



Franklin U.S. High Yield Broad Market Composite

High Yield
Fixed Income
June 30, 2021

Product Profile

Product Details

| | |
|------------------|--|
| Composite Assets | \$4,400,099,715.72 |
| Inception Date | 12/31/1993 |
| Base Currency | USD |
| Investment Style | High Yield |
| Benchmark | ICE BofA US High Yield Constrained Index |

Overview¹

- Diversified U.S. high-yield investment strategy that seeks to exploit market inefficiencies over the course of a full credit cycle through diligent bottom-up selection and opportunistic active management.
- Excess Return Target: 100 basis points (gross of fees)
- Tracking Error Target: 250 basis points (gross of fees)

Performance Data

Average Annual Total Returns (USD%)²

| | 3 Mths | YTD | 1 Yr | 3 Yrs | 5 Yrs | 10 Yrs | 20 Yrs | Since Inception (12/31/1993) |
|---|--------|------|-------|-------|-------|--------|--------|---------------------------------|
| Franklin U.S. High Yield Broad Market Composite - GROSS | 3.08 | 3.90 | 15.25 | 7.74 | 8.03 | 6.27 | 7.49 | 7.00 |
| Franklin U.S. High Yield Broad Market Composite - NET | 2.95 | 3.65 | 14.69 | 7.21 | 7.50 | 5.75 | 6.96 | 6.47 |
| ICE BofA US High Yield Constrained Index | 2.77 | 3.70 | 15.60 | 7.12 | 7.28 | 6.49 | 7.69 | - |

Calendar Year Returns (USD%)

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|------|-------|-------|------|-------|--------|-------|------|-------|------|
| Franklin U.S. High Yield Broad Market Composite - GROSS | 7.27 | 15.30 | -2.93 | 7.62 | 19.88 | -10.08 | 0.39 | 8.34 | 16.34 | 5.35 |
| Franklin U.S. High Yield Broad Market Composite - NET | 6.74 | 14.74 | -3.41 | 7.09 | 19.30 | -10.53 | -0.10 | 7.81 | 15.77 | 4.83 |
| ICE BofA US High Yield Constrained Index | 6.07 | 14.41 | -2.27 | 7.48 | 17.49 | -4.61 | 2.51 | 7.41 | 15.55 | 4.37 |

1. Targets represent the goal the strategy seeks against the ICE BofA US High Yield Constrained Index and do not take into account management fees or other expenses an investor would incur in the management of its account, which would reduce any returns. There is no assurance that employment of the strategy will result in the intended targets being achieved.

2. Periods of more than one year are annualized. **Past performance is not an indicator or a guarantee of future performance.**

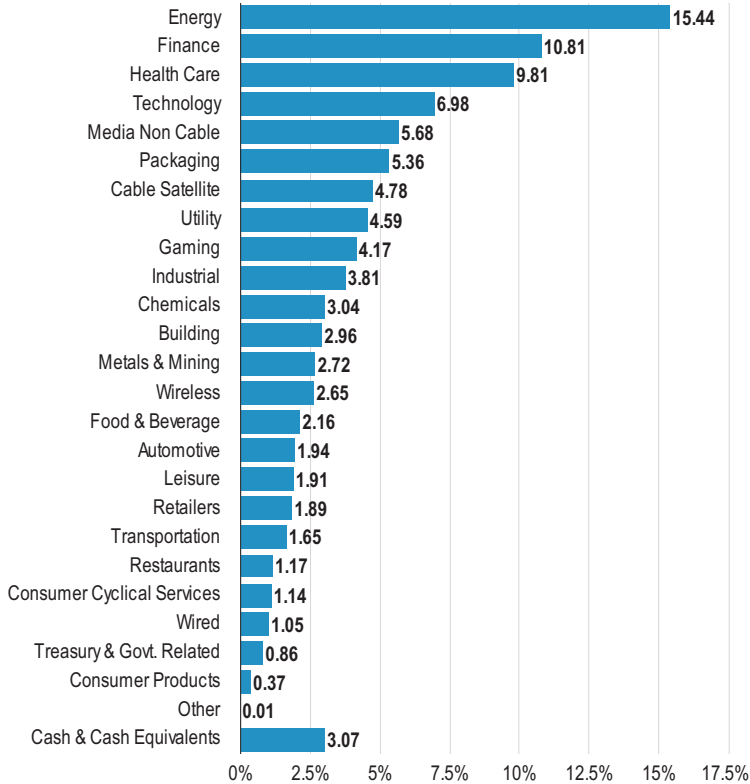
Portfolio Characteristics of a Representative Account^{a,b,c}

| | Portfolio | ICE BofA US High Yield Constrained Index |
|-------------------------------------|-----------|--|
| Number of Holdings | 317 | 2110 |
| Yield to Maturity | 4.88% | 4.62% |
| Yield to Worst | 4.06% | 3.87% |
| Average Credit Quality ³ | B+ | B+ |

Portfolio Diversification of a Representative Account^{a,b}

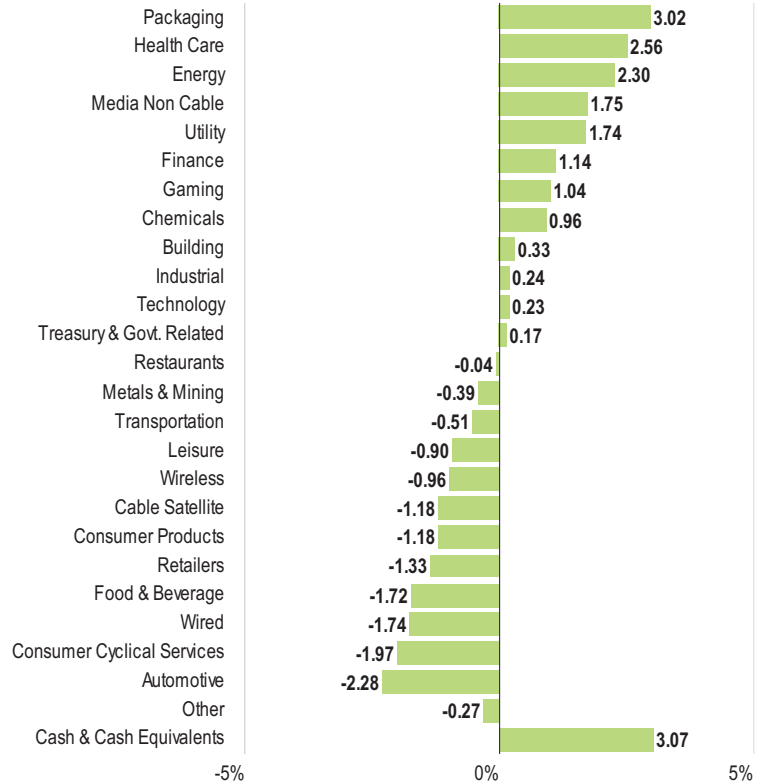
Sector Allocation

Percent of Total



Sector Weightings vs. ICE BofA US High Yield Constrained Index

Percent of Total

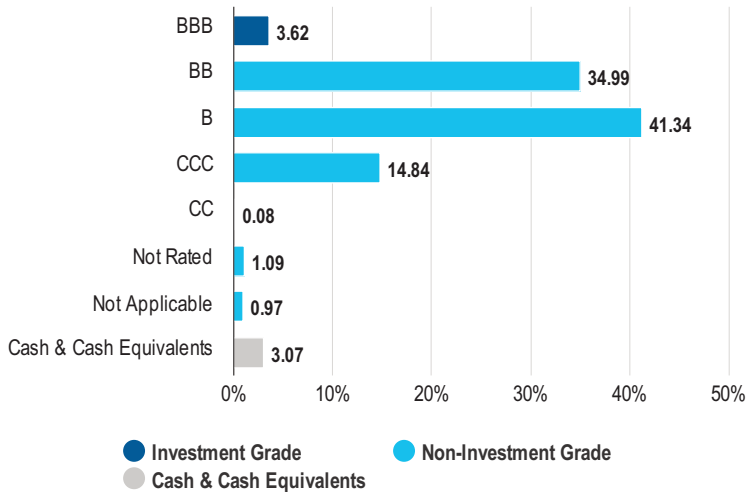


3. The average credit quality (ACQ) rating may change over time. The portfolio itself has not been rated by an independent rating agency. The letter rating, which may be based on bond ratings from different agencies (or internal ratings for unrated bonds, cash and equivalents), is provided to indicate the average credit rating of the portfolio's underlying investments and generally ranges from AAA (highest) to D (lowest). For unrated bonds, cash and equivalents, ratings may be assigned based on the ratings of the issuer, the ratings of the underlying holdings of a pooled investment vehicle, or other relevant factors. The ACQ is determined by assigning a sequential integer to all credit ratings AAA to D, taking a simple, asset-weighted average of investments by market value and rounding to the nearest rating. The risk of default increases as a bond's rating decreases, so the ACQ provided is not a statistical measurement of the portfolio's default risk because a simple, weighted average does not measure the increasing level of risk from lower-rated bonds. The ACQ may be lower if cash and equivalents are excluded from the calculation. The ACQ is provided for informational purposes only. Derivative positions are not reflected in the ACQ.

For Institutional / Professional Investors Only. Not For Distribution To Retail Investors.

Credit Quality Ratings⁴

Percent of Total

**Top Ten Holdings^d**

Percent of Total

| Top Holdings | % |
|--------------------------|------|
| OCCIDENTAL PETROLEUM COR | 2.00 |
| CHENIERE ENERGY PARTNERS | 1.66 |
| BAUSCH HEALTH COS INC | 1.54 |
| MAUSER PACKAGING SOLUT | 1.49 |
| TENET HEALTHCARE CORP | 1.44 |
| HCA INC | 1.42 |
| ALTICE FRANCE HOLDING SA | 1.41 |
| GOODRICH PETROLEUM CORP | 1.32 |
| CCO HLDGS LLC/CAP CORP | 1.31 |
| CARNIVAL CORP | 1.10 |

Performance Statistics**Performance Statistics (USD)^{5,6}**

| | 3 Yrs | 5 Yrs | 10 Yrs | Since Inception |
|---|-------|-------|--------|-----------------|
| Standard Deviation (%) | | | | |
| Franklin U.S. High Yield Broad Market Composite | 8.60 | 7.07 | 7.51 | 8.63 |
| ICE BofA US High Yield Constrained Index | 9.33 | 7.47 | 7.06 | - |
| Tracking Error (%) | 1.26 | 1.19 | 1.56 | - |
| Information Ratio⁷ | 0.50 | 0.63 | -0.14 | - |
| Beta | 0.92 | 0.94 | 1.04 | - |
| Sharpe Ratio | | | | |
| Franklin U.S. High Yield Broad Market Composite | 0.76 | 0.98 | 0.76 | 0.54 |
| ICE BofA US High Yield Constrained Index | 0.63 | 0.83 | 0.84 | - |

Investment Philosophy

We believe that superior high-yield returns are best sought through the disciplined application of a research-based approach that capitalizes on inefficiencies across the high-yield market. Through diligent bottom-up research, we seek to identify compelling total return opportunities with the potential to add value over a three- to five-year horizon.

Investment Process

- **Fundamental Analysis:** Conduct independent, bottom-up analysis focusing on critical factors that affect a company's long-term performance, such as financial structure, cash flow and earnings prospects, products, market share and strategic positioning, as well as material ESG factors
- **Long-Term Outlook:** Analyze securities whose projected return over three to five years may surpass the risk of adverse price movements or default
- **Seek Valuation Inefficiencies:** Opportunistically invest in companies in sectors that are infrequently followed or are out of favor with the marketplace
- **Disciplined Approach:** Adhere to long-term strategy through changing market environments, supported by separate in-house risk management and quantitative research groups

4. Ratings shown are assigned by one or more Nationally Recognized Statistical Rating Organizations ('NRSRO'), such as Standard & Poor's, Moody's and Fitch. The ratings are an indication of an issuer's creditworthiness and typically range from AAA or Aaa (highest) to D (lowest). When ratings from all three agencies are available, the middle rating is used; when two are available, the lowest rating is used; and when only one is available, that rating is used. Foreign government bonds without a specific rating are assigned the country rating provided by an NRSRO, if available. The Not Rated category consists of ratable securities that have not been rated by an NRSRO. The Not Applicable category consists of nonratable securities (e.g., equities). Cash includes equivalents, which may be rated.

5. Risk statistics are calculated using gross of fees composite performance.

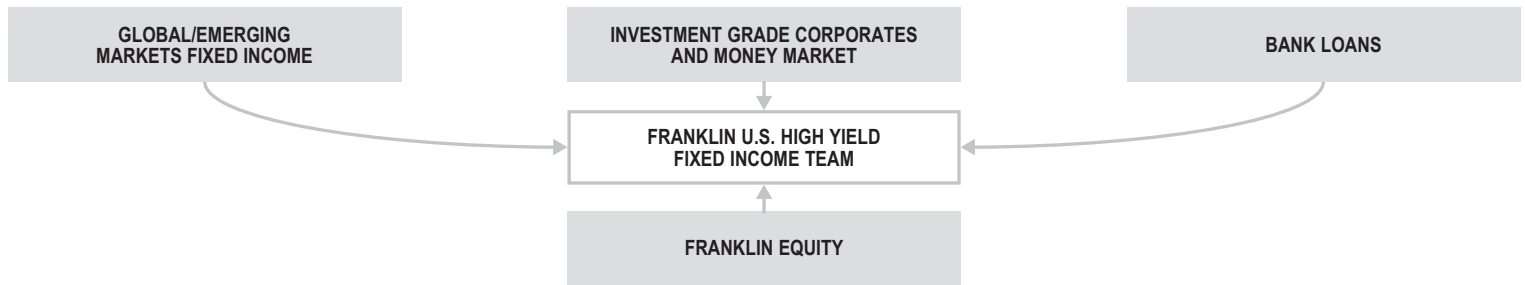
6. Beta, Information Ratio and Tracking Error information are measured against the ICE BofA US High Yield Constrained Index.

7. Information Ratio is a way to evaluate a manager's ability to outperform a benchmark in relation to the risk that manager is assuming, with risk defined as deviation from the benchmark. This measure is calculated by dividing the portfolio's excess return (portfolio return less the benchmark return) by the tracking error (derived by taking the standard deviation of the monthly differences between the portfolio return and the benchmark return over time).

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Integrated Research Approach

- High Yield Team leverages the insights of other fixed income and equity investment professionals throughout the firm.

**Investment Team**

| Franklin U.S. High Yield Broad Market Management Team | Years with Firm | Years Experience |
|---|------------------------|-------------------------|
| Christopher J. Molumphy, CFA, EVP/CIO Head of U.S. Fixed Income | 29 | 31 |
| Glenn Voyles, CFA, SVP/Director of Portfolio Management, Corporate Credit | 10 | 19 |

Additional Resources

| | | |
|-------------------------|-------------------------------|--------------|
| Corporates - High Yield | Corporates - Investment Grade | Quantitative |
|-------------------------|-------------------------------|--------------|

Product Managers

| | Years with Firm | Years Experience |
|----------------------------|------------------------|-------------------------|
| Christopher S. Franta, CFA | 7 | 13 |

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Franklin U.S. High Yield Broad Market Composite consists of all portfolios managed on a fully discretionary basis with an investment objective that seeks to maximize total return by investing in U.S. high yield corporate bonds that are below investment grade (rated lower than BBB).

The Credit Suisse High Yield Index is a market value weighted fixed income index comprised of securities that are publicly registered in the U.S. or under SEC Rule 144a, have a "5B" rating (Moody's/S&P ratings of Baa1/BB+ or Ba1/BBB+) or lower, have a minimum amount outstanding of \$75 million, and are U.S. dollar denominated straight corporate debt. The benchmark is broadly indicative of the style of the composite and is provided for comparative purposes only to represent the investment environment existing during the time periods shown. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

Total returns are presented in U.S. dollars both gross and net of investment advisory fees, are inclusive of commissions and transaction costs, and assume reinvestment of any dividends, interest income, capital gains, or other earnings. Periods greater than one year are shown as average annual total returns. Performance data is shown rounded to the nearest hundredth. **Past performance is not an indicator or a guarantee of future performance.**

All investments are subject to certain risks, including possible loss of principal. Generally, investments offering the potential for higher returns are accompanied by a higher degree of risk. Below investment grade bonds will have more credit risk, may be less liquid and may have a greater risk of default than higher quality, investment grade bonds. Securities markets can fluctuate significantly in response to industry, financial or economic developments, and unexpected events, such as the spread of deadly diseases or disasters, can cause investor fear and panic, which can adversely affect companies, sectors and the market in general. Investors should review their investment objectives, risk tolerance and liquidity needs before choosing a manager. There is no guarantee that investment strategies will work under all market conditions and investors should evaluate their ability to invest for the long term, especially during periods of market downturns.

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a. Portfolio information is based on a representative account taken from the Franklin U.S. High Yield Broad Market Composite. The information is historical, may not reflect current or future characteristics and may vary significantly among individual separate accounts depending on a variety of factors such as portfolio size, specific investment guidelines and inception dates of the individual accounts.

b. All holdings are subject to change.

c. Yield figures quoted should not be used as an indication of the income that has or will be received. Yield figures are based on the portfolio's underlying holdings and do not represent a payout of the portfolio. **Past performance is not an indicator or a guarantee of future performance.**

d. Holdings of the same issuer have been combined. Top ten holdings information is based on a representative account, is historical, and may not reflect current or future portfolio characteristics. All holdings are subject to change. The portfolio manager reserves the right to withhold release of information with respect to holdings that would otherwise be included.

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Franklin Templeton Institutional
One Franklin Parkway
San Mateo, CA 94403-1906
Tel: (800) 321-8563
ftinstitutional.com

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