APRIL 30, 2013

SEMIANNUAL REPORT AND SHAREHOLDER LETTER

Franklin Balanced Fund

Franklin Convertible Securities Fund

Franklin Equity Income Fund

Franklin Limited Maturity U.S. Government Securities Fund

Franklin Real Return Fund

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Franklin Investors Securities Trust

FRANKLIN TEMPLETON INVESTMENTS

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Franklin Templeton Investments

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Franklin Templeton's distinct multi-manager structure combines the specialized expertise of three world-class investment management groups—Franklin, Templeton and Mutual Series.

SPECIALIZED EXPERTISE

Each of our portfolio management groups operates autonomously, relying on its own research and staying true to the unique investment disciplines that underlie its success.

Franklin. Founded in 1947, Franklin is a recognized leader in fixed income investing and also brings expertise in growth- and value-style U.S. equity investing.

Templeton. Founded in 1940, Templeton pioneered international investing and, in 1954, launched what has become the industry's oldest global fund. Today, with offices in over 25 countries, Templeton offers investors a truly global perspective.

Mutual Series. Founded in 1949, Mutual Series is dedicated to a unique style of value investing, searching aggressively for opportunity among what it believes are undervalued stocks, as well as arbitrage situations and distressed securities.

TRUE DIVERSIFICATION

Because our management groups work independently and adhere to different investment approaches, Franklin, Templeton and Mutual Series funds typically have distinct portfolios. That's why our funds can be used to build truly diversified allocation plans covering every major asset class.

RELIABILITY YOU CAN TRUST

At Franklin Templeton Investments, we seek to consistently provide investors with exceptional risk-adjusted returns over the long term, as well as the reliable, accurate and personal service that has helped us become one of the most trusted names in financial services.

MUTUAL FUNDS | RETIREMENT PLANS | 529 COLLEGE SAVINGS PLANS | SEPARATELY MANAGED ACCOUNTS

Not part of the semiannual report

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Shareholder Letter

Dear Shareholder:

During the six-month period ended April 30, 2013, U.S. gross domestic product growth accelerated to a 2.4% annualized rate in the first quarter of 2013 as the drag of federal spending cuts and weak overseas demand was largely offset by the lift of encouraging trends in U.S. consumer spending, manufacturing, housing and employment. The growing U.S. economy enabled many companies to report record earnings, and certain U.S. stock indexes overcame periods of volatility to reach all-time high price levels in April.

We remain encouraged as the U.S. shows signs of continued economic expansion. With this positive economic environment, we believe companies generally should continue to deliver healthy earnings and cash flow, which have historically been favorable for stock prices. We also think equities look particularly interesting in an environment of very low interest rates. Keep in mind in all economic environments we remain committed to our long-term perspective and disciplined investment approach. First and foremost for us, this means conducting rigorous, fundamental analysis of securities with a continual emphasis on investment risk management.

Franklin Investors Securities Trust's semiannual report goes into greater detail about prevailing conditions during the period under review. In addition, you will find Fund performance data, financial information and discussions from the portfolio managers. Please remember all securities markets fluctuate, as do mutual fund share prices.

If you would like more frequent updates, **franklintempleton.com** provides daily prices, monthly performance figures, portfolio holdings and other information. You can also access your account, buy and sell shares, and find helpful financial planning tools. We hope you will take advantage of these online services.

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

We believe active management serves investors well. We also see the important role financial advisors serve in markets like these and encourage investors to continue to seek their counsel. While headwinds remain and the global recovery may continue to be uneven, we are confident investors with a well-diversified portfolio and a patient, long-term outlook will be well positioned in the years ahead.

We thank you for investing with Franklin Templeton, welcome your questions and comments, and look forward to serving your future investment needs.

Sincerely,

Charles B. Johnson
Chairman
Franklin Investors Securities Trust

This letter reflects our analysis and opinions as of April 30, 2013. The information is not a complete analysis of every aspect of any market, country, industry, security or fund. Statements of fact are from sources considered reliable.

Semiannual Report

Economic and Market Overview

Modest growth for the U.S. economy, as measured by gross domestic product, characterized the six-month period ended April 30, 2013. Increasing job creation helped the unemployment rate decline during the period, and consumer spending remained strong. In the housing sector, accelerating new and existing homes sales accompanied record-low mortgage rates, affordable housing prices, low new-home inventories and a five-year low in U.S. foreclosures. Orders for manufactured goods and manufacturers' inventory reached record levels in February and the sector expanded for the fifth consecutive month through period-end.

Businesses and investors awaited the U.S. election that resulted in an unchanged balance of power in Washington, given the re-election of President Obama and respective control of the House and Senate by Republicans and Democrats. Uncertainty surrounding budget deadlines set for the end of 2012 largely abated when an agreement between Congress and the President resolved many issues, including preserving lower income tax rates for most U.S. households. Concerns remained about the effects of the expired payroll tax cut, far-reaching federal spending cuts and future negotiations regarding the federal debt ceiling.

U.S. stocks generated healthy returns as the Standard & Poor's® 500 Index and Dow Jones Industrial Average reached all-time highs near period-end.[1] Rising corporate profits and generally favorable economic data bolstered investor confidence, but some caution surrounded the extent to which positive business and market results were dependent on the Federal Reserve Board's accommodative monetary policy. The 10-year U.S. Treasury yield declined to 1.70% at period-end from 1.72% on October 31, 2012.

The foregoing information reflects our analysis and opinions as of April 30, 2013. The information is not a complete analysis of every aspect of any market, country, industry, security or fund. Statements of fact are from sources considered reliable..

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Franklin Balanced Fund

Your Fund's Goal and Main Investments: Franklin Balanced Fund seeks both income and capital appreciation by investing in a combination of stocks, convertible securities and debt securities. The Fund will normally invest at least 25% of its total assets in equity securities (primarily common and preferred stock) and at least 25% of its total assets in debt securities, including bonds, notes, debentures and money market securities.

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. Please visit ***franklintempleton.com*** *or call* ***(800) 342-5236*** *for most recent month-end performance.*

This semiannual report for Franklin Balanced Fund covers the period ended April 30, 2013.

Performance Overview

For the six months under review, Franklin Balanced Fund – Class A delivered a +7.80% cumulative total return. The Fund's equity benchmark, the Standard & Poor's 500 Index (S&P 500®), which is a broad measure of U.S. stock performance, posted a +14.42% total return.[1] The Fund's fixed income benchmark, the Barclays U.S. Aggregate Index, which tracks the U.S. investment-grade, taxable bond market, returned +0.90%.[1] You can find the Fund's long-term performance data in the Performance Summary beginning on page 8.

Investment Strategy

We apply a bottom-up approach to investing in individual securities. We will assess the market price of a company's securities relative to our evaluation of the company's long-term earnings, asset value and cash flow potential. We also consider a company's price/earnings ratio, profit margins and liquidation value. In determining an optimal mix of equity and fixed income investments for the Fund, we assess changing economic, market and industry conditions. We may sell securities for a number of possible reasons, including the achievement of certain stock prices or credit spreads, changes in the fundamental outlook or risk/reward profile of a security, less attractive values relative to market peers, or broad economic conditions affecting certain fixed income sectors.

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The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI). The SOI begins on page 50.

Dividend Distributions*

Franklin Balanced Fund
11/1/12–4/30/13

Month	Dividend per Share (cents)			
	Class A	Class C	Class R	Advisor Class
November	3.00	2.39	2.83	3.26
December	3.00	2.38	2.82	3.27
January	3.00	2.38	2.82	3.27
February	3.00	2.38	2.82	3.27
March	3.00	2.37	2.81	3.27
April	3.00	2.37	2.81	3.27
Total	**18.00**	**14.27**	**16.91**	**19.61**

*All Fund distributions will vary depending upon current market conditions, and past distributions are not indicative of future trends.

Portfolio Breakdown

Franklin Balanced Fund
4/30/13

	% of Total Net Assets
Stocks	**63.9%**
Common Stocks	48.9%
Equity-Linked Securities	9.1%
Convertible Preferred Stocks	5.2%
Preferred Stocks	0.7%
Bonds	**29.7%**
Corporate Bonds	29.3%
Senior Floating Rate Interests	0.4%
Short-Term Investments & Other Net Assets	**6.4%**

Manager's Discussion

During the six months under review, the Fund's equity and fixed income holdings generally delivered strong performance. Low long-term interest rates and tight corporate credit spreads dampened our enthusiasm for fixed income securities, however, as such securities were less able to provide what we considered to be attractive total returns. In this environment, stocks outperformed fixed income markets and led us to shift our allocation toward equities.

The Fund's equity exposure increased during the period to 63.9% from 61.6% of total net assets, reflecting our view that relative value swung in favor of equities and away from fixed income securities. The Fund's total fixed income exposure decreased to 29.7% from 31.1% of total net assets. The Fund's cash position decreased during the period to 6.4% from 7.3% of total net assets. The Fund's assets under management increased significantly.

The Fund's equity sectors remained well diversified, with our largest weightings in energy, materials and industrials at period-end. The industrials, consumer discretionary, utilities and consumer staples sectors were top contributors. In contrast, the materials sector detracted from performance, largely because of investor fears of potential slowdowns in the Chinese and global economies.

Top Five Equity Holdings
Franklin Balanced Fund
4/30/13

Company *Sector/Industry*	% of Total Net Assets
Schlumberger Ltd. *Energy*	1.7%
Freeport-McMoRan Copper & Gold Inc. *Materials*	1.6%
Agrium Inc. *Materials*	1.4%
The Dow Chemical Co. *Materials*	1.3%
Intel Corp. *Information Technology*	1.1%

Top Five Bond Holdings
Franklin Balanced Fund
4/30/13

Company *Sector/Industry*	% of Total Net Assets
JPMorgan Chase & Co. *Financials*	0.9%
Bank of America Corp. *Financials*	0.9%
Lorillard Tobacco Co. *Consumer Staples*	0.8%
Dollar General Corp. *Consumer Discretionary*	0.8%
Heineken NV *Consumer Staples*	0.8%

The Fund's top individual equity contributors were a diverse group of companies with high-quality characteristics including strong balance sheets, name recognition, and dividend yields and dividend growth potential we considered attractive. They included Texas Instruments, NIKE, Boeing, Kellogg and E. I. du Pont de Nemours and Co. In contrast, mining stocks in the materials sector including Barrick Gold, Newmont Mining and AngloGold Ashanti hurt portfolio performance because of falling commodity prices and concerns regarding the industry's ability to generate better returns on its investments going forward. We maintained our investments in the materials sector as we believed these companies could deliver positive returns over the longer term. The Fund's positions in Walter Energy and Peabody Energy were hurt by weakening demand for coal during the period.

The Fund's fixed income sectors generally delivered positive returns, led by energy, banking and basic industry.[2] Plains Exploration & Production was a top individual contributor. Our position in the independent oil and gas producer advanced after Freeport-McMoRan Copper & Gold announced it would acquire the company. The Fund's position in ArcelorMittal (sold by period-end) benefited performance after it took steps to shore up its balance sheet, most notably a sale of common stock and convertible securities that raised a substantial amount of equity. The Fund's position in Chesapeake Energy performed well following management changes that investors believed could improve the company's financial discipline and credit rating. In contrast, our position in oil and gas company Apache lost value largely because of a general downturn in the power market.

The portfolio utilized derivatives such as equity options. Equity options are used to hedge against market risk, to earn income, to gain or increase exposure to certain equity securities or segments of the equity markets, or to otherwise enhance Fund returns.

2. Banking holdings are in financials in the SOI. Basic industry holdings are in energy and materials in the SOI.

Thank you for your continued participation in Franklin Balanced Fund.
We look forward to serving your future investment needs.

Edward D. Perks, CFA

Brent Loder
Blair Schmicker, CFA
Alan E. Muschott, CFA
Shawn Lyons, CFA

Portfolio Management Team
Franklin Balanced Fund

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The foregoing information reflects our analysis, opinions and portfolio holdings as of April 30, 2013, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

Performance Summary as of 4/30/13

Franklin Balanced Fund

Your dividend income will vary depending on dividends or interest paid by securities in the Fund's portfolio, adjusted for operating expenses of each class. Capital gain distributions are net profits realized from the sale of portfolio securities. The performance table does not reflect any taxes that a shareholder would pay on Fund dividends, capital gain distributions, if any, or any realized gains on the sale of Fund shares. Total return reflects reinvestment of the Fund's dividends and capital gain distributions, if any, and any unrealized gains or losses.

Price and Distribution Information

Class A (Symbol: FBLAX)		Change	4/30/13	10/31/12
Net Asset Value (NAV)		+$0.49	$11.13	$10.64
Distributions (11/1/12–4/30/13)				
Dividend Income	$0.1800			
Short-Term Capital Gain	$0.0813			
Long-Term Capital Gain	$0.0603			
Total	**$0.3216**			
Class C (Symbol: FBMCX)		**Change**	**4/30/13**	**10/31/12**
Net Asset Value (NAV)		+$0.48	$11.05	$10.57
Distributions (11/1/12–4/30/13)				
Dividend Income	$0.1427			
Short-Term Capital Gain	$0.0813			
Long-Term Capital Gain	$0.0603			
Total	**$0.2843**			
Class R (Symbol: n/a)		**Change**	**4/30/13**	**10/31/12**
Net Asset Value (NAV)		+$0.49	$11.15	$10.66
Distributions (11/1/12–4/30/13)				
Dividend Income	$0.1691			
Short-Term Capital Gain	$0.0813			
Long-Term Capital Gain	$0.0603			
Total	**$0.3107**			
Advisor Class (Symbol: FBFZX)		**Change**	**4/30/13**	**10/31/12**
Net Asset Value (NAV)		+$0.48	$11.14	$10.66
Distributions (11/1/12–4/30/13)				
Dividend Income	$0.1961			
Short-Term Capital Gain	$0.0813			
Long-Term Capital Gain	$0.0603			
Total	**$0.3377**			

Performance Summary *(continued)*

Performance[1]

Cumulative total return excludes sales charges. Average annual total returns and value of $10,000 investment include maximum sales charges. ***Class A:*** *5.75% maximum initial sales charge;* ***Class C:*** *1% contingent deferred sales charge in first year only;* ***Class R/Advisor Class:*** *no sales charges.*

Class A	6-Month	1-Year	5-Year	Inception (7/3/06)
Cumulative Total Return[2]	+7.80%	+11.99%	+32.49%	+50.06%
Average Annual Total Return[3]	+1.59%	+5.51%	+4.54%	+5.21%
Value of $10,000 Investment[4]	$10,159	$10,551	12,483	$14,143
Avg. Ann. Total Return (3/31/13)[5]		+4.30%	+5.14%	+5.09%
Distribution Rate[6]	3.05%			
30-Day Standardized Yield[7]	1.77%			
Total Annual Operating Expenses[8]	1.17%			
Class C	**6-Month**	**1-Year**	**5-Year**	**Inception (7/3/06)**
Cumulative Total Return[2]	+7.38%	+11.19%	+27.98%	+43.18%
Average Annual Total Return[3]	+6.38%	+10.19%	+5.06%	+5.40%
Value of $10,000 Investment[4]	$10,638	$11,019	$12,798	$14,318
Avg. Ann. Total Return (3/31/13)[5]		+8.88%	+5.66%	+5.29%
Distribution Rate[6]	2.57%			
30-Day Standardized Yield[7]	1.19%			
Total Annual Operating Expenses[8]	1.87%			
Class R	**6-Month**	**1-Year**	**5-Year**	**Inception (7/3/06)**
Cumulative Total Return[2]	+7.67%	+11.75%	+31.35%	+48.33%
Average Annual Total Return[3]	+7.67%	+11.75%	+5.61%	+5.95%
Value of $10,000 Investment[4]	$10,767	$11,175	$13,135	$14,833
Avg. Ann. Total Return (3/31/13)[5]		+10.44%	+6.21%	+5.84%
Distribution Rate[6]	3.02%			
30-Day Standardized Yield[7]	1.67%			
Total Annual Operating Expenses[8]	1.37%			
Advisor Class	**6-Month**	**1-Year**	**5-Year**	**Inception (7/3/06)**
Cumulative Total Return[2]	+7.85%	+12.21%	+34.30%	+53.11%
Average Annual Total Return[3]	+7.85%	+12.21%	+6.07%	+6.44%
Value of $10,000 Investment[4]	$10,785	$11,221	$13,430	$15,311
Avg. Ann. Total Return (3/31/13)[5]		+10.90%	+6.70%	+6.33%
Distribution Rate[6]	3.52%			
30-Day Standardized Yield[7]	2.16%			
Total Annual Operating Expenses[8]	0.87%			

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to ***franklintempleton.com*** *or call* ***(800) 342-5236.***

Performance Summary *(continued)*

Endnotes

All investments involve risks, including possible loss of principal. The Fund's share price and yield will be affected by interest rate movements. Bond prices generally move in the opposite direction of interest rates. As prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Class C: These shares have higher annual fees and expenses than Class A shares.

Class R: Shares are available to certain eligible investors as described in the prospectus. These shares have higher annual fees and expenses than Class A shares.

Advisor Class: Shares are available to certain eligible investors as described in the prospectus.

1. Fund investment results reflect past expense reductions, without which the results would have been lower.
2. Cumulative total return represents the change in value of an investment over the periods indicated.
3. Average annual total return represents the average annual change in value of an investment over the periods indicated. Six-month return has not been annualized.
4. These figures represent the value of a hypothetical $10,000 investment in the Fund over the periods indicated.
5. In accordance with SEC rules, we provide standardized average annual total return information through the latest calendar quarter.
6. Distribution rate is based on an annualization of the respective class's April dividend and the maximum offering price (NAV for Classes C, R and Advisor) per share on 4/30/13.
7. The 30-day standardized yield for the 30 days ended 4/30/13 reflects an estimated yield to maturity (assuming all portfolio securities are held to maturity). It should be regarded as an estimate of the Fund's rate of investment income, and it may not equal the Fund's actual income distribution rate (which reflects the Fund's past dividends paid to shareholders) or the income reported in the Fund's financial statements.
8. Figures are as stated in the Fund's current prospectus. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.

Your Fund's Expenses

Franklin Balanced Fund

As a Fund shareholder, you can incur two types of costs:

- Transaction costs, including sales charges (loads) on Fund purchases; and
- Ongoing Fund costs, including management fees, distribution and service (12b-1) fees, and other Fund expenses. All mutual funds have ongoing costs, sometimes referred to as operating expenses.

The following table shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other mutual funds. The table assumes a $1,000 investment held for the six months indicated.

Actual Fund Expenses

The first line (Actual) for each share class listed in the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of Fund expenses.

You can estimate the expenses you paid during the period by following these steps. *Of course, your account value and expenses will differ from those in this illustration:*

1. Divide your account value by $1,000.
   If an account had an $8,600 value, then $8,600 ÷ $1,000 = 8.6.
2. Multiply the result by the number under the heading "Expenses Paid During Period."
   If Expenses Paid During Period were $7.50, then 8.6 x $7.50 = $64.50.

In this illustration, the estimated expenses paid this period are $64.50.

Hypothetical Example for Comparison with Other Funds

Information in the second line (Hypothetical) for each class in the table can help you compare ongoing costs of investing in the Fund with those of other mutual funds. This information may not be used to estimate the actual ending account balance or expenses you paid during the period. The hypothetical "Ending Account Value" is based on the actual expense ratio for each class and an assumed 5% annual rate of return before expenses, which does not represent the Fund's actual return. The figure under the heading "Expenses Paid During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds.

Your Fund's Expenses *(continued)*

Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transaction costs, such as sales charges. Therefore, the second line for each class is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transaction costs were included, your total costs would have been higher. Please refer to the Fund prospectus for additional information on operating expenses.

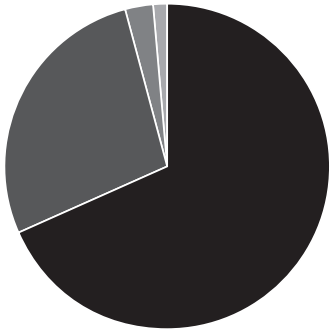
Class A	Beginning Account Value 11/1/12	Ending Account Value 4/30/13	Expenses Paid During Period* 11/1/12–4/30/13
Actual	$1,000	$1,078.00	$5.36
Hypothetical (5% return before expenses)	$1,000	$1,019.64	$5.21
Class C			
Actual	$1,000	$1,073.80	$8.95
Hypothetical (5% return before expenses)	$1,000	$1,016.17	$8.70
Class R			
Actual	$1,000	$1,076.70	$6.38
Hypothetical (5% return before expenses)	$1,000	$1,018.65	$6.21
Advisor Class			
Actual	$1,000	$1,078.50	$3.81
Hypothetical (5% return before expenses)	$1,000	$1,021.12	$3.71

*Expenses are calculated using the most recent six-month expense ratio, annualized for each class (A: 1.04%; C: 1.74%; R: 1.24%; and Advisor: 0.74%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

Franklin Convertible Securities Fund

Your Fund's Goal and Main Investments: Franklin Convertible Securities Fund seeks to maximize total return, consistent with reasonable risk, by seeking to optimize capital appreciation and high current income under varying market conditions and investing at least 80% of its net assets in convertible securities.

Portfolio Breakdown
Franklin Convertible Securities Fund
Based on Total Net Assets as of 4/30/13



Convertible Bonds	68.5%
Convertible Preferred Stocks	27.6%
Common Stocks & Other Equity Interests	2.7%
Short-Term Investments & Other Net Assets	1.2%

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. Please visit ***franklintempleton.com*** *or call* ***(800) 342-5236*** *for most recent month-end performance.*

This semiannual report for Franklin Convertible Securities Fund covers the period ended April 30, 2013.

Performance Overview

For the six months under review, Franklin Convertible Securities Fund – Class A delivered a +10.86% cumulative total return. In comparison, the Fund's benchmark, the BofA Merrill Lynch (BofAML) All Total Return Alternatives U.S. Convertibles Index, which tracks the domestic convertible securities market, posted a total return of +11.35%.[1] You can find the Fund's long-term performance data in the Performance Summary beginning on page 16.

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The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI). The SOI begins on page 60.

Top 10 Holdings
Franklin Convertible Securities Fund
4/30/13

Company *Sector/Industry*	% of Total Net Assets
Microchip Technology Inc. *Information Technology*	2.5%
Novellus Systems Inc. *Information Technology*	2.4%
Gilead Sciences Inc. *Health Care*	2.3%
Brookdale Senior Living Inc. *Health Care*	2.3%
Cemex SAB de CV *Materials*	2.3%
Alliance Data Systems Corp. *Information Technology*	2.3%
CMS Energy Corp. *Utilities*	2.3%
Omnicare Inc. *Health Care*	2.3%
Xilinx Inc. *Information Technology*	2.3%
Affiliated Managers Group Inc. *Financials*	2.3%

Investment Strategy

We follow a strategy of maintaining a balance in the portfolio between the equity and debt characteristics of convertible securities with an emphasis on the equity features. Convertible securities are attractive for two reasons: the opportunity to participate in common stocks' potential growth with relatively reduced volatility, and the potential for current income with potential downside protection from bonds. Typically we sell securities whose equity sensitivity becomes too high and no longer offers appropriate downside protection. Likewise, as securities become too bond-like — reducing their ability to appreciate with increases in the underlying common stock — we attempt to redeploy those assets into more balanced convertible securities and maintain the potential for the Fund's upside participation. Our experienced team of analysts searches for investment opportunities among all economic sectors and considers a company's long-term earnings, asset value and cash flow potential, to create a broadly diversified portfolio.

Manager's Discussion

Most sectors the Fund invested in rose in value, supporting overall performance during the six months under review. Investments in the health care, information technology (IT), financials and consumer discretionary sectors accounted for the bulk of the Fund's total return. Within health care, the Fund's holdings of biotechnology and pharmaceuticals convertible bonds enjoyed some of the largest gains. Top performers in the sector included Biomarin Pharmaceutical, a maker of innovative drugs, and Gilead Sciences, which specializes in developing antiviral and cardiopulmonary drugs. In IT, semiconductor equipment manufacturer Lam Research (Novellus Systems in the SOI) and Alliance Data Systems, which provides data-driven loyalty marketing solutions, were strong performers. Within financials, investment manager holding company Affiliated Managers Group's convertible preferred stock was a top contributor. Other standout holdings included convertible bonds of Mexico-based building materials supplier and cement producer Cemex and Michigan-based electric and gas utility CMS Energy.

Despite the Fund's positive results this reporting period, there were a few disappointments in the portfolio. Our materials and energy holdings detracted from performance as these sectors fell largely out of favor among investors. On an individual security basis, key detractors included convertible preferred stock of AngloGold Ashanti Holdings Finance and Cliffs Natural Resources as well as James River Coal convertible bonds.

Thank you for your continued participation in Franklin Convertible Securities Fund. We look forward to serving your future investment needs.

Alan E. Muschott, CFA

Matthew Quinlan

J. Blair Schmicker, CFA

Portfolio Management Team
Franklin Convertible Securities Fund

The foregoing information reflects our analysis, opinions and portfolio holdings as of April 30, 2013, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

Performance Summary as of 4/30/13

Franklin Convertible Securities Fund

Your dividend income will vary depending on dividends or interest paid by securities in the Fund's portfolio, adjusted for operating expenses of each class. Capital gain distributions are net profits realized from the sale of portfolio securities. The performance table does not reflect any taxes that a shareholder would pay on Fund dividends, capital gain distributions, if any, or any realized gains on the sale of Fund shares. Total return reflects reinvestment of the Fund's dividends and capital gain distributions, if any, and any unrealized gains or losses.

Price and Distribution Information

Class A (Symbol: FISCX)		Change	4/30/13	10/31/12
Net Asset Value (NAV)		+$1.33	$16.26	$14.93
Distributions (11/1/12–4/30/13)				
Dividend Income	$0.2647			
Class C (Symbol: FROTX)		**Change**	**4/30/13**	**10/31/12**
Net Asset Value (NAV)		+$1.32	$16.07	$14.75
Distributions (11/1/12–4/30/13)				
Dividend Income	$0.2079			
Advisor Class (Symbol: FCSZX)		**Change**	**4/30/13**	**10/31/12**
Net Asset Value (NAV)		+$1.33	$16.27	$14.94
Distributions (11/1/12–4/30/13)				
Dividend Income	$0.2839			

Performance Summary *(continued)*

Performance

Cumulative total return excludes sales charges. Average annual total returns and value of $10,000 investment include maximum sales charges. ***Class A:*** *5.75% maximum initial sales charge;* ***Class C:*** *1% contingent deferred sales charge in first year only;* ***Advisor Class:*** *no sales charges.*

Class A	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return[1]	+10.86%	+12.95%	+33.58%	+133.29%
Average Annual Total Return[2]	+4.49%	+6.46%	+4.71%	+8.20%
Value of $10,000 Investment[3]	$10,449	$10,646	$12,590	$21,996
Avg. Ann. Total Return (3/31/13)[4]		+3.97%	+5.98%	+8.77%
Distribution Rate[5]	3.18%			
30-Day Standardized Yield[6]	1.52%			
Total Annual Operating Expenses[7]	0.90%			
Class C	**6-Month**	**1-Year**	**5-Year**	**10-Year**
Cumulative Total Return[1]	+10.45%	+12.12%	+28.60%	+116.49%
Average Annual Total Return[2]	+9.45%	+11.12%	+5.16%	+8.03%
Value of $10,000 Investment[3]	$10,945	$11,112	$12,860	$21,649
Avg. Ann. Total Return (3/31/13)[4]		+8.53%	+6.45%	+8.60%
Distribution Rate[5]	2.72%			
30-Day Standardized Yield[6]	0.90%			
Total Annual Operating Expenses[7]	1.65%			
Advisor Class[8]	**6-Month**	**1-Year**	**5-Year**	**10-Year**
Cumulative Total Return[1]	+10.92%	+13.23%	+35.26%	+136.22%
Average Annual Total Return[2]	+10.92%	+13.23%	+6.23%	+8.98%
Value of $10,000 Investment[3]	$11,092	$11,323	$13,526	$23,622
Avg. Ann. Total Return (3/31/13)[4]		+10.58%	+7.52%	+9.55%
Distribution Rate[5]	3.61%			
30-Day Standardized Yield[6]	1.86%			
Total Annual Operating Expenses[7]	0.65%			

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to ***franklintempleton.com*** *or call* ***(800) 342-5236.***

Performance Summary *(continued)*

Endnotes

All investments involve risks, including possible loss of principal. The Fund may invest in high yielding, fixed income securities. High yields reflect the higher credit risk associated with these lower rated securities and, in some cases, the lower market prices for these instruments. Interest rate movements may affect the Fund's share price and yield. Bond prices generally move in the opposite direction of interest rates. As prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. The Fund may also invest in foreign securities, which involve special risks, including political uncertainty and currency volatility. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Class C: Prior to 1/1/04, these shares were offered with an initial sales charge; thus actual total returns would have differed. These shares have higher annual fees and expenses than Class A shares.

Advisor Class: Shares are available to certain eligible investors as described in the prospectus.

1. Cumulative total return represents the change in value of an investment over the periods indicated.
2. Average annual total return represents the average annual change in value of an investment over the periods indicated. Six-month return has not been annualized.
3. These figures represent the value of a hypothetical $10,000 investment in the Fund over the periods indicated.
4. In accordance with SEC rules, we provide standardized average annual total return information through the latest calendar quarter.
5. Distribution rate is based on the sum of the respective class's last four quarterly dividends and the maximum offering price (NAV for Classes C and Advisor) per share on 4/30/13.
6. The 30-day standardized yield for the 30 days ended 4/30/13 reflects an estimated yield to maturity (assuming all portfolio securities are held to maturity). It should be regarded as an estimate of the Fund's rate of investment income, and it may not equal the Fund's actual income distribution rate (which reflects the Fund's past dividends paid to shareholders) or the income reported in the Fund's financial statements.
7. Figures are as stated in the Fund's current prospectus. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.
8. Effective 5/15/08, the Fund began offering Advisor Class shares, which do not have sales charges or a Rule 12b-1 plan. Performance quotations for this class reflect the following methods of calculation: (a) For periods prior to 5/15/08, a restated figure is used based upon the Fund's Class A performance, excluding the effect of Class A's maximum initial sales charge, but reflecting the effect of the Class A Rule 12b-1 fees; and (b) for periods after 5/15/08, actual Advisor Class performance is used reflecting all charges and fees applicable to that class. Since 5/15/08 (commencement of sales), the cumulative and average annual total returns of Advisor Class shares were +31.80% and +5.73%.

Your Fund's Expenses

Franklin Convertible Securities Fund

As a Fund shareholder, you can incur two types of costs:

- Transaction costs, including sales charges (loads) on Fund purchases; and
- Ongoing Fund costs, including management fees, distribution and service (12b-1) fees, and other Fund expenses. All mutual funds have ongoing costs, sometimes referred to as operating expenses.

The following table shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other mutual funds. The table assumes a $1,000 investment held for the six months indicated.

Actual Fund Expenses

The first line (Actual) for each share class listed in the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of Fund expenses.

You can estimate the expenses you paid during the period by following these steps. *Of course, your account value and expenses will differ from those in this illustration:*

1. Divide your account value by $1,000.
   If an account had an $8,600 value, then $8,600 ÷ $1,000 = 8.6.
2. Multiply the result by the number under the heading "Expenses Paid During Period."
   If Expenses Paid During Period were $7.50, then 8.6 x $7.50 = $64.50.

In this illustration, the estimated expenses paid this period are $64.50.

Hypothetical Example for Comparison with Other Funds

Information in the second line (Hypothetical) for each class in the table can help you compare ongoing costs of investing in the Fund with those of other mutual funds. This information may not be used to estimate the actual ending account balance or expenses you paid during the period. The hypothetical "Ending Account Value" is based on the actual expense ratio for each class and an assumed 5% annual rate of return before expenses, which does not represent the Fund's actual return. The figure under the heading "Expenses Paid During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds.

Your Fund's Expenses *(continued)*

Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transaction costs, such as sales charges. Therefore, the second line for each class is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transaction costs were included, your total costs would have been higher. Please refer to the Fund prospectus for additional information on operating expenses.

Class A	Beginning Account Value 11/1/12	Ending Account Value 4/30/13	Expenses Paid During Period* 11/1/12–4/30/13
Actual	$1,000	$1,108.60	$4.65
Hypothetical (5% return before expenses)	$1,000	$1,020.38	$4.46
Class C			
Actual	$1,000	$1,104.50	$8.56
Hypothetical (5% return before expenses)	$1,000	$1,016.66	$8.20
Advisor Class			
Actual	$1,000	$1,109.20	$3.35
Hypothetical (5% return before expenses)	$1,000	$1,021.62	$3.21

*Expenses are calculated using the most recent six-month expense ratio, annualized for each class (A: 0.89%; C: 1.64%; and Advisor: 0.64%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

Franklin Equity Income Fund

Your Fund's Goal and Main Investments: Franklin Equity Income Fund seeks to maximize total return, emphasizing high current income and long-term capital appreciation, consistent with reasonable risk, by investing at least 80% of its net assets in equity securities including securities convertible into common stocks.

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. Please visit ***franklintempleton.com*** *or call* ***(800) 342-5236*** *for most recent month-end performance.*

This semiannual report for Franklin Equity Income Fund covers the period ended April 30, 2013.

Performance Overview

For the six months under review, Franklin Equity Income Fund – Class A delivered a +13.48% cumulative total return. In comparison, the Fund's benchmark, the Standard & Poor's 500 Index (S&P 500), which tracks the broad U.S. stock market, generated a +14.42% total return.[1] The Fund's peers, as measured by the Lipper Equity Income Funds Classification Average, which consists of funds chosen by Lipper that seek relatively high current income and growth of income by investing at least 60% of their portfolios in stocks, posted a +14.08% total return.[2] You can find the Fund's long-term performance data in the Performance Summary beginning on page 24.

Investment Strategy

We seek to invest in a broadly diversified portfolio of equity securities that we consider to be financially strong, with a focus on "blue chip" companies. We apply a bottom-up approach to investing in individual securities. We will assess the market price of a company's securities relative to our evaluation of the company's long-term earnings, asset value and cash flow potential. We also consider a company's price/earnings ratio, profit margins, balance sheet and liquidation value. We consider dividend yield in selecting stocks for the Fund because we

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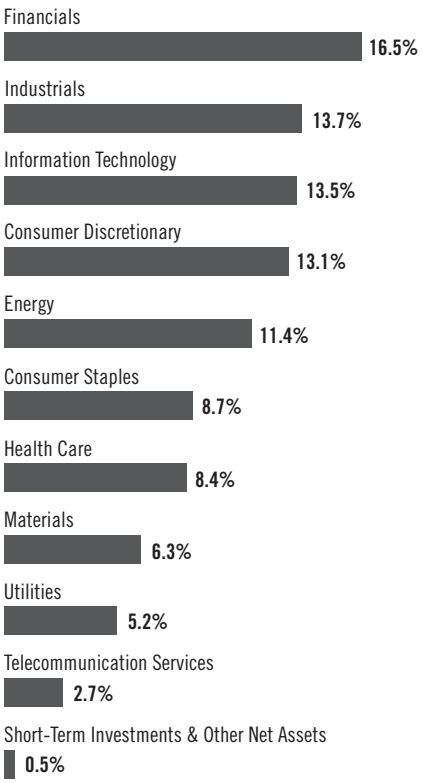
2. Source: Lipper Inc. For the six-month period ended 4/30/13, this category consisted of 374 funds. Lipper calculations do not include sales charges, or expense subsidization by a fund's manager. The Fund's performance relative to the average may have differed if these and other factors had been considered.

The indexes are unmanaged and include reinvested dividends. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI). The SOI begins on page 67.

Portfolio Breakdown

Franklin Equity Income Fund
Based on Total Net Assets as of 4/30/13



Dividend Distributions*

Franklin Equity Income Fund
11/1/12–4/30/13

	Dividend per Share (cents)			
Month	Class A	Class C	Class R	Advisor Class
November	3.50	2.40	3.14	3.86
December**	8.13	7.01	7.75	8.51
January	3.50	2.38	3.12	3.88
February	3.50	2.38	3.12	3.88
March	3.50	2.28	3.08	3.91
April	3.50	2.28	3.08	3.91
Total	**25.63**	**18.73**	**23.29**	**27.95**

* All Fund distributions will vary depending upon current market conditions, and past distributions are not indicative of future trends.

** Includes an additional 4.63 cent per share distribution to meet excise tax requirements.

believe that, over time, dividend income can contribute significantly to total return and can be a more consistent source of investment return than capital appreciation. We seek to take advantage of price dislocations that result from the market's short-term focus and choose to invest in those companies that, in our opinion, offer the best trade-off between growth opportunity, business and financial risk, and valuation.

Manager's Discussion

Nearly every sector the Fund invested in rose in value, as did most of the portfolio's individual securities, supporting overall performance during the six months under review. Key contributing sectors included financials, industrials, consumer discretionary and consumer staples. Many of the Fund's positions in capital markets, diversified financial services and insurance companies such as BlackRock, JPMorgan Chase, Bank of America and Aflac were strong performers. Among industrials, leading performers included aerospace firm Boeing, conglomerates Honeywell International and 3M (sold by period-end), and waste management company Republic Services. In consumer discretionary, athletic equipment and apparel manufacturer NIKE and restaurant chain McDonald's led results. In the consumer staples sector, food products company Kellogg and beverage firm PepsiCo were key contributors.

Despite the Fund's positive results this reporting period, there were a few disappointments in the portfolio. Our materials sector holdings detracted from performance as prices of several commodities fell during the period. On an individual security basis, key detractors included positions in mining firms,

such as AngloGold Ashanti Holdings Finance convertible preferred stock and a Freeport-McMoRan Copper & Gold equity-linked security. An Apple equity-linked security further hurt Fund performance.

Thank you for your continued participation in Franklin Equity Income Fund. We look forward to serving your future investment needs.

Alan E. Muschott, CFA

Matthew Quinlan

Kimberly Strand, CFA

Portfolio Management Team
Franklin Equity Income Fund

The foregoing information reflects our analysis, opinions and portfolio holdings as of April 30, 2013, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

Top 10 Holdings

Franklin Equity Income Fund
4/30/13

Company *Sector/Industry*	% of Total Net Assets
JPMorgan Chase & Co. *Financials*	2.5%
NIKE Inc., B *Consumer Discretionary*	2.3%
Microsoft Corp. *Information Technology*	2.3%
Sanofi, ADR *Health Care*	2.1%
Roche Holding AG *Health Care*	2.1%
BlackRock Inc. *Financials*	2.1%
Bank of America Corp. ord. & cvt. pfd. *Financials*	2.1%
Republic Services Inc. *Industrials*	2.1%
McDonald's Corp. *Consumer Discretionary*	2.0%
Exxon Mobil Corp. *Energy*	2.0%

Performance Summary as of 4/30/13

Franklin Equity Income Fund

Your dividend income will vary depending on dividends or interest paid by securities in the Fund's portfolio, adjusted for operating expenses of each class. Capital gain distributions are net profits realized from the sale of portfolio securities. The performance table does not reflect any taxes that a shareholder would pay on Fund dividends, capital gain distributions, if any, or any realized gains on the sale of Fund shares. Total return reflects reinvestment of the Fund's dividends and capital gain distributions, if any, and any unrealized gains or losses.

Price and Distribution Information

Class A (Symbol: FISEX)		Change	4/30/13	10/31/12
Net Asset Value (NAV)		+$2.15	$20.16	$18.01
Distributions (11/1/12–4/30/13)				
Dividend Income	$0.2563			
Class C (Symbol: FRETX)		**Change**	**4/30/13**	**10/31/12**
Net Asset Value (NAV)		+$2.14	$20.05	$17.91
Distributions (11/1/12–4/30/13)				
Dividend Income	$0.1873			
Class R (Symbol: FREIX)		**Change**	**4/30/13**	**10/31/12**
Net Asset Value (NAV)		+$2.15	$20.16	$18.01
Distributions (11/1/12–4/30/13)				
Dividend Income	$0.2329			
Advisor Class (Symbol: FEIFX)		**Change**	**4/30/13**	**10/31/12**
Net Asset Value (NAV)		+$2.15	$20.17	$18.02
Distributions (11/1/12–4/30/13)				
Dividend Income	$0.2795			

Performance Summary *(continued)*

Performance

Cumulative total return excludes sales charges. Average annual total returns and value of $10,000 investment include maximum sales charges. ***Class A:*** *5.75% maximum initial sales charge;* ***Class C:*** *1% contingent deferred sales charge in first year only;* ***Class R/Advisor Class:*** *no sales charges.*

Class A	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return[1]	+13.48%	+15.68%	+23.07%	+93.45%
Average Annual Total Return[2]	+6.95%	+9.03%	+3.01%	+6.19%
Value of $10,000 Investment[3]	$10,695	$10,903	$11,601	$18,229
Avg. Ann. Total Return (3/31/13)[4]		+5.88%	+3.59%	+6.75%
Distribution Rate[5]	1.96%			
30-Day Standardized Yield[6]	1.91%			
Total Annual Operating Expenses[7]	0.95%			
Class C	**6-Month**	**1-Year**	**5-Year**	**10-Year**
Cumulative Total Return[1]	+13.09%	+14.78%	+18.46%	+79.41%
Average Annual Total Return[2]	+12.09%	+13.78%	+3.45%	+6.02%
Value of $10,000 Investment[3]	$11,209	$11,378	$11,846	$17,941
Avg. Ann. Total Return (3/31/13)[4]		+10.50%	+4.05%	+6.58%
Distribution Rate[5]	1.36%			
30-Day Standardized Yield[6]	1.29%			
Total Annual Operating Expenses[7]	1.70%			
Class R	**6-Month**	**1-Year**	**5-Year**	**10-Year**
Cumulative Total Return[1]	+13.34%	+15.39%	+21.45%	+88.32%
Average Annual Total Return[2]	+13.34%	+15.39%	+3.96%	+6.53%
Value of $10,000 Investment[3]	$11,334	$11,539	$12,145	$18,832
Avg. Ann. Total Return (3/31/13)[4]		+12.05%	+4.55%	+7.10%
Distribution Rate[5]	1.83%			
30-Day Standardized Yield[6]	1.78%			
Total Annual Operating Expenses[7]	1.20%			
Advisor Class[8]	**6-Month**	**1-Year**	**5-Year**	**10-Year**
Cumulative Total Return[1]	+13.62%	+15.95%	+24.63%	+95.89%
Average Annual Total Return[2]	+13.62%	+15.95%	+4.50%	+6.95%
Value of $10,000 Investment[3]	$11,362	$11,595	$12,463	$19,589
Avg. Ann. Total Return (3/31/13)[4]		+12.59%	+5.08%	+7.51%
Distribution Rate[5]	2.33%			
30-Day Standardized Yield[6]	2.26%			
Total Annual Operating Expenses[7]	0.70%			

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to ***franklintempleton.com*** *or call* ***(800) 342-5236.***

Performance Summary *(continued)*

Endnotes

All investments involve risks, including possible loss of principal. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. The Fund's investment in foreign securities also involves special risks, including currency fluctuations and economic as well as political uncertainty. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Class C: Prior to 1/1/04, these shares were offered with an initial sales charge; thus actual total returns would have differed. These shares have higher annual fees and expenses than Class A shares.

Class R: Shares are available to certain eligible investors as described in the prospectus. These shares have higher annual fees and expenses than Class A shares.

Advisor Class: Shares are available to certain eligible investors as described in the prospectus.

1. Cumulative total return represents the change in value of an investment over the periods indicated.

2. Average annual total return represents the average annual change in value of an investment over the periods indicated. Six-month return has not been annualized.

3. These figures represent the value of a hypothetical $10,000 investment in the Fund over the periods indicated.

4. In accordance with SEC rules, we provide standardized average annual total return information through the latest calendar quarter.

5. Distribution rate is based on an annualization of the respective class's April dividend and the maximum offering price (NAV for Classes C, R and Advisor) per share on 4/30/13.

6. The 30-day standardized yield for the 30 days ended 4/30/13 reflects an estimated yield to maturity (assuming all portfolio securities are held to maturity). It should be regarded as an estimate of the Fund's rate of investment income, and it may not equal the Fund's actual income distribution rate (which reflects the Fund's past dividends paid to shareholders) or the income reported in the Fund's financial statements.

7. Figures are as stated in the Fund's current prospectus. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.

8. Effective 5/15/08, the Fund began offering Advisor Class shares, which do not have sales charges or a Rule 12b-1 plan. Performance quotations for this class reflect the following methods of calculation: (a) For periods prior to 5/15/08, a restated figure is used based upon the Fund's Class A performance, excluding the effect of Class A's maximum initial sales charge, but reflecting the effect of the Class A Rule 12b-1 fees; and (b) for periods after 5/15/08, actual Advisor Class performance is used reflecting all charges and fees applicable to that class. Since 5/15/08 (commencement of sales), the cumulative and average annual total returns of Advisor Class shares were +21.04% and +3.93%.

Your Fund's Expenses

Franklin Equity Income Fund

As a Fund shareholder, you can incur two types of costs:

- Transaction costs, including sales charges (loads) on Fund purchases; and
- Ongoing Fund costs, including management fees, distribution and service (12b-1) fees, and other Fund expenses. All mutual funds have ongoing costs, sometimes referred to as operating expenses.

The following table shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other mutual funds. The table assumes a $1,000 investment held for the six months indicated.

Actual Fund Expenses

The first line (Actual) for each share class listed in the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of Fund expenses.

You can estimate the expenses you paid during the period by following these steps. *Of course, your account value and expenses will differ from those in this illustration:*

1. Divide your account value by $1,000.
   If an account had an $8,600 value, then $8,600 ÷ $1,000 = 8.6.
2. Multiply the result by the number under the heading "Expenses Paid During Period."
   If Expenses Paid During Period were $7.50, then 8.6 x $7.50 = $64.50.

In this illustration, the estimated expenses paid this period are $64.50.

Hypothetical Example for Comparison with Other Funds

Information in the second line (Hypothetical) for each class in the table can help you compare ongoing costs of investing in the Fund with those of other mutual funds. This information may not be used to estimate the actual ending account balance or expenses you paid during the period. The hypothetical "Ending Account Value" is based on the actual expense ratio for each class and an assumed 5% annual rate of return before expenses, which does not represent the Fund's actual return. The figure under the heading "Expenses Paid During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds.

Your Fund's Expenses *(continued)*

Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transaction costs, such as sales charges. Therefore, the second line for each class is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transaction costs were included, your total costs would have been higher. Please refer to the Fund prospectus for additional information on operating expenses.

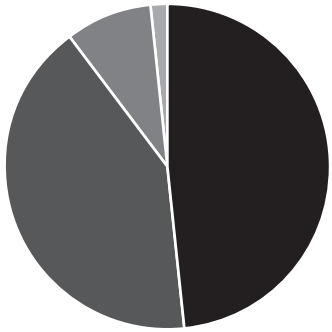
Class A	Beginning Account Value 11/1/12	Ending Account Value 4/30/13	Expenses Paid During Period* 11/1/12–4/30/13
Actual	$1,000	$1,134.80	$4.92
Hypothetical (5% return before expenses)	$1,000	$1,020.18	$4.66
Class C			
Actual	$1,000	$1,130.90	$8.88
Hypothetical (5% return before expenses)	$1,000	$1,016.46	$8.40
Class R			
Actual	$1,000	$1,133.40	$6.24
Hypothetical (5% return before expenses)	$1,000	$1,018.94	$5.91
Advisor Class			
Actual	$1,000	$1,136.20	$3.60
Hypothetical (5% return before expenses)	$1,000	$1,021.42	$3.41

*Expenses are calculated using the most recent six-month expense ratio, annualized for each class (A: 0.93%; C: 1.68%; R: 1.18%; and Advisor: 0.68%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

Franklin Limited Maturity U.S. Government Securities Fund

Your Fund's Goal and Main Investments: Franklin Limited Maturity U.S. Government Securities Fund seeks to provide investors with as high a level of current income as is consistent with prudent investing, while seeking to preserve shareholders' capital, by investing at least 80% of its net assets in securities with a dollar-weighted average maturity of less than 10 years[1] and issued or guaranteed by the U.S. government, its agencies or instrumentalities.[2] Some of the Fund's investments may include securities issued or guaranteed by U.S. government-sponsored entities such as Fannie Mae and Freddie Mac.[3]

Portfolio Breakdown
Franklin Limited Maturity U.S. Government Securities Fund
Based on Total Net Assets as of 4/30/13



Mortgage-Backed Securities	48.4%
U.S. Government & Agency Securities	41.4%
Asset-Backed & Commercial Mortgage-Backed Securities	8.8%
Short-Term Investments & Other Net Assets	1.4%

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. Please visit ***franklintempleton.com*** *or call* ***(800) 342-5236*** *for most recent month-end performance.*

This semiannual report for Franklin Limited Maturity U.S. Government Securities Fund covers the period ended April 30, 2013.

Performance Overview

For the six months under review, Franklin Limited Maturity U.S. Government Securities Fund – Class A delivered a +0.04% cumulative total return. In

1. In determining a security's maturity for the purposes of calculating the Fund's average maturity, an estimate of the average time for its principal to be paid may be used. This can be substantially shorter than its stated final maturity.

2. Securities owned by the Fund, but not shares of the Fund, are issued or guaranteed by the U.S. government, its agencies or instrumentalities, including government-sponsored entities, as to timely payment of principal and interest.

3. Although U.S. government-sponsored entities may be chartered or sponsored by acts of Congress, their securities are neither insured nor guaranteed by the U.S. government. Please refer to the Fund's prospectus for a detailed discussion regarding various levels of credit support. The Fund's yield and share price are not guaranteed and will vary with market conditions.

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI). The SOI begins on page 72.

Dividend Distributions*
Franklin Limited Maturity U.S. Government Securities Fund
11/1/12–4/30/13

	Dividend per Share (cents)	
Month	Class A	Advisor Class
November	1.8427	1.9262
December**	3.5085	3.6041
January	1.8153	1.9007
February	1.7316	1.8086
March	1.5958	1.6728
April	1.8883	1.9786
Total	**12.3822**	**12.8910**

*Assumes shares were purchased and held for the entire accrual period. Since dividends accrue daily, your actual distributions will vary depending on the date you purchased your shares and any account activity. All Fund distributions will vary depending upon current market conditions, and past distributions are not indicative of future trends.

**Includes distributions of 1.62 and 1.63 cents per share for Classes A and Advisor, which represent the remaining undistributed net investment income at the time the Fund converted to a variable-pay dividend.

comparison, the Fund's primary benchmark, the Barclays U.S. Treasury Index: 1-5 Year Component, which tracks U.S. Treasury securities with one to five years remaining maturity, posted a +0.54% total return.[4] Also for comparison, the Fund's secondary benchmark, the Barclays U.S. Treasury Index: 1-3 Year Component, which tracks U.S. Treasury securities with one to three years remaining maturity, returned +0.35%.[4] You can find the Fund's long-term performance data in the Performance Summary beginning on page 33.

Investment Strategy

We currently maintain the portfolio's average dollar-weighted maturity between one and five years. The Fund's average dollar-weighted maturity will vary with market conditions and the outlook for interest rates. We invest primarily in short- to intermediate-term securities issued or guaranteed by the U.S. government, its agencies and instrumentalities.[2] Some of the Fund's investments may include securities issued by U.S. government-sponsored entities, such as Fannie Mae (FNMA) and Freddie Mac (FHLMC).[3] The Fund's portfolio emphasizes mortgage-backed bonds and agency debentures, while also diversifying across components of the U.S. Treasury sector. We analyze securities using proprietary and nonproprietary research to help identify attractive investment opportunities.

4. Source: © 2013 Morningstar. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. The index is unmanaged and includes reinvestment of any income or distributions. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

Manager's Discussion

During the period, U.S. economic data releases initially showed a nascent but firming trend. Later economic releases, however, reflected a more moderate, yet still positive, pace of growth. In this environment, U.S. consumers remained fairly strong, although declines in consumer spending suggested that income tax increases took a heavier toll on consumer sentiment than initially indicated. Overall, the labor market remained solid, even though some employment measures missed expectations. The unemployment rate declined from 7.9% to 7.5%, but this slight decline was largely a result of a lower participation rate.[5] The U.S. housing market continued to show a gradual but persistent improvement trend. Overall, economic data during the period did not suggest any increased risk that the U.S. Federal Reserve Board (Fed) would exit its quantitative easing policy early.

A Federal Open Market Committee meeting held near period-end did not result in changes to the Fed's current accommodative monetary policy. The Fed used a cautious tone and acknowledged strains in global financial markets but expected growth to remain moderate and gradually improve over the coming quarters. This expectation was based on improving labor market conditions and housing market gains, although the Fed noted the housing sector remained depressed. We believe short-term rates could remain low until the U.S. economy shows significant upward momentum and threats of systematic risk abate. The Fed continued to provide support to the mortgage sector, as prepayment risk remained heightened with the market priced at a premium and mortgage rates near historical lows. With its purchases and reinvestments totaling about $85 billion a month, the Fed remained the largest source of demand for the market. However, potential risks to the sector exist if the Fed eventually tapers or ends its asset purchase program, which could negatively affect mortgage sector spreads.

As measured by Barclays indexes, most fixed income sectors posted positive total returns during the period, including U.S. Treasury Inflation Protected Securities (TIPS), U.S. agency securities, Ginnie Maes (GNMAs), U.S. agency fixed rate mortgage-backed securities (MBS) and hybrid adjustable-rate mortgage securities (ARMs).

The Fund invested in U.S. Treasuries, including TIPS, agency debentures, agency mortgage pass-through securities, other U.S. government related bonds and cash investments. We looked for what we viewed as attractive valuations within lower interest rate risk government bond markets.

5. Source: Bureau of Labor Statistics.

The broad sectors in which we invested had mixed performance versus comparable maturity Treasuries. As a sector, agency ARMs outperformed comparable maturity Treasuries and contributed to relative and absolute performance. Our TIPS allocation was a slight drag on performance versus the benchmark. Our fixed rate and multi-family agency MBS detracted slightly from returns. The Fund's defensive position against interest rate risk also detracted from returns during the period.

Residential agency mortgages were one of the Fund's largest sector allocations because of their return potential and income advantage over Treasuries. We added exposure to the adjustable and fixed-rate portions of the sector over the period. We decreased exposure to agency debentures as they had become more fully valued in our assessment. Our exposure to multi-family agency mortgages declined marginally during the period.

Thank you for your continued participation in Franklin Limited Maturity U.S. Government Securities Fund. We look forward to serving your future investment needs.

Kent Burns, CFA

Paul Varunok

Portfolio Management Team
Franklin Limited Maturity
U.S. Government Securities Fund

The foregoing information reflects our analysis, opinions and portfolio holdings as of April 30, 2013, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

Performance Summary as of 4/30/13

Franklin Limited Maturity U.S. Government Securities Fund

Your dividend income will vary depending on dividends or interest paid by securities in the Fund's portfolio, adjusted for operating expenses of each class. Capital gain distributions are net profits realized from the sale of portfolio securities. The performance table does not reflect any taxes that a shareholder would pay on Fund dividends, capital gain distributions, if any, or any realized gains on the sale of Fund shares. Total return reflects reinvestment of the Fund's dividends and capital gain distributions, if any, and any unrealized gains or losses.

Price and Distribution Information

Class A (Symbol: FRGVX)		Change	4/30/13	10/31/12
Net Asset Value (NAV)		-$0.12	$10.18	$10.30
Distributions (11/1/12–4/30/13)				
Dividend Income	$0.123822			
Advisor Class (Symbol: FSUAX)		**Change**	**4/30/13**	**10/31/12**
Net Asset Value (NAV)		-$0.12	$10.17	$10.29
Distributions (11/1/12–4/30/13)				
Dividend Income	$0.128910			

Performance

Cumulative total return excludes sales charges. Average annual total returns include maximum sales charges. ***Class A:*** *2.25% maximum initial sales charge;* ***Advisor Class:*** *no sales charges.*

Class A	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return[1]	+0.04%	+0.36%	+14.15%	+32.01%
Average Annual Total Return[2]	-2.24%	-1.91%	+2.22%	+2.59%
Avg. Ann. Total Return (3/31/13)[3]		-1.81%	+2.06%	+2.61%
Distribution Rate[4]	2.18%			
30-Day Standardized Yield[5]	0.70%			
Total Annual Operating Expenses[6]	0.77%			
Advisor Class	**6-Month**	**1-Year**	**5-Year**	**10-Year**
Cumulative Total Return[1]	+0.09%	+0.46%	+14.61%	+33.36%
Average Annual Total Return[2]	+0.09%	+0.46%	+2.76%	+2.92%
Avg. Ann. Total Return (3/31/13)[3]		+0.55%	+2.61%	+2.94%
Distribution Rate[4]	2.33%			
30-Day Standardized Yield[5]	0.82%			
Total Annual Operating Expenses[6]	0.67%			

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to ***franklintempleton.com*** *or call* ***(800) 342-5236****.*

Performance Summary *(continued)*

Endnotes

All investments involve risks, including possible loss of principal. Interest rate movements, unscheduled mortgage prepayments and other risk factors will affect the Fund's share price and yield. Bond prices, and thus a fund's share price, generally move in the opposite direction of interest rates. Therefore, as prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. Changes in the financial strength of a bond issuer or in a bond's credit rating may affect its value. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Advisor Class: Shares are available to certain eligible investors as described in the prospectus.

1. Cumulative total return represents the change in value of an investment over the periods indicated.
2. Average annual total return represents the average annual change in value of an investment over the periods indicated. Six-month return has not been annualized.
3. In accordance with SEC rules, we provide standardized average annual total return information through the latest calendar quarter.
4. Distribution rate is based on an annualization of the respective class's April dividend and the maximum offering price (NAV for Advisor Class) per share on 4/30/13.
5. The 30-day standardized yield for the 30 days ended 4/30/13 reflects an estimated yield to maturity (assuming all portfolio securities are held to maturity). It should be regarded as an estimate of the Fund's rate of investment income, and it may not equal the Fund's actual income distribution rate (which reflects the Fund's past dividends paid to shareholders) or the income reported in the Fund's financial statements.
6. Figures are as stated in the Fund's current prospectus. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.

Your Fund's Expenses

Franklin Limited Maturity U.S. Government Securities Fund

As a Fund shareholder, you can incur two types of costs:

- Transaction costs, including sales charges (loads) on Fund purchases; and
- Ongoing Fund costs, including management fees, distribution and service (12b-1) fees, and other Fund expenses. All mutual funds have ongoing costs, sometimes referred to as operating expenses.

The following table shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other mutual funds. The table assumes a $1,000 investment held for the six months indicated.

Actual Fund Expenses

The first line (Actual) for each share class listed in the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of Fund expenses.

You can estimate the expenses you paid during the period by following these steps. *Of course, your account value and expenses will differ from those in this illustration:*

1. Divide your account value by $1,000.
   If an account had an $8,600 value, then $8,600 ÷ $1,000 = 8.6.
2. Multiply the result by the number under the heading "Expenses Paid During Period."
   If Expenses Paid During Period were $7.50, then 8.6 x $7.50 = $64.50.

In this illustration, the estimated expenses paid this period are $64.50.

Hypothetical Example for Comparison with Other Funds

Information in the second line (Hypothetical) for each class in the table can help you compare ongoing costs of investing in the Fund with those of other mutual funds. This information may not be used to estimate the actual ending account balance or expenses you paid during the period. The hypothetical "Ending Account Value" is based on the actual expense ratio for each class and an assumed 5% annual rate of return before expenses, which does not represent the Fund's actual return. The figure under the heading "Expenses Paid During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds.

Your Fund's Expenses *(continued)*

Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transaction costs, such as sales charges. Therefore, the second line for each class is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transaction costs were included, your total costs would have been higher. Please refer to the Fund prospectus for additional information on operating expenses.

Class A	Beginning Account Value 11/1/12	Ending Account Value 4/30/13	Expenses Paid During Period* 11/1/12–4/30/13
Actual	$1,000	$1,000.40	$3.87
Hypothetical (5% return before expenses)	$1,000	$1,020.93	$3.91
Advisor Class			
Actual	$1,000	$1,000.90	$3.37
Hypothetical (5% return before expenses)	$1,000	$1,021.42	$3.41

*Expenses are calculated using the most recent six-month expense ratio, annualized for each class (A: 0.78% and Advisor: 0.68%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

Franklin Real Return Fund

Your Fund's Goal and Main Investments: Franklin Real Return Fund seeks to achieve total return that exceeds the rate of inflation over an economic cycle. The Fund will generally invest a substantial portion of its assets in inflation-protected securities. Managers also have the flexibility to invest in other sectors of the market to increase real return (total return less inflation) potential and offer greater diversification.

Portfolio Breakdown
Franklin Real Return Fund
Based on Total Net Assets as of 4/30/13

U.S. Treasury Inflation Protected Securities	51.9%
Foreign Government Debt Securities	16.1%
Corporate Bonds*	7.9%
Exchange Traded Funds	7.1%
Natural Resources – Common Stocks**	6.8%
Short-Term Investments & Other Net Assets	10.2%

*Includes Senior Floating Rate Interests.
**In the SOI, the natural resources sector comprises energy and materials.

*Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. Please visit **franklintempleton.com** or call **(800) 342-5236** for most recent month-end performance.*

We are pleased to bring you Franklin Real Return Fund's semiannual report for the period ended April 30, 2013.

Performance Overview

For the six months under review, Franklin Real Return Fund – Class A delivered a +1.84% cumulative total return. In comparison, the Barclays U.S. TIPS Index, which tracks the universe of inflation-protected notes issued by the U.S. Treasury that have at least one year to final maturity, posted a +0.25% total return.[1] Also for comparison, the Consumer Price Index (CPI) for Urban

1. Source: © 2013 Morningstar. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. The index is unmanaged. The Barclays U.S. TIPS Index includes reinvested interest. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI). The SOI begins on page 78.

Dividend Distributions*
Franklin Real Return Fund
11/1/12–4/30/13

	Dividend per Share (cents)		
Month	Class A	Class C	Advisor Class
November**	5.25	4.90	5.47
November	2.87	2.47	3.12
December†	5.78	5.40	6.02
January††	—	—	—
February††	—	—	—
March††	—	—	—
April††	—	—	—
Total	**13.90**	**12.77**	**14.61**

*All Fund distributions will vary depending upon current market conditions, and past distributions are not indicative of future trends.

**The Fund paid two distributions in November. The distribution scheduled to be paid in October 2012 was paid in November because of the market's closure following Hurricane Sandy.

†Distributions are higher than in other months primarily due to the inclusion of net foreign currency gains to meet excise tax requirements.

††The Fund paid no dividends due to negative inflation adjustments for TIPS, which are the Fund's primary investments.

Consumers (All Items) NSA (non-seasonally adjusted), a measure of the average change in prices of all goods and services purchased for consumption by urban householders, rose 0.52% for the same period.[1] You can find more of the Fund's performance data in the Performance Summary beginning on page 41.

Investment Strategy

We seek to allocate assets among investments to achieve the highest level of real return (total return less the rate of inflation) consistent with an acceptable level of risk. We will allocate the Fund's assets among securities in various market sectors based on our assessment of changing economic, global market, industry and issuer conditions. When making our investment decisions, we use a "top-down" analysis of macroeconomic trends combined with a "bottom-up" fundamental analysis of market sectors, industries and issuers to try to take advantage of varying sector reactions to economic events. We will evaluate such criteria as country risk, business cycles, yield curves, and values between and within markets.

Manager's Discussion

During the period, U.S. economic data releases initially showed a nascent but firming trend. Later economic releases, however, reflected a more moderate, yet still positive, pace of growth. In this environment, U.S. consumers remained fairly strong, although declines in consumer spending suggested that income tax increases took a heavier toll on consumer sentiment than initially indicated. Overall, the labor market remained solid, even though some employment measures missed expectations. The unemployment rate declined from 7.9% to 7.5%, but this slight decline was largely a result of a lower participation rate.[2] The U.S. housing market continued to show a gradual but persistent improvement trend. Overall, economic data during the period did not suggest any increased risk that the U.S. Federal Reserve Board (Fed) would exit its quantitative easing policy early.

A Federal Open Market Committee meeting held near period-end did not result in changes to the Fed's current accommodative monetary policy. The Fed used a cautious tone and acknowledged strains in global financial markets but expected growth to remain moderate and gradually improve over the coming quarters. This expectation was based on improving labor market conditions and housing market gains, although the Fed noted the housing sector remained depressed. We believe short-term rates could remain low until the U.S. economy shows significant upward momentum and threats of systematic risk abate. The Fed continued to provide support to the mortgage sector, as prepayment risk remained heightened with the market priced at a premium and mortgage rates near historical lows. With its purchases and reinvestments totaling about $85 billion a month, the Fed remained the largest source of demand for the market. However, potential risks to the sector exist if the Fed eventually tapers or ends its asset purchase program, which could negatively affect mortgage sector spreads.

We invested the Fund's assets in the allowable sectors during the period under review. At period-end, just over half of total net assets were invested in Treasury Inflation Protected Securities (TIPS). For diversification, we also allocated the Fund's assets to short-term non-U.S. dollar securities, natural resources, real estate investment trusts (REITs), high yield bonds and corporate loans. We employed a non-U.S. dollar strategy to help hedge against U.S. dollar weakness versus certain currencies and concentrated our TIPS holdings in shorter maturities.

2. Source: Bureau of Labor Statistics.

Our diversified mix of inflation-sensitive assets did well over the period. In particular, our non-dollar holdings and allocation to REITS, high yield corporate bonds and natural resource securities contributed to performance relative to the benchmark index. Our TIPS and floating rate loan exposures were also positive for returns.

The portfolio utilized derivatives, including currency forwards. Currency forwards are principally used as a tool to reduce a specific risk exposure of a portfolio security or its denominated currency, or to obtain net long exposure to selected currencies.

Thank you for your continued participation in Franklin Real Return Fund. We look forward to serving your future investment needs.

T. Anthony Coffey, CFA

Kent Burns, CFA

Portfolio Management Team
Franklin Real Return Fund

The foregoing information reflects our analysis, opinions and portfolio holdings as of April 30, 2013, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

Performance Summary as of 4/30/13

Franklin Real Return Fund

Your dividend income will vary depending on dividends or interest paid by securities in the Fund's portfolio, adjusted for operating expenses of each class. Capital gain distributions are net profits realized from the sale of portfolio securities. The performance table does not reflect any taxes that a shareholder would pay on Fund dividends, capital gain distributions, if any, or any realized gains on the sale of Fund shares. Total return reflects reinvestment of the Fund's dividends and capital gain distributions, if any, and any unrealized gains or losses.

Price and Distribution Information

Class A (Symbol: FRRAX)		Change	4/30/13	10/31/12
Net Asset Value (NAV)		+$0.06	$11.00	$10.94
Distributions (11/1/12–4/30/13)				
Dividend Income	$0.1390			
Class C (Symbol: FRRCX)		**Change**	**4/30/13**	**10/31/12**
Net Asset Value (NAV)		+$0.05	$10.92	$10.87
Distributions (11/1/12–4/30/13)				
Dividend Income	$0.1277			
Advisor Class (Symbol: FARRX)		**Change**	**4/30/13**	**10/31/12**
Net Asset Value (NAV)		+$0.06	$11.03	$10.97
Distributions (11/1/12–4/30/13)				
Dividend Income	$0.1461			

Performance Summary *(continued)*

Performance[1]

Cumulative total return excludes sales charges. Average annual total returns include maximum sales charges. ***Class A:*** *4.25% maximum initial sales charge;* ***Class C:*** *1% contingent deferred sales charge in first year only;* ***Advisor Class:*** *no sales charges.*

Class A	6-Month	1-Year	5-Year	Inception (11/17/04)
Cumulative Total Return[2]	+1.84%	+2.25%	+14.50%	+44.77%
Average Annual Total Return[3]	-2.53%	-2.11%	+1.85%	+3.95%
Avg. Ann. Total Return (3/31/13)[4]		-2.43%	+1.78%	+3.93%
Distribution Rate[5]	0.00%			
30-Day Standardized Yield[6]	3.56%			
Total Annual Operating Expenses[7]				
Without Waiver	1.07%			
With Waiver	0.91%			
Class C	**6-Month**	**1-Year**	**3-Year**	**Inception (11/3/08)**
Cumulative Total Return[2]	+1.65%	+1.80%	+8.15%	+24.84%
Average Annual Total Return[3]	+0.65%	+0.80%	+2.64%	+5.07%
Avg. Ann. Total Return (3/31/13)[4]		+0.53%	+2.88%	+5.08%
Distribution Rate[5]	0.00%			
30-Day Standardized Yield[6]	3.33%			
Total Annual Operating Expenses[7]				
Without Waiver	1.47%			
With Waiver	1.31%			
Advisor Class	**6-Month**	**1-Year**	**5-Year**	**Inception (11/17/04)**
Cumulative Total Return[2]	+1.90%	+2.42%	+15.97%	+47.86%
Average Annual Total Return[3]	+1.90%	+2.42%	+3.01%	+4.74%
Avg. Ann. Total Return (3/31/13)[4]		+2.19%	+2.92%	+4.73%
Distribution Rate[5]	0.00%			
30-Day Standardized Yield[6]	3.98%			
Total Annual Operating Expenses[7]				
Without Waiver	0.82%			
With Waiver	0.66%			

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to ***franklintempleton.com*** *or call* ***(800) 342-5236.***

The investment manager and administrator have contractually agreed to waive or assume certain expenses so that common expenses (excluding Rule 12b-1 fees and acquired fees and expenses) for each class of the Fund do not exceed 0.65% (other than certain nonroutine expenses) until 2/28/14.

Performance Summary *(continued)*

Endnotes

All investments involve risks, including possible loss of principal. Interest rate movements will affect the Fund's share price and yield. Bond prices generally move in the opposite direction of interest rates. Thus, as prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. These price movements may result from factors affecting individual companies, industries or the securities market as a whole. The risks of foreign securities include currency fluctuations and political uncertainty. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Class C: These shares have higher annual fees and expenses than Class A shares.

Advisor Class: Shares are available to certain eligible investors as described in the prospectus.

1. Fund investment results reflect the expense reduction, without which the results would have been lower, and yields for the period would have been 3.39%, 3.15% and 3.79% for Classes A, C and Advisor, respectively.

2. Cumulative total return represents the change in value of an investment over the periods indicated.

3. Average annual total return represents the average annual change in value of an investment over the periods indicated. Six-month return has not been annualized.

4. In accordance with SEC rules, we provide standardized average annual total return information through the latest calendar quarter.

5. Distribution rate is based on an annualization of the respective class's April dividend and the maximum offering price (NAV for Classes C and Advisor) per share on 4/30/13.

6. The 30-day standardized yield for the 30 days ended 4/30/13 reflects an estimated yield to maturity (assuming all portfolio securities are held to maturity). It should be regarded as an estimate of the Fund's rate of investment income, and it may not equal the Fund's actual income distribution rate (which reflects the Fund's past dividends paid to shareholders) or the income reported in the Fund's financial statements.

7. Figures are as stated in the Fund's current prospectus. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.

Your Fund's Expenses

Franklin Real Return Fund

As a Fund shareholder, you can incur two types of costs:

- Transaction costs, including sales charges (loads) on Fund purchases; and
- Ongoing Fund costs, including management fees, distribution and service (12b-1) fees, and other Fund expenses. All mutual funds have ongoing costs, sometimes referred to as operating expenses.

The following table shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other mutual funds. The table assumes a $1,000 investment held for the six months indicated.

Actual Fund Expenses

The first line (Actual) for each share class listed in the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of Fund expenses.

You can estimate the expenses you paid during the period by following these steps. *Of course, your account value and expenses will differ from those in this illustration:*

1. Divide your account value by $1,000.
   If an account had an $8,600 value, then $8,600 ÷ $1,000 = 8.6.
2. Multiply the result by the number under the heading "Expenses Paid During Period."
   If Expenses Paid During Period were $7.50, then 8.6 x $7.50 = $64.50.

In this illustration, the estimated expenses paid this period are $64.50.

Hypothetical Example for Comparison with Other Funds

Information in the second line (Hypothetical) for each class in the table can help you compare ongoing costs of investing in the Fund with those of other mutual funds. This information may not be used to estimate the actual ending account balance or expenses you paid during the period. The hypothetical "Ending Account Value" is based on the actual expense ratio for each class and an assumed 5% annual rate of return before expenses, which does not represent the Fund's actual return. The figure under the heading "Expenses Paid During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds.

Your Fund's Expenses *(continued)*

Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transaction costs, such as sales charges. Therefore, the second line for each class is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transaction costs were included, your total costs would have been higher. Please refer to the Fund prospectus for additional information on operating expenses.

Class A	Beginning Account Value 11/1/12	Ending Account Value 4/30/13	Expenses Paid During Period* 11/1/12–4/30/13
Actual	$1,000	$1,018.40	$4.50
Hypothetical (5% return before expenses)	$1,000	$1,020.33	$4.51
Class C			
Actual	$1,000	$1,016.50	$6.50
Hypothetical (5% return before expenses)	$1,000	$1,018.35	$6.51
Advisor Class			
Actual	$1,000	$1,019.00	$3.25
Hypothetical (5% return before expenses)	$1,000	$1,021.57	$3.26

*Expenses are calculated using the most recent six-month expense ratio, net of expense waivers, annualized for each class (A: 0.90%; C: 1.30%; and Advisor: 0.65%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

Franklin Investors Securities Trust

Financial Highlights

Franklin Balanced Fund

Class A	Six Months Ended April 30, 2013 (unaudited)	Year Ended October 31, 2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$10.64	$ 9.87	$9.61	$8.55	$7.00	$11.36
Income from investment operations[a]:						
Net investment income[b]	0.11	0.30	0.32	0.31	0.35	0.39
Net realized and unrealized gains (losses)	0.70	0.83	0.30	1.11	1.59	(4.09)
Total from investment operations	0.81	1.13	0.62	1.42	1.94	(3.70)
Less distributions from:						
Net investment income	(0.18)	(0.36)	(0.36)	(0.36)	(0.39)	(0.42)
Net realized gains	(0.14)	(—)[c]	—	—	—	(0.24)
Total distributions	(0.32)	(0.36)	(0.36)	(0.36)	(0.39)	(0.66)
Redemption fees[d]	—	—	—	—	—	—[c]
Net asset value, end of period	$11.13	$10.64	$9.87	$9.61	$8.55	$ 7.00
Total return[e]	7.80%	11.70%	6.51%	16.95%	29.03%	(34.20)%
Ratios to average net assets[f]						
Expenses before waiver and payments by affiliates	1.09%	1.15%	1.17%	1.23%	1.26%	1.34%
Expenses net of waiver and payments by affiliates	1.04%	1.01%	1.01%	1.02%	0.99%	1.01%
Net investment income	2.13%	2.95%	3.27%	3.44%	4.69%	3.99%
Supplemental data						
Net assets, end of period (000's)	$963,155	$627,287	$218,625	$146,699	$88,376	$39,061
Portfolio turnover rate	18.16%	58.59%	70.76%	54.12%	73.57%	51.48%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.

[b]Based on average daily shares outstanding.

[c]Amount rounds to less than $0.01 per share.

[d]Effective September 1, 2008, the redemption fee was eliminated.

[e]Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

[f]Ratios are annualized for periods less than one year.

Franklin Investors Securities Trust

Financial Highlights *(continued)*

Franklin Balanced Fund

Class C	Six Months Ended April 30, 2013 (unaudited)	Year Ended October 31, 2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$10.57	$ 9.81	$9.54	$8.49	$6.96	$11.30
Income from investment operations[a]:						
Net investment income[b]	0.08	0.23	0.25	0.24	0.29	0.33
Net realized and unrealized gains (losses)	0.68	0.82	0.31	1.11	1.59	(4.08)
Total from investment operations	0.76	1.05	0.56	1.35	1.88	(3.75)
Less distributions from:						
Net investment income	(0.14)	(0.29)	(0.29)	(0.30)	(0.35)	(0.35)
Net realized gains	(0.14)	(—)[c]	—	—	—	(0.24)
Total distributions	(0.28)	(0.29)	(0.29)	(0.30)	(0.35)	(0.59)
Redemption fees[d]	—	—	—	—	—	—[c]
Net asset value, end of period	$11.05	$10.57	$9.81	$9.54	$8.49	$ 6.96
Total return[e]	7.38%	10.91%	5.91%	16.12%	28.08%	(34.69)%
Ratios to average net assets[f]						
Expenses before waiver and payments by affiliates	1.79%	1.85%	1.87%	1.92%	1.96%	2.00%
Expenses net of waiver and payments by affiliates	1.74%	1.71%	1.71%	1.71%	1.69%	1.67%
Net investment income	1.43%	2.25%	2.57%	2.75%	3.99%	3.33%
Supplemental data						
Net assets, end of period (000's)	$259,448	$187,991	$85,302	$47,219	$19,423	$7,136
Portfolio turnover rate	18.16%	58.59%	70.76%	54.12%	73.57%	51.48%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.

[b]Based on average daily shares outstanding.

[c]Amount rounds to less than $0.01 per share.

[d]Effective September 1, 2008, the redemption fee was eliminated.

[e]Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

[f]Ratios are annualized for periods less than one year.

Franklin Investors Securities Trust

Financial Highlights *(continued)*

Franklin Balanced Fund

Class R	Six Months Ended April 30, 2013 (unaudited)	Year Ended October 31, 2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$10.66	$ 9.89	$9.62	$8.56	$7.00	$11.36
Income from investment operations[a]:						
Net investment income[b]	0.11	0.29	0.31	0.28	0.32	0.37
Net realized and unrealized gains (losses)	0.69	0.82	0.30	1.12	1.62	(4.09)
Total from investment operations	0.80	1.11	0.61	1.40	1.94	(3.72)
Less distributions from:						
Net investment income	(0.17)	(0.34)	(0.34)	(0.34)	(0.38)	(0.40)
Net realized gains	(0.14)	(—)[c]	—	—	—	(0.24)
Total distributions	(0.31)	(0.34)	(0.34)	(0.34)	(0.38)	(0.64)
Redemption fees[d]	—	—	—	—	—	—[c]
Net asset value, end of period	$11.15	$10.66	$9.89	$9.62	$8.56	$ 7.00
Total return[e]	7.67%	11.46%	6.39%	16.70%	28.73%	(34.26)%
Ratios to average net assets[f]						
Expenses before waiver and payments by affiliates	1.29%	1.35%	1.37%	1.42%	1.48%	1.54%
Expenses net of waiver and payments by affiliates	1.24%	1.21%	1.21%	1.21%	1.21%	1.21%
Net investment income	1.93%	2.75%	3.07%	3.25%	4.47%	3.79%
Supplemental data						
Net assets, end of period (000's)	$2,489	$2,378	$1,928	$677	$175	$12
Portfolio turnover rate	18.16%	58.59%	70.76%	54.12%	73.57%	51.48%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.

[b]Based on average daily shares outstanding.

[c]Amount rounds to less than $0.01 per share.

[d]Effective September 1, 2008, the redemption fee was eliminated.

[e]Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

[f]Ratios are annualized for periods less than one year.

Franklin Investors Securities Trust

Financial Highlights *(continued)*

Franklin Balanced Fund

Advisor Class	Six Months Ended April 30, 2013 (unaudited)	Year Ended October 31, 2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$10.66	$ 9.89	$9.62	$8.56	$7.01	$11.38
Income from investment operations[a]:						
Net investment income[b]	0.12	0.34	0.35	0.34	0.37	0.42
Net realized and unrealized gains (losses)	0.70	0.82	0.31	1.11	1.59	(4.10)
Total from investment operations	0.82	1.16	0.66	1.45	1.96	(3.68)
Less distributions from:						
Net investment income	(0.20)	(0.39)	(0.39)	(0.39)	(0.41)	(0.45)
Net realized gains	(0.14)	(—)[c]	—	—	—	(0.24)
Total distributions	(0.34)	(0.39)	(0.39)	(0.39)	(0.41)	(0.69)
Redemption fees[d]	—	—	—	—	—	—[c]
Net asset value, end of period	$11.14	$10.66	$9.89	$9.62	$8.56	$ 7.01
Total return[e]	7.85%	12.01%	6.93%	17.30%	29.32%	(34.01)%
Ratios to average net assets[f]						
Expenses before waiver and payments by affiliates	0.79%	0.85%	0.87%	0.92%	0.98%	1.04%
Expenses net of waiver and payments by affiliates	0.74%	0.71%	0.71%	0.71%	0.71%	0.71%
Net investment income	2.43%	3.25%	3.57%	3.75%	4.97%	4.29%
Supplemental data						
Net assets, end of period (000's)	$60,458	$13,779	$7,477	$3,299	$1,861	$1,072
Portfolio turnover rate	18.16%	58.59%	70.76%	54.12%	73.57%	51.48%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.

[b]Based on average daily shares outstanding.

[c]Amount rounds to less than $0.01 per share.

[d]Effective September 1, 2008, the redemption fee was eliminated.

[e]Total return is not annualized for periods less than one year.

[f]Ratios are annualized for periods less than one year.

Franklin Investors Securities Trust

Statement of Investments, April 30, 2013 (unaudited)

Franklin Balanced Fund	Country	Shares	Value
Common Stocks 48.9%			
Consumer Discretionary 4.7%			
Comcast Corp., A	United States	175,000	$ 7,227,500
Johnson Controls Inc.	United States	310,000	10,853,100
McDonald's Corp.	United States	110,000	11,235,400
NIKE Inc., B	United States	180,000	11,448,000
Target Corp.	United States	180,000	12,700,800
Time Warner Cable Inc.	United States	70,000	6,572,300
			60,037,100
Consumer Staples 3.3%			
Diageo PLC, ADR	United Kingdom	40,000	4,888,000
Kellogg Co.	United States	175,000	11,382,000
PepsiCo Inc.	United States	135,000	11,133,450
The Procter & Gamble Co.	United States	120,000	9,212,400
Safeway Inc.	United States	250,000	5,630,000
			42,245,850
Energy 9.0%			
Anadarko Petroleum Corp.	United States	102,000	8,645,520
BP PLC, ADR	United Kingdom	250,000	10,900,000
Chevron Corp.	United States	100,000	12,201,000
ConocoPhillips	United States	35,400	2,139,930
Diamond Offshore Drilling Inc.	United States	100,000	6,910,000
Exxon Mobil Corp.	United States	125,000	11,123,750
Halliburton Co.	United States	200,000	8,554,000
Royal Dutch Shell PLC, A, ADR	United Kingdom	150,000	10,195,500
Schlumberger Ltd.	United States	220,000	16,374,600
Spectra Energy Corp.	United States	350,000	11,035,500
Total SA, B, ADR	France	125,000	6,280,000
[a] Transocean Ltd.	United States	230,000	11,838,100
			116,197,900
Financials 2.5%			
BlackRock Inc.	United States	36,000	9,594,000
JPMorgan Chase & Co.	United States	230,000	11,272,300
Wells Fargo & Co.	United States	300,000	11,394,000
			32,260,300
Health Care 2.1%			
Johnson & Johnson	United States	150,000	12,784,500
Merck & Co. Inc.	United States	300,000	14,100,000
			26,884,500
Industrials 9.8%			
The Boeing Co.	United States	135,020	12,342,178
Caterpillar Inc.	United States	110,000	9,313,700
Emerson Electric Co.	United States	170,000	9,436,700
General Electric Co.	United States	520,368	11,599,002
Honeywell International Inc.	United States	125,000	9,192,500
Norfolk Southern Corp.	United States	140,000	10,838,800
Northrop Grumman Corp.	United States	150,000	11,361,000

Franklin Investors Securities Trust

Statement of Investments, April 30, 2013 (unaudited) *(continued)*

Franklin Balanced Fund	Country	Shares	Value
Common Stocks (continued)			
Industrials (continued)			
Raytheon Co.	United States	210,000	$ 12,889,800
Republic Services Inc.	United States	350,000	11,928,000
United Parcel Service Inc., B	United States	115,000	9,871,600
United Technologies Corp.	United States	80,000	7,303,200
Waste Management Inc.	United States	234,800	9,622,104
			125,698,584
Information Technology 3.8%			
Analog Devices Inc.	United States	187,000	8,226,130
Intel Corp.	United States	608,000	14,561,600
Microsoft Corp.	United States	400,000	13,240,000
Texas Instruments Inc.	United States	365,000	13,216,650
			49,244,380
Materials 6.2%			
Agrium Inc.	Canada	200,000	18,334,000
Air Products and Chemicals Inc.	United States	160,000	13,913,600
BHP Billiton Ltd., ADR	Australia	100,000	6,722,000
The Dow Chemical Co.	United States	480,000	16,276,800
E. I. du Pont de Nemours and Co.	United States	230,000	12,537,300
Freeport-McMoRan Copper & Gold Inc., B	United States	200,000	6,086,000
LyondellBasell Industries NV, A	United States	95,000	5,766,500
			79,636,200
Telecommunication Services 2.1%			
AT&T Inc.	United States	350,000	13,111,000
Verizon Communications Inc.	United States	250,000	13,477,500
			26,588,500
Utilities 5.4%			
Dominion Resources Inc.	United States	150,000	9,252,000
Duke Energy Corp.	United States	165,000	12,408,000
FirstEnergy Corp.	United States	200,000	9,320,000
Hawaiian Electric Industries Inc.	United States	303,300	8,583,390
PPL Corp.	United States	195,000	6,509,100
The Southern Co.	United States	250,000	12,057,500
TECO Energy Inc.	United States	600,000	11,478,000
			69,607,990
Total Common Stocks (Cost $544,596,497)			628,401,304
[b] **Equity-Linked Securities 9.1%**			
Consumer Discretionary 0.8%			
Credit Suisse New York into Chipotle Mexican Grill Inc., 7.00%	United States	31,000	10,223,893
Energy 2.0%			
[c] Barclays Bank PLC into Alpha Natural Resources Inc., 12.50%, 144A	United States	300,000	2,487,996
[c] Barclays Bank PLC into Peabody Energy Corp., 10.00%, 144A	United States	635,000	13,074,714
[c] Deutsche Bank AG into Halliburton Co., 9.00%, 144A	United States	130,000	5,072,431
[c] JPMorgan Chase & Co. into Schlumberger Ltd., 6.00%, 144A	United States	68,000	5,132,361
			25,767,502

Franklin Investors Securities Trust

Statement of Investments, April 30, 2013 (unaudited) *(continued)*

Franklin Balanced Fund	Country	Shares	Value
[b] **Equity-Linked Securities (continued)**			
Financials 0.4%			
[c] Citigroup Inc. into Bank of America Corp., 7.00%, 144A	United States	375,000	$ 4,699,088
Information Technology 1.8%			
[c] Barclays Bank PLC into Oracle Corp., 7.50%, 144A	United States	174,000	5,329,237
Credit Suisse New York into Corning Inc., 9.00%	United States	150,000	2,141,400
[c] The Goldman Sachs Group Inc. into Apple Inc., 9.00%, 144A	United States	20,000	9,500,800
[c] Wells Fargo & Co. into Broadcom Corp., 10.00%, 144A	United States	161,000	5,824,674
			22,796,111
Materials 4.1%			
[c] Bank of America Corp. into Newmont Mining Corp., 8.00%, 144A	United States	105,000	3,537,618
[c] Barclays Bank PLC into The Mosaic Co., 7.50%, 144A	United States	120,000	7,247,568
[c] Barclays Bank PLC into Walter Energy Inc., 12.50%, 144A	United States	196,000	3,793,854
[c] The Goldman Sachs Group Inc. into LyondellBasell Industries NV, 8.00%, 144A	United States	140,000	8,560,510
[c] JPMorgan Chase & Co. into Freeport-McMoRan Copper & Gold Inc., 9.00%, 144A	United States	450,000	13,976,955
[c] Morgan Stanley into Barrick Gold Corp., 9.00%, 144A	United States	400,000	8,395,520
[c] Wells Fargo & Co. into Nucor Corp., 7.00%, 144A	United States	175,000	7,796,478
			53,308,503
Total Equity-Linked Securities (Cost $125,338,210)			116,795,097
Convertible Preferred Stocks 5.2%			
Consumer Discretionary 0.9%			
General Motors Co., 4.75%, cvt. pfd., B	United States	250,000	11,620,000
Energy 1.9%			
Apache Corp., 6.00%, cvt. pfd.	United States	270,000	11,426,400
[c] Chesapeake Energy Corp., 5.75%, cvt. pfd., 144A	United States	6,000	6,141,780
[c] Sanchez Energy Corp., 4.875%, cvt. pfd., 144A	United States	60,000	2,968,170
[c] Sanchez Energy Corp., 6.50%, cvt. pfd., B, 144A	United States	90,000	4,434,300
			24,970,650
Financials 1.1%			
Bank of America Corp., 7.25%, cvt. pfd., L	United States	7,123	8,853,889
MetLife Inc., 5.00%, cvt. pfd.	United States	100,000	5,015,000
			13,868,889
Industrials 0.5%			
[c] Swift Transportation Co., 6.00%, cvt. pfd., 144A	United States	250,000	3,142,500
United Technologies Corp., 7.50%, cvt. pfd.	United States	43,800	2,590,332
			5,732,832
Materials 0.3%			
AngloGold Ashanti Holdings Finance PLC, 6.00%, cvt. pfd.	South Africa	116,100	2,751,570
ArcelorMittal, 6.00%, cvt. pfd.	Luxembourg	80,000	1,606,440
			4,358,010
Utilities 0.5%			
NextEra Energy Inc., 5.599%, cvt. pfd.	United States	100,000	5,718,500
Total Convertible Preferred Stocks (Cost $60,985,379)			66,268,881

Franklin Investors Securities Trust

Statement of Investments, April 30, 2013 (unaudited) *(continued)*

Franklin Balanced Fund	Country	Shares	Value
Preferred Stocks 0.7%			
Financials 0.7%			
Ally Financial Inc., 8.50%, pfd., A	United States	120,300	$ 3,220,431
Citigroup Capital XIII, 8.75%, pfd.	United States	37,000	1,044,880
U.S. Bancorp, 6.00%, pfd., G	United States	180,000	5,050,800
Total Preferred Stocks (Cost $8,238,988)			9,316,111
		Principal Amount*	
Corporate Bonds 29.3%			
Consumer Discretionary 2.0%			
CCO Holdings LLC/CCO Holdings Capital Corp., senior note, 7.00%, 1/15/19	United States	3,000,000	3,273,750
Dollar General Corp., senior bond, 3.25%, 4/15/23	United States	10,000,000	10,051,450
Ford Motor Credit Co. LLC, senior note, 3.00%, 6/12/17	United States	6,000,000	6,225,576
News America Inc., 3.00%, 9/15/22	United States	6,000,000	6,099,138
			25,649,914
Consumer Staples 3.5%			
[c] Cencosud SA, senior note, 144A, 4.875%, 1/20/23	Chile	5,000,000	5,191,225
Energizer Holdings Inc., senior note, 4.70%, 5/24/22	United States	5,000,000	5,402,545
[c] Heineken NV, senior note, 144A, 0.80%, 10/01/15	Netherlands	10,000,000	10,020,150
Kraft Foods Group Inc., senior bond, 3.50%, 6/06/22	United States	5,000,000	5,342,125
Lorillard Tobacco Co., senior note, 2.30%, 8/21/17	United States	10,000,000	10,143,140
Reynolds American Inc., senior note, 1.05%, 10/30/15	United States	3,700,000	3,706,723
Safeway Inc., senior note, 3.40%, 12/01/16	United States	5,000,000	5,266,525
			45,072,433
Energy 5.7%			
Alpha Natural Resources Inc., senior note, 6.00%, 6/01/19	United States	6,000,000	5,640,000
Apache Corp., senior bond, 4.25%, 1/15/44	United States	5,000,000	4,974,870
Chesapeake Energy Corp., senior note, 5.375%, 6/15/21	United States	7,500,000	7,837,500
[c] Gaz Capital SA (OJSC Gazprom), loan participation, senior note, 144A, 3.85%, 2/06/20	Russia	3,100,000	3,145,803
Kinder Morgan Energy Partners LP, senior bond, 3.50%, 9/01/23	United States	7,000,000	7,278,887
National Oilwell Varco Inc., senior note, 1.35%, 12/01/17	United States	7,000,000	7,105,875
[c] Offshore Group Investment Ltd., first lien, 144A, 7.125%, 4/01/23	United States	4,600,000	4,807,000
Peabody Energy Corp., senior note, 6.25%, 11/15/21	United States	1,500,000	1,606,875
Phillips 66, senior note, 1.95%, 3/05/15	United States	7,500,000	7,665,967
Plains Exploration & Production Co., senior note,			
6.125%, 6/15/19	United States	2,900,000	3,229,875
6.50%, 11/15/20	United States	5,000,000	5,600,000
[c] Sabine Pass Liquefaction LLC, secured note, 144A, 5.625%, 2/01/21	United States	7,500,000	7,781,250
SandRidge Energy Inc., senior note, 7.50%, 2/15/23	United States	2,700,000	2,794,500
Weatherford International Ltd., senior bond, 5.95%, 4/15/42	United States	4,000,000	4,399,156
			73,867,558
Financials 9.8%			
American Tower Corp., senior bond, 3.50%, 1/31/23	United States	9,000,000	9,112,437
[c] Banco do Brasil SA, sub. note, 144A, 5.875%, 1/26/22	Brazil	2,000,000	2,188,360
[d] Bank of America Corp., pfd., sub. bond, M, 8.125% to 5/15/18, FRN thereafter, Perpetual	United States	10,000,000	11,437,500

Franklin Investors Securities Trust

Statement of Investments, April 30, 2013 (unaudited) *(continued)*

Franklin Balanced Fund	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Financials (continued)			
Capital One Financial Corp., senior note, 2.15%, 3/23/15	United States	7,000,000	$ 7,152,082
Citigroup Inc., sub. note, 4.05%, 7/30/22	United States	2,500,000	2,604,070
E*TRADE Financial Corp., senior note, 6.00%, 11/15/17	United States	2,500,000	2,656,250
[d] General Electric Capital Corp., junior sub. bond, 7.125% to 6/15/22, FRN thereafter, Perpetual	United States	8,000,000	9,386,408
The Goldman Sachs Group Inc., senior note, 2.375%, 1/22/18	United States	3,800,000	3,877,429
Healthcare Realty Trust Inc., senior note, 5.75%, 1/15/21	United States	5,000,000	5,845,950
HSBC Finance Corp., senior sub. bond, 6.676%, 1/15/21	United States	2,000,000	2,424,162
[c,e] ING Bank NV, senior note, 144A, FRN, 1.924%, 9/25/15	Netherlands	5,000,000	5,096,625
[d] JPMorgan Chase & Co., junior sub. note, 1, 7.90% to 4/30/19, FRN thereafter, Perpetual	United States	10,000,000	11,662,730
[c] Liberty Mutual Group Inc., senior note, 144A, 4.95%, 5/01/22	United States	7,100,000	7,918,687
[c] Mitsui Sumitomo Insurance Co. Ltd., junior sub. note, 144A, 7.00% to 3/15/22, FRN thereafter, 3/15/72	Japan	2,700,000	3,161,794
Morgan Stanley, senior note, 5.50%, 1/26/20	United States	1,500,000	1,748,006
[c] Prudential Covered Trust, secured note, 144A, 2.997%, 9/30/15	United States	3,060,000	3,195,114
Prudential Financial Inc., junior sub. note, 5.875%, 9/15/42	United States	5,000,000	5,415,600
Royal Bank of Scotland Group PLC, sub. note, 6.125%, 12/15/22	United Kingdom	4,000,000	4,315,000
Senior Housing Properties Trust, senior note, 6.75%, 12/15/21	United States	7,000,000	8,243,977
U.S. Bank NA, sub. note, 3.778% to 4/29/18, FRN thereafter, 4/29/20	United States	4,500,000	4,755,361
[d,e] Wachovia Capital Trust III, junior sub. bond, FRN, 5.57%, Perpetual	United States	5,000,000	5,031,250
[e] Wachovia Corp., sub. note, FRN, 0.616%, 10/28/15	United States	5,000,000	4,956,575
Willis Group Holdings PLC, senior note, 5.75%, 3/15/21	United States	3,000,000	3,425,523
			125,610,890
Health Care 1.9%			
[c] AbbVie Inc., senior bond, 144A, 4.40%, 11/06/42	United States	5,000,000	5,309,550
CHS/Community Health Systems Inc., senior secured note, 5.125%, 8/15/18	United States	2,700,000	2,895,750
Express Scripts Holding Co., senior note, 4.75%, 11/15/21	United States	2,500,000	2,894,863
PerkinElmer Inc., senior note, 5.00%, 11/15/21	United States	2,000,000	2,234,278
WellPoint Inc., senior note, 1.25%, 9/10/15	United States	5,000,000	5,046,945
[c] Zoetis Inc., senior note, 144A, 1.875%, 2/01/18	United States	6,000,000	6,074,760
			24,456,146
Industrials 1.9%			
[c,f] Air Canada, senior secured bond, 144A, 4.125%, 11/15/26	Canada	7,000,000	7,175,000
[c] Aviation Capital Group, 144A,			
7.125%, 10/15/20	United States	1,500,000	1,726,110
6.75%, 4/06/21	United States	1,500,000	1,677,550
John Deere Capital Corp., senior note, 1.70%, 1/15/20	United States	7,000,000	6,987,589
[c] Sydney Airport Finance Co. Pty. Ltd., 144A, 3.90%, 3/22/23	Australia	7,000,000	7,231,560
			24,797,809

Franklin Investors Securities Trust

Statement of Investments, April 30, 2013 (unaudited) *(continued)*

Franklin Balanced Fund	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Information Technology 1.5%			
Hewlett-Packard Co., 2.60%, 9/15/17	United States	6,000,000	$ 6,111,630
Symantec Corp., senior note, 2.75%, 6/15/17	United States	7,000,000	7,257,299
ViaSat Inc., senior note, 6.875%, 6/15/20	United States	5,000,000	5,475,000
			18,843,929
Materials 1.2%			
[c] Alpek SA de CV, senior note, 144A, 4.50%, 11/20/22	Mexico	4,000,000	4,194,720
[c] Cemex SAB de CV, secured note, 144A, 5.875%, 3/25/19	Mexico	2,000,000	2,042,500
[c] Mexichem SAB de CV, senior note, 144A, 4.875%, 9/19/22	Mexico	5,000,000	5,443,750
Reliance Steel & Aluminum Co., senior note, 4.50%, 4/15/23	United States	4,000,000	4,085,888
			15,766,858
Telecommunication Services 0.9%			
CenturyLink Inc., senior note, 5.80%, 3/15/22	United States	3,000,000	3,181,464
Frontier Communications Corp., senior note, 7.125%, 1/15/23	United States	2,500,000	2,596,875
Telefonica Emisiones SAU, senior note, 4.57%, 4/27/23	Spain	5,000,000	5,131,800
			10,910,139
Utilities 0.9%			
[c,d] EDF SA, sub. note, 144A, 5.25% to 1/29/23, FRN thereafter, Perpetual	France	6,000,000	6,050,640
[c] Enogex LLC, senior note, 144A, 6.25%, 3/15/20	United States	5,000,000	5,718,415
			11,769,055
Total Corporate Bonds (Cost $359,114,476)			376,744,731
[e,g] **Senior Floating Rate Interests (Cost $4,816,414) 0.4%**			
Information Technology 0.4%			
First Data Corp., 2018 Term Loan, 4.199%, 3/24/18	United States	5,000,000	4,989,845
Asset-Backed Securities and Commercial Mortgage-Backed Securities (Cost $38,422) 0.0%†			
Financials 0.0%†			
[e] Accredited Mortgage Loan Trust, 2005-3, A1, FRN, 0.44%, 9/25/35	United States	38,398	37,738
Mortgage-Backed Securities 0.0%†			
Federal National Mortgage Association (FNMA) Fixed Rate 0.0%†			
FNMA 30 Year, 6.00%, 8/01/36	United States	53,697	58,838
FNMA 30 Year, 6.50%, 4/01/36	United States	38,334	42,768
Total Mortgage-Backed Securities (Cost $90,998)			101,606
Total Investments before Short Term Investments (Cost $1,103,219,384)			1,202,655,313
Short Term Investments 5.3%			
U.S. Government and Agency Securities (Cost $19,999,830) 1.5%			
[h] U.S. Treasury Bills, 5/02/13 - 5/09/13	United States	20,000,000	19,999,920
Total Investments before Money Market Funds (Cost $1,123,219,214)			1,222,655,233

Franklin Investors Securities Trust

Statement of Investments, April 30, 2013 (unaudited) *(continued)*

Franklin Balanced Fund	Country	Shares	Value
Short Term Investments (continued)			
Money Market Funds (Cost $49,023,965) 3.8%			
[a,i] Institutional Fiduciary Trust Money Market Portfolio	United States	49,023,965	$ 49,023,965
Total Investments (Cost $1,172,243,179) 98.9%			1,271,679,198
Other Assets, less Liabilities 1.1%			13,870,160
Net Assets 100.0%			$1,285,549,358

[†]Rounds to less than 0.1% of net assets.

[*]The principal amount is stated in U.S. dollars unless otherwise indicated.

[a]Non-income producing.

[b]See Note 1(f) regarding equity-linked securities.

[c]Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. These securities have been deemed liquid under guidelines approved by the Trust's Board of Trustees. At April 30, 2013, the aggregate value of these securities was $226,267,117, representing 17.60% of net assets.

[d]Perpetual security with no stated maturity date.

[e]The coupon rate shown represents the rate at period end.

[f]Security purchased on a when-issued basis. See Note 1(d).

[g]See Note 1(g) regarding senior floating rate interests.

[h]The security is traded on a discount basis with no stated coupon rate.

[i]See Note 7 regarding investments in the Institutional Fiduciary Trust Money Market Portfolio.

At April 30, 2013, the Fund had the following forward exchange contracts outstanding. See Note 1(e).

Currency	Counterparty	Type	Quantity	Contract Amount	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
Swiss Franc	DBAB	Buy	106,375	$ 116,067	4/16/14	$ —	$ (1,082)
Swiss Franc	DBAB	Sell	106,375	118,221	4/16/14	3,236	—
Swiss Franc	DBAB	Buy	3,806,375	4,210,592	4/16/15	—	(69,381)
Swiss Franc	DBAB	Sell	3,806,375	4,285,011	4/16/15	143,800	—
Unrealized appreciation (depreciation)						147,036	(70,463)
Net unrealized appreciation (depreciation)						$ 76,573	

See Abbreviations on page 117.

Franklin Investors Securities Trust

Financial Highlights

Franklin Convertible Securities Fund

Class A	Six Months Ended April 30, 2013 (unaudited)	Year Ended October 31, 2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$14.93	$14.37	$14.55	$12.28	$ 9.48	$17.14
Income from investment operations[a]:						
Net investment income[b]	0.19	0.41	0.42	0.37	0.35	0.42
Net realized and unrealized gains (losses)	1.40	0.67	(0.06)	2.42	3.04	(6.75)
Total from investment operations	1.59	1.08	0.36	2.79	3.39	(6.33)
Less distributions from:						
Net investment income	(0.26)	(0.52)	(0.54)	(0.52)	(0.59)	(0.75)
Net realized gains	—	—	—	—	—	(0.58)
Total distributions	(0.26)	(0.52)	(0.54)	(0.52)	(0.59)	(1.33)
Redemption fees[c]	—	—	—	—	—	—[d]
Net asset value, end of period	$16.26	$14.93	$14.37	$14.55	$12.28	$ 9.48
Total return[e]	10.86%	7.66%	2.35%	23.17%	37.35%	(39.36)%
Ratios to average net assets[f]						
Expenses	0.89%	0.90%	0.88%	0.90%	0.96%[g]	0.89%[g]
Net investment income	2.40%	2.84%	2.77%	2.78%	3.35%	2.92%
Supplemental data						
Net assets, end of period (000's)	$668,878	$602,804	$704,844	$651,012	$542,741	$396,201
Portfolio turnover rate	17.98%	12.82%	23.24%	29.56%	47.18%	37.58%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.

[b]Based on average daily shares outstanding.

[c]Effective September 1, 2008, the redemption fee was eliminated.

[d]Amount rounds to less than $0.01 per share.

[e]Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

[f]Ratios are annualized for periods less than one year.

[g]Benefit of expense reduction rounds to less than 0.01%.

Franklin Investors Securities Trust

Financial Highlights *(continued)*

Franklin Convertible Securities Fund

Class C	Six Months Ended April 30, 2013 (unaudited)	Year Ended October 31, 2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$14.75	$14.21	$14.39	$12.16	$ 9.39	$16.98
Income from investment operations[a]:						
Net investment income[b]	0.13	0.30	0.30	0.27	0.27	0.31
Net realized and unrealized gains (losses)	1.40	0.65	(0.06)	2.38	3.01	(6.68)
Total from investment operations	1.53	0.95	0.24	2.65	3.28	(6.37)
Less distributions from:						
Net investment income	(0.21)	(0.41)	(0.42)	(0.42)	(0.51)	(0.64)
Net realized gains	—	—	—	—	—	(0.58)
Total distributions	(0.21)	(0.41)	(0.42)	(0.42)	(0.51)	(1.22)
Redemption fees[c]	—	—	—	—	—	—[d]
Net asset value, end of period	$16.07	$14.75	$14.21	$14.39	$12.16	$ 9.39
Total return[e]	10.45%	6.79%	1.60%	22.16%	36.36%	(39.80)%
Ratios to average net assets[f]						
Expenses	1.64%	1.65%	1.63%	1.65%	1.71%[g]	1.63%[g]
Net investment income	1.65%	2.09%	2.02%	2.03%	2.60%	2.18%
Supplemental data						
Net assets, end of period (000's)	$222,911	$211,630	$232,471	$222,201	$192,297	$138,148
Portfolio turnover rate	17.98%	12.82%	23.24%	29.56%	47.18%	37.58%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.

[b]Based on average daily shares outstanding.

[c]Effective September 1, 2008, the redemption fee was eliminated.

[d]Amount rounds to less than $0.01 per share.

[e]Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

[f]Ratios are annualized for periods less than one year.

[g]Benefit of expense reduction rounds to less than 0.01%.

Franklin Investors Securities Trust

Financial Highlights *(continued)*

Franklin Convertible Securities Fund

Advisor Class	Six Months Ended April 30, 2013 (unaudited)	Year Ended October 31, 2012	2011	2010	2009	2008[a]
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$14.94	$14.38	$14.56	$12.29	$ 9.48	$15.65
Income from investment operations[b]:						
Net investment income[c]	0.21	0.45	0.47	0.41	0.39	0.24
Net realized and unrealized gains (losses)	1.40	0.66	(0.08)	2.41	3.03	(5.88)
Total from investment operations	1.61	1.11	0.39	2.82	3.42	(5.64)
Less distributions from net investment income	(0.28)	(0.55)	(0.57)	(0.55)	(0.61)	(0.53)
Redemption fees[d]	—	—	—	—	—	—[e]
Net asset value, end of period	$16.27	$14.94	$14.38	$14.56	$12.29	$ 9.48
Total return[f]	10.92%	7.93%	2.60%	23.45%	37.81%	(36.93)%
Ratios to average net assets[g]						
Expenses	0.64%	0.65%	0.63%	0.65%	0.71%[h]	0.64%[h]
Net investment income	2.65%	3.09%	3.02%	3.03%	3.60%	3.17%
Supplemental data						
Net assets, end of period (000's)	$241,840	$196,765	$181,611	$68,526	$32,003	$318
Portfolio turnover rate	17.98%	12.82%	23.24%	29.56%	47.18%	37.58%

[a]For the period May 15, 2008 (effective date) to October 31, 2008.

[b]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.

[c]Based on average daily shares outstanding.

[d]Effective September 1, 2008, the redemption fee was eliminated.

[e]Amount rounds to less than $0.01 per share.

[f]Total return is not annualized for periods less than one year.

[g]Ratios are annualized for periods less than one year.

[h]Benefit of expense reduction rounds to less than 0.01%.

Franklin Investors Securities Trust

Statement of Investments, April 30, 2013 (unaudited)

Franklin Convertible Securities Fund	Country	Shares	Value
Common Stocks and Other Equity Interests 2.7%			
Consumer Discretionary 0.0%†			
[a] Motors Liquidation Co., GUC Trust, Escrow Account	United States	9,475	$ 289,461
Financials 1.3%			
The Hartford Financial Services Group Inc.	United States	534,064	15,001,858
Industrials 1.4%			
Nielsen Holdings NV	United States	440,943	15,265,447
Total Common Stocks and Other Equity Interests (Cost $27,668,899)			30,556,766
Convertible Preferred Stocks 27.6%			
Consumer Discretionary 3.9%			
General Motors Co., 4.75%, cvt. pfd., B	United States	488,300	22,696,184
The Goodyear Tire & Rubber Co., 5.875%, cvt. pfd.	United States	498,000	21,702,840
[a] Motors Liquidation Co., Escrow Account, cvt. pfd., D	United States	376,200	3,762
			44,402,786
Energy 5.5%			
Apache Corp., 6.00%, cvt. pfd.	United States	350,900	14,850,088
[b] Chesapeake Energy Corp., 5.75%, cvt. pfd., 144A	United States	18,500	18,937,155
[b] Sanchez Energy Corp., 6.50%, cvt. pfd., B, 144A	United States	236,000	11,627,720
SandRidge Energy Inc., 7.00%, cvt. pfd.	United States	200,000	17,140,000
			62,554,963
Financials 5.1%			
Affiliated Managers Group Inc., 5.10%, cvt. pfd.	United States	397,700	25,676,506
[a] Fannie Mae, 5.375%, cvt. pfd.	United States	140	2,247,000
MetLife Inc., 5.00%, cvt. pfd.	United States	334,000	16,750,100
Wintrust Financial Corp., 5.00%, cvt. pfd.	United States	12,300	12,740,709
			57,414,315
Industrials 5.1%			
Stanley Black & Decker Inc., 4.75%, cvt. pfd.	United States	200,000	24,780,000
[b] Swift Transportation Co., 6.00%, cvt. pfd., 144A	United States	1,841,000	23,141,370
United Technologies Corp., 7.50%, cvt. pfd.	United States	175,100	10,355,414
			58,276,784
Materials 3.6%			
AngloGold Ashanti Holdings Finance PLC, 6.00%, cvt. pfd.	South Africa	705,730	16,725,801
ArcelorMittal, 6.00%, cvt. pfd.	Luxembourg	395,000	7,931,798
Cliffs Natural Resources Inc., 7.00%, cvt. pfd.	United States	792,000	16,212,240
			40,869,839
Telecommunication Services 0.3%			
Intelsat SA, 5.75%, cvt. pfd., A	Luxembourg	70,000	3,850,000
Utilities 4.1%			
NextEra Energy Inc., 5.599%, cvt. pfd.	United States	400,000	22,874,000
PPL Corp., 8.75%, cvt. pfd.	United States	150,000	8,550,000
PPL Corp., 9.50%, cvt. pfd.	United States	250,000	14,612,500
			46,036,500
Total Convertible Preferred Stocks (Cost $338,533,924)			313,405,187

Franklin Investors Securities Trust

Statement of Investments, April 30, 2013 (unaudited) *(continued)*

Franklin Convertible Securities Fund	Country	Principal Amount*	Value
Convertible Bonds 68.5%			
Consumer Discretionary 10.8%			
Coinstar Inc., cvt., senior note, 4.00%, 9/01/14	United States	14,000,000	$ 18,383,750
Iconix Brand Group Inc., cvt., senior sub. note, 2.50%, 6/01/16	United States	21,890,000	25,365,037
International Game Technology, cvt., senior note, 3.25%, 5/01/14	United States	21,200,000	23,002,000
[b] Jarden Corp., cvt., senior sub. note, 144A, 1.875%, 9/15/18	United States	19,800,000	23,253,450
[b] Liberty Interactive LLC, cvt., senior note, 144A, 0.75%, 3/30/43	United States	17,250,000	17,961,390
MGM Resorts International, cvt., senior note, 4.25%, 4/15/15	United States	13,000,000	14,421,875
			122,387,502
Energy 3.1%			
Cobalt International Energy Inc., cvt., senior note, 2.625%, 12/01/19	United States	19,900,000	22,317,054
James River Coal Co., cvt., senior note, 3.125%, 3/15/18	United States	12,500,000	2,383,750
Peabody Energy Corp., cvt., junior sub. bond, 4.75%, 12/15/66	United States	12,500,000	10,156,250
			34,857,054
Financials 4.0%			
Forest City Enterprises Inc., cvt., senior note, 4.25%, 8/15/18	United States	20,000,000	22,662,500
Leucadia National Corp., cvt., senior sub. note, 3.75%, 4/15/14	United States	3,600,000	5,233,500
[c] MF Global Holdings Ltd., cvt., senior note, 1.875%, 2/01/16	United States	25,000,000	17,250,000
			45,146,000
Health Care 16.3%			
Biomarin Pharmaceutical Inc., cvt., senior note, 1.875%, 4/23/17	United States	7,300,000	23,725,000
Brookdale Senior Living Inc., cvt., senior note, 2.75%, 6/15/18	United States	22,500,000	26,521,875
Corsicanto Ltd., cvt., senior bond, 3.50%, 1/15/32	United States	12,500,000	15,281,250
Gilead Sciences Inc., cvt., senior note, 0.625%, 5/01/13	United States	10,000,000	26,580,930
HeartWare International Inc., cvt., senior note, 3.50%, 12/15/17	United States	10,000,000	12,675,000
Mylan Inc., cvt., senior note, 3.75%, 9/15/15	United States	9,500,000	21,232,500
Omnicare Inc., cvt., senior sub. note, 3.75%, 12/15/25	United States	15,000,000	25,959,375
[b] Pacira Pharmaceuticals Inc., cvt., senior note, 144A, 3.25%, 2/01/19	United States	5,880,000	8,088,057
Salix Pharmaceuticals Ltd., cvt., senior note, 2.75%, 5/15/15	United States	17,000,000	22,414,500
Savient Pharmaceuticals Inc., cvt., senior note, 4.75%, 2/01/18	United States	9,839,000	2,410,555
			184,889,042
Industrials 3.2%			
[b] L-3 Communications Corp., cvt., senior bond, 144A, 3.00%, 8/01/35	United States	15,000,000	15,318,750
WESCO International Inc., cvt., senior deb., 6.00%, 9/15/29	United States	8,000,000	20,770,000
			36,088,750
Information Technology 24.5%			
Alliance Data Systems Corp., cvt., senior note, 1.75%, 8/01/13	United States	12,000,000	26,197,500
[c,d] BearingPoint Liquidating Trust	United States	14,000,000	—
Bottomline Technologies Inc., cvt., senior note, 1.50%, 12/01/17	United States	14,900,000	16,715,938
[b] Concur Technologies Inc., cvt., senior note, 144A, 2.50%, 4/15/15	United States	16,900,000	25,001,437
EMC Corp., cvt., senior note, 1.75%, 12/01/13	United States	14,000,000	19,731,320
Intel Corp., cvt.,			
[b] junior sub. bond, 144A, 2.95%, 12/15/35	United States	19,000,000	21,244,375
junior sub. deb., 2.95%, 12/15/35	United States	2,000,000	2,236,250
Liberty Interactive LLC into Motorola Solutions Inc., cvt., senior deb., 3.50%, 1/15/31	United States	8,000,000	4,186,712

Franklin Investors Securities Trust

Statement of Investments, April 30, 2013 (unaudited) *(continued)*

Franklin Convertible Securities Fund	Country	Principal Amount*	Value
Convertible Bonds (continued)			
Information Technology (continued)			
[b] Microchip Technology Inc., cvt., junior sub. note, 144A, 2.125%, 12/15/37	United States	20,000,000	$ 28,362,500
[b] Micron Technology Inc., cvt., senior bond, F, 144A, 2.125%, 2/15/33	United States	19,800,000	21,954,900
NetApp Inc., cvt., senior note, 1.75%, 6/01/13	United States	17,000,000	18,655,460
Novellus Systems Inc., cvt., senior note, 2.625%, 5/15/41	United States	18,000,000	26,788,470
Nuance Communications Inc., cvt.,			
senior bond, 2.75%, 8/15/27	United States	4,990,000	6,053,494
senior note, 2.75%, 11/01/31	United States	13,400,000	14,061,625
[b] VeriSign Inc., cvt., junior sub. bond, 144A, 3.25%, 8/15/37	United States	14,000,000	20,545,000
Xilinx Inc., cvt., senior note, 2.625%, 6/15/17	United States	18,000,000	25,717,500
			277,452,481
Materials 4.3%			
ArcelorMittal, cvt., senior note, 5.00%, 5/15/14	Luxembourg	10,000,000	10,237,000
Cemex SAB de CV, cvt., sub. note, 3.75%, 3/15/18	Mexico	20,000,000	26,363,300
Kaiser Aluminum Corp., cvt., senior note, 4.50%, 4/01/15	United States	4,000,000	5,542,707
Molycorp Inc., cvt., senior note, 5.50%, 2/01/18	United States	7,360,000	6,821,800
			48,964,807
Utilities 2.3%			
CMS Energy Corp., cvt., senior note, 5.50%, 6/15/29	United States	12,000,000	26,145,000
Total Convertible Bonds (Cost $623,137,205)			775,930,636
Total Investments before Short Term Investments (Cost $989,340,028)			1,119,892,589
		Shares	
Short Term Investments (Cost $6,491,106) 0.6%			
Money Market Funds 0.6%			
[a,e] Institutional Fiduciary Trust Money Market Portfolio	United States	6,491,106	6,491,106
Total Investments (Cost $995,831,134) 99.4%			1,126,383,695
Other Assets, less Liabilities 0.6%			7,245,897
Net Assets 100.0%			$1,133,629,592

See Abbreviations on page 117.

[†]Rounds to less than 0.1% of net assets.

*The principal amount is stated in U.S. dollars unless otherwise indicated.

[a]Non-income producing.

[b]Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. These securities have been deemed liquid under guidelines approved by the Trust's Board of Trustees. At April 30, 2013, the aggregate value of these securities was $235,436,104, representing 20.77% of net assets.

[c]See Note 8 regarding defaulted securities.

[d]See Note 9 regarding restricted securities.

[e]See Note 7 regarding investments in the Institutional Fiduciary Trust Money Market Portfolio.

Franklin Investors Securities Trust

Financial Highlights

Franklin Equity Income Fund

Class A	Six Months Ended April 30, 2013 (unaudited)	Year Ended October 31, 2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$18.01	$16.58	$15.93	$14.06	$12.88	$22.41
Income from investment operations[a]:						
Net investment income[b]	0.22	0.41	0.41	0.44	0.39	0.48
Net realized and unrealized gains (losses)	2.19	1.46	0.75	1.85	1.29	(8.57)
Total from investment operations	2.41	1.87	1.16	2.29	1.68	(8.09)
Less distributions from:						
Net investment income	(0.26)	(0.44)	(0.51)	(0.42)	(0.50)	(0.48)
Net realized gains	—	—	—	—	—	(0.96)
Total distributions	(0.26)	(0.44)	(0.51)	(0.42)	(0.50)	(1.44)
Redemption fees[c]	—	—	—	—	—	—[d]
Net asset value, end of period	$20.16	$18.01	$16.58	$15.93	$14.06	$12.88
Total return[e]	13.48%	11.43%	7.27%	16.48%	13.77%	(38.01)%
Ratios to average net assets[f]						
Expenses	0.93%	0.95%	0.96%	0.98%[g]	1.04%[g]	0.95%[g]
Net investment income	2.33%	2.36%	2.48%	2.96%	3.19%	2.66%
Supplemental data						
Net assets, end of period (000's)	$1,465,545	$1,305,791	$1,105,132	$799,585	$540,127	$465,027
Portfolio turnover rate	17.90%	19.71%	19.45%	11.35%	43.75%	31.32%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.

[b]Based on average daily shares outstanding.

[c]Effective September 1, 2008, the redemption fee was eliminated.

[d]Amount rounds to less than $0.01 per share.

[e]Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

[f]Ratios are annualized for periods less than one year.

[g]Benefit of expense reduction rounds to less than 0.01%.

Franklin Investors Securities Trust

Financial Highlights *(continued)*

Franklin Equity Income Fund

Class C	Six Months Ended April 30, 2013 (unaudited)	Year Ended October 31, 2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$17.91	$16.50	$15.85	$14.00	$12.83	$22.31
Income from investment operations[a]:						
Net investment income[b]	0.14	0.28	0.29	0.33	0.30	0.34
Net realized and unrealized gains (losses)	2.19	1.45	0.74	1.82	1.28	(8.52)
Total from investment operations	2.33	1.73	1.03	2.15	1.58	(8.18)
Less distributions from:						
Net investment income	(0.19)	(0.32)	(0.38)	(0.30)	(0.41)	(0.34)
Net realized gains	—	—	—	—	—	(0.96)
Total distributions	(0.19)	(0.32)	(0.38)	(0.30)	(0.41)	(1.30)
Redemption fees[c]	—	—	—	—	—	—[d]
Net asset value, end of period	$20.05	$17.91	$16.50	$15.85	$14.00	$12.83
Total return[e]	13.09%	10.56%	6.44%	15.59%	12.94%	(38.46)%
Ratios to average net assets[f]						
Expenses	1.68%	1.70%	1.71%	1.73%[g]	1.79%[g]	1.70%[g]
Net investment income	1.58%	1.61%	1.73%	2.21%	2.44%	1.91%
Supplemental data						
Net assets, end of period (000's)	$166,905	$134,746	$118,686	$97,305	$86,152	$78,394
Portfolio turnover rate	17.90%	19.71%	19.45%	11.35%	43.75%	31.32%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.

[b]Based on average daily shares outstanding.

[c]Effective September 1, 2008, the redemption fee was eliminated.

[d]Amount rounds to less than $0.01 per share.

[e]Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

[f]Ratios are annualized for periods less than one year.

[g]Benefit of expense reduction rounds to less than 0.01%.

Franklin Investors Securities Trust

Financial Highlights *(continued)*

Franklin Equity Income Fund

Class R	Six Months Ended April 30, 2013 (unaudited)	Year Ended October 31, 2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$18.01	$16.58	$15.93	$14.07	$12.89	$22.43
Income from investment operations[a]:						
Net investment income[b]	0.20	0.37	0.38	0.41	0.36	0.44
Net realized and unrealized gains (losses)	2.18	1.46	0.73	1.83	1.29	(8.59)
Total from investment operations	2.38	1.83	1.11	2.24	1.65	(8.15)
Less distributions from:						
Net investment income	(0.23)	(0.40)	(0.46)	(0.38)	(0.47)	(0.43)
Net realized gains	—	—	—	—	—	(0.96)
Total distributions	(0.23)	(0.40)	(0.46)	(0.38)	(0.47)	(1.39)
Redemption fees[c]	—	—	—	—	—	—[d]
Net asset value, end of period	$20.16	$18.01	$16.58	$15.93	$14.07	$12.89
Total return[e]	13.34%	11.16%	7.00%	16.09%	13.49%	(38.18)%
Ratios to average net assets[f]						
Expenses	1.18%	1.20%	1.21%	1.23%[g]	1.29%[g]	1.20%[g]
Net investment income	2.08%	2.11%	2.23%	2.71%	2.94%	2.41%
Supplemental data						
Net assets, end of period (000's)	$5,335	$4,940	$3,830	$3,589	$4,218	$4,690
Portfolio turnover rate	17.90%	19.71%	19.45%	11.35%	43.75%	31.32%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.

[b]Based on average daily shares outstanding.

[c]Effective September 1, 2008, the redemption fee was eliminated.

[d]Amount rounds to less than $0.01 per share.

[e]Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

[f]Ratios are annualized for periods less than one year.

[g]Benefit of expense reduction rounds to less than 0.01%.

Franklin Investors Securities Trust

Financial Highlights *(continued)*

Franklin Equity Income Fund

Advisor Class	Six Months Ended April 30, 2013 (unaudited)	Year Ended October 31, 2012	2011	2010	2009	2008[a]
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	$18.02	$16.59	$15.94	$14.07	$12.88	$19.59
Income from investment operations[b]:						
Net investment income[c]	0.24	0.45	0.45	0.48	0.42	0.23
Net realized and unrealized gains (losses)	2.19	1.46	0.75	1.85	1.30	(6.75)
Total from investment operations	2.43	1.91	1.20	2.33	1.72	(6.52)
Less distributions from net investment income	(0.28)	(0.48)	(0.55)	(0.46)	(0.53)	(0.19)
Redemption fees[d]	—	—	—	—	—	—[e]
Net asset value, end of period	$20.17	$18.02	$16.59	$15.94	$14.07	$12.88
Total return[f]	13.62%	11.69%	7.54%	16.76%	14.12%	(33.43)%
Ratios to average net assets[g]						
Expenses	0.68%	0.70%	0.71%	0.73%[h]	0.79%[h]	0.70%[h]
Net investment income	2.58%	2.61%	2.73%	3.21%	3.44%	2.91%
Supplemental data						
Net assets, end of period (000's)	$11,155	$10,527	$7,467	$4,183	$2,142	$679
Portfolio turnover rate	17.90%	19.71%	19.45%	11.35%	43.75%	31.32%

[a]For the period May 15, 2008 (effective date) to October 31, 2008.

[b]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.

[c]Based on average daily shares outstanding.

[d]Effective September 1, 2008, the redemption fee was eliminated.

[e]Amount rounds to less than $0.01 per share.

[f]Total return is not annualized for periods less than one year.

[g]Ratios are annualized for periods less than one year.

[h]Benefit of expense reduction rounds to less than 0.01%.

Franklin Investors Securities Trust

Statement of Investments, April 30, 2013 (unaudited)

Franklin Equity Income Fund	Country	Shares	Value
Common Stocks 86.8%			
Consumer Discretionary 10.6%			
Comcast Corp., A	United States	600,960	$ 24,819,648
L Brands Inc.	United States	471,000	23,743,110
Lowe's Cos. Inc.	United States	600,000	23,052,000
McDonald's Corp.	United States	323,200	33,011,648
NIKE Inc., B	United States	606,800	38,592,480
Target Corp.	United States	453,900	32,027,184
			175,246,070
Consumer Staples 8.7%			
The Coca-Cola Co.	United States	429,600	18,184,968
Diageo PLC, ADR	United Kingdom	227,200	27,763,840
Kellogg Co.	United States	405,800	26,393,232
Mead Johnson Nutrition Co., A	United States	268,200	21,748,338
PepsiCo Inc.	United States	370,000	30,513,900
The Procter & Gamble Co.	United States	237,700	18,248,229
			142,852,507
Energy 7.7%			
BP PLC, ADR	United Kingdom	351,271	15,315,415
Chevron Corp.	United States	240,500	29,343,405
Exxon Mobil Corp.	United States	367,234	32,680,154
Royal Dutch Shell PLC, A, ADR	United Kingdom	424,500	28,853,265
Spectra Energy Corp.	United States	654,000	20,620,620
			126,812,859
Financials 14.0%			
Aflac Inc.	United States	536,200	29,190,728
Bank of America Corp.	United States	974,700	11,998,557
BlackRock Inc.	United States	129,700	34,565,050
JPMorgan Chase & Co.	United States	827,300	40,545,973
Marsh & McLennan Cos. Inc.	United States	497,700	18,917,577
MetLife Inc.	United States	218,798	8,530,934
People's United Financial Inc.	United States	1,200,000	15,792,000
QBE Insurance Group Ltd.	Australia	1,350,000	18,717,331
T. Rowe Price Group Inc.	United States	347,800	25,215,500
Wells Fargo & Co.	United States	725,000	27,535,500
			231,009,150
Health Care 8.4%			
Bristol-Myers Squibb Co.	United States	298,700	11,864,364
Johnson & Johnson	United States	332,000	28,296,360
Pfizer Inc.	United States	979,300	28,468,251
Roche Holding AG	Switzerland	139,000	34,744,394
Sanofi, ADR	France	659,200	35,168,320
			138,541,689

Franklin Investors Securities Trust

Statement of Investments, April 30, 2013 (unaudited) *(continued)*

Franklin Equity Income Fund	Country	Shares	Value
Common Stocks (continued)			
Industrials 13.2%			
The Boeing Co.	United States	283,900	$ 25,951,299
Cummins Inc.	United States	206,000	21,916,340
Emerson Electric Co.	United States	500,000	27,755,000
General Electric Co.	United States	1,228,500	27,383,265
Honeywell International Inc.	United States	393,800	28,960,052
Lockheed Martin Corp.	United States	254,900	25,258,041
Republic Services Inc.	United States	998,100	34,015,248
United Parcel Service Inc., B	United States	306,600	26,318,544
			217,557,789
Information Technology 12.5%			
Analog Devices Inc.	United States	586,200	25,786,938
Cisco Systems Inc.	United States	1,536,133	32,135,902
Intel Corp.	United States	1,200,000	28,740,000
International Business Machines Corp.	United States	139,900	28,335,346
Microsoft Corp.	United States	1,151,800	38,124,580
Molex Inc.	United States	1,062,500	29,293,125
Paychex Inc.	United States	629,100	22,905,531
			205,321,422
Materials 4.4%			
BHP Billiton PLC	United Kingdom	842,500	23,437,006
The Dow Chemical Co.	United States	613,000	20,786,830
E. I. du Pont de Nemours and Co.	United States	532,100	29,004,771
			73,228,607
Telecommunication Services 2.7%			
AT&T Inc.	United States	634,410	23,764,999
Vodafone Group PLC, ADR	United Kingdom	697,600	21,339,584
			45,104,583
Utilities 4.6%			
Duke Energy Corp.	United States	419,690	31,560,688
Great Plains Energy Inc.	United States	595,240	14,363,141
PG&E Corp.	United States	617,900	29,931,076
			75,854,905
Total Common Stocks (Cost $1,127,435,880)			1,431,529,581
[a] **Equity-Linked Securities 6.4%**			
Consumer Discretionary 1.5%			
[b] Deutsche Bank AG into Amazon.com Inc., 5.50%, 144A	United States	97,500	25,162,215
Energy 2.7%			
[b] Bank of America Corp. into Halliburton Co., 5.00%, 144A	United States	630,000	25,876,431
[b] JPMorgan Chase & Co. into Schlumberger Ltd., 6.00%, 144A	United States	250,000	18,868,975
			44,745,406
Information Technology 1.0%			
[b] Barclays Bank PLC into Apple Inc., 7.50%, 144A	United States	37,000	17,172,477

Franklin Investors Securities Trust

Statement of Investments, April 30, 2013 (unaudited) *(continued)*

Franklin Equity Income Fund	Country	Shares	Value
Equity-Linked Securities (continued)			
Materials 1.2%			
Credit Suisse New York into Freeport-McMoRan Copper & Gold Inc., B, 8.40%	United States	615,000	$ 19,616,040
Total Equity-Linked Securities (Cost $112,079,732)			106,696,138
Convertible Preferred Stocks 6.1%			
Consumer Discretionary 1.0%			
General Motors Co., 4.75%, cvt. pfd., B	United States	360,300	16,746,744
Energy 1.0%			
[b] Chesapeake Energy Corp., 5.75%, cvt. pfd., 144A	United States	16,000	16,378,080
Financials 2.3%			
Bank of America Corp., 7.25%, cvt. pfd., L	United States	18,000	22,374,000
MetLife Inc., 5.00%, cvt. pfd.	United States	310,000	15,546,500
			37,920,500
Industrials 0.5%			
Genesee & Wyoming Inc., 5.00%, cvt. pfd.	United States	68,800	8,324,800
Materials 0.7%			
AngloGold Ashanti Holdings Finance PLC, 6.00%, cvt. pfd.	South Africa	508,792	12,058,370
Utilities 0.6%			
NextEra Energy Inc., 5.889%, cvt. pfd.	United States	154,000	8,891,960
Total Convertible Preferred Stocks (Cost $98,318,425)			100,320,454
Preferred Stocks (Cost $15,634,990) 0.2%			
Financials 0.2%			
[c] Fannie Mae, 8.25%, pfd.	United States	625,000	2,862,500
Total Investments before Short Term Investments (Cost $1,353,469,027)			1,641,408,673
Short Term Investments (Cost $13,878,012) 0.9%			
Money Market Funds 0.9%			
[c,d] Institutional Fiduciary Trust Money Market Portfolio	United States	13,878,012	13,878,012
Total Investments (Cost $1,367,347,039) 100.4%			1,655,286,685
Other Assets, less Liabilities (0.4)%			(6,347,797)
Net Assets 100.0%			$1,648,938,888

See Abbreviations on page 117.

[a] See Note 1(f) regarding equity-linked securities.

[b] Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. These securities have been deemed liquid under guidelines approved by the Trust's Board of Trustees. At April 30, 2013, the aggregate value of these securities was $103,458,178, representing 6.27% of net assets.

[c] Non-income producing.

[d] See Note 7 regarding investments in the Institutional Fiduciary Trust Money Market Portfolio.

Franklin Investors Securities Trust

Financial Highlights

Franklin Limited Maturity U.S. Government Securities Fund

Class A	Six Months Ended April 30, 2013 (unaudited)	Year Ended October 31, 2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$10.30	$10.43	$10.55	$10.48	$10.05	$10.00
Income from investment operations[a]:						
Net investment income	0.013	0.090[b]	0.140[b]	0.170[b]	0.280[b]	0.370[b]
Net realized and unrealized gains (losses)	(0.009)	0.010	(0.020)	0.160	0.500	0.090
Total from investment operations	0.004	0.100	0.120	0.330	0.780	0.460
Less distributions from net investment income	(0.124)	(0.230)	(0.240)	(0.260)	(0.350)	(0.410)
Redemption fees[c]	—	—	—	—	—	—[d]
Net asset value, end of period	$10.18	$10.30	$10.43	$10.55	$10.48	$10.05
Total return[e]	0.04%	0.98%	1.11%	3.21%	7.79%	4.67%
Ratios to average net assets[f]						
Expenses	0.78%	0.77%	0.77%	0.79%	0.82%[g]	0.86%[g]
Net investment income	0.53%	0.89%	1.33%	1.64%	2.72%	3.64%
Supplemental data						
Net assets, end of period (000's)	$376,446	$410,810	$405,506	$406,504	$357,691	$298,468
Portfolio turnover rate	51.39%	44.63%	97.24%	56.80%	54.81%	61.57%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.

[b]Based on average daily shares outstanding.

[c]Effective September 1, 2008, the redemption fee was eliminated.

[d]Amount rounds to less than $0.001 per share.

[e]Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

[f]Ratios are annualized for periods less than one year.

[g]Benefit of expense reduction rounds to less than 0.01%.

Franklin Investors Securities Trust

Financial Highlights *(continued)*

Franklin Limited Maturity U.S. Government Securities Fund

Advisor Class	Six Months Ended April 30, 2013 (unaudited)	Year Ended October 31, 2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$10.29	$10.42	$10.54	$10.47	$10.04	$ 9.99
Income from investment operations[a]:						
Net investment income	0.075	0.100[b]	0.150[b]	0.180[b]	0.290[b]	0.380[b]
Net realized and unrealized gains (losses)	(0.066)	0.010	(0.020)	0.160	0.500	0.090
Total from investment operations	0.009	0.110	0.130	0.340	0.790	0.470
Less distributions from net investment income	(0.129)	(0.240)	(0.250)	(0.270)	(0.360)	(0.420)
Redemption fees[c]	—	—	—	—	—	—[d]
Net asset value, end of period	$10.17	$10.29	$10.42	$10.54	$10.47	$10.04
Total return[e]	0.09%	1.08%	1.21%	3.32%	7.90%	4.78%
Ratios to average net assets[f]						
Expenses	0.68%	0.67%	0.67%	0.69%	0.72%[g]	0.76%[g]
Net investment income	0.63%	0.99%	1.43%	1.74%	2.82%	3.74%
Supplemental data						
Net assets, end of period (000's)	$193,929	$138,460	$120,826	$90,683	$55,156	$27,734
Portfolio turnover rate	51.39%	44.63%	97.24%	56.80%	54.81%	61.57%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.

[b]Based on average daily shares outstanding.

[c]Effective September 1, 2008, the redemption fee was eliminated.

[d]Amount rounds to less than $0.001 per share.

[e]Total return is not annualized for periods less than one year.

[f]Ratios are annualized for periods less than one year.

[g]Benefit of expense reduction rounds to less than 0.01%.

Franklin Investors Securities Trust

Statement of Investments, April 30, 2013 (unaudited)

Franklin Limited Maturity U.S. Government Securities Fund	Principal Amount	Value
U.S. Government and Agency Securities 41.4%		
AID-Egypt, U.S. Government Guaranteed, 4.45%, 9/15/15	$10,000,000	$ 10,956,471
FHLB, 3.125%, 12/13/13	8,000,000	8,148,664
FHLMC,		
3.50%, 5/29/13	4,200,000	4,211,218
4.50%, 7/15/13	3,500,000	3,532,043
FNMA,		
1.75%, 5/07/13	3,200,000	3,200,861
4.625%, 10/15/13	5,000,000	5,103,480
senior note, 4.375%, 7/17/13	6,000,000	6,053,802
U.S. Treasury Note,		
2.125%, 12/31/15	16,700,000	17,518,049
2.25%, 5/31/14	8,000,000	8,182,504
2.375%, 8/31/14	3,000,000	3,088,242
2.375%, 10/31/14	20,000,000	20,656,260
2.375%, 2/28/15	9,000,000	9,356,490
2.625%, 6/30/14	5,000,000	5,144,140
2.625%, 12/31/14	15,000,000	15,607,035
4.00%, 2/15/14	12,400,000	12,781,684
4.00%, 2/15/15	22,000,000	23,491,028
4.125%, 5/15/15	15,000,000	16,188,285
4.25%, 8/15/14	7,000,000	7,369,418
4.25%, 11/15/14	4,000,000	4,249,688
4.25%, 8/15/15	8,000,000	8,731,248
4.75%, 5/15/14	8,000,000	8,382,504
[a] Index Linked, 0.50%, 4/15/15	9,639,181	9,988,602
[a] Index Linked, 1.25%, 4/15/14	15,902,508	16,224,279
[a] Index Linked, 2.00%, 1/15/16	7,016,510	7,703,363
Total U.S. Government and Agency Securities (Cost $235,159,068)		235,869,358
Asset-Backed Securities and Commercial Mortgage-Backed Securities 8.8%		
FHLMC Multifamily Structured Pass Through Certificates,		
K004, A1, 3.413%, 5/25/19	2,244,445	2,436,004
K010, A1, 3.32%, 7/25/20	4,621,122	5,009,446
K013, A1, 2.902%, 8/25/20	8,237,980	8,779,875
K014, A1, 2.788%, 10/25/20	10,525,435	11,254,121
K702, A1, 2.084%, 12/25/17	7,409,978	7,635,462
K702, A1, 3.342%, 12/25/19	9,749,598	10,563,943
K703, A1, 1.873%, 1/25/18	2,503,389	2,581,058
GNMA, 2010-124, A, 3.848%, 10/16/32	2,100,900	2,155,386
Total Asset-Backed Securities and Commercial Mortgage-Backed Securities (Cost $48,593,874)		50,415,295
Mortgage-Backed Securities 48.4%		
[b] **Federal Home Loan Mortgage Corp. (FHLMC) Adjustable Rate 7.9%**		
FHLMC, 1.948% - 2.375%, 2/01/18 - 4/01/42	5,070,990	5,350,466
FHLMC, 2.375% - 2.565%, 10/01/18 - 5/01/42	5,369,484	5,679,531
FHLMC, 2.673%, 7/01/35	3,361,960	3,595,524
FHLMC, 2.572% - 2.754%, 8/01/23 - 7/01/41	4,325,931	4,551,555
FHLMC, 2.759% - 2.86%, 11/01/19 - 6/01/37	5,305,462	5,656,056
FHLMC, 2.908%, 6/01/37	3,664,539	3,958,547

Franklin Investors Securities Trust

Statement of Investments, April 30, 2013 (unaudited) *(continued)*

Franklin Limited Maturity U.S. Government Securities Fund	Principal Amount	Value
Mortgage-Backed Securities (continued)		
[b] **Federal Home Loan Mortgage Corp. (FHLMC) Adjustable Rate (continued)**		
FHLMC, 2.875% - 3.027%, 10/01/29 - 4/01/38	$ 5,184,588	$ 5,552,396
FHLMC, 3.05% - 5.141%, 6/01/24 - 1/01/41	5,277,477	5,640,525
FHLMC, 5.269% - 6.57%, 12/01/29 - 10/01/37	4,519,427	4,879,581
		44,864,181
Federal Home Loan Mortgage Corp. (FHLMC) Fixed Rate 7.9%		
FHLMC Gold 15 Year, 3.50%, 11/01/20 - 1/01/21	11,121,203	11,771,012
FHLMC Gold 15 Year, 3.50%, 3/01/26	6,160,842	6,520,818
FHLMC Gold 15 Year, 4.00%, 7/01/20	7,623,925	8,130,440
FHLMC Gold 15 Year, 4.00%, 10/01/20	9,590,124	10,197,299
FHLMC Gold 15 Year, 5.00%, 10/01/17 - 7/01/23	1,850,623	1,964,571
FHLMC Gold 15 Year, 6.00%, 10/01/21 - 10/01/23	5,252,859	5,797,866
FHLMC Gold 15 Year, 7.00%, 8/01/13	403	407
FHLMC Gold 30 Year, 8.50%, 12/01/22 - 7/01/31	649,175	774,140
FHLMC Gold 30 Year, 9.50%, 3/01/21	7,721	7,885
		45,164,438
[b] **Federal National Mortgage Association (FNMA) Adjustable Rate 20.7%**		
FNMA, 1.324% - 1.985%, 6/01/21 - 10/01/44	4,185,502	4,340,647
FNMA, 1.986%, 1/01/35	5,756,600	6,064,460
FNMA, 1.999% - 2.06%, 11/01/18 - 2/01/37	5,355,035	5,632,602
FNMA, 2.063% - 2.183%, 5/01/19 - 1/01/37	5,394,329	5,696,281
FNMA, 2.197% - 2.34%, 7/01/22 - 11/01/40	5,372,791	5,665,164
FNMA, 2.341% - 2.441%, 11/01/17 - 11/01/42	5,353,639	5,669,612
FNMA, 2.455%, 2/01/36	8,502,435	8,989,328
FNMA, 2.445% - 2.546%, 9/01/24 - 1/01/38	5,264,074	5,610,138
FNMA, 2.658%, 11/01/36	4,771,128	5,113,716
FNMA, 2.67%, 2/01/36	3,699,139	3,970,522
FNMA, 2.546% - 2.685%, 3/01/18 - 1/01/42	4,406,805	4,689,218
FNMA, 2.692%, 10/01/36	5,983,253	6,397,438
FNMA, 2.688% - 2.777%, 12/01/26 - 4/01/44	5,003,195	5,344,939
FNMA, 2.808%, 4/01/36	6,474,641	6,932,634
FNMA, 2.778% - 2.848%, 6/01/33 - 1/01/37	5,221,532	5,580,984
FNMA, 2.871%, 6/01/35	12,554,674	13,466,231
FNMA, 2.854% - 3.238%, 10/01/17 - 10/01/40	5,319,183	5,697,797
FNMA, 3.25% - 4.055%, 9/01/17 - 5/01/48	4,223,540	4,447,751
FNMA, 4.102% - 4.981%, 12/01/19 - 4/01/38	5,269,962	5,651,329
FNMA, 5.014% - 6.58%, 9/01/18 - 11/01/38	2,815,187	3,043,286
		118,004,077
Federal National Mortgage Association (FNMA) Fixed Rate 11.6%		
FNMA 15 Year, 3.50%, 10/01/25	15,953,993	16,962,046
FNMA 15 Year, 3.50%, 1/01/26	6,195,243	6,586,689
FNMA 15 Year, 3.50%, 1/01/26 - 2/01/26	4,245,297	4,513,535
FNMA 15 Year, 4.00%, 8/01/25 - 2/01/26	9,400,988	10,053,725
FNMA 15 Year, 4.50%, 5/01/16	9,476,824	10,339,948
FNMA 15 Year, 4.50%, 12/01/18 - 2/01/19	176,025	189,331
FNMA 15 Year, 5.00%, 2/01/18 - 6/01/23	2,191,630	2,354,675
FNMA 15 Year, 5.50%, 8/01/15 - 1/01/25	4,600,972	4,961,177

Franklin Investors Securities Trust

Statement of Investments, April 30, 2013 (unaudited) *(continued)*

Franklin Limited Maturity U.S. Government Securities Fund	Principal Amount	Value
Mortgage-Backed Securities (continued)		
Federal National Mortgage Association (FNMA) Fixed Rate (continued)		
FNMA 15 Year, 6.00%, 4/01/16 - 5/01/17	$ 514,976	$ 545,954
FNMA 15 Year, 6.50%, 10/01/16	21,015	22,388
FNMA 15 Year, 7.00%, 8/01/13 - 7/01/14	582	596
FNMA 15 Year, 7.50%, 12/01/14 - 1/01/15	10,360	10,679
FNMA 30 Year, 5.00%, 3/01/38	1,983,553	2,148,068
FNMA 30 Year, 6.00%, 9/01/39	6,683,982	7,315,631
FNMA 30 Year, 6.50%, 8/01/38	273,747	306,642
FNMA 30 Year, 9.00%, 1/01/17	45,146	48,971
FNMA 30 Year, 9.50%, 11/01/16 - 6/01/22	70,503	74,059
		66,434,114
[b] **Government National Mortgage Association (GNMA) Adjustable Rate 0.0%**[†]		
GNMA, 1.625%, 10/20/35	63,907	66,975
Government National Mortgage Association (GNMA) Fixed Rate 0.3%		
GNMA I SF 15 Year, 6.50%, 10/15/13 - 7/15/14	39,580	40,564
GNMA I SF 15 Year, 7.50%, 10/15/14 - 11/15/14	13,991	14,164
GNMA I SF 30 Year, 5.00%, 3/15/39	494,461	542,657
GNMA I SF 30 Year, 5.50%, 4/15/33 - 5/15/33	271,226	298,721
GNMA I SF 30 Year, 6.00%, 3/15/33	101,157	115,731
GNMA I SF 30 Year, 8.00%, 11/15/16	29,325	29,924
GNMA I SF 30 Year, 9.00%, 6/15/16 - 9/15/17	126,446	130,428
GNMA II SF 30 Year, 7.50%, 10/20/29 - 10/20/31	253,774	315,388
GNMA II SF 30 Year, 9.00%, 8/20/16	24,990	25,129
GNMA II SF 30 Year, 9.50%, 6/20/16	31,647	32,359
		1,545,065
Total Mortgage-Backed Securities (Cost $271,511,638)		276,078,850
Total Investments before Short Term Investments (Cost $555,264,580)		562,363,503
	Shares	
Short Term Investments (Cost $4,945,179) 0.9%		
Money Market Funds 0.9%		
[c,d] Institutional Fiduciary Trust Money Market Portfolio	4,945,179	4,945,179
Total Investments (Cost $560,209,759) 99.5%		567,308,682
Other Assets, less Liabilities 0.5%		3,065,974
Net Assets 100.0%		$570,374,656

See Abbreviations on page 117.

[†]Rounds to less than 0.1% of net assets.

[a]Principal amount of security is adjusted for inflation. See Note 1(i).

[b]The coupon rate shown represents the rate at period end.

[c]Non-income producing.

[d]See Note 7 regarding investments in the Institutional Fiduciary Trust Money Market Portfolio.

Franklin Investors Securities Trust

Financial Highlights

Franklin Real Return Fund

Class A	Six Months Ended April 30, 2013 (unaudited)	Year Ended October 31, 2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$10.94	$11.06	$11.14	$10.74	$ 9.55	$10.64
Income from investment operations[a]:						
Net investment income	0.08[b]	0.17[b]	0.31[b]	0.17[b]	—[c]	0.48[b]
Net realized and unrealized gains (losses)	0.12	0.01	0.03	0.47	1.20	(0.95)
Total from investment operations	0.20	0.18	0.34	0.64	1.20	(0.47)
Less distributions from:						
Net investment income and net foreign currency gains	(0.14)	(0.30)	(0.42)	(0.24)	(0.01)	(0.59)
Net realized gains	—	—	—	—	—	(0.03)
Total distributions	(0.14)	(0.30)	(0.42)	(0.24)	(0.01)	(0.62)
Redemption fees[d]	—	—	—	—	—	—[c]
Net asset value, end of period	$11.00	$10.94	$11.06	$11.14	$10.74	$ 9.55
Total return[e]	1.84%	1.67%	3.03%	6.07%	12.59%	(4.93)%
Ratios to average net assets[f]						
Expenses before waiver and payments by affiliates	1.07%	1.06%	1.05%	1.07%	1.09%	1.08%
Expenses net of waiver and payments by affiliates and expense reduction	0.90%	0.90%	0.90%	0.90%[g]	0.90%[g]	0.90%[g]
Net investment income	1.40%	1.58%	2.76%	1.60%	0.03%	4.48%
Supplemental data						
Net assets, end of period (000's)	$382,895	$411,419	$444,465	$388,239	$342,873	$285,467
Portfolio turnover rate	19.45%	18.64%	37.60%	20.08%	10.73%	28.06%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period and may fluctuate between classes due to the timing of sales and repurchases of the Fund shares in relation to income earned, adjustments to interest income for the inflation-indexed bonds, and/or fluctuating market value of the investments of the Fund.

[b]Based on average daily shares outstanding.

[c]Amount rounds to less than $0.01 per share.

[d]Effective September 1, 2008, the redemption fee was eliminated.

[e]Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

[f]Ratios are annualized for periods less than one year.

[g]Benefit of expense reduction rounds to less than 0.01%.

Franklin Investors Securities Trust

Financial Highlights *(continued)*

Franklin Real Return Fund

Class C	Six Months Ended April 30, 2013 (unaudited)	Year Ended October 31, 2012	2011	2010	2009[a]
Per share operating performance (for a share outstanding throughout the period)					
Net asset value, beginning of period	$10.87	$11.00	$11.08	$10.69	$ 9.57
Income from investment operations[b]:					
Net investment income	0.05[c]	0.13[c]	0.27[c]	0.13[c]	0.10
Net realized and unrealized gains (losses)	0.13	—[d]	0.02	0.47	1.03
Total from investment operations	0.18	0.13	0.29	0.60	1.13
Less distributions from net investment income and net foreign currency gains	(0.13)	(0.26)	(0.37)	(0.21)	(0.01)
Net asset value, end of period	$10.92	$10.87	$11.00	$11.08	$10.69
Total return[e]	1.65%	1.22%	2.65%	5.68%	11.86%
Ratios to average net assets[f]					
Expenses before waiver and payments by affiliates	1.47%	1.46%	1.45%	1.47%	1.49%
Expenses net of waiver and payments by affiliates and expense reduction	1.30%	1.30%	1.30%	1.30%[g]	1.30%[g]
Net investment income (loss)	1.00%	1.18%	2.36%	1.20%	(0.37)%[h]
Supplemental data					
Net assets, end of period (000's)	$100,994	$104,682	$115,126	$62,256	$24,151
Portfolio turnover rate	19.45%	18.64%	37.60%	20.08%	10.73%

[a]For the period November 3, 2008 (effective date) to October 31, 2009.

[b]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period and may fluctuate between classes due to the timing of sales and repurchases of the Fund shares in relation to income earned, adjustments to interest income for the inflation-indexed bonds, and/or fluctuating market value of the investments of the Fund.

[c]Based on average daily shares outstanding.

[d]Amount rounds to less than $0.01 per share.

[e]Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

[f]Ratios are annualized for periods less than one year.

[g]Benefit of expense reduction rounds to less than 0.01%.

[h]Ratio is calculated based on the Fund level net investment income, as reflected on the Statement of Operations, and adjusted for class specific expenses. The amount may not correlate with the per share amount due to the timing of income earned and/or fluctuating market value of the investments of the Fund in relation to the timing of sales and repurchases of Fund shares.

Franklin Investors Securities Trust

Financial Highlights *(continued)*

Franklin Real Return Fund

Advisor Class	Six Months Ended April 30, 2013 (unaudited)	Year Ended October 31, 2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$10.97	$11.08	$11.16	$10.78	$ 9.57	$10.65
Income from investment operations[a]:						
Net investment income	0.09[b]	0.20[b]	0.35[b]	0.21[b]	0.05	0.52[b]
Net realized and unrealized gains (losses)	0.12	0.01	0.01	0.46	1.17	(0.96)
Total from investment operations	0.21	0.21	0.36	0.67	1.22	(0.44)
Less distributions from:						
Net investment income and net foreign currency gains	(0.15)	(0.32)	(0.44)	(0.29)	(0.01)	(0.61)
Net realized gains	—	—	—	—	—	(0.03)
Total distributions	(0.15)	(0.32)	(0.44)	(0.29)	(0.01)	(0.64)
Redemption fees[c]	—	—	—	—	—	—[d]
Net asset value, end of period	$11.03	$10.97	$11.08	$11.16	$10.78	$ 9.57
Total return[e]	1.90%	1.99%	3.27%	6.35%	12.80%	(4.63)%
Ratios to average net assets[f]						
Expenses before waiver and payments by affiliates	0.82%	0.81%	0.80%	0.82%	0.84%	0.83%
Expenses net of waiver and payments by affiliates and expense reduction	0.65%	0.65%	0.65%	0.65%[g]	0.65%[g]	0.65%[g]
Net investment income	1.65%	1.83%	3.01%	1.85%	0.28%	4.73%
Supplemental data						
Net assets, end of period (000's)	$30,400	$35,362	$45,575	$28,784	$24,256	$14,681
Portfolio turnover rate	19.45%	18.64%	37.60%	20.08%	10.73%	28.06%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period and may fluctuate between classes due to the timing of sales and repurchases of the Fund shares in relation to income earned, adjustments to interest income for the inflation-indexed bonds, and/or fluctuating market value of the investments of the Fund.

[b]Based on average daily shares outstanding.

[c]Effective September 1, 2008, the redemption fee was eliminated.

[d]Amount rounds to less than $0.01 per share.

[e]Total return is not annualized for periods less than one year.

[f]Ratios are annualized for periods less than one year.

[g]Benefit of expense reduction rounds to less than 0.01%.

Franklin Investors Securities Trust

Statement of Investments, April 30, 2013 (unaudited)

Franklin Real Return Fund	Country	Shares	Value
Common Stocks and Other Equity Interests 13.9%			
Energy 5.1%			
[a]Alpha Natural Resources Inc.	United States	107,400	$ 796,908
Anadarko Petroleum Corp.	United States	49,900	4,229,524
Chevron Corp.	United States	25,700	3,135,657
Devon Energy Corp.	United States	41,600	2,290,496
Exxon Mobil Corp.	United States	28,677	2,551,966
Halliburton Co.	United States	50,400	2,155,608
Marathon Petroleum Corp.	United States	10,250	803,190
National Oilwell Varco Inc.	United States	17,600	1,147,872
Noble Energy Inc.	United States	23,400	2,650,986
Occidental Petroleum Corp.	United States	16,300	1,454,938
Schlumberger Ltd.	United States	29,050	2,162,191
[a]Southwestern Energy Co.	United States	26,700	999,114
[a]Weatherford International Ltd.	United States	137,000	1,752,230
			26,130,680
Materials 1.7%			
Alcoa Inc.	United States	133,700	1,136,450
Barrick Gold Corp.	Canada	80,300	1,582,713
Freeport-McMoRan Copper & Gold Inc., B	United States	78,946	2,402,327
Nucor Corp.	United States	23,300	1,016,346
Potash Corp. of Saskatchewan Inc.	Canada	44,300	1,865,030
United States Steel Corp.	United States	41,400	736,920
			8,739,786
Real Estate 7.1%			
SPDR Dow Jones REIT ETF	United States	443,000	36,720,270
Total Common Stocks and Other Equity Interests (Cost $62,981,706)			71,590,736
		Principal Amount*	
Corporate Bonds 3.1%			
Consumer Services 0.2%			
MGM Resorts International, senior note,			
6.625%, 7/15/15	United States	300,000	330,000
8.625%, 2/01/19	United States	500,000	595,000
7.75%, 3/15/22	United States	200,000	229,500
			1,154,500
Diversified Financials 0.3%			
Ally Financial Inc., senior note, 7.50%, 9/15/20	United States	1,200,000	1,486,500
Energy 0.9%			
Chesapeake Energy Corp., senior note,			
6.625%, 8/15/20	United States	1,000,000	1,136,250
6.125%, 2/15/21	United States	200,000	221,000
CONSOL Energy Inc., senior note,			
8.00%, 4/01/17	United States	400,000	434,000
8.25%, 4/01/20	United States	100,000	112,500
6.375%, 3/01/21	United States	400,000	420,000
Energy Transfer Equity LP, senior note, 7.50%, 10/15/20	United States	1,000,000	1,175,000

Franklin Investors Securities Trust

Statement of Investments, April 30, 2013 (unaudited) *(continued)*

Franklin Real Return Fund	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Energy (continued)			
[b]Samson Investment Co., senior note, 144A, 9.75%, 2/15/20	United States	900,000	$ 960,750
			4,459,500
Food, Beverage & Tobacco 0.2%			
Del Monte Corp., senior note, 7.625%, 2/15/19	United States	1,000,000	1,071,250
Health Care Equipment & Services 0.3%			
HCA Inc., senior secured note, 5.875%, 3/15/22	United States	1,200,000	1,335,000
Materials 0.6%			
[b]FMG Resources (August 2006) Pty. Ltd., senior note, 144A,			
7.00%, 11/01/15	Australia	200,000	209,084
6.875%, 2/01/18	Australia	800,000	855,000
Novelis Inc., senior note,			
8.375%, 12/15/17	Canada	200,000	220,000
8.75%, 12/15/20	Canada	600,000	684,000
Reynolds Group Issuer Inc./LLC/SA, senior note, 8.50%, 5/15/18	United States	1,200,000	1,284,000
			3,252,084
Media 0.2%			
DISH DBS Corp., senior note, 7.125%, 2/01/16	United States	1,200,000	1,332,000
Telecommunication Services 0.1%			
[b]Sprint Nextel Corp., senior note, 144A, 7.00%, 3/01/20	United States	500,000	570,000
Utilities 0.3%			
[b]Intergen NV, senior secured note, 144A, 9.00%, 6/30/17	Netherlands	600,000	610,500
[b]Texas Competitive Electric Holdings Co. LLC/Texas Competitive Electric Holdings Finance Inc., senior secured note, 144A, 11.50%, 10/01/20	United States	1,200,000	951,000
			1,561,500
Total Corporate Bonds (Cost $15,068,552)			16,222,334
[c,d]**Senior Floating Rate Interests 4.8%**			
Automobiles & Components 0.0%[†]			
Federal-Mogul Corp.,			
Tranche B Term Loan, 2.138%, 12/27/14	United States	76,312	72,512
Tranche C Term Loan, 2.138%, 12/27/15	United States	38,935	36,996
			109,508
Capital Goods 0.4%			
Accudyne Industries LLC (Silver II U.S. Holdings/Hamilton), 2013 Specified Refinancing Term Loan, 4.00%, 12/13/19	Luxembourg	316,706	320,348
Allison Transmission Inc.,			
[e]Term B-2 Loan, 3.21%, 8/07/17	United States	80,213	80,597
Term B-3 Loan, 4.25%, 8/23/19	United States	197,018	200,220
RBS Global Inc. (Rexnord), Term B Loan, 3.75%, 4/01/18	United States	126,320	127,740
Terex Corp., U.S. Term Loan, 4.50%, 4/28/17	United States	515,342	521,719
Tomkins LLC and Tomkins Inc., Term B-2 Loan, 3.75%, 9/21/16	United States	309,778	314,812
TransDigm Inc., Tranche C Term Loan, 3.75%, 2/28/20	United States	298,254	303,021
			1,868,457

Franklin Investors Securities Trust

Statement of Investments, April 30, 2013 (unaudited) *(continued)*

Franklin Real Return Fund	Country	Principal Amount*	Value
[c,d] **Senior Floating Rate Interests (continued)**			
Commercial & Professional Services 0.4%			
ARAMARK Corp.,			
Extended Synthetic L/C, 3.553%, 7/26/16	United States	28,698	$ 28,975
Term Loan B Extended, 3.698%, 7/26/16	United States	435,637	439,851
U.S. Term C Loan, 3.698% - 3.784%, 7/26/16	United States	3,863	3,904
U.S. Term D Loan, 4.00%, 8/22/19	United States	170,000	172,479
Interactive Data Corp., Term B Loan, 3.75%, 2/11/18	United States	699,825	708,573
KAR Auction Services Inc. (Adesa), Term Loan, 3.75%, 5/19/17	United States	729,951	740,673
			2,094,455
Consumer Services 0.3%			
Ameristar Casinos Inc., B Term Loan, 4.00%, 4/14/18	United States	147,763	148,974
Burger King Corp., Tranche B Term Loan, 3.75%, 9/28/19	United States	332,503	337,125
DineEquity Inc., Term B-2 Loan, 3.75%, 10/19/17	United States	175,304	178,153
Dunkin' Brands Inc., Term B-3 Loan, 3.75%, 2/14/20	United States	274,086	277,340
[e] Weight Watchers International Inc., Initial Tranche B-2 Term Loan, 3.75%, 4/02/20	United States	467,377	467,085
Wendy's International Inc.,			
Closing Date Term Loan, 4.75%, 5/15/19	United States	53,645	54,031
[e] Term B Loan, 4.75%, 5/15/19	United States	17,335	17,450
			1,480,158
Diversified Financials 0.2%			
Asurion LLC,			
Amortizing Term Loans (B1), 4.75%, 7/23/17	United States	91,594	92,662
Incremental Tranche B-1 Term Loan, 4.50%, 5/24/19	United States	65,588	66,513
Trans Union LLC, 2013 Replacement Term Loan, 4.25%, 2/10/19	United States	610,124	618,704
			777,879
Energy 0.2%			
Arch Coal Inc., Term Loans, 5.75%, 5/16/18	United States	561,355	571,061
Plains Exploration & Production Co., 7-Year Term Loan, 4.00%, 11/30/19	United States	256,000	257,024
			828,085
Food & Staples Retailing 0.0%[†]			
AdvancePierre Foods Inc., Loans, 5.75%, 7/10/17	United States	137,125	139,268
Food, Beverage & Tobacco 0.3%			
Del Monte Foods Co., Initial Term Loans, 4.00%, 3/08/18	United States	965,599	974,551
[e] H.J. Heinz Co., Term Loan B-2, 4.75%, 4/01/20	United States	503,383	508,590
[e] Pinnacle Foods Finance LLC, Tranche G Term Loan, 4.75%, 4/29/20	United States	130,706	131,353
			1,614,494
Health Care Equipment & Services 0.7%			
Bausch & Lomb Inc., Parent Term Loan, 5.25%, 5/18/19	United States	846,444	853,454
Community Health Systems Inc., New Extended Term Loan, 3.784% - 3.787%, 1/25/17	United States	475,311	480,657
DaVita HealthCare Partners Inc.,			
Tranche B Term Loan, 4.50%, 10/20/16	United States	430,580	435,963
Tranche B-2 Term Loan, 4.00%, 8/24/19	United States	417,055	422,440

Franklin Investors Securities Trust

Statement of Investments, April 30, 2013 (unaudited) *(continued)*

Franklin Real Return Fund	Country	Principal Amount*	Value
[c,d] **Senior Floating Rate Interests (continued)**			
Health Care Equipment & Services (continued)			
HCA Inc.,			
Tranche B-2 Term Loan, 3.534%, 3/31/17	United States	741,522	$ 744,565
Tranche B-5 Term Loan, 5.00%, 3/31/17	United States	18,478	18,478
Hologic Inc., Tranche B Term Loan, 4.50%, 8/01/19	United States	177,555	180,170
Universal Health Services Inc., New Tranche B Term Loan, 3.75%, 11/15/16	United States	479,198	484,489
			3,620,216
Materials 0.6%			
American Rock Salt Co. LLC, Initial Loan, 5.50%, 4/25/17	United States	263,824	264,813
Berry Plastics Corp., Term D Loan, 3.50%, 2/08/20	United States	401,600	401,795
FMG America Finance Inc. (Fortescue Metals Group), Loans, 5.25%, 10/18/17	United States	332,231	338,160
Ineos U.S. Finance LLC, Dollar Term Loan, 6.50%, 5/04/18	United States	130,345	132,219
Reynolds Group Holdings Inc., U.S. Term Loan, 4.75%, 9/28/18	United States	885,370	901,576
Tronox Pigments (Netherlands) BV, Term Loan, 4.50%, 3/19/20	Netherlands	429,286	436,396
U.S. Coatings Acquisitions Inc., Initial Term B Loans, 4.75%, 2/01/20	United States	297,704	301,922
Walter Energy Inc., B Term Loan, 5.75%, 4/01/18	United States	431,821	438,838
			3,215,719
Media 0.6%			
Cinemark USA Inc., Term Loan, 3.20%, 12/13/19	United States	268,851	271,792
CSC Holdings LLC (Cablevision), Term B Loan, 2.699%, 4/17/20	United States	390,706	390,462
FoxCo Acquisition Sub LLC, Initial Term Loan, 5.50%, 7/14/17	United States	144,499	147,179
[e] Nine Entertainment Group Pty. Ltd., Term B Loan, 3.50%, 2/05/20	Australia	220,790	222,676
Regal Cinemas Corp., Term Loan, 2.698% - 2.784%, 8/23/17	United States	361,874	364,426
Sinclair Television Group Inc., Tranche B Term Loans, 4.50%, 4/09/20	United States	70,889	71,465
TWCC Holding Corp., Term Loan, 3.50%, 2/11/17	United States	500,379	508,260
UPC Financing Partnership,			
Term Loan AF, 4.00%, 1/29/21	Netherlands	95,300	96,372
[e] Term Loan AH, 3.25%, 6/30/21	Netherlands	670,666	675,958
[e] Virgin Media Investment Holdings Ltd., B Facility, 5.00%, 2/15/20	United States	288,783	289,166
			3,037,756
Pharmaceuticals, Biotechnology & Life Sciences 0.3%			
Par Pharmaceutical Cos. Inc., Term B-1 Loan, 4.25%, 9/30/19	United States	199,500	201,566
Valeant Pharmaceuticals International Inc.,			
Series C-1 Tranche B Term Loan, 3.50%, 2/11/19	Canada	333,863	338,089
Series D-1 Tranche B Term Loan, 3.50%, 2/13/19	Canada	109,708	111,131
Warner Chilcott Co. LLC, Term B-2 Loan, 4.25%, 3/15/18	Puerto Rico	105,764	107,495
Warner Chilcott Corp.,			
Additional Term B-1 Loan, 4.25%, 3/15/18	United States	129,927	132,054
Term B-1 Loan, 4.25%, 3/15/18	United States	298,473	303,359
WC Luxco S.A.R.L., Term B-3 Loan, 4.25%, 3/15/18	Luxembourg	235,200	239,050
			1,432,744
Retailing 0.3%			
BJ's Wholesale Club Inc., 2013 Replacement Loans, 4.25%, 9/26/19	United States	792,816	800,964

Franklin Investors Securities Trust

Statement of Investments, April 30, 2013 (unaudited) *(continued)*

Franklin Real Return Fund	Country	Principal Amount*	Value
[c,d] **Senior Floating Rate Interests (continued)**			
Retailing (continued)			
Evergreen AcqCo. 1 LP (Savers), Term Loan, 5.00%, 7/09/19	United States	456,039	$ 463,545
Party City Holdings Inc., 2013 Replacement Term Loan, 4.25%, 7/27/19	United States	478,800	483,538
			1,748,047
Software & Services 0.1%			
MoneyGram International Inc., Term Loan, 4.25%, 3/28/20	United States	550,000	555,500
Technology Hardware & Equipment 0.1%			
Telesat Canada/Telesat LLC, Term Loan B-2 U.S. Tranche, 3.50%, 3/28/19	Canada	242,888	245,773
Telecommunication Services 0.2%			
[e] Cricket Communications Inc. (Leap Wireless), C Term Loan, 5.75%, 3/08/20	United States	140,000	140,963
Intelsat Jackson Holdings SA, Tranche B-1 Term Loan, 4.25%, 4/02/18	Luxembourg	978,831	994,329
			1,135,292
Transportation 0.1%			
Avis Budget Car Rental LLC, Tranche B Term Loan, 3.75%, 3/15/19	United States	225,144	228,662
Hertz Corp.,			
Credit Linked Deposit, 3.75%, 3/11/18	United States	115,286	114,579
Tranche B-1 Term Loan, 3.75%, 3/11/18	United States	296,956	300,915
			644,156
Total Senior Floating Rate Interests (Cost $24,172,458)			24,547,507
Foreign Government and Agency Securities 16.1%			
Government of Hungary, senior note,			
3.50%, 7/18/16	Hungary	60,000 EUR	78,554
4.375%, 7/04/17	Hungary	150,000 EUR	199,436
5.75%, 6/11/18	Hungary	435,000 EUR	610,710
3.875%, 2/24/20	Hungary	180,000 EUR	228,492
6.375%, 3/29/21	Hungary	620,000	695,175
Government of Ireland, senior bond, 4.40%, 6/18/19	Ireland	1,200,000 EUR	1,713,751
Government of Malaysia,			
3.434%, 8/15/14	Malaysia	945,000 MYR	312,681
3.741%, 2/27/15	Malaysia	2,370,000 MYR	790,180
3.835%, 8/12/15	Malaysia	1,930,000 MYR	647,048
senior bond, 3.70%, 5/15/13	Malaysia	2,185,000 MYR	718,334
senior bond, 3.21%, 5/31/13	Malaysia	8,240,000 MYR	2,708,589
senior bond, 3.461%, 7/31/13	Malaysia	7,630,000 MYR	2,510,409
senior bond, 8.00%, 10/30/13	Malaysia	10,000 MYR	3,367
senior bond, 5.094%, 4/30/14	Malaysia	2,290,000 MYR	768,511
senior bond, 3.814%, 2/15/17	Malaysia	6,100,000 MYR	2,051,860
Government of Mexico, 7.00%, 6/19/14	Mexico	853,000[f] MXN	7,267,057
Government of Poland,			
6.25%, 10/24/15	Poland	11,600,000 PLN	3,982,242
[c] FRN, 3.98%, 1/25/17	Poland	15,515,000 PLN	4,930,413
[c] FRN, 3.98%, 1/25/21	Poland	15,738,000 PLN	4,966,437

Franklin Investors Securities Trust

Statement of Investments, April 30, 2013 (unaudited) *(continued)*

Franklin Real Return Fund	Country	Principal Amount*	Value
Foreign Government and Agency Securities (continued)			
Government of Sweden,			
1.50%, 8/30/13	Sweden	22,690,000 SEK	$ 3,507,013
6.75%, 5/05/14	Sweden	52,950,000 SEK	8,642,691
Korea Monetary Stabilization Bond,			
senior bond, 3.76%, 6/02/13	South Korea	53,210,000 KRW	48,337
senior bond, 3.90%, 8/02/13	South Korea	99,760,000 KRW	90,849
senior bond, 3.59%, 10/02/13	South Korea	93,120,000 KRW	84,845
senior bond, 3.48%, 12/02/13	South Korea	159,610,000 KRW	145,640
senior bond, 3.47%, 2/02/14	South Korea	219,430,000 KRW	200,444
senior bond, 3.59%, 4/02/14	South Korea	322,490,000 KRW	295,372
senior bond, 2.47%, 4/02/15	South Korea	33,000,000 KRW	29,911
senior note, 3.28%, 6/02/14	South Korea	382,370,000 KRW	349,675
senior note, 2.82%, 8/02/14	South Korea	1,574,200,000 KRW	1,433,731
senior note, 2.78%, 10/02/14	South Korea	6,276,800,000 KRW	5,713,584
senior note, 2.84%, 12/02/14	South Korea	2,223,570,000 KRW	2,026,917
Korea Treasury Bond,			
senior bond, 3.75%, 6/10/13	South Korea	1,435,000,000 KRW	1,289,909
senior bond, 3.00%, 12/10/13	South Korea	8,227,990,000 KRW	7,486,263
senior note, 3.25%, 12/10/14	South Korea	606,880,000 KRW	557,094
[g] Mexican Udibonos, Index Linked, 5.00%, 6/16/16	Mexico	454,397[h] MXN	4,223,360
[g] Nota Do Tesouro Nacional, Index Linked, 6.00%,			
5/15/15	Brazil	4,600[i] BRL	5,554,378
8/15/16	Brazil	1,343[i] BRL	1,659,805
8/15/18	Brazil	1,270[i] BRL	1,616,770
5/15/45	Brazil	1,680[i] BRL	2,433,409
Total Foreign Government and Agency Securities (Cost $80,734,072)			82,573,243
U.S. Government and Agency Securities 51.9%			
[j] U.S. Treasury Note, Index Linked,			
2.00%, 1/15/14	United States	45,472,441	46,385,436
1.25%, 4/15/14	United States	55,932,958	57,064,706
2.00%, 7/15/14	United States	1,231,337	1,284,824
1.625%, 1/15/15	United States	35,250,911	37,049,271
0.50%, 4/15/15	United States	28,382,034	29,410,883
1.875%, 7/15/15	United States	49,520,826	53,540,530
2.00%, 1/15/16	United States	38,590,805	42,368,498
Total U.S. Government and Agency Securities (Cost $263,223,822)			267,104,148
Total Investments before Short Term Investments (Cost $446,180,610)			462,037,968
Short Term Investments 10.0%			
Foreign Government and Agency Securities 4.3%			
[k] Bank of Negara Monetary Notes, 5/02/13 - 3/20/14	Malaysia	31,540,000 MYR	10,178,616
Korea Monetary Stabilization Bond,			
senior bond, 3.38%, 5/09/13	South Korea	333,000,000 KRW	302,324
senior note, 3.28%, 6/09/13	South Korea	330,690,000 KRW	300,363
[k] Malaysia Treasury Bills, 5/03/13 - 6/28/13	Malaysia	8,540,000 MYR	2,794,814

Franklin Investors Securities Trust

Statement of Investments, April 30, 2013 (unaudited) *(continued)*

Franklin Real Return Fund	Country	Principal Amount*	Value
Short Term Investments (continued)			
Foreign Government and Agency Securities (continued)			
[k] Singapore Treasury Bill, 5/02/13	Singapore	8,600,000 SGD	$ 6,981,086
[k] Sweden Treasury Bills, 6/19/13 - 9/18/13	Sweden	9,765,000 SEK	1,501,629
Total Foreign Government and Agency Securities (Cost $21,734,460)			22,058,832
Total Investments before Repurchase Agreements (Cost $467,915,070)			484,096,800
Repurchase Agreements (Cost $29,273,672) 5.7%			
[l] Joint Repurchase Agreement, 0.133%, 5/01/13 (Maturity Value $29,273,780)	United States	29,273,672	29,273,672
BNP Paribas Securities Corp. (Maturity Value $3,330,478)			
Credit Suisse Securities (USA) LLC (Maturity Value $4,163,024)			
Deutsche Bank Securities Inc. (Maturity Value $12,205,117)			
HSBC Securities (USA) Inc. (Maturity Value $5,828,410)			
Merrill Lynch, Pierce, Fenner & Smith Inc. (Maturity Value $2,497,932)			
Morgan Stanley & Co. LLC (Maturity Value $1,248,819)			
Collateralized by U.S. Government Agency Securities, 0.00% - 5.50%, 5/01/13 - 4/25/18; U.S. Government Agency Strips, 6/01/17; U.S. Treasury Bonds, 6.125%, 11/15/27; and U.S. Treasury Notes, 0.125% - 4.25%, 11/15/14 - 4/30/18 (valued at $29,865,161)			
Total Investments (Cost $497,188,742) 99.8%			513,370,472
Other Assets, less Liabilities 0.2%			918,934
Net Assets 100.0%			$514,289,406

[†] Rounds to less than 0.1% of net assets.

[*] The principal amount is stated in U.S. dollars unless otherwise indicated.

[a] Non-income producing.

[b] Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. These securities have been deemed liquid under guidelines approved by the Trust's Board of Trustees. At April 30, 2013, the aggregate value of these securities was $4,156,334, representing 0.81% of net assets.

[c] The coupon rate shown represents the rate at period end.

[d] See Note 1(g) regarding senior floating rate interests.

[e] A portion or all of the security purchased on a delayed delivery basis. See Note 1(d).

[f] Principal amount is stated in 100 Mexican Peso Units.

[g] Redemption price at maturity is adjusted for inflation. See Note 1(i).

[h] Principal amount is stated in 100 Unidad de Inversion Units.

[i] Principal amount is stated in 1,000 Brazilian Real Units.

[j] Principal amount of security is adjusted for inflation. See Note 1(i).

[k] The security is traded on a discount basis with no stated coupon rate.

[l] See Note 1(c) regarding joint repurchase agreement.

Franklin Investors Securities Trust

Statement of Investments, April 30, 2013 (unaudited) *(continued)*

Franklin Real Return Fund

At April 30, 2013, the Fund had the following forward exchange contracts outstanding. See Note 1(e).

Currency	Counterparty	Type	Quantity	Contract Amount	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
Indian Rupee	DBAB	Buy	110,401,000	$1,997,792	6/20/13	$ 38,047	$ —
Euro	DBAB	Sell	1,200,000	1,477,464	8/01/13	—	(103,633)
Chilean Peso	JPHQ	Buy	1,159,473,700	2,314,319	8/20/13	109,938	—
Euro	MSCO	Sell	3,683,000	4,697,667	11/13/13	—	(159,204)
Euro	DBAB	Sell	7,044,000	9,228,344	2/28/14	—	(70,125)
Euro	DBAB	Sell	1,121,244	1,475,277	3/03/14	—	(4,869)
Australian Dollar	DBAB	Buy	7,425,842	7,580,300	3/31/14	—	(58,669)
Chilean Peso	DBAB	Buy	2,927,500,000	5,928,514	4/04/14	26,945	—
Unrealized appreciation (depreciation)						174,930	(396,500)
Net unrealized appreciation (depreciation)							$(221,570)

See Abbreviations on page 117.

Franklin Investors Securities Trust

Financial Statements

Statements of Assets and Liabilities

April 30, 2013 (unaudited)

	Franklin Balanced Fund	Franklin Convertible Securities Fund	Franklin Equity Income Fund
Assets:			
Investments in securities:			
Cost - Unaffiliated issuers	$1,123,219,214	$ 989,340,028	$1,353,469,027
Cost - Sweep Money Fund (Note 7)	49,023,965	6,491,106	13,878,012
Total cost of investments	$1,172,243,179	$ 995,831,134	$1,367,347,039
Value - Unaffiliated issuers	$1,222,655,233	$1,119,892,589	$1,641,408,673
Value - Sweep Money Fund (Note 7)	49,023,965	6,491,106	13,878,012
Total value of investments	1,271,679,198	1,126,383,695	1,655,286,685
Cash	—	18,928	—
Receivables:			
Investment securities sold	11,368,280	—	—
Capital shares sold	7,364,603	3,627,413	1,734,608
Dividends and interest	6,086,344	7,112,958	2,189,500
Unrealized appreciation on forward exchange contracts	147,036	—	—
Other assets	8,380	371	535
Total assets	1,296,653,841	1,137,143,365	1,659,211,328
Liabilities:			
Payables:			
Investment securities purchased	7,459,419	—	4,440,644
Capital shares redeemed	2,316,105	2,382,237	4,214,793
Affiliates	1,191,964	1,023,569	1,446,073
Funds advanced by custodian	66,532	—	—
Unrealized depreciation on forward exchange contracts	70,463	—	—
Accrued expenses and other liabilities	—	107,967	170,930
Total liabilities	11,104,483	3,513,773	10,272,440
Net assets, at value	$1,285,549,358	$1,133,629,592	$1,648,938,888
Net assets consist of:			
Paid-in capital	$1,180,104,477	$1,063,439,723	$1,396,741,944
Distributions in excess of net investment income	(6,808,638)	(53,524,838)	(1,538,824)
Net unrealized appreciation (depreciation)	99,511,866	130,552,561	287,940,068
Accumulated net realized gain (loss)	12,741,653	(6,837,854)	(34,204,300)
Net assets, at value	$1,285,549,358	$1,133,629,592	$1,648,938,888

Franklin Investors Securities Trust

Financial Statements *(continued)*

Statements of Assets and Liabilities *(continued)*

April 30, 2013 (unaudited)

	Franklin Balanced Fund	Franklin Convertible Securities Fund	Franklin Equity Income Fund
Class A:			
Net assets, at value	$ 963,154,572	$ 668,878,449	$1,465,545,038
Shares outstanding	86,560,650	41,123,840	72,707,506
Net asset value per share[a]	$11.13	$16.26	$20.16
Maximum offering price per share (net asset value per share ÷ 94.25%)	$11.81	$17.25	$21.39
Class C:			
Net assets, at value	$ 259,448,278	$ 222,911,404	$ 166,904,598
Shares outstanding	23,488,442	13,869,297	8,323,143
Net asset value and maximum offering price per share[a]	$11.05	$16.07	$20.05
Class R:			
Net assets, at value	$ 2,488,586	—	$ 5,334,660
Shares outstanding	223,187	—	264,604
Net asset value and maximum offering price per share	$11.15	—	$20.16
Advisor Class:			
Net assets, at value	$ 60,457,922	$ 241,839,739	$ 11,154,592
Shares outstanding	5,424,752	14,861,784	553,016
Net asset value and maximum offering price per share	$11.14	$16.27	$20.17

[a]Redemption price is equal to net asset value less contingent deferred sales charges, if applicable.

Franklin Investors Securities Trust

Financial Statements *(continued)*

Statements of Assets and Liabilities *(continued)*

April 30, 2013 (unaudited)

	Franklin Limited Maturity U.S. Government Securities Fund	Franklin Real Return Fund
Assets:		
Investments in securities:		
Cost - Unaffiliated issuers	$555,264,580	$467,915,070
Cost - Sweep Money Fund (Note 7)	4,945,179	—
Cost - Repurchase agreements	—	29,273,672
Total cost of investments	$560,209,759	$497,188,742
Value - Unaffiliated issuers	$562,363,503	$484,096,800
Value - Sweep Money Fund (Note 7)	4,945,179	—
Value - Repurchase agreements	—	29,273,672
Total value of investments	567,308,682	513,370,472
Cash	—	17,228
Foreign currency, at value (cost $— and $524,698, respectively)	—	530,281
Receivables:		
Investment securities sold	605,563	790,702
Capital shares sold	1,450,536	409,134
Dividends and interest	2,707,126	2,978,719
Due from brokers	—	220,000
Unrealized appreciation on forward exchange contracts	—	174,930
Other assets	195	197
Total assets	572,072,102	518,491,663
Liabilities:		
Payables:		
Investment securities purchased	—	1,440,356
Capital shares redeemed	1,130,309	1,815,227
Affiliates	349,768	457,922
Allocator Funds (Note 11)	6,399	—
Distributions to shareholders	171,790	—
Unrealized depreciation on forward exchange contracts	—	396,500
Accrued expenses and other liabilities	39,180	92,252
Total liabilities	1,697,446	4,202,257
Net assets, at value	$570,374,656	$514,289,406
Net assets consist of:		
Paid-in capital	$585,194,107	$510,023,682
Distributions in excess of net investment income	(10,240,459)	(7,441,008)
Net unrealized appreciation (depreciation)	7,098,923	15,982,162
Accumulated net realized gain (loss)	(11,677,915)	(4,275,430)
Net assets, at value	$570,374,656	$514,289,406

Franklin Investors Securities Trust

Financial Statements *(continued)*

Statements of Assets and Liabilities *(continued)*

April 30, 2013 (unaudited)

	Franklin Limited Maturity U.S. Government Securities Fund	Franklin Real Return Fund
Class A:		
Net assets, at value	$376,445,766	$382,895,300
Shares outstanding	36,989,373	34,808,037
Net asset value per share[a]	$10.18	$11.00
Maximum offering price per share (net asset value per share ÷ 97.75% and 95.75%, respectively)	$10.41	$11.49
Class C:		
Net assets, at value	—	$100,993,683
Shares outstanding	—	9,246,707
Net asset value and maximum offering price per share[a]	—	$10.92
Advisor Class:		
Net assets, at value	$193,928,890	$ 30,400,423
Shares outstanding	19,067,952	2,755,187
Net asset value and maximum offering price per share	$10.17	$11.03

[a]Redemption price is equal to net asset value less contingent deferred sales charges, if applicable.

Franklin Investors Securities Trust

Financial Statements *(continued)*

Statements of Operations

for the six months ended April 30, 2013 (unaudited)

	Franklin Balanced Fund	Franklin Convertible Securities Fund	Franklin Equity Income Fund
Investment income:			
Dividends	$10,321,842	$ 8,304,543	$ 24,923,070
Interest	6,290,118	9,054,474	—
Total investment income	16,611,960	17,359,017	24,923,070
Expenses:			
Management fees (Note 3a)	2,392,281	2,531,014	3,620,780
Administrative fees (Note 3b)	1,045,018	—	—
Distribution fees: (Note 3c)			
Class A	1,167,811	787,373	1,703,014
Class B	—	—	2,304
Class C	1,086,202	1,070,811	732,326
Class R	6,400	—	11,997
Transfer agent fees: (Note 3e)			
Class A	415,983	394,037	1,173,845
Class B	—	—	416
Class C	115,947	134,421	126,080
Class R	1,348	—	4,127
Advisor Class	25,405	133,170	8,790
Custodian fees (Note 4)	7,469	7,621	16,574
Reports to shareholders	35,985	77,371	146,652
Registration and filing fees	44,267	45,891	49,548
Professional fees	23,727	22,895	25,415
Trustees' fees and expenses	3,706	8,232	10,376
Other	13,882	20,864	17,399
Total expenses	6,385,431	5,233,700	7,649,643
Expenses waived/paid by affiliates (Note 3f)	(249,431)	—	—
Net expenses	6,136,000	5,233,700	7,649,643
Net investment income	10,475,960	12,125,317	17,273,427
Realized and unrealized gains (losses):			
Net realized gain (loss) from:			
Investments	11,152,464	2,486,218	67,480,358
Written options (Note 6)	1,813,557	—	—
Foreign currency transactions	8,470	—	(125,118)
Net realized gain (loss)	12,974,491	2,486,218	67,355,240
Net change in unrealized appreciation (depreciation) on:			
Investments	57,476,383	92,982,853	111,275,542
Translation of other assets and liabilities denominated in foreign currencies	(2,974)	—	4,908
Net change in unrealized appreciation (depreciation)	57,473,409	92,982,853	111,280,450
Net realized and unrealized gain (loss)	70,447,900	95,469,071	178,635,690
Net increase (decrease) in net assets resulting from operations	$80,923,860	$107,594,388	$195,909,117

Franklin Investors Securities Trust

Financial Statements *(continued)*

Statements of Operations *(continued)*
for the six months ended April 30, 2013 (unaudited)

	Franklin Limited Maturity U.S. Government Securities Fund	Franklin Real Return Fund
Investment income:		
Dividends	$ —	$ 808,676
Interest	3,238,334	2,859,840
Inflation principal adjustments	305,975	2,440,525
Total investment income	3,544,309	6,109,041
Expenses:		
Management fees (Note 3a)	1,369,244	1,111,790
Administrative fees (Note 3b)	—	531,597
Distribution fees: (Note 3c)		
Class A	196,278	496,045
Class C	—	332,224
Transfer agent fees: (Note 3e)		
Class A	254,314	288,418
Class C	—	74,299
Advisor Class	96,794	22,996
Special servicing agreement fees (Note 11)	16,053	—
Custodian fees (Note 4)	3,931	40,153
Reports to shareholders	28,712	47,009
Registration and filing fees	33,681	35,622
Professional fees	20,223	20,651
Trustees' fees and expenses	4,116	4,583
Other	10,430	12,732
Total expenses	2,033,776	3,018,119
Expenses waived/paid by affiliates (Note 3f)	—	(462,278)
Net expenses	2,033,776	2,555,841
Net investment income	1,510,533	3,553,200
Realized and unrealized gains (losses):		
Net realized gain (loss) from:		
Investments	202,306	62,743
Foreign currency transactions	—	1,884,632
Net realized gain (loss)	202,306	1,947,375
Net change in unrealized appreciation (depreciation) on:		
Investments	(1,652,197)	5,762,497
Translation of other assets and liabilities denominated in foreign currencies	—	(1,608,612)
Net change in unrealized appreciation (depreciation)	(1,652,197)	4,153,885
Net realized and unrealized gain (loss)	(1,449,891)	6,101,260
Net increase (decrease) in net assets resulting from operations	$ 60,642	$ 9,654,460

Franklin Investors Securities Trust

Financial Statements *(continued)*

Statements of Changes in Net Assets

	Franklin Balanced Fund		Franklin Convertible Securities Fund	
	Six Months Ended April 30, 2013 (unaudited)	Year Ended October 31, 2012	Six Months Ended April 30, 2013 (unaudited)	Year Ended October 31, 2012
Increase (decrease) in net assets:				
Operations:				
Net investment income	$ 10,475,960	$ 14,627,239	$ 12,125,317	$ 28,675,810
Net realized gain (loss) from investments, written options and foreign currency transactions	12,974,491	15,136,030	2,486,218	42,228,732
Net change in unrealized appreciation (depreciation) on investments and translation of other assets and liabilities denominated in foreign currencies	57,473,409	25,852,995	92,982,853	3,962,801
Net increase (decrease) in net assets resulting from operations	80,923,860	55,616,264	107,594,388	74,867,343
Distributions to shareholders from:				
Net investment income:				
Class A	(13,068,456)	(13,246,018)	(10,556,326)	(22,648,643)
Class C	(2,920,967)	(3,730,037)	(2,914,806)	(6,189,925)
Class R	(40,441)	(63,623)	—	—
Advisor Class	(869,499)	(375,014)	(3,789,994)	(6,952,932)
Net realized gains:				
Class A	(9,205,486)	(101,341)	—	—
Class C	(2,644,332)	(40,772)	—	—
Class R	(33,876)	(707)	—	—
Advisor Class	(646,925)	(2,996)	—	—
Total distributions to shareholders	(29,429,982)	(17,560,508)	(17,261,126)	(35,791,500)
Capital share transactions: (Note 2)				
Class A	297,492,989	381,352,835	12,572,964	(124,777,869)
Class C	61,101,422	92,837,849	(7,189,979)	(28,852,193)
Class R	(8,012)	300,039	—	—
Advisor Class	44,033,655	5,557,711	26,713,969	6,827,810
Total capital share transactions	402,620,054	480,048,434	32,096,954	(146,802,252)
Net increase (decrease) in net assets	454,113,932	518,104,190	122,430,216	(107,726,409)
Net assets:				
Beginning of period	831,435,426	313,331,236	1,011,199,376	1,118,925,785
End of period	$1,285,549,358	$831,435,426	$1,133,629,592	$1,011,199,376
Distributions in excess of net investment income included in net assets:				
End of period	$ (6,808,638)	$ (385,235)	$ (53,524,838)	$ (48,389,029)

Franklin Investors Securities Trust

Financial Statements *(continued)*

Statements of Changes in Net Assets *(continued)*

	Franklin Equity Income Fund		Franklin Limited Maturity U.S. Government Securities Fund	
	Six Months Ended April 30, 2013 (unaudited)	Year Ended October 31, 2012	Six Months Ended April 30, 2013 (unaudited)	Year Ended October 31, 2012
Increase (decrease) in net assets:				
Operations:				
Net investment income	$ 17,273,427	$ 31,434,222	$ 1,510,533	$ 4,905,965
Net realized gain (loss) from investments, written options and foreign currency transactions	67,355,240	24,659,405	202,306	346,287
Net change in unrealized appreciation (depreciation) on investments and translation of other assets and liabilities denominated in foreign currencies	111,280,450	88,913,611	(1,652,197)	451,897
Net increase (decrease) in net assets resulting from operations	195,909,117	145,007,238	60,642	5,704,149
Distributions to shareholders from:				
Net investment income:				
Class A	(18,644,173)	(31,030,929)	(4,815,803)	(9,101,673)
Class B	(5,632)	(59,803)	—	—
Class C	(1,454,518)	(2,365,961)	—	—
Class R	(59,279)	(104,225)	—	—
Advisor Class	(152,596)	(262,661)	(1,873,387)	(3,053,571)
Total distributions to shareholders	(20,316,198)	(33,823,579)	(6,689,190)	(12,155,244)
Capital share transactions: (Note 2)				
Class A	2,867,157	101,384,955	(29,494,042)	10,189,272
Class B	(1,232,223)	(4,539,557)	—	—
Class C	15,184,781	5,573,736	—	—
Class R	(150,653)	752,662	—	—
Advisor Class	(521,456)	2,281,398	57,227,731	19,199,026
Total capital share transactions	16,147,606	105,453,194	27,733,689	29,388,298
Net increase (decrease) in net assets	191,740,525	216,636,853	21,105,141	22,937,203
Net assets:				
Beginning of period	1,457,198,363	1,240,561,510	549,269,515	526,332,312
End of period	$1,648,938,888	$1,457,198,363	$570,374,656	$549,269,515
Undistributed net investment income (distributions in excess of net investment income) included in net assets:				
End of period	$ (1,538,824)	$ 1,503,947	$ (10,240,459)	$ (5,061,802)

Financial Statements *(continued)*

Statements of Changes in Net Assets *(continued)*

	Franklin Real Return Fund	
	Six Months Ended April 30, 2013 (unaudited)	Year Ended October 31, 2012
Increase (decrease) in net assets:		
Operations:		
Net investment income	$ 3,553,200	$ 8,911,618
Net realized gain (loss) from investments and foreign currency transactions	1,947,375	(1,224,031)
Net change in unrealized appreciation (depreciation) on investments and translation of other assets and liabilities denominated in foreign currencies	4,153,885	1,237,830
Net increase (decrease) in net assets resulting from operations	9,654,460	8,925,417
Distributions to shareholders from:		
Net investment income and net foreign currency gains:		
Class A	(5,205,904)	(11,803,147)
Class C	(1,227,503)	(2,680,595)
Advisor Class	(442,123)	(1,335,122)
Total distributions to shareholders	(6,875,530)	(15,818,864)
Capital share transactions: (Note 2)		
Class A	(30,667,119)	(28,086,452)
Class C	(4,153,192)	(9,041,745)
Advisor Class	(5,132,293)	(9,681,926)
Total capital share transactions	(39,952,604)	(46,810,123)
Net increase (decrease) in net assets	(37,173,674)	(53,703,570)
Net assets:		
Beginning of period	551,463,080	605,166,650
End of period	$514,289,406	$551,463,080
Distributions in excess of net investment income included in net assets:		
End of period	$ (7,441,008)	$ (4,118,678)

Franklin Investors Securities Trust

Notes to Financial Statements (unaudited)

1. Organization and Significant Accounting Policies

Franklin Investors Securities Trust (Trust) is registered under the Investment Company Act of 1940, as amended, (1940 Act) as an open-end investment company, consisting of nine separate funds, five of which are included in this report (Funds). The financial statements of the remaining funds in the Trust are presented separately. The classes of shares offered within each of the Funds are indicated below. Effective May 1, 2013, the Funds, except the Franklin Convertible Securities Fund, began offering a new class of shares, R6. Effective March 1, 2013, all Class B shares were converted to Class A. Each class of shares differs by its initial sales load, contingent deferred sales charges, voting rights on matters affecting a single class, its exchange privilege and fees primarily due to differing arrangements for distribution and transfer agent fees.

Class A, Class C, Class R & Advisor Class	Class A, Class C & Advisor Class
Franklin Balanced Fund	Franklin Convertible Securities Fund
Franklin Equity Income Fund	Franklin Real Return Fund

Class A & Advisor Class
Franklin Limited Maturity U.S. Government Securities Fund

The following summarizes the Funds' significant accounting policies.

a. Financial Instrument Valuation

The Funds' investments in financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Under procedures approved by the Trust's Board of Trustees (the Board), the Funds' administrator, investment manager and other affiliates have formed the Valuation and Liquidity Oversight Committee (VLOC). The VLOC provides administration and oversight of the Funds' valuation policies and procedures, which are approved annually by the Board. Among other things, these procedures allow the Funds to utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Equity securities and exchange traded funds listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Foreign equity securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded, or the NYSE, whichever is earlier. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at the close of the NYSE on the day that the value of the security is determined. Over-the-counter (OTC) securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities. Investments in open-end mutual funds are valued at the closing net asset value.

1. Organization and Significant Accounting Policies *(continued)*

a. Financial Instrument Valuation *(continued)*

Debt and certain preferred securities generally trade in the OTC market rather than on a securities exchange. The Funds' pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value. Securities denominated in a foreign currency are converted into their U.S. dollar equivalent at the foreign exchange rate in effect at the close of the NYSE on the date that the values of the foreign debt securities are determined. Repurchase agreements are valued at cost, which approximates market value.

Certain derivative financial instruments (derivatives) trade in the OTC market. The Funds' pricing services use various techniques including industry standard option pricing models and proprietary discounted cash flow models to determine the fair value of those instruments. The Funds' net benefit or obligation under the derivative contract, as measured by the fair market value of the contract, is included in net assets.

The Funds have procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the VLOC convenes on a regular basis to review such financial instruments and considers a number of factors, including significant unobservable valuation inputs, when arriving at fair value. The VLOC primarily employs a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine the fair value of the investment. An income-based valuation approach may also be used in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed. The VLOC employs various methods for calibrating these valuation approaches including a regular review of key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity.

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before the daily close of business on the NYSE. Occasionally, events occur between the time at which trading in a foreign security is completed and the close of the NYSE that might call into question the reliability of the value of a portfolio security held by the fund. As a result, differences may arise between the value of the Funds' portfolio securities as determined at the foreign market close and the latest indications of value at the close of the NYSE. In order to minimize

1. Organization and Significant Accounting Policies *(continued)*

a. Financial Instrument Valuation *(continued)*

the potential for these differences, the VLOC monitors price movements following the close of trading in foreign stock markets through a series of country specific market proxies (such as baskets of American Depositary Receipts, futures contracts and exchange traded funds). These price movements are measured against established trigger thresholds for each specific market proxy to assist in determining if an event has occurred that may call into question the reliability of the values of the foreign securities held by the Funds. If such an event occurs, the securities may be valued using fair value procedures, which may include the use of independent pricing services.

In addition, certain foreign markets may be open on days that the NYSE is closed, which could result in differences between the value of the Funds' portfolio securities on the last business day and the last calendar day of the reporting period. Any significant security valuation changes due to an open foreign market are adjusted and reflected by the Funds for financial reporting purposes.

b. Foreign Currency Translation

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the exchange rate of such currencies against U.S. dollars on the date of valuation. The Funds may enter into foreign currency exchange contracts to facilitate transactions denominated in a foreign currency. Purchases and sales of securities, income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. Portfolio securities and assets and liabilities denominated in foreign currencies contain risks that those currencies will decline in value relative to the U.S. dollar. Occasionally, events may impact the availability or reliability of foreign exchange rates used to convert the U.S. dollar equivalent value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Board.

The Funds do not separately report the effect of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized and unrealized gain or loss from investments on the Statements of Operations.

Realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in foreign exchange rates on foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period.

c. Joint Repurchase Agreement

Certain funds enter into a joint repurchase agreement whereby their uninvested cash balance is deposited into a joint cash account with other funds managed by the investment manager or an affiliate of the investment manager and is used to invest in one or more repurchase agreements.

1. Organization and Significant Accounting Policies *(continued)*

c. Joint Repurchase Agreement *(continued)*

The value and face amount of the joint repurchase agreement are allocated to the funds based on their pro-rata interest. A repurchase agreement is accounted for as a loan by the fund to the seller, collateralized by securities which are delivered to the fund's custodian. The market value, including accrued interest, of the initial collateralization is required to be at least 102% of the dollar amount invested by the funds, with the value of the underlying securities marked to market daily to maintain coverage of at least 100%. The joint repurchase agreement held by the funds at period end had been entered into on April 30, 2013.

d. Securities Purchased on a When-Issued and Delayed Delivery Basis

Certain funds purchase securities on a when-issued and delayed delivery basis, with payment and delivery scheduled for a future date. These transactions are subject to market fluctuations and are subject to the risk that the value at delivery may be more or less than the trade date purchase price. Although the funds will generally purchase these securities with the intention of holding the securities, they may sell the securities before the settlement date. Sufficient assets have been segregated for these securities.

e. Derivative Financial Instruments

The Franklin Balanced Fund and the Franklin Real Return Fund invested in derivatives in order to manage risk or gain exposure to various other investments or markets. Derivatives are financial contracts based on an underlying or notional amount, require no initial investment or an initial net investment that is smaller than would normally be required to have a similar response to changes in market factors, and require or permit net settlement. Derivatives contain various risks including the potential inability of the counterparty to fulfill their obligations under the terms of the contract, the potential for an illiquid secondary market, and/or the potential for market movements which expose the fund to gains or losses in excess of the amounts shown on the Statements of Assets and Liabilities. Realized gain and loss and unrealized appreciation and depreciation on these contracts for the period are included in the Statements of Operations.

The Franklin Balanced Fund's and the Franklin Real Return Fund's investments in OTC derivatives are subject to the terms of International Swaps and Derivatives Association Master Agreements and other related agreements between the funds and certain derivative counterparties. These agreements contain various provisions, including but not limited to collateral requirements, events of default, requirements for the funds to maintain certain net asset levels and/or limit the decline in net assets over various periods of time. Should the funds fail to meet any of these provisions, the derivative counterparty has the right to terminate the derivative contract and require immediate payment by the funds for those OTC derivatives with that particular counterparty that are in a net liability position. At April 30, 2013, the Franklin Balanced Fund had no OTC derivatives in a net liability position for such contracts. At April 30, 2013, the Franklin Real Return Fund had OTC derivatives in a net liability position of $221,570 and the aggregate value of collateral pledged for such contracts was $220,000.

1. Organization and Significant Accounting Policies *(continued)*

e. Derivative Financial Instruments *(continued)*

The Franklin Balanced Fund and the Franklin Real Return Fund entered into OTC forward exchange contracts primarily to manage and/or gain exposure to certain foreign currencies. A forward exchange contract is an agreement between the fund and a counterparty to buy or sell a foreign currency at a specific exchange rate on a future date. Pursuant to the terms of the forward exchange contracts, cash or securities may be required to be deposited as collateral. Unrestricted cash may be invested according to the funds' investment objectives.

The Franklin Balanced Fund purchased or wrote exchange traded option contracts primarily to manage exposure to equity price risk. An option is a contract entitling the holder to purchase or sell a specific amount of shares or units of an asset or notional amount of a swap (swaption), at a specified price. Options purchased are recorded as an asset while options written are recorded as a liability. Upon exercise of an option, the acquisition cost or sales proceeds of the underlying investment is adjusted by any premium received or paid. Upon expiration of an option, any premium received or paid is recorded as a realized gain or loss. Upon closing an option other than through expiration or exercise, the difference between the premium and the cost to close the position is recorded as a realized gain or loss. Pursuant to the terms of the written option contract, cash or securities may be required to be deposited as collateral.

See Notes 6 and 10 regarding investment transactions and other derivative information, respectively.

f. Equity-Linked Securities

The Franklin Balanced Fund and the Franklin Equity Income Fund invest in equity-linked securities. Equity-linked securities are hybrid financial instruments that generally combine both debt and equity characteristics into a single note form. Income received from equity linked securities is recorded as realized gains in the Statement of Operations and may be based on the performance of an underlying equity security, an equity index, or an option position. The risks of investing in equity-linked securities include unfavorable price movements in the underlying security and the credit risk of the issuing financial institution. There may be no guarantee of a return of principal with equity linked securities and the appreciation potential may be limited. Equity-linked securities may be more volatile and less liquid than other investments held by the funds.

g. Senior Floating Rate Interests

The Franklin Balanced Fund and the Franklin Real Return Fund invest in senior secured corporate loans that pay interest at rates which are periodically reset by reference to a base lending rate plus a spread. These base lending rates are generally the prime rate offered by a designated U.S. bank or the London InterBank Offered Rate (LIBOR). Senior secured corporate loans often require prepayment of principal from excess cash flows or at the discretion of the borrower. As a result, actual maturity may be substantially less than the stated maturity.

1. Organization and Significant Accounting Policies *(continued)*

g. Senior Floating Rate Interests *(continued)*

Senior secured corporate loans in which the funds invest are generally readily marketable, but may be subject to some restrictions on resale.

h. Income and Deferred Taxes

It is each fund's policy to qualify as a regulated investment company under the Internal Revenue Code. Each fund intends to distribute to shareholders substantially all of its taxable income and net realized gains to relieve it from federal income and excise taxes. As a result, no provision for U.S. federal income taxes is required.

The Funds may be subject to foreign taxation related to income received, capital gains on the sale of securities and certain foreign currency transactions in the foreign jurisdictions in which it invests. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Funds invest. When a capital gain tax is determined to apply the Funds record an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

Each fund recognizes the tax benefits of uncertain tax positions only when the position is "more likely than not" to be sustained upon examination by the tax authorities based on the technical merits of the tax position. As of April 30, 2013, and for all open tax years, each fund has determined that no liability for unrecognized tax benefits is required in each fund's financial statements related to uncertain tax positions taken on a tax return (or expected to be taken on future tax returns). Open tax years are those that remain subject to examination and are based on each tax jurisdiction statute of limitation.

i. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Facility fees are recognized as income over the expected term of the loan. Dividend income is recorded on the ex-dividend date except that certain dividends from foreign securities are recognized as soon as the Funds are notified of the ex-dividend date. For all Funds except the Franklin Limited Maturity U.S. Government Securities Fund, distributions to shareholders are recorded on the ex-dividend date. For the Franklin Limited Maturity U.S. Government Securities Fund, dividends from net investment income are normally declared daily; these dividends may be reinvested or paid monthly to shareholders. Distributions from realized capital gains and other distributions, if any, are recorded on the ex-dividend date. Distributions to shareholders are determined according to income tax regulations (tax basis). Distributable earnings determined on a tax basis may differ from earnings recorded in accordance with accounting principles generally accepted in the United States of America. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax

1. Organization and Significant Accounting Policies *(continued)*

i. Security Transactions, Investment Income, Expenses and Distributions *(continued)*

character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

Common expenses incurred by the Trust are allocated among the funds based on the ratio of net assets of each fund to the combined net assets of the Trust. Fund specific expenses are charged directly to the fund that incurred the expense.

For all Funds except the Franklin Limited Maturity U.S. Government Securities Fund, realized and unrealized gains and losses and net investment income, not including class specific expenses, are allocated daily to each class of shares based upon the relative proportion of net assets of each class. Differences in per share distributions, by class, are generally due to differences in class specific expenses. For the Franklin Limited Maturity U.S. Government Securities Fund, net investment income, not including class specific expenses, is allocated daily to each class of shares based upon the relative value of the settled shares of each class. Realized and unrealized gains and losses are allocated daily to each class of shares based upon the relative proportion of net assets of each class. Differences in per share distributions, by class, are generally due to differences in class specific expenses.

Inflation-indexed bonds are adjusted for inflation through periodic increases or decreases in the security's interest accruals, face amount, or principal redemption value, by amounts corresponding to the rate of inflation as measured by an index. Any increase or decrease in the face amount or principal redemption value will be included as inflation principal adjustments on the Statements of Operations.

j. Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

k. Guarantees and Indemnifications

Under the Trust's organizational documents, its officers and trustees are indemnified by the Trust against certain liabilities arising out of the performance of their duties to the Trust. Additionally, in the normal course of business, the Trust, on behalf of the Funds, enters into contracts with service providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. Currently, the Trust expects the risk of loss to be remote.

2. Shares of Beneficial Interest

At April 30, 2013, there were an unlimited number of shares authorized (without par value). Transactions in the Funds' shares were as follows:

	Franklin Balanced Fund		Franklin Convertible Securities Fund	
	Shares	Amount	Shares	Amount
Class A Shares:				
Six Months ended April 30, 2013				
Shares sold	32,580,668	$ 351,127,476	7,689,168	$ 120,524,369
Shares issued in reinvestment of distributions	2,001,604	21,330,648	633,466	9,726,119
Shares redeemed	(6,960,920)	(74,965,135)	(7,578,161)	(117,677,524)
Net increase (decrease)	27,621,352	$ 297,492,989	744,473	$ 12,572,964
Year ended October 31, 2012				
Shares sold	43,274,465	$ 447,839,546	9,742,863	$ 143,028,438
Shares issued in reinvestment of distributions	1,219,060	12,576,467	1,436,422	20,700,472
Shares redeemed	(7,698,387)	(79,063,178)	(19,847,638)	(288,506,779)
Net increase (decrease)	36,795,138	$ 381,352,835	(8,668,353)	$(124,777,869)
Class C Shares:				
Six Months ended April 30, 2013				
Shares sold	7,073,317	$ 75,822,132	881,871	$ 13,628,169
Shares issued in reinvestment of distributions	445,209	4,707,329	147,730	2,239,942
Shares redeemed	(1,820,134)	(19,428,039)	(1,503,903)	(23,058,090)
Net increase (decrease)	5,698,392	$ 61,101,422	(474,302)	$ (7,189,979)
Year ended October 31, 2012				
Shares sold	11,234,022	$ 114,663,008	1,625,249	$ 23,528,308
Shares issued in reinvestment of distributions	296,259	3,028,654	333,286	4,754,857
Shares redeemed	(2,439,444)	(24,853,813)	(3,977,444)	(57,135,358)
Net increase (decrease)	9,090,837	$ 92,837,849	(2,018,909)	$ (28,852,193)
Class R Shares:				
Six Months ended April 30, 2013				
Shares sold	53,706	$ 581,237		
Shares issued in reinvestment of distributions	6,970	74,317		
Shares redeemed	(60,490)	(663,566)		
Net increase (decrease)	186	$ (8,012)		
Year ended October 31, 2012				
Shares sold	94,467	$ 976,466		
Shares issued in reinvestment of distributions	6,257	64,330		
Shares redeemed	(72,579)	(740,757)		
Net increase (decrease)	28,145	$ 300,039		

Notes to Financial Statements (unaudited) *(continued)*

2. Shares of Beneficial Interest *(continued)*

	Franklin Balanced Fund		Franklin Convertible Securities Fund	
	Shares	Amount	Shares	Amount
Advisor Class Shares:				
Six Months ended April 30, 2013				
Shares sold	4,634,118	$ 49,488,698	4,124,993	$ 64,578,932
Shares issued in reinvestment of distributions	132,345	1,415,068	175,243	2,692,443
Shares redeemed	(634,286)	(6,870,111)	(2,612,830)	(40,557,406)
Net increase (decrease)	4,132,177	$ 44,033,655	1,687,406	$ 26,713,969
Year ended October 31, 2012				
Shares sold	1,300,377	$ 13,314,299	7,708,231	$ 111,714,165
Shares issued in reinvestment of distributions	28,911	298,359	351,211	5,056,285
Shares redeemed	(792,941)	(8,054,947)	(7,515,751)	(109,942,640)
Net increase (decrease)	536,347	$ 5,557,711	543,691	$ 6,827,810

	Franklin Equity Income Fund		Franklin Limited Maturity U.S. Government Securities Fund	
	Shares	Amount	Shares	Amount
Class A Shares:				
Six Months ended April 30, 2013				
Shares sold	7,322,965	$ 137,944,817	6,414,498	$ 65,677,124
Shares issued in reinvestment of distributions	971,142	18,112,212	427,701	4,372,695
Shares redeemed	(8,109,434)	(153,189,872)	(9,731,132)	(99,543,861)
Net increase (decrease)	184,673	$ 2,867,157	(2,888,933)	$ (29,494,042)
Year ended October 31, 2012				
Shares sold	16,900,087	$ 293,765,859	16,318,913	$ 169,270,379
Shares issued in reinvestment of distributions	1,734,278	30,063,662	790,524	8,194,709
Shares redeemed	(12,776,729)	(222,444,566)	(16,124,780)	(167,275,816)
Net increase (decrease)	5,857,636	$ 101,384,955	984,657	$ 10,189,272
Class B Shares:				
Six Months ended April 30, 2013[a]				
Shares sold	2,366	$ 43,801		
Shares issued in reinvestment of distributions	248	4,470		
Shares redeemed	(69,207)	(1,280,494)		
Net increase (decrease)	(66,593)	$ (1,232,223)		
Year ended October 31, 2012				
Shares sold	8,470	$ 143,553		
Shares issued in reinvestment of distributions	3,136	53,183		
Shares redeemed	(275,274)	(4,736,293)		
Net increase (decrease)	(263,668)	$ (4,539,557)		

2. Shares of Beneficial Interest *(continued)*

	Franklin Equity Income Fund		Franklin Limited Maturity U.S. Government Securities Fund	
	Shares	Amount	Shares	Amount
Class C Shares:				
Six Months ended April 30, 2013				
Shares sold	1,698,712	$ 32,001,642		
Shares issued in reinvestment of distributions	74,368	1,378,365		
Shares redeemed	(971,593)	(18,195,226)		
Net increase (decrease)	801,487	$ 15,184,781		
Year ended October 31, 2012				
Shares sold	1,869,437	$ 32,250,148		
Shares issued in reinvestment of distributions	129,709	2,232,697		
Shares redeemed	(1,670,705)	(28,909,109)		
Net increase (decrease)	328,441	$ 5,573,736		
Class R Shares:				
Six Months ended April 30, 2013				
Shares sold	63,213	$ 1,205,246		
Shares issued in reinvestment of distributions	3,038	56,590		
Shares redeemed	(75,959)	(1,412,489)		
Net increase (decrease)	(9,708)	$ (150,653)		
Year ended October 31, 2012				
Shares sold	128,387	$ 2,260,543		
Shares issued in reinvestment of distributions	5,888	102,206		
Shares redeemed	(90,921)	(1,610,087)		
Net increase (decrease)	43,354	$ 752,662		
Advisor Class Shares:				
Six Months ended April 30, 2013				
Shares sold	103,391	$ 1,971,662	9,739,386	$ 99,400,659
Shares issued in reinvestment of distributions	7,180	133,894	110,683	1,129,508
Shares redeemed	(141,836)	(2,627,012)	(4,232,607)	(43,302,436)
Net increase (decrease)	(31,265)	$ (521,456)	5,617,462	$ 57,227,731
Year ended October 31, 2012				
Shares sold	302,576	$ 5,212,058	6,568,880	$ 68,092,476
Shares issued in reinvestment of distributions	13,240	230,074	149,610	1,549,620
Shares redeemed	(181,723)	(3,160,734)	(4,865,594)	(50,443,070)
Net increase (decrease)	134,093	$ 2,281,398	1,852,896	$ 19,199,026

[a]Effective March 1, 2013, all Class B shares were converted to Class A.

2. Shares of Beneficial Interest *(continued)*

	Franklin Real Return Fund	
	Shares	Amount
Class A Shares:		
Six Months ended April 30, 2013		
Shares sold	3,893,108	$ 42,515,664
Shares issued in reinvestment of distributions	448,398	4,872,648
Shares redeemed	(7,144,429)	(78,055,431)
Net increase (decrease)	(2,802,923)	$ (30,667,119)
Year ended October 31, 2012		
Shares sold	8,619,696	$ 94,231,025
Shares issued in reinvestment of distributions	1,015,411	10,951,888
Shares redeemed	(12,219,254)	(133,269,365)
Net increase (decrease)	(2,584,147)	$ (28,086,452)
Class C Shares:		
Six Months ended April 30, 2013		
Shares sold	1,304,741	$ 14,164,842
Shares issued in reinvestment of distributions	107,110	1,156,909
Shares redeemed	(1,793,512)	(19,474,943)
Net increase (decrease)	(381,661)	$ (4,153,192)
Year ended October 31, 2012		
Shares sold	2,802,083	$ 30,440,636
Shares issued in reinvestment of distributions	233,439	2,500,385
Shares redeemed	(3,877,098)	(41,982,766)
Net increase (decrease)	(841,576)	$ (9,041,745)
Advisor Class Shares:		
Six Months ended April 30, 2013		
Shares sold	648,916	$ 7,116,180
Shares issued in reinvestment of distributions	36,120	393,434
Shares redeemed	(1,154,801)	(12,641,907)
Net increase (decrease)	(469,765)	$ (5,132,293)
Year ended October 31, 2012		
Shares sold	1,673,168	$ 18,272,432
Shares issued in reinvestment of distributions	109,536	1,184,787
Shares redeemed	(2,671,014)	(29,139,145)
Net increase (decrease)	(888,310)	$ (9,681,926)

3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton Investments. Certain officers and trustees of the Trust are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Advisers, Inc. (Advisers)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Templeton Distributors, Inc. (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

3. Transactions with Affiliates *(continued)*

a. Management Fees

The Franklin Balanced Fund pays an investment management fee to Advisers based on the average daily net assets of the fund as follows:

Annualized Fee Rate	Net Assets
0.500%	Up to and including $250 million
0.475%	Over $250 million, up to and including $500 million
0.450%	Over $500 million, up to and including $1 billion
0.425%	Over $1 billion, up to and including $2.5 billion
0.400%	Over $2.5 billion, up to and including $5 billion
0.375%	Over $5 billion, up to and including $10 billion
0.350%	Over $10 billion, up to and including $15 billion
0.325%	Over $15 billion, up to and including $20 billion
0.300%	In excess of $20 billion

The Franklin Convertible Securities Fund and the Franklin Equity Income Fund pay an investment management fee to Advisers based on the month-end net assets of each of the funds as follows:

Annualized Fee Rate	Net Assets
0.625%	Up to and including $100 million
0.500%	Over $100 million, up to and including $250 million
0.450%	Over $250 million, up to and including $7.5 billion
0.440%	Over $7.5 billion, up to and including $10 billion
0.430%	Over $10 billion, up to and including $12.5 billion
0.420%	Over $12.5 billion, up to and including $15 billion
0.400%	Over $15 billion, up to and including $17.5 billion
0.380%	Over $17.5 billion, up to and including $20 billion
0.360%	Over $20 billion, up to and including $35 billion
0.355%	Over $35 billion, up to and including $50 billion
0.350%	In excess of $50 billion

The Franklin Limited Maturity U.S. Government Securities Fund pays an investment management fee to Advisers based on the month-end net assets of the fund as follows:

Annualized Fee Rate	Net Assets
0.625%	Up to and including $100 million
0.500%	Over $100 million, up to and including $250 million
0.450%	In excess of $250 million

3. Transactions with Affiliates *(continued)*

a. Management Fees *(continued)*

The Franklin Real Return Fund pays an investment management fee to Advisers based on the average daily net assets of the fund as follows:

Annualized Fee Rate	Net Assets
0.425%	Up to and including $500 million
0.325%	Over $500 million, up to and including $1 billion
0.280%	Over $1 billion, up to and including $1.5 billion
0.235%	Over $1.5 billion, up to and including $6.5 billion
0.215%	Over $6.5 billion, up to and including $11.5 billion
0.200%	Over $11.5 billion, up to and including $16.5 billion
0.190%	Over $16.5 billion, up to and including $19 billion
0.180%	Over $19 billion, up to and including $21.5 billion
0.170%	In excess of $21.5 billion

b. Administrative Fees

FT Services provides administrative services to the Funds. The Franklin Balanced Fund and the Franklin Real Return Fund each pay an administrative fee to FT Services of 0.20% per year of their respective average daily net assets. Under an agreement with Advisers, the administrative fee for the Franklin Convertible Securities Fund, the Franklin Equity Income Fund, and the Franklin Limited Maturity U.S. Government Securities Fund is paid by Advisers based on each fund's average daily net assets, and is not an additional expense of the funds.

On February 26, 2013, the Board approved the proposal to combine the investment management and administration agreements for the Franklin Balanced Fund and the Franklin Real Return Fund. The fees to be paid under the new combined agreement will not exceed the aggregate fees that would have been paid under the separate agreements. The new agreement went into effect on May 1, 2013.

c. Distribution Fees

The Board has adopted distribution plans for each share class, with the exception of Class R6 and Advisor Class shares, pursuant to Rule 12b-1 under the 1940 Act. Distribution fees are not charged on shares held by affiliates. Under the Funds' Class A reimbursement distribution plans, the Funds reimburse Distributors for costs incurred in connection with the servicing, sale and distribution of each fund's shares up to the maximum annual plan rate for each class. Under the Class A reimbursement distribution plans, costs exceeding the maximum for the current plan year cannot be reimbursed in subsequent periods. In addition, under the Funds' Class B, C and R compensation distribution plans, the Funds pay Distributors for costs incurred in connection with the servicing, sale and distribution of each fund's shares up to the maximum annual plan rate for each class.

3. Transactions with Affiliates *(continued)*

c. Distribution Fees *(continued)*

The maximum annual plan rates, based on the average daily net assets, for each class, are as follows:

	Franklin Balanced Fund	Franklin Convertible Securities Fund	Franklin Equity Income Fund	Franklin Limited Maturity U.S. Government Securities Fund	Franklin Real Return Fund
Reimbursement Plans:					
Class A	0.35%	0.25%	0.25%	0.10%	0.25%
Compensation Plans:					
Class B	—	—	1.00%	—	—
Class C	1.00%	1.00%	1.00%	—	0.65%
Class R	0.50%	—	0.50%	—	—

The Board has set the current rate at 0.30% per year for Class A shares for the Franklin Balanced Fund until further notice and approval by the Board.

d. Sales Charges/Underwriting Agreements

Front-end sales charges and contingent deferred sales charges (CDSC) do not represent expenses of the Funds. These charges are deducted from the proceeds of sales of fund shares prior to investment or from redemption proceeds prior to remittance, as applicable. Distributors has advised the Funds of the following commission transactions related to the sales and redemptions of the Funds' shares for the period:

	Franklin Balanced Fund	Franklin Convertible Securities Fund	Franklin Equity Income Fund
Sales charges retained net of commissions paid to unaffiliated broker/dealers	$1,360,343	$87,069	$521,402
CDSC retained	$ 26,645	$10,365	$ 10,531

	Franklin Limited Maturity U.S. Government Securities Fund	Franklin Real Return Fund
Sales charges retained net of commissions paid to unaffiliated broker/dealers	$60,746	$78,067
CDSC retained	$32,938	$10,506

e. Transfer Agent Fees

Each class of shares, except for the R6 share class, pays transfer agent fees to Investor Services for its performance of shareholder servicing obligations and reimburses Investor Services for out of pocket expenses incurred, including shareholding servicing fees paid to third parties.

3. Transactions with Affiliates *(continued)*

e. Transfer Agent Fees *(continued)*

These fees are allocated daily to such classes based upon the relative proportion of net assets of each class. The R6 share class pays Investor Services transfer agent fees specific to that class.

For the period ended April 30, 2013, the Funds paid transfer agent fees as noted in the Statements of Operations of which the following amounts were retained by Investor Services:

	Franklin Balanced Fund	Franklin Convertible Securities Fund	Franklin Equity Income Fund	Franklin Limited Maturity U.S. Government Securities Fund	Franklin Real Return Fund
Transfer agent fees	$231,913	$260,809	$503,095	$212,174	$165,767

f. Waiver and Expense Reimbursements

FT Services has contractually agreed in advance to waive or limit its fees and to assume as its own expense certain expenses otherwise payable by the Franklin Real Return Fund so that the expenses (excluding distribution fees and acquired fund fees and expenses) for Class A, Class C and Advisor Class of the fund do not exceed 0.65%, and Class R6 does not exceed 0.52% (other than certain non-routine expenses or costs, including those relating to litigation, indemnification, reorganizations, and liquidations) until February 28, 2014.

FT Services had contractually agreed in advance to waive or limit its fees and to assume as its own expense certain expenses otherwise payable by the Franklin Balanced Fund so that the expenses excluding distribution fees for Class A, Class C, Class R and Advisor Class of the fund did not exceed 0.71% (other than certain non-routine expenses or costs, including those relating to litigation, indemnification, reorganizations, and liquidations) through February 28, 2013. Effective March 1, 2013, the contractual fee waiver was eliminated.

4. Expense Offset Arrangement

The Funds have entered into an arrangement with their custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Funds' custodian expenses. During the period ended April 30, 2013, there were no credits earned.

5. Income Taxes

For tax purposes, capital losses may be carried over to offset future capital gains. Capital loss carryforwards with no expiration, if any, must be fully utilized before those losses with expiration dates.

5. Income Taxes *(continued)*

At October 31, 2012, the capital loss carryforwards were as follows:

	Franklin Convertible Securities Fund	Franklin Equity Income Fund	Franklin Limited Maturity U.S. Government Securities Fund	Franklin Real Return Fund
Capital loss carryforwards subject to expiration:				
2013	$ —	$ —	$ 1,070,298	$ —
2014	—	—	4,303,979	—
2015	—	—	723,269	—
2016	—	—	—	1,161,482
2017	1,189,753	101,469,719	—	1,207,907
2018	—	—	636,658	1,206,585
2019	8,285,418	—	—	—
Capital loss carryforwards not subject to expiration:				
Short term	—	—	1,151,805	—
Long term	—	—	3,877,300	2,643,377
Total capital loss carryforwards	$9,475,171	$101,469,719	$11,763,309	$6,219,351

At April 30, 2013, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

	Franklin Balanced Fund	Franklin Convertible Securities Fund	Franklin Equity Income Fund
Cost of investments	$1,174,446,534	$1,050,949,724	$1,366,610,508
Unrealized appreciation	$ 118,456,942	$ 203,919,656	$ 339,195,206
Unrealized depreciation	(21,224,278)	(128,485,685)	(50,519,029)
Net unrealized appreciation (depreciation)	$ 97,232,664	$ 75,433,971	$ 288,676,177

	Franklin Limited Maturity U.S. Government Securities Fund	Franklin Real Return Fund
Cost of investments	$566,959,670	$503,727,403
Unrealized appreciation	$ 6,813,476	$ 23,593,064
Unrealized depreciation	(6,464,464)	(13,949,995)
Net unrealized appreciation (depreciation)	$ 349,012	$ 9,643,069

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of foreign currency transactions, bond discounts and premiums, corporate actions, and paydown losses.

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the period ended April 30, 2013, were as follows:

	Franklin Balanced Fund	Franklin Convertible Securities Fund	Franklin Equity Income Fund	Franklin Limited Maturity U.S. Government Securities Fund	Franklin Real Return Fund
Purchases	$536,028,961	$211,189,020	$303,643,262	$317,139,841	$ 92,981,737
Sales	$172,607,104	$186,695,434	$273,930,870	$276,422,506	$126,679,757

Transactions in options written during the period ended April 30, 2013, were as follows:

	Number of Contracts	Premiums Received
Franklin Balanced Fund		
Options outstanding at October 31, 2012	2,000	$ 81,998
Options written	38,120	2,318,269
Options expired	(29,398)	(1,813,557)
Options exercised	(10,722)	(586,710)
Options closed	—	—
Options outstanding at April 30, 2013	—	$ —

See Notes 1(e) and 10 regarding derivative financial instruments and other derivative information, respectively.

7. Investments in Institutional Fiduciary Trust Money Market Portfolio

All Funds except the Franklin Real Return Fund invest in the Institutional Fiduciary Trust Money Market Portfolio (Sweep Money Fund), an open-end investment company managed by Advisers. Management fees paid by the funds are reduced on assets invested in the Sweep Money Fund, in an amount not to exceed the management and administrative fees paid by the Sweep Money Fund.

8. Credit Risk and Defaulted Securities

At April 30, 2013, the Franklin Balanced Fund, the Franklin Convertible Securities Fund, and the Franklin Real Return Fund had 7.94%, 72.90%, and 10.23%, respectively, of their portfolio invested in high yield securities, senior secured floating rate notes, or other securities rated below investment grade. These securities may be more sensitive to economic conditions causing greater price volatility and are potentially subject to a greater risk of loss due to default than higher rated securities.

8. Credit Risk and Defaulted Securities *(continued)*

The Franklin Convertible Securities Fund held defaulted securities and/or other securities for which the income has been deemed uncollectible. At April 30, 2013, the aggregate value of these securities was $17,250,000, representing 1.52% of the fund's net assets. The fund discontinues accruing income on securities for which income has been deemed uncollectible and provides an estimate for losses on interest receivable. The securities have been identified on the accompanying Statement of Investments.

9. Restricted Securities

The Franklin Convertible Securities Fund invests in securities that are restricted under the Securities Act of 1933 (1933 Act) or which are subject to legal, contractual, or other agreed upon restrictions on resale. Restricted securities are often purchased in private placement transactions, and cannot be sold without prior registration unless the sale is pursuant to an exemption under the 1933 Act. Disposal of these securities may require greater effort and expense, and prompt sale at an acceptable price may be difficult. The fund may have registration rights for restricted securities. The issuer generally incurs all registration costs.

At April 30, 2013, the Franklin Convertible Securities Fund held investments in restricted securities, excluding certain securities exempt from registration under the 1933 Act deemed to be liquid, as follows:

Principal Amount	Issuer	Acquisition Date	Cost	Value
$14,000,000	BearingPoint Liquidating Trust	12/31/09	$18,900	$ —

10. Other Derivative Information

At April 30, 2013, the Franklin Balanced Fund's and the Franklin Real Return Fund's investments in derivative contracts are reflected on the Statements of Assets and Liabilities as follows:

	Asset Derivatives		Liability Derivatives	
Derivative Contracts Not Accounted for as Hedging Instruments	Statement of Assets and Liabilities Location	Fair Value Amount	Statement of Assets and Liabilities Location	Fair Value Amount
Franklin Balanced Fund				
Foreign exchange contracts	Unrealized appreciation on forward exchange contracts	$147,036	Unrealized depreciation on forward exchange contracts	$ 70,463
Franklin Real Return Fund				
Foreign exchange contracts	Unrealized appreciation on forward exchange contracts	$174,930	Unrealized depreciation on forward exchange contracts	$396,500

10. Other Derivative Information *(continued)*

For the period ended April 30, 2013, the effect of derivative contracts on the Franklin Balanced Fund's and the Franklin Real Return Fund's Statements of Operations was as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Statement of Operations Locations	Realized Gain (Loss) for the Period	Change in Unrealized Appreciation (Depreciation) for the Period
Franklin Balanced Fund			
Foreign exchange contracts	Net realized gain (loss) from foreign currency transactions / Net change in unrealized appreciation (depreciation) on translation of other assets and liabilities denominated in foreign currencies	$ 2,136	$ (2,136)
Equity contracts	Net realized gain (loss) from investments and written options / Net change in unrealized appreciation (depreciation) on investments	$1,813,557	$ (41,998)
Franklin Real Return Fund			
Foreign exchange contracts	Net realized gain (loss) from foreign currency transactions / Net change in unrealized appreciation (depreciation) on translation of other assets and liabilities denominated in foreign currencies	$1,833,331	$(1,621,335)

For the period ended April 30, 2013, the average month end market value of derivatives represented 0.12% and 0.14%, respectively, of average month end net assets. The average month end number of open derivative contracts for the period was 10 and 8, respectively.

See Notes 1(e) and 6 regarding derivative financial instruments and investment transactions, respectively.

11. Special Servicing Agreement

On February 28, 2013, the Franklin Limited Maturity U.S. Government Securities Fund, which is an eligible underlying investment of one or more of the Franklin Templeton Fund Allocator Series Funds (Allocator Funds), entered into a Special Servicing Agreement (SSA) with the Allocator Funds and certain service providers of the Fund and the Allocator Funds. Under the SSA, the fund may pay a portion of the Allocator Funds' expenses (other than any asset allocation, administrative, and distribution fees) to the extent such payments are less than the amount of the benefits realized or expected to be realized by the fund (e.g., due to reduced costs associated with servicing accounts) from the investment in the Fund by the Allocator Funds. The Allocator Funds and the fund are either managed by Advisers or administered by FT Services. For the period ended

11. Special Servicing Agreement *(continued)*

April 30, 2013, the fund was held by one or more of the Allocator Funds and the amount of expenses borne by the fund is noted in the Statement of Operations. At April 30, 2013, 13.20% of the fund's outstanding shares were held by one or more of the Allocator Funds. Effective May 1, 2013, the SSA was discontinued until further notice and approval by the Board.

12. Credit Facility

The Funds, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton Investments, are borrowers in a joint syndicated senior unsecured credit facility totaling $1.5 billion (Global Credit Facility) which matures on January 17, 2014. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests.

Under the terms of the Global Credit Facility, the Funds shall, in addition to interest charged on any borrowings made by the Funds and other costs incurred by the Funds, pay their share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon their relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.07% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses on the Statements of Operations. During the period ended April 30, 2013, the Funds did not use the Global Credit Facility.

13. Fair Value Measurements

The Funds follow a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Funds' own market assumptions (unobservable inputs). These inputs are used in determining the value of the Funds' investments and are summarized in the following fair value hierarchy:

- Level 1 – quoted prices in active markets for identical securities
- Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Funds' own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing financial instruments are not an indication of the risk associated with investing in those financial instruments.

For movements between the levels within the fair value hierarchy, the Funds have adopted a policy of recognizing the transfers as of the date of the underlying event which caused the movement.

13. Fair Value Measurements *(continued)*

A summary of inputs used as of April 30, 2013, in valuing the Funds' assets and liabilities carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Franklin Balanced Fund				
Assets:				
Investments in Securities:				
Equity Investments:[a]				
Energy	$127,624,300	$ 13,544,250	$ —	$ 141,168,550
Industrials	128,288,916	3,142,500	—	131,431,416
Materials	82,387,770	1,606,440	—	83,994,210
Utilities	69,607,990	5,718,500	—	75,326,490
Other Equity Investments[b]	272,065,630	—	—	272,065,630
Equity-Linked Securities	—	116,795,097	—	116,795,097
Corporate Bonds	—	376,744,731	—	376,744,731
Senior Floating Rate Interests	—	4,989,845	—	4,989,845
Asset-Backed Securities and Commercial Mortgage-Backed Securities	—	37,738	—	37,738
Mortgage-Backed Securities	—	101,606	—	101,606
Short Term Investments	69,023,885	—	—	69,023,885
Total Investments in Securities	$748,998,491	$522,680,707	$ —	$1,271,679,198
Forward Exchange Contracts	$ —	$147,036	$ —	$ 147,036
Liabilities:				
Forward Exchange Contracts	—	70,463	—	70,463
Franklin Convertible Securities Fund				
Assets:				
Investments in Securities:				
Equity Investments:[a]				
Consumer Discretionary	$ 44,688,485	$ 3,762	$ —	$ 44,692,247
Energy	14,850,088	47,704,875	—	62,554,963
Financials	31,751,958	40,664,215	—	72,416,173
Industrials	50,400,861	23,141,370	—	73,542,231
Materials	32,938,041	7,931,798	—	40,869,839
Telecommunication Services	3,850,000	—	—	3,850,000
Utilities	23,162,500	22,874,000	—	46,036,500
Convertible Bonds	—	775,930,636	—[c]	775,930,636
Short Term Investments	6,491,106	—	—	6,491,106
Total Investments in Securities	$208,133,039	$918,250,656	$ —[c]	$1,126,383,695

13. Fair Value Measurements *(continued)*

	Level 1	Level 2	Level 3	Total
Franklin Equity Income Fund				
Assets:				
Investments in Securities:				
Equity Investments:[a]				
Energy	$ 126,812,859	$ 16,378,080	$ —	$ 143,190,939
Other Equity Investments[b]	1,391,521,596	—	—	1,391,521,596
Equity-Linked Securities	—	106,696,138	—	106,696,138
Short Term Investments	13,878,012	—	—	13,878,012
Total Investments in Securities	$1,532,212,467	$123,074,218	$ —	$1,655,286,685
Franklin Limited Maturity U.S. Government Securities Fund				
Assets:				
Investments in Securities:				
U.S. Government and Agency Securities	$ —	$235,869,358	$ —	$ 235,869,358
Asset-Backed Securities and Commercial Mortgage-Backed Securities	—	50,415,295	—	50,415,295
Mortgage-Backed Securities	—	276,078,850	—	276,078,850
Short Term Investments	4,945,179	—	—	4,945,179
Total Investments in Securities	$ 4,945,179	$562,363,503	$ —	$ 567,308,682
Franklin Real Return Fund				
Assets:				
Investments in Securities:				
Equity Investments[a,b]	$ 71,590,736	$ —	$ —	$ 71,590,736
Corporate Bonds	—	16,222,334	—	16,222,334
Senior Floating Rate Interests	—	24,547,507	—	24,547,507
Foreign Government and Agency Securities	—	82,573,243	—	82,573,243
U.S. Government and Agency Securities	—	267,104,148	—	267,104,148
Short Term Investments	—	51,332,504	—	51,332,504
Total Investments in Securities	$ 71,590,736	$441,779,736	$ —	$ 513,370,472
Forward Exchange Contracts	$ —	$ 174,930	$ —	$ 174,930
Liabilities:				
Forward Exchange Contracts	—	396,500	—	396,500

[a]Includes common, preferred and convertible preferred stocks as well as other equity investments.

[b]For detailed categories, see the accompanying Statements of Investments.

[c]Includes security determined to have no value at April 30, 2013.

A reconciliation of assets in which Level 3 inputs are used in determining fair value is presented when there are significant Level 3 investments at the end of the period.

14. New Accounting Pronouncements

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities. The amendments in the ASU enhance disclosures about offsetting of financial assets and liabilities to enable investors to understand the effect of these arrangements on a fund's financial position. In January 2013, FASB issued ASU No. 2013-01, Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. The amendments in ASU No. 2013-01 clarify the intended scope of disclosures required by ASU No. 2011-11. These ASUs are effective for interim and annual reporting periods beginning on or after January 1, 2013. The Funds believe the adoption of these ASUs will not have a material impact on their financial statements.

15. Subsequent Events

The Funds have evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure.

Abbreviations

Counterparty

DBAB - Deutsche Bank AG
JPHQ - JP Morgan Chase & Co.
MSCO - Morgan Stanley

Currency

BRL - Brazilian Real
EUR - Euro
KRW - South Korean Won
MXN - Mexican Peso
MYR - Malaysian Ringgit
PLN - Polish Zloty
SEK - Swedish Krona
SGD - Singapore Dollar

Selected Portfolio

ADR - American Depositary Receipt
ETF - Exchange Traded Fund
FHLB - Federal Home Loan Bank
FRN - Floating Rate Note
L/C - Letter of Credit
REIT - Real Estate Investment Trust
SF - Single Family
SPDR - S&P Depositary Receipt

Franklin Investors Securities Trust

Shareholder Information

Board Review of Investment Management Agreement

At a meeting held February 26, 2013, the Board of Trustees (Board), including a majority of non-interested or independent Trustees, approved renewal of the investment management agreement for each of the separate funds within Franklin Investors Securities Trust (Fund(s)). In reaching this decision, the Board took into account information furnished throughout the year at regular Board meetings, as well as information prepared specifically in connection with the annual renewal review process. Information furnished and discussed throughout the year included investment performance reports and related financial information for each Fund, along with periodic reports on expenses, shareholder services, legal and compliance matters, pricing, brokerage commissions and execution and other services provided by the Investment Manager (Manager) and its affiliates, as well as a third-party survey of transfer agent fees charged funds within the Franklin Templeton Investments complex in comparison with those charged other fund complexes deemed comparable. Information furnished specifically in connection with the renewal process included a report for each Fund prepared by Lipper, Inc. (Lipper), an independent organization, as well as additional material, including a Fund profitability analysis prepared by management. The Lipper reports compared each Fund's investment performance and expenses with those of other mutual funds deemed comparable to the Fund as selected by Lipper. The Fund profitability analysis discussed the profitability to Franklin Templeton Investments from its overall U.S. fund operations, as well as on an individual fund-by-fund basis. Additional material accompanying such profitability analysis included information on a fund-by-fund basis listing portfolio managers and other accounts they manage, as well as information on management fees charged by the Manager and its affiliates to U.S. mutual funds and other accounts, including management's explanation of differences where relevant. Such material also included a memorandum prepared by management describing project initiatives and capital investments relating to the services provided to the Funds by the Franklin Templeton Investments organization, as well as a memorandum relating to economies of scale and an analysis concerning transfer agent fees charged by an affiliate of the Manager.

In considering such materials, the independent Trustees received assistance and advice from and met separately with independent counsel. While the investment management agreements for all Funds were considered at the same Board meeting, the Board dealt with each Fund separately. In approving continuance of the investment management agreement for each Fund, the Board, including a majority of independent Trustees, determined that the existing management fee structure was fair and reasonable and that continuance of the investment management agreement was in the best interests of each Fund and its shareholders. While attention was given to all information furnished, the following discusses some primary factors relevant to the Board's decision.

NATURE, EXTENT AND QUALITY OF SERVICES. The Board was satisfied with the nature and quality of the overall services provided by the Manager and its affiliates to the Funds and their shareholders. In addition to investment performance and expenses discussed later, the Board's opinion was based, in part, upon periodic reports furnished it showing that the investment policies and restrictions for each Fund were consistently complied with as well as other reports periodically furnished the Board covering matters such as the compliance of portfolio managers and other

Board Review of Investment Management Agreement *(continued)*

management personnel with the code of ethics adopted throughout the Franklin Templeton fund complex, the adherence to fair value pricing procedures established by the Board, and the accuracy of net asset value calculations. The Board also noted the extent of benefits provided Fund shareholders from being part of the Franklin Templeton family of funds, including the right to exchange investments between the same class of funds without a sales charge, the ability to reinvest Fund dividends into other funds and the right to combine holdings in other funds to obtain a reduced sales charge. Favorable consideration was given to management's continuous efforts and expenditures in establishing back-up systems and recovery procedures to function in the event of a natural disaster, it being noted by the Board that such systems and procedures had functioned well during the Florida hurricanes and blackouts experienced in previous years, and that those operations in the New York/New Jersey area ran smoothly during the more recent Hurricane Sandy. Among other factors taken into account by the Board were the Manager's best execution trading policies, including a favorable report by an independent portfolio trading analytical firm, which also covered FOREX transactions. Consideration was also given to the experience of each Fund's portfolio management team, the number of accounts managed and general method of compensation. In this latter respect, the Board noted that a primary factor in management's determination of a portfolio manager's bonus compensation was the relative investment performance of the funds he or she managed and that a portion of such bonus was required to be invested in a predesignated list of funds within such person's fund management area so as to be aligned with the interests of shareholders. The Board also took into account the quality of transfer agent and shareholder services provided Fund shareholders by an affiliate of the Manager and the continuous enhancements to the Franklin Templeton website. Particular attention was given to management's conservative approach and diligent risk management procedures, including continuous monitoring of counterparty credit risk and attention given to derivative and other complex instruments including expanded collateralization requirements. The Board also took into account, among other things, management's efforts in establishing a global credit facility for the benefit of the Funds and other accounts managed by Franklin Templeton Investments to provide a source of cash for temporary and emergency purposes or to meet unusual redemption requests as well as the strong financial position of the Manager's parent company and its commitment to the mutual fund business as evidenced by its subsidization of money market funds.

INVESTMENT PERFORMANCE. The Board placed significant emphasis on the investment performance of each Fund in view of its importance to shareholders. While consideration was given to performance reports and discussions with portfolio managers at Board meetings during the year, particular attention in assessing performance was given to the Lipper reports furnished for the agreement renewals. The Lipper reports prepared for each individual Fund showed the investment performance of its Class A shares in comparison with its selected performance universe during 2012 and during the previous 10 years ended December 31, 2012, unless otherwise noted. Performance on a total return basis was shown by Lipper for all Funds with performance on an income return basis being shown for those Funds having income return as an element of their investment objective. The following summarizes the performance results for each Fund.

Board Review of Investment Management Agreement *(continued)*

Franklin Balanced Fund – The Fund's investment performance was shown in comparison with a performance universe consisting of all retail and institutional mixed-asset target allocation growth funds as selected by Lipper during 2012 and previous years during which the Fund has been in existence. The Lipper report showed the Fund's income return to be in the highest or best performing quintile of such universe during 2012, as well as the previous three- and five-year periods on an annualized basis. The Lipper report showed the Fund's total return performance during 2012 to be in the middle performing quintile of its performance universe, but to be in the highest performing quintile of such universe during the previous three- and five-year periods on an annualized basis. The Board was satisfied with such comparative performance.

Franklin Convertible Securities Fund – The Fund's investment performance was shown in comparison with a performance universe consisting of all retail and institutional convertible securities funds as selected by Lipper. The Lipper report showed the Fund's income return during 2012 to be in the highest or best performing quintile of its performance universe and on an annualized basis during each of the previous three-, five- and 10-year periods to be in the highest quintile of such performance universe. The Lipper report showed the Fund's total return during 2012 to be in the second-highest performing quintile of its performance universe and on an annualized basis to be in the highest performing quintile of such universe for each of the previous three-, five- and 10-year periods. The Board was satisfied with the Fund's comparative performance as set forth in the Lipper report.

Franklin Equity Income Fund – The Fund's investment performance was shown in comparison with a performance universe consisting of all retail and institutional equity income funds as selected by Lipper. The Lipper report showed the Fund's income return during 2012 to be in the second-highest performing quintile of the performance universe, and on an annualized basis during each of the previous three-, five- and 10-year periods to be in the highest or best performing quintile of such performance universe. The Lipper report showed the Fund's total return during 2012 to be in the second-lowest performing quintile of such universe and on an annualized basis to be in the second-lowest quintile of such universe for the previous three-year period, the middle performing quintile of such universe for the previous five-year period, and the lowest performing quintile of such universe for the previous 10-year period. In discussing such performance, management explained that it reflected the Fund's longstanding strategy of investing in securities with yields higher than the overall market and Lipper peers. The Board believed the Fund's overall performance as shown in the Lipper report to be acceptable, noting its consistently high comparative income returns and the fact that its total return in 2012 and in each of the previous annualized three- and five-year periods was within 75 basis points of the median of its performance universe.

Franklin Limited Maturity U.S. Government Securities Fund – The Fund's investment performance was shown in comparison to a performance universe consisting of all retail and institutional short U.S. Government funds as selected by Lipper. The Lipper report showed the Fund's income return during 2012 to be in the highest or best performing quintile of its performance universe and on an annualized basis to be in either the highest or second-highest performing quintile of such universe

Board Review of Investment Management Agreement *(continued)*

during each of the previous three-, five- and 10-year periods. The Lipper report showed the Fund's total return to be in the middle performing quintile of its performance universe during 2012 and on an annualized basis to be in either the highest or second-highest performing quintile of such universe for each of the previous three-, five- and 10-year periods. The Board was satisfied with the Fund's comparative performance as shown in the Lipper report.

Franklin Real Return Fund – The Fund's investment performance was shown in comparison to a performance universe consisting of all retail and institutional inflation-protected bond funds as selected by Lipper. The Fund has been in operation for less than 10 years, and the Lipper report showed the Fund's income return during 2012 to be in the highest or best performing quintile of such performance universe, and on an annualized basis to also be in the highest performing quintile of such universe during the previous three-year period and the middle performing quintile of such universe during the previous five-year period. The Lipper report showed the Fund's 2012 total return to be in the lowest performing quintile of its performance universe, and on an annualized basis to also be in the lowest quintile of such universe during each of the previous three- and five-year periods. In discussing such performance, management expressed the view that the performance universe contained many funds investing only in treasury inflation protected securities (TIPS) and holding longer term TIPS that performed better in 2012 than risk asset classes held in the Fund's portfolio, and also pointed out that consistent with its objective, the Fund had obtained total returns in excess of the rate of inflation as shown in the CPI unadjusted index in 2012 and the previous annualized three- and five-year periods. While intending to monitor the Fund's performance on an ongoing basis, the Board did not believe that the Fund's comparative total returns as shown in the Lipper report warranted any immediate change in portfolio managers.

COMPARATIVE EXPENSES. Consideration was given to a comparative analysis of the management fees and total expense ratio of each Fund compared with those of a group of other funds selected by Lipper as constituting its appropriate Lipper expense group. Lipper expense data is based upon information taken from each fund's most recent annual report, which reflects historical asset levels that may be quite different from those currently existing, particularly in a period of market volatility. While recognizing such inherent limitation and the fact that expense ratios generally increase as assets decline and decrease as assets grow, the Board believed the independent analysis conducted by Lipper to be an appropriate measure of comparative expenses. In reviewing comparative costs, Lipper provides information on each Fund's contractual investment management fee in comparison with the contractual investment management fee that would have been charged by other funds within its Lipper expense group assuming they were similar in size to the Fund, as well as the actual total expense ratio of each Fund in comparison with those of its expense group. The Lipper contractual investment management fee analysis includes within such fee any separate administrative fees, and the Lipper total expenses, for comparative consistency, are shown by Lipper for Fund Class A shares. The results of such expense comparisons showed that the contractual investment management fee rate and actual total expense ratio for Franklin Convertible Securities Fund, Franklin Equity Income Fund, Franklin Balanced Fund and Franklin

Board Review of Investment Management Agreement *(continued)*

Limited Maturity U.S. Government Securities Fund were in each case below the medians of their respective Lipper expense groups. The Board was satisfied with the comparative contractual investment management fee rate and actual total expense ratios of these Funds as shown in the Lipper reports. The contractual investment management fee and actual total expense ratio for Franklin Real Return Fund was above the median of its Lipper expense group, and its actual total expense ratio was within six basis points above the median of its expense group. The Board found the contractual management fees and total expense ratio of the Fund to be acceptable, noting that its expenses were subsidized by management fee caps on common expenses.

MANAGEMENT PROFITABILITY. The Board also considered the level of profits realized by the Manager and its affiliates in connection with the operation of each Fund. In this respect, the Board reviewed the Fund profitability analysis that addresses the overall profitability of Franklin Templeton's U.S. fund business, as well as its profits in providing management and other services to each of the individual funds during the 12-month period ended September 30, 2012, being the most recent fiscal year-end for Franklin Resources, Inc., the Manager's parent. In reviewing the analysis, attention was given to the methodology followed in allocating costs to each Fund, it being recognized that allocation methodologies are inherently subjective and various allocation methodologies may each be reasonable while producing different results. In this respect, the Board noted that, while being continuously refined and reflecting changes in the Manager's own cost accounting, the cost allocation methodology was consistent with that followed in profitability report presentations for the Funds made in prior years and that the Funds' independent registered public accounting firm had been engaged by the Manager to periodically review the reasonableness of the allocation methodologies solely for use by the Funds' Board in reference to the profitability analysis. In reviewing and discussing such analysis, management discussed with the Board its belief that costs incurred in establishing the infrastructure necessary for the type of mutual fund operations conducted by the Manager and its affiliates may not be fully reflected in the expenses allocated to each Fund in determining its profitability, as well as the fact that the level of profits, to a certain extent, reflected operational cost savings and efficiencies initiated by management. The Board also took into account management's expenditures in improving shareholder services provided the Funds, as well as the need to implement systems and meet additional regulatory and compliance requirements resulting from statutes such as the Sarbanes-Oxley and Dodd Frank Acts and recent SEC and other regulatory requirements. In addition, the Board considered a third-party study comparing the profitability of the Manager's parent on an overall basis to other publicly held managers broken down to show profitability from management operations exclusive of distribution expenses, as well as profitability including distribution expenses. The Board also considered the extent to which the Manager and its affiliates might derive ancillary benefits from fund operations, including revenues generated from transfer agent services and potential benefits resulting from allocation of fund brokerage and the use of commission dollars to pay for research. Based upon its consideration of all these factors, the Board determined that the level of profits realized by the Manager and its affiliates from providing services to each Fund was not excessive in view of the nature, quality and extent of services provided.

Board Review of Investment Management Agreement *(continued)*

ECONOMIES OF SCALE. The Board also considered whether economies of scale are realized by the Manager as the Funds grow larger and the extent to which this is reflected in the level of management fees charged. While recognizing that any precise determination is inherently subjective, the Board noted that based upon the Fund profitability analysis, it appears that as some funds get larger, at some point economies of scale do result in the Manager realizing a larger profit margin on management services provided such a fund. The Board also noted that economies of scale are shared with each Fund and its shareholders through management fee breakpoints so that as a Fund grows in size, its effective management fee rate declines. The management fee structure, which includes administrative expenses, for Franklin Limited Maturity U.S. Government Securities Fund provides an initial fee of 0.625% on the first $100 million of assets; 0.50% on the next $150 million of assets; and 0.45% on assets in excess of $250 million. At 2012 year-end, the Fund's assets were approximately $537 million. The Board noted the Fund's favorable contractual management fee rate and total expense ratio in respect to its Lipper expense group, as well as the fact that assets in excess of a fund's last breakpoint still resulted in an overall lower investment management fee rate and believed that to the extent economies of scale may be realized by the Manager and its affiliates, there was a sharing of benefits with this Fund and its shareholders. Based on their year-end asset levels, all of the other Funds benefited from breakpoints contained in their management fee structure with additional breakpoints continuing beyond such asset levels. The Board believed that to the extent economies of scale may be realized by the Manager and its affiliates, the schedule of fees under the investment management agreement for each of such Funds provides a sharing of benefits with the Funds and their shareholders.

The investment management agreements for Franklin Convertible Securities Fund and Franklin Equity Income Fund cover both investment advisory services and administrative services. In the case of each of the other Funds, such services are provided under separate agreements with a fixed fee of 20 basis points being charged under an administration agreement for each such Fund. At the February 26, 2013, Board meeting, the Board eliminated the separate agreements and approved a new form of investment management agreement for these Funds combining such services. In approving the new form of investment management agreements, the Board took into account the fact that the types of services and aggregate fee, including breakpoints, would be the same as provided under the previous separate agreements and that combining such services was consistent with Lipper's methodology of considering contractual investment management fees to include any separately charged administrative fee.

Franklin Investors Securities Trust

Shareholder Information *(continued)*

Proxy Voting Policies and Procedures

The Trust's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Trust uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Trust's complete Policies online at franklintempleton.com. Alternatively, shareholders may request copies of the Policies free of charge by calling the Proxy Group collect at (954) 527-7678 or by sending a written request to: Franklin Templeton Companies, LLC, 300 S.E. 2nd Street, Fort Lauderdale, FL 33301, Attention: Proxy Group. Copies of the Trust's proxy voting records are also made available online at franklintempleton.com and posted on the U.S. Securities and Exchange Commission's website at sec.gov and reflect the most recent 12-month period ended June 30.

Quarterly Statement of Investments

The Trust files a complete statement of investments with the U.S. Securities and Exchange Commission for the first and third quarters for each fiscal year on Form N-Q. Shareholders may view the filed Form N-Q by visiting the Commission's website at sec.gov. The filed form may also be viewed and copied at the Commission's Public Reference Room in Washington, DC. Information regarding the operations of the Public Reference Room may be obtained by calling (800) SEC-0330.

Franklin Templeton Funds

Literature Request. *To receive a summary prospectus and/or prospectus, please call us at (800) DIAL BEN/342-5236 or visit* ***franklintempleton.com****. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. The prospectus contains this and other information. Please carefully read a prospectus before investing. To ensure the highest quality of service, we may monitor, record and access telephone calls to or from our service departments. These calls can be identified by the presence of a regular beeping tone.*

VALUE
Franklin All Cap Value Fund
Franklin Balance Sheet Investment Fund
Franklin Large Cap Value Fund
Franklin MicroCap Value Fund[1]
Franklin MidCap Value Fund
Franklin Small Cap Value Fund
Mutual Beacon Fund
Mutual Quest Fund
Mutual Recovery Fund[2]
Mutual Shares Fund

BLEND
Franklin Focused Core Equity Fund
Franklin Large Cap Equity Fund
Franklin Rising Dividends Fund

GROWTH
Franklin DynaTech Fund
Franklin Flex Cap Growth Fund
Franklin Growth Fund
Franklin Growth Opportunities Fund
Franklin Small Cap Growth Fund
Franklin Small-Mid Cap Growth Fund

SECTOR
Franklin Biotechnology Discovery Fund
Franklin Global Real Estate Fund
Franklin Gold & Precious Metals Fund
Franklin Natural Resources Fund
Franklin Real Estate Securities Fund
Franklin Utilities Fund
Mutual Financial Services Fund

GLOBAL
Franklin World Perspectives Fund
Mutual Global Discovery Fund
Templeton Global Opportunities Trust
Templeton Global Smaller Companies Fund
Templeton Growth Fund
Templeton World Fund

INTERNATIONAL
Franklin India Growth Fund
Franklin International Growth Fund
Franklin International Small Cap Growth Fund[3]
Mutual European Fund
Mutual International Fund
Templeton Asian Growth Fund
Templeton BRIC Fund
Templeton China World Fund
Templeton Developing Markets Trust
Templeton Emerging Markets Small Cap Fund
Templeton Foreign Fund
Templeton Foreign Smaller Companies Fund
Templeton Frontier Markets Fund

HYBRID
Franklin Balanced Fund
Franklin Convertible Securities Fund
Franklin Equity Income Fund
Franklin Income Fund
Templeton Emerging Markets Balanced Fund
Templeton Global Balanced Fund

ASSET ALLOCATION
Franklin Templeton Corefolio® Allocation Fund
Franklin Templeton Founding Funds Allocation Fund
Franklin Templeton Conservative Allocation Fund
Franklin Templeton Growth Allocation Fund
Franklin Templeton Moderate Allocation Fund
Franklin LifeSmart™ 2015 Retirement Target Fund[4]
Franklin LifeSmart™ 2020 Retirement Target Fund
Franklin LifeSmart™ 2025 Retirement Target Fund[4]
Franklin LifeSmart™ 2030 Retirement Target Fund
Franklin LifeSmart™ 2035 Retirement Target Fund[4]
Franklin LifeSmart™ 2040 Retirement Target Fund
Franklin LifeSmart™ 2045 Retirement Target Fund[4]
Franklin LifeSmart™ 2050 Retirement Target Fund
Franklin Templeton Global Allocation Fund
Franklin Templeton Multi-Asset Real Return Fund

FIXED INCOME
Franklin Adjustable U.S. Government Securities Fund[5]
Franklin Floating Rate Daily Access Fund
Franklin High Income Fund
Franklin Limited Maturity U.S. Government Securities Fund[5]
Franklin Low Duration Total Return Fund
Franklin Real Return Fund
Franklin Strategic Income Fund
Franklin Strategic Mortgage Portfolio
Franklin Templeton Hard Currency Fund
Franklin Total Return Fund
Franklin U.S. Government Securities Fund[5]
Templeton Emerging Markets Bond Fund
Templeton Global Bond Fund
Templeton Global Total Return Fund
Templeton International Bond Fund

TAX-FREE INCOME[6]
National
Double Tax-Free Income Fund[7]
Federal Tax-Free Income Fund
High Yield Tax-Free Income Fund
Insured Tax-Free Income Fund[8, 9]

Limited-/Intermediate-Term
California Intermediate-Term Tax-Free Income Fund
Federal Intermediate-Term Tax-Free Income Fund
Federal Limited-Term Tax-Free Income Fund
New York Intermediate-Term Tax-Free Income Fund

State-Specific
Alabama
Arizona
California (4 funds)[9]
Colorado
Connecticut
Florida
Georgia
Kentucky
Louisiana
Maryland
Massachusetts
Michigan
Minnesota
Missouri
New Jersey
New York (2 funds)
North Carolina
Ohio
Oregon
Pennsylvania
Tennessee
Virginia

INSURANCE FUNDS
Franklin Templeton Variable Insurance Products Trust[10]

1. The fund is closed to new investors. Existing shareholders and select retirement plans can continue adding to their accounts.
2. The fund is a continuously offered, closed-end fund. Shares may be purchased daily; there is no daily redemption. However, each quarter, pending board approval, the fund will authorize the repurchase of 5%–25% of the outstanding number of shares. Investors may tender all or a portion of their shares during the tender period.
3. Effective 6/3/13, the fund closed to new investors, with limited exceptions.
4. Effective 5/1/13, the Franklin Templeton Retirement Target Funds changed their names to Franklin LifeSmart Retirement Target Funds. The funds' investment goals and principal investment strategies remained unchanged.
5. An investment in the fund is neither insured nor guaranteed by the U.S. government or by any other entity or institution.
6. For investors subject to the alternative minimum tax, a small portion of fund dividends may be taxable. Distributions of capital gains are generally taxable.
7. The fund is closed to all new investments (other than reinvestment of dividends and capital gains distributions).
8. The fund invests primarily in insured municipal securities.
9. Effective at the close of market 3/1/13, Franklin Insured Tax-Free Income Fund and Franklin California Insured Tax-Free Income Fund closed to all new investments (other than reinvestment of dividends and capital gains distributions).
10. The funds of the Franklin Templeton Variable Insurance Products Trust are generally available only through insurance company variable contracts.

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Semiannual Report and Shareholder Letter

Franklin Investors Securities Trust

Investment Manager
Franklin Advisers, Inc.

Distributor
Franklin Templeton Distributors, Inc.
(800) DIAL BEN®/342-5236
franklintempleton.com

Shareholder Services
(800) 632-2301

Authorized for distribution only when accompanied or preceded by a summary prospectus and/or prospectus. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. A prospectus contains this and other information; please read it carefully before investing.

To ensure the highest quality of service, telephone calls to or from our service departments may be monitored, recorded and accessed. These calls can be identified by the presence of a regular beeping tone.

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