FRANKLIN TEMPLETON INVESTMENTS

FRANKLIN

Multi Strategy Municipal SMA

FRANKLIN SEPARATELY MANAGED ACCOUNTS | PORTFOLIO PROFILE

FOURTH QUARTER 2013

INVESTMENT MANAGEMENT TEAM

Jeff Snyder
Vice President
Senior Portfolio Manager
Director of Portfolio Management & Trading
Years with Firm: 16
Years Industry Experience: 16

Dylan Sanderson
Portfolio Manager
Years with Firm: 10
Years Industry Experience: 10

Nick Bucklin
Assistant Portfolio Manager
Years with Firm: 5
Years Industry Experience: 5

For more information, please contact your Franklin Templeton separately managed account sales team at (800) 822-8464.

INVESTMENT PHILOSOPHY

The investment management team[1] manages portfolios composed primarily of high quality intermediate-term municipal bonds. Using a bottom-up, income-focused strategy, we seek to offer capital preservation and appreciation, along with a high level of current tax-free income.

INVESTMENT PROCESS

Our separately managed accounts (SMA) team invests approximately 60% of the portfolio in individual municipal bonds and approximately 40% of the portfolio in a pooled investment vehicle that invests in high-yield, tax-free municipal securities managed by Franklin Advisors, Inc.

We follow a disciplined approach that focuses on investing in strong credits within the municipal bond sector that we believe can provide attractive tax-free income for our clients. We focus on municipals that meet the strategies' maturity and credit parameters while avoiding riskier credits and bonds subject to the alternative minimum tax. Each holding is analyzed for a variety of factors including coupon structure and call provisions as well as relative value to other securities in the market. By focusing on credits with strong fundamentals and attractive valuations, we seek to construct a high-quality portfolio that does not take undue risk. The process leverages the broad credit research capabilities of the Municipal Bond department at Franklin Templeton when analyzing individual credits. When implementing portfolio positions, the strategy also utilizes the trading capability that comes with being one of the largest municipal bond managers in the market today. We construct portfolios that seek to maximize income without taking undue risk. We do not manage portfolios in anticipation of interest rate movements. Rather, we focus on maximizing tax-exempt income by investing the individual securities portion in high-quality intermediate maturity bonds generally in the 5- to 15-year portion of the curve where we believe the best balance of risk and reward exists. Once constructed, portfolios are then monitored by the municipal bond team to ensure investments remain consistent with investment guidelines and client restrictions.

BENCHMARK

Barclays Municipal Bond Index

Not FDIC Insured | May Lose Value | No Bank Guarantee

Please refer to back page for important compliance information.

COMPOSITE PORTFOLIO CHARACTERISTICS

	Multi Strategy Municipal SMA	Barclays Municipal Bond Index
Weighted Average Maturity	13.3 Years	13.4 Years
Weighted Average Yield to Maturity	4.0%	3.6%
Weighted Average Modified Adjusted Duration to Worst	5.9 Years	5.5 Years
Weighted Average Coupon[2]	4.9%	4.9%
Weighted Average Current Yield	4.5%	4.8%
Weighted Average Yield to Worst	3.5%	3.2%
Weighted Average Price[3]	$101.64	$105.28
Weighted Average Gross Yield[4]	4.6%	4.8%
Expected Annual Turnover Range	10%–20%	—
Number of Bond Holdings Range	2–10	—

COMPOSITE PERFORMANCE SUMMARY (USD)

Total Returns (%)[5,6]

	DECEMBER 31, 2013				
	1-Quarter	1-Year	3-Year	5-Year	Inception
Multi Strategy Municipal SMA Composite–"Pure" Gross	0.5	-2.9	5.2	6.8	4.3
Multi Strategy Municipal SMA Composite–Net	0.3	-3.8	4.3	5.9	3.5
Barclays Municipal Bond Index	0.3	-2.6	4.8	5.9	4.3

Historical Performance (%)

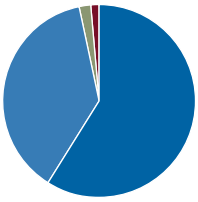
	YEAR ENDING DECEMBER 31,							
	9/30/06–12/31/06	2007	2008	2009	2010	2011	2012	2013
Multi Strategy Municipal SMA–"Pure" Gross	1.3	2.6	-5.9	15.0	3.7	11.2	7.7	-2.9
Multi Strategy Municipal SMA–Net	1.1	1.8	-6.7	14.1	2.9	10.4	6.8	-3.8
Barclays Municipal Bond Index	1.1	3.4	-2.5	12.9	2.4	10.7	6.8	-2.6

Risk Statistics Period Ending December 31, 2013[7]

	1-YEAR		3-YEAR		5-YEAR	
	Multi Strategy Municipal SMA	Barclays Municipal Bond Index	Multi Strategy Municipal SMA	Barclays Municipal Bond Index	Multi Strategy Municipal SMA	Barclays Municipal Bond Index
Annualized Standard Deviation	4.68	4.34	4.17	3.96	5.09	4.48

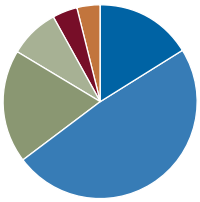
Franklin Separately Managed Accounts claims compliance with GIPS® for the periods January 1, 2004 to the present. Any performance presented prior to that date is not in compliance. Past performance does not guarantee future results and results may differ over future time periods. Please refer to back page for important compliance information.

COMPOSITE PORTFOLIO FINANCING BREAKDOWN (% of Total)[8]



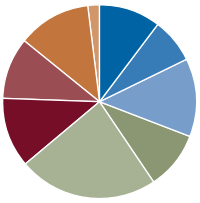
- Revenue Bonds 59.2%
- General Obligations 37.7%
- Certificates of Participation ... 1.9%
- Cash 1.3%

COMPOSITE PORTFOLIO QUALITY BREAKDOWN (% of Total)[8,9]



- AAA 16.2%
- AA 48.6%
- A 18.8%
- BBB 8.4%
- BB or Lower 4.1%
- Not Rated 3.8%

COMPOSITE PORTFOLIO MATURITY BREAKDOWN (% of Total)[8]



- 0–3 Years 10.5%
- 3–5 Years 7.4%
- 5–8 Years 13.2%
- 8–10 Years 9.8%
- 10–15 Years 23.2%
- 15–20 Years 11.7%
- 20–25 Years 10.2%
- 25–30 Years 12.3%
- 30+ Years 1.9%

EXPLANATORY NOTES

The information and opinions stated are as of December 31, 2013, and are based on the composite, unless otherwise indicated.

1. Franklin Separately Managed Accounts and Franklin are defined as separate firms within the broader Franklin organization for the purpose of GIPS® compliance. Franklin Separately Managed Accounts, part of the Franklin Templeton Fixed Income Group, manages separately managed account portfolios for high-net-worth individuals and institutional clients.
2. The calculation for the weighted average coupon includes the imputed coupon rate of zero coupon bonds. If the imputed coupons were not included, the coupon rate would be 4.9%.
3. The calculation for the weighted average price is based on market value weights. If the prices were weighted by par, the weighted average price would be $97.15.
4. Weighted average gross yield is calculated by adding 60% of the current yield of Franklin Intermediate Municipal SMA accounts that opened 60 days prior to December 31, 2013 and 40% of the gross distribution rate of the Franklin pooled investment vehicle as of December 31, 2013, which is calculated by taking the net distribution rate of the Franklin pooled investment vehicle and adding back the annual expense ratio. The client's return will be reduced by investment management fees and other expenses.
5. Inception: 9/30/06. "Pure" gross does not reflect the deduction of any expenses, including trading costs, and is provided as supplemental information.
6. Returns over one year are annualized.
7. Information is supplemental to the historical performance of the Franklin Multi Strategy Municipal SMA Composite, comprising the portfolios of all sponsors following that mandate, and is based on "pure" gross-of-fees performance for that composite. Periods over one year are annualized.
8. Figures may not add up to 100% due to rounding. Cash and equivalents is deemed to have a 0% Maturity and Duration, be Non-Callable and have an AAA rating. Information is based on the Franklin Multi Strategy Municipal SMA Composite model portfolio, representative of the investment strategy. The model portfolio represents the allocation that would be used for new accounts coming in. The allocation of existing accounts may differ from the allocation used for new accounts due to differences in the timing of purchases and sales, changes in the purchase and sell list during the course of a quarter, and factors specific to each existing account due to client considerations.
9. Quality Weightings: Ratings shown are assigned by one or more Nationally Recognized Statistical Credit Rating Organizations ("NRSRO"), such as Standard & Poor's, Moody's and Fitch. The ratings are an indication of an issuer's creditworthiness and typically range from AAA or Aaa (highest) to D (lowest). When ratings from all three agencies are available, the middle rating is used; when two are available, the lowest rating is used; and when only one is available, that rating is used. Foreign government bonds without a specific rating are assigned to the country rating provided by an NRSRO, if available. The AA category includes unrated cash equivalents maturing in 7 days or less. The NR category consists of rateable securities that have not been rated by an NRSRO. The N/A category may encompass negative cash, net currency forwards, negative derivative exposure (market value), and nonrateable securities (e.g., equities).

GAIN FROM OUR PERSPECTIVE®

Franklin Templeton offers true diversification through the specialized expertise of three world-class investment management groups—Franklin, Templeton and Fiduciary Trust International.

Franklin. Founded in 1947, Franklin is a leader in tax-free investing and a driving force in fixed income investing around the globe. They also bring expertise in growth- and value-style U.S. equity investing.

Templeton. Founded in 1940, Templeton pioneered international investing and, today, manages portfolios for individual and institutional investors based on a global perspective.

Fiduciary Trust. Since 1931, Fiduciary Trust International has been helping individuals achieve their investment goals through an investment process that combines fundamental research and individual issue selection with macroeconomic and sector strategy.

COMPLIANCE STATEMENT

Franklin Separately Managed Accounts claims compliance with the Global Investment Performance Standards (GIPS®).

Franklin Separately Managed Accounts (the "firm") manages domestic equity and fixed income portfolios for high net worth individuals and institutional clients, applying a bottom-up, research-oriented process that utilizes proprietary screening models and top-down risk controls in managing its portfolios. Franklin Separately Managed Accounts is a division of Franklin Templeton Portfolio Advisors, Inc. ("FTPA"), a subsidiary of Franklin Resources, Inc. ("FRI") and is a unit of the broader Franklin organization. At Franklin Separately Managed Accounts, brokerage, administrative, custodial and investment management fees are charged together as a percentage of the portfolios' assets (comprehensive fee or "wrap-fee") or may in some instances be charged separately (unbundled fee). Retail and Institutional separate accounts managed by affiliated Franklin entities are not included in the firm definition. Franklin Separately Managed Accounts was previously known as Franklin Portfolio Advisors prior to June 30, 2012. Franklin Portfolio Advisors was previously known as the Franklin Private Client Group prior to October 1, 2004.

Franklin (the "firm") encompasses the equity, fixed income and balanced accounts managed by Franklin Advisers, Inc., and related Franklin affiliates, including, effective January 1, 2007, the equity accounts managed by the institutional investment teams of Franklin Templeton Institutional, LLC under the former firm name of Fiduciary Global Advisors. The combined equity assets of Franklin and Fiduciary Global Advisors form the Franklin Global Advisers unit of Franklin going forward. Effective January 1, 2006, the fixed income assets managed from that date forward by Franklin Templeton Institutional, LLC ("FTI") or its related affiliates (managed previously by Fiduciary Trust Company International–Institutional Division or "FTCI's Institutional Division") that went through the institutional portfolio review process were combined with the fixed income assets of Franklin to form the Franklin Templeton Fixed Income unit of Franklin.

Franklin Multi Strategy Municipal SMA Composite consists of all fully discretionary accounts with a multi-strategy municipal investment objective and for which the brokerage (including trading expenses), administrative, custodial, and investment management fees are charged together as a percentage of the portfolios' assets ("wrap fee"). Franklin Separately Managed Accounts directly manages the portion of the strategy that is invested in intermediate municipal fixed income securities (typically 60%) and invests the balance (typically 40%) of each portfolio in a pooled investment vehicle managed by Franklin Separately Managed Account's affiliate, Franklin Advisers, Inc. ("FAI"), which invests in high yield tax-free municipal securities. All accounts in the composite have a wrap fee (also known as a bundled or "comprehensive" fee) for all time periods presented. The primary risks inherent in this strategy include interest rate risk and credit risk. Issuers of lower-rated or "high yield" debt securities are not as strong financially as those with higher credit ratings and the prices of high yield debt securities generally fluctuate more than those of higher credit quality. Between June 30, 2012 and December 31, 2012, the composite name was Franklin Multi Strategy Municipal SMA Wrap Fee Composite. Prior to June 30, 2012, the composite name was Franklin Portfolio Advisors Multi Strategy Municipal Composite–Wrap Fee.

The primary benchmark for this composite is the Barclays Municipal Bond Index. The Barclays Municipal Bond Index is a sector market value capitalization weighted fixed income index comprised of general obligation, revenue, insured and pre-refunded/escrowed municipal bonds selected to be representative of the market. The Barclays Municipal Bond Index is an unmanaged index representing the investment environment existing during the time periods shown. It is presented for comparison purposes only and is provided to represent the investment environment existing during the periods shown.

The information contained in this piece is not a complete analysis of every material fact regarding the market and any industry sector, a security or a portfolio. Statements of fact cited by the manager have been obtained from sources considered reliable but no representation is made as to the completeness or accuracy. Because market and economic conditions are subject to rapid change, opinions provided are valid only as of the date of the material. Portfolio holdings and the manager's analysis of these issuers, market sectors, and of the economic environment may have changed since the date of the material. The manager's opinions are intended solely to provide insight into how the manager analyzes securities and are not a recommendation or individual investment advice for any particular security, strategy or investment product.

Risk Statistic Definitions:

Annualized Standard Deviation: A statistical measure of the degree to which an individual value in a probability distribution tends to vary from the mean of the distribution.

Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request. To receive a complete list of composite descriptions and/or a presentation that adheres to the GIPS® standards for any composite, contact your Franklin Templeton separately managed account sales team at (800) 822-8464 or visit www.franklintempleton.com.

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