . .	10,000,000	10,213,180
Revenue, Second Series, 2019 E, 5%, 5/01/50. . . . .	34,520,000	35,230,408
San Francisco City & County Redevelopment Agency Successor Agency,		
• Tax Allocation, 144A, 2016 D, Zero Cpn., 8/01/26 . . . . .	3,000,000	2,629,608
• Tax Allocation, 144A, 2016 D, Zero Cpn., 8/01/31 . . . . .	6,000,000	4,121,087
• Tax Allocation, 144A, 2016 D, Zero Cpn., 8/01/43 . . . . .	16,500,000	6,241,942
Community Facilities District No. 6, Special Tax, 2013 C, Zero Cpn., 8/01/43. . . . .	10,000,000	3,131,010
Mission Bay South Redevelopment Area Tax Increment Financing District, Tax		
Allocation, 2014 A, 5%, 8/01/43. . . . .	2,500,000	2,538,355

**Franklin California High Yield Municipal Fund** (continued)

	Principal Amount	Value
<b>Municipal Bonds</b> (continued)		
<b>California</b> (continued)		
San Joaquin Hills Transportation Corridor Agency, Revenue, 1997 A, Refunding, NATL Insured, Zero Cpn., 1/15/26 . . . . .	\$19,475,000	\$17,734,640
Revenue, 1997 A, Refunding, NATL Insured, Zero Cpn., 1/15/32 . . . . .	50,225,000	35,597,823
Revenue, Junior Lien, ETM, Zero Cpn., 1/01/28 . . . . .	19,150,000	16,766,108
Revenue, Junior Lien, 2014 B, Refunding, 5.25%, 1/15/44 . . . . .	11,925,000	12,065,822
Revenue, Junior Lien, 2014 B, Refunding, 5.25%, 1/15/49 . . . . .	98,070,000	99,119,467
Santa Barbara Unified School District, GO, 2011 A, 7%, 8/01/36 . . . . .	8,000,000	10,662,031
Santa Margarita Water District, Community Facilities District No. 2013-1, Special Tax, 2013, Refunding, 5.625%, 9/01/36 . . . . .	2,875,000	2,875,000
Community Facilities District No. 2013-1, Special Tax, 2013, Refunding, 5.625%, 9/01/43 . . . . .	9,600,000	9,600,000
Saugus/Hart School Facilities Financing Authority, Community Facilities District No. 2006-1, Special Tax, 2016, Refunding, 5%, 9/01/41 . . . . .	2,485,000	2,497,193
Saugus-Castaic School Facilities Financing Authority, Community Facilities District No. 2006-1C, Special Tax, 2013, Refunding, 5.875%, 9/01/33 . . . . .	1,365,000	1,365,000
Community Facilities District No. 2006-1C, Special Tax, 2013, Refunding, 6%, 9/01/43 . . . . .	3,355,000	3,355,000
Siskiyou Union High School District, GO, 2009 B, AGMC Insured, Zero Cpn., 8/01/49	15,015,000	3,951,112
St. Helena Unified School District, GO, 2011 B, Zero Cpn., 6/01/36 . . . . .	10,000,000	11,384,803
Sulphur Springs Union School District, Community Facilities District No. 2006-1, Special Tax, 2018, 5%, 9/01/43 . . . . .	2,820,000	2,847,837
Susanville School District, GO, 2010, AGMC Insured, Zero Cpn., 8/01/49 . . . . .	17,505,000	4,619,830
Tobacco Securitization Authority of Northern California, Sacramento County Tobacco Securitization Corp., Revenue, Senior Lien, 2021 B-2, 2, Refunding, Zero Cpn., 6/01/60 . . . . .	24,900,000	3,592,129
Tobacco Securitization Authority of Southern California, San Diego County Tobacco Asset Securitization Corp., Revenue, 2006 B, Zero Cpn., 6/01/46 . . . . .	10,000,000	1,924,518
San Diego County Tobacco Asset Securitization Corp., Revenue, 2006 C, Zero Cpn., 6/01/46 . . . . .	25,000,000	4,454,913
San Diego County Tobacco Asset Securitization Corp., Revenue, 2019 B-1, 2, Refunding, 5%, 6/01/48 . . . . .	9,485,000	9,644,879
Torrance Unified School District, GO, 2009 B-1, Zero Cpn., 8/01/34 . . . . .	5,640,000	3,296,284
Tracy Community Facilities District, City of Tracy Community Facilities District No. 2016-01, Special Tax, 2018, 5%, 9/01/33 . . . . .	1,610,000	1,672,650
City of Tracy Community Facilities District No. 2016-01, Special Tax, 2018, 5%, 9/01/38 . . . . .	2,385,000	2,417,004
City of Tracy Community Facilities District No. 2016-01, Special Tax, 2018, 5%, 9/01/43 . . . . .	5,500,000	5,510,691
City of Tracy Community Facilities District No. 2016-01, Special Tax, 2018, 5%, 9/01/48 . . . . .	6,490,000	6,372,039
City of Tracy Community Facilities District No. 2016-01, Special Tax, 2020, 4%, 9/01/45 . . . . .	1,280,000	1,121,974
Community Facilities District No. 2016-01 Improvement Area No. 1, Special Tax, 2019, 5%, 9/01/49 . . . . .	1,960,000	1,927,281
Transbay Joint Powers Authority, Transbay Redevelopment Project Tax Increment Re- Development Project, Tax Allocation, 2020 B, 5%, 10/01/38 . . . . .	550,000	556,890
Truckee-Donner Public Utility District, Community Facilities District No. 04-1, Special Tax, 2004, 5.75%, 9/01/29 . . . . .	2,945,000	2,876,638
Community Facilities District No. 04-1, Special Tax, 2004, 5.8%, 9/01/35 . . . . .	4,475,000	4,245,387
Community Facilities District No. 04-1, Special Tax, 2005, 5.2%, 9/01/25 . . . . .	1,955,000	1,916,433
Community Facilities District No. 04-1, Special Tax, 2005, 5.25%, 9/01/30 . . . . .	4,990,000	4,718,958

**Franklin California High Yield Municipal Fund** (continued)

	Principal Amount	Value
<b>Municipal Bonds</b> (continued)		
<b>California</b> (continued)		
Tustin Community Facilities District, City of Tustin Community Facilities District No. 06-1, Special Tax, 2015 A, Refunding, 5%, 9/01/37 . . . . .	\$1,000,000	\$1,021,873
City of Tustin Community Facilities District No. 14-1, Special Tax, 2015 A, 5%, 9/01/40 . . . . .	750,000	754,537
City of Tustin Community Facilities District No. 14-1, Special Tax, 2015 A, 5%, 9/01/45 . . . . .	1,000,000	1,002,888
Val Verde Unified School District, Special Tax, 2015, Refunding, 5%, 9/01/29 . . . . .	3,200,000	3,260,963
Special Tax, 2015, Refunding, 5%, 9/01/37 . . . . .	2,000,000	2,017,478
Vallejo Redevelopment Agency, Tax Allocation, 2001 A, 7%, 10/01/31 . . . . .	2,135,000	2,139,834
Victor Valley Community College District, GO, 2008 C, Zero Cpn., 6/01/49 . . . . .	11,940,000	3,380,767
Washington Township Health Care District, Revenue, 2017 B, Refunding, 4%, 7/01/35 . . . . .	2,000,000	1,858,689
Revenue, 2017 B, Refunding, 4%, 7/01/36 . . . . .	1,900,000	1,724,753
Westside Union School District, Community Facilities District No. 2018-1, Special Tax, 2021, 4%, 9/01/46 . . . . .	360,000	305,765
		<u>2,146,215,091</u>
<b>Florida 0.6%</b>		
<sup>c,d</sup> Florida Development Finance Corp., Brightline Florida Holdings LLC, Revenue, 144A, 2023 A, Refunding, Mandatory Put, 7.5%, 8/15/24 . . . . .	7,250,000	7,138,247
Brightline Trains Florida LLC, Revenue, 144A, 2022 A, Refunding, Mandatory Put, 7.25%, 10/03/23 . . . . .	7,250,000	7,398,745
		<u>14,536,992</u>
<b>Minnesota 0.1%</b>		
<sup>c</sup> City of Fridley, Roers Fridley Apartments Owner II LLC, Revenue, 144A, 2023 B-2, 9%, 6/01/41 . . . . .	3,250,000	3,179,893
<b>Texas 0.4%</b>		
<sup>c</sup> City of Dallas Housing Finance Corp., DHFC - Dylan Apartments LLC (The), Revenue, Junior Lien, 144A, 2022 B, 6.25%, 12/01/54 . . . . .	10,000,000	8,948,274
<b>Virgin Islands 0.2%</b>		
Matching Fund Special Purpose Securitization Corp., United States Virgin Islands Federal Excise Tax, Revenue, 2022 A, Refunding, 5%, 10/01/39 . . . . .	5,500,000	5,469,762
<b>Virginia 0.2%</b>		
<sup>c</sup> Virginia Small Business Financing Authority, P3 VB Holdings LLC, Revenue, Senior Lien, 144A, 2023 A, 8.5%, 12/01/52 . . . . .	5,250,000	4,938,409
<b>Wisconsin 0.7%</b>		
<sup>c</sup> Public Finance Authority, FAH Tree House LLC, Revenue, 144A, 2023 B, 6.625%, 2/01/46 . . . . .	7,000,000	6,360,627
Gulf Coast Portfolio Obligated Group, Revenue, 144A, 2021, 5.25%, 12/01/23 . . . .	6,300,000	6,303,213
Pine Forest 2022 Obligated Group, Revenue, 144A, 2022, Zero Cpn., 12/01/45 . . .	6,000,000	3,579,704
		<u>16,243,544</u>
<b>U.S. Territories 7.6%</b>		
<b>Guam 1.1%</b>		
Guam Government Waterworks Authority, Revenue, 2014 A, Refunding, 5%, 7/01/35 . . . . .	1,000,000	1,004,874
Revenue, 2016, 5%, 7/01/36 . . . . .	3,550,000	3,597,746
Revenue, 2017, Refunding, 5%, 7/01/36 . . . . .	1,700,000	1,729,740

**Franklin California High Yield Municipal Fund (continued)**

	Principal Amount	Value
<b>Municipal Bonds (continued)</b>		
<b>U.S. Territories (continued)</b>		
<b>Guam (continued)</b>		
Guam Government Waterworks Authority, (continued)		
Revenue, 2017, Refunding, 5%, 7/01/40 . . . . .	\$9,885,000	\$9,936,309
Guam Power Authority, Revenue, 2017 A, Refunding, 5%, 10/01/38 . . . . .	4,750,000	4,806,471
Territory of Guam,		
Revenue, 2021 F, Refunding, 4%, 1/01/36 . . . . .	250,000	234,794
Revenue, 2021 F, Refunding, 4%, 1/01/42 . . . . .	3,125,000	2,691,885
Hotel Occupancy Tax, Revenue, 2021 A, Refunding, 5%, 11/01/35 . . . . .	3,000,000	3,070,718
		<u>27,072,537</u>
<b>Pacific Islands 0.1%</b>		
Northern Mariana Island Ports Authority, Revenue, 1998 A, 6.6%, 3/15/28 . . . . .	3,335,000	<u>3,208,589</u>
<b>Puerto Rico 6.4%</b>		
Commonwealth of Puerto Rico,		
<sup>g</sup> GO, FRN, Zero Cpn., 11/01/43 . . . . .	3,474,337	1,793,627
GO, 2022 A-1, 5.375%, 7/01/25 . . . . .	817,244	832,791
GO, 2022 A-1, 5.625%, 7/01/27 . . . . .	809,842	844,628
GO, 2022 A-1, 5.625%, 7/01/29 . . . . .	796,704	842,945
GO, 2022 A-1, 5.75%, 7/01/31 . . . . .	773,832	836,965
GO, 2022 A-1, 4%, 7/01/33 . . . . .	733,796	687,113
GO, 2022 A-1, 4%, 7/01/35 . . . . .	659,584	606,196
GO, 2022 A-1, 4%, 7/01/37 . . . . .	566,098	509,321
GO, 2022 A-1, 4%, 7/01/41 . . . . .	769,676	665,583
GO, 2022 A-1, 4%, 7/01/46 . . . . .	16,300,453	13,569,731
GO, 2022 A-1, Zero Cpn., 7/01/24 . . . . .	118,949	114,629
GO, 2022 A-1, Zero Cpn., 7/01/33 . . . . .	944,324	575,382
GDB Debt Recovery Authority of Puerto Rico, 7.5%, 8/20/40 . . . . .	18,745,030	15,324,062
HTA CL 6 Trust, Revenue, L-2028, 5.25%, 7/01/38 . . . . .	685,869	686,095
HTA TRRB Custodial Trust,		
Revenue, 2005 L, 5.25%, 7/01/41 . . . . .	3,300,000	3,289,919
Revenue, 2007 N, 5.25%, 7/01/36 . . . . .	330,000	332,570
Puerto Rico Electric Power Authority,		
<sup>a,e</sup> Revenue, 6%, 7/01/41 . . . . .	6,789,003	6,789,003
<sup>a,e</sup> Revenue, 7.125%, 7/01/59 . . . . .	32,971,162	32,971,162
<sup>b</sup> Revenue, 1, 10%, 1/01/21 . . . . .	1,768,493	481,915
<sup>b</sup> Revenue, 2012 A, 5%, 7/01/29 . . . . .	10,000,000	2,750,000
<sup>b</sup> Revenue, 2013 A, 7%, 7/01/33 . . . . .	25,000,000	6,875,000
<sup>b</sup> Revenue, 2013 A, 6.75%, 7/01/36 . . . . .	11,735,000	3,227,125
<sup>b</sup> Revenue, 2013 A, 7%, 7/01/43 . . . . .	5,000,000	1,375,000
<sup>b</sup> Revenue, 2016 A-4, 10%, 7/01/19 . . . . .	1,601,766	436,481
<sup>b</sup> Revenue, 2016 B-4, 10%, 7/01/19 . . . . .	1,601,765	436,481
<sup>b</sup> Revenue, E-2, 10%, 7/01/21 . . . . .	1,768,493	481,914
<sup>b</sup> Revenue, E-3, 10%, 1/01/22 . . . . .	600,000	163,500
<sup>b</sup> Revenue, E-4, 10%, 7/01/22 . . . . .	600,000	163,500
Revenue, VV, Refunding, NATL Insured, 5.25%, 7/01/32 . . . . .	1,800,000	1,769,470
Puerto Rico Highway & Transportation Authority,		
Revenue, 2022 A, 5%, 7/01/62 . . . . .	157,528	155,362
Revenue, 2022 B, Zero Cpn., 7/01/32 . . . . .	102,372	65,902
Revenue, 2022 C, Zero Cpn., 7/01/53 . . . . .	175,116	110,980
<sup>b</sup> Puerto Rico Industrial Tourist Educational Medical & Environmental Control Facilities Financing Authority, AES Puerto Rico LP, Revenue, 2000 A, 6.625%, 6/01/26 . . . . .	4,000,000	2,800,000
Puerto Rico Sales Tax Financing Corp.,		
Sales Tax, Revenue, A-1, 4.55%, 7/01/40 . . . . .	100,000	97,502
Sales Tax, Revenue, A-1, 4.75%, 7/01/53 . . . . .	10,500,000	9,843,536

**Franklin California High Yield Municipal Fund (continued)**

	Principal Amount	Value
<b>Municipal Bonds (continued)</b>		
<b>U.S. Territories (continued)</b>		
<b>Puerto Rico (continued)</b>		
Puerto Rico Sales Tax Financing Corp., (continued)		
Sales Tax, Revenue, A-1, 5%, 7/01/58 . . . . .	\$8,695,000	\$8,437,676
Sales Tax, Revenue, A-1, Zero Cpn., 7/01/46 . . . . .	20,000,000	5,570,564
Sales Tax, Revenue, A-1, Zero Cpn., 7/01/51 . . . . .	47,945,000	9,909,632
Sales Tax, Revenue, A-2, 4.329%, 7/01/40 . . . . .	4,419,000	4,191,622
Sales Tax, Revenue, A-2, 4.329%, 7/01/40 . . . . .	7,044,000	6,689,022
Sales Tax, Revenue, A-2, 4.784%, 7/01/58 . . . . .	12,300,000	11,529,898
		158,833,804
<b>Total U.S. Territories . . . . .</b>		<b>189,114,930</b>
<b>Total Municipal Bonds (Cost \$2,518,811,311) . . . . .</b>		<b>2,388,646,895</b>
	<b>Shares</b>	
<b>Escrows and Litigation Trusts 0.1%</b>		
<sup>a,h</sup> Puerto Rico Electric Power Authority . . . . .	3,031,496	2,425,197
<b>Total Escrows and Litigation Trusts (Cost \$-) . . . . .</b>		<b>2,425,197</b>
<b>Total Long Term Investments (Cost \$2,594,395,083) . . . . .</b>		<b>2,461,960,149</b>
<b>Short Term Investments 0.8%</b>		
	<b>Principal Amount</b>	
<b>Municipal Bonds 0.8%</b>		
<b>California 0.8%</b>		
<sup>i</sup> California Health Facilities Financing Authority, Adventist Health System/West Obligated Group, Revenue, 2009 B, LOC US Bank NA, Daily VRDN and Put, 2.45%, 9/01/38 . . . . .	1,000,000	1,000,000
<sup>i</sup> Eastern Municipal Water District, Revenue, 2018 A, Refunding, SPA Bank of America NA, Daily VRDN and Put, 2.72%, 7/01/46. . . . .	5,000,000	5,000,000
<sup>i</sup> Irvine Ranch Water District, Water Service Corp., Special Assessment, 2009 B, LOC Bank of America NA, Daily VRDN and Put, 2.17%, 10/01/41 . . . . .	7,285,000	7,285,000
<sup>i</sup> University of California, Revenue, 2013 AL-1, Daily VRDN and Put, 2.92%, 5/15/48 . . . . .	1,100,000	1,100,000
Revenue, 2013 AL-3, Refunding, Daily VRDN and Put, 2.9%, 5/15/48. . . . .	1,700,000	1,700,000
Revenue, 2013 AL-4, Refunding, Daily VRDN and Put, 2.85%, 5/15/48. . . . .	2,700,000	2,700,000
		18,785,000
<b>Total Municipal Bonds (Cost \$18,785,000) . . . . .</b>		<b>18,785,000</b>
<b>Total Short Term Investments (Cost \$18,785,000) . . . . .</b>		<b>18,785,000</b>
<b>Total Investments (Cost \$2,613,180,083) 100.5% . . . . .</b>		<b>\$2,480,745,149</b>
<b>Other Assets, less Liabilities (0.5)% . . . . .</b>		<b>(12,325,523)</b>
<b>Net Assets 100.0% . . . . .</b>		<b>\$2,468,419,626</b>

See Abbreviations on page 40.

**Franklin California High Yield Municipal Fund** (continued)

<sup>a</sup>Fair valued using significant unobservable inputs. See Note 10 regarding fair value measurements.

<sup>b</sup>See Note 7 regarding credit risk and defaulted securities.

<sup>c</sup>Security was purchased pursuant to Rule 144A or Regulation S under the Securities Act of 1933. 144A securities may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. Regulation S securities cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. At August 31, 2023, the aggregate value of these securities was \$699,753,312, representing 28.3% of net assets.

<sup>d</sup>The maturity date shown represents the mandatory put date.

<sup>e</sup>Security purchased on a when-issued basis. See Note 1(b).

<sup>f</sup>Investment in an interest-only security entitles holders to receive only the interest payment on the underlying instruments. The principal amount shown is the notional amount of the underlying instruments.

<sup>g</sup>The coupon rate shown represents the rate at period end.

<sup>h</sup>Non-income producing.

<sup>i</sup>Variable rate demand notes (VRDNs) are obligations which contain a floating or variable interest rate adjustment formula and an unconditional right of demand to receive payment of the principal balance plus accrued interest at specified dates. Unless otherwise noted, the coupon rate is determined based on factors including supply and demand, underlying credit, tax treatment, and current short term rates. The coupon rate shown represents the rate at period end.

## Statement of Assets and Liabilities

August 31, 2023 (unaudited)

**Franklin  
California High  
Yield Municipal  
Fund**

**Assets:**

Investments in securities:

Cost - Unaffiliated issuers . . . . . \$2,613,180,083

Value - Unaffiliated issuers . . . . . \$2,480,745,149

Cash . . . . . 503,415

Receivables:

Investment securities sold . . . . . 948,840

Capital shares sold . . . . . 3,723,944

Interest . . . . . 31,546,145

Total assets . . . . . 2,517,467,493

**Liabilities:**

Payables:

Investment securities purchased . . . . . 40,039,127

Capital shares redeemed . . . . . 5,982,463

Management fees . . . . . 971,232

Distribution fees . . . . . 257,403

Transfer agent fees . . . . . 322,593

Trustees' fees and expenses . . . . . 2,088

Distributions to shareholders . . . . . 1,350,857

Accrued expenses and other liabilities . . . . . 122,104

Total liabilities . . . . . 49,047,867

Net assets, at value . . . . . \$2,468,419,626

**Net assets consist of:**

Paid-in capital . . . . . \$2,755,615,402

Total distributable earnings (losses) . . . . . (287,195,776)

Net assets, at value . . . . . \$2,468,419,626

## Statement of Assets and Liabilities (continued)

August 31, 2023 (unaudited)

	Franklin California High Yield Municipal Fund
<b>Class A:</b>	
Net assets, at value	\$611,371,820
Shares outstanding	64,107,947
Net asset value per share <sup>a</sup>	\$9.54
Maximum offering price per share (net asset value per share ÷ 96.25%)	\$9.91
<b>Class A1:</b>	
Net assets, at value	\$814,098,160
Shares outstanding	85,531,642
Net asset value per share <sup>a</sup>	\$9.52
Maximum offering price per share (net asset value per share ÷ 96.25%)	\$9.89
<b>Class C:</b>	
Net assets, at value	\$103,608,597
Shares outstanding	10,801,635
Net asset value and maximum offering price per share <sup>a</sup>	\$9.59
<b>Class R6:</b>	
Net assets, at value	\$48,132,983
Shares outstanding	5,040,146
Net asset value and maximum offering price per share	\$9.55
<b>Advisor Class:</b>	
Net assets, at value	\$891,208,066
Shares outstanding	93,423,929
Net asset value and maximum offering price per share	\$9.54

<sup>a</sup>Redemption price is equal to net asset value less contingent deferred sales charges, if applicable.



## Statement of Operations

for the six months ended August 31, 2023 (unaudited)

**Franklin  
California High  
Yield Municipal  
Fund**

Investment income:	
Interest:	
Unaffiliated issuers . . . . .	\$61,770,290
Expenses:	
Management fees (Note 3a) . . . . .	5,872,910
Distribution fees: (Note 3c)	
Class A . . . . .	763,919
Class A1 . . . . .	426,925
Class C . . . . .	366,020
Transfer agent fees: (Note 3e)	
Class A . . . . .	202,733
Class A1 . . . . .	283,294
Class C . . . . .	37,371
Class R6 . . . . .	7,602
Advisor Class . . . . .	308,362
Custodian fees (Note 4) . . . . .	7,712
Reports to shareholders fees . . . . .	38,754
Registration and filing fees . . . . .	28,568
Professional fees . . . . .	275,763
Trustees' fees and expenses . . . . .	14,808
Other . . . . .	105,664
Total expenses . . . . .	8,740,405
Expense reductions (Note 4) . . . . .	(7,626)
Expenses waived/paid by affiliates (Note 3f) . . . . .	(514)
Net expenses . . . . .	8,732,265
Net investment income . . . . .	53,038,025
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers . . . . .	(12,237,038)
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers . . . . .	(27,457,765)
Net realized and unrealized gain (loss) . . . . .	(39,694,803)
Net increase (decrease) in net assets resulting from operations . . . . .	\$13,343,222

## Statements of Changes in Net Assets

	Franklin California High Yield Municipal Fund	
	Six Months Ended August 31, 2023 (unaudited)	Year Ended February 28, 2023
Increase (decrease) in net assets:		
Operations:		
Net investment income . . . . .	\$53,038,025	\$103,813,257
Net realized gain (loss) . . . . .	(12,237,038)	(33,696,950)
Net change in unrealized appreciation (depreciation) . . . . .	(27,457,765)	(361,371,540)
Net increase (decrease) in net assets resulting from operations . . . . .	13,343,222	(291,255,233)
Distributions to shareholders:		
Class A . . . . .	(12,364,249)	(21,014,848)
Class A1 . . . . .	(17,944,628)	(33,923,707)
Class C . . . . .	(2,036,209)	(4,093,810)
Class R6 . . . . .	(1,022,618)	(1,868,805)
Advisor Class . . . . .	(19,953,178)	(35,859,190)
Total distributions to shareholders . . . . .	(53,320,882)	(96,760,360)
Capital share transactions: (Note 2)		
Class A . . . . .	25,707,501	(33,313,837)
Class A1 . . . . .	(35,316,931)	(168,375,188)
Class C . . . . .	(12,962,183)	(41,717,997)
Class R6 . . . . .	4,207,669	(8,512,643)
Advisor Class . . . . .	(16,312,612)	(124,058,309)
Total capital share transactions . . . . .	(34,676,556)	(375,977,974)
Net increase (decrease) in net assets . . . . .	(74,654,216)	(763,993,567)
Net assets:		
Beginning of period . . . . .	2,543,073,842	3,307,067,409
End of period . . . . .	\$2,468,419,626	\$2,543,073,842

# Notes to Financial Statements (unaudited)

## Franklin California High Yield Municipal Fund

### 1. Organization and Significant Accounting Policies

Franklin Municipal Securities Trust (Trust) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company, consisting of one fund, Franklin California High Yield Municipal Fund (Fund). The Fund follows the accounting and reporting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 946, Financial Services – Investment Companies (ASC 946) and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP), including, but not limited to, ASC 946. The Fund offers five classes of shares: Class A, Class A1, Class C, Class R6 and Advisor Class. Class C shares automatically convert to Class A shares on a monthly basis, after they have been held for 8 years. Each class of shares may differ by its initial sales load, contingent deferred sales charges, voting rights on matters affecting a single class, its exchange privilege and fees due to differing arrangements for distribution and transfer agent fees.

The following summarizes the Fund's significant accounting policies.

#### a. Financial Instrument Valuation

The Fund's investments in financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Fund calculates the net asset value (NAV) per share each business day as of 4 p.m. Eastern time or the regularly scheduled close of the New York Stock Exchange (NYSE), whichever is earlier. Under compliance policies and procedures approved by the Trust's Board of Trustees (the Board), the Board has designated the Fund's investment manager as the valuation designee and has responsibility for oversight of valuation. The investment manager is assisted by the Fund's administrator in performing this responsibility, including leading the cross-functional Valuation Committee (VC). The Fund may utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Equity securities listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Over-the-counter (OTC) securities are valued within

the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

Debt securities generally trade in the over-the-counter (OTC) market rather than on a securities exchange. The Fund's pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value.

The Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the Fund primarily employs a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, and other relevant information for the investment to determine the fair value of the investment. An income-based valuation approach may also be used in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed.

#### b. Securities Purchased on a When-Issued Basis

The Fund purchases securities on a when-issued basis, with payment and delivery scheduled for a future date. These transactions are subject to market fluctuations and are subject to the risk that the value at delivery may be more or less than the trade date purchase price. Although the Fund will generally purchase these securities with the intention of holding the securities, it may sell the securities before the settlement date.

## Franklin California High Yield Municipal Fund (continued)

### 1. Organization and Significant Accounting Policies (continued)

#### c. Income Taxes

It is the Fund's policy to qualify as a regulated investment company under the Internal Revenue Code. The Fund intends to distribute to shareholders substantially all of its income and net realized gains to relieve it from federal income and excise taxes. As a result, no provision for U.S. federal income taxes is required.

The federal and state income taxes on the Statement of Operations represents taxes on taxable income earned by the Fund not distributed to shareholders, and therefore are paid on their behalf by the Fund.

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of August 31, 2023, the Fund has determined that no tax liability is required in its financial statements related to uncertain tax positions for any open tax years (or expected to be taken in future tax years). Open tax years are those that remain subject to examination and are based on the statute of limitations in each jurisdiction in which the Fund invests.

#### d. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Dividends from net investment income are normally declared daily; these dividends may be reinvested or paid monthly to shareholders. Distributions from realized capital gains and other distributions, if any, are recorded on the ex-dividend date. Distributable earnings are determined according to income tax regulations (tax basis) and may differ from earnings recorded in accordance with U.S. GAAP. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

Realized and unrealized gains and losses and net investment income, excluding class specific expenses, are allocated daily to each class of shares based upon the relative proportion of net assets of each class. Differences in per share distributions by class are generally due to differences in class specific expenses.

#### e. Insurance

The scheduled payments of interest and principal for each insured municipal security in the Trust are insured by either a new issue insurance policy or a secondary insurance policy. Some municipal securities in the Fund are secured by collateral guaranteed by an agency of the U.S. government. Depending on the type of coverage, premiums for insurance are either added to the cost basis of the security or paid by a third party.

Insurance companies typically insure municipal bonds that tend to be of very high quality, with the majority of underlying municipal bonds rated A or better. However, an event involving an insurer could have an adverse effect on the value of the securities insured by that insurance company. There can be no assurance the insurer will be able to fulfill its obligations under the terms of the policy.

#### f. Accounting Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

#### g. Guarantees and Indemnifications

Under the Trust's organizational documents, its officers and trustees are indemnified by the Trust against certain liabilities arising out of the performance of their duties to the Trust. Additionally, in the normal course of business, the Trust, on behalf of the Fund, enters into contracts with service providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. Currently, the Trust expects the risk of loss to be remote.

**Franklin California High Yield Municipal Fund** (continued)**2. Shares of Beneficial Interest**

At August 31, 2023, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Six Months Ended August 31, 2023		Year Ended February 28, 2023	
	Shares	Amount	Shares	Amount
<b>Class A Shares:</b>				
Shares sold <sup>a</sup> . . . . .	8,010,754	\$77,868,780	25,398,675	\$253,367,020
Shares issued in reinvestment of distributions . . . . .	1,124,623	10,924,768	1,851,320	18,342,668
Shares redeemed . . . . .	(6,499,912)	(63,086,047)	(30,605,430)	(305,023,525)
Net increase (decrease) . . . . .	2,635,465	\$25,707,501	(3,355,435)	\$(33,313,837)
<b>Class A1 Shares:</b>				
Shares sold . . . . .	1,302,773	\$12,673,968	6,869,264	\$68,433,576
Shares issued in reinvestment of distributions . . . . .	1,549,842	15,027,422	2,888,030	28,598,592
Shares redeemed . . . . .	(6,492,131)	(63,018,321)	(26,662,324)	(265,407,356)
Net increase (decrease) . . . . .	(3,639,516)	\$(35,316,931)	(16,905,030)	\$(168,375,188)
<b>Class C Shares:</b>				
Shares sold . . . . .	438,281	\$4,282,352	1,325,762	\$13,286,007
Shares issued in reinvestment of distributions . . . . .	195,976	1,915,880	384,830	3,841,247
Shares redeemed <sup>a</sup> . . . . .	(1,956,262)	(19,160,415)	(5,850,032)	(58,845,251)
Net increase (decrease) . . . . .	(1,322,005)	\$(12,962,183)	(4,139,440)	\$(41,717,997)
<b>Class R6 Shares:</b>				
Shares sold . . . . .	1,059,573	\$10,334,466	2,259,339	\$22,622,077
Shares issued in reinvestment of distributions . . . . .	91,847	893,099	148,373	1,472,106
Shares redeemed . . . . .	(720,835)	(7,019,896)	(3,270,998)	(32,606,826)
Net increase (decrease) . . . . .	430,585	\$4,207,669	(863,286)	\$(8,512,643)
<b>Advisor Class Shares:</b>				
Shares sold . . . . .	15,772,417	\$153,858,559	79,590,057	\$793,204,876
Shares issued in reinvestment of distributions . . . . .	1,694,235	16,463,322	2,904,964	28,821,108
Shares redeemed . . . . .	(19,203,835)	(186,634,493)	(95,009,029)	(946,084,293)
Net increase (decrease) . . . . .	(1,737,183)	\$(16,312,612)	(12,514,008)	\$(124,058,309)

<sup>a</sup>May include a portion of Class C shares that were automatically converted to Class A.

**3. Transactions with Affiliates**

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Advisers, Inc. (Advisers)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Distributors, LLC (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

## Franklin California High Yield Municipal Fund (continued)

### 3. Transactions with Affiliates (continued)

#### a. Management Fees

The Fund pays an investment management fee, calculated daily and paid monthly, to Advisers based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
0.625%	Up to and including \$100 million
0.500%	Over \$100 million, up to and including \$250 million
0.450%	Over \$250 million, up to and including \$7.5 billion
0.440%	Over \$7.5 billion, up to and including \$10 billion
0.430%	Over \$10 billion, up to and including \$12.5 billion
0.420%	Over \$12.5 billion, up to and including \$15 billion
0.400%	Over \$15 billion, up to and including \$17.5 billion
0.380%	Over \$17.5 billion, up to and including \$20 billion
0.360%	In excess of \$20 billion

For the period ended August 31, 2023, the annualized gross effective investment management fee rate was 0.461% of the Fund's average daily net assets.

#### b. Administrative Fees

Under an agreement with Advisers, FT Services provides administrative services to the Fund. The fee is paid by Advisers based on the Fund's average daily net assets, and is not an additional expense of the Fund.

#### c. Distribution Fees

The Board has adopted distribution plans for each share class, with the exception of Class R6 and Advisor Class shares, pursuant to Rule 12b-1 under the 1940 Act. Under the Fund's Class A and A1 reimbursement distribution plan, the Fund reimburses Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to the maximum annual plan rate for each class. Under the Class A and A1 reimbursement distribution plans, costs exceeding the maximum for the current plan year cannot be reimbursed in subsequent periods. In addition, under the Fund's Class C compensation distribution plan, the Fund pays Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to the maximum annual plan rate. The plan year, for purposes of monitoring compliance with the maximum annual plan rates, is February 1 through January 31.

The maximum annual plan rates, based on the average daily net assets, for each class, are as follows:

Class A . . . . .	0.25%
Class A1 . . . . .	0.10%
Class C . . . . .	0.65%

Distributors has agreed to limit the current rate to 0.10% per year for Class A1.

#### d. Sales Charges/Underwriting Agreements

Front-end sales charges and contingent deferred sales charges (CDSC) do not represent expenses of the Fund. These charges are deducted from the proceeds of sales of Fund shares prior to investment or from redemption proceeds prior to remittance, as applicable. Distributors has advised the Fund of the following commission transactions related to the sales and redemptions of the Fund's shares for the period:

## Franklin California High Yield Municipal Fund (continued)

### 3. Transactions with Affiliates (continued)

#### d. Sales Charges/Underwriting Agreements (continued)

Sales charges retained net of commissions paid to unaffiliated brokers/dealers . . . . .	\$7,981
CDSC retained . . . . .	\$35,497

#### e. Transfer Agent Fees

Each class of shares pays transfer agent fees to Investor Services for its performance of shareholder servicing obligations. Effective October 1, 2022, the fees are based on an annualized asset based fee of 0.016% plus a reduced transaction based fee. Prior to October 1, 2022, the fees were based on an annualized asset based fee of 0.02% plus a transaction based fee. In addition, each class reimburses Investor Services for out of pocket expenses incurred and, except for Class R6, reimburses shareholder servicing fees paid to third parties. These fees are allocated daily based upon their relative proportion of such classes' aggregate net assets. Class R6 pays Investor Services transfer agent fees specific to that class.

For the period ended August 31, 2023, the Fund paid transfer agent fees of \$839,362, of which \$272,559 was retained by Investor Services.

#### f. Waiver and Expense Reimbursements

Advisers has contractually agreed in advance to waive or limit its fees and to assume as its own expense certain expenses otherwise payable by the Fund so that the operating expenses (excluding distribution fees, acquired fund fees and expenses and certain non-routine expenses or costs, including those relating to litigation, indemnification, reorganizations, and liquidations) for each class of the Fund do not exceed 0.65%, based on the average net assets of each class until June 30, 2024. Total expenses waived or paid are not subject to recapture subsequent to the Fund's fiscal year end.

Investor Services has contractually agreed in advance to waive or limit its fees so that the Class R6 transfer agent fees do not exceed 0.03% based on the average net assets of the class until June 30, 2024.

#### g. Interfund Transactions

The Fund engaged in purchases and sales of investments with funds or other accounts that have common investment managers (or affiliated investment managers), directors, trustees or officers. During the period ended August 31, 2023, these purchase and sale transactions aggregated \$61,725,000 and \$39,950,000, respectively.

### 4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the period ended August 31, 2023, the custodian fees were reduced as noted in the Statement of Operations.

### 5. Income Taxes

For tax purposes, capital losses may be carried over to offset future capital gains.

At February 28, 2023, the capital loss carryforwards were as follows:

Capital loss carryforwards not subject to expiration:

Short term . . . . .	\$100,421,774
Long term . . . . .	42,389,828
Total capital loss carryforwards . . . . .	<u>\$142,811,602</u>

## Franklin California High Yield Municipal Fund (continued)

### 5. Income Taxes (continued)

At August 31, 2023, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	\$2,620,462,672
Unrealized appreciation	\$84,954,914
Unrealized depreciation	(224,672,437)
Net unrealized appreciation (depreciation)	\$(139,717,523)

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of defaulted securities, wash sales and bond discounts and premiums.

### 6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the period ended August 31, 2023, aggregated \$166,727,479 and \$141,943,418, respectively.

### 7. Credit Risk and Defaulted Securities

At August 31, 2023, the Fund had 35.2% of its portfolio invested in high yield securities, senior secured floating rate loans, or other securities rated below investment grade as determined by Nationally Recognized Statistical Credit Ratings Organizations and/or internally, by investment management and unrated securities. These securities may be more sensitive to economic conditions causing greater price volatility and are potentially subject to a greater risk of loss due to default than higher rated securities.

The Fund held defaulted securities and/or other securities for which the income has been deemed uncollectible. At August 31, 2023, the aggregate value of these securities was \$45,479,868, representing 1.8% of the Fund's net assets. The Fund discontinues accruing income on securities for which income has been deemed uncollectible and provides an estimate for losses on interest receivable. The securities have been identified in the accompanying Schedule of Investments.

### 8. Concentration of Risk

The Fund invests a large percentage of its total assets in obligations of issuers within its California and U.S. territories. Such concentration may subject the Fund to risks associated with industrial or regional matters, and economic, political or legal developments occurring within California and U.S. territories. Investments in these securities are sensitive to interest rate changes and credit risk of the issuer and may subject the Fund to increased market volatility. The market for these investments may be limited, which may make them difficult to buy or sell.

### 9. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2.675 billion (Global Credit Facility) which matures on February 2, 2024. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers,



## Franklin California High Yield Municipal Fund (continued)

### 9. Credit Facility (continued)

including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the period ended August 31, 2023, the Fund did not use the Global Credit Facility.

### 10. Fair Value Measurements

The Fund follows a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Fund's own market assumptions (unobservable inputs). These inputs are used in determining the value of the Fund's financial instruments and are summarized in the following fair value hierarchy:

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments)

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

A summary of inputs used as of August 31, 2023, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
<b>Franklin California High Yield Municipal Fund</b>				
<b>Assets:</b>				
Investments in Securities:				
Corporate Bonds:				
Commercial Services & Supplies . . . . .	\$—	\$—	\$20,350,000	\$20,350,000
Diversified Consumer Services . . . . .	—	40,973,773	—	40,973,773
Electric Utilities . . . . .	—	9,564,284	—	9,564,284
Municipal Bonds:				
California . . . . .	—	2,146,215,091	—	2,146,215,091
Florida . . . . .	—	14,536,992	—	14,536,992
Minnesota . . . . .	—	3,179,893	—	3,179,893
Texas . . . . .	—	8,948,274	—	8,948,274
Virgin Islands . . . . .	—	5,469,762	—	5,469,762
Virginia . . . . .	—	4,938,409	—	4,938,409
Wisconsin . . . . .	—	16,243,544	—	16,243,544
U.S. Territories . . . . .				
Guam . . . . .	—	27,072,537	—	27,072,537
Pacific Islands . . . . .	—	3,208,589	—	3,208,589
Puerto Rico . . . . .	—	119,073,639	39,760,165	158,833,804
Escrows and Litigation Trusts . . . . .	—	—	2,425,197	2,425,197
Short Term Investments . . . . .	—	18,785,000	—	18,785,000
Total Investments in Securities . . . . .	\$—	\$2,418,209,787	\$62,535,362	\$2,480,745,149

## Franklin California High Yield Municipal Fund (continued)

### 10. Fair Value Measurements (continued)

A reconciliation of assets in which Level 3 inputs are used in determining fair value is presented when there are significant Level 3 assets and/or liabilities at the beginning and/or end of the period. At August 31, 2023, the reconciliation is as follows:

	Balance at Beginning of Period	Purchases <sup>a</sup>	Sales	Transfer Into Level 3 <sup>b</sup>	Transfer Out of Level 3	Net Accretion (Amortiza- tion)	Net Realized Gain (Loss)	Net Unrealized Appreciation (Depreciation)	Balance at End of Period	Net Change in Unrealized Appreciation (Depreciation) on Assets Held at Period End
<b>Franklin California High Yield Municipal Fund</b>										
<b>Assets:</b>										
Investments in Securities:										
Corporate Bonds:										
United States . . . . .	\$3,135,000	\$4,030,000	\$—	\$13,262,789	\$—	\$—	\$—	\$(77,789)	\$20,350,000	\$(77,789)
Municipal Bonds:										
United States . . . . .	—	38,139,247	—	—	—	—	—	1,620,918	39,760,165	1,620,918
Escrows and Litigation Trusts . . . . .	—	— <sup>c</sup>	—	—	—	—	—	2,425,197	2,425,197	2,425,197
Total Investments in Securities . . . . .	\$3,135,000	\$42,169,247	\$—	\$13,262,789	\$—	\$—	\$—	\$3,968,326	\$62,535,362	\$3,968,326

<sup>a</sup>Purchases include all purchases of securities and securities received in corporate actions.

<sup>b</sup>Transferred into level 3 as a result of the unavailability of a quoted market price in an active market for identical securities or as a result of the unreliability of the foreign exchange rate and other significant observable valuation inputs. May include amounts related to a corporate action.

<sup>c</sup>Includes financial instruments determined to have no value.

### 11. Subsequent Events

The Fund has evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure.

## Abbreviations

### Selected Portfolio

<b>1915 Act</b>	Improvement Bond Act of 1915
<b>AGMC</b>	Assured Guaranty Municipal Corp.
<b>BAM</b>	Build America Mutual Assurance Co.
<b>COP</b>	Certificate of Participation
<b>ETM</b>	Escrowed to Maturity
<b>FHLMC</b>	Federal Home Loan Mortgage Corp.
<b>FRN</b>	Floating Rate Note
<b>GO</b>	General Obligation
<b>LOC</b>	Letter of Credit
<b>NATL</b>	National Reinsurance Corp.
<b>SPA</b>	Standby Purchase Agreement

## Shareholder Information

### Board Approval of Investment Management Agreements

#### **FRANKLIN MUNICIPAL SECURITIES TRUST** **Franklin California High Yield Municipal Fund**

At an in-person meeting held on April 18, 2023 (Meeting), the Board of Trustees (Board) of Franklin Municipal Securities Trust (Trust), including a majority of the trustees who are not “interested persons” as defined in the Investment Company Act of 1940 (Independent Trustees), reviewed and approved the continuance of the investment management agreement between Franklin Advisers, Inc. (Manager) and the Trust, on behalf of the Fund (Management Agreement) for an additional one-year period. The Independent Trustees received advice from and met separately with Independent Trustee counsel in considering whether to approve the continuation of the Management Agreement.

In considering the continuation of the Management Agreement, the Board reviewed and considered information provided by the Manager at the Meeting and throughout the year at meetings of the Board and its committees. The Board also reviewed and considered information provided in response to a detailed set of requests for information submitted to the Manager by Independent Trustee counsel on behalf of the Independent Trustees in connection with the annual contract renewal process. In addition, prior to the Meeting, the Independent Trustees held a virtual contract renewal meeting at which the Independent Trustees first conferred amongst themselves and Independent Trustee counsel about contract renewal matters; and then met with management to request additional information that the Independent Trustees reviewed and considered prior to and at the Meeting. The Board reviewed and considered all of the factors it deemed relevant in approving the continuance of the Management Agreement, including, but not limited to: (i) the nature, extent and quality of the services provided by the Manager; (ii) the investment performance of the Fund; (iii) the costs of the services provided and profits realized by the Manager and its affiliates from the relationship with the Fund; (iv) the extent to which economies of scale are realized as the Fund grows; and (v) whether fee levels reflect these economies of scale for the benefit of Fund investors.

In approving the continuance of the Management Agreement, the Board, including a majority of the Independent Trustees, determined that the terms of the Management Agreement are fair and reasonable and that the continuance of the Management Agreement is in the

best interests of the Fund and its shareholders. While attention was given to all information furnished, the following discusses some primary factors relevant to the Board’s determination.

#### **Nature, Extent and Quality of Services**

The Board reviewed and considered information regarding the nature, extent and quality of investment management services provided by the Manager and its affiliates to the Fund and its shareholders. This information included, among other things, the qualifications, background and experience of the senior management and investment personnel of the Manager, as well as information on succession planning where appropriate; the structure of investment personnel compensation; oversight of third-party service providers; investment performance reports and related financial information for the Fund; reports on expenses and shareholder services; legal and compliance matters; risk controls; pricing and other services provided by the Manager and its affiliates; and management fees charged by the Manager and its affiliates to US funds and other accounts, including management’s explanation of differences among accounts where relevant. The Board also reviewed and considered an annual report on payments made by Franklin Templeton (FT) or the Fund to financial intermediaries, as well as a memorandum relating to third-party servicing arrangements. The Board acknowledged management’s continued development of strategies to address areas of heightened concern in the mutual fund industry, including various regulatory initiatives and continuing geopolitical concerns.

The Board also reviewed and considered the benefits provided to Fund shareholders of investing in a fund that is part of the FT family of funds. The Board noted the financial position of Franklin Resources, Inc. (FRI), the Manager’s parent, and its commitment to the mutual fund business as evidenced by its reassessment of the fund offerings in response to the market environment and project initiatives and capital investments relating to the services provided to the Fund by the FT organization. The Board specifically noted FT’s commitment to technological innovation and advancement and investments to promote alternative investing.

Following consideration of such information, the Board was satisfied with the nature, extent and quality of services provided by the Manager and its affiliates to the Fund and its shareholders.

## Fund Performance

The Board reviewed and considered the performance results of the Fund over various time periods ended December 31, 2022. The Board considered the performance returns for the Fund in comparison to the performance returns of mutual funds deemed comparable to the Fund included in a universe (Performance Universe) selected by Broadridge Financial Solutions, Inc. (Broadridge), an independent provider of investment company data. The Board received a description of the methodology used by Broadridge to select the mutual funds included in a Performance Universe. The Board also reviewed and considered Fund performance reports provided and discussions that occurred with portfolio managers at Board meetings throughout the year. A summary of the Fund's performance results is below.

The Performance Universe for the Fund included the Fund and all retail and institutional California municipal debt funds. The Board noted that the Fund's annualized income return for the one-, three-, five- and 10-year periods was above the median and in the first quintile (best) of its Performance Universe. The Board also noted that the Fund's annualized total return for the three-, five-, and 10-year periods was above the median of its Performance Universe, but for the one-year period was below the median of its Performance Universe. The Board further noted management's view regarding the income-related attributes of the Fund (e.g., a fund's investment objective) as set forth in the Fund's registration statement and that the evaluation of the Fund's performance relative to its peers on an income return basis was appropriate given these attributes. The Board concluded that the Fund's performance was satisfactory.

## Comparative Fees and Expenses

The Board reviewed and considered information regarding the Fund's actual total expense ratio and its various components, including, as applicable, management fees; transfer agent expenses; underlying fund expenses; Rule 12b-1 and non-Rule 12b-1 service fees; and other non-management fees. The Board also noted the quarterly and annual reports it receives on all marketing support payments made by FT to financial intermediaries. The Board considered the actual total expense ratio and, separately, the contractual management fee rate, without the effect of fee waivers, if any (Management Rate) of the Fund in comparison to the median expense ratio and median Management Rate, respectively, of other mutual funds deemed comparable to and with a similar expense structure to the Fund selected by Broadridge (Expense Group). Broadridge fee and expense data is based upon information taken from each fund's most recent annual or semi-annual report, which reflects historical asset levels that may be

quite different from those currently existing, particularly in a period of market volatility. While recognizing such inherent limitation and the fact that expense ratios and Management Rates generally increase as assets decline and decrease as assets grow, the Board believed the independent analysis conducted by Broadridge to be an appropriate measure of comparative fees and expenses. The Broadridge Management Rate includes administrative charges, and the actual total expense ratio, for comparative consistency, was shown for Class A1 shares for the Fund and for Class A shares and Class M shares for the other funds in the Fund's Expense Group. The Board received a description of the methodology used by Broadridge to select the mutual funds included in the Expense Group.

The Expense Group for the Fund included the Fund and 10 other California municipal debt funds. The Board noted that the Management Rate for the Fund was slightly above the median of its Expense Group. The Board also noted that the actual total expense ratio for the Fund was below the median and in the first quintile (least expensive) of its Expense Group. The Board concluded that the Management Rate charged to the Fund is reasonable.

## Profitability

The Board reviewed and considered information regarding the profits realized by the Manager and its affiliates in connection with the operation of the Fund. In this respect, the Board considered the Fund profitability analysis provided by the Manager that addresses the overall profitability of FT's US fund business, as well as its profits in providing investment management and other services to each of the individual funds during the 12-month period ended September 30, 2022, being the most recent fiscal year-end for FRI. The Board noted that although management continually makes refinements to its methodologies used in calculating profitability in response to organizational and product-related changes, the overall methodology has remained consistent with that used in the Fund's profitability report presentations from prior years. The Board also noted that PricewaterhouseCoopers LLP, auditor to FRI and certain FT funds, has been engaged by the Manager to periodically review and assess the allocation methodologies to be used solely by the Fund's Board with respect to the profitability analysis.

The Board noted management's belief that costs incurred in establishing the infrastructure necessary for the type of mutual fund operations conducted by the Manager and its affiliates may not be fully reflected in the expenses allocated to the Fund in determining its profitability, as well as the fact that the level of profits, to a certain extent, reflected operational cost savings and efficiencies initiated

by management. As part of this evaluation, the Board considered management's outsourcing of certain operations, which effort has required considerable up-front expenditures by the Manager but, over the long run is expected to result in greater efficiencies. The Board also noted management's expenditures in improving shareholder services provided to the Fund, as well as the need to implement systems and meet additional regulatory and compliance requirements resulting from recent US Securities and Exchange Commission and other regulatory requirements.

The Board also considered the extent to which the Manager and its affiliates might derive ancillary benefits from fund operations, including revenues generated from transfer agent services, potential benefits resulting from personnel and systems enhancements necessitated by fund growth, as well as increased leverage with service providers and counterparties. Based upon its consideration of all these factors, the Board concluded that the level of profits realized by the Manager and its affiliates from providing services to the Fund was not excessive in view of the nature, extent and quality of services provided to the Fund.

### **Economies of Scale**

The Board reviewed and considered the extent to which the Manager may realize economies of scale, if any, as the Fund grows larger and whether the Fund's management fee structure reflects any economies of scale for the benefit of shareholders. With respect to possible economies of scale, the Board noted the existence of management fee breakpoints, which operate generally to share any economies of scale with the Fund's shareholders by reducing the Fund's effective management fees as the Fund grows in size. The Board considered the Manager's view that any analyses of potential economies of scale in managing a particular fund are inherently limited in light of the joint and common costs and investments the Manager incurs across the FT family of funds as a whole. The Board concluded that, to the extent economies of scale may be realized by the Manager and its affiliates, the Fund's management fee structure provided a sharing of benefits with the Fund and its shareholders as the Fund grows.

### **Conclusion**

Based on its review, consideration and evaluation of all factors it believed relevant, including the above-described factors and conclusions, the Board unanimously approved the continuation of the Management Agreement for an additional one-year period.

## **Liquidity Risk Management Program**

Each of the Franklin Templeton and Legg Mason Funds has adopted and implemented a written Liquidity Risk Management Program (the "LRMP") as required by Rule 22e-4 under the Investment Company Act of 1940 (the "Liquidity Rule"). The LRMP is designed to assess and manage each Fund's liquidity risk, which is defined as the risk that the Fund could not meet requests to redeem shares issued by the Fund without significant dilution of remaining investors' interests in the Fund. In accordance with the Liquidity Rule, the LRMP includes policies and procedures that provide for: (1) assessment, management, and review (no less frequently than annually) of each Fund's liquidity risk; (2) classification of each Fund's portfolio holdings into one of four liquidity categories (Highly Liquid, Moderately Liquid, Less Liquid, and Illiquid); (3) for Funds that do not primarily hold assets that are Highly Liquid, establishing and maintaining a minimum percentage of the Fund's net assets in Highly Liquid investments (called a "Highly Liquid Investment Minimum" or "HLIM"); and (4) prohibiting the Fund's acquisition of Illiquid investments that would result in the Fund holding more than 15% of its net assets in Illiquid assets. The LRMP also requires reporting to the Securities and Exchange Commission ("SEC") (on a non-public basis) and to the Board if the Fund's holdings of Illiquid assets exceed 15% of the Fund's net assets. Funds with HLIMs must have procedures for addressing HLIM shortfalls, including reporting to the Board and, with respect to HLIM shortfalls lasting more than seven consecutive calendar days, reporting to the SEC (on a non-public basis).

The Director of Liquidity Risk within the Investment Risk Management Group (the "IRMG") is the appointed Administrator of the LRMP. The IRMG maintains the Investment Liquidity Committee (the "ILC") to provide oversight and administration of policies and procedures governing liquidity risk management for Franklin Templeton and Legg Mason products and portfolios. The ILC includes representatives from Franklin Templeton's Risk, Trading, Global Compliance, Legal, Investment Compliance, Investment Operations, Valuation Committee, Product Management and Global Product Strategy.

In assessing and managing each Fund's liquidity risk, the ILC considers, as relevant, a variety of factors, including the Fund's investment strategy and the liquidity of its portfolio investments during both normal and reasonably foreseeable stressed conditions; its short and long-term cash flow projections; and its cash holdings and access to other funding sources including the Funds' interfund lending facility and line of credit. Classification of the Fund's portfolio holdings in the four liquidity categories is based on the

number of days it is reasonably expected to take to convert the investment to cash (for Highly Liquid and Moderately Liquid holdings) or sell or dispose of the investment (for Less Liquid and Illiquid investments), in current market conditions without significantly changing the investment's market value.

Each Fund primarily holds liquid assets that are defined under the Liquidity Rule as "Highly Liquid Investments," and therefore is not required to establish an HLIM. Highly Liquid Investments are defined as cash and any investment reasonably expected to be convertible to cash in current market conditions in three business days or less without the conversion to cash significantly changing the market value of the investment.

At meetings of the Funds' Board of Trustees held in May 2023, the Program Administrator provided a written report to the Board addressing the adequacy and effectiveness of the program for the year ended December 31, 2022. The Program Administrator report concluded that (i.) the LRMP, as adopted and implemented, remains reasonably designed to assess and manage each Fund's liquidity risk; (ii.) the LRMP, including the Highly Liquid Investment Minimum ("HLIM") where applicable, was implemented and operated effectively to achieve the goal of assessing and managing each Fund's liquidity risk; and (iii.) each Fund was able to meet requests for redemption without significant dilution of remaining investors' interests in the Fund.

## Proxy Voting Policies and Procedures

The Fund's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Fund uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Fund's complete Policies online at [franklintempleton.com](http://franklintempleton.com). Alternatively, shareholders may request copies of the Policies free of charge by calling the Proxy Group collect at (954) 527-7678 or by sending a written request to: Franklin Templeton Companies, LLC, 300 S.E. 2nd Street, Fort Lauderdale, FL 33301, Attention: Proxy Group. Copies of the Fund's proxy voting records are also made available online at [franklintempleton.com](http://franklintempleton.com) and posted on the U.S. Securities and Exchange Commission's website at [sec.gov](http://sec.gov) and reflect the most recent 12-month period ended June 30.

## Quarterly Schedule of Investments

The Trust, on behalf of the Fund, files a complete schedule of investments with the U.S. Securities and Exchange Commission for the first and third quarters for each fiscal year as an exhibit to its report on Form N-PORT. Shareholders may view the filed Form N-PORT by visiting

the Commission's website at [sec.gov](http://sec.gov). The filed form may also be viewed and copied at the Commission's Public Reference Room in Washington, DC. Information regarding the operations of the Public Reference Room may be obtained by calling (800) SEC-0330.

## Householding of Reports and Prospectuses

You will receive, or receive notice of the availability of, the Fund's financial reports every six months. In addition, you will receive an annual updated summary prospectus (detail prospectus available upon request). To reduce Fund expenses, we try to identify related shareholders in a household and send only one copy of the financial reports (to the extent received by mail) and summary prospectus. This process, called "householding," will continue indefinitely unless you instruct us otherwise. If you prefer not to have these documents househanded, please call us at (800) 632-2301. At any time you may view current prospectuses/summary prospectuses and financial reports on our website. If you choose, you may receive these documents through electronic delivery.

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Authorized for distribution only when accompanied or preceded by a summary prospectus and/or prospectus. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. A prospectus contains this and other information; please read it carefully before investing.

To help ensure we provide you with quality service, all calls to and from our service areas are monitored and/or recorded.



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