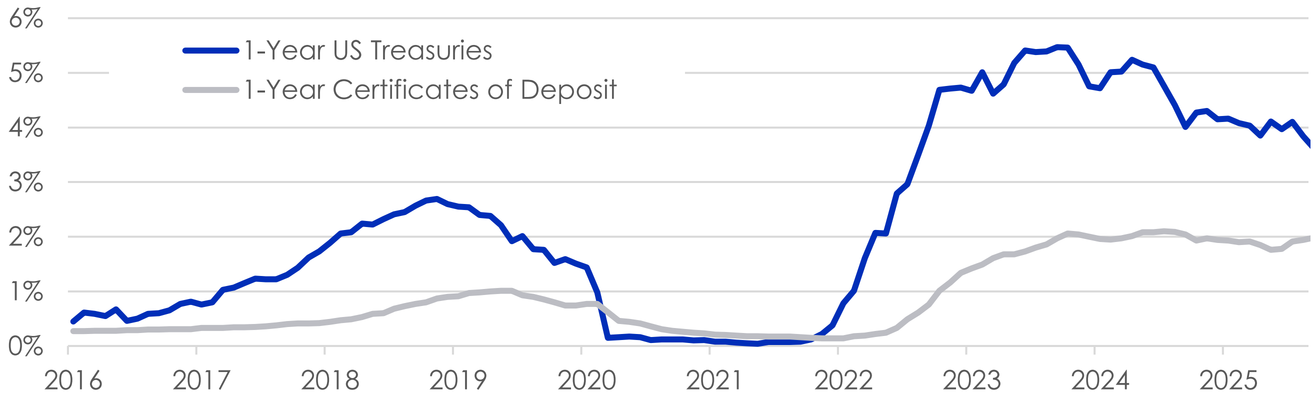
The case for US Treasuries over CDs

1 The US Treasury yield advantage

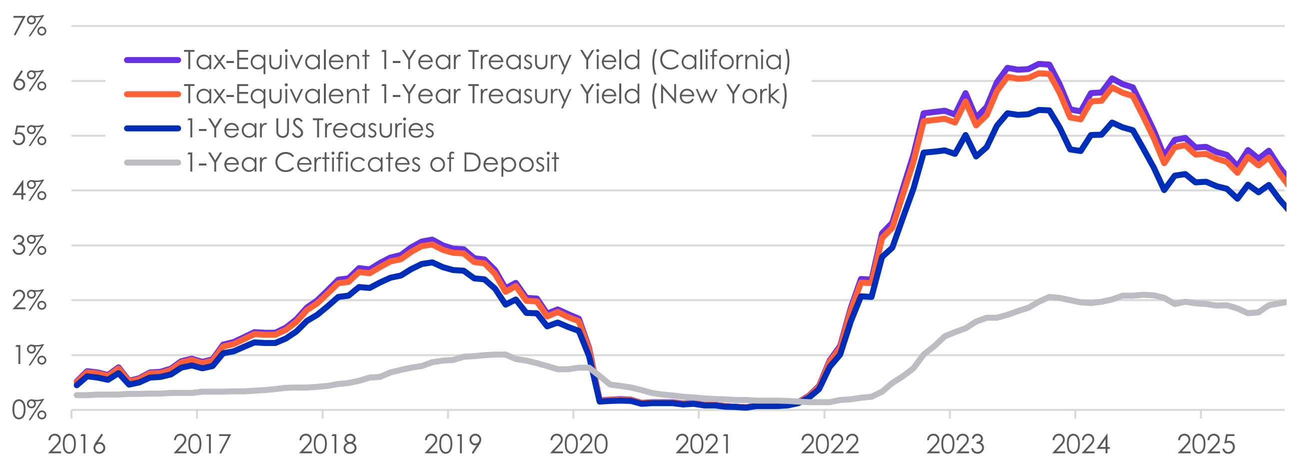
Over the past decade, average 1-Year US Treasury yields were higher than average 1-Year Certificate of Deposit (CD) yields 83% of the time, with the only exception occurring during the first 18 months of the COVID-19 outbreak when short-term rates dropped to near zero.

Average Yields of US Treasuries vs CDs[1]
For the 10-year period ended 12/31/2025



US Treasury bond interest is generally exempt from state income taxes. Investors, particularly those with high income in high tax states, may receive an additional yield boost as measured by tax-equivalent yields.

Average Tax-Equivalent Yields of US Treasuries vs CDs[1]
For the 10-year period ended 12/31/2025



All charts are for illustrative purposes only and do not reflect the performance of any Franklin Templeton affiliated fund. Past performance does not guarantee future results.

Treasuries, if held to maturity, offer a fixed rate of return and fixed principal value; their interest payments and principal are guaranteed. CDs are insured by the Federal Deposit Insurance Corporation for up to the current maximum limit of $250,000 and offer a fixed rate of return.

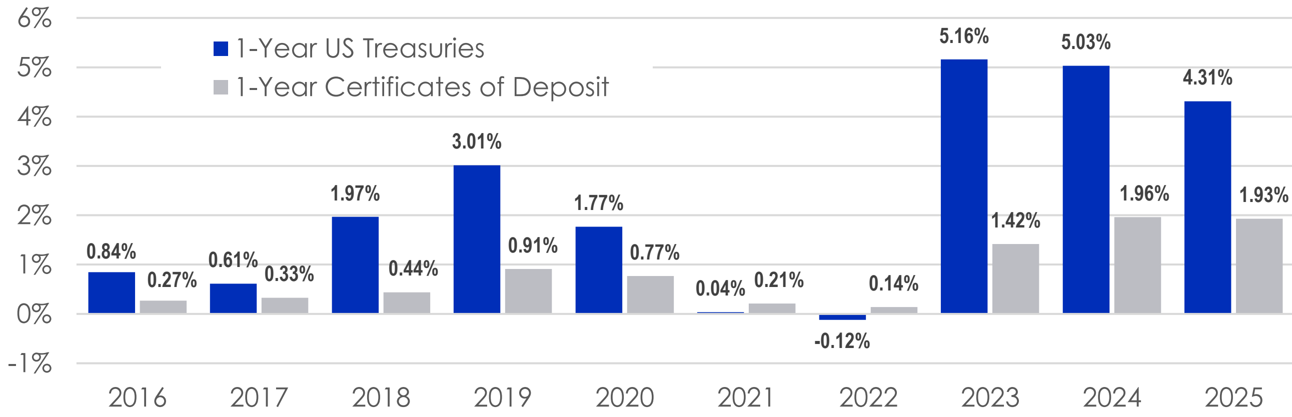
2

A history of relative outperformance

On an annual basis, average 1-year Treasuries outperformed average 1-year CDs in eight of the past 10 years.

Calendar Year Performance: US Treasuries vs CDs[2]

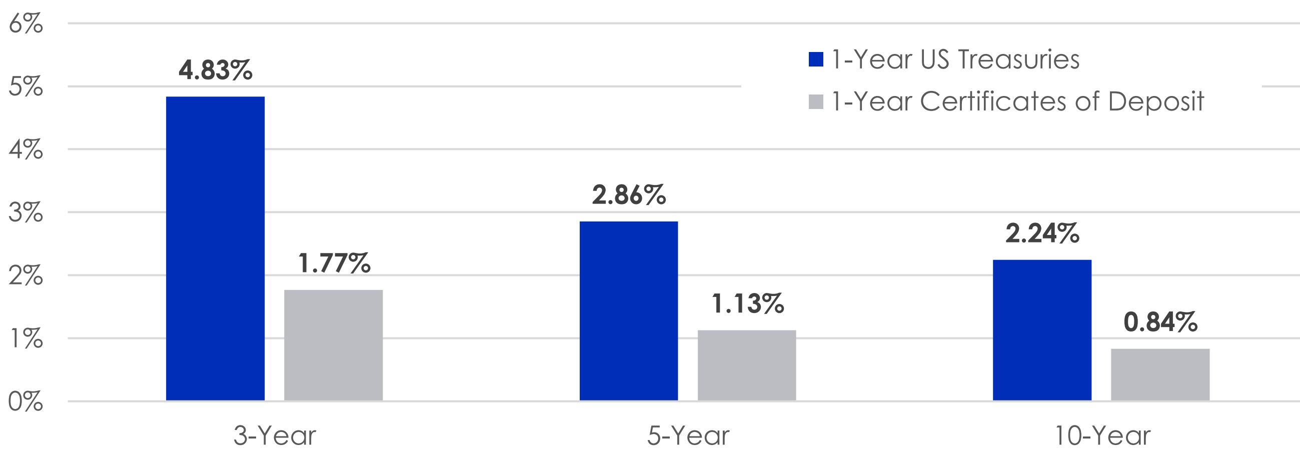
For the 10-year period ended 12/31/2025



Over longer time periods, average 1-Year US Treasuries have outperformed 1-Year CDs by wide margins.

Average Annual Total Returns: US Treasuries vs. CDs[2]

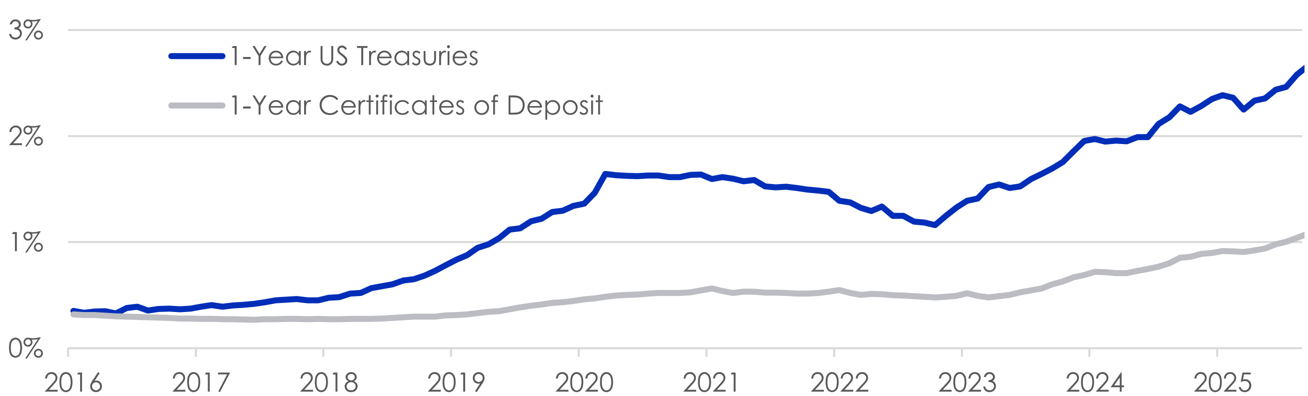
For the periods ended 12/31/2025



On a 5-year rolling basis, average 1-Year US Treasuries outperformed 1-Year CDs in every rolling period (120 out of 120) over the past 10 years, with the performance disparity growing in recent years as interest rates moved higher.

Rolling 5-Year Annualized Returns: US Treasuries vs. CDs[2]

Monthly observations for the 10-year period ended 12/31/2025



3

A comparison of selected risks

Reinvestment Risk

In a binary choice between US Treasuries and CDs, reinvestment risk is roughly equivalent as yields between the average 1-Year US Treasury and 1-Year CD have high positive correlation (0.91). By holding securities with staggered maturities, a laddered portfolio may offer some measure of protection against reinvestment risk.

Credit Risk

CDs provide an explicit guarantee up to $250,000 through the Federal Deposit Insurance Corporation (FDIC). US Treasuries are backed by the full faith, credit, and taxing authority of the US government.

For high value accounts, the FDIC insurance limit for CDs can be challenging to manage. Multiple accounts with multiple institutions can be used to expand the FDIC guarantee, but the limits apply at the institutional level and are all-inclusive, including assets that may not be held in CDs. Any assets exceeding the $250,000 limit carry the credit risk of the issuing institution.

Liquidity Risk/Volatility

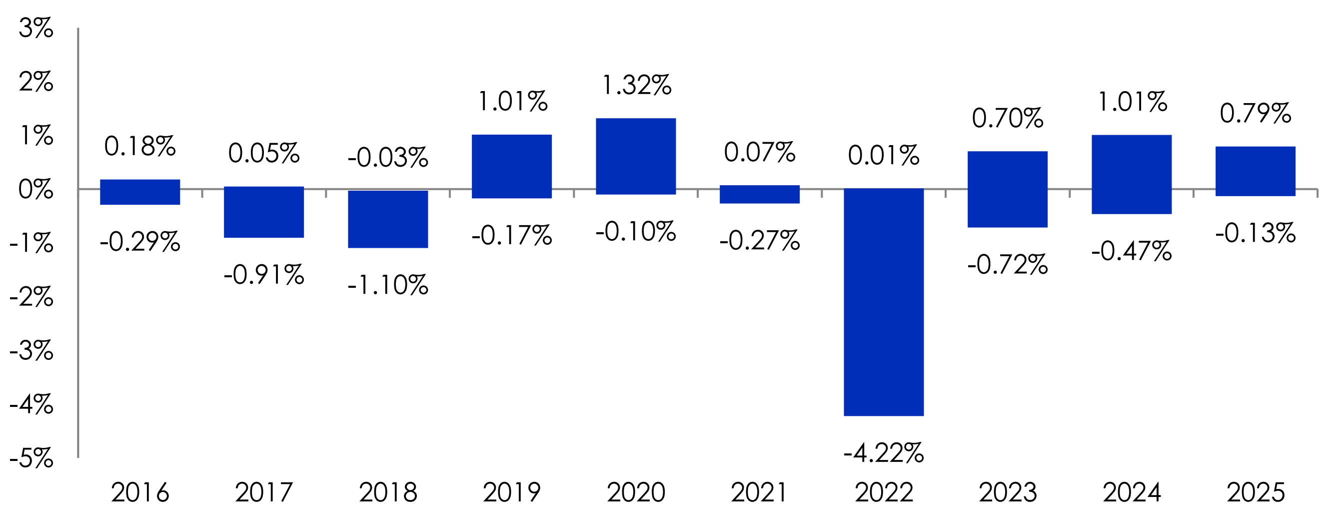
US Treasuries provide the option to sell before maturity without penalty and offer the potential for an additional gain or the risk of a loss. If US Treasury bonds are held to maturity, intermittent price volatility is irrelevant. Most bank-issued CDs will incur some type of penalty should a liquidity event occur prior to maturity. CD terms and penalties vary widely by institution.

A laddered structure may help reduce liquidity risk by having a portion of the investment mature at regular intervals.

The following chart calculates the range of daily price volatility for the 1-Year US Treasury index over the last 10 years.

Annual Min, Max and Range of 1-Year US Treasuries[3]

Calendar Years 2016-2025



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. **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.

IMPORTANT INFORMATION

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1. Source: Bloomberg, Bankrate. 1-Year US Treasuries and 1-Year Certificates of Deposit represented by the Bloomberg US Treasury Bellwethers (1Y) and Bankrate US Average 1-Year CD Rates indexes, respectively. Tax-equivalent yields for California and New York are based on the top 2025 marginal state income tax rate of 13.3% and 10.9%, respectively. Indexes are unmanaged and one cannot invest directly in an index.

2. Source: Bloomberg, Bankrate. 1-Year US Treasuries and 1-Year Certificates of Deposit represented by the Bloomberg US Treasury Bellwethers (1Y) and Bankrate US Average 1-Year CD Rates indexes, respectively. CD returns for periods longer than 1-year are calculated using an initial investment at the start of each period with a rollover of principal and interest at maturity into another 1-year CD at the prevailing average CD rate. Returns assume all CDs are held to maturity and do not reflect any early withdrawal penalties. Indexes are unmanaged and one cannot invest directly in an index. Past performance Is not an indicator or a guarantee of future performance.

3. Source: Bloomberg. I-Year US Treasuries represented by the Bloomberg US Treasury Bellwethers (1Y) index. Calculates the price fluctuation of the index based on daily closing price changes from the start of each calendar year. Indexes are unmanaged and one cannot invest directly in an index. Past performance Is not an indicator or a guarantee of future performance.

The **Bloomberg US Treasury Bellwether 1Y index** is a benchmark that tracks the performance of the most recently issued US Treasury security with a maturity of one year. It is part of a series of Bellwether indices that follow the same monthly rebalancing conventions as the Bloomberg Fixed Income Indices. The **Bankrate US Average 1-Year CD Rates** are extracted from the Bankrate Monitor (BRM) National Index which is a weekly index that tracks interest rate trends for a range of financial products including deposit accounts, loans, mortgages and credit cards. The Bankrate market analysis team conducts a weekly survey of the 10 largest institutions (a combination of banks and thrifts) in the same 10 large US markets. The rates are calculated as an average, with bank and thrift rates weighted equally to account for the difference between bank and thrift rates for the same financial products, in the same markets. Bankrate's BRM CD rates and money market account averages assume new bank customers are opening a stand-alone account at the minimum to open and earn interest.

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