Franklin Focused Core Equity Fund—Class A

PRODUCT PROFILE | FOURTH QUARTER 2013

FUND CHARACTERISTICS (AS OF 12/31/13)

NASDAQ Symbol	FCEQX
Fund Inception Date	12/13/07
Dividends	Annually in December
Investment Style	Blend
Benchmark	S&P 500 Index
Lipper Classification	Multi-Cap Core Funds
Morningstar Category™	US OE Large Blend
Total Net Assets—All Share Classes	46 million
Number of Issuers	34
Maximum Initial Sales Charge	5.75%

THIRD-PARTY FUND DATA

Overall Morningstar Rating™

Traditional

★★★

Load Waived

★★★★

As of December 31, 2013 the fund's Class A shares received a traditional 3 star overall Morningstar Rating™ and a load waived 4 star Morningstar Rating™, measuring risk-adjusted returns against 1355 and 1215 U.S.-domiciled US OE Large Blend funds over the 3- and 5-year periods, respectively. A fund's overall rating is derived from a weighted average of the performance figures associated with its 3-, 5- and 10-year (if applicable) rating metrics.

Load waived Class A share Morningstar Ratings do not include front-end sales charges and are intended for investors who have access to such purchase terms (e.g., fee-based programs and participants of a defined contribution plan). Investors should contact their financial advisor to determine their eligibility to purchase Class A shares without paying the sales charge.

FUND DESCRIPTION

The fund seeks capital appreciation and will generally seek to maintain a portfolio consisting of securities of approximately 20 to 50 companies.

PERFORMANCE DATA

Average Annual Total Returns for Periods Ended December 31, 2013 (%)

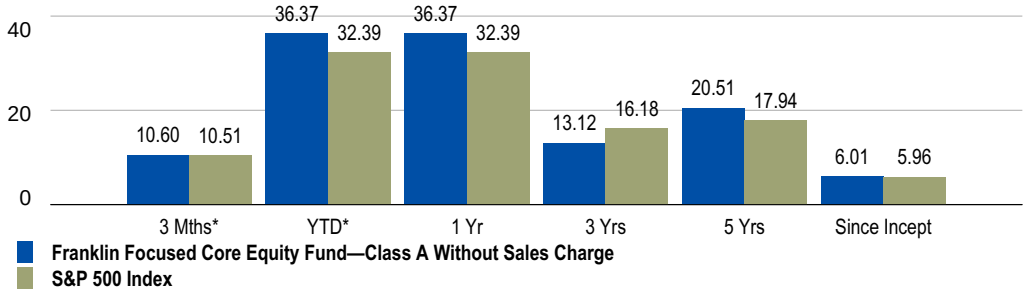
	3 Mths*	YTD*	1 Yr	3 Yrs	5 Yrs	Since Incept (12/13/07)
With Sales Charge	4.24	28.48	28.48	10.92	19.11	4.97
Without Sales Charge	10.60	36.37	36.37	13.12	20.51	6.01
S&P 500 Index	10.51	32.39	32.39	16.18	17.94	5.96

Total Annual Operating Expenses—*With Waiver:* *1.31%* ***Without Waiver:*** *1.90%*

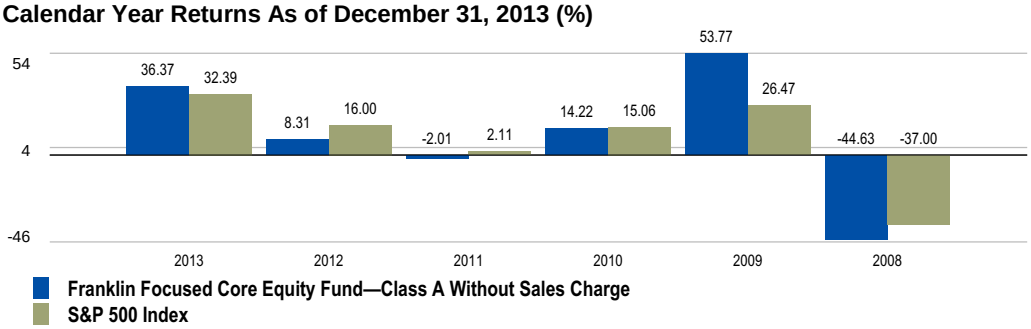
Performance data represents past performance, which does not guarantee future results. Current performance may differ from figures shown. The fund's investment returns and principal values will change with market conditions, and you may have a gain or a loss when you sell your shares. Please call Franklin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

The fund has an expense reduction contractually guaranteed through at least August 31, 2014. The fund may also have a fee waiver associated with any investments it makes in a Franklin Templeton money fund, an arrangement that is contractually guaranteed through at least its current fiscal year end. Fund investment results reflect the expense reduction and fee waiver, as applicable; without these reductions, the results would have been lower.

Average Annual Total Returns for Periods Ended December 31, 2013 (%)



Calendar Year Returns As of December 31, 2013 (%)



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

Franklin Focused Core Equity Fund—Class A is relatively new and has a limited performance history. Over longer periods, the S&P 500 Index may have generally had lower returns than the returns shown for certain periods here.

*Cumulative Total Returns.

For information related to the "Fund Characteristics," "Third-Party Fund Data," and "Performance Data" sections, please see Explanatory Notes.

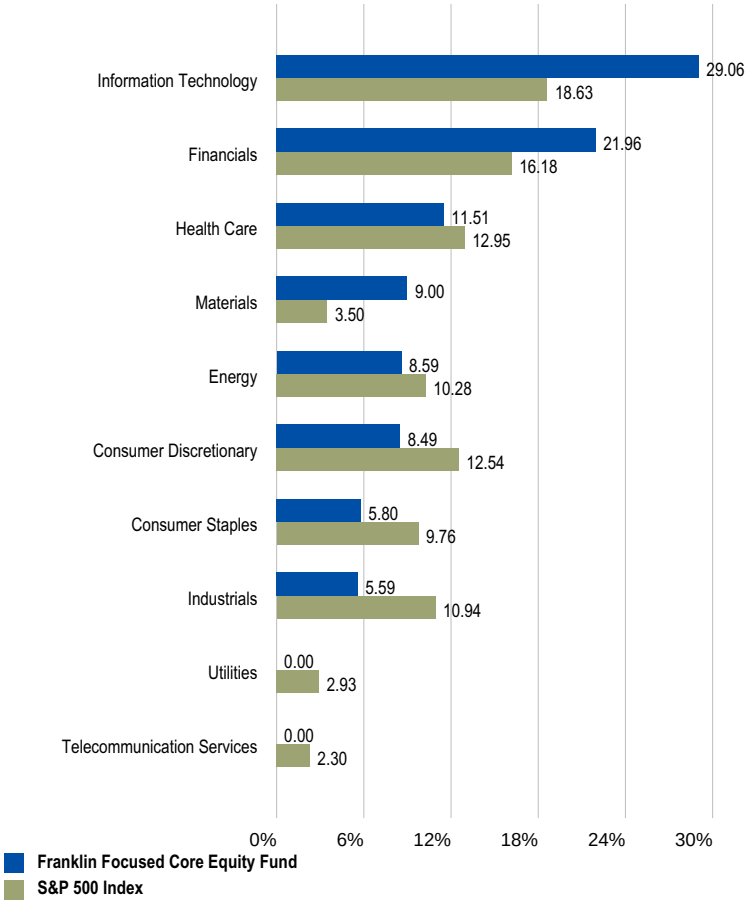
NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

PORTFOLIO DIVERSIFICATION (AS OF 12/31/13)

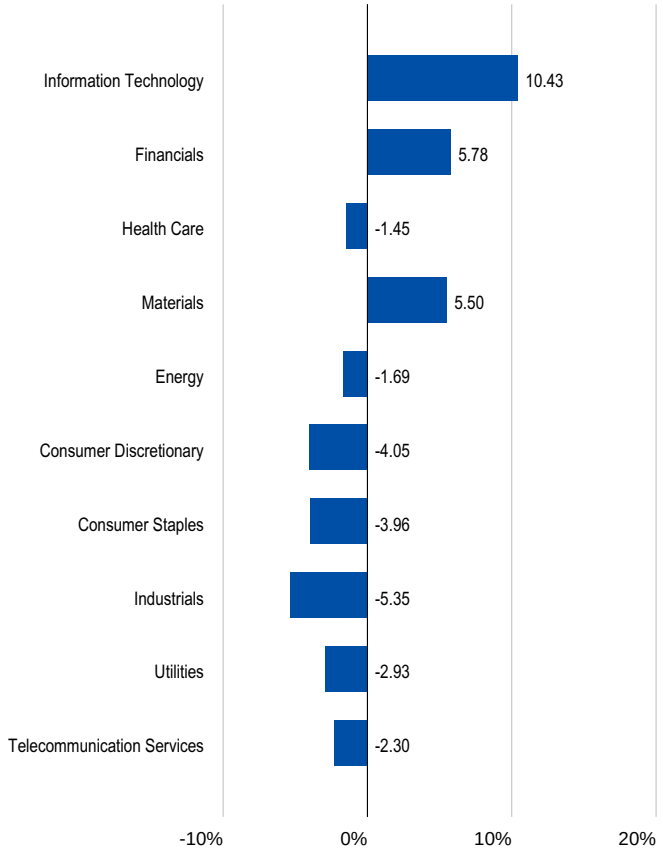
Top Ten Holdings

Issuer Name	Industry	% of Total
1. ADOBE SYSTEMS INC	Software & Services	4.04
2. HARTFORD FINANCIAL SERVICES GROUP INC	Insurance	3.93
3. LYONDELLBASELL INDUSTRIES NV	Materials	3.72
4. VALEANT PHARMACEUTICALS INTERNATIONAL INC	Pharmaceuticals, Biotechnology & Life Sciences	3.54
5. MASTERCARD INC	Software & Services	3.38
6. METLIFE INC	Insurance	3.25
7. GOOGLE INC	Software & Services	3.18
8. MICROSOFT CORP	Software & Services	3.02
9. CBRE GROUP INC	Real Estate	2.99
10. MEAD JOHNSON NUTRITION COMPANY	Food Beverage & Tobacco	2.95
Total		**34.01**

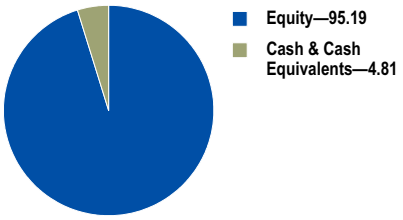
Sector Weightings vs. Benchmark (% of Equity)



Sector Overweight/Underweight (% of Equity)



Portfolio Allocation (%)



Largest Sector Contributors vs. S&P 500 Index

Sector	Total Effect (%)
Financials	0.76
Consumer Staples	0.61
Materials	0.29
Utilities	0.23
Consumer Discretionary	0.11

Smallest Sector Contributors vs. S&P 500 Index

Sector	Total Effect (%)
Energy	-1.06
Cash & Other Net Assets	-0.29
Information Technology	-0.17
Health Care	-0.14
Industrials	-0.02

Contributor data shown is for the period 10/1/13 to 12/31/13

PORTFOLIO CHARACTERISTICS (AS OF 12/31/13)—Fund vs. S&P 500 Index

	Fund	Benchmark
Weighted Average Market Capitalization (Millions USD)	74,488	120,300
Median Market Capitalization (Millions USD)	39,066	16,429

Price to Earnings

	Fund	Benchmark
Weighted Average	19.21x	18.78x
Median	19.25x	20.98x

Price to Book Value

	Fund	Benchmark
Weighted Average	2.47x	2.67x
Median	3.13x	3.03x

Price to Cash Flow

	Fund	Benchmark
Weighted Average	11.33x	9.56x
Median	13.14x	13.09x

PERFORMANCE RISK STATISTICS - Class A

Modern Portfolio Theory (MPT) Statistics (As of 12/31/13)

Performance Risk Statistics	3 Years	5 Years
Standard Deviation	15.72	18.69
Alpha	-5.38	0.82
Beta	1.21	1.11
Sharpe Ratio	0.83	1.09
Information Ratio	-0.46	0.36
Tracking Error	6.61	7.17
R-Squared	84.93	86.05

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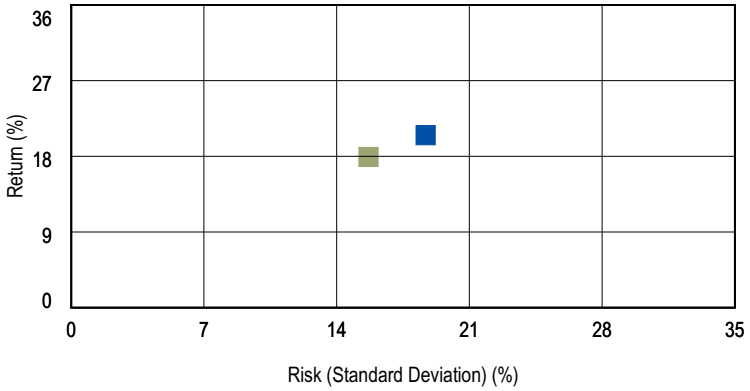
Risk vs. Return 5-Year Period Ended 12/31/13



Franklin Focused Core Equity Fund—Class A Without Sales Charge
S&P 500 Index

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

GLOSSARY

Alpha: Alpha measures the difference between a fund's actual returns and its expected returns given its risk level as measured by its beta. A positive alpha figure indicates the fund has performed better than its beta would predict. In contrast, a negative alpha indicates a fund has underperformed, given the expectations established by the fund's beta. Some investors see alpha as a measurement of the value added or subtracted by a fund's manager.
Benchmark: An unmanaged group of securities whose overall performance is used as a standard to measure investment performance.
Beta: A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of the overall market (or appropriate market index). The market (or index) is assigned a beta of 1.00, so a portfolio with a beta of 1.20 would have seen its share price rise or fall by 12% when the overall market rose or fell by 10%.
Information Ratio: In investing terminology, the ratio of expected return to risk. Usually, this statistical technique is used to measure a manager's performance against a benchmark. This measure explicitly relates the degree by which an investment has beaten the benchmark to the consistency by which the investment has beaten the benchmark.
Market Capitalization: A determination of a company's value, calculated by multiplying the total number of company stock shares outstanding by the price per share.
Price to Book Value (P/BV): The price per share of a stock divided by its book value (i.e., net worth) per share. For a portfolio, the ratio is the weighted average price/book ratio of the stocks it holds.
Price to Cash Flow (P/CF): Supplements price/earnings ratio as a measure of relative value; represents a weighted average of the price/cash flow ratios for the underlying fund holdings.
Price to Earnings (P/E): The share price of a stock, divided by its per-share earnings over the past year. For a portfolio, the weighted average P/E ratio of the stocks in the portfolio. P/E is a good indicator of market expectations about a company's prospects; the higher the P/E, the greater the expectations for a company's future growth in earnings.
R-Squared: A measure of how much of a portfolio's performance can be explained by the returns from the overall market (or a benchmark index). If a portfolio's total return precisely matched that of the overall market or benchmark, its R-squared would be 100. If a portfolio's return bore no relationship to the market's returns, its R-squared would be 0.
Sharpe Ratio: To calculate a Sharpe ratio, an asset's excess returns (its return in excess of the return generated by risk-free assets such as Treasury bills) are divided by the asset's standard deviation.
Standard Deviation: A measure of the degree to which a fund's return varies from its previous returns or from the average of all similar funds. The larger the standard deviation, the greater the likelihood (and risk) that a security's performance will fluctuate from the average return.
Tracking Error: Measure of the deviation of the return of a fund compared to the return of a benchmark over a fixed period of time. Expressed as a percentage. The more passively the investment fund is managed, the smaller the tracking error.

MARKET REVIEW

The US equity bull market that began in March 2009 continued during the fourth quarter of 2013 and capped the best annual gain for the US stock market since 1997. Stocks of industries closely tied to economic growth generally fared best during the quarter. All 10 major equity sectors advanced, led by industrials, information technology, consumer discretionary and materials, while the more defensive and interest-rate-sensitive utilities and telecommunication services sectors had smaller gains. In broad terms, fourth-quarter performance was led by large-capitalization stocks, followed by smaller advances for small- and mid-cap equities. By investment style, growth stocks generally gained more than their value counterparts among large- and mid-cap companies, while value stocks outperformed in the small-cap tier. Geographically, US equities outperformed those of most other developed markets, as well as most emerging markets, for the quarter.

Key macroeconomic indicators, both domestic and foreign, bolstered the US stock market, as did the removal of uncertainty about when the US Federal Reserve (Fed) would begin tapering its bond-buying program. Diminished fiscal headwinds, low interest rates and inflation, and continued strength in corporate earnings also had a positive impact. In addition to strength in data regarding housing, household wealth, consumer sentiment and retail spending, other indications of a modestly accelerating US economy heading into 2014 included a five-year low in unemployment, a five-year high in manufacturing output, record export levels and the fastest gross domestic product growth in nearly two years. Signs of progress outside the US also factored heavily in the equity market rally: The global economy resumed its momentum as trade grew at its fastest rate since early 2011, Europe reported modest growth as it emerged from recession, Japan addressed persistent deflation and appeared to be succeeding, and China proposed reforms that could lead to an economic transformation.

PERFORMANCE REVIEW AND CONTRIBUTORS TO PERFORMANCE

Performance Review

The financials, consumer staples and materials sectors were leading contributors to relative fund performance. In contrast, the energy, information technology and health care sectors detracted from relative returns.

In the financials sector, money management firm BlackRock reported a rise in third-quarter profit driven by asset growth--news that benefited the company's shares and the fund's results. Insurer The Hartford Financial Services Group also reported favorable third-quarter results, which boded well for its stock. In the consumer staples sector, pharmacy and health care services provider CVS Caremark helped results. The company reported third-quarter earnings ahead of consensus expectations, driven by its pharmacy benefits management business. Chlorovinyl chemical manufacturer Axiall, in the materials sector, was a top contributor as low energy input costs have been supportive of its business, as has the US housing recovery. Elsewhere, in the industrials sector, a stock-repurchasing plan and solid operating performance boosted shares of package delivery company FedEx. Additionally, railroad company Norfolk Southern reported a better-than-expected third quarter, with growth in transportation for general merchandise, news that benefited its shares. However, a position in railroad company Genesee & Wyoming dampened relative returns as its shares lagged the index's overall gain.

Detracting from relative performance in the fourth quarter was stock selection in the energy sector. Within the sector, Anadarko Petroleum hindered results as its shares fell in value, and positions in Schlumberger and Marathon Oil curbed relative returns as their shares underperformed the index's advance. In the information technology sector, shares of Maxim Integrated Products, Cisco Systems and EMC declined in value and hurt the fund's relative performance. However, there were several information technology holdings that contributed to relative returns, including MasterCard, Corning and Google. Shares of electronic payment processor MasterCard, in particular, showed strong growth momentum on improved card spending and positive third-quarter earnings results issued in October. The company's stock reached a 52-week high at December-end. Elsewhere, in the health care sector, positions in Roche Holding and Teva Pharmaceutical pressured relative performance.

Portfolio Positioning

The fund seeks long-term capital appreciation by investing primarily in equities of US companies. We generally strive to maintain a concentrated portfolio of equity securities of large-capitalization companies across the style spectrum from value to growth, selecting investments we believe represent the most compelling trade-off between growth potential, valuation and risk. The fund's industry and sector weightings are a residual of the bottom-up stock selection process, and no industry or sector is excluded.

The fund holds a smaller number of stocks--typically representing 30 to 40 companies--than many other funds, with a concentration in sectors, securities and industries in which we have the highest levels of conviction regarding capital appreciation potential. As of quarter-end, there were 34 positions in the portfolio.

In the fourth quarter of 2013, the fund's weightings increased in the information technology sector and decreased in the health care sector. Weightings remained relatively stable in the remaining sectors in the portfolio. The fund's most overweight sector relative to the benchmark during the reporting period was information technology. In contrast, the industrials and consumer staples sectors were most underweight in relative terms, and the fund had no exposure to the utilities and telecommunication services sectors as of quarter-end.

Outlook & Strategy

Broad US equity-market gauges ended 2013 at record levels powered by record-high corporate profits, increased dividend payouts, continued share repurchases and improved investor confidence. The Fed's decision to begin tapering its stimulus efforts also appeared to be positive for investor sentiment and could signal a favorable environment for earnings growth potential, in our view. After the market rise in 2013, valuations at year-end were generally closer to fair value, in our opinion. We would expect to see market performance driven less by multiple expansion and more by earnings growth in 2014.

There are a number of specific trends that led to particularly strong earnings growth for some companies in 2013 that we think could continue into 2014. For example, in the United States, consumer spending growth has boosted sales and profits for auto and auto parts manufacturers. Manufacturers that have developed advanced fuel-efficiency technologies have benefited from this trend, as well as the trend for more fuel-efficient cars. Fuel efficiency also has been a growth driver in aerospace, benefiting companies

The above commentary does not provide a complete analysis of every material fact regarding any market, region, industry, security, portfolio or pooled investment vehicle. Portfolio holdings information, opinions and other market or economic information and data provided are as of the date of the commentary, unless another date is expressly indicated, and may change without notice. Statements of fact cited by the manager have been obtained from sources considered reliable but no representation is made as to their completeness or accuracy. The manager's assessment of a particular industry, region, security, sector or investment is intended solely to provide insight into the manager's investment process and is not a recommendation to buy or sell any security, nor investment advice. References to particular securities or sectors are only for the limited purpose of illustrating general market or economic conditions and are not recommendations to buy or sell a security. Although historical data is no guarantee of future results, these insights may help you understand our investment management philosophy.

PERFORMANCE REVIEW AND CONTRIBUTORS TO PERFORMANCE (*CONTINUED)*

that have developed new high-strength, lightweight carbon fiber materials used in modern aircraft. This composite material is stronger than aluminum while being significantly lighter, and it is more reliable than other traditional metallic materials, all of which can lead to lower aircraft maintenance and fuel costs. Longer term, additional applications of these materials may include cars and other industrial products for which innovations that can reduce weight are highly valued.

Among other industrial companies, new technologies and methods for the production of oil and gas in the United States have driven profit growth for the developers of those technologies, as well as oil producers, and they have moved the country further down the road to energy independence. Our positive outlook for these firms is underpinned by the fact that combined oil and natural gas shale resources in the United States have put it on pace to potentially top Russia as the world's largest producer of both fuels, with the possibility of also surpassing Saudi Arabia as the world's largest oil producer by 2020, a somewhat startling shift that has been reshaping global energy markets.

Elsewhere, new developments in electronic technology have enabled brand-new content and Internet-focused industries to spring up, generating extraordinary revenue growth. Just one such strategic shift involves treating software as a service: Companies that provide as-needed delivery of software through cloud computing can give corporate purchasers access to state-of-the-art programs whose affordability might otherwise be out of their reach. Additionally, we have significant optimism about what we view as a new renaissance period for drug research, development and production. In 2013 alone, new developments in genetic mapping and analysis led to spectacular breakthroughs in the treatment of cancer, cystic fibrosis, multiple sclerosis and hepatitis C, creating billions of dollars of new market value for the discoverers of these treatments. Overall, we believe the biotech industry has reached a tipping point in terms of targeted therapies often termed "personalized medicine" because they target a specific molecule, which can both improve effectiveness and reduce the instance of off-target side effects.

These are just some of the examples of how the dynamic private economy in the United States and rapid technology changes for many industries have met our society's needs and driven the US stock market higher in recent years. Looking forward, we believe this dynamism will continue to raise living standards and could potentially deliver profit growth for many companies.

The above commentary does not provide a complete analysis of every material fact regarding any market, region, industry, security, portfolio or pooled investment vehicle. Portfolio holdings information, opinions and other market or economic information and data provided are as of the date of the commentary, unless another date is expressly indicated, and may change without notice. Statements of fact cited by the manager have been obtained from sources considered reliable but no representation is made as to their completeness or accuracy. The manager's assessment of a particular industry, region, security, sector or investment is intended solely to provide insight into the manager's investment process and is not a recommendation to buy or sell any security, nor investment advice. References to particular securities or sectors are only for the limited purpose of illustrating general market or economic conditions and are not recommendations to buy or sell a security. Although historical data is no guarantee of future results, these insights may help you understand our investment management philosophy.

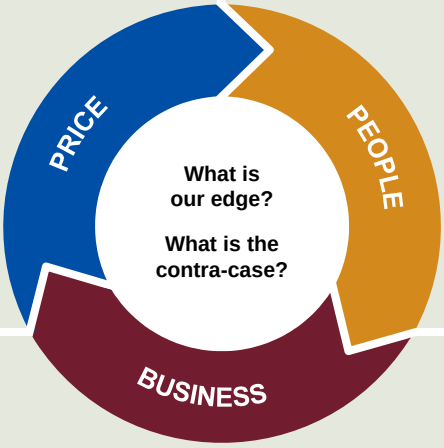
INVESTMENT PHILOSOPHY AND PROCESS

Philosophy

The Fund uses an opportunistic, high conviction, contrarian approach that seeks to identify mispriced companies using fundamental analysis. It seeks to take advantage of price dislocations that result from the market's short-term focus. Its flexibility to invest across the growth/value spectrum provides the potential to find what the team considers to be the most attractive investments.

Investment Process: Price, People and Business

- Estimate intrinsic value by applying conservative inputs
- Determine if a company's discount to intrinsic value is appropriate for the quality of the business
- Price discipline encourages patience and appropriate buy/sell decisions



- Evaluate if there is a focus on creating long-term value
- Research management's track record on capital allocation
- Look into how company leadership deals with adversity

Financial Metrics

- Determine the historical level and direction of margins and returns
- Evaluate the financial stability of the business

Downside Risk

- Assess the risks outlined in the annual report
- Consider low-probability, high-impact events

Competitive Position

- Look at the industry structure
- Assess the company's competitive advantage

INVESTMENT AND MANAGEMENT TEAM (AS OF 12/31/13)

Franklin Focused Core Equity Fund Management Team	Years with Firm	Years Experience
Brent Loder	7	8
Chris Anderson	1	8
Franklin Equity Group Management Team	**Years with Firm**	**Years Experience**
Edward Jamieson - CIO Franklin Equity Group	26	38
Edward Perks, CFA - Director of Portfolio Management	21	21
Coleen Barbeau, CFA - Director of Global Growth	30	33
Donald G. Taylor - CIO U.S. Value	17	32
Michael McCarthy, CFA - Director of Equity Research	21	22
Franklin Core/Hybrid Team	**Number of Members**	**Average Years Experience**
Investment Professionals	10	23

WHAT ARE THE RISKS

All investments involve risks, including possible loss of principal. To the extent the fund focuses on particular countries, regions, industries, sectors or types of investment from time to time, it may be subject to greater risks of adverse developments in such areas of focus than a fund that invests in a wider variety of countries, regions, industries, sectors or investments. The fund may have investments in both growth and value stocks, or in stocks with characteristics of both. Growth stock prices reflect projections of future earnings or revenues, and can, therefore, fall dramatically if the company fails to meet those projections. A value stock may not increase in price as anticipated by the investment manager if other investors fail to recognize the company's value and bid up the price, the markets favor faster-growing companies, or the factors that the investment manager believes will increase the price of the security do not occur. Foreign securities involve special risks, including currency fluctuations and economic and political uncertainties. These and other risks are described more fully in the fund's prospectus.

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EXPLANATORY NOTES

FUND CHARACTERISTICS

Number of Issuers: All portfolio holdings are subject to change. Holdings of the same issuer have been combined.

THIRD-PARTY FUND DATA

Morningstar Rating™: Source: Morningstar® 12/31/13. For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating™ based on how a fund ranks on a Morningstar Risk-Adjusted Return measure against other funds in the same category. This measure takes into account variations in a fund's monthly performance after adjusting for sales loads (except for load-waived A shares), redemption fees, and the risk free rate, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. Class A shares of Franklin Focused Core Equity Fund received a traditional Morningstar™ Rating of 1 and 4 star(s) for the 3- and 5-year periods, respectively. Load-waived Class A shares of Franklin Focused Core Equity Fund received Morningstar Ratings™ of 2 and 5 star(s) for the 3- and 5-year periods, respectively. The Morningstar Rating™ may differ among share classes of a mutual fund as a result of different sales loads and/or expense structure. **Past performance does not guarantee future results.** ©2014 Morningstar, Inc. All rights reserved. The information contained herein is proprietary to Morningstar and/or its content providers; may not be copied or distributed; and 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.

PERFORMANCE DATA

The fund offers other share classes subject to different fees and expenses, which will affect their performance.
Source for Index: FactSet. Indexes are unmanaged and one cannot invest directly in an index.

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PORTFOLIO DIVERSIFICATION

Top Ten Holdings: Holdings of the same issuer have been combined. Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change. The portfolio manager for the fund reserves the right to withhold release of information with respect to holdings that would otherwise be included. For updated information, call Franklin Templeton Investments at (800) DIAL BEN/(800) 342-5236 or visit franklintempleton.com.
Sector Weightings/Sector Overweight/Underweight: Weightings as percent of equity (unless otherwise noted). Percentage may not equal 100% due to rounding. Information is historical and may not reflect current or future portfolio characteristics.
Largest/Smallest Sector Contributors: Total effect represents the opportunity cost of investment decisions in a group relative to overall benchmark.
Source for Index: FactSet. Indexes are unmanaged and one cannot invest directly in an index.

PORTFOLIO CHARACTERISTICS

The portfolio characteristics listed are based on the fund's underlying holdings, and do not necessarily reflect the fund's characteristics. Due to data limitations all equity holdings are assumed to be the primary equity issue (usually the ordinary or common shares) of each security's issuing company. This methodology may cause small differences between the portfolio's reported characteristics and the portfolio's actual characteristics. In practice, Franklin Templeton's portfolio managers invest in the class or type of security which they believe is most appropriate at the time of purchase. The market capitalization figures for both the portfolio and the benchmark are at the security level, not aggregated up to the main issuer. All portfolio holdings are subject to change.
Source: FactSet. For the portfolio, the Price to Earnings, Price to Cash Flow, and Price to Book Value calculations for the weighted average use harmonic means. Values less than 0.01 (i.e., negative values) are excluded and values in excess of 200x are capped at 200x. For the benchmark, no limits are applied to these ratios in keeping with the benchmark's calculation methodology. Market capitalization statistics are indicated in the base currency for the portfolio presented.

PERFORMANCE RISK STATISTICS

Risk vs. Return: Risk is measured by the annualized standard deviation of monthly total returns. Performance of the fund does not include sales charges (if applicable), but it does include dividends and capital gains reinvested at net asset value.
Source for Index: FactSet. Indexes are unmanaged and one cannot invest directly in an index.
The fund offers other share classes subject to different fees and expenses, which will affect their performance.

FRANKLIN TEMPLETON INVESTMENTS

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

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