

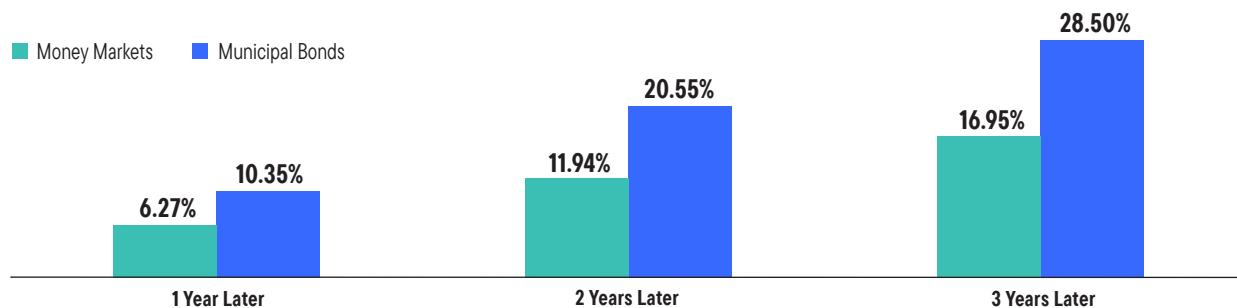
Why the opportunities in munis are clear

1 | A Fed rate cut cycle may boost muni returns

Historically, municipal bonds have exhibited strong returns relative to money markets for several years following the start of a Fed rate cutting cycle.

Average Total Returns Following Initial Fed Rate Cuts¹

January 1, 1982–September 30, 2025

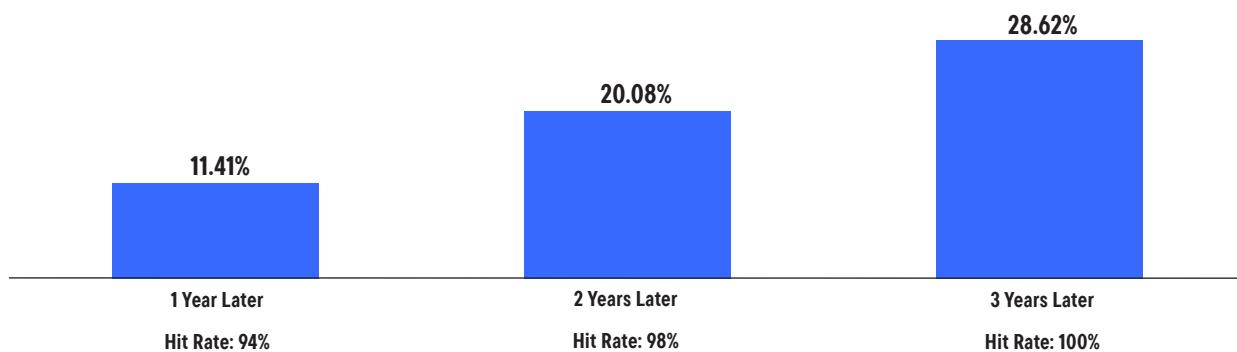


2 | A muni bounce back?

Municipal bonds have historically exhibited strong recoveries following periods of negative 12-month returns, a threshold that was triggered in 3Q 2025.

Average Total Returns Following a Negative 12-Month Return²

January 1, 1980–September 30, 2025



All charts are for illustrative purposes only and do not reflect the performance of any Franklin Templeton affiliated fund. Past performance does not guarantee future results.

1. Sources: Bloomberg, Federal Reserve. For initial Federal Reserve cut dates on 4/15/82, 9/20/84, 11/4/87, 6/5/89, 7/6/95, 9/29/98, 1/3/01, 9/18/07 and 7/31/19. Money Markets and Municipal Bonds are represented by the ICE BofA 3-Month US Treasury Bill and Bloomberg Municipal Bond Indexes, respectively. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

2. Sources: Bloomberg, FactSet. Analysis based on 64 rolling 12-month periods since January 1, 1980 where the Bloomberg Municipal Bond Index was negative. Hit rate represents the percentage of time the subsequent 1-, 2- and 3-year returns were positive following a negative 12-month return.

3. Sources: Bloomberg, Tax Foundation, Bureau of Labor Statistics. As of 12/31/24. Inflation is represented by the Consumer Price Index. Real returns are the total return adjusted for inflation, and in the case of Money Markets, taxes. Beginning in 2013, the maximum federal tax rate includes the 3.8% net investment income surtax from the Affordable Care Act.

4. Sources: Bloomberg, Morningstar. Measures the sensitivity to interest rates of different municipal bond sectors. Calculated based on the yield, convexity and duration as of 9/30/25, assuming a 1% parallel shift up or down in the yields of the following Bloomberg indices: Municipal High Yield (High Yield Munis), Municipal Bond (Municipal Bonds), Municipal 1-15Y Blend (Intermediate Municipal Bonds), Municipal Short-Term (Short-Term Munis). There is no assurance that any estimate, forecast or projection will be realized. Indexes are unmanaged, and one cannot invest directly in an index.

3

Muni bonds have a “real” advantage

For money market funds or other cash-equivalent investments, taxes and inflation may eat away much of the income earned. Tax-free muni bonds may be an attractive alternative, particularly for high income earners.^{1,3}

Year	Money Markets	Municipal Bonds	Inflation	Maximum Federal Tax Rate	Real Money Markets Return	Real Municipal Bonds Return
2010	0.13%	2.38%	1.50%	35.00%	-1.40%	0.87%
2011	0.10%	10.70%	3.00%	35.00%	-2.85%	7.48%
2012	0.11%	6.78%	1.70%	35.00%	-1.60%	5.00%
2013	0.07%	-2.55%	1.50%	43.40%	-1.44%	-3.99%
2014	0.03%	9.05%	0.80%	43.40%	-0.77%	8.19%
2015	0.05%	3.30%	0.70%	43.40%	-0.67%	2.58%
2016	0.33%	0.25%	2.10%	43.40%	-1.88%	-1.81%
2017	0.85%	5.45%	2.10%	43.40%	-1.58%	3.28%
2018	1.88%	1.28%	1.90%	40.80%	-0.77%	-0.61%
2019	2.28%	7.54%	2.30%	40.80%	-0.93%	5.12%
2020	0.67%	5.21%	1.40%	40.80%	-0.99%	3.76%
2021	0.05%	1.52%	7.00%	40.80%	-6.51%	-5.12%
2022	1.46%	-8.53%	6.50%	40.80%	-5.29%	-14.11%
2023	5.01%	6.40%	3.40%	40.80%	-0.42%	2.90%
2024	5.25%	1.05%	2.85%	40.80%	0.25%	-1.75%

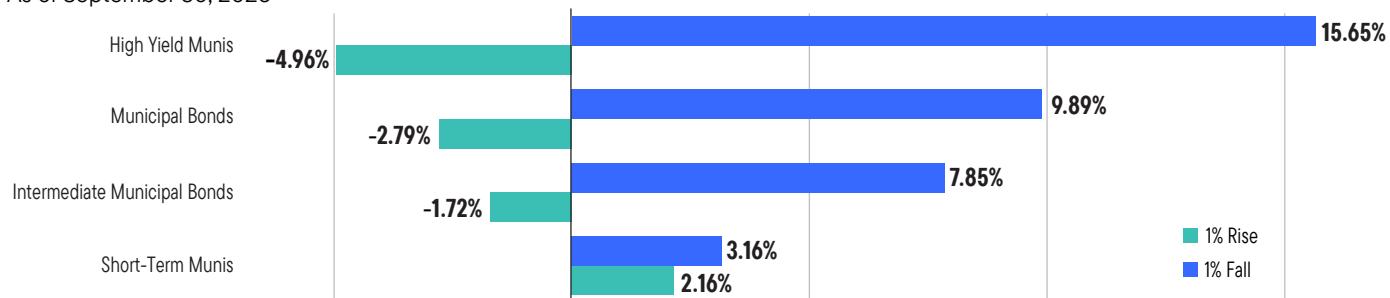
4 |

The potential upside may outweigh the potential downside

If rates rise by one percentage point, some muni categories may experience negative returns, however, a one percentage point decline in interest rates could result in strong returns across muni sectors.

Total Return Impact of 1% Rise and 1% Fall in Interest Rates⁴

As of September 30, 2025



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. 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. 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. Liquidity risk exists when securities or other investments become more difficult to sell, or are unable to be sold, at the price at which they have been valued.

Important data provider notices and terms available at www.franklintempletondatasources.com. The **ICE BofA 3-Month US Treasury Bill Index** is an unmanaged index that measures the performance of US denominated Treasury Bills with a remaining term to final maturity equal to 3 months or less. The **Bloomberg Municipal Bond Index** is a broad measure of the municipal bond market with maturities of at least one year. The **Bloomberg Municipal High Yield Index** is a market value-weighted index of high yield municipal bonds. The **Bloomberg Municipal 1-15 Year Blend Index** is a market value-weighted index of investment-grade fixed-rate municipal bonds with maturities of one to 15 years designed to measure the intermediate municipal bond market. The **Bloomberg Municipal Short-Term Index** is a measure of the short-term municipal bond market.