

Franklin Strategic Mortgage Portfolio

Advisor Class: FSMZX Class A: FSMFX Class C: FSMHX Class R6: FSMQX

Securitized | Factsheet as of December 31, 2024

Investment Overview

The fund seeks to provide high total return (a combination of high current income and capital appreciation) relative to the performance of the general mortgage securities market. The fund invests substantially in mortgage securities that are issued or guaranteed by the U.S. government, its agencies or instrumentalities, including securities issued by Ginnie Mae and government-sponsored entities such as Fannie Mae and Freddie Mac. The fund also invests in other types of residential and commercial mortgage securities, including securities that are not issued or guaranteed by the U.S. government, its agencies or instrumentalities.

Average Annual Total Returns (%)

Advisor Class	Without Sales Charges					With Sales Charges					Inception Date
	1-Yr	3-Yr	5-Yr	10-Yr	Inception	1-Yr	3-Yr	5-Yr	10-Yr	Inception	
Advisor Class	0.59	-2.44	-1.04	0.63	4.12	0.59	-2.44	-1.04	0.63	4.12	2/1/1993
Class A	0.34	-2.68	-1.26	0.39	3.77	-3.46	-3.91	-2.02	0.01	3.64	2/1/1993
Class C	-0.06	-3.07	-1.68	0.00	3.22	-1.04	-3.07	-1.68	0.00	3.22	2/1/1993
Class R6	0.63	-2.39	-0.96	0.70	4.12	0.63	-2.39	-0.96	0.70	4.12	2/1/1993
Benchmark 1	1.20	-2.13	-0.74	0.91	—	1.20	-2.13	-0.74	0.91	—	—
Benchmark 2	1.16	-2.28	-0.85	0.88	—	1.16	-2.28	-0.85	0.88	—	—

Cumulative Total Returns (% Without Sales Charge)

Advisor Class	3-Mo	YTD	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Advisor Class	-3.44	0.59	0.59	4.40	-11.58	-1.23	3.49	5.71	0.36	2.92	1.77	0.99
Class A	-3.49	0.34	0.34	4.27	-11.89	-1.47	3.34	5.45	0.00	2.66	1.53	0.84
Class C	-3.59	-0.06	-0.06	3.85	-12.24	-1.87	2.82	5.02	-0.28	2.26	1.13	0.44
Class R6	-3.43	0.63	0.63	4.57	-11.63	-1.21	3.74	5.85	0.47	2.89	1.67	1.10
Benchmark 1	-3.16	1.20	1.20	5.05	-11.81	-1.04	3.87	6.35	0.99	2.48	1.67	1.51
Benchmark 2	-3.26	1.16	1.16	4.72	-11.93	-1.27	4.03	6.68	1.01	2.47	1.59	1.56

Performance data quoted represents past performance, which does not guarantee future results. Current performance may be lower or higher than the figures shown. Principal value and investment returns will fluctuate, and investors' shares, when redeemed, may be worth more or less than the original cost. Performance would have been lower if fees had not been waived in various periods. Total returns assume the reinvestment of all distributions and the deduction of all fund expenses. Returns with sales charge reflect a deduction of the stated maximum sales charge. An investor cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges. Returns for periods of less than one year are not annualized. All classes of shares may not be available to all investors or through all distribution channels. For current month-end performance, please visit franklintempleton.com.

The fund began offering Advisor Class shares on 2/1/2012, the fund began offering C Class shares on 2/1/2012, the fund began offering A Class shares on 2/1/2012, and the fund began offering R6 Class shares on 8/1/2017. Performance quotations have been calculated as follows: (a) for Advisor Class periods prior to 2/1/2012, a restated figure is used based on the fund's Class A1 performance; for C Class periods prior to 2/1/2012, a restated figure is used based on the fund's Class A1 performance; for A Class periods prior to 2/1/2012, a restated figure is used based on the fund's Class A1 performance; for R6 Class periods prior to 8/1/2017, a restated figure is used based on the fund's Class Advisor performance. The performance was adjusted to take into account differences in class-specific operating expenses and maximum sales charges. (b) For periods after share class offering, performance for the specific share class is used, reflecting the expenses and maximum sales charges applicable to that class.

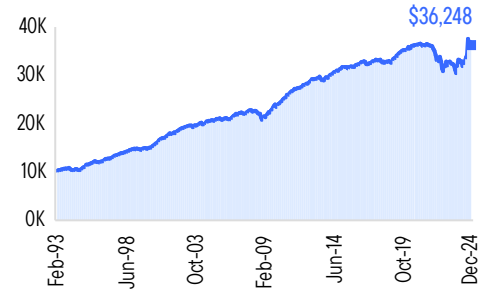
Share Class Details

Advisor Class	CUSIP	Ticker	Sales Charges (%)		Expenses (%)		30-Day SEC Yield	
			Max	CDSC	Gross	Net	Without Waiver	With Waiver
Advisor Class	35471H405	FSMZ	0.00	—	1.12	0.76	2.43	3.09
Class A	35471H207	FSMFX	3.75	—	1.36	1.01	2.09	2.72
Class C	35471H306	FSMHX	0.00	1.00	1.76	1.41	1.77	2.43
Class R6	35471H603	FSMQX	0.00	—	1.08	0.73	2.49	3.22

Gross expenses are the fund's total annual operating expenses as of the fund's prospectus available at the time of publication. Actual expenses may be higher and may impact portfolio returns. Net expenses reflect contractual fee waivers, expense caps and/or reimbursements, which cannot be terminated prior to 01/31/2025 without Board consent. Additional amounts may be voluntarily waived and/or reimbursed and may be modified or discontinued at any time without notice. There is a 1% CDSC on any Class C shares you sell within 12 months of purchase.

Growth of \$10,000

Advisor Class Shares—Inception through 31st December 2024
Excluding Effects of Sales Charges



Fund Overview

Dividend Frequency, if any	Monthly
Morningstar Category	Intermediate Core-Plus Bond
Lipper Classification	US Mortgage Funds
Turnover (fiscal yr)	50%

Benchmark(s)

- Bloomberg U.S. MBS Fixed Rate Index
- FTSE U.S. Broad Investment-Grade Mortgage Index

Fund Characteristics

	Fund
Total Net Assets	\$25.80 Million
Number of Holdings	298
Weighted Average Maturity	7.44 Years
Effective Duration	6.38 Years

Risk Statistics (3-Year—Advisor Class vs. Bloomberg U.S. MBS Fixed Rate Index)

	Fund
Beta	0.93
R-Squared	1.00
Sharpe Ratio	-0.81
Standard Deviation (%)	7.95

Top Securities (% of Total)

	Fund
FHLMC, 2%, 03/01/2052	5.04
GNMA, 5.0%, 01/01/2055	4.10
FNMA, 3.00%, 11/01/48	4.02
GNMA, 2.5%, 10/20/2051	3.27
FNMA, 2.00%, 12/01/2051	3.26
FHLMC, 2.50%, 12/01/2051	3.16
FNMA, 3.00%, 10/01/46	3.15
GNMA, 5.50%, 01/01/2055	2.92
FNMA, 3.50%, 8/01/49	2.83
FHLMC, 2%, 02/01/2052	2.59

Sector Exposure (% of Total)

	Fund	Benchmark 1
Agency Mortgage-Backed Securities	83.26	100.00
Residential Mortgage-Backed Securities	12.64	0.00
Interest Rate Derivatives	6.05	0.00
Commercial Mortgage-Backed Securities	5.47	0.00
Investment Grade Corporates	0.38	0.00
Municipal Bonds	0.14	0.00
Cash & Cash Equivalents	-1.74	0.00

Credit Quality Exposure (% of Total)

	Fund	Benchmark 1
AAA	14.19	0.00
AA	84.21	100.00
A	3.02	0.00
BBB	0.44	0.00
BB	0.04	0.00
NR	0.01	0.00
Not Applicable	-0.16	0.00
Cash & Cash Equivalents	-1.74	0.00

Portfolio Data Information

Exposure: Notional exposure figures are estimated and are intended to show the portfolio's direct exposure to securities and indirect exposure, through derivatives. Direct and indirect exposures are subject to change over time and methodologies for calculating indirect exposures vary by derivative type. Portfolio breakdown percentages may not total 100% and may be negative due to rounding, use of derivatives, unsettled trades or other factors.

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 Standard and Poor's, Moody's Investors Service and/or Fitch Ratings, Ltd. 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 Fund's portfolio does not apply to the stability or safety of the Fund. These ratings are updated monthly and may change over time. **Please note, the Fund itself has not been rated by an independent rating agency.**

Portfolio Management

	Years with Firm	Years of Experience
Neil Dhruv	22	22
Paul Varunok	23	33

What should I know before investing?

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.

Asset-backed, mortgage-backed or mortgage-related securities are subject to prepayment and extension risks.

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. **Active management** does not ensure gains or protect against market declines. These and other risks are discussed in the fund's prospectus.

Glossary

Beta: A measure of the fund's volatility relative to the market, as represented by the stated Index. A beta greater than 1.00 indicates volatility greater than the market. **R-squared** measures the strength of the linear relationship between the fund and its benchmark. R-squared at 1 implies perfect linear relationship and zero implies no relationship exists. **Sharpe Ratio** refers to a risk-adjusted measure calculated using standard deviation and excess returns to determine reward per unit of risk. The higher the ratio, the greater the risk-adjusted performance.

Standard Deviation: Measure of the degree to which a fund's return varies from the average of its previous returns. The larger the standard deviation, the greater the likelihood (and risk) that a fund's performance will fluctuate from the average return. The **30-day SEC yield** is calculated using the net income (interest and dividends) per share earned over a trailing 30-day period (annualized), divided by the fund's share price at the end of that period. It may not equal the fund's actual income distribution rate, which reflects the fund's past dividends paid to shareholders. **Turnover** is a measure of the fund's trading activity which represents the portion of the fund's holdings that has changed over a twelve-month period through the fiscal year end. There is no assurance that the fund will maintain its current level of turnover. **Weighted Average Maturity:** An estimate of the number of years to maturity, taking the possibility of early payments into account, for the underlying holdings. **Effective Duration** is a duration calculation for bonds with embedded options. Effective duration takes into account that expected cash flows will fluctuate as interest rates change. Duration measures the sensitivity of price (the value of principal) of a fixed-income investment to a change in interest rates. The higher the duration number, the more sensitive a fixed-income investment will be to interest rate changes.

Important Information

A portion of the mortgage securities owned by the fund, but not shares of the fund, are guaranteed by the U.S. government, its agencies or instrumentalities as to timely payment of principal and interest. Although Fannie Mae and Freddie Mac are chartered by Acts of Congress, their securities are backed only by the credit of the respective instrumentality and are not issued or guaranteed by the U.S. government. Please see the fund's prospectus for a detailed discussion regarding various levels of credit support for government agency or instrumentality securities. The fund's yield and share price are not guaranteed and will fluctuate with market conditions.

The **FTSE U.S. Broad Investment-Grade (USBIG) Mortgage Index** comprises 30- and 15-year GNMA, FNMA and FHLMC securities, as well as FNMA and FHLMC balloon mortgages, and is reconstituted each month to reflect new issuance and principal pay-downs. Source: FTSE. The **Bloomberg U.S. Mortgage-Backed (MBS) Fixed Rate Index** is the fixed-rate component of the Bloomberg U.S. MBS Index and includes the agency mortgage-backed pass-through securities of Ginnie Mae (GNMA), Fannie Mae (FNMA) and Freddie Mac (FHLMC). Source: Bloomberg Indices. Important data provider notices and terms available at www.franklintempletondatasources.com. All data is subject to change.

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Before investing, carefully consider a fund's investment objectives, risks, charges and expenses. You can find this and other information in each prospectus, or summary prospectus, if available, at www.franklintempleton.com. Please read it carefully.