FRANKLIN TEMPLETON

The Benefits of A Laddered Portfolio

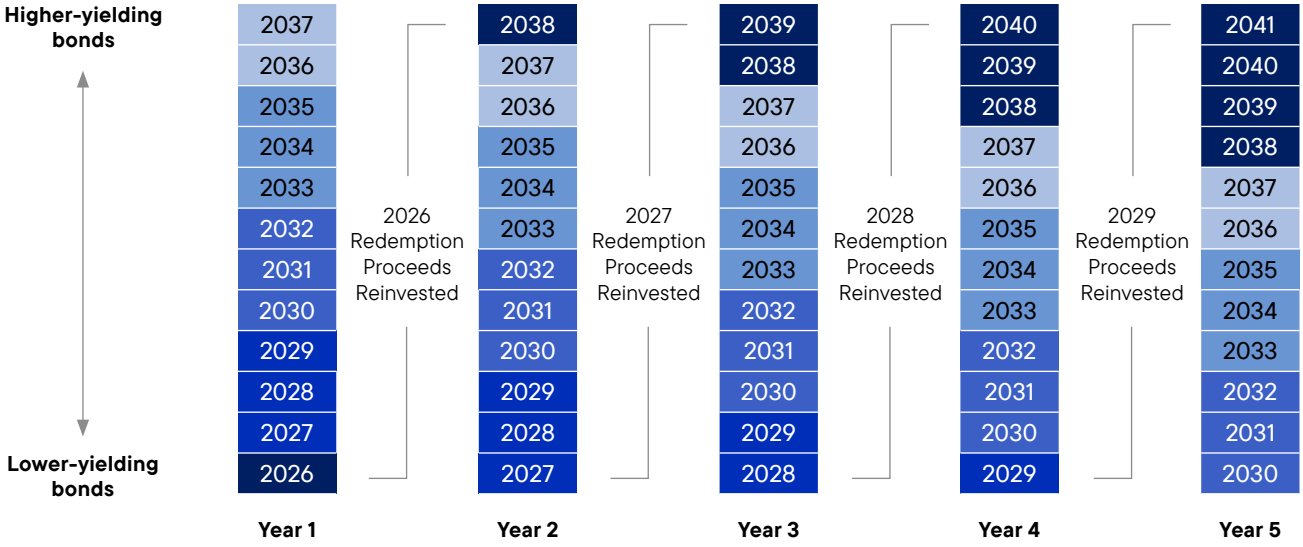
What is A Bond Ladder?

A bond ladder is a portfolio of bonds with staggered maturity dates. The varied maturities structure seeks to provide investors with predictable cash flow and have the potential to reduce interest rate risk and increase flexibility.

How Does A Bond Ladder Work?

As bonds on each rung of the ladder mature, the principal plus interest are typically reinvested (if desired) into longer-dated, higher-yielding securities.

For example, if you have $120,000 to invest, Franklin may buy 12 different bonds with a $10,000 face value, each with consecutive maturity dates. Each bond with a different maturity date is a different rung on the ladder. When the bond on the bottom rung matures, the principal plus interest can be reinvested into a longer-dated, higher-yielding bond on the top rung of the ladder.



For illustrative purposes only. Minimum initial amount may vary.

Why Choose A Laddered Portfolio?

Predictable income and cash flow

Bond ladders have the potential to offer a steady stream of income for investors because of the regular interest payments from the bonds. And because bonds are maturing each year due to the ladder structure, investors can easily plan for future cash flow needs.

Managed interest rate risk

From an interest rate perspective, there are two potential benefits to the staggered maturity dates of a laddered portfolio. First, because bonds are maturing each year and proceeds can be reinvested across different interest rate environments, investors aren't locked into the potentially lower rates that are available when a portfolio is first constructed. Secondly, for investors concerned about bond price fluctuations when rates rise, a laddered portfolio with a mix of shorter and longer-maturity bonds may make interest-rate volatility easier to weather. Shorter-maturity bonds are typically less sensitive to rate fluctuations than longer-maturity bonds.

Flexibility

Because bonds are maturing every one to two years, investors have the flexibility to re-invest the principal and interest from maturing bonds into higher-yielding bonds or use the cash for other needs.

Not FDIC Insured | No Bank Guarantee | May Lose Value

Franklin Templeton is a fixed income leader

20
years of fixed income investment experience

180+
dedicated fixed income investment professionals around the world

$300
billion in fixed income assets under management

As of December 31, 2025.

Rigorous Credit Research

Our muni bond team conducts comprehensive analysis of opportunities across all sectors in the municipal bond universe, covering the quality spectrum in both primary and secondary markets. Franklin is one of the largest municipal bond investment managers in the nation. The team's experience navigating through multiple market cycles helps them uncover opportunities and identify indications of risk others may miss.

Our corporate credit team also applies a research-driven approach to investing. Organized regionally, our credit analysts specialize by industry sector, covering investment grade and high-yield issuers. This structure allows our analysts to take a deeper dive into relevant risk factors while also conducting a more precise relative value analysis when comparing credit spreads. This type of research is exactly what is needed during this unprecedented time.

Bond Ladder Separately Managed Accounts (Smas) at Franklin Templeton

Franklin Municipal Ladders

	1–3-Year Ladder	1–7-Year Ladder	1–15-Year Ladder	5–20-Year Ladder
AMT Exposure	Excluded	Excluded	Excluded	Excluded
Credit Quality[1]	Minimum credit rating of A-	Minimum credit rating of A-	Minimum credit rating of A-	Minimum credit rating of A-
Coupon Income	Choice to reinvest coupon income or receive cash	Choice to reinvest coupon income or receive cash	Choice to reinvest coupon income or receive cash	Choice to reinvest coupon income or receive cash
State Availability[2]	National, 22 state-specific portfolios; 4 state preference	National, 22 state-specific portfolios; 4 state preference	National, 22 state-specific portfolios; 4 state preference	National, 22 state-specific portfolios; 4 state preference
Number of Bonds[3]	Minimum 4 bonds every rung	Minimum 2 bonds every rung	Minimum 1 bond every rung	Minimum 1 bond every rung
Benchmark	Bloomberg Municipal 1–3-Year Index	Bloomberg Municipal 1–5-Year Blend	Bloomberg Municipal 1–15-Year Index	Bloomberg Municipal Bond Index

Please note that all investment solutions may not be available for sale. Please consult your financial professional for availability.

An investor cannot invest directly in an index. Unmanaged index returns do not reflect any fees, expenses or sales charges.

1. Ratings shown are assigned by one or more Nationally Recognized Statistical Rating Organizations (NRSRO), such as S&P Global Ratings, Moody's Investors Service and Fitch Ratings, Inc. When ratings from multiple agencies are available, the highest is used, consistent with the portfolio investment process. Ratings reflect an NRSRO's opinion of an issuer's creditworthiness and typically range from AAA (highest) to D (lowest). The Refunded category consists of refunded bonds secured by the US government or other high-quality securities. The Not Rated category consists of ratable securities that have not been rated by an NRSRO. The Not Applicable category consists of third-party exchange-traded funds and securities that have only a short-term rating and are not cash equivalents. Cash includes equivalents, which may be rated. The methodology used for the calculation of credit quality ratings displayed may differ from the methodology for monitoring investment limits, if applicable. **Please note, the portfolio itself has not been rated by an independent rating agency.** Cash includes equivalents, which may be rated. All holdings are subject to change.

2. State-specific mandates include Arizona, California, Colorado, Connecticut, Florida, Georgia, Louisiana, Massachusetts, Maryland, Michigan, Missouri, Minnesota, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, South Carolina, Texas, Utah and Virginia. State preference mandates include Alabama, Hawaii, Indiana and Kentucky. At time of implementation, state-specific portfolios will have 100% of the portfolio in the state requested and state preference portfolios will have a minimum of 25% of the portfolio in the state requested. Certain state-specific portfolios may not be available in all programs. Additional state-specific portfolios may be available upon request and are subject to review. Please contact your Financial Professional or sponsor firm for availability.

3. The number of bonds in a portfolio may vary by the timing of purchases and sales, changes in the purchase and sell list, general market conditions, and factors specific to each existing account due to client considerations. A concentration in a small number of holdings may increase risk exposure. Any decline in value of an individual bond may have a material impact on the account value.

Franklin Corporate Ladders

	1–3-Year Ladder	1–5-Year Ladder	1–10-Year Ladder
Credit Quality[4]	Minimum credit rating of BBB- (Investment grade at time of purchase)	Minimum credit rating of BBB- (Investment grade at time of purchase)	Minimum credit rating of BBB- (Investment grade at time of purchase)
Coupon Income	Choice to reinvest coupon income or receive cash	Choice to reinvest coupon income or receive cash	Choice to reinvest coupon income or receive cash
Minimum Initial Investment	$125K	$125K	$125K
Number of Bonds[3]	Minimum 2 bonds every rung 20–30 holdings	Minimum 2 bonds every rung 15–30 holdings	Minimum 2 bonds every rung 20–40 holdings
Benchmark	Bloomberg 1–3-Year Corporate Index	Bloomberg 1–5-Year Corporate Index	Bloomberg Intermediate Corporate Index

Franklin U.S. Government Ladders

	1–5-Year Ladder	1–10-Year Ladder	5–20-Year Ladder
Credit Quality[4]	AA/AAA	AA/AAA	AA/AAA
Coupon Income	Choice to reinvest coupon income or receive cash	Choice to reinvest coupon income or receive cash	Choice to reinvest coupon income or receive cash
Minimum Initial Investment	$100K	$100K	$100K
Number of Bonds[3]	Minimum 2 bonds every rung 15–30 holdings	Minimum 2 bonds every rung 20–40 holdings	Minimum 2 bonds every rung 15–30 holdings
Benchmark	Bloomberg 1–5-Year Treasury Index	Bloomberg Intermediate Treasury Index	Custom 33% Bloomberg 5–10-Year Treasury Index + 67% Bloomberg 10–20-Year Treasury Index

Your Next Steps are Easy

Franklin Templeton offers a range of services designed to assist financial professionals and their clients as they are considering SMAs.

- **Representative portfolios.** We can provide an example of how the portfolios are allocated given variable parameters of maturity, account size and other customizations.
- **Personalized portfolio analysis.** For clients with municipal bond holdings, we offer a detailed breakdown of their current municipal fixed income holdings, including analysis of maturity, quality and sector as they compare with our muni ladder portfolios.

Next, we will arrange a meeting to discuss a customized transition plan. The process is highly collaborative—we work directly with you to ensure a smooth transition.

> **To learn more about Franklin Bond Ladder SMAs, talk to your financial professional. They offer market knowledge and planning expertise for your individual investment needs to create an investment strategy tailored for you.**

4. **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 based on each portfolio security's rating as provided by S&P Global Ratings, Moody's Investors Service and/or Fitch Ratings, Inc. and typically range from AAA (highest) to D (lowest), or an equivalent and/or similar rating. For this purpose, the manager assigns each security the middle rating from these three agencies. When only two agencies provide ratings, the lower of the two ratings will be assigned. When only one agency assigns a rating, that rating will be used. Foreign government bonds without a specific rating are assigned a country rating, if available. Securities that are unrated by all three agencies are reflected as such. The credit quality of the investments in the portfolio does not apply to the stability or safety of the portfolio. The methodology used for the calculation of credit quality ratings displayed may differ from the methodology for monitoring investment limits, if applicable. **Please note, the portfolio itself has not been rated by an independent rating agency.**

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. *Specific to Franklin Corporate and U.S. Government Ladders:* To the extent the portfolio invests in a **concentration of certain securities, regions or industries,** it is subject to increased volatility. The portfolio is **non-diversified** and may invest in a relatively small number of issuers, which may negatively impact the performance and result in greater fluctuation in value. The manager may consider **environmental, social and governance (ESG) criteria** in the research or investment process; however, ESG considerations may not be a determinative factor in security selection. In addition, the manager may not assess every investment for ESG criteria, and not every ESG factor may be identified or evaluated. *Specific to Franklin Municipal Ladders:* Portfolios focused on a **single state** are subject to greater risk of adverse economic and regulatory changes than a geographically diversified portfolio.

IMPORTANT INFORMATION

Separately Managed Accounts (SMAs) are investment services provided by Franklin Templeton Private Portfolio Group, LLC (FTPPG), a federally registered investment advisor. Client portfolios are managed based on investment instructions or advice provided by affiliated subadvisors of Franklin Templeton. Management is implemented by FTPPG, the designated subadvisor or, in the case of certain programs, the program sponsor or its designee.

Franklin Templeton (FT) is not undertaking to provide impartial advice. Nothing herein is intended to provide fiduciary advice. FT has a financial interest.

These materials are being provided for illustrative and informational purposes only. The information contained herein is obtained from multiple sources that are believed to be reliable. However, such information has not been verified, and may be different from the information included in documents and materials created by the sponsor firm in whose investment program a client participates. Some sponsor firms may require that these materials be preceded or accompanied by investment profiles or other documents or materials prepared by such sponsor firms, which will be provided upon a client's request. For additional information, documents and/or materials, please speak to your financial professional or contact your sponsor firm.



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(800) 342-5236
franklintempleton.com

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