



FRANKLIN TEMPLETON
INVESTMENTS

Tax-Free Income

Franklin Tax-Free Income Funds

INVEST WITH A TAX-FREE LEADER



Franklin Templeton Investments

At Franklin Templeton Investments, we're dedicated to one goal: delivering exceptional asset management for our clients. By bringing together multiple, world-class investment teams in a single firm, we're able to offer specialized expertise across styles and asset classes, all supported by the strength and resources of one of the world's largest asset managers. This has helped us to become a trusted partner to individual and institutional investors across the globe.

Focus on Investment Excellence

At the core of our firm, you'll find multiple independent investment teams—each with a focused area of expertise—from traditional to alternative strategies and multi-asset solutions. And because our portfolio groups operate autonomously, their strategies can be combined to deliver true style and asset class diversification.

All of our investment teams share a common commitment to excellence grounded in rigorous, fundamental research and robust, disciplined risk management. Decade after decade, our consistent, research-driven processes have helped Franklin Templeton earn an impressive record of strong, long-term results.

Global Perspective Shaped by Local Expertise

In today's complex and interconnected world, smart investing demands a global perspective. Franklin Templeton pioneered international investing over 70 years ago, and our expertise in emerging markets spans more than a quarter of a century. Today, our investment professionals are on the ground across the globe, spotting investment ideas and potential risks firsthand. These locally based teams bring in-depth understanding of local companies, economies and cultural nuances, and share their best thinking across our global research network.

Strength and Experience

Franklin Templeton is a global leader in asset management serving clients in over 150 countries.¹ We run our business with the same prudence we apply to asset management, staying focused on delivering relevant investment solutions, strong long-term results and reliable, personal service. This approach, focused on putting clients first, has helped us to become one of the most trusted names in financial services.

1. As of 9/30/18. Clients are represented by the total number of shareholder accounts.

Why Invest in Municipal Bonds?

Tax Savings, Attractive Taxable Equivalent Yields, Diversification Potential

Most financial professionals agree: The best way to reach a financial goal is with a diversified portfolio that includes both stocks and bonds. But with so many different types of bonds available, how do you know which ones make the most sense for your portfolio?

Unlike other types of bonds, municipal bonds are unique because the interest paid to bondholders is generally free from regular federal income tax and, in many cases, state and local income taxes.²



“Municipal bonds have helped diversify our portfolio and provided balance in times of market volatility.”



“We’re investing for current income for the short term and capital preservation for the long term. Municipal bonds are helping us meet both objectives.”



“The income we earn from municipal bonds has helped us supplement our retirement savings.”

The investor profiles above are general in nature and intended for educational purposes only; they should not be considered tax, legal or investment advice, or an investment recommendation. Please consult your financial advisor for personalized advice that is tailored to your specific goals, individual situation, and risk tolerance.

What Are the Risks?

All investments involve risks, including possible loss of principal. Municipal bonds are affected by interest rate movements. Municipal bond prices, and thus, a tax-free income fund's share price, generally move in the opposite direction of interest rates. As the prices of the municipal bonds in a fund portfolio adjust to a rise in interest rates, the fund's share price may decline. The fund holds a small portion of its assets in Puerto Rico municipal bonds that have been impacted by recent adverse economic and market changes, which may cause the fund's share price to decline. Changes in the credit rating of a bond, or in the credit rating or financial strength of a bond's issuer, insurer or guarantor, may affect the bond's value. Performance of exchange traded funds (ETFs) may vary significantly from the performance of an index, as a result of transactions costs, expenses and other factors. For actively managed ETFs, there is no guarantee that the manager's investment decisions will produce the desired results. For more detailed information about risk, please review a current fund prospectus.

2. For investors subject to the alternative minimum tax, all or a portion of the interest may be taxable, depending on the investment. Distributions of capital gains are generally taxable.

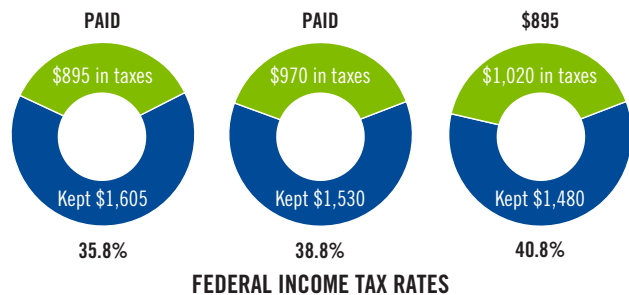
What Are the Benefits of Municipal Bonds?

1 | Keep More of What You Earn

Municipal bonds provide income that is generally free from regular federal income tax and, depending on the issuer, state and local income taxes as well. Thus, even though municipal bond yields have typically been lower than taxable fixed income alternatives, you may be able to keep more of what you earn after taxes with tax-free municipal bonds.²

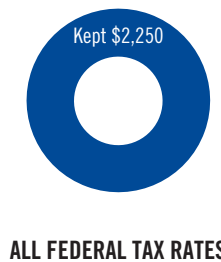
THE TAX DILEMMA³

Hypothetical Investment for a 1-Year Period
 \$100,000 in a *taxable* investment yielding 2.50%
 Earned \$2,500



THE TAX-FREE SOLUTION³

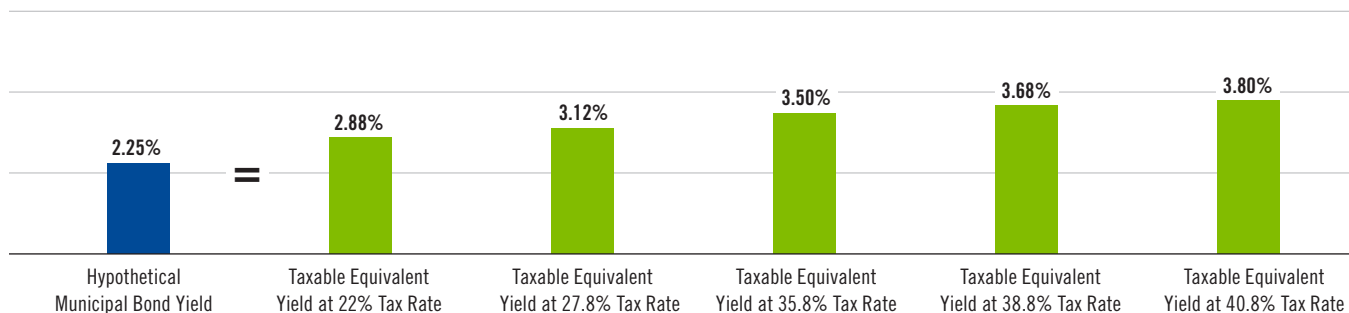
Hypothetical Investment for a 1-Year Period
 \$100,000 in a *tax-free* investment yielding 2.25%
 Earned \$2,250



2 | Attractive Taxable Equivalent Yields

On a taxable equivalent basis, municipal bonds may offer yields that are higher than taxable fixed income alternatives. The taxable equivalent yield shows how much more you would have to earn from a taxable bond to compensate for taxes in order to equal the yield of a tax-free municipal bond.

A 2.25% Yield from a Municipal Bond Equals These Taxable Equivalent Yields^{3,4}



The charts above are for illustrative purposes only and do not reflect the performance of any Franklin Templeton fund. There is no guarantee that after-tax returns of municipal bonds will be greater than those of taxable investments. The charts do not reflect state and local income taxes and the alternative minimum tax, if any.

3. Hypothetical yields are for illustrative purposes only. Fund dividends and share price will vary with market conditions. Tax rates are based on regular federal income tax rates for married filing joint taxpayers for 2018 and include the 3.8% Medicare tax applicable to the 24% and higher federal tax rates.

4. Source: © Morningstar. Important data provider notices and terms available at www.franklintempletondatasources.com. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

3 | A Key Component of a Diversified Portfolio

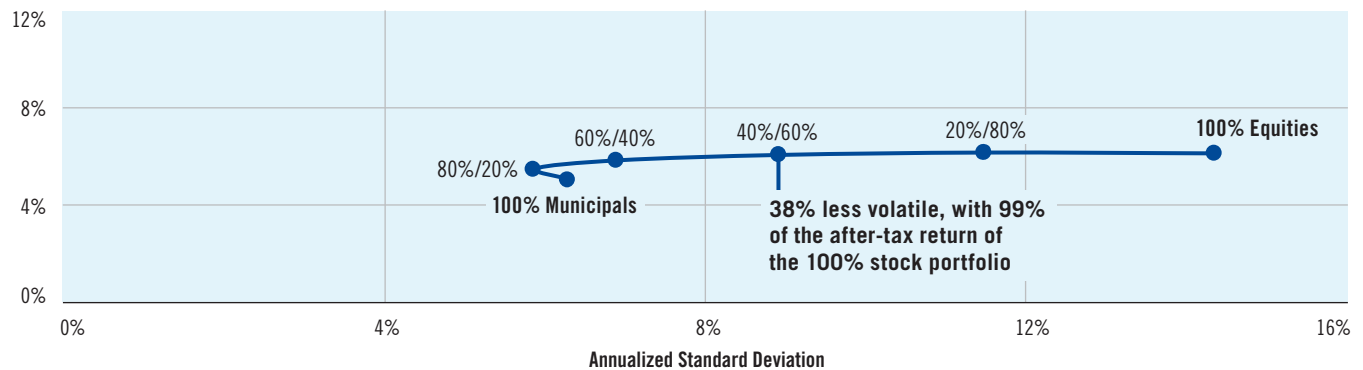
Because stocks and bonds generally have a low correlation to one another, when stocks “zig,” bonds tend to “zag.” By allocating between both assets you can help lower the overall risk of your portfolio, while maintaining some of the upside potential of stocks. Please remember, past performance does not guarantee future results.

There is no guarantee that after-tax returns of municipal bonds will be greater than those of taxable investments. On a pre-tax basis, average annual total returns for stocks and municipal bonds were 7.42% and 5.13%, respectively, for the 20-year period ended September 30, 2018.⁵

Municipal Bonds Have Historically Helped Reduced Risk⁵

20-Year Period Ended September 30, 2018

After-Tax Average Annual Total Returns

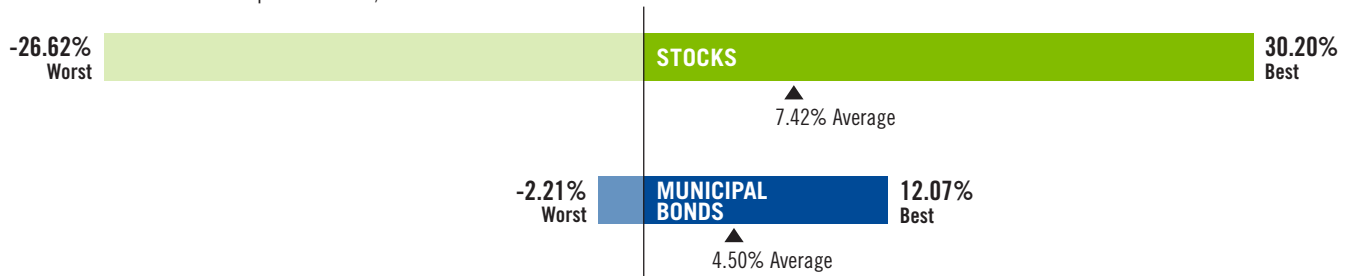


4 | Wealth Preservation

While municipal bonds’ long-term gains have not been as substantial as those of stocks, they have historically experienced less downside risk.

Stocks and Municipal Bonds: Best and Worst Annual Total Returns⁶

20-Year Period Ended September 30, 2018



The charts above are for illustrative purposes only and do not reflect the performance of any Franklin Templeton fund. The results depicted do not reflect the fees and charges an investor would incur with an investment in a municipal bond fund, and if such costs were included, the performance shown would be lower.

5. Volatility, a measure of risk, is determined by the annualized standard deviation of monthly total returns. In general, the higher the standard deviation, the greater the risk. Source: © 2018 Morningstar (Bloomberg Barclays Long-Term Municipal Bond Index, Bloomberg Barclays Long-Term U.S. Credit Index, Bloomberg Barclays Long-Term Treasury Index, S&P 500 Index). **Past performance is not an indicator or a guarantee of future performance.** Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges. After-tax returns assume a 20% annual turnover rate transacted monthly. Investment income and capital gains are taxed at historical marginal tax rates consistent with those experienced by individuals earning \$100,000 annually. Capital losses are carried forward to offset capital gains in future months. Distributions of capital gains are generally taxable. Effective tax rates for long-term taxable gains are as follows: December 1987–April 1997=28%, May 1997–May 2003=20%, June 2003–July 2018=15%. For investors subject to the alternative minimum tax, all or a portion of the interest may be taxable, depending on the investment. This information is for illustrative purposes only and does not reflect any Franklin Templeton fund performance.

6. Source: © 2018 Morningstar (S&P 500 Index, Bloomberg Barclays Municipal Bond Index). Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges. Past performance is not an indicator or a guarantee of future performance.

The Advantages of Municipal Bond Funds

Municipal bond funds offer investors seeking tax-free income several key advantages, including:

Professional Management

Portfolio managers generally have the experience and resources to effectively navigate the vast and complex municipal bond market.

Diversification Potential

Because municipal bond funds typically hold many municipal bonds, they can offer instant diversification. To achieve a similar degree of diversification with a portfolio of individual bonds would require a sizeable financial commitment.

Monthly Dividends

While most individual municipal bonds make only semiannual interest payments, municipal bond funds generally distribute dividend income monthly.

Distribution Options

You typically have three options—receive your monthly dividends by check or direct deposit, reinvest your dividends to benefit from tax-free compounding or redirect your dividends into other investments. Individual bonds don't offer such flexibility.⁷

Accessibility and Convenience

Municipal bond funds may offer you access to municipal bonds that could be unavailable for you to purchase directly. The funds also allow you to buy or sell shares daily, and in some cases, make automatic investments and withdrawals from your account on a monthly basis.



“Municipal bond funds help me keep more of what I earn.”

At Franklin Templeton, we encourage you to work with your financial advisor to determine if municipal bond funds make sense for you. Sales charges, management fees, Rule 12b-1 fees and other expenses are associated with Franklin Templeton mutual fund investments. These fees and expenses reduce investment returns. The funds are offered through prospectuses, which contain detailed information about a fund's sales charges, expenses and risks.

7. For investors subject to the alternative minimum tax, all or a portion of the interest may be taxable, depending on the investment. Distributions of capital gains are generally taxable.

Invest with a Tax-Free Leader

Experience

Franklin has been managing tax-free income funds since 1977. Today, we're one of the largest municipal bond fund managers in the nation,⁸ and have \$64 billion in municipal bond fund assets under management.⁹

Strength

We have a large tax-free investment management team—31 municipal bond investment professionals with an average of 22 years of financial industry experience.⁹ Their experience helps us identify opportunities and indications of risk that others might miss. We believe this is critical given the vast size of the municipal bond market, with more than 118,000 municipal issuers and nearly one million separate bond issues outstanding.¹⁰

Opportunity

Not all investors are alike. To help meet your individual investment needs, we offer over 30 tax-free funds, including national and state-specific, investment-grade and high-yield, and long-, intermediate- and limited-term funds, as well as ETFs.¹¹ All Franklin tax-free income funds seek to provide monthly income exempt from regular federal and, depending on the fund and the investor's state of residency, state and local income taxes.¹²



8. Source: Strategic Insight, ICI as of 9/30/18. Based on long-term municipal bond fund assets.

9. As of 9/30/18. Municipal bond assets under management figure includes U.S. retail municipal bond fund assets and separately managed accounts.

10. Source: Bloomberg as of 9/30/18. Most recent data available.

11. ETFs trade like stocks, fluctuate in market value and may trade at prices above or below the ETF's net asset value. Brokerage commissions and ETF expenses will reduce returns.

12. For investors subject to the alternative minimum tax, a small portion of fund dividends may be taxable. Distributions of capital gains are generally taxable.

Franklin's Municipal Bond Investment Strategy

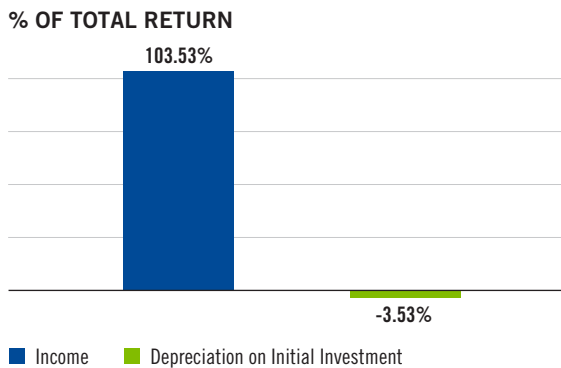
1 | Focus on Income

Our managers focus on maximizing monthly tax-free income for shareholders. Historically, income return from municipal bonds has contributed much more to municipal bond total returns than changes in municipal bond prices. Additionally, our managers generally work to minimize fund exposure to bonds with income that is subject to the alternative minimum tax. Please remember, past performance does not guarantee future results.

INCOME: THE MOST IMPORTANT COMPONENT OF TOTAL RETURN¹³

Bloomberg Barclays Municipal Bond Index

20-Year Period Ended September 30, 2018



This chart is for illustrative purposes only and does not represent the performance of any Franklin Templeton fund.

2 | Plain Vanilla Approach—No Leverage, No Derivatives

We adhere to a conservative approach to generate tax-free income for shareholders. Consistent with this approach, Franklin tax-free income funds do not use leverage or invest in derivatives, which can increase volatility in municipal bond portfolios.



“The Franklin municipal bond team is committed to a conservative, disciplined investment strategy. For over 30 years, we have worked to provide shareholders with tax-free income while preserving capital.”

SHEILA AMOROSO

Director of Franklin's Municipal Bond Department

13. Source: Bloomberg Barclays, 9/30/18. Total return includes compounded income and capital depreciation. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

3 | Strict Internal Credit Analysis

Our analysts conduct exhaustive research to find what they consider attractively valued issues for our portfolios. They are responsible for evaluating an issuer’s credit strengths and weaknesses and recommending fund purchases to portfolio managers.

Part of their evaluation process includes stress testing credits—to determine an issuer’s ability to make bondholders whole in the face of potential declines in revenues, land values, or populations and other negative pressures. Particularly during an economic slowdown, this research can be pivotal to making wise investment decisions.

4 | Buy and Hold for the Long Term

Since we’re focused on maximizing income, we don’t actively trade bonds to try to capture capital gains. We typically sell holdings only if we see an opportunity to enhance a fund’s portfolio structure or its income-earning potential. Our buy-and-hold strategy and our large asset base have helped to keep fund expenses relatively low.



HOW FRANKLIN SELECTS MUNICIPAL BONDS

On an ongoing basis, our managers and analysts work to identify new opportunities and monitor current holdings.

Franklin’s Investment Process

Market Analysis	Research	Portfolio Construction
<p>On a daily basis, we analyze current market conditions, including:</p> <ul style="list-style-type: none">• Trading activity• Yield spreads• Call option spreads• New offerings• Secondary market offerings• Credit ratings• Event risk	<p>We search for attractively valued bonds where we are comfortable with the credit fundamentals and the level of income we believe they should provide.</p> <p>We often make site visits to identify potential problems and opportunities that may not be readily visible on paper.</p> <p>Analysts focus on credit-driven bond issues where we believe they can add the most value to the security selection process.</p>	<p>We build portfolios with diversification in mind, taking into consideration allocations to sectors, regions, coupons, calls, maturities and quality, as appropriate.</p> <p>We don’t make significant allocation shifts based on expected market conditions. Rather, we look for the best value in the marketplace from an income-oriented perspective.</p>

Earn Monthly Tax-Exempt Income with Franklin's National Tax-Free Funds

Funds to Meet Your Needs ¹⁴	Franklin Federal Limited-Term Tax-Free Income Fund	Franklin Federal Intermediate-Term Tax-Free Income Fund
Description	<p>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 shareholders' capital. The fund maintains a dollar-weighted average portfolio maturity of five years or less.</p> <p>Advisor Class Symbol: FTFZX Inception Date: 9/2/03 Assets:¹⁵ \$0.96 billion</p>	<p>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 shareholders' capital. The fund maintains a dollar-weighted average portfolio maturity of three to 10 years.</p> <p>Advisor Class Symbol: FITZX Inception Date: 9/21/92 Assets:¹⁵ \$3.63 billion</p>
Diversified Portfolios¹⁵	<p>Number of Holdings 175 Average Weighted Maturity 2.90 years AMT Exposure 0.00%</p> <p>Sector Breakdown¹⁵</p>  <ul style="list-style-type: none"> ■ General Obligation Bonds 40.78% ■ Utilities 13.90% ■ Transportation 7.25% ■ Higher Education 6.60% ■ Refunded 5.68% ■ Tax Supported Debt 3.11% ■ Subject to Government Appropriation 2.92% ■ Hospital & Health Care 2.33% ■ Housing 1.83% ■ Other Revenue Bonds 1.68% ■ Cash & Cash Equivalents 13.91% 	<p>Number of Holdings 520 Average Weighted Maturity 6.70 years AMT Exposure 0.00%</p> <p>Sector Breakdown¹⁵</p>  <ul style="list-style-type: none"> ■ Utilities 22.55% ■ General Obligation Bonds 18.92% ■ Refunded 14.23% ■ Transportation 14.07% ■ Subject to Government Appropriation 10.57% ■ Tax Supported Debt 7.76% ■ Hospital & Health Care 5.41% ■ Higher Education 4.32% ■ Other Revenue Bonds 1.08% ■ Cash & Cash Equivalents 1.08%
Relatively Low Volatility¹⁶	<p>STANDARD DEVIATION</p> <ul style="list-style-type: none"> ■ Advisor Class 0.71% ■ Lipper Average 0.91% 	<p>STANDARD DEVIATION</p> <ul style="list-style-type: none"> ■ Advisor Class 2.64% ■ Lipper Average 2.74%
Relatively Low Expenses¹⁷	<p>GROSS EXPENSE RATIO</p> <ul style="list-style-type: none"> ■ Advisor Class 0.56% ■ Lipper Average Advisor Class 0.57% <p>Lipper Classification: Short Municipal Debt Funds</p>	<p>GROSS EXPENSE RATIO</p> <ul style="list-style-type: none"> ■ Advisor Class 0.55% ■ Lipper Average Advisor Class 0.66% <p>Lipper Classification: Intermediate Municipal Debt Funds</p>

Advisor Class shares are only offered to certain eligible investors as stated in the prospectus. They are offered without sales charges or Rule 12b-1 fees. The funds offer multiple share classes, which are subject to different fees and expenses that will affect their performance. Please see the prospectus for details.

14. Dividends are generally subject to state and local taxes, if any. For investors subject to the alternative minimum tax, a small portion of fund dividends may be taxable. Distributions of capital gains are generally taxable.

15. As of 9/30/18. Due to rounding, the sum of portfolio holdings may not equal 100%. From time to time, the Cash & Cash Equivalents/Money Market Funds, as applicable, may reflect a negative position in cash as result of the time required to settle securities transactions, which temporarily affected cash and securities balances. Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change. For updated information, call Franklin Templeton Investments at (800) DIAL BEN/342-5236 or visit franklintempleton.com.

As of September 30, 2018

Franklin Federal Tax-Free Income Fund	Franklin High Yield Tax-Free Income Fund																																																
<p>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 shareholders' capital.</p> <p>Advisor Class Symbol: FAFTX Inception Date: 10/7/83 Assets:¹⁵ \$10.87 billion</p>	<p>Seeks to provide investors with a high current yield exempt from federal income taxes. Its secondary goal is capital appreciation to the extent possible and consistent with the fund's principal investment goal. The fund may invest in securities in any rating category.</p> <p>Advisor Class Symbol: FHYVX Inception Date: 3/18/86 Assets:¹⁵ \$6.42 billion</p>																																																
<p>Number of Holdings 895 Average Weighted Maturity 17.30 years AMT Exposure 2.23%</p> <p>Sector Breakdown¹⁵</p> <table border="0"> <tr><td>■ Refunded</td><td>20.72%</td></tr> <tr><td>■ Utilities</td><td>18.24%</td></tr> <tr><td>■ Transportation</td><td>15.36%</td></tr> <tr><td>■ Hospital & Health Care</td><td>12.20%</td></tr> <tr><td>■ General Obligation Bonds</td><td>11.48%</td></tr> <tr><td>■ Subject to Government Appropriation</td><td>7.16%</td></tr> <tr><td>■ Higher Education</td><td>5.68%</td></tr> <tr><td>■ Tax Supported Debt</td><td>5.60%</td></tr> <tr><td>■ Other Revenue Bonds</td><td>2.66%</td></tr> <tr><td>■ Corporate Backed</td><td>0.78%</td></tr> <tr><td>■ Housing</td><td>0.60%</td></tr> <tr><td>■ Cash & Cash Equivalents</td><td>-0.48%</td></tr> </table>	■ Refunded	20.72%	■ Utilities	18.24%	■ Transportation	15.36%	■ Hospital & Health Care	12.20%	■ General Obligation Bonds	11.48%	■ Subject to Government Appropriation	7.16%	■ Higher Education	5.68%	■ Tax Supported Debt	5.60%	■ Other Revenue Bonds	2.66%	■ Corporate Backed	0.78%	■ Housing	0.60%	■ Cash & Cash Equivalents	-0.48%	<p>Number of Holdings 669 Average Weighted Maturity 16.80 years AMT Exposure 8.80%</p> <p>Sector Breakdown¹⁵</p> <table border="0"> <tr><td>■ Utilities</td><td>19.52%</td></tr> <tr><td>■ Refunded</td><td>18.92%</td></tr> <tr><td>■ Transportation</td><td>16.13%</td></tr> <tr><td>■ Hospital & Health Care</td><td>14.27%</td></tr> <tr><td>■ General Obligation Bonds</td><td>7.74%</td></tr> <tr><td>■ Tax Supported Debt</td><td>6.09%</td></tr> <tr><td>■ Other Revenue Bonds</td><td>5.55%</td></tr> <tr><td>■ Corporate Backed</td><td>4.08%</td></tr> <tr><td>■ Subject to Government Appropriation</td><td>3.79%</td></tr> <tr><td>■ Housing</td><td>2.48%</td></tr> <tr><td>■ Higher Education</td><td>2.03%</td></tr> <tr><td>■ Cash & Cash Equivalents</td><td>-0.60%</td></tr> </table>	■ Utilities	19.52%	■ Refunded	18.92%	■ Transportation	16.13%	■ Hospital & Health Care	14.27%	■ General Obligation Bonds	7.74%	■ Tax Supported Debt	6.09%	■ Other Revenue Bonds	5.55%	■ Corporate Backed	4.08%	■ Subject to Government Appropriation	3.79%	■ Housing	2.48%	■ Higher Education	2.03%	■ Cash & Cash Equivalents	-0.60%
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ADDITIONAL OPPORTUNITIES FOR TAX-EXEMPT INCOME

Franklin State-Specific Funds¹⁸

- Alabama
- Arizona
- California (4 funds)
- Colorado
- Connecticut
- Florida
- Georgia
- Kentucky
- Louisiana
- Maryland
- Massachusetts
- Michigan
- Minnesota
- Missouri
- New Jersey
- New York¹⁹ (2 funds)
- North Carolina
- Ohio
- Oregon
- Pennsylvania
- Tennessee
- Virginia

Franklin LibertyShares™ ETFs^{14, 20}

- Franklin Liberty Municipal Bond ETF
- Franklin Liberty Intermediate Municipal Opportunities ETF

TO FIND OUT MORE about Franklin tax-free income funds, or Franklin LibertyShares municipal ETFs, please ask your financial advisor. Or call us at **(800) DIAL BEN/342-5236** to receive a free fund fact sheet and summary prospectus and/or prospectus. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. A prospectus contains this and other information. Please carefully read a prospectus before investing.

16. Source: © 2018 Lipper, Inc., 9/30/18. All Rights Reserved. The Lipper Classification Average is based on the performance of all share classes of all funds within a Lipper Classification. Volatility is measured by the 10-year annualized standard deviation of monthly total returns. In general, the higher the standard deviation, the greater the volatility. Past performance is not an indicator or a guarantee of future performance.

17. Source: Lipper, Inc., 9/30/18.

18. For investors subject to the alternative minimum tax, a small portion of fund dividends may be taxable. Distributions of capital gains are generally taxable.

19. Although the funds have the ability to invest up to 20% of their assets in bonds subject to the alternative minimum tax, the funds seek to maintain a 0% AMT exposure. Exposures are subject to change. Distributions of capital gains are generally taxable.

20. ETFs trade like stocks, fluctuate in market value and may trade at prices above or below the ETF's net asset value. Brokerage commissions and ETF expenses will reduce returns.



Franklin Templeton Distributors, Inc.

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San Mateo, CA 94403-1906
(800) DIAL BEN® / 342-5236
franklintempleton.com

Investors should carefully consider a fund's investment goals, risks, charges, and expenses before investing. To obtain a summary prospectus and/or prospectus, which contains this and other information, talk to your financial advisor, call us at (800) DIAL BEN/342-5236, or visit franklintempleton.com for mutual funds or libertyshares.com for ETFs. Please carefully read a prospectus before you invest or send money.