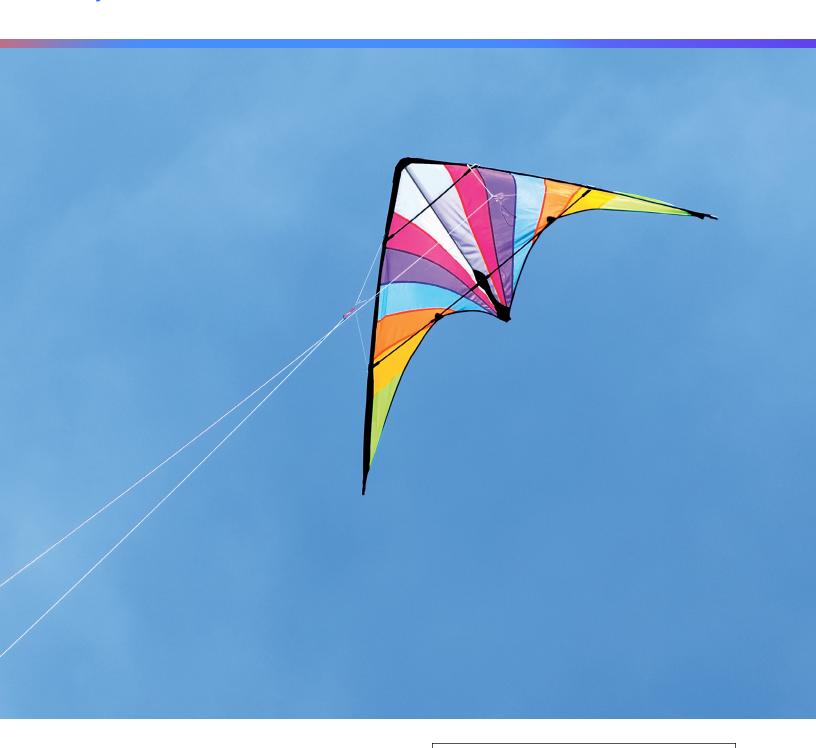


Rising rates

What you need to know



Understanding the impact of rising rates

⁶⁶An investment in knowledge pays the best interest."

Benjamin Franklin

It's important to know that the primary reasons for owning fixed income investments don't change when market conditions, including interest rates, change. In addition to providing income, fixed income strategies are an important component of a well-diversified portfolio, often serving as a potentially less volatile option to offset equity market volatility.

The following pages will review how interest rate movements affect fixed income investments, the factors that can impact interest rates, and why certain fixed income strategies are typically less interest rate sensitive than others.

What drives interest rates?

To better understand the impact rising interest rates can have on your investments, you need to know the relationship between bond prices and interest rates, and the different factors that can influence short- and long-term rates. It is also worth noting that short- and long-term rates don't necessarily move in tandem.

When interest rates go up, prices go down (and vice versa)

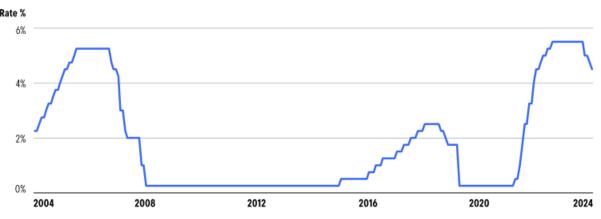
Typically, bond prices and interest rates move in opposite directions. That means when interest rates rise, bond prices tend to fall, and conversely, when interest rates decline, bond prices tend to increase. Likewise, the share price of a fixed income mutual fund or ETF may move up or down, depending on movements in interest rates and their effect on the value of the bonds held in the fund's portfolio.

What is the federal funds rate, and why is it important?

The central bank for the US, the Federal Reserve (Fed), controls the federal funds target rate. This is the rate commercial banks charge other banks for overnight loans, but it also strongly influences the rates of other short-term investments. Generally, the Fed reduces the federal funds target rate to try and stimulate a sluggish economy, and may raise rates when the economy is thriving to prevent inflation from getting too high.

The Federal Funds Target Rate¹

20-Year Period Ended December 31, 2024

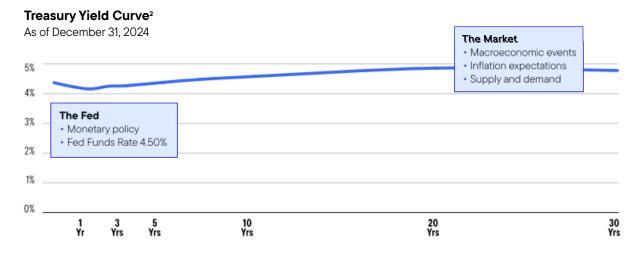


1. Sources: © 2025 Federal Reserve, Bloomberg.

1 Rising rates franklintempleton.com

Factors that influence long-term rates

The illustration below shows the yields associated with bonds of different maturity lengths. While short-term rates are largely influenced by the Fed, long-term rates, as represented by yields of 10-year and 30-year Treasury bonds, are typically market-driven. Macroeconomic events influence long-term rates (such as economic expansions or contractions), inflation expectations, and supply and demand factors (including demand from foreign central banks).



This chart is for illustrative purposes only and does not reflect the performance of any Franklin Templeton fund. **Past performance does not guarantee future results.**

Inflation has historically influenced long-term rates

While different factors may affect interest rates at any given time, over the long term, inflation (or the rate at which the prices of goods and services are rising) has been a key driver. Inflation is often a sign that the economy is expanding, and expectations of growing inflation by the market may cause long-term rates to move higher.

10-Year US Treasury Yield vs. Core CPI (Inflation) Year-over-Year³



2. Sources: Bloomberg, Federal Reserve. Important data provider notices and terms available at www.franklintempletondatasources.com.

franklintempleton.com Rising rates

^{3.} Sources: Bloomberg, Federal Reserve H.15 Report, Bureau of Labor Statistics.

Rising rates don't impact all fixed income sectors equally

The size and scope of the fixed income market is much larger than the stock market. Within this large marketplace, different fixed income asset classes have their own unique characteristics and risks, including interest rate sensitivity.

Annual Total Returns of Key Fixed Income Sectors (1995-2024)⁴

the fixed income market				1 1			l	1																		1					
is much larger than the	1995	1996	1 997 High-Yield	1998	1999	2000 Preferreds	2001	2002	2003	2004	2005	2006 High-Yield	2007 TIPS	2008 10-Year US	2009 High-Yield	2010 High-Yield	2011 10-Year US	2012	2013 High-Yield	2014 Preferreds	2015 Preferreds	2016 High-Yield	2017 Preferreds	2018	2019 Preferreds	2020 TIPS	2021 TIPS	2022 Floating-Rate	2023 High-Yield	2024 loating-Rate	Best
stock market. Within	Emerging Markets	Emerging Markets	Bonds	Bonds	Emerging Markets	Preterious	Grade Corp.	Bonds	Bonds	Bonds	Emerging Markets	Bonds	IIrs	Treasury	Bonds	Bonds	Treasury	Emerging Markets	Bonds	Presentous	Presentous	Bonds	Freieneus	Securities	Presenteds	III's	100	Loans	Bonds	Loans .	4
this large marketplace,	Debt 26.38%	35.23%	12.21%	17.79%	24.18%	16.20%	Bonds 10.31%	21.99%	27.94%	12.14%	10.73%	11.92%	11.64%	Bonds 20.30%	54.22%	14.42%	8onds 15,99%	Debt 18.54%	7.53%	15.44%	7.58%	18.26%	10.58%	1.77%	17.71%	10.99%	5.96%	-1.06%	13.55%	9.05%	1 '
different fixed income	10-Year US	High-Yield	Emerging Markets	Global Bonds	Floating-Rate	10-Year US	Preferreds	Global Bonds	Emerging Markets	High-Yield	Floating-Rate	Emerging Markets	International	Global Bonds	Floating-Rate	Preferreds	TIPS	High-Yield	Floating-Rate	10-Year US	Municipal	Emerging Markets	International	Short-Term	Investment-	International	High-Yield	Short-Term	Floating-Rate	High-Yield	'
asset classes have	Treasury Bonds	Bonds	Debt		Loans	Bonds 14,45%			Debt	Bonds	Loans	Debt	Bonds		Leans			Bonds	Loans	Treasury Bonds	Bonds	Debt	Bonds	Bonds 1.67%	Grade Corp. Bonds	Bonds	Bonds	Bonds	Loans	Bonnes .	
their own unique	23.73%	Floating-Rate	11.95% 10-Year US	15.30% 10-Year US	4.69% High-Yeld	$\overline{}$	9.84% Asset-Backed	19.49% TIPS	25.66%	11.Vent	5.69%	9.88% Preferreds	11,45% Global Bonds	10.89%	44.87%	13.66%	13.56% Municipal	14.77% Preferreds	6.15% Short-Term	10.72% Municipal	3.30%	10.19% Floating-Rate	10.33%	1.07% Agencies	14.54%	10.78% 10-Year US	5.49% Floating-Rate	-2.79% Asset-Backed	13.04%	7.89% Preferreds	
characteristics and risks,	Investment- Grade Corp.	Loans .	Treasury	Treasury	Bonds	Emerging Markets	Securities	IIF3	Bonds	Markets	Municipal Bonds	Presentado	Groom Borros	Bonds	Emerging Markets	Emerging Markets	Bonds	Presentado	Government	Bonds	Mortgage- Backed	Loans	Markets	Agencies	Markets	Treasury	Loans	Securities	Emerging Markets Debt	Preterious	
including interest rate	Bonds 22.25%	7.48%	Bonds 11.27%	Bonds 12.88%	3.59%	Debt 14,41%	9.81%	16.57%	18.52%	Debt 11.73%	3.51%	8.10%	10.95%	10.11%	28.18%	12.04%	10.70%	13.59%	0.39%	9:05%	Securities 1.51%	9.88%	9.32%	1.34%	Debt 14.42%	Bonds 10.37%	5.40%	-4.30%	10.45%	7.05%	'
sensitivity.	Preferreds	Preferreds	Investment-	Agencies	Short-Term	TIPS	Agencies	10-Year US	Global Bonds	Global Bonds	TIPS	Floating-Rate Loans	10-Year US	Agencies	Asset-Backed	Floating-Rate		Investment-	Asset-Backed	Investment-	Asset-Backed	Investment-	Global Bonds	Municipal	High-Yield	Global Bonds	Preferreds	Agencies	Preferreds	Emerging	'
This table shows the		2.44	Grade Corp. Bonds	0.000	Bonds 3.41%			Treasury Bonds		10.050			Bonds		Securities	Loans	Markets Debt	Grade Corp. Bonds	Securities	Grade Corp. Bonds	Securities	Grade Corp. Bonds	2 101	Bonds	Bonds			2020	10.000	Markets Debt	'
annual returns of key	20.41% High-Yield	7.44% Moderne	10.23% Professorie	8.85%	3.4T%	13.18% Agencies	8.31% Short-Term	14.66%	14,91% Floating-Rate	10.35% TIPS	2.84% Moderne	7.33%	9.77% Agencies	9.26%	24.71% Preferreds	9.98%	8.46%	9.82% Election State	-0.27% Agencies	7.46% Moderne	1.25%	6.TTX	7,49% High-Yield	1.28% Floating-Rate	14.00% 10-Year US	10.11%	2.24% Municipal	-7,87% Municipal	10.21% Investment-	5.73%	'
fixed income sectors from	Bonds	Backed	Figure	Grade Corp.	100	Agricon	Government	Emerging Markets	Loons		Backed	Bonds	Aprilan	Mortgage- Backed	Frenchisos	Grade Corp.		Loans	~	Backed	Emerging Markets	100	Bonds	Loans	Treasury	Grade Corp.	Bonds		Grade Corp.	Securities	
1995–2024, ordered from	19.68%	5.35%	9.99%	8.57%	2.39%	12.18%	Bonds 8.23%	Debt 13.11%	11.01%	8.46%	2.61%	6.94%	7.90%	Securities 8.34%	20.07%	9.00%	Bonds 8.15%	9.43%	-1.38%	6.08%	1.23%	4.68%	7.03%	134%	8.85%	9:89%	1.62%	-8.53%	8.52%	5.02%	
high to low. The outlined	International Bonds	Short-Term	Agencies	Asset-Backed Securities	Mortgage- Backed	Municipal Bonds	Mortgage- Backed	Agencies	Preferreds	Floating-Rate	Agencies	Global Bonds	Mortgage- Backed	Short-Term	Investment- Grade Corp.	10-Year US	Global Bonds	TIPS	Mortgage- Backed	Emerging Markets	Agencies	Preferreds	Investment- Grade Corp.	Mortgage- Backed	TIPS	Preferreds	Short-Term	High-Yield Bonds	Municipal Bonds	Short-Term	'
columns denote years	19.55%	Bonds	9.70%	7.76%	Securities		Securities	N.OW	0.400	E 400	0.000	4 100	Securities	Bonds 5.96%	Bonds	Bonds Bonds	4.05W	4.000	Securities	Debt	LOW	0.000	Bonds	Securities	0.400	4.059	Bonds -0.32%		6.40%	Bonds	'
when the federal funds	Global Bonds	5.32% Asset Backed	Modeson-		1.86% Asset-Backed	11.68% Mortoson	8.22% TIPS	11.01%	9.43% TIPS	5.60% Investment	2.33% High-Yield	Mortoson-	6.90% Short-Term	TIPS	18.68% Municipal	8.10% TIPS	Mortoson-	6.98% Municipal	-1.41%	5.53% TIPS	10-Year US	2.32% Asset-Backed	6.42 %	0.99% 10-Year US	8.43% Floating-Rate	6.95% Emersion	Asset-Backed	-10.55% Mortsone-	International	4.41%	
target rate and/or the		Securities	Backed Securities	Mortgage- Backed Securities	Securities	Mortgage- Backed Securities		Grade Corp. Bonds		Grade Corp. Bonds	Bonds	Mortgage- Backed Securities	Government Bonds		Bonds		Mortgage- Backed Securities	Bonds	Grade Corp. Bonds		Treasury Bonds	Securities	Bonds	Treasury Bonds	Loans	Emerging Markets Date	Securities	Mortgage- Backed Securities	Bonds		'
10-year Treasury bond	19:04%	5.05%	9,49%	6.96%	1.82%	11,16%	7.90%	10.12%	8.40%	5.39%	2.26%	5.22%	6.64%	-2.35%	12:91%	6.31%	6.23%	6.78%	-1.53%	3.64%	0.90%	2.03%	5.45%	-0.02%	8.17%	5.88%	-0.34%	-11.81%	5.83%	3.16%	'
yield increased.	Agencies	Municipal Bonds	Municipal Bonds	Preferreds	Agencies	Asset-Backed Securities	High-Yield Bonds	Municipal Bonds	Investment- Grade Corp.	Preferreds	Asset-Backed Securities	Municipal Bonds	Emerging Markets	Municipal Bonds	TIPS	Asset-Backed Securities	High-Yield Bonds	10-Year US Treasury	Municipal Bonds	Agencies	Short-Term Government	International Bonds	Floating-Rate Loans	Global Bonds	Municipal Bonds	Agencies	Investment- Grade Corp.	TIPS		Investment- Grade Corp.	
,	18.27%	4.43%	9,19%	6.72%	-0.94%	10.84%	6.16%	9.60%	Bonds 8.24%	5.11%	2.09%	4.84%	Debt 6.28%	-2.47%	11.41%	5.85%	5.47%	Bonds 4.23%	-2.55%	3.58%	Bonds 0.31%	1.01%	4.25%	-0.84%	7.54%	5.48%	Bonds -1.04%	-11.85%	5.54%	Bonds 2.13%	
	Municipal	International	Floating-Rate	Short-Term	Investment-	Investment-	Municipal	_	Municipal	10-Year US	10-Year US	Asset-Backed	Investment-	Investment-	Mortgage-		International	Asset-Backed	Preferreds	Floating-Rate	Floating-Rate	Mortgage-	TIPS	TIPS	Mortgage-	High-Yield	Mortgage-	Preferreds	Global Bonds	TIPS	
	Bonds	Bonds	Loans	Government Bonds	Grade Corp. Bonds	Grade Corp. Bonds	Bonds	Mortgage- Backed Securities	Bonds	Treasury Bonds	Treasury Bonds	Securities	Grade Corp. Bonds	Grade Corp. Bonds	Backed Securities	Mortgage- Backed Securities	Bonds	Securities		Loans	Loans	Mortgage- Backed Securities			Backed Securities	Bonds	Backed Securities				
	17.45%	4.08%	8.30%	6.59%	-1.96%	9.08%	5.13%	8.75%	5.31%	4.87%	2.04%	4.70%	4.56%	-4.94%	5.89%	5.37%	5.17%	3.66%	-3.65%	2.06%	-0.38%	1,67%	3.01%	-1.26%	6.35%	5.48%	-1.04%	-14.60%	5.19%	1.84%	
	Mortgage- Backed	Global Bonds	Asset-Backed Securities	Municipal Bonds	Municipal Bonds	Short-Term Government	10-Year US Treasury	Asset-Backed Securities	Asset-Backed Securities	Mortgage- Backed	Short-Term Government	Agencies	Municipal Bonds	Emerging Markets	International Bonds	International Bonds	Asset Backed Securities	Mortgage- Backed	Global Bonds	Asset-Backed Securities	Investment- Grade Corp.	Global Bonds	Mortgage- Backed	International Bonds	Global Bonds	Municipal Bonds	Agencies	Investment- Grade Corp.	Agencies	Mortgage- Backed	
	Securities 16.80%	3,62%	7.41%	6.48%	-2.06%	Government Bonds 7.66%	Bonds 4.01%	8.55%	4.0%	Securities 4.70%	Bonds 1,93%	4.37%	3.36%	-10:91%	4.39%	5.21%	5.14%	Securities 2.59%	-4.00%	1.88%	Bonds -0.68%	1,60%	Securities 2.47%	-1.82%	5.90%	5.21%	-1.32%	Bonds -15.76%	5.13%	Securities 1.20%	
	Asset-Backed	Agencies	Short-Term	Floating-Rate	Global Bonds	Floating-Rate	Floating-Rate	Preferreds	Mortsone-	Municipal	Investment-	Investment-	High-Yield	Asset-Backed	Global Bonds	Global Bonds		Agencies	International	High-Yield	TIPS	Agencies	10-Year US	High-Yield	Agencies	Asset-Backed	Emerging Markets	Emerging Markets	Mortoure.	Municipal	
	Securities		Government Bonds	Loans		Loans	Loans		Backed Securities	Bonds	Grade Corp. Bonds	Grade Corp. Bonds	Bonds	Securities					Bonds	Bonds			Treasury Bonds	Bonds		Securities	Debt	Markets Debt	Backed Securities	Bonds	'
	13.43%	3.29%	6.40%	5.31%	-4.27%	4.94%	2.65%	7.66%	3.07%	4.48%	1.68%	4.30%	2.65%	-12.72%	2.55%	5.17%	4.82%	2.16%	-4.56%	1.86%	-1.44%	1.39%	2.13%	-2.37%	5.89%	4.52%	-1.51%	-16.45%	5.05%	1.05%	'
	Short-Term Government	Grade Corp.	Global Bonds	TIPS	Preferreds	Global Bonds	Emerging Markets	Short-Term Government	Agencies	Agencies	Preferreds	Short-Term Government	Asset-Backed Securities	Preferreds	Agencies	Agencies	Preferreds	Global Bonds	Emerging Markets	Short-Term Government	Global Bonds	Government	Agencies	Grade Corp.	Bonds Bonds	Mortgage- Backed	10-Year US Treasury	Treasury	Short-Term Government	10-Year US Treasury	
	9.77%	3.28%	0.23%	3.95%	-4.43%	1,59%	Debt 1.36%	Bonds 5.13%	2.59%	3.33%	0.96%	Bonds 4.18%	2.21%	-25.24%	1.53%	4.36%	4.11%	1.65%	-6.58%	Bonds 0.41%	-3.57%	Bonds 0.83%	2.06%	-2.51%	5.32%	Securities 3.87%	-3.57%	Bonds -16.65%	Bonds 4.39%	Bonds -1.67%	
	Floating-Rate	10-Year US	International	High-Yield	International	International	Global Bonds	High-Yield	Short-Term	Asset-Backed	Global Bonds		Floating-Rate		Short-Term	Municipal	Floating-Rate		10-Year US	Global Bonds	High-Yield	Municipal	Asset Backed	Preferreds		Floating-Rate	Global Bonds	Global Bonds	TIPS	Nobal Bonds	
	Loans	Bonds	Bonds	Bonds	Bonds	Bonds		Bonds	Bonds	Securities		Bonds	Loans	Bonds	Bonds	Bonds	Loans	Bonds	Treasury Bonds		Bonds	Bonds	Securities		Securities	Loans					
	8.91% TIPS	TIPS	-4.20% TIPS	0.55%	-5.07% 10-Year US	-2.63% High-Yield	-0.99% International	3.10% Floating-Rate	1.89% 10-Year US	3.0T% Short-Term	-0.88%	1.38% TIPS	1.88%	-26.17% Floating-Rate	1,28% 10-Year US	2.38% Short-Term	1.82% Short-Term	1.57%	-7.85% Table	-0.48%	-4.93%	0.25% 10-Year US	1.55% Short-Term	-4.34% Encodes	4.53% Short-Term	2.78%	-6.97%	-18.26% International	3.90% 10-Year US	-2.87% stemption of	
	III's	IIra	IIFa	Emerging Markets	Treasury	Bonds	Bonds	Loans	Treasury	Government	Bonds	III'a	Preventous	Loans .	Treasury	Government	Government	Government	IPS	Bonds	Bonds	Treasury	Government	Emerging Markets	Government	Government	Bonds	Bonds	Treasury	Bonds	
	N/A	N/A	N/A	-11.54%	-8.41%	-5.66%	-3.54%	1.12%	1.25%	0:92%	-9.20%	0.41%	-11.31%	-28.75%	-9.92%	1.65%	1.01%	0.37%	-8.61%	-2.68%	-5.54%	-0.14%	0.41%	-4.68%	3.24%	2.54%	-9.68%	-22.07%	3.54%	-5.32%	▼ Worst
																															The same
Year-End Federal Funds Target Rate:	5.50%	5.25%	5.50%	4.75%	5.50%	6.50%	1.75%	1.25%	1.00%	2.25%	4.25%	5.25%	4.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.75%	1.50%	2.50%	1.75%	0.25%	0.25%	4.50%	5.50%	4.50%	
Year-End 10-Year Treasury Bond Yield:	5.58%	6.43%	5.75%	4.65%	6.45%	5.12%	5.07%	3.83%	4.27%	4.24%	4.39%	4.71%	4.04%	2.25%	3.85%	3.30%	1.89%	1.78%	3.04%	2.17%	2.27%	2.45%	2.40%	2.69%	1.92%	0.93%	1.52%	3.88%	3.88%	4.58%	
Year-End 6-Month CD Yield:	5.37%	5.46%	5.74%	4.97%	6.08%	6.10%	1.92%	1.32%	1.16%	2.72%	4.65%	5.32%	4.62%	1.70%	0.28%	0.40%	0.64%	0.33%	0.33%	0.43%	0.85%	1.27%	1.82%	2.82%	1.79%	0.22%	0.31%	4.97%	5.29%	4.42%	ŀ

This chart is for illustrative purposes only and does not reflect the performance of any Franklin Templeton fund. Past performance does not guarantee future results. Fund performance can be obtained at franklintempleton.com.

Diversification does not guarantee a profit or protect against a loss. It's important to note that CDs are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000 and offer a fixed rate of return. Treasuries, if held to maturity, offer a fixed rate of return and fixed principal value; their interest payments and principal are guaranteed.

4. Sources: Credit Suisse, ICE BofA, Bloomberg, FTSE Russell, J.P. Morgan and © 2025 Morningstar.

■ High-Yield Bonds are represented by Credit Suisse High Yield Index: ■ Emerging Markets Debt is represented by J.P. Morgan Emerging Market Bond Index Global; ■ Floating-Rate Loans are represented by Credit Suisse Leveraged Loan Index; International Bonds are represented by FTSE World Government Bond Index Non-US; Global Bonds are represented by FTSE World Government Bond Index; TIPS are represented by Bloomberg US TIPS Index; Municipal Bonds are represented by Bloomberg Municipal Bond Index; Mortgage-Backed Securities are represented by Bloomberg US MBS Index: Asset-Backed Securities are represented by Bloomberg Asset-Backed Securities Index; Im Investment-Grade Corporate Bonds are represented by Bloomberg US Corporate Investment Grade Index; Short-Term Government Bonds are represented by Bloomberg US Government 1-2 Year Index; Agencies are represented by Bloomberg US Agency Index; 10-Year US Treasury Bonds are represented by FTSE Treasury Benchmark 10-Year Index; Preferreds are represented by ICE BofA Fixed Rate Preferred Securities Index.

Past performance is no guarantee of future results. Indexes are unmanaged and one cannot invest directly in an index. Index returns do not reflect any fees, expenses or sales charges. Please see page 8 for definitions of indexes shown here.

3 Rising rates franklintempleton.com franklintempleton.com Rising rates

Strategies to consider during a rising rate environment

Interest rate sensitivity can vary across sectors within the fixed income universe. Generally speaking, higher quality sectors (such as US government bonds) and longer duration bonds have tended to be the most vulnerable to interest rate volatility. The following strategies have historically been less interest-rate sensitive though they may be subject to additional risks.

Consider creditoriented strategies

- High-yield bonds
- Floating-rate loans

Credit-oriented sectors and, in particular, non-investment grade sectors such as high-yield corporate bonds and floating-rate bank loans, have historically been less correlated to US Treasuries as their performance is typically tied more to the overall economic outlook and corporate earnings landscape than interest rates.

Keep it short

- Adjustable-rate mortgages
- Short-term government bonds
- Floating-rate loans

Shorter duration securities are generally not as sensitive to long-term rate movements and can offer an attractive alternative to longer duration securities where rising rates typically have a greater effect on price and valuations.

Go global

- Global bonds
- International bonds

International and global strategies can seek to capitalize on the differing business cycles and economic conditions present around the world, and thus are typically less impacted by rate changes in the US.

How to prepare for rising rates

It's impossible to predict the exact timing and direction of interest rates changes. And, while rising interest rates will likely generate news headlines, investors should avoid overreacting. Instead, work with your financial professional to determine the best plan to keep your long-term investment strategy on track.

To learn more about Franklin Templeton products that might benefit your investment strategy, talk to your financial professional. They offer market knowledge, planning expertise and will consider your investment needs to create an investment strategy tailored to your specific goals and risk tolerance.

The upside of rising rates

While there is often apprehension at the prospect of rates increasing, it's important to remember the potential upside as well. Rising rates may indicate economic expansion, which can lead to increased interest payments over time.

What about stocks?

Most people associate rising interest rates with bonds, but many investors may not consider the impact on equities. When rates are rising due to economic growth, it also tends to mean businesses and consumers are increasing their spending on goods and services—all of which can be good for the stock market.

And alternatives?

Alternative hedge strategies can offer additional diversification to traditional stock and bond portfolios. Hedge strategies have historically shown a negative correlation to 10-year Treasuries.⁵

5. Source: © 2025 Morningstar Direct. Based on the 15-year period ended 12/31/24. Hedge strategies are represented by the HFRI Fund Weighted Composite Index, 10-Year US Treasuries are represented by the FTSE Treasury Benchmark 10-Year Index. Indexes are unmanaged and one cannot invest directly in an index. Treasuries, if held to maturity, offer a fixed rate of return and fixed principal value; their interest payments and principal are backed by the full faith and credit of the US government. Past performance does not guarantee future results.

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Franklin Templeton

Offering investment specialization with global scale

Franklin Templeton brings together an unmatched collection of autonomous specialist investment managers to provide our clients deep expertise and specialization within and across asset classes, investment styles, and geographies. This combination of multiple investment groups in one company provides investment specialization with global scale. With roots that date back more than 75 years and \$1.6 trillion in assets under management, Franklin Templeton today is one of the largest global asset managers.⁶



6. As of 12/31/2024.

WHAT ARE THE RISKS?

All investments involve risks, including possible loss of principal. Bond prices generally move in the opposite direction of interest rates. As interest rates rise, bond prices typically fall. 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. Floating-rate loans and high-yield corporate bonds are generally rated below investment grade and are subject to greater risk of default, which could result in loss of principal, a risk that may be heightened in a slowing economy. The risks of foreign securities include currency fluctuations and political uncertainty. Investments in developing markets involve heightened risks related to the same factors, in addition to those associated with their relatively small size and lesser liquidity.

Alternatives: Hedge strategies are actively managed and could experience losses if an investment manager's judgment about markets, future volatility, interest rates, industries, sectors, and regions, or the attractiveness or the potential appreciation of particular investments prove to be incorrect. Short sales of securities involve the risk that losses may exceed the original amount invested. Merger arbitrage investments risk loss if a proposed organization in which the fund invests is renegotiated or terminated.

This communication is general in nature and intended for educational purposes only; it should not be considered tax, legal or investment advice, or an investment recommendation. Consult your financial professional for personalized advice that is tailored to your specific goals, individual situation and risk tolerance.

Index definitions

Credit Suisse High-Yield Index is designed to mirror the investible universe of the US dollar denominated high-yield debt market.

J.P. Morgan Emerging Markets Bond Index Global tracks total returns for US dollar denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities.

Credit Suisse Leveraged Loan Index is designed to mirror the investible universe of the US dollar denominated leveraged loan market.

FTSE World Government Bond Index Non-US is a market capitalization weighted index consisting of investment-grade world government bonds (apart from US).

FTSE World Government Bond Index is a market capitalization weighted index consisting of investment-grade world government bonds.

Bloomberg US TIPS Index covers the universe of inflation-protected notes issued by the US Treasury that have at least one year to final maturity.

Bloomberg Municipal Bond Index is a market-value-weighted index engineered for the long-term tax-exempt bond market.

Bloomberg US MBS Index is the MBS component of the Bloomberg US Aggregate Index and covers agency mortgage-backed pass-through securities (both fixed rate and hybrid ARM) issued by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

Bloomberg Asset-Backed Securities (ABS) Index is the ABS component of the Bloomberg US Aggregate Index and includes credit and charge card, auto, and utility loans.

Bloomberg US Corporate Investment Grade Index is the US corporate component of the Bloomberg US Credit Index and covers USD-denominated, investment-grade, fixed-rate, taxable securities sold by industrial, utility, and financial institution issuers.

Bloomberg US Government Index: 1–2-Year Component is the 1–2-year component of the Bloomberg US Government Index.

Bloomberg US Government Index is the US Government component of the US Government/Credit index and includes public obligations of the US Treasury with at least one year to final maturity and publicly issued debt of US Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the US Government.

Bloomberg US Agency Index is the US agency component of the Bloomberg US Government/Credit Index and includes publicly issued debt of US Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the US Government.

FTSE 10-Year US Treasury Index is a total return index based on a constant maturity instrument.

BofA Preferred Stock Fixed Rate Index tracks the performance of fixed rate US dollar-denominated preferred securities issued in the US domestic market.

US Treasuries are direct debt obligations issued and backed by the "full faith and credit" of the US government. The US government guarantees the principal and interest payments on US Treasuries when the securities are held to maturity. Unlike US Treasuries, debt securities issued by the federal agencies and instrumentalities and related investments may or may not be backed by the full faith and credit of the US government. Even when the US government guarantees principal and interest payments on securities, this guarantee does not apply to losses resulting from declines in the market value of these securities.

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

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(800) 342-5236 franklintempleton.com