

Investment overview

The Franklin Fixed Income investment management team 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 objective

- Seeks to provide investors with as high a level of income exempt from federal income taxes as is consistent with prudent investment management and the preservation of investors' capital.
- May serve as a core municipal holding within an investor's portfolio that is focused on a nationally diversified, intermediate duration portfolio.

Investment universe

- Primarily invests in investment-grade municipal bonds with shorter maturities
- Targets a weighted average maturity of 1 – 15 years
- Benchmarks: Bloomberg Managed Money Intermediate Index

Management adds value through:

- Relative value opportunities
- Security selection
- Sector allocation

Investment management team

Lloyd Nemerever, CFA
Portfolio Manager
Industry since 1993

Francisco Rivera
Portfolio Manager
Industry since 1994

Dylan G. Sanderson
Portfolio Manager
Industry since 2004

Jeff Snyder
Portfolio Manager
Industry since 1998

Chris Sperry, CFA
Portfolio Manager
Industry since 1996

April H Goodman
Portfolio Manager
Industry since 2005

Daniel C Riordan
Portfolio Manager
Industry since 2007

Investment process

In-depth fundamental research of the entire municipal market

STEP 1

Identify opportunities

- Review entire municipal supply
- Primary markets
- Secondary markets

STEP 2

Screen by strategy

- Region/national
- High-yield
- Yield curve

STEP 3

Apply research process

- Credit and non-credit driven steps
- Rigorous review and debate
- Provide recommendations for portfolio managers

STEP 4

Portfolio construction and implementation

- Security selection (based on relative value of Fixed Income strategy inputs)
- Income lens
- Risk management and diversification
- Long-term focus, opportunistic flexibility
- Ongoing risk and attribution analysis

The investment process may change over time. The characteristics set forth above are intended as a general illustration of some of the criteria the strategy team considers in selecting securities for client portfolios. There is no guarantee that investment objectives will be achieved.

Portfolio Information*

As of December 31, 2025

Characteristics

	Portfolio
Effective Duration	4.87 Years
Yield to Maturity	3.03%
Yield to Worst	2.84%
Weighted Average Coupon	5.00%
Weighted Average Price	109.66
Weighted Average Maturity	6.68 Years

Sector Weightings (%)

	Portfolio
Local General Obligation	25.10
Water/Sewer	21.47
State General Obligation	21.42
Leasing	18.68
Prerefunded	7.01
Education	3.58
Electric	2.73
Special Tax	0.00
Transportation	0.00
IDR/PCR	0.00
Resource Recovery	0.00

Credit Quality (%)

	Portfolio
AAA	40.67
AA	59.33

Average Maturity (%)

	Portfolio
0 to 1 Year	9.04
1 to 2 Years	8.72
2 to 3 Years	7.79
3 to 5 Years	15.27
5 to 7 Years	13.06
7 to 10 Years	19.04
10 to 15 Years	27.09
15 to 20 Years	0.00

Average Coupon, Current Yield, Yield to Maturity, and Yield to Worst are calculated without the deduction of fees and expenses.

*Source: Franklin Templeton. Portfolio characteristics are based on a model portfolio, not an actual client account. The model portfolio is a hypothetical portfolio whereby the portfolio characteristics are based on simulated trading and account activity of a client account invested in this strategy. The model portfolio assumes no withdrawals, contributions, or client-imposed restrictions. Portfolio characteristics of individual client accounts may differ from those of the model portfolio as a result of account size, client-imposed restrictions, the timing of client investments, market conditions, contributions, withdrawals and other factors.

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 is a measure of a bond issuer's ability to repay interest and principal in a timely manner. The credit 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). For non-municipal portfolios, 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. For municipal portfolios, when ratings from multiple agencies are available, the highest is used, consistent with the portfolio investment process. Foreign government bonds without a specific rating are assigned the country rating provided by an NRSRO, if available. The Refunded category consists of refunded bonds secured by U.S. government or other high-quality securities. The Not Rated category consists of ratable securities that have not been rated by an NRSRO. The For non-municipal portfolios, Not Applicable category consists of non-ratable securities (e.g., equities). For municipal portfolios, the Not Applicable category consists of third-party ETFs and securities that only have a short-term rating and are not cash equivalents. Where cash is included in the breakdown, it includes equivalents, which may be rated.

Performance

Annualized Rates of Return – Pure Gross and Net of Fees (%) as of December 31, 2025 – PRELIMINARY – (Inception date: 3/31/1995)

	YTD*	1 Mth*	3 Mths*	1 Year	3 Year	5 Year	10 Year	20 Year	Since Incept
Franklin Intermediate Municipal SMA–Pure Gross of Fees—(USD)	4.58	0.30	1.57	4.58	3.13	0.56	1.88	3.15	4.08
Franklin Intermediate Municipal SMA–Net of Fees—(USD)	3.04	0.18	1.20	3.04	1.61	-0.92	0.65	2.12	3.07
Bloomberg Managed Money Intermediate Index—(USD)	5.16	0.28	1.66	5.16	3.47	0.63	2.15	3.41	4.29

Calendar-Year Total Returns – Pure Gross and Net of Fees (%) ending December 31

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Franklin Interim Muni–Pure Gross of Fees—(USD)	4.58	0.30	4.57	-6.39	0.16	4.73	6.10	1.37	3.75	0.24
Franklin Interim Muni–Net of Fees—(USD)	3.04	-1.18	3.03	-7.78	-1.32	3.19	5.28	0.57	2.92	-0.58
Bloomberg Managed Money Interim Index—(USD)	5.16	-0.32	5.69	-7.22	0.39	5.70	7.10	1.22	4.88	-0.27

The strategy returns shown are preliminary composite returns, subject to future revision (downward or upward). Past performance is not a guarantee of future results. An investment in this strategy can lose value. Please visit www.franklintempleton.com for the latest performance figures. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

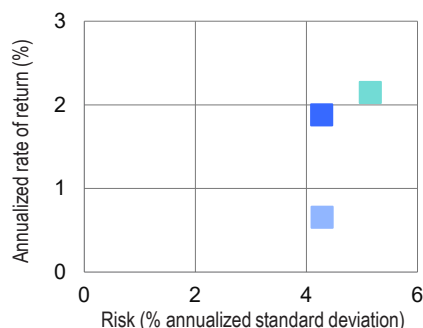
¹ **Fees:** Periods less than one year are not annualized. Performance results are for the composite which includes all actual, fully discretionary accounts with substantially similar investment policies and objectives managed to the composite's investment strategy. Composite returns are stated in U.S. dollars and assume reinvestment of any dividends, interest income, capital gains, or other earnings. The composite may include account(s) that are gross of fees and pure gross of fees. "Pure" gross-of-fee returns do not reflect the deduction of any expenses, including transaction costs. A traditional (or "true") gross-of-fee return reflects performance after the reduction of transaction costs but before the reduction of the investment advisory fee. The gross-of-fee return may include a blend of "true" gross-of-fee returns for non-wrap accounts and "pure" gross-of-fee returns for wrap accounts. Net-of-fee returns is reduced by a model "wrap fee" (1.5% is the maximum anticipated wrap fee for equity and balanced portfolios) which includes trading expenses as well as investment management, administrative and custodial fees. The model wrap fee used represents the highest anticipated wrap fee applicable to the strategy. Actual fees and account minimums may vary.

For fee schedules, contact your financial professional, or if you enter into an agreement directly with Franklin Templeton Private Portfolio Group, LLC ("FTPPG"), refer to FTPPG's Form ADV Part 2A disclosure document. Management and performance of individual accounts may vary for reasons that include the existence of different implementation practices and model requirements in different investment programs. To obtain specific information on available products and services or a GIPS® Report, contact your Franklin Templeton separately managed account sales team at (800) DIAL BEN/342-5236. Franklin Templeton claims compliance with the Global Investment Performance Standards (GIPS®). GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Due to the integration of GIPS firms, predecessor firms may have a different claim of compliance date. Performance presented prior to January 1, 2004, is not in compliance.

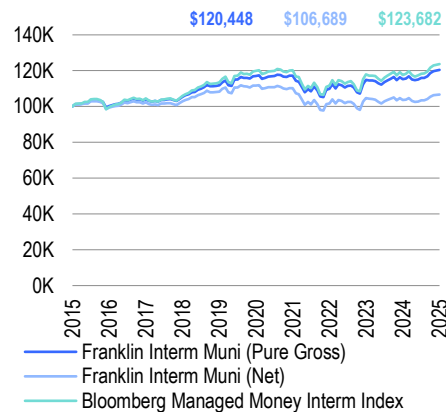
Performance Statistics ¹ Preliminary (based on 10-year period ending December 31, 2025)

Risk/Return profile (%)

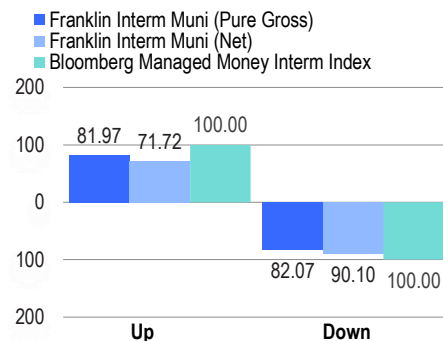


■ Franklin Interim Muni (Pure Gross)	
Annualized Return (%)	1.88
Annualized Standard Deviation (%)	4.28
■ Franklin Interim Muni (Net)	
Annualized Return (%)	0.65
Annualized Standard Deviation (%)	4.28
■ Bloomberg Managed Money Interim Index	
Annualized Return (%)	2.15
Annualized Standard Deviation (%)	5.15

Growth of \$100,000*



Up/Down market capture ratios (%)



Modern portfolio statistics

	Portfolio (Pure gross)	Portfolio (Net)	BM
Sharpe Ratio	-0.06	-0.34	0.01
Beta	0.83	0.83	N/A
Alpha (%)	-0.29	-1.50	N/A
R-Squared	0.99	0.99	N/A

	(+) Months	(-) Months
Pure Gross:	76	44
Net:	76	44

¹ Source: Franklin Templeton.

*For illustrative purposes only. Assumes no withdrawals or contributions. These statistics are based on pure gross and net-of-fees quarterly composite returns, were calculated assuming reinvestment of dividends and income, and take into account both realized and unrealized capital gains and losses.

Performance results are for the composite which includes all actual, fully discretionary accounts with substantially similar investment policies and objectives managed to the composite's investment strategy. Composite returns are stated in U.S. dollars and assume reinvestment of any dividends, interest income, capital gains, or other earnings. The composite may include account(s) that are gross of fees and pure gross of fees. "Pure" gross-of-fee returns do not reflect the deduction of any expenses, including transaction costs. A traditional (or "true") gross-of-fee return reflects performance after the reduction of transaction costs but before the reduction of the investment advisory fee. The gross-of-fee return may include a blend of "true" gross-of-fee returns for non-wrap accounts and "pure" gross-of-fee returns for wrap accounts. Net-of-fee returns is reduced by a model "wrap fee" (1.5% is the maximum anticipated wrap fee for fixed income portfolios) which includes trading expenses as well as investment management, administrative and custodial fees. The model wrap fee used represents the highest anticipated wrap fee applicable to the strategy. Actual fees and account minimums may vary.

Terms and definitions:

Weighted Average Life: An estimate of the number of years to maturity, taking the possibility of early payments into account, for the underlying holdings.

Effective Duration is a duration calculation for bonds with embedded options. Effective duration takes into account that expected cash flows will fluctuate as interest rates change.

Duration measures the sensitivity of price (the value of principal) of a fixed-income investment to a change in interest rates. The higher the duration number, the more sensitive a fixed-income investment will be to interest rate changes.

Yield to worst (YTW) is based on a portfolio's current holdings on one specific day, is gross of all portfolio expenses, and is calculated based on assumptions that prepayment occurs if the bond has called or put provisions and the issuer can offer a lower coupon rate based on current market rates. If market rates are higher than the current yield of a bond, the YTW calculation will assume no prepayments are made, and YTW will equal the yield to maturity. The YTW will be the lowest of yield to maturity or yield to call (if the bond has prepayment provisions). The YTW of a bond portfolio is the market-weighted average of the YTWs of all the bonds in the portfolio.

Standard deviation measures the risk or volatility of an investment's return over a particular time period; the greater the number, the greater the risk.

The **up-capture ratio** measures the manager's overall performance to the benchmark's overall performance, considering only quarters that are positive in the benchmark. An up-capture ratio of more than 100 indicates a manager who outperforms the relative benchmark in the benchmark's positive quarters.

The **down-capture ratio** is the ratio of the manager's overall performance to the benchmark's overall performance, considering only quarters that are negative in the benchmark. A down-capture ratio of less than 100 indicates a manager who outperforms the relative benchmark in the benchmark's negative quarters and protects more of a portfolio's value during down markets.

Alpha is a measure of performance vs. a benchmark on a risk-adjusted basis. A positive alpha of 1.0 means the portfolio has outperformed its benchmark index by 1%. Correspondingly, a similar negative alpha would indicate an underperformance of 1%. Alpha is a measure of the difference between actual returns and expected performance measuring sensitivity to index movements.

Beta measures the sensitivity of an investment to the movement of its benchmark. A beta higher than 1.0 indicates the investment has been more volatile than the benchmark and a beta of less than 1.0 indicates that the investment has been less volatile than the benchmark.

Sharpe ratio is a risk-adjusted measure, calculated using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe ratio, the better a portfolio's historical risk-adjusted performance.

R-squared measures the strength of the linear relationship between a fund and its benchmark. R-squared at 1.00 implies perfect linear relationship and zero implies no relationship exists.

The **Bloomberg Managed Money Intermediate Index** measures the performance of the publicly traded municipal bonds that cover the USD-denominated intermediate term tax-exempt bond market, including state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds. Source: Bloomberg Indices.

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.

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. **Active management** does not ensure gains or protect against market declines. Portfolios focused on a **single state** are subject to greater risk of adverse economic and regulatory changes than a geographically diversified portfolio.

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