FRANKLIN TEMPLETON INVESTMENTS

Franklin Separately Managed Accounts

Second Quarter 2015

Franklin Limited Maturity Municipal SMA

Portfolio Profile

INVESTMENT MANAGEMENT TEAM

Jeff Snyder
Vice President
Senior Portfolio Manager
Director of Portfolio Management & Trading
Years with Firm: 17
Years Industry Experience: 17

Dylan Sanderson
Portfolio Manager
Years with Firm: 11
Years Industry Experience: 12

Nick Bucklin, CFA
Portfolio Manager
Years with Firm: 7
Years Industry Experience: 7

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 team[1] manages portfolios composed primarily of high-quality limited maturity 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

The Franklin Limited Maturity Municipal SMA strategy is available as a restriction to the Franklin Intermediate Municipal SMA strategy for accounts meeting a $1 million investment minimum. National, California or New York portfolios are available.

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 limited maturity bonds. Once constructed, portfolios are then monitored by the municipal bond team to ensure investments remain consistent with investment guidelines and client restrictions.

BENCHMARKS

Barclays 3-Year Municipal Bond Index
Barclays 5-Year Municipal Bond Index

Not FDIC Insured | May Lose Value | No Bank Guarantee

Please refer to back page for important compliance information.

COMPOSITE PORTFOLIO CHARACTERISTICS

	Limited Maturity Municipal SMA	Barclays 3-Year Municipal Bond Index	Barclays 5-Year Municipal Bond Index
Weighted Average Coupon	4.34%	4.83%	4.83%
Weighted Average Current Yield	3.90%	4.40%	4.30%
Weighted Average Yield to Worst	1.42%	1.16%	1.62%
Weighted Average Yield to Maturity	1.56%	1.31%	1.97%
Weighted Average Price (market)	$111.02	$109.66	$112.42
Weighted Average Maturity	4.92 Years	2.91 Years	4.88 Years
Weighted Average Modified Duration to Worst	3.94 Years	2.56 Years	3.84 Years
Expected Annual Turnover Range	10%–30%	—	—
Number of Bond Holdings Range	5–15	—	—

COMPOSITE PERFORMANCE SUMMARY (USD)

Total Returns (%)[2,3]

	JUNE 30, 2015					
	1-Quarter	1-Year	3-Year	5-Year	10-Year	Inception
Limited Maturity Municipal SMA Composite–"Pure" Gross	-0.41	1.66	2.08	2.60	3.02	3.62
Limited Maturity Municipal SMA Composite–Net	-0.72	1.02	1.61	2.11	2.65	3.27
Barclays 3-Year Municipal Bond Index	-0.02	0.57	1.17	1.71	2.97	3.48
Barclays 5-Year Municipal Bond Index	-0.17	1.48	1.91	3.06	3.95	4.52

Historical Performance (%)

	DECEMBER 31,										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	YTD 6/30/15
Limited Maturity Municipal SMA–"Pure" Gross	0.83	3.08	3.86	3.34	5.01	2.49	4.82	3.33	0.03	3.70	0.58
Limited Maturity Municipal SMA–Net	0.58	2.79	3.60	3.10	4.78	2.13	4.18	2.97	-0.31	3.24	0.15
Barclays 3-Year Municipal Bond Index	0.88	3.04	5.00	5.53	5.78	1.81	3.46	1.86	1.33	1.22	0.39
Barclays 5-Year Municipal Bond Index	0.95	3.34	5.15	5.78	7.40	3.40	6.93	2.96	0.81	3.19	0.59

3-Year Index Risk Statistics
Period Ending June 30, 2015[4]

	1-YEAR		3-YEAR		5-YEAR	
	Limited Maturity Municipal SMA	Barclays 3-Year Municipal Bond Index	Limited Maturity Municipal SMA	Barclays 3-Year Municipal Bond Index	Limited Maturity Municipal SMA	Barclays 3-Year Municipal Bond Index
Annualized Standard Deviation	1.82	0.83	2.05	0.87	2.12	1.04

5-Year Index Risk Statistics
Period Ending June 30, 2015[4]

	1-YEAR		3-YEAR		5-YEAR	
	Limited Maturity Municipal SMA	Barclays 5-Year Municipal Bond Index	Limited Maturity Municipal SMA	Barclays 5-Year Municipal Bond Index	Limited Maturity Municipal SMA	Barclays 5-Year Municipal Bond Index
Annualized Standard Deviation	1.82	1.88	2.05	2.15	2.12	2.38

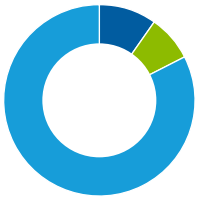
Franklin Separately Managed Accounts claims compliance for the periods January 1, 2004 to the present. Any performance presented prior to that date is not in compliance. Past performance does not guarantee future results and results may differ over future time periods. Please refer to back page for important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

Information is supplemental to the historical performance.

Historical Maturity (%)[5]

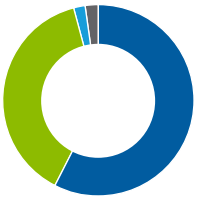
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
0–1 Year	11.67	19.59	61.32	19.27	17.54	9.93	14.17	7.64	5.36	5.03
1–3 Years	28.50	29.00	16.68	28.44	33.73	25.98	24.00	18.63	27.88	17.59
3–5 Years	25.33	23.13	11.75	27.97	22.82	24.06	21.09	31.16	24.76	22.70
5–7 Years	22.99	20.96	9.69	15.29	16.38	25.73	15.87	21.99	21.19	18.65
7–10 Years	11.01	7.19	0.38	8.97	1.19	10.14	18.50	19.12	19.95	22.26
10+ Years	0.50	0.13	0.18	0.06	8.34	4.15	6.38	1.46	0.86	13.77
Average Maturity	4.55	4.50	4.48	4.65	4.05	4.22	4.60	4.62	4.58	5.85

COMPOSITE CALL BREAKDOWN (% of Total)[5]



- 0–5 Years 9.80%
- 5–10 Years 7.74%
- Non-Call 82.46%

COMPOSITE FINANCING BREAKDOWN (% of Total)[6]

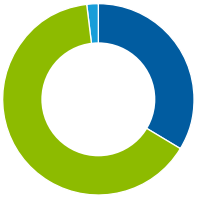


- General Obligations 57.70%
- Revenue Bonds 38.23%
- Certificates of Participation ... 2.03%
- Cash and Equivalents..... 2.04%

COMPOSITE DURATION BREAKDOWN (% of Total)[5]

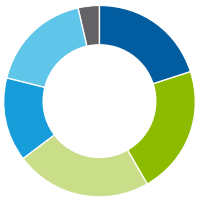
- 0–1 Years 9.71%
- 1–3 Years 28.95%
- 3–5 Years 30.86%
- 5+ Years 30.49%

COMPOSITE QUALITY BREAKDOWN (% of Total)[5,6]



- AAA 33.68%
- AA 64.64%
- A 1.67%
- BBB 0.00%
- Not Rated 0.00%

COMPOSITE MATURITY BREAKDOWN (% of Total)[5]



- Under 2 Years 20.10%
- 2–4 Years 21.74%
- 4–6 Years 23.03%
- 6–8 Years 14.06%
- 8–10 Years 17.54%
- 10+ Years 3.53%

EXPLANATORY NOTES

The information and opinions stated are as of June 30, 2015, 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. Inception: 12/31/99. "Pure" gross does not reflect the deduction of any expenses, including trading costs, and is provided as supplemental information.
3. Returns over one year are annualized.
4. Information is supplemental to the historical performance of the Franklin Limited Maturity Municipal SMA Composite, comprising the portfolios of all sponsors following that mandate, and is based on "pure" gross-of-fees performance for that composite.
5. 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.
6. 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

Gain from Our Perspective®

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 650 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 Limited Maturity Municipal SMA Composite consists of all fully discretionary accounts with a Limited Maturity 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"). The strategy seeks to invest principally in high quality municipal securities, targeting an average maturity of 3–5 years, and with the maximum call protection available for a given price and coupon. 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 Limited Maturity Municipal SMA Wrap Fee Composite. Prior to June 30, 2012, the composite name was Franklin Portfolio Advisors Limited Maturity Municipal Composite–Wrap Fee.

The primary benchmarks for this composite are the Barclays Municipal Bond 3-Year Index and the Barclays Municipal Bond 5-Year Index. The Barclays Municipal Bond 3-Year Index is a market value weighted fixed income index comprised of municipal bonds issued after January 1, 1991, with a minimum credit rating of at least Baa, issued as part of a deal of at least $50 million, with a maturity value of at least $5 million and with a maturity range of 2–4 years. The Barclays Municipal Bond 5-Year Index is a market value weighted fixed income index comprised of municipal bonds issued after January 1, 1991, with a minimum credit rating of at least Baa, issued as part of a deal of at least $50 million, with a maturity value of at least $5 million and with a maturity range of 4–6 years. The benchmarks are unmanaged indexes representing the investment environment existing during the time periods shown. They are presented for comparison purposes only and cannot accommodate direct investment.

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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