

INVESTMENT MANAGEMENT TEAM

Jeff Snyder

Vice President

Senior Portfolio Manager

Director of Portfolio Management & Trading

Years with Firm: 21

Years Industry Experience: 21

Dylan Sanderson

Portfolio Manager

Years with Firm: 15

Years Industry Experience: 16

Nick Bucklin, CFA

Vice President

Portfolio Manager

Years with Firm: 11

Years Industry Experience: 11

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

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INVESTMENT PHILOSOPHY

The investment management team¹ 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

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 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

Bloomberg Barclays Municipal Bond Index

CURRENT ATTRIBUTES

Municipal Market Posts Positive Total Returns in the Second Quarter

- Longer maturities outperformed shorter and intermediate maturities on the municipal bond curve.
- Lower quality bonds within the investment-grade space outperformed higher quality investment grade bonds.
- Muni technicals are still strong, supported by low supply and significant demand for tax-free bonds over the quarter.
- Primary market issuance remains in line on year-over-year basis, while fund flows were positive every month over the quarter.
- US and China trade tensions and central bank rhetoric dominated the headlines in the second quarter.

Five Reasons to Invest in the Franklin Intermediate Municipal SMA Today

- 1| Institutional execution for the individual investor. Our institutional trading desk helps provide superior liquidity and execution for our clients, both when buying and selling.
- 2| Industry leading in-house research resources, including primary research coverage of every sector.
- 3| Our diversified maturity structure mitigates interest rate and reinvestment risks, while our active management allows us to capitalize on market dislocations and relative value opportunities.
- 4| We customize our clients' portfolios, tailoring them according to our clients' needs, circumstances, and market outlook. As part of this, we offer state specific portfolios for 17 different states.
- 5| Our disciplined investment process, which focuses on high-quality underlying issuers and capturing relative value in a dynamic market, has led to a strong market presence and excellent track record.

FTI is not undertaking to provide impartial advice. Nothing herein is intended to provide fiduciary advice. FTI has a financial interest.

Not FDIC Insured | May Lose Value | No Bank Guarantee

Please refer to back page for important compliance information.

COMPOSITE PERFORMANCE SUMMARY (USD)

Average Annual Total Returns (%)

JUNE 30, 2019

	1-Month ²	1-Quarter ²	YTD ²	1-Year ²	3-Year	5-Year	10-Year	15-Year	20-Year	Since Inception ³
Intermediate Municipal SMA Composite—"Pure" Gross	0.54	1.84	4.29	6.00	2.08	2.96	4.00	4.06	4.50	4.80
Intermediate Municipal SMA Composite—Net	0.51	1.64	3.88	5.17	1.26	2.13	3.17	3.22	3.63	3.91
Bloomberg Barclays Municipal Bond Index	0.37	2.14	5.09	6.71	2.55	3.64	4.72	4.53	4.86	5.19

Calendar Year Returns (%)

YEAR ENDING DECEMBER 31,

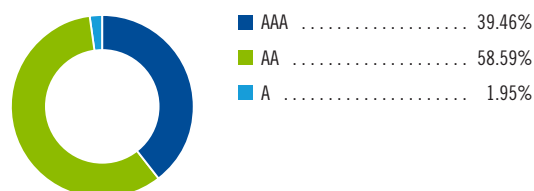
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Intermediate Municipal SMA Composite—"Pure" Gross	1.71	8.05	3.07	10.26	4.81	-1.70	6.78	3.01	0.25	3.75	1.37
Intermediate Municipal SMA Composite—Net	0.90	7.18	2.26	9.39	3.97	-2.49	5.91	2.17	-0.57	2.92	0.57
Bloomberg Barclays Municipal Bond Index	-2.47	12.91	2.38	10.70	6.78	-2.55	9.05	3.30	0.25	5.45	1.28

Risk Statistics Period Ending June 30, 2019⁴

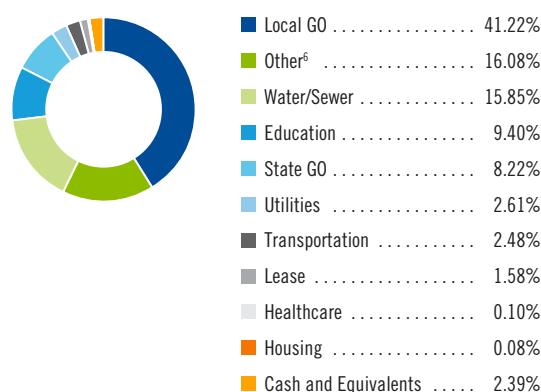
	1-YEAR	3-YEAR	5-YEAR	10-YEAR
Standard Deviation				
Intermediate Municipal SMA Composite	1.94	2.76	2.47	3.34
Bloomberg Barclays Municipal Bond Index	2.36	3.38	2.96	3.66
Tracking Error	0.68	0.78	0.67	0.86
Information Ratio	-1.04	-0.61	-1.03	-0.84
Sharpe Ratio	1.93	0.25	0.85	1.06

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. "Pure" gross does not reflect the deduction of any expenses, including trading costs, and is provided as supplemental information. Past performance is not an indicator or a guarantee of future performance. Please refer to back page for important compliance information.

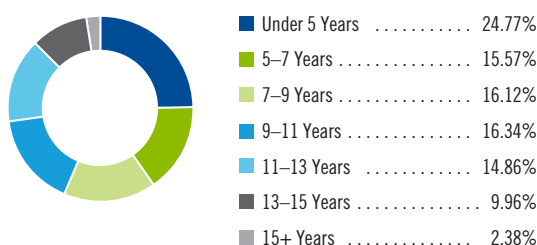
COMPOSITE QUALITY BREAKDOWN^{5,7} (% of Total)



COMPOSITE SECTOR BREAKDOWN⁵ (% of Total)



COMPOSITE MATURITY BREAKDOWN⁵ (% of Total)



COMPOSITE PORTFOLIO CHARACTERISTICS⁵

	Intermediate Municipal SMA	Bloomberg Barclays Municipal Bond Index
Average Duration	6.46 Years	8.88 Years
Weighted Average Maturity	7.83 Years	13.03 Years
Weighted Average Coupon	4.53%	4.65%
Weighted Average Current Yield	3.94%	4.12%
Weighted Average Yield to Worst	1.56%	2.01%
Weighted Average Yield to Maturity	2.25%	2.90%
Weighted Average Price (market USD)	\$114.96	\$112.05
Taxable Equivalent Yield	2.48%	3.19%
AMT Exposure	0.00%	4.68%
Number of Holdings	6,024	54,657

EXPLANATORY NOTES

The information and opinions stated are as of June 30, 2019, 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. Franklin is a sub-adviser to Franklin Separately Managed Accounts since the inception date of the composite.

2. Cumulative total returns.

3. Inception: 3/31/95.

4. Information is supplemental to the historical performance of the Franklin Intermediate 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.

5. Information is based on the Franklin Intermediate Municipal SMA Composite. 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. 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.

6. Other sectors include IDR/PCR, Resource Recovery, Pre-refunded, Insured Bond and Special Tax.

7. 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).

Please refer to back page for important compliance information.

Franklin Templeton Investments

For over six decades, individuals and institutions around the world have viewed Franklin Templeton Investments as a trusted partner in asset management. We leverage the expertise of multiple, independent investment teams to deliver truly specialized expertise across a wide range of styles and asset classes, from traditional to alternative strategies and multi-asset solutions. Our over 620 investment professionals are on the ground across the globe, spotting investment ideas and potential risks firsthand. Collectively, they allow us to offer clients a unique investment perspective, shaped by local expertise, global context and a long-term investment horizon.

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 Intermediate Municipal SMA Composite consists of all fully discretionary accounts with an intermediate municipal fixed income 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”). 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. Between June 30, 2012 and December 31, 2012, the composite name was Franklin Intermediate Municipal SMA Wrap Fee Composite. Prior to June 30, 2012, the composite name was Franklin Portfolio Advisors Intermediate Municipal Composite—Wrap Fee.

Net-of-fees returns have been reduced by the total “wrap fee” which includes brokerage fees (including trading expenses), administrative, custodial and investment management fees. Gross performance returns presented are “pure” gross-of-fees returns, which are before wrap fees, including brokerage fees related to trading expenses for transactions executed through the sponsor. “Pure” gross-of-fees returns are presented as supplemental information only. Both net- and “pure” gross-of-fees returns assume the reinvestment of dividends, interest, and realized and unrealized capital gains and losses. **Past performance is not an indicator or guarantee of future performance.**

The primary benchmark for this composite is the Bloomberg Barclays Municipal Bond Index. The Bloomberg 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 Bloomberg 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:

Standard Deviation: A measure of the degree to which a composite’s returns varies from the average of its previous returns. The larger the standard deviation, the greater the likelihood (and risk) that a composite’s performance will fluctuate from the average return.

Tracking Error: The active risk of the portfolio that measures the dispersion of the portfolio’s return minus the benchmark’s return.

Information Ratio: A measure of consistency in excess return. The excess return over a benchmark divided by the standard deviation of excess return.

Sharpe Ratio: The difference between the average portfolio return and the average risk-free return, where risk is defined as the standard deviation of portfolio returns.

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.



One Franklin Parkway
San Mateo, CA 94403-1906
(800) 822-8464
franklintempleton.com