



The municipal bond experts

Three reasons to choose Franklin:
experience, research and value

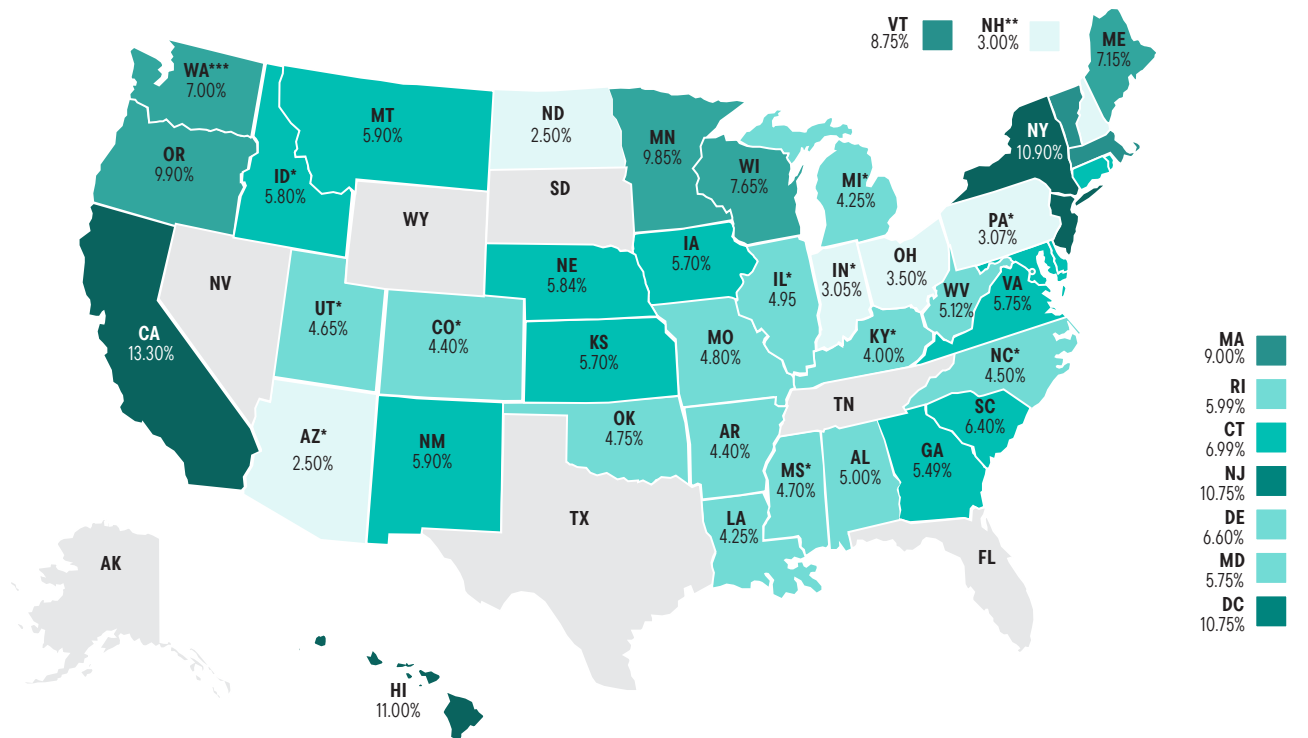


Municipal bonds can meet many investors' needs

Wherever you may live, municipal bonds can provide an important dimension to your fixed income portfolio. Virtually every state and major municipality offers them, with the income nearly always exempt from federal income taxes, and in some cases exempt from state or local income taxes as well. That's why Franklin can offer customized state-specific strategies that offer "double" exemption from both federal and state taxes—backed by our extensive experience, in-depth research and value-driven security selection.¹

Residents of high-tax states may find municipal bonds of special interest. Yet the sector can be attractive to a wide range of investors, with credit quality second only to US government-related issuers.

Feeling the tax bite?



Note: Map shows top marginal rates: the maximum statutory rate in each state. This map does not show effective marginal tax rates, which would include the effects of phase-outs of various tax preferences. Local income taxes are not included.²

(*) State has a flat income tax.

(**) State only taxes interest and dividends income.

(***) State only taxes capital gains income.

Sources: Tax Foundation; state tax statutes, forms and instructions; Bloomberg Tax.

Top state marginal individual income tax rates



1. Municipal income may be subject to state and local taxes. Some income may be subject to the federal alternative minimum tax for certain investors. Capital gains, if any, are taxable.

2. Source: Tax Foundation. As of January 2024. Most recent data available.

Not FDIC Insured | No Bank Guarantee | May Lose Value

Three reasons investors choose Franklin for municipal bond management

1 | Our experienced investment management team

Franklin is one of the largest muni bond managers in the United States, and has been managing tax-free income strategies for over 40 years. Franklin introduced the first double tax-free (federal and state) income fund in the state of California in 1981. Our municipal bond team worked directly with the California state legislature to make this product a reality for investors. Since then, we've grown our product lineup to meet the tax-free income needs of clients across the country.



With a research team of 27 investment professionals, we have the scale, resources and experience navigating through multiple market cycles to help uncover opportunities and identify indications of risk others may miss.³

Muni market coverage

\$66 billion

in municipal bond assets under management³

27

investment professionals³

24 years

of financial industry experience, on average³

20 years

of firm experience, on average³

12

research analysts³



Ben Barber
SVP, Director of Municipal Bonds
Years of industry experience: 34



Jennifer Johnston
SVP, Director Municipal Research
Years of industry experience: 33

Research Analyst Team and Sector Coverage

Research Analysts

Area of Focus

Jennifer Johnston	St & Local Gov/K12/Dedicated Tax
Harold Burger, CFA	Project Finance/Tobacco/Transportation/Utilities
Rafael Cabral	Hospitals/Senior Living
Kelley Birch Clement	Utilities/Project Finance/Housing
Michael D'Agostino	Higher Education/Land Secured/Senior Living
James DiPetrillo, CFA	Charter Schools/Land Secured
Valerie Coggins	Charter Schools/Hospitals
Kristen Lambert, CFA	Charter Schools/Senior Living
Ross Milne, CFA	Higher Education/Housing
Vander Shanholt, CFA	Housing/Tobacco/Insurance Companies
Michael Shepard	Transportation/Land Secured/Senior Living
Lisa Shirley, CFA	Land Secured/Higher Education

Quantitative and Risk Resources

Area of Focus

Luis Toro, CFA	Portfolio Construction & Risk
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³. As of December 31, 2025. Municipal bond assets under management figure includes US retail municipal bond fund assets and separately managed accounts.

2 | An active, research-driven approach

- Investing in municipal bonds can be difficult because the municipal bond market is vast in size and complex, with a fragmented trading system making it difficult to navigate.
- We believe an active, research-driven approach is best suited to identify and potentially benefit from opportunities created by inefficiencies in the marketplace.
- Franklin's deep team of seasoned investment professionals and vast research capabilities allow us to gather a detailed and comprehensive perspective on individual bond issuer's creditworthiness and economic health.

Why is the muni market inefficient?

50,000+

issuers for municipal securities, compared to **6,000** for corporate securities⁴

10,000+

new issues are priced each year; a large number of those issuers are infrequent participants⁵

70+%

of municipal bonds are held by individual investors, some of whom represent direct holders of bonds⁶

1,000,000

distinct municipal bonds, compared to **40,000** distinct corporate bonds⁵



4. Source: Municipal Securities Rulemaking Board (MSRB) as of December 31, 2024. Most recent data available.

5. Source: Bloomberg.

6. Source: Federal Reserve. Represents all municipal bonds held by individuals in a brokerage account or through a commingled vehicle.

3 | A focus on attractive risk-adjusted returns

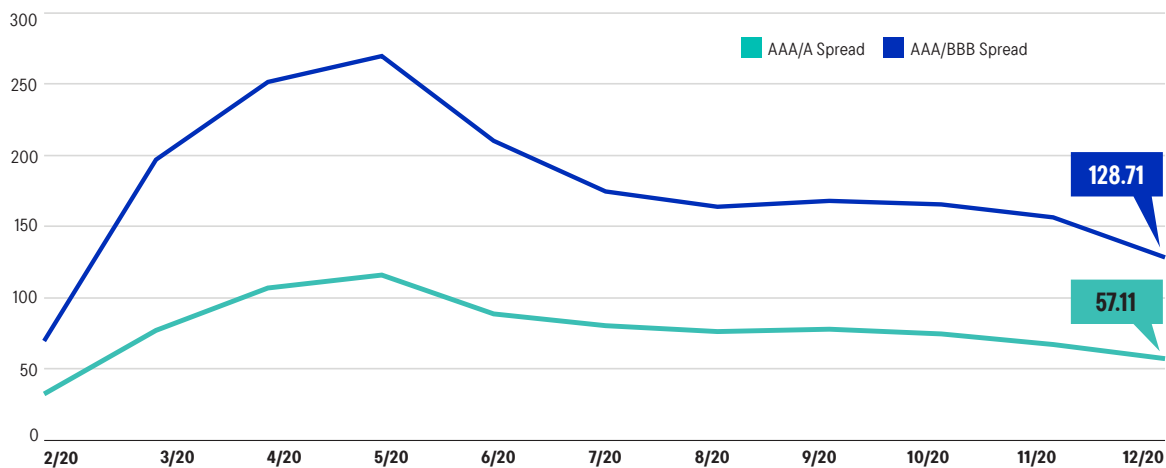
We believe our rigorous research capabilities are an advantage in seeking out value opportunities in the municipal market—up and down the yield curve, across the entire term structure, around the country and across the full credit spectrum. Leveraging the collective experience of our entire team, we apply an active and research-driven approach that seeks to provide tax-efficient portfolios and optimize risk.

Our team places a premium on risk management, which is fully incorporated into our process. We are generally patient when times are good and active when volatility increases. Unlike aggressive strategies which run a greater risk of becoming forced sellers, periods of stress have often been when we are able to capitalize on opportunities that can enhance a portfolio's income earning potential.

For example, our portfolio managers were able to opportunistically take advantage of the widening credit spreads in 2020.

Municipal Spreads—AAA/A and AAA/BBB⁷

February 2020–December 2020



Market Opportunity

- Municipal bond credit spreads widened significantly in March 2020, during the major start of social distancing and lockdowns
- In our view, fundamentally sound, higher yielding credits were unfairly impacted by haphazard market sell-off

Franklin's Action

- Our portfolios were conservatively positioned in early 2020 with allocations in investment grade bonds and cash prior to the March 2020 sell-off
- Beginning in March 2020, the Franklin's Municipal Bonds team took advantage of the market opportunity to move down the credit quality curve. We decreased our cash, AAA and AA positions and increased allocations to attractively valued, higher yielding A and BBB rated bonds by September 2020

7. Source: Bloomberg. Municipal spreads are represented by Bloomberg Municipal AAA Index, Bloomberg Municipal A Index, Bloomberg Municipal BAA Index. These indices are subsets of the Bloomberg Municipal Bond Index with an index rating of AAA, A and BBB, respectively. Most recent data available.

There are no assurances that desired outcomes from strategies outlined will be attained.

Index performance returns do not reflect any management fees, transaction costs or expenses. One cannot invest directly in an index.

Franklin's full suite of municipal products

Mutual Funds

National

- Franklin Federal Tax-Free Income Fund (FAFTX)
- Franklin Federal Intermediate-Term Tax-Free Income Fund (FITZX)
- Franklin Federal Limited-Term Tax-Free Income Fund (FTFZX)
- Franklin High Yield Tax-Free Income Fund (FHYVX)
- Putnam Strategic Intermediate Municipal Bond Fund (PAMYX)

State-specific fund offerings

- Alabama
- Arizona
- California
- Colorado
- Connecticut
- Georgia
- Louisiana
- Maryland
- Massachusetts
- Michigan
- Minnesota
- Missouri
- New Jersey
- New York
- North Carolina
- Ohio
- Oregon
- Pennsylvania
- Virginia

Exchange-Traded Funds (ETFs)

National

- Franklin Dynamic Municipal Bond ETF (FLMI)
- Franklin Municipal Green Bond ETF (FLMB)
- Franklin Municipal Income ETF (FTMU)
- Franklin Short-Term Municipal Income ETF (FTMS)
- Franklin Municipal High Yield ETF (FTMH)

State-specific ETF offerings

- California
- Massachusetts
- Minnesota
- New Jersey
- New York
- Ohio
- Pennsylvania

Separately Managed Accounts (SMA)

Investors can take advantage of the potential benefits that come with having their assets managed on a separate account basis. SMAs allow us to consider a client's unique investment goals, risk tolerance, liquidity needs and individual objectives such as control over certain taxes, cash flow and turnover.

With a minimum investment of \$100,000–\$250,000, investors can take advantage of the following strategies:

- High yield
- Intermediate high yield
- Intermediate maturity:
 - Includes national, 22 state-specific and 4 state-preference portfolios⁸
- Limited maturity
- Green bond
- Long maturity
- Enhanced income
- Laddered portfolios:
 - Includes national, 22 state-specific and 4 state-preference portfolios⁸
 - 1–3-year
 - 1–7-year
 - 1–15-year
 - 5–20-year
 - 1–3-year – tax managed
 - 1–7-year – tax managed
 - 1–15-year – tax managed
 - 5–20-year – tax managed

All classes of shares may not be available to all investors or through all distribution channels.

Mutual Funds, ETFs, SMAs and institutional separate accounts offer different choices to access professional investment management, but have important differences including with respect to fees, ownership structure, investment minimums, customization and tax efficiency. Account minimums and other requirements may apply for separately managed accounts and institutional separate accounts.

8. State-specific mandates include Arizona, California, Colorado, Connecticut, Florida, Georgia, Louisiana, Massachusetts, Maryland, Michigan, Missouri, Minnesota, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, South Carolina, Texas, Utah and Virginia. State preference mandates include Alabama, Hawaii, Indiana and Kentucky. At time of implementation, state-specific portfolios will have 100% of the portfolio in the state requested and state preference portfolios will have a minimum of 25% of the portfolio in the state requested. Certain state-specific portfolios may not be available in all programs. Additional state-specific portfolios may be available upon request and are subject to review. Strategy availability may vary by firm. Please contact your financial professional or sponsor firm for availability.

**To learn more about our suite of
municipal products and how they
can help reach your financial goals,
talk to your financial professional.**

WHAT ARE THE RISKS?

All investments involve risks, including possible loss of principal. Fixed income securities involve interest rate, credit, inflation and reinvestment risks, and possible loss of principal. As interest rates rise, the value of fixed income securities falls. **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. **Active management** does not ensure gains or protect against market declines. An investor may be subject to the federal **Alternative Minimum Tax**, and state and local taxes may apply. These and other risks are discussed in the fund's prospectus. *For state-specific fund offerings:* 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. *Franklin Municipal Green Bond ETF:* **Green bonds** may not result in direct environmental benefits, and the issuer may not use proceeds as intended or to appropriate new or additional projects. The managers' **environmental, social and governance (ESG)** strategies may limit the types and number of investments available and, as a result, may forgo favorable market opportunities or underperform strategies that are not subject to such criteria. There is no guarantee that the strategy's ESG directives will be successful or will result in better performance.

GLOSSARY

Marginal rate: The tax rate paid on an additional dollar of income.

Statutory rate: The percentage of income that can be taxed by the government.

Yield to worst: This is the lowest yield generated, given the potential stated calls prior to maturity.

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

ETFs trade like stocks, fluctuate in market value and may trade at prices above or below their net asset value.

Brokerage commissions and ETF expenses will reduce returns. ETF shares may be bought or sold throughout the day at their market price, not their Net Asset Value (NAV), on the exchange on which they are listed. Shares of ETFs are tradable on secondary markets and may trade either at a premium or a discount to their NAV on the secondary market. Retail investors buy and sell shares of ETFs at market price (not NAV) in the secondary market throughout the trading day. These shares are not individually available for purchase or redemption directly from the ETF.

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