



# Franklin Intermediate Government Bond SMA

Multi-Sector  
Fixed Income  
December 31, 2020

Franklin Separately Managed Accounts

## Product Profile

### Product Details<sup>1</sup>

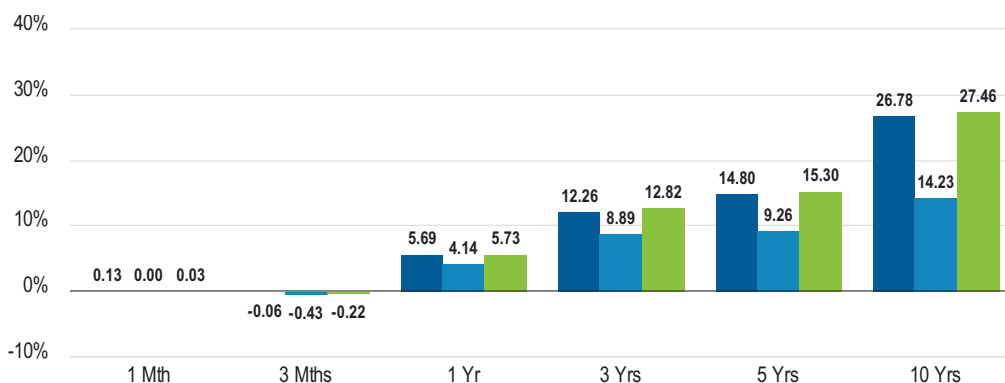
Inception Date	12/31/2003
Benchmark	Bloomberg Barclays US Government - Intermediate Index

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

### Composite Performance Data<sup>2</sup>

#### Average Annual Total Returns (USD %)

	1 Mth	3 Mths	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (12/31/2003)
Franklin Intermediate Government Bond SMA - Pure GROSS	0.13	-0.06	5.69	12.26	14.80	26.78	73.90
Franklin Intermediate Government Bond SMA - NET	0.00	-0.43	4.14	8.89	9.26	14.23	43.73
Bloomberg Barclays US Government - Intermediate Index	0.03	-0.22	5.73	12.82	15.30	27.46	72.60



- Franklin Intermediate Government Bond SMA - Pure GROSS
- Franklin Intermediate Government Bond SMA - NET
- Bloomberg Barclays US Government - Intermediate Index

Past performance is not an indicator or a guarantee of future performance.

1. A composite is an aggregation of one or more portfolios into a single group that represents a particular investment objective or strategy. The composite return is the asset-weighted average of the performance results of all the fully discretionary portfolios in the composite. The composite return information provided herein includes the returns of Franklin Separately Managed Accounts, high-net-worth individual and institutional client portfolios and with respect to any periods prior to the inception of Franklin Separately Managed Accounts, reflects the performance of any such other portfolios.

2. Information is based on the Franklin Intermediate Government Bond SMA Composite. Total returns presented assume reinvestment of any dividends, interest income, capital gains, or other earnings. Net-of-fee returns are reduced by the total "wrap fee" which includes trading expenses as well as investment management, administrative and custodial fees. Gross returns are Pure gross and do not reflect the deduction of any transaction costs, including trading costs. Returns over one year are annualized.

Not FDIC Insured | May Lose Value | No Bank Guarantee

Calendar Year Returns (USD %)<sup>3</sup>

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Franklin Intermediate Government Bond SMA - Pure GROSS	5.69	4.54	1.60	1.19	1.05	1.36	1.95	-1.05	1.97	5.92
Franklin Intermediate Government Bond SMA - NET	4.14	3.74	0.79	0.33	0.01	0.30	0.84	-2.11	0.84	4.73
Bloomberg Barclays US Government - Intermediate Index	5.73	5.20	1.43	1.14	1.05	1.18	2.52	-1.25	1.73	6.08

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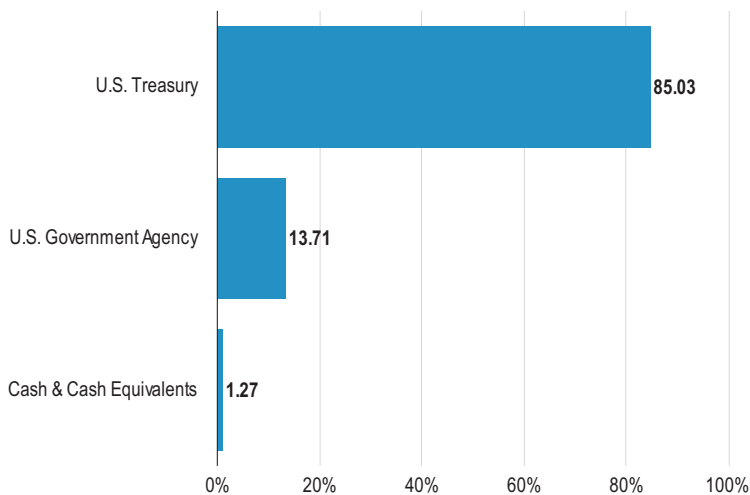
Model Portfolio Characteristics<sup>4,5</sup>

	Portfolio	Bloomberg Barclays US Government - Intermediate Index
Number of Holdings	15	631
Yield to Maturity	0.35%	0.32%
Yield to Worst	0.35%	0.31%
Average Coupon	2.11%	1.65%
Duration to Maturity	3.87 Yrs	3.81 Yrs
Average Price	106.29	105.30

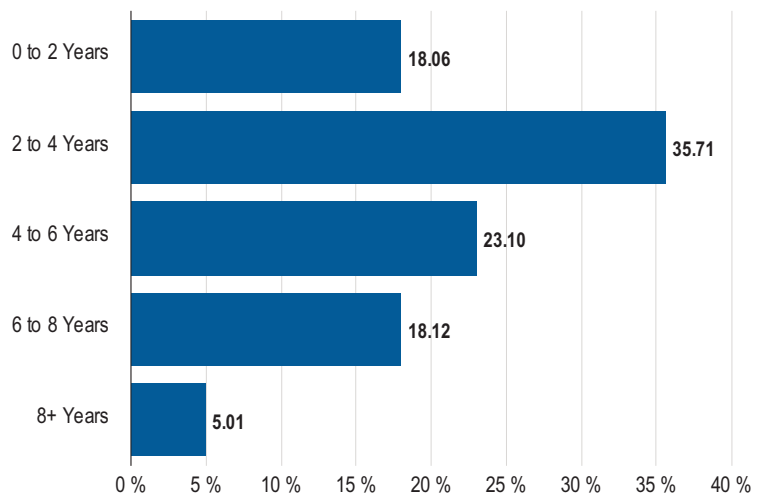
## Model Portfolio Diversification

Sector Allocation<sup>6</sup>

Percent of Total

Maturity Allocation<sup>7</sup>

Percent of Fixed Income



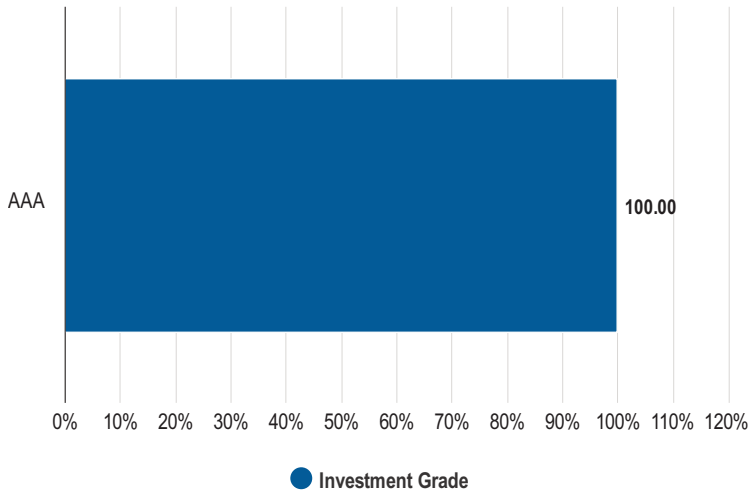
3. Information is based on the Franklin Intermediate Government Bond SMA Composite. Pure gross does not reflect the deduction of any expenses, including trading costs.

4,6,7. Percentage may not equal 100% due to rounding. All holdings are subject to change. Portfolio characteristics are based on the Franklin Intermediate Government Bond SMA model portfolio, which is representative of the investment strategy. The model portfolio represents the expected allocation that would be used for new accounts and is updated as of the end of each quarter. 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, general market conditions, and factors specific to each existing account due to client considerations. The securities used in developing this model portfolio do not reflect actual purchases in an account and may not reflect the impact that material economic and market factors might have had on decision making if Franklin Separately Managed Accounts were actually managing the account. The calculation for weighted averages are based on market value weights.

5. Yield figures quoted should not be used as an indication of the income that has or will be received. Yield figures are based on the portfolio's underlying holdings and do not represent a payout of the portfolio. Past performance is not an indicator or a guarantee of future performance.

**Credit Quality Allocation<sup>8,9,10</sup>**

Percent of Total

**Composite Performance Statistics<sup>11,12</sup>**

	3 Yrs	5 Yrs	10 Yrs	Since Inception
<b>Standard Deviation (%)</b>				
Franklin Intermediate Government Bond SMA	2.18	2.11	1.97	2.58
Bloomberg Barclays US Government - Intermediate Index	2.49	2.40	2.20	2.65
<b>Tracking Error (%)</b>	0.38	0.35	0.42	0.51
<b>Information Ratio</b>	-0.45	-0.26	-0.13	0.09
<b>Beta</b>	0.87	0.87	0.88	0.96
<b>Sharpe Ratio</b>	1.13	0.80	0.92	0.79

**Investment Philosophy**

The strategy focuses on investments in intermediate maturity U.S. government securities. Using a risk-managed, top-down/ bottom-up approach via active management of duration, yield curve, sector allocation and issue selection, we seek to provide capital appreciation along with current income.

**Investment Process**

In choosing investments, our intermediate fixed income team follows a disciplined, client-specific process that includes using proprietary, relative value analysis to make top-down allocation decisions among investment grade credit securities. Managers and analysts then perform bottom-up, fundamental research that emphasizes credit quality and liquidity. Portfolios are constructed targeting benchmark neutral duration.

Our portfolio managers do not attempt to make interest rate bets through extending or reducing portfolio duration. Rather, they seek to add value primarily through asset allocation and security selection. Further, each client account is evaluated for risk tolerance, income and liquidity needs, maturity date and sector restrictions.

8. Percentage may not equal 100% due to rounding. All holdings are subject to change. Portfolio characteristics are based on the Franklin Intermediate Government Bond SMA model portfolio, which is representative of the investment strategy. The model portfolio represents the expected allocation that would be used for new accounts and is updated as of the end of each quarter. 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, general market conditions, and factors specific to each existing account due to client considerations. The securities used in developing this model portfolio do not reflect actual purchases in an account and may not reflect the impact that material economic and market factors might have had on decision making if Franklin Separately Managed Accounts were actually managing the account. The calculation for weighted averages are based on market value weights.

9. Ratings shown are assigned by one or more Nationally Recognized Statistical 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 the country rating provided by an NRSRO, if available. If listed, the Not Rated category consists of ratable securities that have not been rated by an NRSRO. The Not Applicable category consists of nonratable securities (e.g., equities). All holdings are subject to change.

10. Foreign government bonds without a specific rating are assigned the country rating provided by an NRSRO, if available.

11. Beta, Information Ratio and Tracking Error information are measured against the Bloomberg Barclays US Government - Intermediate Index.

12. Risk statistics are calculated using composite pure gross-of-fees. Pure gross does not reflect the deduction of any transaction costs, including trading costs. Returns over one year are annualized.

## Investment Team

Portfolio Manager	Years with Firm	Years Experience
Tom Runkel, CFA	32 Years	36 Years
Jacob Chu	18 Years	23 Years

## Glossary

**Average Price:** The average price stated on the securities held by a portfolio.

**Average Weighted Maturity:** An estimate of the number of terms to maturity, taking the possibility of early payments into account, for the underlying holdings. Maturity is expressed as a number of years.

**Coupon Rate:** The average interest rate stated on the securities held by a fund.

**Duration to Maturity:** A measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in its yield to maturity. Duration is expressed as a number of years. The weighted average duration to maturity reflects the effective duration of the underlying issues, based on the size of each holding.

**Yield to Maturity:** Yield to Maturity ('YTM') also known as the 'Gross Redemption Yield' or 'Redemption Yield'. The rate of return anticipated on a bond if it is held until the maturity date. YTM is considered a long-term bond yield expressed as an annual rate. The calculation of YTM takes into account the current market price, par value, coupon interest rate and time to maturity. It is also assumed that all coupons are reinvested at the same rate.

**Yield to Worst:** The yield to maturity if the worst possible bond repayment takes place. If market yields are higher than the coupon, the yield to worst would assume no prepayment. If market yields are below the coupon, the yield to worst would assume prepayment. In other words, yield to worst assumes that market yields are unchanged. Normally this value is not aggregated since it varies but if a weighted average value is used for a portfolio then the figure will reflect the values of the underlying issues, based on the size of each holding.

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Franklin Intermediate Government Bond SMA Composite consists of all fully discretionary accounts with an intermediate fixed income investment objective. The strategy seeks to generate a high level of current income as well as offer total return potential by investing in U.S. government and agency bonds. The composite includes wrap fee accounts that pay a fully bundled fee and non-wrap accounts that only pay an investment management fee to Franklin. No account(s) in the composite use leverage or derivatives.

The benchmark for this composite is the Bloomberg Barclays US Government - Intermediate Index. The Bloomberg Barclays U.S Government - Intermediate Index is a market value weighted fixed income index comprised of all publicly issued, non-convertible domestic debt of the U.S. government, any agency thereof, or any quasi-federal corporation and of corporate debt guaranteed by the U.S. government with minimum outstanding principal of \$1 million, minimum maturity of one year and maximum maturity of ten years.

All investments involve risks, including the loss of principal. Generally, investments offering the potential for higher returns are accompanied by a higher degree of risk. Bond prices are affected by interest rate changes. High-yield, lower-rated (junk) bonds generally have greater price swings and higher default risks. Investors should review their investment objectives, risk tolerance and liquidity needs before choosing a manager. Securities markets can fluctuate significantly in response to industry, financial or economic developments, and unexpected events, such as the spread of deadly disease or disasters, can cause investor fear and panic, which can adversely affect companies, sectors and the market in general. There is no guarantee that investment strategies will work under all market conditions and investors should evaluate their ability to invest for the long term, especially during periods of market downturns.

The composite performance results are presented in U.S. Dollars and have been calculated using time-weighted total rates of return. For wrap fee composites, net of fee returns are net of actual total wrap fees. The total wrap fee includes brokerage fees (i.e. trading expenses), investment management, administrative and custodial fees. For portfolios where the actual total wrap fee is unknown, the highest model fee applicable for the strategy is used to calculate the net return. Any administrative or custodial fees charged to accounts over and above the wrap fee that are specifically identified as such fees are treated as cash withdrawals and do not negatively impact performance. Gross of fee returns for wrap fee composites are pure gross before wrap fees, including brokerage fees related to trading expenses for transactions executed through the sponsor. All returns assume the reinvestment of dividends, interest, and realized and unrealized capital gains and losses. Returns for periods of less than one year are not annualized. Periods greater than one year are shown as average annual total returns. Performance data is shown rounded to the nearest hundredth. **Past performance is not an indicator or a guarantee of future performance.**

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One Franklin Parkway  
San Mateo, CA 94403-1906  
(800) 822-8464  
[franklintempleton.com](http://franklintempleton.com)