Franklin Rising Dividends Fund–Class A, C

Blend Equity
March 31, 2018

Product Profile

FRANKLIN TEMPLETON INVESTMENTS

Product Details[1]

Fund Assets	$18,552,005,636.71
Fund Inception Date	01/14/1987
Number of Issuers	70
Investment Style	Blend
Benchmark	S&P 500 Index
Lipper Classification	Multi-Cap Core Funds
Morningstar Category™	Large Blend
Dividend Frequency	Quarterly

	Inception Date
Class A	01/14/1987
Class C	05/01/1995

	CUSIP	NASDAQ Symbol
Class A	353 825 102	FRDPX
Class C	353 825 409	FRDTX

	Maximum Sales Charges
Class A	5.75% initial sales charge
Class C	1.00% contingent deferred sales charge (CDSC) in the first year only

	Total Annual Operating Expenses
Class A	0.9%
Class C	1.65%

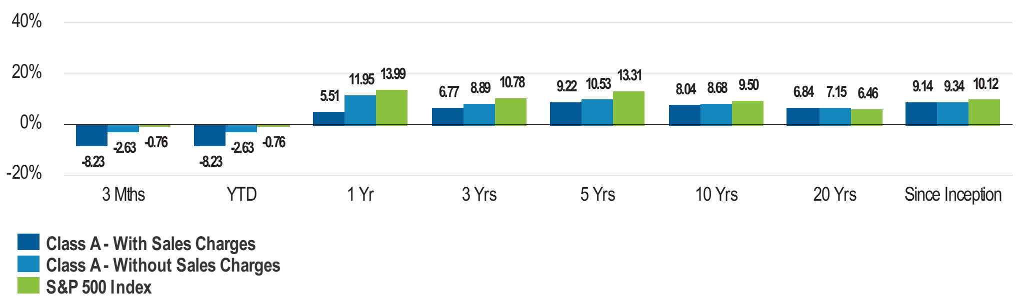
Fund Description

The fund seeks long-term capital appreciation by investing at least 80% of its net assets in companies of any size that have paid consistently rising dividends.

Performance Data Information[2,3]

Average Annual Total Returns[4,5] (%)

	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	20 Yrs	Since Inception
Class A - With Sales Charges	-8.23	-8.23	5.51	6.77	9.22	8.04	6.84	9.14
Class A - Without Sales Charges	-2.63	-2.63	11.95	8.89	10.53	8.68	7.15	9.34
Class C - With Sales Charges	-3.78	-3.78	10.10	8.07	9.70	7.87	6.43	9.14
Class C - Without Sales Charges	-2.81	-2.81	11.10	8.07	9.70	7.87	6.43	9.14
S&P 500 Index	-0.76	-0.76	13.99	10.78	13.31	9.50	6.46	10.12



Performance data represents past performance, which does not guarantee future results. Current performance may differ from figures shown. The fund's investment return and principal value will change with market conditions, and you may have a gain or a loss when you sell your shares. Please call Franklin Templeton Investments at (800) DIAL BEN/342-5236 or visit franklintempleton.com for the most recent month-end performance.

Calendar Year Returns (% Without Sales Charges)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Class A	20.29	14.41	-3.54	9.72	29.30	10.29	7.21	19.08	17.05	-27.22
Class C	19.40	13.53	-4.25	8.89	28.35	9.47	6.40	18.21	16.18	-27.75
S&P 500 Index	21.83	11.96	1.38	13.69	32.39	16.00	2.11	15.06	26.46	-37.00

If the sales charge had been included, the returns would have been lower.

1. All holdings are subject to change. Holdings of the same issuers have been combined.
2. Class A: Prior to 08/03/1998, these shares were offered at a lower initial sales charge; thus actual returns may differ. Class C: Prior to 01/01/2004, these shares were offered with an initial sales charge; thus actual returns may differ. The fund offers other share classes subject to different fees and expenses, which will affect their performance. Please see the prospectus for details.
3. Source for Index: FactSet. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.
4. Periods shorter than one year are shown as cumulative total returns.
5. Since inception return for the benchmark is calculated to the fund inception date.

Portfolio Manager Insight[6]

Market Review

The US stock market stumbled in the first quarter of 2018 even as earnings reports showed many US companies posting their best results in years. Following a robust January rally, stocks briefly entered a correction in February and fell again in March. Nine out of 11 S&P 500 sectors traded lower overall, with the steepest declines in the telecommunication services, consumer staples and energy sectors. Information technology and consumer discretionary equities were the two positive outliers despite selling off broadly in March.

In February, investor worries were driven by speculation the US Federal Reserve (Fed) would quicken the pace of interest-rate hikes in response to higher wage growth, which sparked long-dormant inflation fears and a jump in bond yields. Indeed, most inflationary measures rose during the period. Investor sentiment was further rattled in March by the possibility of an escalating trade skirmish, primarily with China. A selloff in technology firms also occurred due to concerns about consumer data privacy and potentially tighter regulatory controls in the sector.

Corporate and economic fundamentals remained generally positive. Markets were supported by strong corporate earnings guidance for the remainder of 2018. A spate of upward revisions to earnings estimates indicated a boost from recently enacted tax cuts. Job creation remained solid, echoing ongoing expansion in the manufacturing and services sectors. Retail sales ebbed and housing market data reflected some weakness, but measures of consumer sentiment throughout the period were largely upbeat. At its March monetary policy meeting, the Fed raised its benchmark interest rate. It also lifted its 2018 US growth forecast, but projections of three rate hikes this year were maintained.

Performance Review

For the quarter ended March 31, 2018, an overweighting and stock selection in the materials sector, stock selection and an underweighting in the consumer discretionary sector, and an underweighting in the information technology sector hindered the fund's relative results. In contrast, stock selection in the industrials sector, as well as a lack of exposure to the telecommunication services and real estate sectors, benefited relative performance.

Holdings that detracted from the fund's absolute performance included Albemarle (-27%), Honeywell International (-5%) and Praxair (-6%).

Shares of Albemarle, a specialty chemicals producer, declined despite the company reporting strong quarterly results in February. Concerns that the lithium market will become oversupplied drove the stock lower, as some investors worry it could lead to a price decline in lithium. Albemarle's management disputes the notion that the industry is at risk of oversupply and has pointed out that its long-term contracts are priced well below the market price, which may provide insulation from market price fluctuations. The company has increased its dividend for 24 consecutive years.

Honeywell, a diversified industrial company, saw its shares decline during the period due to US trade war tensions with China, rising commodity cost concerns and concerns about a weaker global macroeconomic environment. The stock declined in spite of Honeywell reporting strong quarterly results, including strong organic sales and earnings growth, and raising its 2018 financial guidance. Honeywell has raised its dividend for eight consecutive years.

Shares of Praxair, an industrial gas company, declined as concern mounted over the viability of its merger with Linde (not a fund holding), a German industrial gas competitor. The proposed deal is complex, and additional scrutiny by the European Union Commission has caused speculation that possible remedies to any regulatory objections could be prohibitively harsh. Management has expressed confidence that its asset divestitures should be sufficient to satisfy regulators and that any additional asset sales should be manageable. A decision is expected in August 2018. Merger concerns overshadowed Praxair's January release of strong quarterly financial results. The company has grown its dividend for 25 consecutive years.

The fund's best-performing stocks on a contribution-to-return basis included Roper Technologies (9%), Microsoft (+7%) and General Dynamics (+9%).

Roper Technologies, a diversified industrial company, enjoyed solid stock price performance after reporting robust quarterly financial results in February. Once again, the company posted strong revenue and earnings growth, as well as healthy cash flow generation. Roper Technologies expects to continue generating strong operating results during 2018, including mid-single digit organic growth across all segments and strong profitability. The company has grown its dividend for 25 consecutive years.

Shares of Microsoft, a software company, moved higher as its cloud-based initiatives continued to deliver strong results, led by Office 365 subscriber growth and Azure revenue growth. Additionally, strict expense management and better hardware gross margins led to improved operating results and earnings growth, which topped the consensus expectation. Microsoft has raised its dividend for 14 consecutive years.

General Dynamics, an aerospace and defense company, saw its shares move higher after it reported solid quarterly financial results in January, including revenue and earnings results that were ahead of consensus expectations. The company generated strong growth in its aerospace division after several quarters of modest performance. General Dynamics also signaled that growth will likely accelerate during the next three years in all four of its segments. The company has raised its dividend for 21 consecutive years.

Portfolio Positioning

At quarter-end, the fund's largest sector concentration was industrials, followed by health care and information technology. Its five largest portfolio holdings were Roper Technologies (industrials), Microsoft (information technology), Stryker (health care), Albemarle (materials) and Becton, Dickinson and Company (health care).

The fund did not initiate any new positions during the period. However, we added to existing positions in Analog Devices, Albemarle, Texas Instruments and Colgate-Palmolive. We eliminated our positions in Leggett & Platt and Old Republic International. We also reduced our holdings in Archer Daniels Midland, Target and Pentair, among others.

Outlook & Strategy

Despite a turbulent start to 2018, we believe conditions remain favorable for companies with a track record of growing their dividend. A number of factors are in place to support the current pace of economic activity, further improvement in corporate earnings and potentially increased returns to shareholders.

Economic growth appears to be settling into a solid and sustainable pace that is generally favorable for companies, consumers and investors. The global economy is growing fast enough to support further gains in corporate earnings, and growth appears durable enough to give companies the confidence to increase capital spending, hiring and returns to shareholders through dividend increases and share repurchases. In our view, the improvement in capital spending is particularly encouraging, as it may help extend the current economic expansion by spurring productivity growth. We also believe dividend increases would be more prudent than increasing share buybacks, given the elevated valuations for many stocks, even with the negative start to 2018.

At the same time, neither the US nor global economy overall is showing the traditional signs of overheating that could provoke a sharp upturn in inflation and interest rates. The signs of potentially accelerating inflation that prompted a sharp equity market downturn in early February have receded. Most economic indicators still point to a gradual increase in inflation, which means the Fed’s well-communicated, slow and steady manner of returning interest rates to a more normal level appears to be appropriate. In this environment, we believe our rising dividends strategy can serve a valuable purpose. Investing in companies that increase their payouts consistently and meaningfully may help investors better weather the negative impact of rising interest rates relative to high-yield stocks, which often offer little to no increase in their income stream.

While the merits of the Tax Cuts and Jobs Act of 2017 enacted last December may be debatable, we see one clear benefit: many US companies should see an increase in after-tax cash flows. A permanent reduction in the corporate tax rate from 35% to 21%, a tax break on repatriated overseas corporate earnings and other business-friendly provisions should provide additional capital for investment and returns to shareholders. We have seen early confirmation of our view, as the weighted average year-over-year dividend increase of our strategy’s underlying holdings notably increased by March-end compared with 2017 levels.

Recent market events also demonstrate volatility may be more prevalent in 2018. Escalating trade tensions, government policy risk for technology companies, the upcoming US midterm elections or other events could lead to additional bouts of volatility. Investor sentiment can turn sharply, as exhibited by the March moves in a number of information technology stocks. Their impact was significant, given that the information technology sector was the largest sector in the S&P 500 Index on a market capitalization basis, accounting for nearly 25% of the index at March-end. Such moments are when active management can prove to be especially valuable. Passive or index investing does not adjust to changing company, industry or economic risks until it is too late.

We do not make top-down portfolio positioning decisions, rather we believe prudent investing requires patience and a conviction in bottom-up fundamental analysis. To that point, we have found that a company’s consistently rising dividend tends to be an indicator of its solid earnings growth, resilient business model and a commitment by management to return cash to shareholders. We believe this investment framework constitutes our competitive advantage and a potentially sustainable source of alpha for the foreseeable future.

6. The information provided is not a complete analysis of every material fact regarding any country, market, industry, security or fund. Because market and economic conditions are subject to change, comments, opinions and analyses are rendered as of the date of this material and may change without notice. A portfolio manager’s assessment of a particular security, investment or strategy is not intended as individual investment advice or a recommendation or solicitation to buy, sell or hold any security or to adopt any investment strategy; it is intended only to provide insight into the fund’s portfolio selection process. Holdings are subject to change.

Portfolio Characteristics[7,8,9]

	Portfolio	S&P 500 Index
Price to Earnings (12 Month Trailing)	29.64x	23.03x
Price to Book Value	3.66x	3.22x
Price to Cash Flow	16.67x	13.01x
Market Capitalization (Millions in USD)	109,410	199,026

7. The portfolio characteristics listed are based on the fund’s underlying holdings, and do not necessarily reflect the fund’s characteristics. Due to data limitations all equity holdings are assumed to be the primary equity issue (usually the ordinary or common shares) of each security’s issuing company. This methodology may cause small differences between the portfolio’s reported characteristics and the portfolio’s actual characteristics. In practice, Franklin Templeton’s portfolio managers invest in the class or type of security which they believe is most appropriate at the time of purchase. The market capitalization figures for both the portfolio and the benchmark are at the security level, not aggregated up to the main issuer. Source: Factset. Price ratio calculations for weighted average use harmonic means. Any exceptions to this are noted. The Estimated 3-5 Year EPS Growth uses simple weighted average means. There can be no assurance that the Estimated 3-5 Year EPS Growth will be realized. Information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change.
8. Source: FactSet. Price ratio calculations for weighted average use harmonic means. Any exceptions to this are noted.
9. Source for Index: FactSet. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

Portfolio Diversification

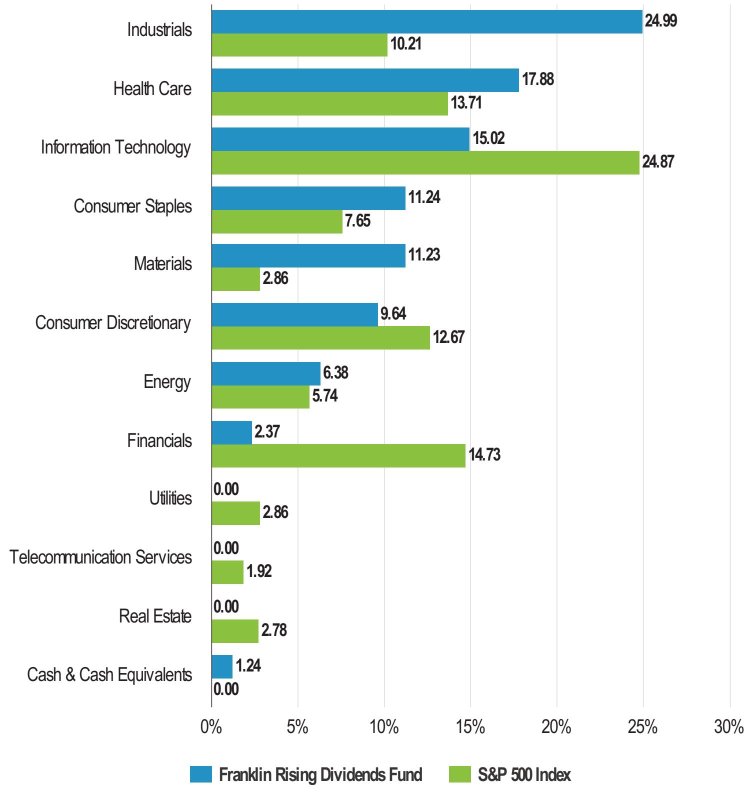
Top Ten Holdings[10]

Percent of Total

Top Holdings	Sector	%
ROPER TECHNOLOGIES INC	Capital Goods	5.51
MICROSOFT CORP	Software & Services	5.16
STRYKER CORP	Health Care Equipment & Services	3.66
ALBEMARLE CORP	Materials	3.52
BECTON DICKINSON AND CO	Health Care Equipment & Services	3.39
ACCENTURE PLC	Software & Services	3.34
HONEYWELL INTERNATIONAL INC	Capital Goods	3.33
PRAXAIR INC	Materials	3.14
TEXAS INSTRUMENTS INC	Semiconductors & Semiconductor Equipment	3.13
AIR PRODUCTS & CHEMICALS INC	Materials	2.77

Sector Weightings vs. S&P 500 Index[11,12]

Percent of Total



Largest Sector Contributors vs. S&P 500 Index[13]

Sector	Total Effect (%)
Industrials	0.42
Telecommunication Services	0.14
Real Estate	0.12
Utilities	0.07
Consumer Staples	0.06

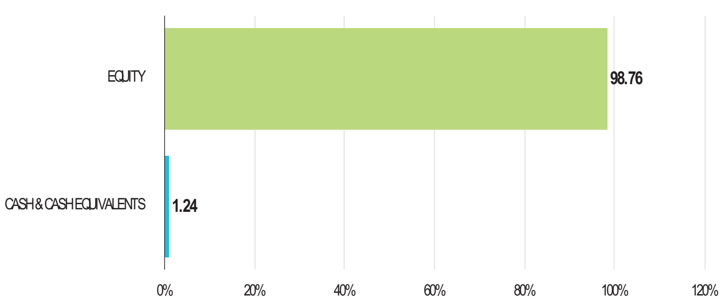
Smallest Sector Contributors vs. S&P 500 Index[14]

Sector	Total Effect (%)
Materials	-1.23
Consumer Discretionary	-0.60
Information Technology	-0.48
Energy	-0.14
Health Care	-0.12

Contributors/detractors data shown is for the period from 01/01/2018 to 03/31/2018.

Asset Allocation

Percent of Total



10. Holdings of the same issuers have been combined. Top ten holdings information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change. The information provided is not a recommendation to purchase, sell, or hold any particular security. The portfolio manager for the fund reserves the right to withhold release of information with respect to holdings that would otherwise be included.
11. Information is historical and may not reflect current or future portfolio characteristics. Percentage may not equal 100% due to rounding. All holdings are subject to change.
12. Source for Index: FactSet. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.
13,14. **Past performance is not an indicator or a guarantee of future performance.** Information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change. Source: FactSet. Important data provider notices and terms available at www.franklintempletondatasources.com. Total Effect represents the excess return by sector as compared to the index. Performance attribution is calculated in the base currency of the fund.

Supplemental Performance Statistics

Supplemental Risk Statistics[15,16]
Class A

	3 Yrs	5 Yrs	10 Yrs
Standard Deviation (%)	9.98	9.90	13.49
Tracking Error (%)	3.08	2.73	4.07
Information Ratio	-0.61	-1.02	-0.20
Beta	0.94	0.97	0.87
Sharpe Ratio	0.84	1.03	0.62

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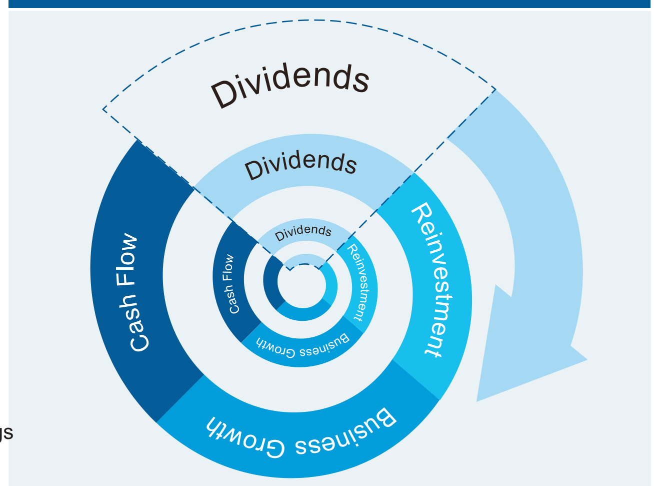
Investment Philosophy

Investment Philosophy and Process

Investment Criteria
The Fund Invests Primarily in Companies that Have:

- Consistent dividend increases
  – At least 8 out of 10 years
  – No dividend decreases during that time
- Substantial dividend increases
  – At least double over last 10 years
- Reinvested earnings
  – Paid out less than 65% of current earnings in dividends
- Strong balance sheets
  – Long-term debt less than 50% of total capitalization
  – Investment-grade senior debt
- Attractive prices
  – Prices at the time of purchase either in the lower half of the stock's Price/Earnings ratio range for the past 10 years or less than the average current market Price/Earnings ratio of the stocks comprising the Standard & Poor's 500® Stock Index

The Successful Rising Dividends Pattern



Investment Team

Portfolio Manager	Years with Firm	Years Experience
Donald Taylor, CIO Rising Dividends Strategies	21	36
Nicholas Getaz, CFA, Portfolio Manager/Research Analyst	7	17

Glossary

Beta: A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of the overall market (or appropriate market index). The market (or index) is assigned a beta of 1.00, so a portfolio with a beta of 1.20 would have seen its share price rise or fall by 12% when the overall market rose or fell by 10%.

Information Ratio: In investing terminology, the ratio of expected return to risk. Usually, this statistical technique is used to measure a manager's performance against a benchmark. This measure explicitly relates the degree by which an investment has beaten the benchmark to the consistency by which the investment has beaten the benchmark.

Market Capitalization: A determination of a company's value, calculated by multiplying the total number of company stock shares outstanding by the price per share. Market capitalization is expressed in millions of USD.

15. Beta, Information Ratio and Tracking Error information are measured against the S&P 500 Index.
16. 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).

Price to Book Value: The price per share of a stock divided by its book value (i.e., net worth) per share. For a portfolio, the value represents a weighted average of the stocks it holds.

Price to Cash Flow: Supplements price/earnings ratio as a measure of relative value for a stock. For a portfolio, the value represents a weighted average of the stocks it holds.

Price to Earnings (12-mo Trailing): The share price of a stock, divided by its per-share earnings over the past year. For a portfolio, the value represents a weighted average of the stocks it holds.

Sharpe Ratio: To calculate a Sharpe ratio, an asset's excess returns (its return in excess of the return generated by risk-free assets such as Treasury bills) are divided by the asset's standard deviation.

Standard Deviation: A measure of the degree to which returns vary from the average of its previous returns. The larger the standard deviation, the greater the likelihood (and risk) that performance will fluctuate from the average return.

Tracking Error: Measure of the deviation of the return of a product compared to the return of a benchmark over a fixed period of time. Expressed as a percentage. The more passively the investment is managed, the smaller the tracking error.

What Are The Risks?
All investments involve risks, including possible loss of principal. Value securities may not increase in price as anticipated or may decline further in value. For stocks paying dividends, dividends are not guaranteed, and can increase, decrease or be totally eliminated without notice. While smaller and midsize companies may offer substantial opportunities for capital growth, they also involve heightened risks and should be considered speculative. Historically, smaller- and midsize-company securities have been more volatile in price than larger company securities, especially over the short term. These and other risks are detailed in the fund's prospectus.

Important Legal Information
Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. To obtain a summary prospectus and/or prospectus, which contains this and other information, talk to your financial advisor, call us at (800) DIAL BEN/342-5236 or visit franklintempleton.com. Please carefully read a prospectus before you invest or send money.

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FRANKLIN TEMPLETON INVESTMENTS

Franklin Templeton Distributors, Inc.
One Franklin Parkway
San Mateo, CA 94403-1906
(800) DIAL BEN/342-5236
franklintempleton.com