Investment Objective & Strategy

From the investment’s prospectus:

The fund invests in a portfolio of fixed income securities of various maturities and, under normal market conditions, will invest at least 80% of its net assets in debt and fixed income securities. Although the fund may invest in debt and fixed income securities of any maturity, under normal market conditions the target dollar-weighted average effective duration for the fund is expected to range within 20% of the average duration of the domestic bond market as a whole as estimated by the fund’s subadviser.

Volatility and Risk

Volatility as of 09-30-20

<table>
<thead>
<tr>
<th>Category</th>
<th>Low</th>
<th>Moderate</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volatility</td>
<td>3.98</td>
<td>1.18</td>
<td>1.12</td>
</tr>
<tr>
<td>3 Yr Beta</td>
<td>1.04</td>
<td>—</td>
<td>1.07</td>
</tr>
</tbody>
</table>

Principal Risks

Hedging Strategies, Credit and Counterparty, Extension, Prepayment (Call), Emerging Markets, Foreign Securities, Loss of Money, Not FDIC Insured, High Portfolio Turnover, Temporary Defensive Measures, Interest Rate, Market/Market Volatility, Mortgage-Backed and Asset-Backed Securities, Other, Restricted/Illicit Securities, Derivatives, Leverage, Pricing, Cash Drag, Shareholder Activity, Management, Portfolio Diversification

Important Information

Morningstar Investment Profiles must be accompanied by Morningstar Disclosure and Glossary.

Operations

Gross Prop Exp Ratio | 0.43% of fund assets
Net Prop Exp Ratio | 0.42% of fund assets
Management Fee | 0.40%
12b-1 Fee | —
Other Fee | 0.00%
Miscellaneous Fee(s) | 0.03%
Fund Inception Date | 08-29-08
Total Fund Assets ($mil) | 18,633.5
Annual Turnover Ratio | 125.00
Fund Family Name | Franklin Templeton Investments

Notes

The manager has agreed to waive fees and/or reimburse operating expenses (other than interest, brokerage commissions, taxes, extraordinary expenses, deferred organizational expenses and acquired fund fees and expenses), so that the ratio of total annual fund operating expenses will not exceed 0.42% for Class IS shares, subject to recapture as described below. In addition, the ratio of total annual fund operating expenses for Class IS shares will not exceed the ratio of total annual fund operating expenses for Class I shares, subject to recapture as described below. These arrangements cannot be terminated prior to December 31, 2021 without the Board’s consent. The manager is permitted to recapture amounts waived and/or reimbursed to a class within two years after the fiscal year in which the manager earned the fee or incurred the expense if the class’ total annual fund operating expenses have fallen to a level below the limits described above. In no case will the manager recapture any amount that would result, on any particular business day of the fund, in the class’ total annual fund operating expenses exceeding the applicable limits described above or any other lower limit then in effect. In addition, the manager has agreed to waive the fund’s management fee to an extent sufficient to offset the net management fee payable in connection with any investment in an affiliated money market fund. This management fee waiver is not subject to the recapture provision discussed above.