APRIL 30, 2013

SEMIANNUAL REPORT AND SHAREHOLDER LETTER

Franklin All Cap Value Fund

Franklin Balance Sheet Investment Fund

Franklin Large Cap Value Fund

Franklin MicroCap Value Fund

Franklin MidCap Value Fund

Franklin Small Cap Value Fund

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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.

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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.

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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.

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

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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 Value Investors Trust is organized into six portfolios, each managed in the same value spirit but with a different focus. While the Funds generally have distinct investment approaches, our fundamental operating principles remain the same: prudent investment selection and constant professional management. You can be confident the Funds' managers will remain committed to their commonsense, value investment philosophy in any economic or financial market environment. We believe our value Funds provide shareholders with attractively valued portfolios of well-managed, financially sound companies that possess the potential for solid earnings growth and, with patience, capital appreciation over the long term.

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

Franklin Value Investors Trust's semiannual report goes into greater detail about prevailing conditions during the period under review. In addition, the portfolio managers discuss Fund performance and you will also find performance data and financial information. Please remember all securities markets fluctuate, as do mutual fund share prices. We encourage you to discuss your goals with your financial advisor, who can review your overall portfolio, reassess your goals and help you stay focused on the long term.

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.

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

Sincerely,

William J. Lippman

President

Franklin Value Investors Trust

William J. Fippman

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 six-year low in U.S. foreclosures. Orders for manufactured goods and manufacturers' inventory reached record levels in March 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 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 All Cap Value Fund

Your Fund's Goal and Main Investments: Franklin All Cap Value Fund seeks long-term

total return by primarily investing in stocks of companies of any size that we believe are undervalued at the time of purchase and have the potential for capital appreciation.

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 All Cap Value Fund covers the period ended April 30, 2013.

Performance Overview

Franklin All Cap Value Fund – Class A delivered a +15.00% cumulative total return for the six months under review. In comparison, the Russell 3000[®] Value Index, which measures performance of those Russell 3000[®] Index companies with lower price-to-book ratios and lower forecasted growth values, generated a +16.33% total return. You can find more of the Fund's performance data in the Performance Summary beginning on page 7.

Investment Strategy

Our goal is to invest in stocks of companies of any size that we determine are currently undervalued and have the potential for capital appreciation. The Fund purchases securities that are out of favor in the market for reasons we believe will prove to be temporary in nature, or that appear to be inexpensive measured by factors such as price relative to earnings, book value or cash flow. In addition, the Fund may invest in companies with valuable intangibles we believe are not reflected in the stock price. This strategy is not aimed at short-term trading gains, nor do we consider the composition of any index. Rather, we try to identify attractively priced, financially sound companies that meet our investment criteria, and we assume at purchase that we will hold the positions for several years.

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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 55.

Manager's Discussion

During the six months under review, contributors to absolute performance encompassed several of the Fund's largest holdings. These included food processing equipment manufacturer John Bean Technologies, steel wire reinforcing products manufacturer Insteel Industries, helicopter transportation provider for the offshore energy industry, Bristow Group, energy equipment manufacturer Natural Gas Services Group and health care products manufacturer Johnson & Johnson.²

In contrast, detractors included helicopter transportation services provider PHI and oil and gas exploration and production company Apache. Other individual detractors included global software and services provider Microsoft, steel manufacturer Nucor and cable television provider Time Warner Cable.

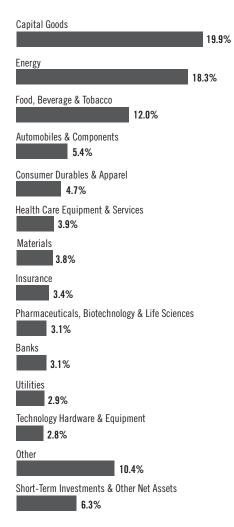
During the period, we initiated positions in eight new holdings, including diversified oil services company Baker Hughes, bank holding company Keycorp, auto safety systems company Autoliv, audio and infotainment manufacturer Harman International, outdoor power equipment manufacturer Briggs & Stratton, auto service and retail chain Pep Boys - Manny, Moe & Jack, color, flavor and fragrance manufacturer Sensient Technologies and Nucor, mentioned above.

We also added to several other existing positions including the aforementioned Insteel Industries, vehicle chassis manufacturer Spartan Motors, and intimate apparel manufacturer Maidenform Brands, among others.

We liquidated our positions in Microsoft, Xerox, Time Warner Cable, Rockwell Automation and Gardner Denver, the latter of which was subject to an all cash takeover offer from KKR. We also reduced several existing positions, including International Business Machines, Kaiser Aluminum and Becton, Dickinson.

Portfolio Breakdown

Franklin All Cap Value Fund Based on Total Net Assets as of 4/30/13



^{2.} The consumer discretionary sector comprises automobiles and components, consumer durables and apparel, media and retailing in the SOI.

Top 10 Equity Holdings Franklin All Cap Value Fund

4/30/13

Company Sector/Industry	% of Total Net Assets
John Bean Technologies Corp. Capital Goods	3.2%
PepsiCo Inc. Food, Beverage & Tobacco	3.2%
Bristow Group Inc. Energy	3.2%
Johnson & Johnson Pharmaceuticals, Biotechnology & Life Sciences	3.1%
Natural Gas Services Group Inc. Energy	3.0%
Archer-Daniels-Midland Co. Food, Beverage & Tobacco	2.6%
Insteel Industries Inc. Capital Goods	2.5%
PHI Inc. <i>Energy</i>	2.4%
Kaiser Aluminum Corp. <i>Materials</i>	2.3%
Eaton Corp. PLC Capital Goods	2.3%

Thank you for your participation in Franklin All Cap Value Fund. We look forward to serving your future investment needs.



William J. Lippman

William J. Lippman President and Co-Portfolio Manager



Steven B. Raineri Co-Portfolio Manager

Bruce C. Baughman, CPA Margaret McGee Donald G. Taylor, CPA

Portfolio Management Team Franklin All Cap Value 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 All Cap Value 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: FRAVX)		Change	4/30/13	10/31/12
Net Asset Value (NAV)		+\$1.29	\$10.52	\$9.23
Distributions (11/1/12-4/30/13)				
Dividend Income	\$0.0844			
Class C (Symbol: n/a)		Change	4/30/13	10/31/12
Net Asset Value (NAV)		+\$1.32	\$10.41	\$9.09
Distributions (11/1/12-4/30/13)				
Dividend Income	\$0.0183			
Class R (Symbol: n/a)		Change	4/30/13	10/31/12
Net Asset Value (NAV)		+\$1.33	\$10.54	\$9.21
Distributions (11/1/12-4/30/13)				
Dividend Income	\$0.0389			
Advisor Class (Symbol: n/a)		Change	4/30/13	10/31/12
Net Asset Value (NAV)		+\$1.28	\$10.56	\$9.28
Distributions (11/1/12-4/30/13)				

Performance Summary (continued)

Performance¹

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 (6/1/07)
Cumulative Total Return ²	+15.00%	+19.26%	+19.27%	+9.44%
Average Annual Total Return ³	+8.42%	+12.44%	+2.36%	+0.52%
Value of \$10,000 Investment ⁴	\$10,842	\$11,244	\$11,237	\$10,314
Avg. Ann. Total Return (3/31/13) ⁵		+10.66%	+3.56%	+0.56%
Total Annual Operating Expenses ⁶				
Without Waiver	1.6	59%		
With Waiver	1.2	26%		
Class C	6-Month	1-Year	5-Year	Inception (6/1/07)
Cumulative Total Return ²	+14.75%	+18.53%	+15.28%	+5.16%
Average Annual Total Return ³	+13.75%	+17.53%	+2.89%	+0.85%
Value of \$10,000 Investment ⁴	\$11,375	\$11,753	\$11,528	\$10,516
Avg. Ann. Total Return (3/31/13) ⁵		+15.63%	+4.07%	+0.90%
Total Annual Operating Expenses ⁶				
Without Waiver	2.3	39%		
With Waiver	1.9	96%		
Class R	6-Month	1-Year	5-Year	Inception (6/1/07)
Cumulative Total Return ²	+14.91%	+18.91%	+18.26%	+8.31%
Cumulative Total Return ² Average Annual Total Return ³	+14.91% +14.91%	+18.91% +18.91%	+18.26% +3.41%	+8.31% +1.36%
Average Annual Total Return ³	+14.91%	+18.91%	+3.41%	+1.36%
Average Annual Total Return ³ Value of \$10,000 Investment ⁴	+14.91%	+18.91% \$11,891	+3.41%	+1.36% \$10,831
Average Annual Total Return ³ Value of \$10,000 Investment ⁴ Avg. Ann. Total Return (3/31/13) ⁵	+14.91% \$11,491	+18.91% \$11,891	+3.41%	+1.36% \$10,831
Average Annual Total Return ³ Value of \$10,000 Investment ⁴ Avg. Ann. Total Return (3/31/13) ⁵ Total Annual Operating Expenses ⁶	+14.91% \$11,491	+18.91% \$11,891 +17.17%	+3.41%	+1.36% \$10,831
Average Annual Total Return ³ Value of \$10,000 Investment ⁴ Avg. Ann. Total Return (3/31/13) ⁵ Total Annual Operating Expenses ⁶ Without Waiver	+14.91% \$11,491	+18.91% \$11,891 +17.17%	+3.41%	+1.36% \$10,831
Average Annual Total Return ³ Value of \$10,000 Investment ⁴ Avg. Ann. Total Return (3/31/13) ⁵ Total Annual Operating Expenses ⁶ Without Waiver With Waiver	+14.91% \$11,491 1.8	+18.91% \$11,891 +17.17%	+3.41% \$11,826 +4.60%	+1.36% \$10,831 +1.41%
Average Annual Total Return ³ Value of \$10,000 Investment ⁴ Avg. Ann. Total Return (3/31/13) ⁵ Total Annual Operating Expenses ⁶ Without Waiver With Waiver Advisor Class	+14.91% \$11,491 1.8 1.4	+18.91% \$11,891 +17.17% 39% 46% 1-Year	+3.41% \$11,826 +4.60%	+1.36% \$10,831 +1.41%
Average Annual Total Return ³ Value of \$10,000 Investment ⁴ Avg. Ann. Total Return (3/31/13) ⁵ Total Annual Operating Expenses ⁶ Without Waiver With Waiver Advisor Class Cumulative Total Return ²	+14.91% \$11,491 1.8 1.4 6-Month +15.14%	+18.91% \$11,891 +17.17% 39% 46% 1-Year +19.65%	+3.41% \$11,826 +4.60% 5-Year +21.15%	+1.36% \$10,831 +1.41% Inception (6/1/07) +11.52%
Average Annual Total Return ³ Value of \$10,000 Investment ⁴ Avg. Ann. Total Return (3/31/13) ⁵ Total Annual Operating Expenses ⁶ Without Waiver With Waiver Advisor Class Cumulative Total Return ² Average Annual Total Return ³	+14.91% \$11,491 1.8 1.4 6-Month +15.14% +15.14%	+18.91% \$11,891 +17.17% 39% 46% 1-Year +19.65%	+3.41% \$11,826 +4.60% 5-Year +21.15% +3.91%	+1.36% \$10,831 +1.41% Inception (6/1/07) +11.52% +1.86%
Average Annual Total Return ³ Value of \$10,000 Investment ⁴ Avg. Ann. Total Return (3/31/13) ⁵ Total Annual Operating Expenses ⁶ Without Waiver With Waiver Advisor Class Cumulative Total Return ² Average Annual Total Return ³ Value of \$10,000 Investment ⁴	+14.91% \$11,491 1.8 1.4 6-Month +15.14% +15.14%	+18.91% \$11,891 +17.17% 39% 46% 1-Year +19.65% +19.65% \$11,965	+3.41% \$11,826 +4.60% 5-Year +21.15% +3.91% \$12,115	+1.36% \$10,831 +1.41% Inception (6/1/07) +11.52% +1.86% \$11,152
Average Annual Total Return ³ Value of \$10,000 Investment ⁴ Avg. Ann. Total Return (3/31/13) ⁵ Total Annual Operating Expenses ⁶ Without Waiver With Waiver Advisor Class Cumulative Total Return ² Average Annual Total Return ³ Value of \$10,000 Investment ⁴ Avg. Ann. Total Return (3/31/13) ⁵	+14.91% \$11,491 1.8 1.4 6-Month +15.14% +15.14% \$11,514	+18.91% \$11,891 +17.17% 39% 46% 1-Year +19.65% +19.65% \$11,965	+3.41% \$11,826 +4.60% 5-Year +21.15% +3.91% \$12,115	+1.36% \$10,831 +1.41% Inception (6/1/07) +11.52% +1.86% \$11,152

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 fund fees and expenses) for each class of the Fund do not exceed 0.95% (other than certain nonroutine expenses) until 2/28/14.

Performance Summary (continued)

Endnotes

All investments involve risks, including possible loss of principal. Value securities may not increase in price as anticipated or may decline further in value. While smaller and midsize companies may offer substantial opportunities for capital growth, they also involve heightened risks and should be considered speculative. Historically, smaller and midsize company securities have been more volatile in price than larger company securities, especially over the short term. The Fund may invest up to 25% of its total assets in foreign securities, which may involve special risks, including currency fluctuations and economic 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.

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 the expense reduction, 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. 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 All Cap Value 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 \div $1,000 = 8.6$.
- 2. Multiply the result by the number under the heading "Expenses Paid During Period." If Expenses Paid During Period were \$7.50, then $8.6 \times 7.50 = 64.50$.

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	\$1,150.00	\$ 6.50
Hypothetical (5% return before expenses)	\$1,000	\$1,018.74	\$ 6.11
Class C			
Actual	\$1,000	\$1,147.50	\$10.22
Hypothetical (5% return before expenses)	\$1,000	\$1,015.27	\$ 9.59
Class R			
Actual	\$1,000	\$1,149.10	\$ 7.57
Hypothetical (5% return before expenses)	\$1,000	\$1,017.75	\$ 7.10
Advisor Class			
Actual	\$1,000	\$1,151.40	\$ 4.91
Hypothetical (5% return before expenses)	\$1,000	\$1,020.23	\$ 4.61

^{*}Expenses are calculated using the most recent six-month expense ratio, net of expense waivers, annualized for each class (A: 1.22%; C: 1.92%; R: 1.42%; and Advisor: 0.92%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

Franklin Balance Sheet Investment Fund

Your Fund's Goal and Main Investments: Franklin Balance Sheet Investment Fund seeks high total return, of which capital appreciation and income are components, by investing most of its assets in equity securities of companies of any size that we believe are undervalued in the marketplace at the time of purchase but have the potential for capital appreciation.

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 Balance Sheet Investment Fund's semiannual report for the period ended April 30, 2013.

Performance Overview

Franklin Balance Sheet Investment Fund – Class A delivered a cumulative total return of +18.36% for the six months under review. In comparison, the Russell 3000® Value Index, which measures performance of those Russell 3000[®] Index companies with lower price-to-book ratios and lower forecasted growth values, generated a +16.33% total return. Although this report covers a six-month period, our investment strategy aims for long-term results. You can find the Fund's long-term performance data in the Performance Summary beginning on page 15.

Investment Strategy

Our strategy is to buy shares of financially sound, well-established companies at a low price-to-book value when we have reasonable confidence that book value will increase over several years. Book value per share is a company's net worth or shareholders' equity on an accounting or "book" basis, divided by shares outstanding. We generally define "low price-to-book value" as the lower two deciles (20%) of our investable universe, which we derive from a proprietary database for screening purposes. This strategy is not aimed at short-term trading gains, nor do we consider the composition of any index. Rather, we try to identify individual companies that meet our investment criteria, and we assume at purchase that we will hold the positions for several years.

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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 62.

Manager's Discussion

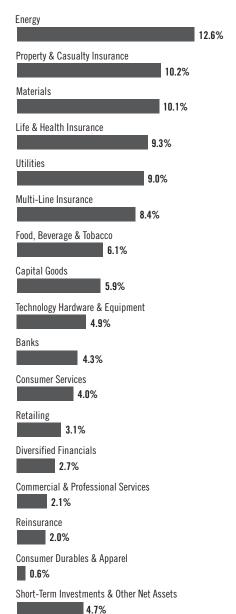
On April 30, 2013, the Fund's total net assets were \$1.32 billion, with shortterm investments and other net assets making up 4.7%, compared with total net assets of \$1.28 billion and short-term investments and other net assets of 2.4% on October 31, 2012. During the six-month period, we identified two new investment opportunities: oil and natural gas exploration and production company Devon Energy and restaurant chain operator Ruby Tuesday. We also added to existing positions in global agribusiness and food company Bunge, cruise ship operator Royal Caribbean Cruises and bank holding company Comerica, among others. Cash deployed into new or existing positions totaled \$75 million.

Portfolio sales totaled \$248 million. During the period, we liquidated the following holdings: Actavis (formerly Watson Pharmaceuticals), Teekay, CNH Global, Callaway Golf, Werner Enterprises, Texas Industries, and ConocoPhillips and its spin-off, Phillips 66. We also reduced numerous positions including Bristow Group, OfficeMax and Kaiser Aluminum.

During the six-month reporting period, contributors to absolute Fund performance included OfficeMax (office supplies retailer), as it was the subject of a takeover offer at a 20% premium to its then share price. A number of financials sector holdings such as insurers Old Republic International, StanCorp Financial Group, E-L Financial and Assurant also contributed.² In contrast, detractors included energy sector holdings PHI, Devon Energy and ConocoPhillips. ESCO Technologies in the industrials sector and the aforementioned Actavis in the health care sector also hindered results.

Portfolio Breakdown

Franklin Balance Sheet Investment Fund Based on Total Net Assets as of 4/30/13



^{2.} The financials sector comprises banks, diversified financials, life and health insurance, multi-line insurance, property and casualty insurance, and reinsurance in the SOI.

Top 10 Equity Holdings

Franklin Balance Sheet Investment Fund 4/30/13

Company Sector/Industry	% of Total Net Assets
Citigroup Inc. Diversified Financials	2.7%
The Travelers Cos. Inc. Property & Casualty Insurance	2.7%
E-L Financial Corp. Ltd. (Canada) Multi-Line Insurance	2.6%
Kaiser Aluminum Corp. <i>Materials</i>	2.6%
Old Republic International Corp. Property & Casualty Insurance	2.5%
Prudential Financial Inc. Life & Health Insurance	2.5%
The Chubb Corp. Property & Casualty Insurance	2.5%
StanCorp Financial Group Inc. Life & Health Insurance	2.5%
Selective Insurance Group Inc. Property & Casualty Insurance	2.5%
Assurant Inc. Multi-Line Insurance	2.5%

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



Bune C Bourghman

Bruce C. Baughman, CPA Co-Portfolio Manager



Grace Hoefig Co-Portfolio Manager

William J. Lippman Margaret McGee Donald G. Taylor, CPA

Portfolio Management Team Franklin Balance Sheet Investment 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 Balance Sheet Investment 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: FRBSX)		Change	4/30/13	10/31/12
Net Asset Value (NAV)		+\$4.68	\$47.69	\$43.01
Distributions (11/1/12-4/30/13)				
Dividend Income	\$0.6577			
Short-Term Capital Gain	\$0.0271			
Long-Term Capital Gain	\$2.1317			
Total	\$2.8165			
Class C (Symbol: FCBSX)		Change	4/30/13	10/31/12
Net Asset Value (NAV)		+\$4.69	\$46.79	\$42.10
Distributions (11/1/12-4/30/13)				
Dividend Income	\$0.3518			
Short-Term Capital Gain	\$0.0271			
Long-Term Capital Gain	\$2.1317			
Total	\$2.5106			
Class R (Symbol: FBSRX)		Change	4/30/13	10/31/12
Net Asset Value (NAV)		+\$4.72	\$47.67	\$42.95
Distributions (11/1/12-4/30/13)				
Dividend Income	\$0.5614			
Short-Term Capital Gain	\$0.0271			
Long-Term Capital Gain	\$2.1317			
Total	\$2.7202			
Advisor Class (Symbol: FBSAX)		Change	4/30/13	10/31/12
Net Asset Value (NAV)		+\$4.77	\$48.56	\$43.79
Distributions (11/1/12-4/30/13)				
Dividend Income	\$0.7791			
Short-Term Capital Gain	\$0.0271			
Long-Term Capital Gain	\$2.1317			

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	+18.36%	+20.38%	+18.27%	+135.46%
Average Annual Total Return ²	+11.57%	+13.46%	+2.20%	+8.30%
Value of \$10,000 Investment ³	\$11,157	\$11,346	\$11,148	\$22,192
Avg. Ann. Total Return (3/31/13)4		+12.84%	+3.33%	+8.90%
Total Annual Operating Expenses ⁵	0.9	99%		
Class C	6-month	1-Year	5-Year	10-Year
Cumulative Total Return ¹	+17.93%	+19.47%	+13.77%	+118.06%
Average Annual Total Return ²	+16.93%	+18.47%	+2.61%	+8.11%
Value of \$10,000 Investment ³	\$11,693	\$11,847	\$11,377	\$21,806
Avg. Ann. Total Return (3/31/13) ⁴		+17.83%	+3.75%	+8.71%
Total Annual Operating Expenses ⁵	1.	74%		
Class R	6-month	1-Year	5-Year	10-Year
Cumulative Total Return ¹	+18.22%	+20.06%	+17.20%	+130.23%
Cumulative Total Return ¹ Average Annual Total Return ²	+18.22%	+20.06% +20.06%	+17.20% +3.23%	
				+130.23%
Average Annual Total Return ²	+18.22%	+20.06%	+3.23%	+130.23% +8.70%
Average Annual Total Return ² Value of \$10,000 Investment ³	+18.22% \$11,822	+20.06%	+3.23% \$11,720	+130.23% +8.70% \$23,023
Average Annual Total Return ² Value of \$10,000 Investment ³ Avg. Ann. Total Return (3/31/13) ⁴	+18.22% \$11,822	+20.06% \$12,006 +19.45%	+3.23% \$11,720	+130.23% +8.70% \$23,023
Average Annual Total Return ² Value of \$10,000 Investment ³ Avg. Ann. Total Return (3/31/13) ⁴ Total Annual Operating Expenses ⁵	+18.22% \$11,822	+20.06% \$12,006 +19.45%	+3.23% \$11,720 +4.37%	+130.23% +8.70% \$23,023 +9.31%
Average Annual Total Return ² Value of \$10,000 Investment ³ Avg. Ann. Total Return (3/31/13) ⁴ Total Annual Operating Expenses ⁵ Advisor Class	+18.22% \$11,822 1.:	+20.06% \$12,006 +19.45% 24%	+3.23% \$11,720 +4.37%	+130.23% +8.70% \$23,023 +9.31%
Average Annual Total Return ² Value of \$10,000 Investment ³ Avg. Ann. Total Return (3/31/13) ⁴ Total Annual Operating Expenses ⁵ Advisor Class Cumulative Total Return ¹	+18.22% \$11,822 1.: 6-month +18.51%	+20.06% \$12,006 +19.45% 24% 1-Year +20.66%	+3.23% \$11,720 +4.37% 5-Year +21.44%	+130.23% +8.70% \$23,023 +9.31% 10-Year +144.69%
Average Annual Total Return ² Value of \$10,000 Investment ³ Avg. Ann. Total Return (3/31/13) ⁴ Total Annual Operating Expenses ⁵ Advisor Class Cumulative Total Return ¹ Average Annual Total Return ²	+18.22% \$11,822 1.3 6-month +18.51% +18.51%	+20.06% \$12,006 +19.45% 24% 1-Year +20.66%	+3.23% \$11,720 +4.37% 5-Year +21.44% +3.96%	+130.23% +8.70% \$23,023 +9.31% 10-Year +144.69% +9.36%
Average Annual Total Return ² Value of \$10,000 Investment ³ Avg. Ann. Total Return (3/31/13) ⁴ Total Annual Operating Expenses ⁵ Advisor Class Cumulative Total Return ¹ Average Annual Total Return ² Value of \$10,000 Investment ³	+18.22% \$11,822 1.3 6-month +18.51% +18.51% \$11,851	+20.06% \$12,006 +19.45% 24% 1-Year +20.66% +20.66% \$12,066	+3.23% \$11,720 +4.37% 5-Year +21.44% +3.96% \$12,144	+130.23% +8.70% \$23,023 +9.31% 10-Year +144.69% +9.36% \$24,469

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. Value securities may not increase in price as anticipated or may decline further in value. While smaller and midsize companies may offer substantial opportunities for capital growth, they also involve heightened risks and should be considered speculative. Historically, smaller and midsize company securities have been more volatile in price than larger company securities, especially over the short term. The Fund may invest up to 25% of its total assets in foreign securities, which may involve special risks, including currency fluctuations and economic 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: 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

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. 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 Balance Sheet Investment 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 \div $1,000 = 8.6$.
- 2. Multiply the result by the number under the heading "Expenses Paid During Period." If Expenses Paid During Period were \$7.50, then $8.6 \times 7.50 = 64.50$.

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	\$1,183.60	\$5.52
Hypothetical (5% return before expenses)	\$1,000	\$1,019.74	\$5.11
Class C			
Actual	\$1,000	\$1,179.30	\$9.56
Hypothetical (5% return before expenses)	\$1,000	\$1,016.02	\$8.85
Class R			
Actual	\$1,000	\$1,182.20	\$6.87
Hypothetical (5% return before expenses)	\$1,000	\$1,018.50	\$6.36
Advisor Class			
Actual	\$1,000	\$1,185.10	\$4.17
Hypothetical (5% return before expenses)	\$1,000	\$1,020.98	\$3.86

^{*}Expenses are calculated using the most recent six-month expense ratio, annualized for each class (A: 1.02%; C: 1.77%; R: 1.27%; and Advisor: 0.77%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

Franklin Large Cap Value Fund

Your Fund's Goal and Main Investments: Franklin Large Cap Value Fund seeks long-

term capital appreciation by investing at least 80% of its net assets in large capitalization companies that we believe are undervalued. We define large capitalization companies as those with market capitalizations that are similar in size at the time of purchase to those in the Russell 1000® Index.1

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 Large Cap Value Fund covers the period ended April 30, 2013.

Performance Overview

Franklin Large Cap Value Fund – Class A delivered a +14.57% cumulative total return for the six months under review. In comparison, the Russell 1000® Value Index, which measures performance of those Russell 1000[®] Index companies with lower price-to-book ratios and lower forecasted growth values, generated a total return of +16.31%.² Although this report covers a six-month period, our investment strategy aims for long-term results. You can find the Fund's long-term performance data in the Performance Summary beginning on page 23.

Investment Strategy

We seek to invest in securities of large capitalization companies that we believe are selling below their underlying worth and hold them until they reach what we consider their fair market value. Our aim is to construct a diversified portfolio of fundamentally sound companies purchased at attractive prices, often when they are out of favor with other investors for reasons we believe are temporary. Portfolio securities are selected without regard to benchmark comparisons and are based on fundamental, bottom-up research focusing on several criteria, such as low price relative to earnings, cash flow or book value. We also consider stocks with recent sharp price declines that we believe still have significant growth potential or that possess valuable intangibles not reflected in the stock price.

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 69.

^{1.} The Russell 1000® Index is market capitalization weighted and measures performance of the largest companies in the Russell 3000® Index, which represents the majority of the U.S. market's total market capitalization.

^{2.} 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 reinvested dividends. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

Manager's Discussion

During the six months under review, financials sector holdings contributed to absolute Fund performance, most notably institutional financial products and services provider State Street, financial conglomerate Citigroup, and property and casualty insurer Allstate.³ Consumer discretionary and health care sector holdings also contributed to results, especially auto components and building efficiency manufacturer Johnson Controls and biopharmaceutical firm Gilead Sciences.⁴ The Fund's industrials sector holdings also aided performance.⁵

In contrast, detractors from performance included several energy sector holdings including oil and gas exploration and production companies Apache, Devon Energy and Exxon Mobil. Health care company Teva Pharmaceutical Industries and aluminum manufacturer Alcoa also hindered performance.

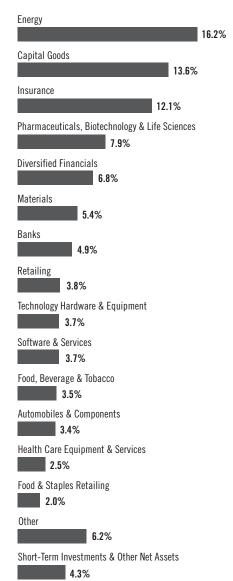
During the six-month period, the Fund initiated positions in the largest U.S. drug store operator Walgreen, electric utility Exelon and discount retailer Family Dollar Stores. We also increased our positions in the aforementioned Apache, agribusiness and food company Bunge, and petroleum refiner and marketer Valero Energy, among others.

We liquidated our positions in Johnson & Johnson and Abbott Laboratories. We also reduced our holdings in Xerox, State Street and Wal-Mart Stores, among others.

- 3. The financials sector comprises banks, diversified financials and insurance in the SOI.
- 4. The consumer discretionary sector comprises consumer durables and apparel, consumer services and retailing in the SOI. The health care sector comprises health care equipment and services; and pharmaceuticals, biotechnology and life sciences in the SOI.
- 5. The industrials sector comprises capital goods and transportation in the SOI.

Portfolio Breakdown

Franklin Large Cap Value Fund Based on Total Net Assets as of 4/30/13



Top 10 Equity Holdings Franklin Large Cap Value Fund 4/30/13

Company Sector/Industry	% of Total Net Assets
Citigroup Inc. Diversified Financials	2.6%
The Allstate Corp. Insurance	2.4%
Nucor Corp. <i>Materials</i>	2.2%
Eaton Corp. PLC Capital Goods	2.2%
Prudential Financial Inc. Insurance	2.2%
MetLife Inc. Insurance	2.2%
State Street Corp. Diversified Financials	2.1%
Johnson Controls Inc. Automobiles & Components	2.1%
Aflac Inc. Insurance	2.0%
Gilead Sciences Inc. Pharmaceuticals, Biotechnology of Life Sciences	2.0% &

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



William J. Fippman

William J. Lippman President and Lead Portfolio Manager

Bruce C. Baughman, CPA Margaret McGee Donald G. Taylor, CPA

Portfolio Management Team Franklin Large Cap Value 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 Large Cap Value 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: FLVAX)		Change	4/30/13	10/31/12
Net Asset Value (NAV)		+\$1.74	\$14.79	\$13.05
Distributions (11/1/12-4/30/13)				
Dividend Income	\$0.1439			
Class C (Symbol: FLCVX)		Change	4/30/13	10/31/12
Net Asset Value (NAV)		+\$1.77	\$14.68	\$12.91
Distributions (11/1/12-4/30/13)				
Dividend Income	\$0.0549			
Class R (Symbol: FLCRX)		Change	4/30/13	10/31/12
Net Asset Value (NAV)		+\$1.74	\$14.68	\$12.94
Distributions (11/1/12-4/30/13)				
Dividend Income	\$0.1159			
Advisor Class (Symbol: n/a)		Change	4/30/13	10/31/12
Net Asset Value (NAV)		+\$1.72	\$14.73	\$13.01
Distributions (11/1/12-4/30/13)				
Dividend Income	\$0.1845			

Performance Summary (continued)

Performance¹

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 ²	+14.57%	+15.46%	+8.77%	+75.86%
Average Annual Total Return ³	+7.95%	+8.82%	+0.50%	+5.18%
Value of \$10,000 Investment ⁴	\$10,795	\$10,882	\$10,254	\$16,574
Avg. Ann. Total Return (3/31/13) ⁵		+7.29%	+1.39%	+5.85%
Total Annual Operating Expenses ⁶	1.	40%		
Class C	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return ²	+14.19%	+14.72%	+5.05%	+64.35%
Average Annual Total Return ³	+13.19%	+13.72%	+0.99%	+5.09%
Value of \$10,000 Investment ⁴	\$11,319	\$11,372	\$10,505	\$16,435
Avg. Ann. Total Return (3/31/13) ⁵		+11.94%	+1.86%	+5.74%
Total Annual Operating Expenses ⁶	2.	11%		
Class R	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return ²	+14.45%	+15.25%	+7.62%	+72.54%
Cumulative Total Return ² Average Annual Total Return ³	+14.45% +14.45%	+15.25% +15.25%	+7.62% +1.48%	+72.54% +5.61%
Average Annual Total Return ³	+14.45%	+15.25%	+1.48%	+5.61%
Average Annual Total Return ³ Value of \$10,000 Investment ⁴	+14.45% \$11,445	+15.25% \$11,525	+1.48% \$10,762	+5.61% \$17,254
Average Annual Total Return ³ Value of \$10,000 Investment ⁴ Avg. Ann. Total Return (3/31/13) ⁵	+14.45% \$11,445	+15.25% \$11,525 +13.56%	+1.48% \$10,762	+5.61% \$17,254
Average Annual Total Return ³ Value of \$10,000 Investment ⁴ Avg. Ann. Total Return (3/31/13) ⁵ Total Annual Operating Expenses ⁶	+14.45% \$11,445	+15.25% \$11,525 +13.56%	+1.48% \$10,762 +2.37%	+5.61% \$17,254 +6.27%
Average Annual Total Return ³ Value of \$10,000 Investment ⁴ Avg. Ann. Total Return (3/31/13) ⁵ Total Annual Operating Expenses ⁶ Advisor Class ⁷	+14.45% \$11,445 1. 6-Month	+15.25% \$11,525 +13.56% 61% 1-Year	+1.48% \$10,762 +2.37%	+5.61% \$17,254 +6.27%
Average Annual Total Return ³ Value of \$10,000 Investment ⁴ Avg. Ann. Total Return (3/31/13) ⁵ Total Annual Operating Expenses ⁶ Advisor Class ⁷ Cumulative Total Return ²	+14.45% \$11,445 1. 6-Month +14.82%	+15.25% \$11,525 +13.56% 61% 1-Year +15.79%	+1.48% \$10,762 +2.37% 5-Year +10.42%	+5.61% \$17,254 +6.27% 10-Year +80.04%
Average Annual Total Return ³ Value of \$10,000 Investment ⁴ Avg. Ann. Total Return (3/31/13) ⁵ Total Annual Operating Expenses ⁶ Advisor Class ⁷ Cumulative Total Return ² Average Annual Total Return ³	+14.45% \$11,445 1. 6-Month +14.82% +14.82%	+15.25% \$11,525 +13.56% 61% 1-Year +15.79%	+1.48% \$10,762 +2.37% 5-Year +10.42% +2.00%	+5.61% \$17,254 +6.27% 10-Year +80.04% +6.06%
Average Annual Total Return ³ Value of \$10,000 Investment ⁴ Avg. Ann. Total Return (3/31/13) ⁵ Total Annual Operating Expenses ⁶ Advisor Class ⁷ Cumulative Total Return ² Average Annual Total Return ³ Value of \$10,000 Investment ⁴	+14.45% \$11,445 1. 6-Month +14.82% +14.82% \$11,482	+15.25% \$11,525 +13.56% 61% 1-Year +15.79% +15.79% \$11,579	+1.48% \$10,762 +2.37% 5-Year +10.42% +2.00% \$11,042	+5.61% \$17,254 +6.27% 10-Year +80.04% +6.06% \$18,004

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. These price movements may result from factors affecting individual companies, industries or the securities market as a whole. The Fund may invest up to 25% of its total assets in foreign securities, which may involve special risks, including currency fluctuations and economic 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: 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. 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. 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.
- 7. Effective 11/1/05, 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 11/1/05, 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 11/1/05, actual Advisor Class performance is used reflecting all charges and fees applicable to that class. Since 11/1/05 (commencement of sales), the cumulative and average annual total returns of Advisor Class shares were +31.51% and +3.72%.

Your Fund's Expenses

Franklin Large Cap Value 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 \div $1,000 = 8.6$.
- 2. Multiply the result by the number under the heading "Expenses Paid During Period." If Expenses Paid During Period were \$7.50, then $8.6 \times 7.50 = 64.50$.

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	\$1,145.70	\$ 7.29
Hypothetical (5% return before expenses)	\$1,000	\$1,018.00	\$ 6.85
Class C			
Actual	\$1,000	\$1,141.90	\$11.05
Hypothetical (5% return before expenses)	\$1,000	\$1,014.48	\$10.39
Class R			
Actual	\$1,000	\$1,144.50	\$ 8.40
Hypothetical (5% return before expenses)	\$1,000	\$1,016.96	\$ 7.90
Advisor Class			
Actual	\$1,000	\$1,148.20	\$ 5.75
Hypothetical (5% return before expenses)	\$1,000	\$1,019.44	\$ 5.41

^{*}Expenses are calculated using the most recent six-month expense ratio, annualized for each class (A: 1.37%; C: 2.08%; R: 1.58%; and Advisor: 1.08%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

Franklin MicroCap Value Fund

Your Fund's Goal and Main Investments: Franklin MicroCap Value Fund seeks high total return, of which capital appreciation and income are components, by investing at least 80% of its net assets in securities of companies with market capitalizations under \$500 million at the time of purchase that we believe are undervalued in the marketplace.1

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 MicroCap Value Fund covers the period ended April 30, 2013.

Performance Overview

Franklin MicroCap Value Fund – Class A delivered a +14.93% cumulative total return for the six months under review. In comparison, the Russell 2000® Value Index, which measures performance of those Russell 2000[®] Index companies with lower price-to-book ratios and lower forecasted growth values, generated a +16.58% total return.² Although this report covers a six-month period, our investment strategy aims for long-term results. You can find the Fund's long-term performance data in the Performance Summary beginning on page 31.

Investment Strategy

Our strategy is to buy shares of financially sound, well-established companies at a low price-to-book value, where we have reasonable confidence that book value will increase over several years. We limit purchases to companies with market capitalizations of less than \$500 million, which we define as "microcap." Book value per share is a company's net worth or shareholders' equity on an accounting or "book" basis, divided by shares outstanding. This strategy is not aimed at short-term trading gains, nor do we consider the composition of any index. Rather, we try to identify individual companies that meet our investment criteria, and we assume at purchase that we will hold the positions for several years.

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 74.

^{1.} Effective 12/10/12, the maximum market capitalization for each investment that the Fund can invest in increased from \$400 million at time of purchase to \$500 million.

^{2.} 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 reinvested dividends. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

Manager's Discussion

On April 30, 2013, the Fund's total net assets were \$463.5 million, with shortterm investments and other net assets making up 20.1%, compared with total net assets of \$367.9 million and short-term investments and other net assets of 9.3% on October 31, 2012. The Fund closed to new investors (with the exception of certain retirement accounts) in January 2004 and has remained closed except for two days in mid-February 2013. We opened the Fund on a limited basis so that we might increase the number of shareholders and broaden our investor base. The Fund's being closed does not restrict existing shareholders from adding to or reducing their investments in the Fund, except that once an account is reduced to zero, it may not be reopened unless the Fund reopens.

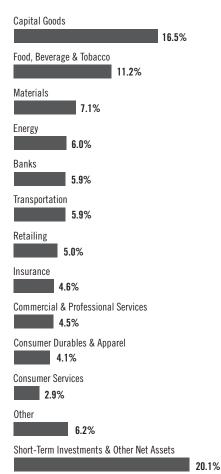
We identified seven new investment opportunities during the period under review: restaurant chain operator Ruby Tuesday, oil and gas drilling equipment provider Tesco, gaming company Full House Resorts, oil and gas drilling contractor Parker Drilling, oil and gas exploration and production company Magellan Petroleum, offshore oil and gas construction contractor Cal Dive International, and specialty insurance and reinsurance holding company American Safety Insurance Holdings. We also added to existing positions in cement maker and contractor Monarch Cement, fish meal and oil products producer Omega Protein, and bank holding company Penseco Financial Services, among others. Cash deployed into new and existing positions totaled \$25.1 million during the period.

Portfolio sales over the semiannual period totaled \$39.2 million. We liquidated positions in Bassett Furniture Industries, Destination XL Group (formerly Casual Male Retail Group), LCNB, Unifi, Tandy Brands Accessories, Coast Distribution System and Presidential Life, which was acquired by Athene Holdings. We reduced positions in Haverty Furniture, Saia and American Pacific, among others.

During the six months under review, contributors to absolute Fund performance included American Pacific (specialty chemicals), Saia (less than truckload carrier), the aforementioned Omega Protein, Haverty Furniture (furniture retailer) and Hardinge (machine tools). In contrast, detractors included PHI (helicopter transportation services), Delta Apparel (T-shirt manufacturer), Cobra Electronics (mobile communication products manufacturer), Healthcare Services Group (nursing, home housekeeping and food service) and ALCO Stores (general merchandise retailer).

Portfolio Breakdown

Franklin MicroCap Value Fund Based on Total Net Assets as of 4/30/13



Top 10 Equity Holdings Franklin MicroCap Value Fund 4/30/13

Company Sector/Industry	% of Total Net Assets
Seneca Foods Corp., A & B Food, Beverage & Tobacco	4.7%
Hardinge Inc. <i>Capital Goods</i>	2.9%
Omega Protein Corp. Food, Beverage & Tobacco	2.7%
PHI Inc. <i>Energy</i>	2.6%
American Pacific Corp. Materials	2.3%
Hurco Cos. Inc. Capital Goods	2.2%
Healthcare Services Group Inc. Commercial & Professional Service	2.2% ces
Delta Apparel Inc. Consumer Durables & Apparel	2.1%
Smithfield Foods Inc. Food, Beverage & Tobacco	2.0%
Village Super Market Inc., A Food & Staples Retailing	1.7%

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



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Bruce C. Baughman, CPA Lead Portfolio Manager

William J. Lippman Margaret McGee Donald G. Taylor, CPA

Portfolio Management Team Franklin MicroCap Value 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 MicroCap Value 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: FRMCX)		Change	4/30/13	10/31/12
Net Asset Value (NAV)		+\$2.66	\$35.26	\$32.60
Distributions (11/1/12-4/30/13)				
Dividend Income	\$0.5221			
Short-Term Capital Gain	\$0.3242			
Long-Term Capital Gain	\$1.1119			
Total	\$1.9582			
Advisor Class (Symbol: FVRMX)		Change	4/30/13	10/31/12
Advisor Class (Symbol: FVRMX) Net Asset Value (NAV)		Change +\$2.61	4/30/13 \$35.22	10/31/12 \$32.61
Net Asset Value (NAV)	\$0.6014			
Net Asset Value (NAV) Distributions (11/1/12–4/30/13)	\$0.6014 \$0.3242			
Net Asset Value (NAV) Distributions (11/1/12–4/30/13) Dividend Income	· ·			

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; Advisor Class: no sales charges.

Class A	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return ¹	+14.93%	+23.53%	+53.98%	+206.47%
Average Annual Total Return ²	+8.32%	+16.43%	+7.73%	+11.19%
Value of \$10,000 Investment ³	\$10,832	\$11,643	\$14,511	\$28,886
Avg. Ann. Total Return (3/31/13)4		+17.21%	+7.89%	+11.58%
Total Annual Operating Expenses ⁵	1.1	18%		
Advisor Class ⁶	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return ¹	15 050/			
Cumulative Total Netum-	+15.05%	+23.82%	+55.83%	+212.04%
Average Annual Total Return ²	+15.05% +15.05%	+23.82% +23.82%	+55.83% +9.28%	+212.04% +12.05%
Average Annual Total Return ²	+15.05%	+23.82%	+9.28%	+12.05%

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 ability to invest in smaller company securities that may have limited liquidity involves additional risks, such as relatively small revenues, limited product lines and small market share. Historically, these stocks have exhibited greater price volatility than larger company stocks, especially over the short term. In addition, the Fund may invest up to 25% of its total assets in foreign securities, which involve special risks, including currency fluctuations and economic 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.

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. 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.
- 6. Effective 11/1/05, 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 11/1/05, 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 11/1/05, actual Advisor Class performance is used reflecting all charges and fees applicable to that class. Since 11/1/05 (commencement of sales), the cumulative and average annual total returns of Advisor Class shares were +78.08% and +8.01%.

Your Fund's Expenses

Franklin MicroCap Value 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 \div $1,000 = 8.6$.
- 2. Multiply the result by the number under the heading "Expenses Paid During Period." If Expenses Paid During Period were \$7.50, then $8.6 \times 7.50 = 64.50$.

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	\$1,149.30	\$5.92
Hypothetical (5% return before expenses)	\$1,000	\$1,019.29	\$5.56
Advisor Class			
Actual	\$1,000	\$1,150.50	\$4.64
Hypothetical (5% return before expenses)	\$1,000	\$1,020.48	\$4.36

^{*}Expenses are calculated using the most recent six-month expense ratio, annualized for each class (A: 1.11% and Advisor: 0.87%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

Franklin MidCap Value Fund

Your Fund's Goal and Main Investments: Franklin MidCap Value Fund seeks long-term total return by investing at least 80% of net assets in securities of mid-capitalization companies that we believe are undervalued. We define mid-capitalization companies as those with market capitalizations that are similar in size at the time of purchase to those in the Russell Midcap® Index.1

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 MidCap Value Fund covers the period ended April 30, 2013.

Performance Overview

Franklin MidCap Value Fund – Class A delivered a +16.33% cumulative total return for the six months under review. In comparison, the Russell Midcap® Value Index, which measures performance of those Russell Midcap® Index companies with lower price-to-book ratios and lower forecasted growth values, generated a +19.89% total return.² Although this report covers a sixmonth period, our investment strategy aims for long-term results. You can find the Fund's long-term performance data in the Performance Summary beginning on page 38.

Investment Strategy

Our goal is to invest in mid-capitalization companies that we determine are currently undervalued and have the potential for capital appreciation. The Fund purchases stocks that are out of favor in the market for reasons we believe will prove to be temporary in nature. In addition, the Fund may invest in companies with valuable intangibles we believe are not reflected in the stock price. This strategy is not aimed at short-term trading gains, nor do we consider the composition of any index. Rather, we try to identify attractively priced, financially sound companies that meet our investment criteria, and we assume at purchase that we will hold the positions for several years.

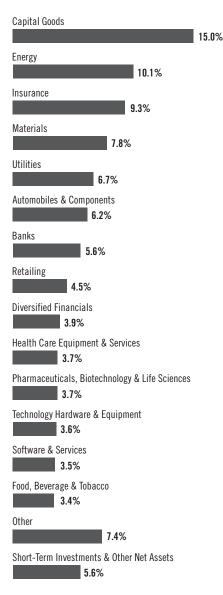
The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI). The SOI begins on page 81.

^{1.} The Russell Midcap® Index is market capitalization weighted and measures performance of the smallest companies in the Russell 1000® Index, which represent a modest amount of the Russell 1000® Index's total market capitalization.

^{2.} 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 reinvested dividends. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

Portfolio Breakdown

Franklin MidCap Value Fund Based on Total Net Assets as of 4/30/13



Manager's Discussion

During the six months under review, contributors to absolute Fund performance included video game retailer GameStop, private equity investment group KKR & Co., defense and intelligence solutions provider SAIC and auto safety systems company Autoliv.

In contrast, detractors included coal producer Peabody Energy, cable television provider Time Warner Cable, discount retailer Family Dollar Stores and savings bank Hudson City Bancorp.

During the reporting period, the Fund initiated one new position in specialty glass and ceramics manufacturer Corning. Consistent with our value strategy, we added to existing positions in Nucor, Bunge and Peabody Energy, among others. We liquidated our positions in Old Republic International, Teekay, McCormick & Co. and Gardner Denver, which was subject to an all cash takeover offer from KKR. We also reduced our positions in JB Hunt Transport Services, Rockwell Automation and Hasbro, among others.

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





Sam Kerner, CFA Lead Portfolio Manager

Bruce C. Baughman, CPA William J. Lippman Margaret McGee Donald G. Taylor, CPA

Portfolio Management Team Franklin MidCap Value 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.

Top 10 Equity Holdings Franklin MidCap Value Fund 4/30/13

.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	
Company Sector/Industry	% of Total Net Assets
GameStop Corp., A Retailing	2.2%
KKR & Co., LP Diversified Financials	2.0%
Actavis Inc. Pharmaceuticals, Biotechnology & Life Sciences	2.0%
Owens Corning Inc. Capital Goods	2.0%
Northern Trust Corp. Diversified Financials	1.9%
Corning Inc. Technology Hardware & Equipment	1.9%
Arthur J. Gallagher & Co. Insurance	1.8%
The Allstate Corp. Insurance	1.8%
Microchip Technology Inc. Semiconductors & Semiconductor Equipment	1.8%
NV Energy Inc. Utilities	1.8%

Performance Summary as of 4/30/13

Franklin MidCap Value 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: FMVAX)		Change	4/30/13	10/31/12
Net Asset Value (NAV)		+\$1.68	\$13.06	\$11.38
Distributions (11/1/12-4/30/13)				
Dividend Income	\$0.1582			
Class C (Symbol: FMVCX)		Change	4/30/13	10/31/12
Net Asset Value (NAV)		+\$1.70	\$12.91	\$11.21
Distributions (11/1/12-4/30/13)				
Dividend Income	\$0.0678			
Class R (Symbol: n/a)		Change	4/30/13	10/31/12
Net Asset Value (NAV)		+\$1.68	\$13.03	\$11.35
Distributions (11/1/12-4/30/13)				
Dividend Income	\$0.1440			
Advisor Class (Symbol: n/a)		Change	4/30/13	10/31/12
Net Asset Value (NAV)		+\$1.66	\$13.10	\$11.44
Distributions (11/1/12-4/30/13)				
Dividend Income	\$0.1981			

Performance Summary (continued)

Performance¹

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 (7/1/05)
Cumulative Total Return ²	+16.33%	+16.43%	+24.19%	+43.66%
Average Annual Total Return ³	+9.68%	+9.77%	+3.21%	+3.95%
Value of \$10,000 Investment ⁴	\$10,968	\$10,977	\$11,709	\$13,540
Avg. Ann. Total Return (3/31/13) ⁵		+7.90%	+4.10%	+3.80%
Total Annual Operating Expenses ⁶				
Without Waiver	1.	70%		
With Waiver	1.3	35%		
Class C	6-Month	1-Year	5-Year	Inception (7/1/05)
Cumulative Total Return ²	+15.85%	+15.54%	+19.93%	+36.30%
Average Annual Total Return ³	+14.85%	+14.54%	+3.70%	+4.03%
Value of \$10,000 Investment ⁴	\$11,485	\$11,454	\$11,993	\$13,630
Avg. Ann. Total Return (3/31/13) ⁵		+12.71%	+4.61%	+3.90%
Total Annual Operating Expenses ⁶				
Without Waiver	2.3	39%		
With Waiver	2.0	04%		
Class R	6-Month	1-Year	5-Year	Inception (7/1/05)
Cumulative Total Return ²	+16.23%	+16.13%	+23.06%	+41.72%
Average Annual Total Return ³	+16.23%	+16.13%	+4.24%	+4.55%
Value of \$10,000 Investment ⁴	\$11,623	\$11,613	\$12,306	\$14,172
Avg. Ann. Total Return (3/31/13) ⁵		+14.22%	+5.13%	+4.42%
Total Annual Operating Expenses ⁶				
Without Waiver	1.9	90%		
	1.55%			
With Waiver	1	33%		
With Waiver Advisor Class	6-Month	1-Year	5-Year	Inception (7/1/05)
			5-Year +26.06%	Inception (7/1/05) +47.40%
Advisor Class	6-Month	1-Year		
Advisor Class Cumulative Total Return ²	6-Month +16.47%	1-Year +16.67%	+26.06%	+47.40%
Advisor Class Cumulative Total Return ² Average Annual Total Return ³	6-Month +16.47% +16.47%	1-Year +16.67% +16.67%	+26.06% +4.74%	+47.40% +5.08%
Advisor Class Cumulative Total Return ² Average Annual Total Return ³ Value of \$10,000 Investment ⁴	6-Month +16.47% +16.47%	1-Year +16.67% +16.67% \$11,667	+26.06% +4.74% \$12,606	+47.40% +5.08% \$14,740
Advisor Class Cumulative Total Return ² Average Annual Total Return ³ Value of \$10,000 Investment ⁴ Avg. Ann. Total Return (3/31/13) ⁵	6-Month +16.47% +16.47% \$11,647	1-Year +16.67% +16.67% \$11,667	+26.06% +4.74% \$12,606	+47.40% +5.08% \$14,740

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 fund fees and expenses) for each class of the Fund do not exceed 1.05% (other than certain nonroutine expenses) until 2/28/14.

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. Historically, midsize company securities have been more volatile in price than larger company securities, especially over the short term. Midsize companies may be more susceptible to particular economic events or competitive factors than are larger, more broadly diversified companies. In addition, the Fund may invest up to 25% of its total assets in foreign securities, which involve special risks, including currency fluctuations and economic 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.

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 the expense reduction, 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. 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 MidCap Value 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 \div $1,000 = 8.6$.
- 2. Multiply the result by the number under the heading "Expenses Paid During Period." If Expenses Paid During Period were \$7.50, then $8.6 \times 7.50 = 64.50$.

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	\$1,163.30	\$ 7.24
Hypothetical (5% return before expenses)	\$1,000	\$1,018.10	\$ 6.76
Class C			
Actual	\$1,000	\$1,158.50	\$10.97
Hypothetical (5% return before expenses)	\$1,000	\$1,014.63	\$10.24
Class R			
Actual	\$1,000	\$1,162.30	\$ 8.31
Hypothetical (5% return before expenses)	\$1,000	\$1,017.11	\$ 7.75
Advisor Class			
Actual	\$1,000	\$1,164.70	\$ 5.64
Hypothetical (5% return before expenses)	\$1,000	\$1,019.59	\$ 5.26

^{*}Expenses are calculated using the most recent six-month expense ratio, net of expense waivers, annualized for each class (A: 1.35%; C: 2.05%; R: 1.55%; and Advisor: 1.05%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

Franklin Small Cap Value Fund

Your Fund's Goal and Main Investments: Franklin Small Cap Value Fund seeks longterm total return by investing at least 80% of net assets in securities of small-capitalization companies that we believe are undervalued. We define small-capitalization companies as those with market capitalizations less than \$3.5 billion at the time of purchase.

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 Small Cap Value Fund covers the period ended April 30, 2013.

Performance Overview

Franklin Small Cap Value Fund – Class A delivered a +16.52% cumulative total return for the six months under review. In comparison, the Russell 2500TM Value Index, which measures performance of those Russell 2500TM Index companies with lower price-to-book ratios and lower forecasted growth values, generated a total return of +18.83%. Although this report covers a six-month period, our investment strategy aims for long-term results. You can find the Fund's long-term performance data in the Performance Summary beginning on page 46.

Investment Strategy

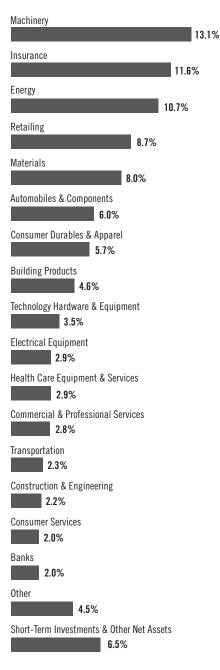
We seek to invest in small-capitalization companies that we believe are selling below their underlying worth and hold them until they reach what we consider their fair market value. We seek a diversified portfolio of fundamentally sound companies purchased at attractive prices, often when they are out of favor with other investors. Portfolio securities are selected without regard to benchmark comparisons and are based on fundamental, bottom-up research focusing on several criteria, such as low price relative to earnings, book value or cash flow. We also consider stocks with recent sharp price declines that we believe still have significant growth potential or that possess valuable intangibles not reflected in the stock price.

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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 88.

Portfolio Breakdown

Franklin Small Cap Value Fund Based on Total Net Assets as of 4/30/13



Manager's Discussion

During the six months under review, contributors to absolute Fund performance included railcar manufacturer Trinity Industries, video game retailer GameStop, auto components supplier Autoliv, insurer Protective Life and helicopter transportation provider for the offshore energy industry, Bristow Group.

In contrast, detractors from performance included flexible circuit materials manufacturer Multi-Fineline Electronix, civil construction and transportation contractor Granite Construction, women's fashion and accessories retailer Cato, brand marketing consultant Schawk and building products manufacturer Simpson Manufacturing.

During the reporting period, the Fund initiated new positions in audio and infotainment manufacturer Harman International Industries, men's clothing designer and retailer Jos. A. Bank Clothiers, auto service and retail chain Pep Boys - Manny, Moe & Jack, and insurer Assurant. We also added to our positions in several holdings, including business-to-business rental provider McGrath RentCorp, insurer StanCorp Financial Group, and specialty chemicals and materials company Cabot, among others. We liquidated our positions in Graco, American Woodmark, Lancaster Colony and a few other holdings, and Gardner Denver, which was subject to an all cash takeover offer from KKR. We reduced our positions in several securities including Protective Life, Pier 1 Imports, Ingram Micro, Mueller Industries and Autoliv, among others.

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



William J. Lippman

William J. Lippman President and Co-Portfolio Manager



Steven B. Raineri Co-Portfolio Manager

Bruce C. Baughman, CPA Margaret McGee Donald G. Taylor, CPA

Portfolio Management Team Franklin Small Cap Value 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 Equity Holdings Franklin Small Cap Value Fund 4/30/13

Company Sector/Industry	% of Total Net Assets
Protective Life Corp. Insurance	2.6%
Trinity Industries Inc. Machinery	2.1%
Thor Industries Inc. Automobiles & Components	2.0%
Reliance Steel & Aluminum Co. <i>Materials</i>	1.9%
Bristow Group Inc. Energy	1.9%
Group 1 Automotive Inc. Retailing	1.8%
RPM International Inc. Materials	1.6%
Tidewater Inc. Energy	1.6%
Oil States International Inc. Energy	1.5%
Carlisle Cos. Inc. Industrial Conglomerates	1.5%

Performance Summary as of 4/30/13

Franklin Small Cap Value 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: FRVLX)		Change	4/30/13	10/31/12
Net Asset Value (NAV)		+\$5.28	\$50.40	\$45.12
Distributions (11/1/12-4/30/13)				
Dividend Income	\$0.4895			
Short-Term Capital Gain	\$0.0147			
Long-Term Capital Gain	\$1.4523			
Total	\$1.9565			
Class C (Symbol: FRVFX)		Change	4/30/13	10/31/12
Net Asset Value (NAV)		+\$4.96	\$47.08	\$42.12
Distributions (11/1/12-4/30/13)				
Dividend Income	\$0.1881			
Short-Term Capital Gain	\$0.0147			
Long-Term Capital Gain	\$1.4523			
Total	\$1.6551			
Class R (Symbol: FVFRX)		Change	4/30/13	10/31/12
Net Asset Value (NAV)		+\$5.29	\$50.00	\$44.71
Distributions (11/1/12-4/30/13)				
Dividend Income	\$0.3882			
Short-Term Capital Gain	\$0.0147			
Long-Term Capital Gain	\$1.4523			
Total	\$1.8552			
Advisor Class (Symbol: FVADX)		Change	4/30/13	10/31/12
Net Asset Value (NAV)		+\$5.44	\$51.98	\$46.54
Distributions (11/1/12-4/30/13)				
Dividend Income	\$0.6287			
Short-Term Capital Gain	\$0.0147			
Long-Term Capital Gain	\$1.4523			
Total	\$2.0957			

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	+16.52%	+17.03%	+38.34%	+186.27%
Average Annual Total Return ²	+9.82%	+10.31%	+5.45%	+10.43%
Value of \$10,000 Investment ³	\$10,982	\$11,031	\$13,038	\$26,977
Avg. Ann. Total Return (3/31/13) ⁴		+10.49%	+6.73%	+11.51%
Total Annual Operating Expenses ⁵	1.3	28%		
Class C	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return ¹	+16.16%	+16.24%	+33.56%	+167.13%
Average Annual Total Return ²	+15.16%	+15.24%	+5.96%	+10.32%
Value of \$10,000 Investment ³	\$11,516	\$11,524	\$13,356	\$26,713
Avg. Ann. Total Return (3/31/13) ⁴		+15.42%	+7.24%	+11.40%
Total Annual Operating Expenses ⁵	1.9	97%		
Class R	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return ¹	+16.44%	+16.83%	+36.94%	+180.73%
Average Annual Total Return ²	+16.44%	+16.83%	+6.49%	+10.87%
Value of \$10,000 Investment ³	\$11,644	\$11,683	\$13,694	\$28,073
Avg. Ann. Total Return (3/31/13) ⁴		+17.01%	+7.77%	+11.95%
Total Annual Operating Expenses ⁵	1.4	48%		
Advisor Class	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return ¹	+16.69%	+17.38%	+40.42%	+195.12%
Average Annual Total Return ²	+16.69%	+17.38%	+7.03%	+11.43%
	1 10100 /0			
Value of \$10,000 Investment ³	\$11,669	\$11,738	\$14,042	\$29,512
<u> </u>		\$11,738 +17.58%	\$14,042 +8.31%	\$29,512 +12.51%

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 investments in smaller company stocks carry special risks as such stocks have historically exhibited greater price volatility than larger company stocks, particularly over the short term. Additionally, smaller companies often have relatively small revenues, limited product lines and small market share. In addition, the Fund may invest up to 25% of its total assets in foreign securities, which involve special risks, including currency fluctuations and economic 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: 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. 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 Small Cap Value 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 \div $1,000 = 8.6$.
- 2. Multiply the result by the number under the heading "Expenses Paid During Period." If Expenses Paid During Period were \$7.50, then $8.6 \times 7.50 = 64.50$.

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	\$1,165.20	\$ 6.50
Hypothetical (5% return before expenses)	\$1,000	\$1,018.79	\$ 6.06
Class C			
Actual	\$1,000	\$1,161.60	\$10.24
Hypothetical (5% return before expenses)	\$1,000	\$1,015.32	\$ 9.54
Class R			
Actual	\$1,000	\$1,164.40	\$ 7.57
Hypothetical (5% return before expenses)	\$1,000	\$1,017.80	\$ 7.05
Advisor Class			
Actual	\$1,000	\$1,166.90	\$ 4.89
Hypothetical (5% return before expenses)	\$1,000	\$1,020.28	\$ 4.56

^{*}Expenses are calculated using the most recent six-month expense ratio, annualized for each class (A: 1.21%; C: 1.91%; R: 1.41%; and Advisor: 0.91%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

Financial Highlights

	Six Months Ended April 30, 2013		Year E	Inded October	31,	
Class A	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$ 9.23	\$8.45	\$8.41	\$6.83	\$6.25	\$9.52
Income from investment operations ^a :						
Net investment income ^b	0.02	0.06	0.04	0.04	0.05	0.06
Net realized and unrealized gains (losses)	1.35	0.77	0.03	1.59	0.58	(3.28)
Total from investment operations	1.37	0.83	0.07	1.63	0.63	(3.22)
Less distributions from net investment income	(0.08)	(0.05)	(0.03)	(0.05)	(0.05)	(0.05)
Redemption fees ^c	_	_	_	_	_	d
Net asset value, end of period	\$10.52	\$9.23	\$8.45	\$8.41	\$6.83	\$6.25
Total return ^e	15.00%	9.83%	0.86%	23.90%	10.27%	(33.95)%
Ratios to average net assets ^f						
Expenses before waiver and payments by affiliates	1.62%	1.67%	1.72%	1.92%	2.05%	2.43%
Expenses net of waiver and payments by affiliates	1.22%	1.20%	1.20%	1.20%	1.21% ^g	1.25% ^g
Net investment income	0.48%	0.70%	0.46%	0.49%	0.89%	0.67%
Supplemental data						
Net assets, end of period (000's)	\$23,981	\$20,127	\$18,455	\$15,904	\$10,167	\$9,508
Portfolio turnover rate	15.69%	26.94%	34.96%	27.31%	38.74%	21.17%

^aThe 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.

 $^{{}^{\}mathrm{b}}\mathrm{Based}$ on average daily shares outstanding.

cEffective September 1, 2008, the redemption fee was eliminated.

dAmount rounds to less than \$0.01 per share.

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

^fRatios are annualized for periods less than one year.

 $^{{\}ensuremath{\sf g}}$ Benefit of expense reduction rounds to less than 0.01%.

Financial Highlights (continued)

	Six Months Ended April 30, 2013		Year E	nded October	31,	
Class C	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$ 9.09	\$8.34	\$8.33	\$6.77	\$6.20	\$9.50
Income from investment operations ^a :						
Net investment income (loss) ^b	(0.01)	с	(0.02)	(0.01)	0.01	с
Net realized and unrealized gains (losses)	1.35	0.75	0.03	1.58	0.58	(3.26)
Total from investment operations	1.34	0.75	0.01	1.57	0.59	(3.26)
Less distributions from net investment income	(0.02)	_	_	(0.01)	(0.02)	(0.04)
Redemption fees ^d	_	_	_	_	_	c
Net asset value, end of period	\$10.41	\$9.09	\$8.34	\$8.33	\$6.77	\$6.20
Total returne	14.75%	8.99%	0.12%	23.14%	9.50%	(34.37)%
Ratios to average net assets ^f						
Expenses before waiver and payments by affiliates	2.32%	2.37%	2.42%	2.62%	2.72%	3.06%
Expenses net of waiver and payments by affiliates	1.92%	1.90%	1.90%	1.90%	1.88% ^g	1.88% ^g
Net investment income (loss)	(0.22)%	—% ^h	(0.24)%	(0.21)%	0.22%	0.04%
Supplemental data						
Net assets, end of period (000's)	\$3,825	\$3,248	\$3,159	\$2,364	\$1,565	\$1,471
Portfolio turnover rate	15.69%	26.94%	34.96%	27.31%	38.74%	21.17%

^aThe 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.

^bBased on average daily shares outstanding.

cAmount rounds to less than \$0.01 per share.

dEffective September 1, 2008, the redemption fee was eliminated.

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

fRatios are annualized for periods less than one year.

gBenefit of expense reduction rounds to less than 0.01%.

hRounds to less than 0.01%.

Financial Highlights (continued)

	Six Months Ended April 30, 2013 Year Ended October 31,					
Class R	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$ 9.21	\$8.43	\$8.39	\$6.82	\$6.25	\$9.52
Income from investment operations ^a :						
Net investment income ^b	0.01	0.06	0.02	0.02	0.03	0.05
Net realized and unrealized gains (losses)	1.36	0.75	0.04	1.59	0.58	(3.27)
Total from investment operations	1.37	0.81	0.06	1.61	0.61	(3.22)
Less distributions from net investment						
income	(0.04)	(0.03)	(0.02)	(0.04)	(0.04)	(0.05)
Redemption fees ^c				_		d
Net asset value, end of period	\$10.54	\$9.21	\$8.43	\$8.39	\$6.82	\$6.25
Total return ^e	14.91%	9.61%	0.69%	23.69%	9.88%	(34.00)%
Ratios to average net assets ^f						
Expenses before waiver and payments by affiliates	1.82%	1.87%	1.92%	2.12%	2.24%	2.58%
Expenses net of waiver and payments by affiliates	1.42%	1.40%	1.40%	1.40%	1.40%g	1.40% ^g
Net investment income	0.28%	0.50%	0.26%	0.29%	0.70%	0.52%
Supplemental data						
Net assets, end of period (000's)	\$37	\$29	\$54	\$25	\$18	\$6
Portfolio turnover rate	15.69%	26.94%	34.96%	27.31%	38.74%	21.17%

^aThe 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.

bBased on average daily shares outstanding.

cEffective September 1, 2008, the redemption fee was eliminated.

dAmount rounds to less than \$0.01 per share.

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

fRatios are annualized for periods less than one year.

gBenefit of expense reduction rounds to less than 0.01%.

Financial Highlights (continued)

	Six Months Ended April 30, 2013		Year E	nded October	31,	
Advisor Class	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$ 9.28	\$8.49	\$8.45	\$6.86	\$6.28	\$9.54
Income from investment operations ^a :						
Net investment income ^b	0.04	0.09	0.07	0.06	0.07	0.09
Net realized and unrealized gains (losses)	1.35	0.77	0.02	1.60	0.58	(3.29)
Total from investment operations	1.39	0.86	0.09	1.66	0.65	(3.20)
Less distributions from net investment income	(0.11)	(0.07)	(0.05)	(0.07)	(0.07)	(0.06)
Redemption fees ^c	_	_	_	_	_	d
Net asset value, end of period	\$10.56	\$9.28	\$8.49	\$8.45	\$6.86	\$6.28
Total return ^e	15.14%	10.28%	1.09%	24.27%	10.54%	(33.70)%
Ratios to average net assets ^f						
Expenses before waiver and payments by affiliates	1.32%	1.37%	1.42%	1.62%	1.74%	2.08%
Expenses net of waiver and payments by affiliates	0.92%	0.90%	0.90%	0.90%	0.90%g	0.90%g
Net investment income	0.78%	1.00%	0.76%	0.79%	1.20%	1.02%
Supplemental data						
Net assets, end of period (000's)	\$1,948	\$1,668	\$1,644	\$1,158	\$939	\$640
Portfolio turnover rate	15.69%	26.94%	34.96%	27.31%	38.74%	21.17%

^aThe 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.

^bBased on average daily shares outstanding.

cEffective September 1, 2008, the redemption fee was eliminated.

dAmount rounds to less than \$0.01 per share.

eTotal return is not annualized for periods less than one year.

fRatios are annualized for periods less than one year.

gBenefit of expense reduction rounds to less than 0.01%.

Statement of Investments, April 30, 2013 (unaudited)

National Stacks 9.3.7%	Franklin All Cap Value Fund	Shares	Value
Autoliv Inc. 5,000 \$382,100 270,000	Common Stocks 93.7%		
Gentex Corp. 12,000 270,000 Johnson Controls Inc. 35,000 452,200 Sparfan Motors Inc. 85,000 465,200 Banks 3.1% ************************************	Automobiles & Components 5.4%		
Delinson Controls Inc. 14,500 450,265 452,200 1,611,945	Autoliv Inc	5,000	\$ 382,100
Spartan Motors Inc. 85,000 452,200 Banks 3.1% KeyCorp 50,000 498,500 U.S. Bancorp 50,000 498,500 Capital Goods 19.9% Temporal Motors Inc. AAR Corp. 19,500 348,270 Priggs & Stratton Corp. 11,300 254,137 CIRCOR International Inc. 1,800 85,194 Eaton Corp. PLC 12,000 687,792 Encore Wire Corp. 9,300 304,575 *Gibriatra Industries Inc. 19,900 372,130 Girifton Corp. 35,500 365,650 Insteal Industries Inc. 44,100 731,178 John Bean Technologies Corp. 46,200 958,18 Nexans SA (France) 9,500 435,864 *Owens Corning Inc. 11,700 492,102 United Technologies Corp. 1,500 136,935 Universal Forest Products Inc. 8,800 339,880 Commercial & Professional Services 0.99 4,000 270,222 Consumer Durables & Apparel 4.7% 4,00 27	Gentex Corp	12,000	270,000
Banks 3.1% CREYCORP 50,000 498,500 U.S. Bancorp 12,700 422,656 U.S. Bancorp 12,700 422,656 Capital Goods 19.9% 19,500 348,270 Briggs & Stratton Corp. 11,300 254,137 CIRCOR International Inc. 11,800 88,194 Eaton Corp. PLC 11,200 687,792 Encore Wire Corp. 9,300 304,575 Gibraltar Industries Inc. 19,900 372,130 Giffort Corp. 35,500 365,650 Giffort Corp. 35,500 365,650 Giffort Corp. 35,500 35,864 Meyer Corp. 9,500 435,864 John Bean Technologies Corp. 46,200 958,188 Nexans SA (France) 9,500 435,864 Nexans SA (France) 9,500 435,864 Owens Corning Inc. 11,000 492,102 Pentair Ltd. 7,400 402,109 Pentair Ltd. 7,400 402,109 Universal Forest Products Inc. 8,800 <td>Johnson Controls Inc.</td> <td>14,500</td> <td>507,645</td>	Johnson Controls Inc.	14,500	507,645
Banks 3.1% KeyCorp 50,000 498,500 U.S. Bancorp 12,700 422,656 921,156 Capital Goods 19.9% 11,500 348,270 AAR Corp. 11,300 254,137 CIRCOR International Inc. 1,800 85,194 Eaton Corp. PLC 11,200 687,792 Encore Wire Corp. 9,300 304,575 *Gibraltar Industries Inc. 19,900 372,130 Giriffon Corp. 35,500 365,500 Insteel Industries Inc. 44,100 731,178 John Bean Technologies Corp. 46,200 958,188 Nexans SA (France) 9,500 435,864 *Owens Corning Inc. 11,700 492,102 Pentair Ltd. 7,400 402,190 United Technologies Corp. 1,500 136,935 Universal Forest Products Inc. 8,800 339,680 Commercial & Professional Services 0.9% 8,800 339,680 McGrath RentCorp 8,700 27,731 La-Z-Boy Inc. 19,00 343,1	Spartan Motors Inc.	85,000	452,200
KeyCarp 50,000 498,505 U.S. Bancorp 12,700 422,656 Capital Goods 19.9% AAR Corp 19,500 348,270 Briggs & Stratton Corp. 11,300 254,137 CIRCOR International Inc. 1,800 85,194 Eaton Corp. PLC 11,200 687,792 Encore Wire Gorp 9,300 304,575 **Gibraltar Industries Inc. 19,900 372,130 Giffon Corp. 35,500 365,650 Insteel Industries Inc. 44,100 731,178 John Bean Technologies Corp. 46,200 958,188 Nexans SA (France) 9,500 435,864 4*Owens Corning Inc. 11,700 492,102 Pentair Ltd. 7,400 402,190 Universal Forest Products Inc. 8,800 339,680 5 5,913,885 Commercial & Professional Services 0.9% 4,000 202,020 McGrath RentCorp 8,700 270,222 Consumer Durables & Apparel 4.7% 4,000 202,000 Harman			1,611,945
U.S. Bancorp 12,700 422,656 Capital Goods 19.9%	Banks 3.1%		
Capital Goods 19.9% 19.500 348,270 BAR Corp. 11,300 254,137 ClRCOR International inc. 1,800 85,194 Eaton Corp. PLC 11,200 687,792 Encore Wire Corp. 9,300 304,575 **Gibriatar Industries Inc. 19,900 372,130 Griffon Corp. 35,500 365,650 Insteel Industries Inc. 44,100 731,178 John Bean Technologies Corp. 46,200 958,188 Nexans SA (France) 9,500 435,864 **Owens Corning Inc. 11,700 492,102 Pentair Ltd. 7,400 402,190 United Technologies Corp. 8,800 339,680 Universal Forest Products Inc. 8,800 339,680 Commercial & Professional Services 0.9% 8,700 272,731 McGrath RentCorp 8,700 272,731 Adidas AG, ADR (Germany) 4,00 29,200 Harman International Industries Inc. 19,000 343,140 ***La-Z-Boy Inc. 19,000 343,140	KeyCorp	50,000	498,500
Capital Goods 19.9% 19.500 348,270 BAR Corp. 11,300 254,137 ClRCOR International inc. 1,800 85,194 Eaton Corp. PLC 11,200 687,792 Encore Wire Corp. 9,300 304,575 **Gibriatar Industries Inc. 19,900 372,130 Griffon Corp. 35,500 365,650 Insteel Industries Inc. 44,100 731,178 John Bean Technologies Corp. 46,200 958,188 Nexans SA (France) 9,500 435,864 **Owens Corning Inc. 11,700 492,102 Pentair Ltd. 7,400 402,190 United Technologies Corp. 8,800 339,680 Universal Forest Products Inc. 8,800 339,680 Commercial & Professional Services 0.9% 8,700 272,731 McGrath RentCorp 8,700 272,731 Adidas AG, ADR (Germany) 4,00 29,200 Harman International Industries Inc. 19,000 343,140 ***La-Z-Boy Inc. 19,000 343,140	U.S. Bancorp	12,700	422,656
Capital Goods 19.9% 348,270 AAR Corp. 19,500 348,270 Briggs & Stratton Corp. 11,300 254,137 CIRCOR International Inc. 1,800 85,194 Eaton Corp. PLC 11,200 687,792 Encore Wire Corp. 9,300 304,575 **Gibraltar Industries Inc. 19,900 372,130 Giffion Corp. 35,500 365,650 Insteel Industries Inc. 44,100 731,178 John Bean Technologies Corp. 46,200 958,188 Nexans SA (France) 9,500 435,864 30wens Corning Inc. 11,700 492,102 Pentair Ltd. 7,400 402,190 United Technologies Corp. 1,500 136,935 Universal Forest Products Inc. 8,800 339,680 Commercial & Professional Services 0.9% 8,700 270,222 Consumer Durables & Apparel 4.7% 4,000 209,200 Harman International Industries Inc. 6,100 207,211 La-Z-Boy Inc. 19,000 343,140	·	•	921.156
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Pentair Ltd. 7,400 402,190 United Technologies Corp. 1,500 136,935 Universal Forest Products Inc. 8,800 339,680 5,913,885 Commercial & Professional Services 0.9% McGrath RentCorp 8,700 270,222 Consumer Durables & Apparel 4.7% Adidas AG, ADR (Germany) 4,000 209,200 Harman International Industries Inc. 6,100 272,731 La-Z-Boy Inc. 19,000 343,140 a Maidenform Brands Inc. 10,700 192,600 a Rocky Brands Inc. 26,100 386,280 a Rocky Brands Inc. 13,200 482,196 Consumer Services 1.6% Royal Caribbean Cruises Ltd. 13,200 482,196 Energy 18.3% Apache Corp. 2,650 195,782 Baker Hughes Inc. 11,000 499,290 Bristow Group Inc. 15,000 248,000 Ensco PLC, A 5,000 288,400 a Natural Gas Services Group Inc. 44,800 90	Nexans SA (France)	9,500	435,864
United Technologies Corp. 1,500 136,935 Universal Forest Products Inc. 8,800 339,680 Commercial & Professional Services 0.9% McGrath RentCorp 8,700 270,222 Consumer Durables & Apparel 4.7% Adidas AG, ADR (Germany) 4,000 209,200 Harman International Industries Inc. 6,100 272,731 La-Z-Boy Inc. 19,000 343,140 *Maidenform Brands Inc. 10,700 192,600 *Rocky Brands Inc. 26,100 386,280 *Rocky Brands Inc. 26,100 386,280 *Royal Caribbean Cruises Ltd. 13,200 482,196 *Energy 18.3% 2,650 195,782 Apache Corp. 2,650 195,782 Baker Hughes Inc. 11,000 499,290 Bristow Group Inc. 15,000 948,000 Ensco PLC, A 5,000 288,400 **Natural Gas Services Group Inc. 44,800 904,512 Occidental Petroleum Corp. 6,000 535,560 **PH Inc. 7,500 202,500	^a Owens Corning Inc	11,700	492,102
Universal Forest Products Inc. 8,800 339,680 5,913,885 Commercial & Professional Services 0.9% 8,700 270,222 McGrath RentCorp 8,700 270,222 Consumer Durables & Apparel 4.7% 4,000 209,200 Adidas AG, ADR (Germany) 6,100 272,731 La-Z-Boy Inc. 19,000 343,140 a Maidenform Brands Inc. 10,700 192,600 a Rocky Brands Inc. 26,100 386,280 a Rocky Brands Inc. 11,000 482,196 Consumer Services 1.6% 13,200 482,196 Royal Caribbean Cruises Ltd. 13,200 482,196 Energy 18.3% 2,650 195,782 Apache Corp. 2,650 195,782 Baker Hughes Inc. 11,000 499,290 Bristow Group Inc. 15,000 948,000 Ensco PLC, A 5,000 288,400 A Natural Gas Services Group Inc. 44,800 904,512 Occidental Petroleum Corp. 6,000 535,560 a PHI Inc. 7,500	Pentair Ltd	7,400	402,190
Commercial & Professional Services 0.9% 5,913,885 McGrath RentCorp 8,700 270,222 Consumer Durables & Apparel 4.7% 4,000 209,200 Adidas AG, ADR (Germany) 4,000 209,200 Harman International Industries Inc. 6,100 272,731 La-Z-Boy Inc. 19,000 343,140 Maidenform Brands Inc. 10,700 192,600 a Rocky Brands Inc. 26,100 386,280 Consumer Services 1.6% Royal Caribbean Cruises Ltd. 13,200 482,196 Energy 18.3% 2,650 195,782 Apache Corp. 2,650 195,782 Baker Hughes Inc. 11,000 499,290 Bristow Group Inc. 15,000 948,000 Ensco PLC, A 5,000 288,400 A Natural Gas Services Group Inc. 44,800 904,512 Occidental Petroleum Corp. 6,000 535,560 PHI Inc. 7,500 202,500	United Technologies Corp.	1,500	136,935
Commercial & Professional Services 0.9% McGrath RentCorp 8,700 270,222 Consumer Durables & Apparel 4.7% 3,000 209,200 Adidas AG, ADR (Germany) 4,000 209,200 Harman International Industries Inc. 6,100 272,731 La-Z-Boy Inc. 19,000 343,140 *Maidenform Brands Inc. 10,700 192,600 *Rocky Brands Inc. 26,100 386,280 Consumer Services 1.6% Royal Caribbean Cruises Ltd. 13,200 482,196 Energy 18.3% 2,650 195,782 Apache Corp. 2,650 195,782 Baker Hughes Inc. 11,000 499,290 Bristow Group Inc. 15,000 288,400 *Natural Gas Services Group Inc. 44,800 904,512 Occidental Petroleum Corp. 6,000 535,560 *PHI Inc. 7,500 202,500	Universal Forest Products Inc.	8,800	339,680
McGrath RentCorp 8,700 270,222 Consumer Durables & Apparel 4.7%			5,913,885
Consumer Durables & Apparel 4.7% Adidas AG, ADR (Germany) 4,000 209,200 Harman International Industries Inc. 6,100 272,731 La-Z-Boy Inc. 19,000 343,140	Commercial & Professional Services 0.9%		
Adidas AG, ADR (Germany) 4,000 209,200 Harman International Industries Inc. 6,100 272,731 La-Z-Boy Inc. 19,000 343,140	McGrath RentCorp	8,700	270,222
Adidas AG, ADR (Germany) 4,000 209,200 Harman International Industries Inc. 6,100 272,731 La-Z-Boy Inc. 19,000 343,140	Consumer Durables & Apparel 4.7%		
Harman International Industries Inc. 6,100 272,731 La-Z-Boy Inc. 19,000 343,140 ³ Maidenform Brands Inc. 10,700 192,600 ³ Rocky Brands Inc. 26,100 386,280 Consumer Services 1.6% Royal Caribbean Cruises Ltd. 13,200 482,196 Energy 18.3% Apache Corp. 2,650 195,782 Baker Hughes Inc. 11,000 499,290 Bristow Group Inc. 15,000 948,000 Ensco PLC, A 5,000 288,400 ³ Natural Gas Services Group Inc. 44,800 904,512 Occidental Petroleum Corp. 6,000 535,560 ³ PHI Inc. 7,500 202,500		4.000	209.200
La-Z-Boy Inc. 19,000 343,140 a Maidenform Brands Inc. 10,700 192,600 a Rocky Brands Inc. 26,100 386,280 La-Z-Boy Inc. 1,403,951 Consumer Services 1.6% Royal Caribbean Cruises Ltd. 13,200 482,196 Energy 18.3% Apache Corp. 2,650 195,782 Baker Hughes Inc. 11,000 499,290 Bristow Group Inc. 15,000 948,000 Ensco PLC, A 5,000 288,400 a Natural Gas Services Group Inc. 44,800 904,512 Occidental Petroleum Corp. 6,000 535,560 a PHI Inc. 7,500 202,500		,	
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a Rocky Brands Inc. 26,100 386,280 Lonsumer Services 1.6% Tonsumer Services 1.6% Royal Caribbean Cruises Ltd. 13,200 482,196 Energy 18.3% Tonsumer Services Group Inc. 2,650 195,782 Baker Hughes Inc. 11,000 499,290 Bristow Group Inc. 15,000 948,000 Ensco PLC, A 5,000 288,400 a Natural Gas Services Group Inc. 44,800 904,512 Occidental Petroleum Corp. 6,000 535,560 a PHI Inc. 7,500 202,500			
1,403,951 Consumer Services 1.6% Royal Caribbean Cruises Ltd. 13,200 482,196 Energy 18.3% Apache Corp. 2,650 195,782 Baker Hughes Inc. 11,000 499,290 Bristow Group Inc. 15,000 948,000 Ensco PLC, A 5,000 288,400 a Natural Gas Services Group Inc. 44,800 904,512 Occidental Petroleum Corp. 6,000 535,560 a PHI Inc. 7,500 202,500			
Consumer Services 1.6% Royal Caribbean Cruises Ltd. 13,200 482,196 Energy 18.3% 30 30 195,782 Apache Corp. 2,650 195,782 11,000 499,290 Bristow Group Inc. 15,000 948,000 948,000 Ensco PLC, A 5,000 288,400 a Natural Gas Services Group Inc. 44,800 904,512 Occidental Petroleum Corp. 6,000 535,560 a PHI Inc. 7,500 202,500			1,403,951
Royal Caribbean Cruises Ltd. 13,200 482,196 Energy 18.3% 2,650 195,782 Apache Corp. 2,650 195,782 Baker Hughes Inc. 11,000 499,290 Bristow Group Inc. 15,000 948,000 Ensco PLC, A 5,000 288,400 a Natural Gas Services Group Inc. 44,800 904,512 Occidental Petroleum Corp. 6,000 535,560 a PHI Inc. 7,500 202,500	Consumer Services 1.6%		
Apache Corp. 2,650 195,782 Baker Hughes Inc. 11,000 499,290 Bristow Group Inc. 15,000 948,000 Ensco PLC, A 5,000 288,400 a Natural Gas Services Group Inc. 44,800 904,512 Occidental Petroleum Corp. 6,000 535,560 a PHI Inc. 7,500 202,500	Royal Caribbean Cruises Ltd.	13,200	482,196
Baker Hughes Inc. 11,000 499,290 Bristow Group Inc. 15,000 948,000 Ensco PLC, A 5,000 288,400 a Natural Gas Services Group Inc. 44,800 904,512 Occidental Petroleum Corp. 6,000 535,560 a PHI Inc. 7,500 202,500	Energy 18.3%		
Baker Hughes Inc. 11,000 499,290 Bristow Group Inc. 15,000 948,000 Ensco PLC, A 5,000 288,400 a Natural Gas Services Group Inc. 44,800 904,512 Occidental Petroleum Corp. 6,000 535,560 a PHI Inc. 7,500 202,500		2,650	195,782
Bristow Group Inc. 15,000 948,000 Ensco PLC, A 5,000 288,400 a Natural Gas Services Group Inc. 44,800 904,512 Occidental Petroleum Corp. 6,000 535,560 a PHI Inc. 7,500 202,500	Baker Hughes Inc.	11,000	499,290
a Natural Gas Services Group Inc. 44,800 904,512 Occidental Petroleum Corp. 6,000 535,560 a PHI Inc. 7,500 202,500	Bristow Group Inc.		948,000
Occidental Petroleum Corp. 6,000 535,560 ^a PHI Inc. 7,500 202,500	Ensco PLC, A	5,000	288,400
^a PHI Inc. 7,500 202,500	^a Natural Gas Services Group Inc.	44,800	904,512
	Occidental Petroleum Corp.	6,000	535,560
^a PHI Inc., non-voting	^a PHI Inc	7,500	202,500
	^a PHI Inc., non-voting	18,900	524,853

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

Franklin All Cap Value Fund	Shares	Value
Common Stocks (continued)		
Energy (continued)		
Tidewater Inc.	8,800	\$ 461,560
^a Unit Corp.	10,000	420,300
Valero Energy Corp	12,000	483,840
		5,464,597
Food & Staples Retailing 1.8%		
Wal-Mart Stores Inc.	7,000	544,040
Food, Beverage & Tobacco 12.0%		
Archer-Daniels-Midland Co.	22,700	770,438
Bunge Ltd	4,500	324,945
Kraft Foods Group Inc.	7,233	372,427
Mondelez International Inc., A	19,200	603,840
PepsiCo Inc	11,600	956,652
^a Seneca Foods Corp., A	16,669	543,243
		3,571,545
Health Care Equipment & Services 3.9%		
Becton, Dickinson and Co.	6,600	622,380
^a Laboratory Corp. of America Holdings	5,900	550,824
		1,173,204
Household & Personal Products 1.9%		
The Procter & Gamble Co.	7,300	560,421
Insurance 3.4%		
The Allstate Corp.	9,800	482,748
The Chubb Corp.	5,000	440,350
The Progressive Corp.	3,500	88,515
	0,000	1,011,613
W + + + 0.00/		
Materials 3.8%	1 000	60.000
H.B. Fuller Co.	1,800	68,220
Kaiser Aluminum Corp.	11,000	693,000
Nucor Corp. Sensient Technologies Corp.	7,700 500	335,874 19,675
Sensient reclinologies corp.	300	· · · · · · · · · · · · · · · · · · ·
		1,116,769
Pharmaceuticals, Biotechnology & Life Sciences 3.1%		
Johnson & Johnson	11,000	937,530
Retailing 1.5%		
The Home Depot Inc.	4,000	293,400
^a The Pep Boys - Manny, Moe & Jack	12,000	139,200
		432,600
Semiconductors & Semiconductor Equipment 1.1%		
Microchip Technology Inc.	9,000	327,780
Software & Services 1.6%	•	
International Business Machines Corp.	2,300	465,842
memational publicas machines outp.	2,500	

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

Franklin All Cap Value Fund	Shares	Value
Common Stocks (continued) Technology Hardware & Equipment 2.8%		
^a Benchmark Electronics Inc.	25,000	\$ 446,000
Corning Inc.	27,500	398,750
		844,750
Utilities 2.9%		
Avista Corp	6,500	182,325
IDACORP Inc.	7,000	344,470
NV Energy Inc.	15,300	330,939
		857,734
Total Common Stocks (Cost \$21,497,309)		27,911,780
Short Term Investments (Cost \$1,949,913) 6.5% Money Market Funds 6.5%		
a,b Institutional Fiduciary Trust Money Market Portfolio	1,949,913	1,949,913
Total Investments (Cost \$23,447,222) 100.2%		29,861,693
Other Assets, less Liabilities (0.2)%		(70,971)
Net Assets 100.0%		\$29,790,722

See Abbreviations on page 120.

^aNon-income producing.

bSee Note 7 regarding investments in the Institutional Fiduciary Trust Money Market Portfolio.

Financial Highlights

Franklin Balance Sheet Investment Fund

	Six Months End April 30, 201		Ye	ar Ended Octob	er 31,	
Class A	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$43.01	\$44.05	\$47.25	\$39.28	\$37.85	\$69.36
Income from investment operations ^a :						
Net investment income ^b	0.40c	0.48	0.50	0.39	0.40	0.68
Net realized and unrealized gains (losses)	7.10	3.65	1.02	8.01	2.78	(25.81)
Total from investment operations	7.50	4.13	1.52	8.40	3.18	(25.13)
Less distributions from:						
Net investment income	(0.66)	(0.25)	(0.79)	(0.43)	(0.70)	(0.67)
Net realized gains	(2.16)	(4.92)	(3.93)		(1.05)	(5.71)
Total distributions	(2.82)	(5.17)	(4.72)	(0.43)	(1.75)	(6.38)
Redemption feesd		_	_	_	_	е
Net asset value, end of period	\$47.69	\$43.01	\$44.05	\$47.25	\$39.28	\$37.85
Total return ^f	18.36%	11.09%	2.75%	21.48%	9.38%	(39.30)%
Ratios to average net assets ^g						
Expenses	1.02%	0.99%	0.94%	0.97%	1.00% ^h	0.93% ^h
Net investment income	1.79%⁰	1.16%	1.06%	0.89%	1.17%	1.25%
Supplemental data						
Net assets, end of period (000's)	\$1,129,542	\$1,079,418	\$1,441,777	\$1,788,318	\$2,081,258	\$2,169,284
Portfolio turnover rate	6.05%	7.91% ⁱ	9.66%	5.15%	6.07%	8.14% ⁱ

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.

Excludes the value of portfolio securities delivered as a result of redemptions in-kind.

^bBased on average daily shares outstanding.

Net investment income per share includes approximately \$0.13 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 1.19%.

dEffective September 1, 2008, the redemption fee was eliminated.

eAmount rounds to less than \$0.01 per share.

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

gRatios are annualized for periods less than one year.

 $^{^{\}rm h}$ Benefit of expense reduction rounds to less than 0.01%.

Financial Highlights (continued)

Franklin Balance Sheet Investment Fund

	Six Months Ended April 30, 2013		Year	Ended October	· 31,	
Class C	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$42.10	\$43.27	\$46.51	\$38.70	\$37.27	\$68.22
Income from investment operations ^a :						
Net investment income ^b	0.21°	0.15	0.12	0.05	0.14	0.26
Net realized and unrealized gains (losses)	6.99	3.60	1.02	7.91	2.71	(25.40)
Total from investment operations	7.20	3.75	1.14	7.96	2.85	(25.14)
Less distributions from:						
Net investment income	(0.35)	_	(0.45)	(0.15)	(0.37)	(0.10)
Net realized gains	(2.16)	(4.92)	(3.93)	_	(1.05)	(5.71)
Total distributions	(2.51)	(4.92)	(4.38)	(0.15)	(1.42)	(5.81)
Redemption feesd						e
Net asset value, end of period	\$46.79	\$42.10	\$43.27	\$46.51	\$38.70	\$37.27
Total return ^f	17.93%	10.25%	1.97%	20.59%	8.42%	(39.73)%
Ratios to average net assets ^g						
Expenses	1.77%	1.74%	1.69%	1.72%	1.75% ^h	1.69% ^h
Net investment income	1.04% ^c	0.41%	0.31%	0.14%	0.42%	0.49%
Supplemental data Net assets, end of period (000's)	\$80,763	\$71,723	\$75,025	\$77,217	\$72,184	\$73,068
Portfolio turnover rate	6.05%	7.91% ⁱ	9.66%	5.15%	6.07%	8.14% ⁱ
i ortiono turnover rate	0.0578	7.51/6	5.0078	5.1576	0.07 /6	0.14/0

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.

^bBased on average daily shares outstanding.

Net investment income per share includes approximately \$0.13 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 0.44%.

dEffective September 1, 2008, the redemption fee was eliminated.

eAmount rounds to less than \$0.01 per share.

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

gRatios are annualized for periods less than one year.

 $^{^{\}rm h}$ Benefit of expense reduction rounds to less than 0.01%.

Excludes the value of portfolio securities delivered as a result of redemptions in-kind.

Financial Highlights (continued)

Franklin Balance Sheet Investment Fund

	Six Months Ended April 30, 2013		Year	Ended October	r 31,	
Class R	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$42.95	\$43.94	\$47.12	\$39.19	\$37.54	\$68.83
Income from investment operations ^a :						
Net investment income ^b	0.31c	0.37	0.42	0.28	0.31	0.55
Net realized and unrealized gains (losses)	7.13	3.65	0.98	7.99	2.91	(25.62)
Total from investment operations	7.44	4.02	1.40	8.27	3.22	(25.07)
Less distributions from:						
Net investment income	(0.56)	(0.09)	(0.65)	(0.34)	(0.52)	(0.51)
Net realized gains	(2.16)	(4.92)	(3.93)	_	(1.05)	(5.71)
Total distributions	(2.72)	(5.01)	(4.58)	(0.34)	(1.57)	(6.22)
Redemption feesd		_	_	_	_	e
Net asset value, end of period	\$47.67	\$42.95	\$43.94	\$47.12	\$39.19	\$37.54
Total return ^f	18.22%	10.80%	2.50%	21.17%	9.46%	(39.45)%
Ratios to average net assets ^g						
Expenses	1.27%	1.24%	1.19%	1.22%	1.25% ^h	1.19% ^h
Net investment income	1.54% ^c	0.91%	0.81%	0.64%	0.92%	0.99%
Supplemental data						
Net assets, end of period (000's)	\$18,274	\$15,053	\$19,321	\$28,490	\$28,264	\$26,433
Portfolio turnover rate	6.05%	7.91% ⁱ	9.66%	5.15%	6.07%	8.14% ⁱ

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.

Excludes the value of portfolio securities delivered as a result of redemptions in-kind.

bBased on average daily shares outstanding.

Net investment income per share includes approximately \$0.13 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 0.94%.

dEffective September 1, 2008, the redemption fee was eliminated.

eAmount rounds to less than \$0.01 per share.

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

gRatios are annualized for periods less than one year.

 $^{^{\}rm h}$ Benefit of expense reduction rounds to less than 0.01%.

Financial Highlights (continued)

Franklin Balance Sheet Investment Fund

	Six Months Ended April 30, 2013	d	Yea	r Ended Octobe	r 31,	
Advisor Class	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$43.79	\$44.82	\$48.01	\$39.89	\$37.93	\$69.53
Income from investment operations ^a :						
Net investment income ^b	0.47∘	0.58	0.58	0.51	0.48	0.88
Net realized and unrealized gains (losses)	7.24	3.69	1.08	8.13	3.36	(25.91)
Total from investment operations	7.71	4.27	1.66	8.64	3.84	(25.03)
Less distributions from:						
Net investment income	(0.78)	(0.38)	(0.92)	(0.52)	(0.83)	(0.86)
Net realized gains	(2.16)	(4.92)	(3.93)	_	(1.05)	(5.71)
Total distributions	(2.94)	(5.30)	(4.85)	(0.52)	(1.88)	(6.57)
Redemption feesd						e
Net asset value, end of period	\$48.56	\$43.79	\$44.82	\$48.01	\$39.89	\$37.93
Total return ^f	18.51%	11.34%	3.01%	21.80%	11.18%	(39.14)%
Ratios to average net assets ^g						
Expenses	0.77%	0.74%	0.69%	0.72%	0.75% ^h	0.69% ^h
Net investment income	2.04%	1.41%	1.31%	1.14%	1.42%	1.49%
Supplemental data						
Net assets, end of period (000's)	\$93,994	\$115,694	\$195,437	\$145,478	\$132,921	\$100,505
Portfolio turnover rate	6.05%	7.91% ⁱ	9.66%	5.15%	6.07%	8.14% ⁱ

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.

^bBased on average daily shares outstanding.

Net investment income per share includes approximately \$0.13 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 1.44%.

dEffective September 1, 2008, the redemption fee was eliminated.

eAmount rounds to less than \$0.01 per share.

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

gRatios are annualized for periods less than one year.

 $^{^{\}rm h}$ Benefit of expense reduction rounds to less than 0.01%.

Excludes the value of portfolio securities delivered as a result of redemptions in-kind.

Statement of Investments, April 30, 2013 (unaudited)

Franklin Balance Sheet Investment Fund	Shares	Value
Common Stocks 95.3%		
Banks 4.3%		
Comerica Inc.	631,000	\$ 22,873,750
Farmers & Merchants Bank of Long Beach	1,475	7,234,875
KeyCorp	2,700,000	26,919,000
	, ,	57,027,625
Capital Goods 5.9%		
Encore Wire Corp.	538,500	17,635,875
ESCO Technologies Inc.	406,000	14,603,820
Mueller Industries Inc.	214,000	11,080,920
Nexans SA (France)	284,000	13,030,038
Trinity Industries Inc	530,000	22,371,300
		78,721,953
Commercial & Professional Services 2.1%		
Kelly Services Inc., A	1,660,000	28,253,200
Consumer Durables & Apparel 0.6%		
Lennar Corp., B	230,000	7,500,300
Consumer Services 4.0%		
	572,000	20 905 160
Royal Caribbean Cruises Ltd.	,	20,895,160
a Ruby Tuesday Inc.	1,947,745	18,776,262
Vail Resorts Inc.	212,500	12,813,750
		52,485,172
Diversified Financials 2.7%		
Citigroup Inc.	769,000	35,881,540
Energy 12.6%		
Bristow Group Inc.	177,500	11,218,000
Devon Energy Corp.	371,000	20,427,260
Ensco PLC, A	423,000	24,398,640
Noble Corp.	725,000	27,187,500
^a PHI Inc.	77,500	2,092,500
^a PHI Inc., non-voting	390,000	10,830,300
^a Rowan Cos. PLC	775,000	25,210,750
Tidewater Inc.	525,000	27,536,250
Valero Energy Corp.	444,000	17,902,080
		166,803,280
Food, Beverage & Tobacco 6.1%		
Archer-Daniels-Midland Co.	955,000	32,412,700
Bunge Ltd.	382,000	27,584,220
^a Smithfield Foods Inc.	802,000	20,531,200
		80,528,120
Life & Health Insurance 9.3%		
Manulife Financial Corp. (Canada)	667,000	9,858,260
MetLife Inc.	565,000	22,029,350
National Western Life Insurance Co., A	138,500	25,292,870

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

Franklin Balance Sheet Investment Fund	Shares	Value
Common Stocks (continued)		
Life & Health Insurance (continued)		
Prudential Financial Inc.	551,000	\$ 33,291,420
StanCorp Financial Group Inc.	759,000	32,773,620
		123,245,520
Materials 10.1%		
Ashland Inc.	221,000	18,829,200
Commercial Metals Co.	529,400	7,739,828
Kaiser Aluminum Corp.	541,000	34,083,000
MeadWestvaco Corp	347,400	11,978,352
Reliance Steel & Aluminum Co.	427,000	27,784,890
^a RTI International Metals Inc.	741,300	21,512,526
Sherritt International Corp. (Canada)	2,398,900	11,216,378
		133,144,174
Multi-line Insurance 8.4%		
American National Insurance Co.	200,000	18,806,000
Assurant Inc.	688,000	32,707,520
E-L Financial Corp. Ltd. (Canada)	66,000	34,441,733
HCC Insurance Holdings Inc.	585,000	24,921,000
	,	110,876,253
		110,870,233
Property & Casualty Insurance 10.2%	274.000	20 020 100
The Chubb Corp.	374,000	32,938,180
Old Republic International Corp.	2,493,200	33,658,200
Selective Insurance Group Inc. The Travelers Cos. Inc.	1,398,000 420,000	32,755,140
The travelers cos. file.	420,000	35,872,200
		135,223,720
Reinsurance 2.0%		
Validus Holdings Ltd. (Bermuda)	680,000	26,254,800
Retailing 3.1%		
Haverty Furniture Cos. Inc.	554,000	13,174,120
OfficeMax Inc.	1,827,000	21,028,770
^{a,b} Trinity Place Holdings Inc	1,200,000	6,540,000
		40,742,890
Technology Hardware & Equipment 4.9%		
^a Benchmark Electronics Inc.	1,820,000	32,468,800
Corning Inc.	2,203,000	31,943,500
		64,412,300
Utilities 9.0%		
Avista Corp	483,000	13,548,150
Great Plains Energy Inc.	663,000	15,998,190
IDACORP Inc.	354,500	17,444,945
a,c KGen Power Corp., 144A	2,800,000	2,520,000
Northeast Utilities	481,000	21,803,730
NV Energy Inc.	858,000	18,558,540
-	,	. ,

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

Franklin Balance Sheet Investment Fund	Shares	Value
Common Stocks (continued) Utilities (continued)		
PNM Resources Inc. Westar Energy Inc.	760,000 302,000	\$ 18,247,600 10,557,920 118,679,075
Total Common Stocks (Cost \$809,269,158)		1,259,779,922
Short Term Investments (Cost \$64,279,206) 4.8% Money Market Funds 4.8%		
a,d Institutional Fiduciary Trust Money Market Portfolio	64,279,206	64,279,206
Total Investments (Cost \$873,548,364) 100.1%		1,324,059,128 (1,486,221)
Net Assets 100.0%		\$1,322,572,907

^aNon-income producing.

bSee Note 9 regarding holdings of 5% voting securities.

eSecurity 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. This security has been deemed liquid under guidelines approved by the Trust's Board of Trustees. At April 30, 2013, the value of this security was \$2,520,000, representing 0.19% of net assets.

dSee Note 7 regarding investments in the Institutional Fiduciary Trust Money Market Portfolio.

Financial Highlights

	Six Months Ende		Yea			
Class A	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$13.05	\$11.95	\$11.78	\$10.63	\$ 9.84	\$16.75
Income from investment operations ^a :						
Net investment income ^b	0.06	0.12	0.10	0.08	0.12	0.18
Net realized and unrealized gains (losses)	1.82	1.10	0.15	1.24	0.86	(5.88)
Total from investment operations	1.88	1.22	0.25	1.32	0.98	(5.70)
Less distributions from:						
Net investment income	(0.14)	(0.12)	(0.08)	(0.17)	(0.19)	(0.24)
Net realized gains		_	_			(0.97)
Total distributions	(0.14)	(0.12)	(0.08)	(0.17)	(0.19)	(1.21)
Redemption fees ^c						d
Net asset value, end of period	\$14.79	\$13.05	\$11.95	\$11.78	\$10.63	\$ 9.84
Total return ^e	14.57%	10.31%	2.09%	12.47%	10.37%	(36.35)%
Ratios to average net assets ^f						
Expenses	1.37%	1.40%	1.39%	1.42%	1.48%	1.38% ^g
Net investment income	0.83%	0.95%	0.79%	0.71%	1.36%	1.34%
Supplemental data						
Net assets, end of period (000's)	\$113,808	\$96,584	\$101,711	\$101,638	\$98,252	\$84,815
Portfolio turnover rate	4.77%	15.76%	17.99%	13.89%	10.95%	15.88%

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.

bBased on average daily shares outstanding.

cEffective September 1, 2008, the redemption fee was eliminated.

dAmount rounds to less than \$0.01 per share.

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

^fRatios are annualized for periods less than one year.

gBenefit of expense reduction rounds to less than 0.01%.

Financial Highlights (continued)

	Six Months Ende		Yea			
Class C	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$12.91	\$11.82	\$11.65	\$10.52	\$ 9.70	\$16.51
Income from investment operations ^a :						
Net investment income ^b	0.01	0.03	0.01	c	0.06	0.09
Net realized and unrealized gains (losses)	1.81	1.08	0.16	1.22	0.85	(5.81)
Total from investment operations	1.82	1.11	0.17	1.22	0.91	(5.72)
Less distributions from:						
Net investment income	(0.05)	(0.02)	_	(0.09)	(0.09)	(0.12)
Net realized gains				_		(0.97)
Total distributions	(0.05)	(0.02)		(0.09)	(0.09)	(1.09)
Redemption fees ^d						c
Net asset value, end of period	\$14.68	\$12.91	\$11.82	\$11.65	\$10.52	\$ 9.70
Total returne	14.19%	9.46%	1.46%	11.68%	9.59%	(36.80)%
Ratios to average net assets ^f						
Expenses	2.08%	2.11%	2.09%	2.12%	2.20%	2.08%g
Net investment income	0.12%	0.24%	0.09%	0.01%	0.64%	0.64%
Supplemental data						
Net assets, end of period (000's)	\$25,694	\$22,650	\$22,062	\$23,693	\$23,845	\$24,772
Portfolio turnover rate	4.77%	15.76%	17.99%	13.89%	10.95%	15.88%

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bBased on average daily shares outstanding.

cAmount rounds to less than \$0.01 per share.

^dEffective September 1, 2008, the redemption fee was eliminated.

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

^fRatios are annualized for periods less than one year.

gBenefit of expense reduction rounds to less than 0.01%.

Financial Highlights (continued)

	Six Months Ende April 30, 2013	d	Year Ended October 31,			
Class R	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$12.94	\$11.85	\$11.68	\$10.55	\$ 9.74	\$16.61
Income from investment operations ^a :						
Net investment income ^b	0.04	0.09	0.07	0.05	0.10	0.16
Net realized and unrealized gains (losses)	1.82	1.09	0.16	1.22	0.86	(5.84)
Total from investment operations	1.86	1.18	0.23	1.27	0.96	(5.68)
Less distributions from:						
Net investment income	(0.12)	(0.09)	(0.06)	(0.14)	(0.15)	(0.22)
Net realized gains		_	_	_	_	(0.97)
Total distributions	(0.12)	(0.09)	(0.06)	(0.14)	(0.15)	(1.19)
Redemption fees ^c		_	_	_	_	d
Net asset value, end of period	\$14.68	\$12.94	\$11.85	\$11.68	\$10.55	\$ 9.74
Total return ^e	14.45%	10.07%	1.92%	12.16%	10.18%	(36.46)%
Ratios to average net assets ^f						
Expenses	1.58%	1.61%	1.59%	1.62%	1.70%	1.58%g
Net investment income	0.62%	0.74%	0.59%	0.51%	1.14%	1.14%
Supplemental data						
Net assets, end of period (000's)	\$4,228	\$3,644	\$3,638	\$3,895	\$3,707	\$3,550
Portfolio turnover rate	4.77%	15.76%	17.99%	13.89%	10.95%	15.88%

aThe 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.

^bBased on average daily shares outstanding.

cEffective September 1, 2008, the redemption fee was eliminated.

dAmount rounds to less than \$0.01 per share.

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

fRatios are annualized for periods less than one year.

gBenefit of expense reduction rounds to less than 0.01%.

Financial Highlights (continued)

	Six Months Ende		Year Ended October 31,			
Advisor Class	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	\$13.01	\$11.93	\$11.75	\$10.60	\$ 9.83	\$16.76
Income from investment operations ^a :						
Net investment income ^b	0.08	0.15	0.13	0.10	0.14	0.22
Net realized and unrealized gains (losses)	1.82	1.08	0.16	1.24	0.86	(5.88)
Total from investment operations	1.90	1.23	0.29	1.34	1.00	(5.66)
Less distributions from:						
Net investment income	(0.18)	(0.15)	(0.11)	(0.19)	(0.23)	(0.30)
Net realized gains		_	_	_	_	(0.97)
Total distributions	(0.18)	(0.15)	(0.11)	(0.19)	(0.23)	(1.27)
Redemption fees ^c		_	_	_	_	d
Net asset value, end of period	\$14.73	\$13.01	\$11.93	\$11.75	\$10.60	\$ 9.83
Total return ^e	14.82%	10.53%	2.47%	12.78%	10.68%	(36.13)%
Ratios to average net assets ^f						
Expenses	1.08%	1.11%	1.09%	1.12%	1.20%	1.08%g
Net investment income	1.12%	1.24%	1.09%	1.01%	1.64%	1.64%
Supplemental data						
Net assets, end of period (000's)	\$8,675	\$7,169	\$6,028	\$4,851	\$3,896	\$2,622
Portfolio turnover rate	4.77%	15.76%	17.99%	13.89%	10.95%	15.88%

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.

^bBased on average daily shares outstanding.

cEffective September 1, 2008, the redemption fee was eliminated.

dAmount rounds to less than \$0.01 per share.

eTotal return is not annualized for periods less than one year.

^fRatios are annualized for periods less than one year.

gBenefit of expense reduction rounds to less than 0.01%.

Statement of Investments, April 30, 2013 (unaudited)

Franklin Large Cap Value Fund	Shares	Value
Common Stocks 95.7%		
Automobiles & Components 3.4%		
BorgWarner Inc	25,500	\$ 1,993,335
Johnson Controls Inc.	90,000	3,150,900
		5,144,235
Banks 4.9%		
	70,000	2 527 500
Comerica Inc. KeyCorp	266,000	2,537,500 2,652,020
U.S. Bancorp	71,000	2,362,880
o.o. balloofp	71,000	
		7,552,400
Capital Goods 13.6%		
3M Co	26,500	2,774,815
Dover Corp.	34,500	2,379,810
Eaton Corp. PLC	55,000	3,377,550
General Dynamics Corp.	28,000	2,070,880
General Electric Co.	103,500	2,307,015
Illinois Tool Works Inc.	28,000	1,807,680
Parker Hannifin Corp.	27,000	2,391,390
Rockwell Automation Inc.	15,000	1,271,700
United Technologies Corp.	26,500	2,419,185
		20,800,025
Consumer Durables & Apparel 1.5%		
NIKE Inc., B	37,400	2,378,640
Consumer Services 0.9%		
McDonald's Corp.	13,000	1,327,820
Diversified Financials 6.8%		
Bank of America Corp.	136,000	1,674,160
Citigroup Inc.	85,000	3,966,100
Northern Trust Corp.	27,000	1,455,840
State Street Corp	55,000	3,215,850
		10,311,950
Energy 16.2%		
Apache Corp	31,000	2,290,280
Baker Hughes Inc.	57,200	2,290,280
	20,000	2,440,200
Chevron Corp	38,500	2,327,325
Devon Energy Corp.	37,000	2,037,220
Ensco PLC, A	41,000	2,364,880
Exxon Mobil Corp.	29,000	2,580,710
Noble Corp.	61,000	2,287,500
Occidental Petroleum Corp.	26,500	2,365,390
Phillips 66	19,250	1,173,288
Valero Energy Corp.	55,000	2,217,600
	55,000	
		24,680,701

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

Franklin Large Cap Value Fund	Shares	Value
Common Stocks (continued)		
Food & Staples Retailing 2.0%		
Wal-Mart Stores Inc.	13,500	\$ 1,049,220
Walgreen Co	40,000	1,980,400
		3,029,620
Food, Beverage & Tobacco 3.5%		<u>-</u>
Archer-Daniels-Midland Co.	65,000	2,206,100
Bunge Ltd.	42,600	3,076,146
%	,	5,282,246
W W O F : 400 : 050/		5,262,240
Health Care Equipment & Services 2.5%	00.000	0.704.700
Becton Dickinson and Co.	29,000	2,734,700
Covidien PLC	17,500	1,117,200
		3,851,900
Household & Personal Products 1.1%		
The Procter & Gamble Co.	23,000	1,765,710
Insurance 12.1%		
Aflac Inc.	57,000	3,103,080
The Allstate Corp.	75,000	3,694,500
^a Berkshire Hathaway Inc., A	8	1,272,000
The Chubb Corp	25,000	2,201,750
MetLife Inc.	85,000	3,314,150
Prudential Financial Inc.	55,500	3,353,310
The Travelers Cos. Inc.	17,000	1,451,970
		18,390,760
Materials 5.4%		
Air Products and Chemicals Inc.	13,900	1,208,744
Alcoa Inc.	263,600	2,240,600
Nucor Corp.	78,000	3,402,360
Praxair Inc.	12,000	1,371,600
		8,223,304
Pharmaceuticals, Biotechnology & Life Sciences 7.9%		
^a Actavis Inc.	13,000	1,374,490
^a Gilead Sciences Inc.	61,000	3,089,040
Merck & Co. Inc.	64,000	3,008,000
Pfizer Inc.	95,000	2,761,650
Teva Pharmaceutical Industries Ltd., ADR (Israel)	46,500	1,780,485
Total Harmacoulour Madatilos Etal, Non (Islas)	10,000	
		12,013,665
Retailing 3.8%	7.000	
Family Dollar Stores Inc.	7,000	429,590
The Home Depot Inc.	38,500	2,823,975
Nordstrom Inc.	39,000	2,207,010
^a Office Depot Inc.	84,500	326,170
		5,786,745
Semiconductors & Semiconductor Equipment 1.1%		
Microchip Technology Inc.	45,000	1,638,900

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

Franklin Large Cap Value Fund	Shares	Value
Common Stocks (continued)		
Software & Services 3.7%		
International Business Machines Corp.	15,000	\$ 3,038,100
Microsoft Corp.	77,000	2,548,700
		5,586,800_
Technology Hardware & Equipment 3.7%		
Corning Inc.	190,000	2,755,000
TE Connectivity Ltd.	8,600	374,530
Xerox Corp	295,000	2,531,100
		5,660,630
Transportation 1.3%		
Norfolk Southern Corp.	25,000	1,935,500
Utilities 0.3%		
Exelon Corp.	14,000	525,140
Total Common Stocks (Cost \$114,808,718)		145,886,691
Short Term Investments (Cost \$6,770,719) 4.5% Money Market Funds 4.5%		
a,b Institutional Fiduciary Trust Money Market Portfolio	6,770,719	6,770,719
Total Investments (Cost \$121,579,437) 100.2%		152,657,410
Other Assets, less Liabilities (0.2)%		(253,324)
Net Assets 100.0%		\$152,404,086

See Abbreviations on page 120.

^aNon-income producing.

^bSee Note 7 regarding investments in the Institutional Fiduciary Trust Money Market Portfolio.

Financial Highlights

	Six Months End April 30, 201			Year Ended October 31,		
Class A	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$32.60	\$32.38	\$29.34	\$25.84	\$25.09	\$44.02
Income from investment operations ^a :						
Net investment income ^b	0.16 ^c	0.30 ^d	0.04	0.05	0.18	0.38
Net realized and unrealized gains (losses)	4.46	3.77	4.07	3.60	2.87	(13.69)
Total from investment operations	4.62	4.07	4.11	3.65	3.05	(13.31)
Less distributions from:						
Net investment income	(0.52)	(0.02)	(0.09)	(0.15)	(0.41)	(0.41)
Net realized gains	(1.44)	(3.83)	(0.98)	_	(1.89)	(5.21)
Total distributions	(1.96)	(3.85)	(1.07)	(0.15)	(2.30)	(5.62)
Redemption feese		_	_	_	_	f
Net asset value, end of period	\$35.26	\$32.60	\$32.38	\$29.34	\$25.84	\$25.09
Total return ^g	14.93%	14.70%	14.16%	14.19%	15.07%	(33.44)%
Ratios to average net assets ^h						
Expenses before waiver and payments by affiliates	1.11%	1.16%	1.16%	1.18%	1.18%	1.11%
Expenses net of waiver and payments by affiliates	1.11%	1.16%	1.16%	1.17%	1.17% ⁱ	1.11% ⁱ
Net investment income	1.09%⁰	1.01%d	0.12%	0.17%	0.79%	1.16%
Supplemental data						
Net assets, end of period (000's)	\$319,201	\$202,636	\$214,646	\$217,735	\$232,075	\$238,025
Portfolio turnover rate	7.16%	5.03%	9.46%	8.34%	10.97%	11.84%

^aThe 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.

bBased on average daily shares outstanding.

Net investment income per share includes approximately \$0.19 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been (0.03)%.

⁴Net investment income per share includes approximately \$0.23 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 0.25%.

eEffective September 1, 2008, the redemption fee was eliminated.

fAmount rounds to less than \$0.01 per share.

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

hRatios are annualized for periods less than one year.

ⁱBenefit of expense reduction rounds to less than 0.01%.

Financial Highlights (continued)

	Six Months End April 30, 201		Yea	ar Ended Octob	per 31,	
Advisor Class	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$32.61	\$32.41	\$29.37	\$25.85	\$25.14	\$44.14
Income from investment operations ^a :						
Net investment income ^b	0.25 ^c	0.39 ^d	0.12	0.11	0.22	0.42
Net realized and unrealized gains (losses)	4.40	3.74	4.07	3.62	2.87	(13.68)
Total from investment operations	4.65	4.13	4.19	3.73	3.09	(13.26)
Less distributions from:						
Net investment income	(0.60)	(0.10)	(0.17)	(0.21)	(0.49)	(0.53)
Net realized gains	(1.44)	(3.83)	(0.98)	_	(1.89)	(5.21)
Total distributions	(2.04)	(3.93)	(1.15)	(0.21)	(2.38)	(5.74)
Redemption feese		_	_	_	_	f
Net asset value, end of period	\$35.22	\$32.61	\$32.41	\$29.37	\$25.85	\$25.14
Total return ^g	15.05%	14.97%	14.44%	14.50%	15.33%	(33.29)%
Ratios to average net assets ^h						
Expenses before waiver and payments by affiliates	0.87%	0.92%	0.91%	0.94%	0.94%	0.87%
Expenses net of waiver and payments by affiliates	0.87%	0.92%	0.91%	0.93%	0.93% ⁱ	0.87% ⁱ
Net investment income	1.33% ^c	1.25% ^d	0.37%	0.41%	1.03%	1.40%
Supplemental data						
Net assets, end of period (000's)	\$144,359	\$165,296	\$133,697	\$129,806	\$84,298	\$61,489
Portfolio turnover rate	7.16%	5.03%	9.46%	8.34%	10.97%	11.84%

^aThe 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.

bBased on average daily shares outstanding.

Net investment income per share includes approximately \$0.19 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 0.21%.

Net investment income per share includes approximately \$0.23 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 0.49%.

eEffective September 1, 2008, the redemption fee was eliminated.

fAmount rounds to less than \$0.01 per share.

 $[\]ensuremath{^{\text{g}}}\textsc{Total}$ return is not annualized for periods less than one year.

hRatios are annualized for periods less than one year.

Benefit of expense reduction rounds to less than 0.01%.

Statement of Investments, April 30, 2013 (unaudited)

Franklin MicroCap Value Fund Shares Value Common Stocks 79.9% Automobiles & Components 0.9% Spartan Motors Inc. 741,000 \$ 3,942,1 Banks 5.9% Bar Harbor Bankshares 156,768 5,643,4 Citizens Community Bancorp Inc. 143,700 1,024,4 First Defiance Financial Corp. 210,000 4,754,4 MidSouth Bancorp Inc. 225,000 3,534, Northeast Bancorp 437,000 4,138,3 Penseco Financial Services Corp. 50,000 1,887,4 Southern Missouri Bancorp Inc. 70,000 1,784,6 WSFS Financial Corp. 65,919 3,226,6 WSFS Financial Corp. 65,919 3,226,6 27,254,6 Capital Goods 16.5% Alamo Group Inc. 190,000 7,613,6 Burnham Holdings Inc., A 219,000 3,692,3
Automobiles & Components 0.9% Spartan Motors Inc. 741,000 \$3,942,100 Banks 5.9% \$5,643,6 \$5,643,6 Bar Harbor Bankshares 156,768 \$5,643,6 Citizens Community Bancorp Inc. 143,700 \$1,024,8 First Defiance Financial Corp. 210,000 4,754,4 MidSouth Bancorp Inc. 225,000 3,534,7 Northeast Bancorp 437,000 4,138,3 Penseco Financial Services Corp. 50,000 1,887,9 Southern Missouri Bancorp Inc. 70,000 1,784,6 a WSB Holdings Inc. 192,460 1,260,6 WSFS Financial Corp. 65,919 3,226,6 Capital Goods 16.5% 4 4 4 Alamo Group Inc. 190,000 7,613,3 Burnham Holdings Inc., A 219,000 3,692,3
Spartan Motors Inc. 741,000 \$ 3,942,100 Banks 5.9% Banks 5.968 Bar Harbor Bankshares 156,768 5,643,4 Citizens Community Bancorp Inc. 143,700 1,024,4 First Defiance Financial Corp. 210,000 4,754,4 MidSouth Bancorp Inc. 225,000 3,534,7 Northeast Bancorp 437,000 4,138,3 Penseco Financial Services Corp. 50,000 1,887,9 Southern Missouri Bancorp Inc. 70,000 1,784,6 a WSB Holdings Inc. 192,460 1,260,6 WSFS Financial Corp. 65,919 3,226,0 Capital Goods 16.5% Alamo Group Inc. 190,000 7,613,3 Burnham Holdings Inc., A 219,000 3,692,3
Banks 5.9% Bar Harbor Bankshares 156,768 5,643,6 Citizens Community Bancorp Inc. 143,700 1,024,5 First Defiance Financial Corp. 210,000 4,754,6 MidSouth Bancorp Inc. 225,000 3,534,7 Northeast Bancorp 437,000 4,138,3 Penseco Financial Services Corp. 50,000 1,887,9 Southern Missouri Bancorp Inc. 70,000 1,784,6 a WSB Holdings Inc. 192,460 1,260,6 WSFS Financial Corp. 65,919 3,226,6 27,254,6 Capital Goods 16.5% 190,000 7,613,3 Alamo Group Inc. 190,000 7,613,3 Burnham Holdings Inc., A 219,000 3,692,3
Bar Harbor Bankshares 156,768 5,643,6 Citizens Community Bancorp Inc. 143,700 1,024,8 First Defiance Financial Corp. 210,000 4,754,6 MidSouth Bancorp Inc. 225,000 3,534,7 Northeast Bancorp 437,000 4,138,3 Penseco Financial Services Corp. 50,000 1,887,8 Southern Missouri Bancorp Inc. 70,000 1,784,6 a WSB Holdings Inc. 192,460 1,260,6 WSFS Financial Corp. 65,919 3,226,0 Capital Goods 16.5% Alamo Group Inc. 190,000 7,613,3 Burnham Holdings Inc., A 219,000 3,692,3
Citizens Community Bancorp Inc. 143,700 1,024,4 First Defiance Financial Corp. 210,000 4,754,4 MidSouth Bancorp Inc. 225,000 3,534,7 Northeast Bancorp 437,000 4,138,3 Penseco Financial Services Corp. 50,000 1,887,9 Southern Missouri Bancorp Inc. 70,000 1,784,4 a WSB Holdings Inc. 192,460 1,260,6 WSFS Financial Corp. 65,919 3,226,6 Capital Goods 16.5% 27,254,6 Alamo Group Inc. 190,000 7,613,3 Burnham Holdings Inc., A 219,000 3,692,3
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MidSouth Bancorp Inc. 225,000 3,534,700 Northeast Bancorp 437,000 4,138,300 Penseco Financial Services Corp. 50,000 1,887,400 Southern Missouri Bancorp Inc. 70,000 1,784,600 a WSB Holdings Inc. 192,460 1,260,600 WSFS Financial Corp. 65,919 3,226,600 Capital Goods 16.5% 190,000 7,613,600 Alamo Group Inc. 190,000 7,613,600 Burnham Holdings Inc., A 219,000 3,692,600
Northeast Bancorp 437,000 4,138,3 Penseco Financial Services Corp. 50,000 1,887,5 Southern Missouri Bancorp Inc. 70,000 1,784,6 a WSB Holdings Inc. 192,460 1,260,6 WSFS Financial Corp. 65,919 3,226,0 27,254,6 Capital Goods 16.5% 190,000 7,613,3 Burnham Holdings Inc., A 219,000 3,692,3
Penseco Financial Services Corp. 50,000 1,887,9 Southern Missouri Bancorp Inc. 70,000 1,784,6 a WSB Holdings Inc. 192,460 1,260,6 WSFS Financial Corp. 65,919 3,226,0 27,254,6 27,254,6 Capital Goods 16.5% Alamo Group Inc. 190,000 7,613,3 Burnham Holdings Inc., A 219,000 3,692,3
Southern Missouri Bancorp Inc. 70,000 1,784,6 a WSB Holdings Inc. 192,460 1,260,6 WSFS Financial Corp. 65,919 3,226,6 Capital Goods 16.5% Alamo Group Inc. 190,000 7,613,3 Burnham Holdings Inc., A 219,000 3,692,3
a WSB Holdings Inc. 192,460 1,260,6 WSFS Financial Corp. 65,919 3,226,6 27,254,6 Capital Goods 16.5% Alamo Group Inc. 190,000 7,613,3 Burnham Holdings Inc., A 219,000 3,692,3
WSFS Financial Corp. 65,919 3,226,0 27,254,6 Capital Goods 16.5% 190,000 7,613,3 Alamo Group Inc. 190,000 3,692,3 Burnham Holdings Inc., A 219,000 3,692,3
27,254,6 Capital Goods 16.5% Alamo Group Inc. 190,000 7,613,3 Burnham Holdings Inc., A 219,000 3,692,3
Capital Goods 16.5% Alamo Group Inc. 190,000 7,613,3 Burnham Holdings Inc., A 219,000 3,692,3
Alamo Group Inc. 190,000 7,613,3 Burnham Holdings Inc., A 219,000 3,692,3
Burnham Holdings Inc., A
CIRCOR International Inc
^a Ducommun Inc
Espey Manufacturing & Electronics Corp
^a Gibraltar Industries Inc. 345,000 6,451,
Griffon Corp
^b Hardinge Inc
a,b Hurco Cos. Inc. 379,000 10,168,5
Insteel Industries Inc
^a Lydall Inc
Miller Industries Inc
^a Northwest Pipe Co. 177,000 4,830,3
a,c Smith Investment Co. LLC
^a Sparton Corp
76,357,9
Commercial & Professional Services 4.5%
^a A. T. Cross Co., A
Ecology and Environment Inc., A
Healthcare Services Group Inc
Kelly Services Inc., A
Kimball International Inc., B
21,068,
Consumer Durables & Apparel 4.1%
Callaway Golf Co
a,b Cobra Electronics Corp
a,b Delta Apparel Inc. 743,700 9,950,7
^a The Dixie Group Inc. 450,000 2,691,6
Flexsteel Industries Inc. 154,800 3,187,3
^a P & F Industries Inc., A
^a Rocky Brands Inc. 37,000 547,6
and the control of th

Franklin MicroCap Value Fund	Shares	Value
Common Stocks (continued)		
Consumer Services 2.9%		
Frisch's Restaurants Inc.	220,000	\$ 3,590,400
a,b Full House Resorts Inc.	960,000	2,649,600
^a Ruby Tuesday Inc.	732,400	7,060,336
		13,300,336
Diversified Financials 1.4%		
KCAP Financial Inc.	617,000	6,675,940
Energy 6.0%	,	
^a Cal Dive International Inc.	960,000	1,603,200
^a Magellan Petroleum Corp.	2,000,000	2,020,000
a Natural Gas Services Group Inc.	250,000	5,047,500
^a Parker Drilling Co.	705,000	2,904,600
^a PHI Inc.	17,600	475,200
a PHI Inc., non-voting	411,000	11,413,470
^a Tesco Corp. (Canada)	351,000	4,282,200
		27,746,170
Food 9 Stanles Detailing 1 79/		27,7 10,170
Food & Staples Retailing 1.7% Village Super Market Inc., A	227,000	7,990,400
	227,000	7,990,400
Food, Beverage & Tobacco 11.2%		
Griffin Land & Nurseries Inc.	130,300	3,889,455
John B. Sanfilippo & Son Inc.	225,000	4,720,500
a,b Omega Protein Corp.	1,321,000	12,298,510
^a Seneca Foods Corp., A ^a Seneca Foods Corp., B	546,000 121,500	17,794,140 3,936,600
^a Smithfield Foods Inc.	355,000	9,088,000
Similario 1 oods me.	333,000	
		51,727,205
Insurance 4.6%	252 522	
a,b ACMAT Corp., A	353,500	7,953,750
^a American Safety Insurance Holdings Ltd.	69,400	1,671,152
Baldwin & Lyons Inc., B	275,001	6,682,524
^a Global Indemnity PLC, A	108,584	2,420,338
Hallmark Financial Services Inc. Safety Insurance Group Inc	120,000 35,000	1,086,000 1,738,450
Safety insurance group inc.	33,000	<u> </u>
		21,552,214
Materials 7.1%		
a,b American Pacific Corp.	430,000	10,539,300
d Central Steel and Wire Co.	6,905	5,040,650
a,b Continental Materials Corp.	129,700	2,140,050
Mercer International Inc. (Germany) The Manage Compant Co. The Manage Compant Co.	303,030	1,906,059
The Monarch Cement Co.	140,744	3,068,219
RTI International Metals Inc. Universal Stainless & Alloy Products Inc.	173,300 145,000	5,029,166 5,069,200
Oniversal Statiliess & Alloy Houdets life.	140,000	
		32,792,644

Franklin MicroCap Value Fund	Shares	Value
Common Stocks (continued) Real Estate 1.1%		
^{a,c} Allen Organ Co. (LandCo. Holdings)	94,800	\$ 341,280
Arbor Realty Trust Inc.	257,700	1,989,444
^a Bresler & Reiner Inc.	205,000	51,250
^{a,b} Origen Financial Inc	1,900,000	2,850,000
		5,231,974
Retailing 5.0%		
a,b ALCO Stores Inc.	203,000	1,502,200
Brown Shoe Co. Inc.	245,000	4,142,950
Fred's Inc.	420,000	5,976,600
Haverty Furniture Cos. Inc.	264,000	6,277,920
Shoe Carnival Inc.	254,000	5,290,820
		23,190,490
Telecommunication Services 1.1%		
Atlantic Tele-Network Inc.	66,000	3,350,820
North State Telecommunications Corp., B	21,757	1,653,532
		5,004,352
Transportation E 00/		
Transportation 5.9%	250,000	C 402 F40
International Shipholding Corp.	359,000	6,483,540
b P.A.M. Transportation Services Inc. Providence and Worcester Railroad Co.	563,100 199,550	5,878,764
	199,550	3,064,290
^a SAIA Inc. ^{a,b} USA Truck Inc.	786,000	7,774,800
USA ITUCK IIIC.	786,000	4,032,180 27,233,574
T-1-1 C C11 (C1 #225 F7F 420)		
Total Common Stocks (Cost \$225,575,430)		370,236,145
Short Term Investments (Cost \$93,364,151) 20.1% Money Market Funds 20.1%		
a,e Institutional Fiduciary Trust Money Market Portfolio	93,364,151	93,364,151
Total Investments (Cost \$318,939,581) 100.0%		463,600,296
Other Assets, less Liabilities (0.0)%†		(40,202)
Net Assets 100.0%		\$463,560,094

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

^aNon-income producing.

bSee Note 9 regarding holdings of 5% voting securities.

^cSee Note 8 regarding restricted securities.

⁴At April 30, 2013, pursuant to the Fund's policies and the requirements of applicable securities law, the Fund may be restricted from trading this security for a limited or extended period of time due to ownership limits and/or potential possession of material non-public information.

eSee Note 7 regarding investments in the Institutional Fiduciary Trust Money Market Portfolio.

Financial Highlights

	Six Months Ende April 30, 2013	d	Year Ended October 31,			
Class A	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$11.38	\$10.39	\$10.31	\$ 8.35	\$7.31	\$11.92
Income from investment operations ^a :						
Net investment income ^b	0.06	0.08	0.05	0.06	0.02c	0.02
Net realized and unrealized gains (losses)	1.78	0.96	0.08	1.94	1.07	(4.36)
Total from investment operations	1.84	1.04	0.13	2.00	1.09	(4.34)
Less distributions from:						
Net investment income	(0.16)	(0.05)	(0.05)	(0.04)	(0.05)	(0.12)
Net realized gains						(0.15)
Total distributions	(0.16)	(0.05)	(0.05)	(0.04)	(0.05)	(0.27)
Redemption feesd			_	_		е
Net asset value, end of period	\$13.06	\$11.38	\$10.39	\$10.31	\$8.35	\$ 7.31
Total return ^f	16.33%	10.04%	1.26%	24.08%	15.03%	(37.14)%
Ratios to average net assets ^g						
Expenses before waiver and payments by affiliates	1.64%	1.70%	1.70%	1.77%	1.88%	1.78%
Expenses net of waiver and payments by affiliates	1.35%	1.35%	1.35%	1.35%	1.36%	1.40%h
Net investment income	1.00%	0.78%	0.50%	0.62%	0.33% ^c	0.15%
Supplemental data						
Net assets, end of period (000's)	\$76,660	\$64,265	\$62,226	\$55,445	\$41,642	\$39,626
Portfolio turnover rate	6.51%	22.29%	18.61%	20.67%	14.56%	26.66%

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.

bBased on average daily shares outstanding.

Net investment income per share includes approximately \$(0.06) per share of a return of capital adjustment to a previously recorded special dividend received by the Fund. Excluding this non-recurring amount, the ratio of net investment income to average net assets would have been 1.16%.

^dEffective September 1, 2008, the redemption fee was eliminated.

eAmount rounds to less than \$0.01 per share.

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

gRatios are annualized for periods less than one year.

hBenefit of expense reduction rounds to less than 0.01%.

Financial Highlights (continued)

	Six Months Ended April 30, 2013 Year Ended October 31,					
Class C	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$11.21	\$10.25	\$10.20	\$ 8.27	\$7.24	\$11.81
Income from investment operations ^a :						
Net investment income (loss) ^b	0.02	0.01	(0.02)	(0.01)	(0.02) ^c	(0.05)
Net realized and unrealized gains (losses)	1.75	0.95	0.07	1.94	1.05	(4.31)
Total from investment operations	1.77	0.96	0.05	1.93	1.03	(4.36)
Less distributions from:						
Net investment income	(0.07)	_	(—_)d	(—)d	_	(0.06)
Net realized gains						(0.15)
Total distributions	(0.07)	_	(—) ^d	(—)d	_	(0.21)
Redemption feese						d
Net asset value, end of period	\$12.91	\$11.21	\$10.25	\$10.20	\$8.27	\$ 7.24
Total return ^f	15.85%	9.37%	0.50%	23.36%	14.23%	(37.54)%
Ratios to average net assets ^g						
Expenses before waiver and payments by affiliates	2.34%	2.39%	2.40%	2.46%	2.56%	2.41%
Expenses net of waiver and payments by affiliates	2.05%	2.04%	2.05%	2.04%	2.04%	2.03% ^h
Net investment income (loss)	0.30%	0.09%	(0.20)%	(0.07)%	(0.35)% ^c	(0.48)%
Supplemental data						
Net assets, end of period (000's)	\$15,424	\$12,175	\$12,696	\$12,156	\$8,598	\$7,974
Portfolio turnover rate	6.51%	22.29%	18.61%	20.67%	14.56%	26.66%

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.

^{*}Net investment income per share includes approximately \$(0.06) per share of a return of capital adjustment to a previously recorded special dividend received by the Fund. Excluding this non-recurring amount, the ratio of net investment income to average net assets would have been 0.48%.

dAmount rounds to less than \$0.01 per share.

eEffective September 1, 2008, the redemption fee was eliminated.

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

gRatios are annualized for periods less than one year.

^hBenefit of expense reduction rounds to less than 0.01%.

Financial Highlights (continued)

	Six Months Ended April 30, 2013 Year Ended October 31,			er 31,		
Class R	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$11.35	\$10.36	\$10.28	\$ 8.33	\$7.30	\$11.87
Income from investment operations ^a :						
Net investment income ^b	0.05	0.06	0.03	0.04	0.01c	d
Net realized and unrealized gains (losses)	1.77	0.95	0.08	1.95	1.06	(4.34)
Total from investment operations	1.82	1.01	0.11	1.99	1.07	(4.34)
Less distributions from:						
Net investment income	(0.14)	(0.02)	(0.03)	(0.04)	(0.04)	(80.0)
Net realized gains				_		(0.15)
Total distributions	(0.14)	(0.02)	(0.03)	(0.04)	(0.04)	(0.23)
Redemption feese			_	_		d
Net asset value, end of period	\$13.03	\$11.35	\$10.36	\$10.28	\$8.33	\$ 7.30
Total return ^f	16.23%	9.77%	1.05%	23.95%	14.77%	(37.23)%
Ratios to average net assets ^g						
Expenses before waiver and payments by						
affiliates	1.84%	1.90%	1.90%	1.97%	2.07%	1.93%
Expenses net of waiver and payments by	1 550/	1 550/	1 550/	1 550/	1 550/	1 550/6
affiliates	1.55%	1.55%	1.55%	1.55%	1.55%	1.55%h
Net investment income	0.80%	0.58%	0.30%	0.42%	0.14% ^c	—%i
Constant data						
Supplemental data	4053	4.05	4505	A C A		4000
Net assets, end of period (000's)	\$856	\$485	\$507	\$564	\$440	\$339
Portfolio turnover rate	6.51%	22.29%	18.61%	20.67%	14.56%	26.66%

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.

^{*}Net investment income per share includes approximately \$(0.06) per share of a return of capital adjustment to a previously recorded special dividend received by the Fund. Excluding this non-recurring amount, the ratio of net investment income to average net assets would have been 0.97%.

dAmount rounds to less than \$0.01 per share.

eEffective September 1, 2008, the redemption fee was eliminated.

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

gRatios are annualized for periods less than one year.

hBenefit of expense reduction rounds to less than 0.01%.

Rounds to less than 0.01%.

Financial Highlights (continued)

	Six Months Ended April 30, 2013 Year Ended October 31,			er 31,		
Advisor Class	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$11.44	\$10.45	\$10.36	\$ 8.38	\$7.35	\$11.99
Income from investment operations ^a :						
Net investment income ^b	0.08	0.12	0.09	0.09	0.04c	0.05
Net realized and unrealized gains (losses)	1.78	0.95	0.08	1.95	1.07	(4.38)
Total from investment operations	1.86	1.07	0.17	2.04	1.11	(4.33)
Less distributions from:						
Net investment income	(0.20)	(80.0)	(80.0)	(0.06)	(80.0)	(0.16)
Net realized gains					_	(0.15)
Total distributions	(0.20)	(0.08)	(0.08)	(0.06)	(80.0)	(0.31)
Redemption feesd					_	е
Net asset value, end of period	\$13.10	\$11.44	\$10.45	\$10.36	\$8.38	\$ 7.35
Total return ^f	16.47%	10.35%	1.59%	24.50%	15.43%	(36.97)%
Ratios to average net assets ^g						
Expenses before waiver and payments by						
affiliates	1.34%	1.40%	1.40%	1.47%	1.57%	1.43%
Expenses net of waiver and payments by	1 059/	1.059/	1.059/	1 050/	1 050/	1 OE9/h
affiliates	1.05%	1.05%	1.05%	1.05%	1.05%	1.05%h
Net investment income	1.30%	1.08%	0.80%	0.92%	0.64% ^c	0.50%
Cumplemental data						
Supplemental data	¢0.010	¢0 507	¢2.052	¢1 E40	¢1 100	ф 7 С7
Net assets, end of period (000's)	\$2,912	\$2,507	\$2,052	\$1,548	\$1,198	\$767
Portfolio turnover rate	6.51%	22.29%	18.61%	20.67%	14.56%	26.66%

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.

bBased on average daily shares outstanding.

Net investment income per share includes approximately \$(0.06) per share of a return of capital adjustment to a previously recorded special dividend received by the Fund. Excluding this non-recurring amount, the ratio of net investment income to average net assets would have been 1.47%.

^dEffective September 1, 2008, the redemption fee was eliminated.

eAmount rounds to less than \$0.01 per share.

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

gRatios are annualized for periods less than one year.

^hBenefit of expense reduction rounds to less than 0.01%.

Statement of Investments, April 30, 2013 (unaudited)

BorgWarner Inc. 16,600 1,297,622 Gentex Corp. 64,900 1,460,249 Harley-Davidson Inc. 30,900 1,688,685 5,982,598 Banks 5.6%	Franklin MidCap Value Fund	Shares/Units	Value
Autolin Inc. 20,100 \$1,536,042 BorgWarner Inc. 16,600 1,297,622 Gentlex Corp. 64,900 1,460,249 Harley-Davidson Inc. 30,900 1,688,685 5,982,598 Emile Young Commercial Inc. 47,000 1,703,750 1,688,685 1,200,000 1,688,685 1,200,000 1,688,685 1,200,000 1,053,730 1,200,000 1,205,370 1,200,000 1,205,370 1,200,000 1,205,370 1,200,000 1,205,370 1,200,0000	Common Stocks and Other Equity Interests 94.4%		
Borg/Warrer Inc. 16.600 1.297,622 Centlex Corp. 64,900 1.680,629 Harley-Davidson Inc. 30,900 1.688,635 Banks 5.6% Family 1.00 1,03,750 Comerica Inc. 47,000 1,703,750 Hudson City Bancorp Inc. 127,000 1,055,370 KeyCorp. 146,500 1,460,605 PNC Financial Services Group Inc. 16,927 1,149,005 Capital Goods 15.0% 63,400 1,724,480 Babcock & Wilcox Co. 63,400 1,724,480 Carlisle Cos. Inc. 20,800 1,349,296 Dower Corp. 17,400 1,200,225 Eatin Corp. PLC 18,200 1,117,662 Eatils Inc. 33,400 1,144,480 Fortune Brands Home & Security Inc. 32,000 1,64,480 ITT Corp. 29,700 819,720 L-3 Communications Holdings Inc. 10,600 861,250 Owens Corning Inc. 44,800 1,842,288 Pentair Ld. 15,000 305,208 W.W.	Automobiles & Components 6.2%		
Gentex Corp. 64,900 1,460,249 Harley-Davidson Inc. 3,090 1,688,685 Banks 5.6% − − Comerica Inc. 47,000 1,055,570 KeyCorp. 146,500 1,655,00 KeyCorp. 146,500 1,149,005 PNC Financial Services Group Inc. 16,927 1,149,005 Capital Goods 15.0% 8 8 Babacock & Wilcox Co. 63,400 1,724,480 Carlisie Cos. Inc. 20,800 1,349,296 Dower Corp. 17,400 1,200,252 Eatlon Corp. PLC 18,200 1,117,662 Evells Inc. 73,400 819,878 Fortune Brands Home & Security Inc. 32,000 81,117,662 L-3 Communications Holdings Inc. 10,600 86,1250 Covers Corning Inc. 44,800 1,884,288 L-3 Communications Holdings Inc. 16,000 36,1250 Covers Corning Inc. 48,000 1,884,298 Recture Inc. 2,800 69,116 Xylem Inc. 25,300 </td <td>^a Autoliv Inc</td> <td>20,100</td> <td>\$ 1,536,042</td>	^a Autoliv Inc	20,100	\$ 1,536,042
Harley-Davidson Inc. 30,900 1,688,685 5,982,598 Banks 5.6% Comerica Inc. 47,000 1,703,750 Hudson City Bancerp Inc. 127,000 1,055,370 1,056,070 PNC Financial Services Group Inc. 16,927 1,149,005 5,368,730 Capital Goods 15.0% 3 1,724,480 2,280 1,349,296 2,280 1,244,480 2,286 <th< td=""><td>BorgWarner Inc.</td><td>16,600</td><td>1,297,622</td></th<>	BorgWarner Inc.	16,600	1,297,622
Banks 5.6% Comerica Inc. 47,000 1,703,750 KeyCorp 146,500 1,450,055 PNC Financial Services Group Inc. 16,927 1,40,005 Capital Goods 15.0% 5,368,730 Babcock & Wilcox Co. 63,400 1,724,480 Carlisie Cos. Inc. 20,800 1,349,296 Dover Corp. 17,400 1,200,252 Eaten Corp. PLC 18,200 1,117,662 Exelis Inc. 73,400 819,878 Fortune Brands Home & Security Inc. 32,000 1,164,480 L3 Communications Holdings Inc. 10,600 861,250 Owens Corning Inc. 44,800 1,884,288 Pentair Ltd. 14,500 788,075 Rockwell Automation Inc. 3,600 305,208 W.W. Grainger Inc. 2,800 690,116 Xyler Inc. 58,300 1,617,825 Robert Half International Inc. 2,200 1,617,825 Consumer Durables & Apparel 1.1% 12,900 423,378 Consumer Durables & Apparel 1.1% 3,900	Gentex Corp.	64,900	1,460,249
Banks 5.6% 47,000 1,703,750 Comerica Inc. 47,000 1,003,553,70 KeyCorp 146,500 1,460,605 PNC Financial Services Group Inc. 16,927 1,460,605 PNC Financial Services Group Inc. 16,927 1,744,600 Capital Goods 15.0% Babcock & Wilcox Co. 63,400 1,724,480 Carrisle Cos. Inc. 20,800 1,349,296 Dover Corp. 17,400 1,200,252 Eation Corp. PLC 18,200 1,117,662 Exelis Inc. 73,400 819,878 Fortune Brands Home & Security Inc. 32,000 819,270 L3 Communications Holdings Inc. 10,600 861,250 Qwens Corning Inc. 44,800 1,884,288 Pentair Ltd. 14,600 788,075 Rockwell Automation Inc. 3,600 305,208 W.W. Grainger Inc. 2,800 690,116 Xyler Inc. 12,900 423,378 Commercial & Professional Services 0.5% Robert Half International Inc. 12,	Harley-Davidson Inc	30,900	1,688,685
Comerica Inc. 47,000 1,703,750 Hudson City Bancor Jine. 127,000 1,055,370 KeyCorp 1146,500 1,460,605 PNC Financial Services Group Inc. 16,927 1,149,005 Explital Goods 15.0% 16,927 1,724,480 Carlisle Cos. Inc. 20,800 1,349,296 Dover Corp. 17,400 1,200,252 Eaton Corp. PLC 18,200 1,117,662 Exelis Inc. 73,400 819,878 Fortune Brands Home & Security Inc. 320,00 1,64,480 ITT Corp. 29,700 819,270 L-3 Communications Holdings Inc. 10,600 861,250 Owens Corning Inc. 44,800 1,884,288 Pentair Ltd. 14,500 788,075 Rockwell Automation Inc. 3,600 305,208 W.W. Grainger Inc. 2,800 690,116 Xylem Inc. 12,900 423,378 Commercial & Professional Services 0.5% 1,617,825 Robert Half International Inc. 57,500 1,644,975 Diversifie			5,982,598
Hudson City Bancorp Inc. 127,000 1,055,370 KeyCorp 146,500 1,460,605 PNC Financial Services Group Inc. 16,927 1,149,005 PNC Financial Services Group Inc. 16,927 1,724,480 Capital Goods 15.0% 8 20,800 1,724,480 Carlisle Cos. Inc. 20,800 1,349,296 Dower Corp. 17,400 1,200,252 Extelis Inc. 13,400 1,117,662 Extelis Inc. 32,000 1,164,480 Fortune Brands Home & Security Inc. 32,000 1,164,480 ITT Corp. 29,700 819,270 L-3 Communications Holdings Inc. 36,00 861,250 Owens Corning Inc. 44,800 1,884,288 Pentair Ltd. 14,500 788,075 Rockwell Automation Inc. 3,600 305,208 W.W. Grainger Inc. 2,800 690,116 Kylem Inc. 58,300 1,174,825 Commercial & Professional Services 0.5% 2,400 1,017,825 Robert Half International Inc. 57,50	Banks 5.6%		
KeyCorp 146,500 1,460,605 PNC Financial Services Group Inc. 16,927 1,149,005 Capital Goods 15.0% Babcock & Wilcox Co. 63,400 1,724,480 Carlisle Cos. Inc. 20,800 1,349,296 Dover Corp. 17,400 1,200,252 Eaton Corp. PLC 18,200 1,117,662 Exelis Inc. 32,000 1,164,480 ITT Corp. 29,700 819,270 Cas Communications Holdings Inc. 36,000 861,250 Owens Corning Inc. 44,800 1,884,288 Pentiar Ltd. 14,500 788,075 Rockwell Automation Inc. 3,600 305,208 W.W. Grainger Inc. 2,800 690,116 Xylem Inc. 58,300 1,617,825 Commercial & Professional Services 0.5% 80,000 1,041,925 Robert Half International Inc. 22,400 1,061,088 Consumer Durables & Apparel 1.1% 57,500 1,444,975 Diliberisified Financials 3.9% 93,800 1,969,800 KKR & Co., LP (Units)	Comerica Inc.		1,703,750
PNC Financial Services Group Inc. 16,927 1,149,005 Capital Goods 15.0% Sabacock & Wilcox Co. 63,400 1,724,480 Carlisle Cos. Inc. 20,800 1,349,296 Dover Corp. 17,400 1,200,252 Eaton Corp. PLC 18,200 1,117,602 Explis Inc. 73,400 819,878 Fortune Brands Home & Security Inc. 32,000 1,64,480 LITT Corp. 29,700 819,720 L-3 Communications Holdings Inc. 10,600 861,250 Commencial Meme & Security Inc. 44,800 1,884,288 Pentair Ltd. 44,800 1,884,288 Pentair Ltd. 14,500 861,250 Consumer Corning Inc. 3,600 305,208 W. Grainger Inc. 3,600 305,208 W. Grainger Inc. 2,800 690,116 Xylem Inc. 58,300 1,617,825 Robert Half International Inc. 22,400 1,061,088 Consumer Durables & Apparel 1.1% 22,400 1,061,088 Hillenbrand Inc. 37,000 </td <td>Hudson City Bancorp Inc.</td> <td>127,000</td> <td>1,055,370</td>	Hudson City Bancorp Inc.	127,000	1,055,370
Capital Goods 15.0% 5,368,730 Babcock & Wilcox Co. 63,400 1,724,480 Carlisle Cos. Inc. 20,800 1,349,296 Dover Corp. 17,400 1,200,252 Eaton Corp. PLC 18,200 1,117,662 Exelis Inc. 73,400 819,878 Fortune Brands Home & Security Inc. 32,000 1,164,480 ITT Corp. 29,700 819,720 L-3 Communications Holdings Inc. 10,600 861,250 Cownes Corning Inc. 44,800 1,884,288 Pentair Ltd. 14,500 788,075 Rockwell Automation Inc. 3,600 305,208 W.W. Grainger Inc. 2,800 690,116 Xylem Inc. 58,300 1,617,825 Commercial & Professional Services 0.5% 2,800 690,116 Robert Half International Inc. 22,400 1,061,088 Consumer Durables & Apparel 1.1% 22,400 1,061,088 Hillenbrand Inc. 57,500 1,444,975 Diversified Financials 3.9% 2,400 1,061,088		146,500	1,460,605
Capital Goods 15.0% Babcock & Wilcox Co. 63,400 1,724,480 Carlisle Cos. Inc. 20,800 1,349,296 Dover Corp. 17,400 1,200,252 Eaton Corp. PLC 18,200 1,117,662 Exellis Inc. 73,400 819,878 Fortune Brands Home & Security Inc. 32,000 1,164,480 ITT Corp. 29,700 819,720 L-3 Communications Holdings Inc. 10,600 861,250 Owens Corning Inc. 44,800 1,884,288 Pentair Ltd. 14,500 788,075 Rockwell Automation Inc. 3,600 305,208 W.W. Grainger Inc. 2,800 690,116 Xylem Inc. 58,300 1,617,825 Towner Laft International Inc. 12,900 423,378 Commer Durables & Apparel 1.1% Hasbor Inc. 22,400 1,061,088 Consumer Durables & Apparel 1.1% Haisen Francials 3.9% 1,860,201 KKR & Co., LP (Units) 93,800 1,969,800 Northern Trust Corp. 33,500 1,806,320 Energy 10.1%	PNC Financial Services Group Inc.	16,927	1,149,005
Babcock & Wilcox Co. 63,400 1,724,480 Carlisle Cos. Inc. 20,800 1,349,296 Dover Corp. 17,400 1,200,252 Eaton Corp. PLC 18,200 1,117,662 Exelis Inc. 73,400 819,878 Fortune Brands Home & Security Inc. 29,700 819,720 L3 Communications Holdings Inc. 10,600 861,250 Cowens Corning Inc. 44,800 1,884,288 Pentair Ltd. 14,500 788,075 Rockwell Automation Inc. 3,600 305,208 W.W. Grainger Inc. 2,800 690,116 Xylem Inc. 58,300 1,617,825 Tensumer Durables & Apparel 1.1% 12,900 423,378 Consumer Durables & Apparel 1.18 22,400 1,061,088 Consumer Services 1.5% 1,101,088 2,400 1,061,088 Consumer Fervices 1.5% 3,500 1,969,800 1,061,088 Consumer Services 1.5% 3,500 1,806,320 1,761,120 Diversified Financials 3.9% 2,700 1,500,300 1,806,320			5,368,730
Carlisle Cos. Inc. 20,800 1,349,296 Dover Corp. 17,400 1,200,252 Eaton Corp. PLC 18,200 1,117,662 Exelis Inc. 73,400 819,878 Fortune Brands Home & Security Inc. 29,700 1,164,480 ITT Corp. 29,700 819,720 L-3 Communications Holdings Inc. 10,600 861,250 Owens Corning Inc. 44,800 1,884,288 Pentair Ltd. 14,500 788,075 Rockwell Automation Inc. 3,600 305,208 W.W. Grainger Inc. 2,800 690,116 Xylem Inc. 2,800 690,116 Xylem Inc. 12,900 423,378 Commercial & Professional Services 0.5% 22,400 1,061,088 Robert Half International Inc. 12,900 423,378 Consumer Durables & Apparel 1.1% 35,000 1,061,088 Halberbrand Inc. 57,500 1,444,975 Diversified Financials 3.9% 57,500 1,444,975 KKR & Co., LP (Units) 93,800 1,969,800 <	Capital Goods 15.0%		
Dover Corp. 17,400 1,200,252 Eaton Corp. PLC 18,200 1,117,602 51,117,602 18,200 1,117,602 1,117,602 1,117,602 1,104,480 1,164,480 1,164,480 1,164,480 1,164,480 1,164,480 1,164,480 1,164,480 1,164,480 1,164,480 1,164,480 1,164,480 1,164,480 1,164,480 1,164,480 1,164,480 1,164,480 1,184,283 1,164,480 1,184,283 <t< td=""><td>Babcock & Wilcox Co.</td><td></td><td></td></t<>	Babcock & Wilcox Co.		
Eaton Corp. PLC 18,200 1,117,662 Exelis Inc. 73,400 819,878 Fortune Brands Home & Security Inc. 29,000 1,164,480 ITT Corp. 29,700 819,720 L-3 Communications Holdings Inc. 10,600 861,250 Owens Corning Inc. 44,800 1,884,288 Pentair Ltd. 14,500 788,075 Rockwell Automation Inc. 3,600 305,208 W.W. Grainger Inc. 2,800 690,116 Xylem Inc. 58,300 1,617,825 Explored Half International Inc. 12,900 423,378 Commercial & Professional Services 0.5% Robert Half International Inc. 12,900 423,378 Consumer Durables & Apparel 1.1% Hasbro Inc. 22,400 1,061,088 Consumer Services 1.5% Hillenbrand Inc. 57,500 1,444,975 Diversified Financials 3.9% KKR & Co., LP (Units) 93,800 1,969,800 Northern Trust Corp. 33,500 1,806,320 Ene		*	
Exelis Inc. 73,400 819,878 Fortune Brands Home & Security Inc. 32,000 1,164,480 ITT Corp. 29,700 819,720 L-3 Communications Holdings Inc. 10,600 861,250 Owens Corning Inc. 44,800 1,884,288 Pentair Ltd. 3,600 305,208 Rockwell Automation Inc. 3,600 305,208 Rockwell Automation Inc. 2,800 690,116 Xylem Inc. 58,300 1,617,825 Individual Inc. 12,900 423,378 Consumer Durables & Apparel 1.1% 12,900 423,378 Habbro Inc. 22,400 1,061,088 Consumer Services 1.5% 1,444,975 Hillenbrand Inc. 57,500 1,444,975 Diversified Financials 3.9% KKR & Co., LP (Units) 93,800 1,969,800 Northern Trust Corp. 33,500 1,806,320 Energy 10.1% 27,396 1,580,201 Robel Corp. 40,400 1,515,000 Peabody Energy Corp. 58,400 1,171,504	·		1,200,252
Fortune Brands Home & Security Inc. 32,000 1,164,480 ITT Corp. 29,700 819,720 L-3 Communications Holdings Inc. 10,600 861,250 Owens Corning Inc. 44,800 1,884,288 Pentair Ltd. 14,500 788,075 Rockwell Automation Inc. 3,600 305,208 W.W. Grainger Inc. 2,800 690,116 Xylem Inc. 58,300 1,617,825 14,342,530 1,617,825 Commercial & Professional Services 0.5% 2 Robert Half International Inc. 12,900 423,378 Consumer Durables & Apparel 1.1% 2 1,061,088 Hasbro Inc. 2 1,061,088 Consumer Services 1.5% 1,444,975 1,444,975 Diversified Financials 3.9% 1,806,320 1,806,320 KKR & Co., LP (Units) 93,800 1,969,800 Northern Trust Corp. 33,500 1,806,320 Energy 10.1% 27,396 1,580,201 Energy 10.1% 27,396 1,580,201 Noble Corp. 40	•		
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			9,/12,433

Franklin MidCap Value Fund	Shares/Units	Value
Common Stocks and Other Equity Interests (continued)		
Food, Beverage & Tobacco 3.4%		
Beam Inc.	20,100	\$ 1,300,671
Bunge Ltd	19,194	1,385,999
Ingredion Inc	8,000	576,080
		3,262,750
Hastilla Come Francisco de Comita e 2 70/		
Health Care Equipment & Services 3.7%	45 100	1 506 557
Hill-Rom Holdings Inc.	45,100	1,536,557
b Laboratory Corp. of America Holdings	14,800	1,381,728
b LifePoint Hospitals Inc.	13,900	667,200
		3,585,485
Insurance 9.3%		
The Allstate Corp.	35,800	1,763,508
Arthur J. Gallagher & Co.	41,700	1,770,165
^b Genworth Financial Inc., A	83,300	835,499
Marsh & McLennan Cos. Inc.	36,000	1,368,360
The Progressive Corp.	57,600	1,456,704
W. R. Berkley Corp.	39,900	1,732,458
	,	8,926,694
		8,920,094
Materials 7.8%		
Albemarle Corp.	11,000	673,750
Alcoa Inc.	77,000	654,500
Bemis Co. Inc.	13,200	519,420
Celanese Corp., A	29,900	1,477,359
MeadWestvaco Corp	45,900	1,582,632
Nucor Corp	34,100	1,487,442
Sigma-Aldrich Corp.	13,600	1,070,184
		7,465,287
Media 1.5%		-
Time Warner Cable Inc.	14,800	1,389,572
	14,000	1,303,372
Pharmaceuticals, Biotechnology & Life Sciences 3.7%	40.000	
b Actavis Inc.	18,200	1,924,286
^b Endo Health Solutions Inc.	42,900	1,571,856
		3,496,142
Retailing 4.5%		
Family Dollar Stores Inc.	11,200	687,344
^a GameStop Corp., A	59,100	2,062,590
Nordstrom Inc.	27,500	1,556,225
Notable in the control of the contro	27,000	
		4,306,159
Semiconductors & Semiconductor Equipment 1.8%		
Microchip Technology Inc.	48,400	1,762,728
Software & Services 3.5%		
SAIC Inc.	112,500	1,680,750
Total System Services Inc.	71,300	1,684,106
•	,	
		3,364,856

Franklin MidCap Value Fund	Shares/Units	Value
Common Stocks and Other Equity Interests (continued)		
Technology Hardware & Equipment 3.6%		
Corning Inc	122,600	\$ 1,777,700
Xerox Corp	193,500	1,660,230
		3,437,930
Transportation 1.0%		
J.B. Hunt Transport Services Inc.	13,300	945,231
Utilities 6.7%	·	
DTE Energy Co.	20,300	1,479,464
Northeast Utilities	33,600	1,523,088
NV Energy Inc.	80,100	1,732,563
Sempra Energy	20,000	1,657,000
		6,392,115
Total Common Stocks and Other Equity Interests (Cost \$71,034,244)		90,446,801
Short Term Investments 9.5% Money Market Funds (Cost \$5,542,271) 5.7%		
b.c Institutional Fiduciary Trust Money Market Portfolio	5,542,271	5,542,271
mistrational riductary must woney warker rottono	3,342,271	3,342,271
	Principal Amoun	t
Investments from Cash Collateral Received for Loaned Securities 3.8%		_
^e Repurchase Agreements 3.8%		
BNP Paribas Securities Corp., 0.15%, 5/01/13 (Maturity Value \$1,000,004)		
Collateralized by U.S. Government Agency Securities, 0.109% - 7.125%,		
5/02/13 - 6/12/37; fu.S. Government Agency Discount Notes, 5/08/13 - 9/03/13;		
and U.S. Government Agency Strips, 5/15/22 (valued at \$1,020,001)	\$ 1,000,000	1,000,000
Citigroup Global Markets Inc., 0.14%, 5/01/13 (Maturity Value \$647,570)		
Collateralized by U.S. Treasury Bonds, 2.75% - 6.00%, 2/15/26 - 11/15/42; U.S. Treasury Bonds, Index Linked, 0.125% - 3.875%, 7/15/22 - 4/15/32; U.S. Treasury		
Notes, 0.25% - 4.50%, 7/31/13 - 8/15/22; and U.S. Treasury Notes, Index Linked,		
0.125% - 1.875%, 7/15/15 - 1/15/18 (valued at \$660,519)	647,567	647,567
Deutsche Bank Securities Inc., 0.15%, 5/01/13 (Maturity Value \$1,000,004)	,,,,,	,
Collateralized by U.S. Government Agency Securities, zero cpn 6.25%,		
5/01/13 - 6/05/36; and U.S. Government Agency Strips, 11/15/14 - 7/15/29		
(valued at \$1,020,002)	1,000,000	1,000,000
RBS Securities Inc., 0.14%, 5/01/13 (Maturity Value \$1,000,004)		
Collateralized by U.S. Treasury Bonds, Index Linked, 0.125% - 3.875%, 4/15/17 - 2/15/43; and U.S. Treasury Notes, Index Linked, 1.125% - 2.00%, 7/15/13 - 1/15/21		
(valued at \$1,020,003)	1,000,000	1,000,000
	1,000,000	
Total Repurchase Agreements (Cost \$3,647,567)		3,647,567
Total Investments (Cost \$80,224,082) 103.9%		99,636,639
Other Assets, less Liabilities (3.9)%		(3,785,603)
Net Assets 100.0%		\$ 95,851,036

 $^{^{\}mathrm{a}}\mathrm{A}$ portion or all of the security is on loan at April 30, 2013. See Note 1(d).

^bNon-income producing.

 $^{^{\}circ}$ See Note 7 regarding investments in the Institutional Fiduciary Trust Money Market Portfolio.

dSee Note 1(d) regarding securities on loan.

eSee Note 1(c) regarding repurchase agreements.

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

Financial Highlights

	Six Months End April 30, 201		Yea	r Ended Octo	ber 31,	
Class A	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$45.12	\$42.25	\$39.69	\$33.01	\$28.58	\$45.94
Income from investment operations ^a :						
Net investment income ^b	0.26°	0.34 ^d	0.18	0.11	0.19	0.34
Net realized and unrealized gains (losses)	6.98	4.47	2.50	6.73	4.53	(15.72)
Total from investment operations	7.24	4.81	2.68	6.84	4.72	(15.38)
Less distributions from:						
Net investment income	(0.49)	(0.17)	(0.12)	(0.16)	(0.29)	(0.35)
Net realized gains	(1.47)	(1.77)	_	_	_	(1.63)
Total distributions	(1.96)	(1.94)	(0.12)	(0.16)	(0.29)	(1.98)
Redemption feese		_	_	_	_	f
Net asset value, end of period	\$50.40	\$45.12	\$42.25	\$39.69	\$33.01	\$28.58
Total returng	16.52%	12.08%	6.73%	20.77%	16.86%	(34.67)%
Ratios to average net assets ^h						
Expenses	1.21%	1.26%	1.21%	1.27%	1.37% ⁱ	1.26% ⁱ
Net investment income	1.10%℃	0.79% ^d	0.41%	0.29%	0.68%	0.87%
Supplemental data						
Net assets, end of period (000's)	\$995,992	\$856,541	\$829,710	\$788,992	\$644,675	\$543,933
Portfolio turnover rate	4.56%	5.18%	14.24%	8.69%	2.58%	18.90%

^aThe 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.

bBased on average daily shares outstanding.

Net investment income per share includes approximately \$0.10 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 0.68%.

Net investment income per share includes approximately \$0.14 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 0.48%.

eEffective September 1, 2008, the redemption fee was eliminated.

fAmount rounds to less than \$0.01 per share.

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

hRatios are annualized for periods less than one year.

Benefit of expense reduction rounds to less than 0.01%.

Financial Highlights (continued)

	Six Months End April 30, 201		Yea	ar Ended Octo	ber 31.	
Class C	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$42.12	\$39.66	\$37.42	\$31.20	\$26.94	\$43.37
Income from investment operations ^a :						
Net investment income (loss) ^b	0.09	0.04 ^d	(0.12)	(0.14)	(0.01)	0.06
Net realized and unrealized gains (losses)	6.53	4.19	2.36	6.36	4.30	(14.83)
Total from investment operations	6.62	4.23	2.24	6.22	4.29	(14.77)
Less distributions from:						
Net investment income	(0.19)	_	_	_	(0.03)	(0.03)
Net realized gains	(1.47)	(1.77)	_	_	_	(1.63)
Total distributions	(1.66)	(1.77)	_	_	(0.03)	(1.66)
Redemption feese		_	_	_	_	f
Net asset value, end of period	\$47.08	\$42.12	\$39.66	\$37.42	\$31.20	\$26.94
Total return ^g	16.16%	11.29%	5.99%	19.94%	15.98%	(35.14)%
Ratios to average net assets ^h						
Expenses	1.91%	1.95%	1.91%	1.97%	2.10% ⁱ	1.97% ⁱ
Net investment income (loss)	0.40%	0.10% ^d	(0.29)%	(0.41)%	(0.05)%	0.16%
Supplemental data Net assets, end of period (000's)	\$204.986	\$183,986	\$189,321	\$192,880	\$159,441	\$146,824
Portfolio turnover rate	4.56%	5.18%	14.24%	8.69%	2.58%	18.90%
		/9	/ 9	/9	,	

^aThe 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.

bBased on average daily shares outstanding.

Net investment income per share includes approximately \$0.10 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been (0.02)%.

Net investment income per share includes approximately \$0.14 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been (0.21)%.

eEffective September 1, 2008, the redemption fee was eliminated.

fAmount rounds to less than \$0.01 per share.

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

hRatios are annualized for periods less than one year.

Benefit of expense reduction rounds to less than 0.01%.

Financial Highlights (continued)

	Six Months End April 30, 201		Yea	r Ended Octo	ber 31.	
Class R	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$44.71	\$41.88	\$39.35	\$32.75	\$28.37	\$45.66
Income from investment operations ^a :		*	722122	70-110	7=5151	7
Net investment income ^b	0.22	0.26 ^d	0.09	0.03	0.12	0.25
Net realized and unrealized gains (losses)	6.93	4.42	2.48	6.67	4.51	(15.62)
Total from investment operations	7.15	4.68	2.57	6.70	4.63	(15.37)
Less distributions from:						
Net investment income	(0.39)	(0.08)	(0.04)	(0.10)	(0.25)	(0.29)
Net realized gains	(1.47)	(1.77)				(1.63)
Total distributions	(1.86)	(1.85)	(0.04)	(0.10)	(0.25)	(1.92)
Redemption feese		_	_	_	_	f
Net asset value, end of period	\$50.00	\$44.71	\$41.88	\$39.35	\$32.75	\$28.37
Total return ^g	16.44%	11.85%	6.53%	20.51%	16.60%	(34.84)%
Ratios to average net assets ^h						
Expenses	1.41%	1.46%	1.41%	1.47%	1.60% ⁱ	1.48% ⁱ
Net investment income	0.90%	0.59% ^d	0.21%	0.09%	0.45%	0.65%
Supplemental data	1007 517	4000 50-	****	****	****	****
Net assets, end of period (000's)	\$237,213	\$220,539	\$221,524	\$216,788	\$172,652	\$107,475
Portfolio turnover rate	4.56%	5.18%	14.24%	8.69%	2.58%	18.90%

^aThe 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.

bBased on average daily shares outstanding.

Net investment income per share includes approximately \$0.10 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 0.48%.

Net investment income per share includes approximately \$0.14 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 0.28%.

eEffective September 1, 2008, the redemption fee was eliminated.

fAmount rounds to less than \$0.01 per share.

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

hRatios are annualized for periods less than one year.

Benefit of expense reduction rounds to less than 0.01%.

Financial Highlights (continued)

	Six Months End		Yea	r Ended Octol	ber 31.	
Advisor Class	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	\$46.54	\$43.53	\$40.87	\$33.96	\$29.44	\$47.26
Income from investment operations ^a :						
Net investment income ^b	0.34c	0.48d	0.32	0.22	0.27	0.46
Net realized and unrealized gains (losses)	7.20	4.60	2.57	6.93	4.64	(16.17)
Total from investment operations	7.54	5.08	2.89	7.15	4.91	(15.71)
Less distributions from:						
Net investment income	(0.63)	(0.30)	(0.23)	(0.24)	(0.39)	(0.48)
Net realized gains	(1.47)	(1.77)	_	_	_	(1.63)
Total distributions	(2.10)	(2.07)	(0.23)	(0.24)	(0.39)	(2.11)
Redemption feese	_	_	_	_	_	f
Net asset value, end of period	\$51.98	\$46.54	\$43.53	\$40.87	\$33.96	\$29.44
Total returng	16.69%	12.42%	7.05%	21.15%	17.13%	(34.48)%
Ratios to average net assetsh						
Expenses	0.91%	0.96%	0.91%	0.97%	1.10% ⁱ	0.98% ⁱ
Net investment income	1.40% ^c	1.09% ^d	0.71%	0.59%	0.95%	1.15%
Supplemental data						
Net assets, end of period (000's)					****	4=0000
	\$496,834	\$419,840	\$359,034	\$311,581	\$207,391	\$76,269

^aThe 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.

bBased on average daily shares outstanding.

Net investment income per share includes approximately \$0.10 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 0.98%.

Net investment income per share includes approximately \$0.14 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 0.78%.

eEffective September 1, 2008, the redemption fee was eliminated.

fAmount rounds to less than \$0.01 per share.

gTotal return is not annualized for periods less than one year.

hRatios are annualized for periods less than one year.

Benefit of expense reduction rounds to less than 0.01%.

Statement of Investments, April 30, 2013 (unaudited)

Franklin Small Cap Value Fund	Shares	Value
Common Stocks 93.5%		
Aerospace & Defense 1.3%		
AAR Corp.	1,380,000	\$ 24,646,800
Automobiles & Components 6.0%		
^a Autoliv Inc.	385,000	29,421,700
Drew Industries Inc.	316,300	11,418,430
Gentex Corp.	1,105,000	24,862,500
Thor Industries Inc	1,066,000	39,537,940
b Winnebago Industries Inc.	560,000	10,259,200
		115,499,770
Banks 2.0%		
Chemical Financial Corp	469,355	11,640,004
OFG Bancorp	755,000	12,132,850
Peoples Bancorp Inc.	183,500	3,739,730
TrustCo Bank Corp. NY	2,188,000	11,727,680
		39,240,264
Building Products 4.6%		
Apogee Enterprises Inc.	907,900	23,133,292
b Gibraltar Industries Inc.	1,160,400	21,699,480
Simpson Manufacturing Co. Inc.	567,000	16,295,580
Universal Forest Products Inc.	736,000	28,409,600
	, 55,555	89,537,952
Commercial & Professional Services 2.8%		
Insperity Inc.	383,200	10,587,816
McGrath RentCorp	570,400	17,716,624
Mine Safety Appliances Co.	423,200	20,313,600
Schawk Inc.	627,700	6,389,986
	,	55,008,026
Construction & Engineering 2.2%		
EMCOR Group Inc.	398,000	14,885,200
Granite Construction Inc.	972,000	26,895,240
	372,000	41,780,440
0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0		41,760,440
Consumer Durables & Apparel 5.7%	625.000	00 104 100
Brunswick Corp.	635,000	20,104,100
Harman International Industries Inc.	395,900	17,700,689
CHooker Furniture Corp.	582,900	10,078,341
La-Z-Boy Inc.	1,397,900	25,246,074
M.D.C. Holdings Inc.	276,300	10,388,880
bM/I Homes Inc.	577,900 699,100	14,216,340 12,583,800
maracinomi pranas me.	033,100	
		110,318,224

Franklin Small Cap Value Fund	Shares	Value
Common Stocks (continued)		
Consumer Services 2.0%		
Hillenbrand Inc.	691,000	\$ 17,364,830
Regis Corp.	1,184,000	22,200,000
		39,564,830
Electrical Equipment 2.9%		
Brady Corp., A	583,500	19,768,980
b EnerSys	30,600	1,402,704
Franklin Electric Co. Inc.	512,600	16,592,862
^b General Cable Corp.	132,400	4,565,152
^b Powell Industries Inc.	274,000	13,491,760
		55,821,458
Energy 10.7%		
bAtwood Oceanics Inc.	522,000	25,604,100
Bristow Group Inc.	570,000	36,024,000
Energen Corp.	314,000	14,889,880
b Helix Energy Solutions Group Inc.	1,058,100	24,378,624
b Oil States International Inc.	335,000	29,935,600
^b Rowan Cos. PLC	827,000	26,902,310
Tidewater Inc	600,000	31,470,000
^b Unit Corp.	435,000	18,283,050
		207,487,564
Health Care Equipment & Services 2.9%		
Hill-Rom Holdings Inc.	384,000	13,082,880
STERIS Corp.	452,400	18,815,316
Teleflex Inc.	297,000	23,204,610
		55,102,806
Industrial Conglomerates 1.5%		
Carlisle Cos. Inc.	458,000	29,710,460
Insurance 11.6%	100,000	
Arthur J. Gallagher & Co.	304,400	12,921,780
Aspen Insurance Holdings Ltd.	590,000	22,532,100
Assurant Inc.	68,700	3,265,998
The Hanover Insurance Group Inc.	482,200	24,317,346
HCC Insurance Holdings Inc.	235,300	10,023,780
Montpelier Re Holdings Ltd.	810,000	20,865,600
Old Republic International Corp.	1,820,000	24,570,000
Protective Life Corp	1,344,500	51,171,670
RLI Corp.	57,813	4,153,864
StanCorp Financial Group Inc.	685,000	29,578,300
Validus Holdings Ltd. (Bermuda)	566,111	21,857,546
		225,257,984

Franklin Small Cap Value Fund	Shares	Value
Common Stocks (continued)		
Machinery 13.1%		
Astec Industries Inc.	495,000	\$ 16,250,850
Briggs & Stratton Corp.	934,400	21,014,656
CIRCOR International Inc.	202,509	9,584,751
^b EnPro Industries Inc.	508,000	25,034,240
Kaydon Corp.	501,000	11,943,840
Kennametal Inc.	530,000	21,194,700
Lincoln Electric Holdings Inc.	519,900	27,429,924
Mueller Industries Inc.	476,800	24,688,704
Nordson Corp.	124,700	8,665,403
Pentair Ltd.	276,526	15,029,188
Trinity Industries Inc.	985,000	41,576,850
b Wabash National Corp.	1,743,000	16,436,490
Watts Water Technologies Inc., A	327,600	15,416,856
	,	
		254,266,452
Materials 8.0%		
A. Schulman Inc.	679,500	17,646,615
AptarGroup Inc.	84,600	4,746,060
Cabot Corp.	540,100	20,286,156
H.B. Fuller Co.	400,400	15,175,160
Reliance Steel & Aluminum Co	566,500	36,862,155
RPM International Inc.	973,400	31,538,160
Sensient Technologies Corp.	262,300	10,321,505
Steel Dynamics Inc.	1,178,600	17,726,144
		154,301,955
Retailing 8.7%		
Brown Shoe Co. Inc.	1,120,000	18,939,200
The Cato Corp., A	573,000	13,757,730
^a GameStop Corp., A	770,000	26,873,000
Group 1 Automotive Inc.	570,000	34,473,600
b Jos. A. Bank Clothiers Inc.	317,900	13,885,872
The Men's Wearhouse Inc.	825,000	27,637,500
^b The Pep Boys - Manny, Moe & Jack	850,000	9,860,000
Pier 1 Imports Inc.	542,800	12,598,388
b West Marine Inc.	795,000	9,404,850
	·	167,430,140
Coming and to town 0. Coming and to the Free instant 0. FOV		
Semiconductors & Semiconductor Equipment 0.5%	010 000	0.700.700
Cohu Inc.	910,000	8,708,700
Technology Hardware & Equipment 3.5%		
b Benchmark Electronics Inc.	1,612,000	28,758,080
^b Ingram Micro Inc., A	700,000	12,467,000
^b Multi-Fineline Electronix Inc.	355,100	5,411,724
b Rofin-Sinar Technologies Inc.	876,700	21,829,830
		68,466,634

Franklin Small Cap Value Fund	Shares	Value
Common Stocks (continued)		
Trading Companies & Distributors 0.5%		
Applied Industrial Technologies Inc.	227,200	\$ 9,599,200
Transportation 2.3%	005.000	05 000 160
bGenesee & Wyoming Inc. SkyWest Inc.	295,800 1,283,000	25,202,160
Skywest IIIC.	1,203,000	18,359,730
		43,561,890
Utilities 0.7%	640,000	12.042.000
NV Energy Inc.	640,000	13,843,200
Total Common Stocks (Cost \$1,278,116,809)		1,809,154,749
Short Term Investments 9.5%		
Money Market Funds (Cost \$127,200,120) 6.6%	107 200 120	107 000 100
b.d Institutional Fiduciary Trust Money Market Portfolio	127,200,120	127,200,120
	Principal Amount	l
eInvestments from Cash Collateral Received for Loaned Securities 2.9%	·	•
Repurchase Agreements 2.9%		
BNP Paribas Securities Corp., 0.15%, 5/01/13 (Maturity Value \$13,556,119)		
Collateralized by U.S. Government Agency Securities, 0.109% - 7.125%,		
5/02/13 - 6/12/37; ^g U.S. Government Agency Discount Notes, 5/08/13 - 9/03/13; and U.S. Government Agency Strips, 5/15/22 (valued at \$13,827,200)	\$ 13,556,063	13,556,063
Deutsche Bank Securities Inc., 0.15%, 5/01/13 (Maturity Value \$13,556,119)	Ψ 10,000,000	10,000,000
Collateralized by U.S. Government Agency Securities, zero cpn 6.25%,		
5/01/13 - 6/05/36; and U.S. Government Agency Strips, 11/15/14 - 7/15/29		
(valued at \$13,827,221)	13,556,063	13,556,063
HSBC Securities (USA) Inc., 0.15%, 5/01/13 (Maturity Value \$13,556,119)		
Collateralized by U.S. Government Agency Securities, zero cpn 5.375%, 7/30/15 - 3/17/31; and U.S. Government Agency Strips, 7/15/13 - 4/15/30		
(valued at \$13,827,192)	13,556,063	13,556,063
Merrill Lynch, Pierce, Fenner & Smith Inc., 0.14%, 5/01/13 (Maturity Value \$2,853,814)	,	,,
Collateralized by U.S. Treasury Notes, 0.25%, 10/15/15; and U.S. Treasury Bonds,		
2.75%, 8/15/42 (valued at \$2,910,879)	2,853,803	2,853,803
RBS Securities Inc., 0.14%, 5/01/13 (Maturity Value \$13,556,116)		
Collateralized by U.S. Treasury Bonds, Index Linked, 0.125% - 3.875%, 4/15/17 - 2/15/43; and U.S. Treasury Notes, Index Linked, 1.125% - 2.00%,		
7/15/13 - 1/15/21 (valued at \$13,827,231)	13,556,063	13,556,063
Total Repurchase Agreements (Cost \$57,078,055)	, ,	57,078,055
Total Investments (Cost \$1,462,394,984) 103.0%		1,993,432,924
Other Assets, less Liabilities (3.0)%		(58,407,519)
·		
Net Assets 100.0%		\$1,935,025,405

^aA portion or all of the security is on loan at April 30, 2013. See Note 1(d).

^bNon-income producing.

[°]See Note 9 regarding holdings of 5% voting securities.

dSee Note 7 regarding investments in the Institutional Fiduciary Trust Money Market Portfolio.

eSee Note 1(d) regarding securities on loan.

 $^{{}^{\}mathrm{f}}\mathrm{See}$ Note 1(c) regarding repurchase agreements.

gThe security is traded on a discount basis with no stated coupon rate.

Financial Statements

Statements of Assets and Liabilities

	Franklin All Cap Value Fund	Franklin Balance Sheet Investment Fund	Franklin Large Cap Value Fund
Assets:			
Investments in securities:			
Cost - Unaffiliated issuers	\$21,497,309	\$ 798,872,323	\$114,808,718
Cost - Non-controlled affiliated issuers (Note 9)		10,396,835	
Cost - Sweep Money Fund (Note 7)	1,949,913	64,279,206	6,770,719
Total cost of investments	\$ 23,447,222	\$ 873,548,364	\$121,579,437
Value - Unaffiliated issuers	\$27,911,780	\$1,253,239,922	\$145,886,691
Value - Non-controlled affiliated issuers (Note 9)	_	6,540,000	_
Value - Sweep Money Fund (Note 7)	1,949,913	64,279,206	6,770,719
Total value of investments	29,861,693	1,324,059,128	152,657,410
Receivables:			
Investment securities sold	_	1,521,676	_
Capital shares sold	5,913	1,158,381	308,510
Dividends	14,853	400,370	78,799
Other assets	9	457	48
Total assets	29,882,468	1,327,140,012	153,044,767
Liabilities:			
Payables:			
Investment securities purchased	11,193	_	_
Capital shares redeemed	29,311	2,543,095	410,505
Affiliates	24,628	1,865,925	182,374
Professional fees	13,934	37,141	19,887
Registration and filing fees	7,003		7,292
Accrued expenses and other liabilities	5,677	120,944	20,623
Total liabilities	91,746	4,567,105	640,681
Net assets, at value	\$ 29,790,722	\$1,322,572,907	\$152,404,086
Net assets consist of:			
Paid-in capital	\$ 25,900,240	\$ 775,088,730	\$123,787,299
investment income)	(47,526)	1,571,411	(122,650)
Net unrealized appreciation (depreciation)	6,414,471	450,510,764	31,077,973
Accumulated net realized gain (loss)	(2,476,463)	95,402,002	(2,338,536)
Net assets, at value	\$ 29,790,722	\$1,322,572,907	\$152,404,086

Financial Statements (continued)

Statements of Assets and Liabilities (continued)

	Franklin All Cap Value Fund	Franklin Balance Sheet Investment Fund	Franklin Large Cap Value Fund
Class A:	¢ 22 000 704	¢1 100 E40 200	¢112.007.510
Net assets, at value	\$23,980,794	\$1,129,542,302	\$113,807,519
Shares outstanding	2,278,626	23,686,407	7,693,689
Net asset value per share ^a	\$10.52	\$47.69	\$14.79
Maximum offering price per share (net asset value per share \div 94.25%) \hdots	\$11.16	\$50.60	\$15.69
Class C: Net assets, at value	\$ 3,824,801	\$ 80,762,558	\$ 25,693,701
Shares outstanding	367,524	1,725,894	1,750,075
Net asset value and maximum offering price per share ^a	\$10.41	\$46.79	\$14.68
Class R:			
Net assets, at value	\$ 37,194	\$ 18,273,855	\$ 4,227,635
Shares outstanding	3,528	383,340	287,940
Net asset value and maximum offering price per share	\$10.54	\$47.67	\$14.68
Advisor Class:			
Net assets, at value	\$ 1,947,933	\$ 93,994,192	\$ 8,675,231
Shares outstanding	184,446	1,935,583	588,939
Net asset value and maximum offering price per share	\$10.56	\$48.56	\$14.73

^aRedemption price is equal to net asset value less contingent deferred sales charges, if applicable.

Financial Statements (continued)

Statements of Assets and Liabilities (continued)

	Franklin MicroCap Value Fund	Franklin MidCap Value Fund	Franklin Small Cap Value Fund
Assets:			
Investments in securities:	¢160 176 060	¢71 004 044	¢1,000,40E,040
Cost - Unaffiliated issuers	\$169,176,062	\$71,034,244	\$1,268,435,243
Cost - Sweep Money Fund (Note 7)	56,399,368 93,364,151	 5,542,271	9,681,566 127,200,120
Cost - Repurchase agreements	95,504,151	3,647,567	57,078,055
Total cost of investments	\$318,939,581	\$80,224,082	\$1,462,394,984
Value - Unaffiliated issuers	\$285,659,165	\$90.446.801	\$1,799,076,408
Value - Non-controlled affiliated issuers (Note 9)	84,576,980	\$ 90,440,601 	10,078,341
Value - Sweep Money Fund (Note 7)	93,364,151	5,542,271	127,200,120
Value - Repurchase agreements		3,647,567	57,078,055
Total value of investments ^a	463,600,296	99,636,639	1,993,432,924
Cash		_	69,985
Receivables:			,
Investment securities sold	333,224	_	855,548
Capital shares sold	310,358	212,657	3,953,684
Dividends	13,636	60,103	520,591
Other assets	131	30	638
Total assets	464,257,645	99,909,429	1,998,833,370
Liabilities:			
Payables:			
Investment securities purchased	84,970	_	334,447
Capital shares redeemed	217,386	264,302	3,857,757
Affiliates	377,321	106,945	2,334,479
Allocator Funds (Note 10)	4,772 2,050	— 16,464	19,399
Registration and filing fees	2,030	7,703	19,399
Payable upon return of securities loaned	_	3,647,567	57,078,055
Accrued expenses and other liabilities	11,052	15,412	183,828
Total liabilities	697,551	4,058,393	63,807,965
Net assets, at value	\$463,560,094	\$95,851,036	\$1,935,025,405
Net assets consist of:			
Paid-in capital	\$309,711,033	\$85,295,702	\$1,330,902,346
(distributions in excess of net investment income)	(352,763)	(71,550)	2,025,416
Net unrealized appreciation (depreciation)	144,660,715	19,412,557	531,037,940
Accumulated net realized gain (loss)	9,541,109	(8,785,673)	71,059,703
Net assets, at value	\$463,560,094	\$95,851,036	\$1,935,025,405
^a Includes securities loaned	\$ —	\$ 3,595,142	\$ 56,291,210

Financial Statements (continued)

Statements of Assets and Liabilities (continued)

	Franklin MicroCap Value Fund	Franklin MidCap Value Fund		Franklin Small Cap Value Fund
Class A:	A 010 001 450	476 650 604	_	205 200 200
Net assets, at value	\$319,201,453	\$76,659,604	\$	995,992,209
Shares outstanding	9,053,711	5,870,557		19,760,091
Net asset value per share ^a	\$35.26	\$13.06		\$50.40
Maximum offering price per share (net asset value per share \div 94.25%)	\$37.41	\$13.86		\$53.47
Class C:				
Net assets, at value		\$15,423,586	\$	204,986,323
Shares outstanding		1,194,313		4,354,349
Net asset value and maximum offering price per share ^a		\$12.91		\$47.08
Class R:				
Net assets, at value		\$ 855,782	\$	237,213,120
Shares outstanding		65,685		4,744,693
Net asset value and maximum offering price per share		\$13.03		\$50.00
Advisor Class:				
Net assets, at value	\$144,358,641	\$ 2,912,064	\$	496,833,753
Shares outstanding	4,098,657	222,269		9,558,700
Net asset value and maximum offering price per share	\$35.22	\$13.10		\$51.98

^aRedemption price is equal to net asset value less contingent deferred sales charges, if applicable.

Financial Statements (continued)

Statements of Operations

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

	Franklin All Cap Value Fund	Franklin Balance Sheet Investment Fund	Franklin Large Cap Value Fund
Investment income:	ф 22C 2EC	¢ 17.076.226	¢ 1 520 740
Dividends	\$ 226,256	\$ 17,976,336 5,878	\$ 1,530,748
Total investment income	226,256	17,982,214	1,530,748
Expenses:			
Management fees (Note 3a)	72,474	2,972,947	379,090
Administrative fees (Note 3b)	26,618	_	139,018
Class A	31,930	1,362,224	151,405
Class B	_	1,319	865
Class C	17,386	382,329	118,038
Class R	82	42,518	9,936
Transfer agent fees (Note 3e)			
Class A	24,471	1,409,857	111,091
Class B	_	367	196
Class C	4,012	98,846	25,389
Class R	38	21,965	4,271
Advisor Class	2,068	123,098	8,379
Custodian fees (Note 4)	212	12,725	959
Reports to shareholders	5,188	103,196	17,247
Registration and filing fees	24,648	51,632	35,339
Professional fees	12,783	39,616	19,227
Trustees' fees and expenses	3,366	79,108 13,127	6,827 5,272
Other		·	
Total expenses	225,276	6,714,874	1,032,549
Expenses waived/paid by affiliates (Note 3f)	(53,690)		
Net expenses	171,586	6,714,874	1,032,549
Net investment income	54,670	11,267,340	498,199
Realized and unrealized gains (losses): Net realized gain (loss) from: Investments:			
Unaffiliated issuers	635,827	96,305,414	2,721,554
Non-controlled affiliated issuers (Note 9)	_	(290,645)	_
Foreign currency transactions	484	13,681	
Net realized gain (loss)	636,311	96,028,450	2,721,554
Net change in unrealized appreciation (depreciation) on investments	3,014,196	108,600,028	15,745,609
Net realized and unrealized gain (loss)	3,650,507	204,628,478	18,467,163
Net increase (decrease) in net assets resulting from operations	\$3,705,177	\$215,895,818	\$18,965,362
	_		

Financial Statements (continued)

Statements of Operations (continued)

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

	Franklin MicroCap Value Fund	Franklin MidCap Value Fund	Franklin Small Cap Value Fund
Investment income: Dividends:			
Unaffiliated issuers	\$ 3,841,647	\$ 1,002,041	\$ 20,315,826
Non-controlled affiliated issuers (Note 9)	601,600	_	174,870
Income from securities loaned		25,293	394,383
Total investment income	4,443,247	1,027,334	20,885,079
Expenses:			
Management fees (Note 3a)	1,479,163	325,066	5,396,561
Administrative fees (Note 3b)	_	87,360	_
Distribution fees: (Note 3c)	206.006	100 274	1 201 006
Class A	296,096	106,374	1,391,886 3,526
Class C	_	67,924	976,972
Class R	_	1,798	563,646
Transfer agent fees (Note 3e)		,	,
Class A	98,660	89,018	1,254,428
Class B	_	_	993
Class C	_	17,187	264,239
Class R		910	304,906
Advisor Class	62,871	3,352	616,165
Special servicing agreement fees (Note 10)	44,800 2,564	— 586	— 12,482
Reports to shareholders	15,247	13,449	181,068
Registration and filing fees	16,820	28,112	59,831
Professional fees	21,045	15,722	31,955
Trustees' fees and expenses	17,529	3,924	82,967
Other	5,334	4,093	18,942
Total expenses	2,060,129	764,875	11,160,567
Expenses waived/paid by affiliates (Note 3f)		(130,080)	
Net expenses	2,060,129	634,795	11,160,567
Net investment income	2,383,118	392,539	9,724,512
Realized and unrealized gains (losses): Net realized gain (loss) from: Investments:			
Unaffiliated issuers	6,410,944 3,130,981	1,229,442	71,132,173
Net realized gain (loss)	9,541,925	1,229,442	71,132,173
Net change in unrealized appreciation (depreciation) on investments	41,864,448	11,728,153	189,880,336
Net realized and unrealized gain (loss)	51,406,373	12,957,595	261,012,509
Net increase (decrease) in net assets resulting from operations	\$53,789,491	\$13,350,134	\$270,737,021
The more and the desired of the first testing from operations	Ψοσ,7οσ,πσ1	Ψ10,000,10+	Ψ270,707,021

Financial Statements (continued)

Statements of Changes in Net Assets

	Franklin Value		Franklin Balance Sheet Investment 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 Net realized gain (loss) from investments	\$ 54,670	\$ 153,331	\$ 11,267,340	\$ 17,455,002	
and foreign currency transactions Net change in unrealized appreciation	636,311	834,720	96,028,450	220,775,157	
(depreciation) on investments	3,014,196	1,285,987	108,600,028	(69,076,371)	
Net increase (decrease) in net assets resulting from operations	3,705,177	2,274,038	215,895,818	169,153,788	
Distributions to shareholders from: Net investment income:					
Class A	(183,523)	(98,135)	(15,938,691)	(7,773,925)	
Class C	(6,464)	(140)	(602,654)	(26,440)	
Class R	(126) (20,261)	(148) (13,982)	(206,731) (1,523,919)	(36,442) (1,651,075)	
Class A	_	_	(52,319,506)	(154,304,882)	
Class B	_	_	(22,629)	(264,937)	
Class C	_	_	(3,698,126)	(8,369,995)	
Class R	_	_	(794,960)	(1,905,070)	
	(010.074)	(110.005)	(4,222,612)	(21,239,884)	
Total distributions to shareholders	(210,374)	(112,265)	(79,329,828)	(195,546,210)	
Capital share transactions: (Note 2) Class A	1,073,033	(72 202)	(65,985,341)	(340,104,996)	
Class B	1,073,033	(73,383)	(657,653)	(1,945,080)	
Class C	102,826	(195,105)	705,033	(2,044,056)	
Class R	3,332	(22,408)	1,366,286	(4,017,507)	
Advisor Class	44,116	(111,138)	(31,937,579)	(77,220,565)	
Total capital share transactions	1,223,307	(402,034)	(96,509,254)	(425,332,204)	
Net increase (decrease) in net assets	4,718,110	1,759,739	40,056,736	(451,724,626)	
Net assets:					
Beginning of period	25,072,612	23,312,873	1,282,516,171	1,734,240,797	
End of period	\$29,790,722	\$25,072,612	\$ 1,322,572,907	\$1,282,516,171	
Undistributed net investment income (distributions in excess of net investment income) included in net assets:					
End of Period	\$ (47,526)	\$ 108,178	\$ 1,571,411	\$ 8,576,066	

Financial Statements (continued)

Statements of Changes in Net Assets (continued)

	Franklin Large Cap Value Fund		Franklin I Value	
	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	\$ 498,199	\$ 1,130,295	\$ 2,383,118	\$ 3,916,108
Net realized gain (loss) from investments	2,721,554	6,563,475	9,541,925	15,437,868
Net change in unrealized appreciation (depreciation) on investments	15,745,609	5,896,731	41,864,448	29,637,532
•	13,743,009	3,030,731	41,004,440	29,037,332
Net increase (decrease) in net assets	19.065.363	12 500 501	E2 700 401	49 001 509
resulting from operations	18,965,362	13,590,501	53,789,491	48,991,508
Distributions to shareholders from: Net investment income:				
Class A	(1,048,672)	(971,413)	(3,211,043)	(111,452)
Class C	(95,970)	(45,337)	_	_
Class R	(32,283)	(28,368)	<u> </u>	_
Advisor Class	(100,085)	(81,920)	(2,763,740)	(431,161)
Class A	_	_	(8,832,372)	(24,982,243)
Advisor Class		_	(6,599,614)	(15,982,975)
Total distributions to shareholders	(1,277,010)	(1,127,038)	(21,406,769)	(41,507,831)
Capital share transactions: (Note 2)				
Class A	4,116,086	(14,584,861)	97,063,659	(14,606,493)
Class B	(452,073)	(2,319,408)	_	_
Class C	(27,112)	(1,380,974)	_	_
Class R	75,928	(313,025)		_
Advisor Class	526,471	561,250	(33,817,856)	26,711,078
Total capital share transactions	4,239,300	(18,037,018)	63,245,803	12,104,585
Net increase (decrease) in net assets Net assets:	21,927,652	(5,573,555)	95,628,525	19,588,262
Beginning of period	130,476,434	136,049,989	367,931,569	348,343,307
End of period	\$152,404,086	\$130,476,434	\$463,560,094	\$367,931,569
Undistributed net investment income (distributions in excess of net investment income) included in net assets:	(100.550)	A 656.161	ф. (250 7 52)	A 2.020.000
End of Period	\$ (122,650)	\$ 656,161	\$ (352,763)	\$ 3,238,902

Financial Statements (continued)

Statements of Changes in Net Assets (continued)

	Franklin Value		Franklin Small Cap Value 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:	Ф 200 520	ф F0C 004	ф 0.704.F10	4 10.660.057		
Net investment income Net realized gain (loss) from investments Net change in unrealized appreciation	\$ 392,539 1,229,442	\$ 526,904 1,676,629	\$ 9,724,512 71,132,173	\$ 12,669,257 53,607,208		
(depreciation) on investments	11,728,153	5,175,505	189,880,336	120,757,211		
Net increase (decrease) in net assets						
resulting from operations	13,350,134	7,379,038	270,737,021	187,033,676		
Distributions to shareholders from: Net investment income:						
Class A	(878,303)	(276,659)	(9,157,911)	(3,273,856)		
Class C	(75,476)	_	(804,802)	_		
Class R	(8,208)	(894)	(1,827,294)	(441,886)		
Advisor Class	(42,172)	(15,847)	(5,551,546)	(2,537,798)		
Net realized gains:			(07.442.676)	(24.204.040)		
Class A	_	_	(27,443,676) (42,814)	(34,304,049) (325,713)		
Class C		_	(6,276,897)	(8,333,726)		
Class R	_	_	(6,905,306)	(9,379,102)		
Advisor Class	_	_	(12,953,902)	(14,751,525)		
Total distributions to shareholders	(1,004,159)	(293,400)	(70,964,148)	(73,347,655)		
Capital share transactions: (Note 2)		,	, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	, ,		
Class A	2,475,130	(3,686,154)	36,592,123	(31,335,080)		
Class B	_	_	(2,021,188)	(6,509,927)		
Class C	1,287,520	(1,630,266)	(818,448)	(17,002,176)		
Class R	270,303	(68,661)	(8,441,312)	(16,175,566)		
Advisor Class	39,920	250,692	27,121,736	32,411,481		
Total capital share transactions	4,072,873	(5,134,389)	52,432,911	(38,611,268)		
Net increase (decrease) in net assets Net assets:	16,418,848	1,951,249	252,205,784	75,074,753		
Beginning of period	79,432,188	77,480,939	1,682,819,621	1,607,744,868		
End of period	\$95,851,036	\$ 79,432,188	\$1,935,025,405	\$1,682,819,621		
Undistributed net investment income	,	, , , , , , , , , , , , , , , , , , , ,	, , , , , , , , , , , , , , , , , , , ,	. , ,		
(distributions in excess of net investment income) included in net assets:						
End of period	\$ (71,550)	\$ 540,070	\$ 2,025,416	\$ 9,642,457		

Notes to Financial Statements (unaudited)

1. Organization and Significant Accounting Policies

Franklin Value Investors Trust (Trust) is registered under the Investment Company Act of 1940, as amended, (1940 Act) as an open-end investment company, consisting of six funds (Funds). The classes of shares offered within each of the Funds are indicated below. 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 & Advisor Class	Class A, Class C, Class R & Advisor Class
Franklin MicroCap Value Funda	Franklin All Cap Value Fund Franklin Balance Sheet Investment Fund ^{a,b} Franklin Large Cap Value Fund ^{a,b} Franklin MidCap Value Fund Franklin Small Cap Value Fund ^{a,b}

^aEffective May 1, 2013, the funds began offering a new class of shares, Class R6.

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 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. Repurchase agreements are valued at cost, which approximates market value.

bEffective March 22, 2013, all Class B shares were converted to Class A.

Notes to Financial Statements (unaudited) (continued)

1. Organization and Significant Accounting Policies (continued)

a. Financial Instrument Valuation (continued)

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 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

Notes to Financial Statements (unaudited) (continued)

1. Organization and Significant Accounting Policies (continued)

b. Foreign Currency Translation (continued)

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. Repurchase Agreements

Certain funds enter into repurchase agreements, which are accounted for as a loan by the fund to the seller, collateralized by securities which are delivered to the funds' 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 fund, with the value of the underlying securities marked to market daily to maintain coverage of at least 100%. All repurchase agreements held by the funds at period end had been entered into on April 30, 2013.

d. Securities Lending

Certain funds participate in an agency based securities lending program. The fund receives cash collateral against the loaned securities in an amount equal to at least 102% of the market value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than 100% of the market value of loaned securities, as determined at the close of fund business each day; any additional collateral required due to changes in security values is delivered to the fund on the next business day. The collateral is invested in repurchase agreements as indicated on the Statements of Investments. The fund receives income from the investment of cash collateral, in addition to lending fees and rebates paid by the borrower. The fund bears the market risk with respect to the collateral investment, securities loaned, and the risk that the agent may default on its obligations to the fund. The securities lending agent has agreed to indemnify the fund in the event of default by a third party borrower.

Notes to Financial Statements (unaudited) (continued)

1. Organization and Significant Accounting Policies (continued)

e. 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.

f. 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. Estimated expenses are accrued daily. 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. Distributions to shareholders are recorded on the ex-dividend date and 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 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.

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.

Notes to Financial Statements (unaudited) (continued)

1. Organization and Significant Accounting Policies (continued)

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

Distributions received by the funds from certain securities may be a return of capital (ROC). Such distributions reduce the cost basis of the securities, and any distributions in excess of the cost basis are recognized as capital gains.

g. 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.

h. 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 (\$0.01 par value). Transactions in the Funds' shares were as follows:

	Franklin All Cap Value Fund		Franklin B Investn			
	Shares		Amount	Shares		Amount
Class A Shares:						
Six Months ended April 30, 2013						
Shares sold	477,819	\$	4,746,963	1,741,122	\$	78,411,828
Shares issued in reinvestment of						
distributions	18,024		169,965	1,536,545		64,135,382
Shares redeemed	(397,783)		(3,843,895)	(4,689,244)		(208,532,551)
Net increase (decrease)	98,060	\$	1,073,033	(1,411,577)	\$	(65,985,341)
Year ended October 31, 2012						
Shares sold	673,694	\$	5,898,009	4,917,577	\$	202,495,931
Shares issued in reinvestment of						
distributions	11,608		95,418	4,105,438		153,953,987
Shares redeemed in-kind (Note 12)	_		_	(4,792,457)		(203,296,040)
Shares redeemed	(689,014)		(6,066,810)	(11,860,300)		(493,258,874)
Net increase (decrease)	(3,712)	\$	(73,383)	(7,629,742)	\$	(340,104,996)

Notes to Financial Statements (unaudited) (continued)

2. Shares of Beneficial Interest (continued)

	Franklin All Cap Value Fund				Franklin Balance Sheet Investment Fund		
	Shares		Amount	Shares		Amount	
Class B Shares:							
Six Months ended April 30, 2013 ^a Shares sold				12	\$	518	
Shares issued in reinvestment of				12	Ф	316	
distributions				508		21,499	
Shares redeemed				(15,159)		(679,670)	
Net increase (decrease)				(14,639)	\$	(657,653)	
Year ended October 31, 2012							
Shares sold				997	\$	40,849	
Shares issued in reinvestment of							
distributions				6,800		256,292	
Shares redeemed				(54,049)		(2,242,221)	
Net increase (decrease)				(46,252)	\$	(1,945,080)	
Class C Shares:							
Six Months ended April 30, 2013 Shares sold	61,047	\$	598,021	195,522	\$	8,624,604	
Shares issued in reinvestment of	01,047	Ψ	330,021	133,322	Ψ	0,024,004	
distributions	658		6,151	101,311		4,160,845	
Shares redeemed	(51,365)		(501,346)	(274,371)		(12,080,416)	
Net increase (decrease)	10,340	\$	102,826	22,462	\$	705,033	
Year ended October 31, 2012							
Shares sold	90,421	\$	786,094	209,188	\$	8,489,242	
Shares issued in reinvestment of				010.004		0.007.001	
distributions	(112,144)		— (981,199)	218,864 (458,402)		8,087,021 (18,620,319)	
Net increase (decrease)	(21,723)	\$	(195,105)	(30,350)	\$	(2,044,056)	
Class R Shares:	(21,723)	Ψ	(155,105)	(30,330)	Ψ	(2,044,030)	
Six Months ended April 30, 2013							
Shares sold	331	\$	3,276	71,087	\$	3,173,230	
Shares issued in reinvestment of		·	,	,		, ,	
distributions	13		126	23,987		1,001,691	
Shares redeemed	(7)		(70)	(62,200)		(2,808,635)	
Net increase (decrease)	337	\$	3,332	32,874	\$	1,366,286	
Year ended October 31, 2012							
Shares sold	12,119	\$	108,374	62,391	\$	2,580,724	
Shares issued in reinvestment of distributions	18		148	51,732		1,941,511	
Shares redeemed	(15,373)		(130,930)	(203,368)		(8,539,742)	
Net increase (decrease)	(3,236)	\$	(22,408)	(89,245)	\$	(4,017,507)	
,	,,		. , /	(,,		. / . / /	

Notes to Financial Statements (unaudited) (continued)

2. Shares of Beneficial Interest (continued)

	Franklin All Cap Value Fund			Franklin B Investr	nce Sheet t Fund	
	Shares		Amount	Shares		Amount
Advisor Class Shares:						
Six Months ended April 30, 2013						
Shares sold	5,301	\$	51,459	129,571	\$	6,125,551
Shares issued in reinvestment of						
distributions	2,099		19,837	126,208		5,358,793
Shares redeemed	(2,840)		(27,180)	(962,309)		(43,421,923)
Net increase (decrease)	4,560	\$	44,116	(706,530)	\$	(31,937,579)
Year ended October 31, 2012						
Shares sold	50,340	\$	453,420	1,579,035	\$	66,454,845
Shares issued in reinvestment of						
distributions	1,549		12,768	554,200		21,126,122
Shares redeemed	(65,578)		(577,326)	(3,851,644)		(164,801,532)
Net increase (decrease)	(13,689)	\$	(111,138)	(1,718,409)	\$	(77,220,565)

^aEffective March 22, 2013, all Class B shares were converted to Class A.

	Franklin Valu					croCap
		еги		Value I		
Class A Shares:	Shares		Amount	Shares		Amount
Six Months ended April 30, 2013						
Shares sold	1,295,259	\$	18,027,229	3,018,165	\$	103,856,665
Shares issued in reinvestment of	1,230,203	Ψ	10,027,223	3,010,103	Ψ	100,000,000
distributions	73,979		974,301	359,311		11,239,236
Shares redeemed	(1,077,929)		(14,885,444)	(539,317)		(18,032,242)
Net increase (decrease)	291.309	\$	4,116,086	2,838,159	\$	97,063,659
Year ended October 31, 2012			, ,,,,,,,,,	, ,	<u> </u>	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
Shares sold	2,030,586	\$	25,212,826	382,521	\$	11,531,484
Shares issued in reinvestment of	_,,	•	,,	,	•	,,
distributions	79,296		906,355	853,348		23,595,080
Shares redeemed	(3,215,651)		(40,704,042)	(1,649,137)		(49,733,057)
Net increase (decrease)	(1,105,769)	\$	(14,584,861)	(413,268)	\$	(14,606,493)
Class B Shares:						
Six Months ended April 30, 2013 ^a						
Shares sold	1,335	\$	18,170			
Shares redeemed	(34,356)		(470,243)			
Net increase (decrease)	(33,021)	\$	(452,073)			
Year ended October 31, 2012	,		,			
Shares sold	3,538	\$	42,786			
Shares redeemed	(190,937)	-	(2,362,194)			
Net increase (decrease)	(187,399)	\$	(2,319,408)			

Notes to Financial Statements (unaudited) (continued)

2. Shares of Beneficial Interest (continued)

			arge Cap Fund		lin M Iue F	icroCap und
	Shares		Amount	Shares		Amount
Class C Shares:						
Six Months ended April 30, 2013	000 001	ф	2 174 057			
Shares sold	229,991	\$	3,174,957			
distributions	6,632		86,877			
Shares redeemed	(241,362)		(3,288,946)			
Net increase (decrease)	(4,739)	\$	(27,112)			
Year ended October 31, 2012			·			
Shares sold	362,961	\$	4,541,221			
Shares issued in reinvestment of						
distributions	3,565		40,573			
Shares redeemed	(478,781)		(5,962,768)			
Net increase (decrease)	(112,255)	\$	(1,380,974)			
Class R Shares:						
Six Months ended April 30, 2013						
Shares sold	49,299	\$	682,836			
Shares issued in reinvestment of						
distributions	2,468		32,283			
Shares redeemed	(45,512)		(639,191)			
Net increase (decrease)	6,255	\$	75,928			
Year ended October 31, 2012	00.000	Φ.	1 004 004			
Shares sold	82,992	\$	1,034,994			
distributions	2,499		28,360			
Shares redeemed	(110,784)		(1,376,379)			
Net increase (decrease)	(25,293)	\$	(313,025)			
Advisor Class Shares: Six Months ended April 30, 2013						
Shares sold	96,243	\$	1,324,745	680,436	\$	23,269,510
Shares issued in reinvestment of	30,243	Ψ	1,024,740	000,400	Ψ	20,203,010
distributions	7,352		96,310	292,423		9,129,437
Shares redeemed	(65,540)		(894,584)	(1,942,620)		(66,216,803)
Net increase (decrease)	38,055	\$	526,471	(969,761)	\$	(33,817,856)
Year ended October 31, 2012						
Shares sold	141,442	\$	1,758,931	555,909	\$	16,587,937
Shares issued in reinvestment of						
distributions	6,821		77,552	588,658		16,246,967
Shares redeemed	(102,631)		(1,275,233)	(201,425)		(6,123,826)
Net increase (decrease)	45,632	\$	561,250	943,142	\$	26,711,078

 $^{^{\}rm a} Effective$ March 22, 2013, all Class B shares were converted to Class A.

Notes to Financial Statements (unaudited) (continued)

2. Shares of Beneficial Interest (continued)

		lin M ue Fi	lidCap und	Franklin Small Cap Value Fund			
	Shares		Amount	Sha	ares		Amount
Class A Shares:							
Six Months ended April 30, 2013	1 205 056	ф	15 700 400	0.010	600	ф	141 600 420
Shares sold	1,305,056	Þ	15,780,409	2,913	,699	\$	141,699,438
distributions	74,105		857,399	742	.105		33,691,564
Shares redeemed	(1,155,229)	((14,162,678)	(2,879	,		(138,798,879)
Net increase (decrease)	223,932	\$	2,475,130		,521	\$	36,592,123
Year ended October 31, 2012			, ,				
Shares sold	1,212,631	\$	13,250,379	4,842	,572	\$	210,316,101
Shares issued in reinvestment of							
distributions	26,925		268,711	884	,368		34,676,090
Shares redeemed	(1,581,555)	((17,205,244)	(6,379	,757)		(276,327,271)
Net increase (decrease)	(341,999)	\$	(3,686,154)	(652	,817)	\$	(31,335,080)
Class B Shares:							
Six Months ended April 30, 2013 ^a							
Shares sold					507	\$	23,453
Shares issued in reinvestment of							
distributions					878		38,088
Shares redeemed					,166)		(2,082,729)
Net increase (decrease)				(44	,781)	\$	(2,021,188)
Year ended October 31, 2012					470		00 411
Shares sold				2	,472	\$	98,411
Shares issued in reinvestment of distributions				8	,008		299,415
Shares redeemed					,306)		(6,907,753)
Net increase (decrease)					,826)	\$	(6,509,927)
,				(10)	,020,	· ·	(0,000,021)
Class C Shares:							
Six Months ended April 30, 2013 Shares sold	268,474	\$	3,224,557	407	,055	\$	18,448,886
Shares issued in reinvestment of	200,474	Ψ	3,224,337	407	,033	Ψ	10,440,000
distributions	6,223		71,375	151	,082		6,422,486
Shares redeemed	(166,804)		(2,008,412)	(572	,351)		(25,689,820)
Net increase (decrease)	107,893	\$	1,287,520	(14	,214)	\$	(818,448)
Year ended October 31, 2012							
Shares sold	219,839	\$	2,372,522	649	,337	\$	26,359,171
Shares issued in reinvestment of							
distributions			_		,366		7,561,564
Shares redeemed	(371,519)		(4,002,788)	(1,259			(50,922,911)
Net increase (decrease)	(151,680)	\$	(1,630,266)	(404	,677)	\$	(17,002,176)

Notes to Financial Statements (unaudited) (continued)

2. Shares of Beneficial Interest (continued)

	Franklin MidCap Value Fund			Franklii Val	nall Cap und	
	Shares		Amount	Shares		Amount
Class R Shares:						
Six Months ended April 30, 2013	00.457		077.006	060 507		41 510 040
Shares sold	23,457	\$	277,396	863,507	\$	41,518,343
Shares issued in reinvestment of distributions	711		8,208	183,582		8,272,193
Shares redeemed	(1,236)		(15,301)	(1,234,576)		(58,231,848)
Net increase (decrease)	22,932	\$	270,303	(187,487)	\$	(8,441,312)
Year ended October 31, 2012	22,332	Ψ	270,303	(107,407)	Ψ	(0,441,512)
Shares sold	8,277	\$	90,282	1,545,736	\$	66,062,534
Shares issued in reinvestment of	0,277	Ψ	30,202	1,040,700	Ψ	00,002,004
distributions	90		894	237,615		9,247,986
Shares redeemed	(14,580)		(159,837)	(2,140,531)		(91,486,086)
Net increase (decrease)	(6,213)	\$	(68,661)	(357,180)	\$	(16,175,566)
Advisor Class Shares:						
Six Months ended April 30, 2013						
Shares sold	21,201	\$	260,128	1,690,908	\$	84,864,891
Shares issued in reinvestment of						
distributions	3,566		41,331	355,086		16,603,831
Shares redeemed	(21,623)		(261,539)	(1,508,948)		(74,346,986)
Net increase (decrease)	3,144	\$	39,920	537,046	\$	27,121,736
Year ended October 31, 2012						
Shares sold	50,066	\$	556,080	3,095,155	\$	137,859,627
Shares issued in reinvestment of	1 407		14.000	000 154		15.015.501
distributions	1,497		14,983	392,154		15,815,591
Shares redeemed	(28,860)		(320,371)	(2,713,269)		(121,263,737)
Net increase (decrease)	22,703	\$	250,692	774,040	\$	32,411,481

^aEffective March 22, 2013, all Class B shares were converted to Class A.

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 Advisory Services, LLC (Advisory Services)	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

Notes to Financial Statements (unaudited) (continued)

3. Transactions with Affiliates (continued)

a. Management Fees

The Franklin All Cap Value Fund and the Franklin Large Cap Value Fund each pay an investment management fee to Advisory Services based on the average daily net assets of each of the funds as follows:

Annualized Fee Rate	Net Assets
0.550%	Up to and including \$500 million
0.450%	Over \$500 million, up to and including \$1 billion
0.400%	Over \$1 billion, up to and including \$1.5 billion
0.350%	Over \$1.5 billion, up to and including \$6.5 billion
0.325%	Over \$6.5 billion, up to and including \$11.5 billion
0.300%	Over \$11.5 billion, up to and including \$16.5 billion
0.290%	Over \$16.5 billion, up to and including \$19 billion
0.280%	Over \$19 billion, up to and including \$21.5 billion
0.270%	In excess of \$21.5 billion

The Franklin Balance Sheet Investment Fund pays an investment management fee to Advisory Services based on the average daily 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%	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%	In excess of \$15 billion

The Franklin MicroCap Value Fund pays an investment management fee to Advisory Services of 0.75% per year of the average daily net assets of the fund.

The Franklin MidCap Value Fund pays an investment management fee to Advisory Services based on the average daily net assets of the fund as follows:

Annualized Fee Rate	Net Assets
0.750%	Up to and including \$500 million
0.650%	Over \$500 million, up to and including \$1 billion
0.600%	Over \$1 billion, up to and including \$1.5 billion
0.550%	Over \$1.5 billion, up to and including \$6.5 billion
0.525%	Over \$6.5 billion, up to and including \$11.5 billion
0.500%	Over \$11.5 billion, up to and including \$16.5 billion
0.490%	Over \$16.5 billion, up to and including \$19 billion
0.480%	Over \$19 billion, up to and including \$21.5 billion
0.470%	In excess of \$21.5 billion

Notes to Financial Statements (unaudited) (continued)

3. Transactions with Affiliates (continued)

a. Management Fees (continued)

The Franklin Small Cap Value Fund pays an investment management fee to Advisory Services based on the average daily net assets of the fund as follows:

Annualized Fee Rate	Net Assets
0.750%	Up to and including \$500 million
0.625%	Over \$500 million, up to and including \$1 billion
0.500%	In excess of \$1 billion

b. Administrative Fees

FT Services provides administrative services to the Funds. The Franklin All Cap Value Fund, the Franklin Large Cap Value Fund and the Franklin MidCap Value 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 Advisory Services, the administrative fee for the Franklin Balance Sheet Investment Fund, the Franklin MicroCap Value Fund and the Franklin Small Cap Value Fund is paid by Advisory Services 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 All Cap Value Fund, the Franklin Large Cap Value Fund, and the Franklin MidCap Value 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.

Notes to Financial Statements (unaudited) (continued)

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 All Cap Value Fund	Franklin Balance Sheet Investment Fund	Franklin Large Cap Value Fund	Franklin MicroCap Value Fund	Franklin MidCap Value Fund	Franklin Small Cap Value Fund
Reimbursement Plans: Class A	0.35%	0.25%	0.35%	0.25%	0.35%	0.35%
Compensation Plans:						
Class B	_	1.00%	1.00%	_	_	1.00%
Class C	1.00%	1.00%	1.00%	_	1.00%	1.00%
Class R	0.50%	0.50%	0.50%	_	0.50%	0.50%

The Board has set the current rate at 0.30% per year for Class A shares for the Franklin All Cap Value Fund, the Franklin Large Cap Value Fund, the Franklin MidCap Value Fund, and the Franklin Small Cap Value 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:

Calco above a vateinad nat of commissions usid to	Franklin	Franklin	Franklin
	All Cap	Balance Sheet	Large Cap
	Value Fund	Investment Fund	Value Fund
Sales charges retained net of commissions paid to unaffiliated broker/dealers	\$13,224	\$104,911	\$32,873
	\$ 72	\$ 4,767	\$ 2,312
Calco above a vateinad nat of commissions usid to	Franklin	Franklin	Franklin
	MicroCap	MidCap	Small Cap
	Value Fund	Value Fund	Value Fund
Sales charges retained net of commissions paid to unaffiliated broker/dealers	\$402,459	\$28,655	\$177,536
	\$—	\$ 1,899	\$ 6,195

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. 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.

Notes to Financial Statements (unaudited) (continued)

3. Transactions with Affiliates (continued)

e. Transfer Agent Fees (continued)

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 All Cap Value Fund	Franklin Balance Sheet Investment Fund			Franklin MidCap Value Fund	Franklin Small Cap Value Fund
Transfer agent fees	\$19.944	\$563.973	\$89.878	\$93,204	\$62,782	\$1.054.002

f. Waiver and Expense Reimbursements

Advisory Services and FT Services have contractually agreed in advance to waive or limit their respective fees and to assume as their own expense certain expenses otherwise payable by the Franklin All Cap Value Fund and the Franklin MidCap Value Fund so that the expenses (excluding distribution fees, and acquired fund fees and expenses) for Class A, Class C, Class R and Advisor Class of the funds do not exceed 0.95% and 1.05%, respectively (other than certain non-routine expenses or costs, including those relating to litigation, indemnification, reorganizations, and liquidations) until February 28, 2014. Prior to March 1, 2013, expenses were limited to 0.90% for the Franklin All Cap Value Fund.

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 with expiration dates.

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

	Franklin All Cap Value Fund	Franklin Large Cap Value Fund	Franklin MidCap Value Fund
Capital loss carryforwards subject to expiration:			
2017	\$3,110,688	\$ —	\$9,891,776
2018	_	5,060,090	
	\$3,110,688	\$ 5,060,090	\$9,891,776

Notes to Financial Statements (unaudited) (continued)

5. INCOME TAXES (continued)

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

	Franklin	Franklin	Franklin
	All Cap	Balance Sheet	Large Cap
	Value Fund	Investment Fund	Value Fund
Cost of investments	\$ 23,449,309	\$874,170,508	\$ 121,579,437
Unrealized appreciation	\$ 6,725,075	\$545,629,218	\$ 41,604,967
	(312,691)	(95,740,598)	(10,526,994)
	\$ 6,412,384	\$449,888,620	\$ 31,077,973
Net unrealized appreciation (depreciation)	φ 0,412,364	\$449,000,020	φ 31,077,973
	Franklin	Franklin	Franklin
	MicroCap	MidCap	Small Cap
	Value Fund	Value Fund	Value Fund
Cost of investments	\$318,958,683	\$ 80,371,963	\$1,462,464,133
Unrealized appreciation	\$160,040,132	\$ 21,982,639	\$ 595,113,737
	(15,398,519)	(2,717,963)	(64,144,946)
	\$144,641,613	\$ 19,264,676	\$ 530,968,791

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of wash sales, pass-through entity income, corporate actions and gains realized on in-kind shareholder redemptions.

6. INVESTMENT TRANSACTIONS

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

	Franklin	Franklin	Franklin	Franklin	Franklin	Franklin
	All Cap	Balance Sheet	Large Cap	MicroCap	MidCap	Small Cap
	Value Fund	Investment Fund	Value Fund	Value Fund	Value Fund	Value Fund
Purchases	\$4,321,211	\$ 75,126,383	\$7,330,410	\$25,131,451	\$6,011,574	\$ 79,583,837
Sales	\$4,060,100	\$248,180,596	\$6,454,079	\$39,219,046	\$5,461,585	\$162,815,919

7. INVESTMENTS IN INSTITUTIONAL FIDUCIARY TRUST MONEY MARKET PORTFOLIO

The Funds invest in the Institutional Fiduciary Trust Money Market Portfolio (Sweep Money Fund), an open-end investment company managed by Franklin Advisers, Inc. (an affiliate of the investment manager). 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.

Notes to Financial Statements (unaudited) (continued)

8. RESTRICTED SECURITIES

The Funds invest 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 Funds may have registration rights for restricted securities. The issuer generally incurs all registration costs.

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

		Acquisition		
Shares	Issuer	Dates	Cost	Value
94,800	Allen Organ Co. (LandCo. Holdings)	9/07/06	\$181,146	\$341,280
44,600	Smith Investment Co. LLC	1/20/09	_	22,077
	Total Restricted Securities (Value is 0.08% of	Net Assets)	\$181,146	\$363,357

9. Holdings of 5% Voting Securities of Portfolio Companies

The 1940 Act defines "affiliated companies" to include investments in portfolio companies in which a fund owns 5% or more of the outstanding voting securities. Investments in "affiliated companies" for the Franklin Balance Sheet Investment Fund, the Franklin MicroCap Value Fund and the Franklin Small Cap Value Fund for the period ended April 30, 2013, were as shown below.

Name of Issuer	Number of Shares Held at Beginning of Period	Gross Additions	Gross Reductions	Number of Shares Held at End of Period	Value at End of Period	Investment Income	Realized Capital Gain (Loss)
Franklin Balance Sheet Investment Fund							
Non-Controlled Affiliates							
KGen Power Corp., 144A	3,550,000	_	750,000	2,800,000	\$a	\$ —	\$ (290,645)
Trinity Place Holdings Inc.	1,200,000	_	_	1,200,000	6,540,000		
Total Affiliated Securities (Value is 0.49% o	f Net Assets) .				\$ 6,540,000	\$ —	\$ (290,645)
Franklin MicroCap Value Fund							
Non-Controlled Affiliates							
ACMAT Corp., A	353,500	_	_	353,500	\$ 7,953,750	\$ —	\$ —
ALCO Stores Inc.	203,000	_	_	203,000	1,502,200	_	_
American Pacific Corp	604,455	_	174,455	430,000	10,539,300	_	2,529,197
Cobra Electronics Corp	455,000	_	_	455,000	1,396,850	_	_
Continental Materials Corp	129,700	_	_	129,700	2,140,050	_	_
Delta Apparel Inc	743,700	_	_	743,700	9,950,706	_	_
Full House Resorts Inc	_	960,000	_	960,000	2,649,600	_	_
Hardinge Inc	1,050,000	_	71,000	979,000	13,216,500	41,600	175,632
Hurco Cos. Inc.	379,000	_	· —	379,000	10,168,570	_	_
Omega Protein Corp	1,250,000	185,000	114,000	1,321,000	12,298,510	_	389,402
Origen Financial Inc	1,900,000	_	· —	1,900,000	2,850,000	_	36,750
P.A.M. Transportation Services Inc	535,000	28,100	_	563,100	5,878,764	560,000	· —
USA Truck Inc	770,000	16,000	_	786,000	4,032,180	_	_
Total Affiliated Securities (Value is 18.25%	of Net Assets)				\$84,576,980	\$601,600	\$3,130,981

Notes to Financial Statements (unaudited) (continued)

9. Holdings of 5% Voting Securities of Portfolio Companies (continued)

Name of Issuer	Number of Shares Held at Beginning of Period	Gross Additions	Gross Reductions	Number of Shares Held at End of Period	Value at End of Period	Investment Income	Realized Capital Gain (Loss)
Franklin Small Cap Value Fund							
Non-Controlled Affiliates							
Hooker Furniture Corp	582,900	_	_	582,900	\$10,078,341	\$174,870	\$
Total Affiliated Securities (Value is 0.52% of	of Net Assets) .				\$10,078,341	\$174,870	\$ —

^aAs of April 30, 2013 no longer an affiliate.

10. Special Servicing Agreement

The Franklin MicroCap Value Fund, which is an eligible underlying investment of one or more of the Franklin Templeton Fund Allocator Series Funds (Allocator Funds), participates in 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 are either managed by Franklin Advisers, Inc. or administered by FT Services, affiliates of Advisory Services. For the period ended 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 Statements of Operations. At April 30, 2013, 9.98% 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.

11. 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.

Notes to Financial Statements (unaudited) (continued)

12. REDEMPTION IN-KIND

During the year ended October 31, 2012, the Franklin Balance Sheet Investment Fund realized \$159,737,506 of net gains resulting from a redemption in-kind in which a shareholder redeemed fund shares for securities held by the Fund rather than for cash. Because such gains are not taxable to the Fund and are not distributed to remaining shareholders, they have been reclassified from accumulated net realized gains to paid-in capital.

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' financial instruments and are summarized in the following fair value hierarchy:

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

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.

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

	Level 1	Level 2	Level 3	Total
Franklin All Cap Value Fund Assets: Investments in Securities:				
Equity Investments ^a	\$ 27,911,780 1,949,913	\$ <u> </u>	\$ <u> </u>	\$ 27,911,780 1,949,913
Total Investments in Securities	\$ 29,861,693	\$	\$	\$ 29,861,693
Franklin Balance Sheet Investment For Assets: Investments in Securities: Equity Investments: Utilities All Other Equity Investments ^a	\$ 116,159,075 1,141,100,847	\$ 2,520,000 —	\$ — —	\$ 118,679,075 1,141,100,847
Short Term Investments	64,279,206	_	_	64,279,206
Total Investments in Securities	\$1,321,539,128	\$ 2,520,000	\$ —	\$ 1,324,059,128

Notes to Financial Statements (unaudited) (continued)

13. FAIR VALUE MEASUREMENTS (continued)

		Level 1	L	evel 2	Level 3			Total
Franklin Large Cap Value Fund Assets:								
Investments in Securities:								
Equity Investments ^a	\$ 14	15,886,691	\$	_	\$	_	\$	145,886,691
Short Term Investments		6,770,719		_		_		6,770,719
Total Investments in Securities	\$ 15	52,657,410	\$	_	\$	_	\$	152,657,410
Franklin MicroCap Value Fund Assets:								
Investments in Securities:								
Equity Investments:								
Capital Goods	\$ 7	76,335,893	\$	_	\$	22,077	\$	76,357,970
Insurance	1	13,598,464	7	,953,750		_		21,552,214
Materials	2	27,751,994	5	,040,650		_		32,792,644
Real Estate		4,839,444		51,250		341,280		5,231,974
All Other Equity								
Investments ^a		34,301,343		_		_		234,301,343
Short Term Investments	Ç	93,364,151		_		_		93,364,151
Total Investments in Securities	\$ 45	50,191,289	\$13	,045,650	\$	363,357	\$	463,600,296
Franklin MidCap Value Fund Assets:								
Investments in Securities:								
Equity Investments ^a	\$ 9	90,446,801	\$	_	\$	_	\$	90,446,801
Short Term Investments		5,542,271	3	,647,567		_		9,189,838
Total Investments in Securities	\$ 9	95,989,072	\$ 3	,647,567	\$	_	\$	99,636,639
Franklin Small Cap Value Fund Assets:								
Investments in Securities:								
Equity Investments ^a	\$1.80	9,154,749	\$	_	\$	_	\$ 1	,809,154,749
Short Term Investments		27,200,120	•	57,078,055		_	ΨΙ	184,278,175
Total Investments in		_,,200,120		,070,000				10-7,270,170
Securities	\$1,93	36,354,869	\$57	,078,055	\$		\$1	,993,432,924

^aFor detailed categories, see the accompanying Statement of Investments.

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.

Notes to Financial Statements (unaudited) (continued)

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

Selected Portfolio

ADR - American Depositary Receipt

Shareholder Information

Board Review of Investment Management Agreement

At a meeting held February 26, 2013, the Board of Trustees (Board), including a majority of noninterested or independent Trustees, approved renewal of the investment management agreement for each of the Funds within the 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, risk control, 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

Shareholder Information (continued)

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 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 on the efficiency of its trading operations by an independent portfolio trading analytical firm, which also covered foreign exchange 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. In this respect, the Board after making inquiries of management, received assurances that bonus composition was not unduly influenced by one-year or short-term performance but was based primarily on longer periods consistent with the interests of long-term 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 expanded collateralization requirements. It was noted that the Funds did not currently invest in derivatives or other complex instruments. 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 the portfolio management team at Board meetings throughout 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 to a performance universe

Shareholder Information (continued)

Board Review of Investment Management Agreement (continued)

selected by Lipper. Comparative performance for each Fund was shown for 2012 and for the previous 10 years ended December 31, 2012, for those Funds that had been in existence for such length of time, and for lesser periods for other Funds depending on when their operations commenced. The following summarizes the performance results for each of the Funds.

Franklin All Cap Value Fund - The performance universe for this Fund consisted of the Fund and all retail and institutional multi-cap value funds. The Lipper report showed the performance of the Fund to be in the second-lowest performing quintile of such universe during 2012, and on an annualized basis to be in the middle performing quintile of such universe for the previous three-year period, and the second-highest quintile of such universe during its five years of operation. The Board believed the Fund's overall performance during its five-year period of operations was acceptable, noting that the Fund's total return during 2012 as shown in the Lipper report exceeded 12.5%.

Franklin Balance Sheet Investment Fund – The performance universe for this Fund consisted of the Fund and all retail and institutional mid-cap value funds as selected by Lipper. The Lipper report showed the Fund's total return during 2012 to be in the second-lowest quintile of such performance universe, and on an annualized basis to be in the lowest quintile of such universe for each of the previous three-, five- and 10-year periods. In discussing such performance, management pointed out that the Fund's performance reflected adherence to its stated investment policy of investing in companies having low price-to-book ratios with strong balance sheets, which were generally out of favor during recent market periods. The Board believed the Fund's performance did not warrant any change in portfolio management or the basic strategy employed and noted that the Fund's 2012 total return as shown in the Lipper report exceeded 15.5%.

Franklin Large Cap Value Fund - The performance universe for this Fund consisted of the Fund and all retail and institutional large-cap value funds as selected by Lipper. The Lipper report comparison showed the Fund's total return during 2012 to be in the lowest performing quintile of such universe, and on an annualized basis to also be in the lowest performing quintile of such universe for the previous three- and 10-year periods, and the second-lowest performing quintile of such universe for the previous five-year period. The Board was not satisfied with such performance, but believed that management was taking appropriate steps to improve it, including the hiring of an experienced analyst. The Board also noted that the Fund's total return for 2012 as shown in the Lipper report exceeded 13%.

Franklin MicroCap Value Fund - The performance universe for this Fund consisted of the Fund and all retail and institutional small-cap value funds as selected by Lipper. The Lipper report comparison showed the Fund's total return during 2012 to be in the highest performing quintile of such performance universe, and on an annualized basis to also be in the highest performing quintile of such universe for the previous three-year period and to be in the second-highest performing quintile of such universe during each of the previous five- and 10-year periods. The Board was satisfied with the Fund's comparative performance as shown in the Lipper report.

Shareholder Information (continued)

Board Review of Investment Management Agreement (continued)

Franklin MidCap Value Fund - The performance universe for this Fund consisted of the Fund and all retail and institutional mid-cap value funds as selected by Lipper. The Lipper report showed the Fund's total return for 2012 to be in the lowest performing quintile of such universe, and on an annualized basis to be in the second-lowest performing quintile of such universe for the previous three- and five-year periods. The Board was not satisfied with such performance, and discussed the Fund's investment strategy with management and reasons for such comparative underperformance. Based on such discussions, the Board did not believe any immediate change in portfolio management was warranted, but intends to continuously monitor future performance. The Board also noted that the Fund's 2012 total return as shown in the Lipper report exceeded 14%.

Franklin Small Cap Value Fund - The performance universe for this Fund consisted of the Fund and all retail and institutional small-cap value funds as selected by Lipper. The Lipper report comparison showed that the Fund's total return for 2012 placed it in the second-highest performing quintile of such performance universe and that its total return on an annualized basis was in the highest performing quintile of such universe for the previous three-year period, in the secondhighest performing quintile of such universe for the previous five-year period, and in the middle quintile of such universe for the previous 10-year period. The Board was satisfied with the Fund's comparative performance as shown in the Lipper report.

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 expenses of the Fund in comparison with those of its expense group. The Lipper contractual investment management fee comparison includes within such fee any separate administrative fees, and the Lipper actual total expenses, for comparative consistency, are shown by Lipper for Fund Class A shares. Such expense comparisons in the case of each of Franklin Balance Sheet Investment Fund, Franklin MicroCap Value Fund, Franklin Small Cap Value Fund and Franklin All Cap Value Fund showed its contractual investment management fee rate and total expense ratio to be in either the least expensive or second least expensive quintile of its respective Lipper expense group. The Board was satisfied with the expenses of these Funds. The Lipper report for Franklin MidCap Value Fund showed both its contractual fee rate and its actual total expense ratio to be within five basis points above the median of its expense group. The Board found the expenses of such Fund to be acceptable, noting that they were being subsidized by management fee waivers. The Lipper report for Franklin Large Cap Value Fund showed its contractual

Shareholder Information (continued)

Board Review of Investment Management Agreement (continued)

investment management fee rate to be at the median of its expense group, and its actual total expense ratio to be within 13 basis points above the median of such expense group. The Board found the expenses of such Fund to be acceptable.

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.

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

Shareholder Information (continued)

Board Review of Investment Management Agreement (continued)

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 fee structure under the investment management agreements for each of Franklin Balance Sheet Investment Fund and Franklin Large Cap Value Fund contains breakpoints that continued to asset levels that exceed the present size of these Funds, and the Board believed that to the extent economies of scale may be realized by the Manager of these Funds and their affiliates, there was a sharing of benefits with each of these Funds and its shareholders. The fee structure of Franklin Small Cap Value Fund provides an initial fee of 0.75% on the first \$500 million of Fund net assets; 0.625% on the next \$500 million of Fund net assets, and 0.50% on Fund net assets in excess of \$1 billion. At December 31, 2012, the Fund's net assets were approximately \$1.75 billion. In discussing such fees, management expressed its view that the existing fee schedule reflected anticipated economies of scale and pointed out the Fund's favorable effective management fee and total expense comparisons within its Lipper expense group. Management also observed and the Board acknowledged the fact that the Fund had assets beyond the last breakpoint level did not mean that it no longer benefited from economies of scale since the growth of assets being charged at the lowest 0.50% fee level resulted in a lower overall management fee rate. While intending to monitor future growth, the Board believed that to the extent economies of scale may be realized by the Manager and its affiliates, the current schedule of fees under the investment management agreement provides a reasonable sharing of benefits with the Fund and its shareholders. The fee structures of both Franklin MidCap Value Fund and Franklin All Cap Value Fund contain breakpoints and the Board felt that in view of their small size no economies of scale were realized in their operations, noting that the expenses of both Funds were subsidized by management. The fee structure under the investment management agreement for Franklin MicroCap Value Fund provides a flat fee of 0.75% at all asset levels. In discussing the absence of breakpoints with the independent Trustees, management pointed out that this Fund invests only in domestic and foreign securities with a market capitalization of less than \$500 million that are believed to be undervalued. Management stated its belief that such limited investment options curtail the potential size of the Fund, thus preventing the type of economies of scale that might benefit other funds from increases in size and also pointed out that the Fund whose asset size was approximately \$360 million at year-end has been closed to new investors, with limited exceptions, since January 14, 2004, and had a limited reopening on February 15, 2013, and closed again to new investors (with limited exceptions) on February 19, 2013. Management also expressed its view that this fee was low for this type of a fund and pointed out the favorable comparison of fees and expenses within its Lipper expense group. The independent Trustees acknowledged that management's explanation provided a reasonable basis for believing the existing fee rate under the investment management agreement was fair and that in the current circumstances, management was not benefiting from any meaningful economies of scale in its management of this Fund.

Shareholder Information (continued)

Board Review of Investment Management Agreement (continued)

The investment management agreements for Franklin Balance Sheet Investment Fund, Franklin MicroCap Value Fund and Franklin Small Cap Value Fund cover both investment advisory and administrative services. In the case of each of Franklin Large Cap Value Fund, Franklin All Cap Value Fund and Franklin MidCap Value Fund, such services are provided under separate agreements with a fixed fee of 20 basis points being charged under an administration agreement for each 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. The Board also noted that combining the services under the new form of investment management agreement would have no impact on management's subsidization of expenses of Franklin MidCap Value Fund and Franklin All Cap Value Fund.

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.

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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
Franklin MidCap Value Fund
Franklin Small Cap Value Fund
Mutual Beacon Fund
Mutual Quest Fund
Mutual Recovery Fund²
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 Fund³
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 Fund⁴
Franklin LifeSmart™ 2020 Retirement Target Fund⁴
Franklin LifeSmart™ 2025 Retirement Target Fund⁴
Franklin LifeSmart™ 2030 Retirement Target Fund⁴
Franklin LifeSmart™ 2045 Retirement Target Fund⁴
Franklin LifeSmart™ 2045 Retirement Target Fund⁴
Franklin LifeSmart™ 2045 Retirement Target Fund⁴
Franklin LifeSmart™ 2050 Retirement Target Fund⁴
Franklin LifeSmart™ 2050 Retirement Target Fund⁴
Franklin LifeSmart™ 2050 Retirement Target Fund⁴
Franklin Templeton Global Allocation Fund
Franklin Templeton Multi-Asset Real Return Fund

FIXED INCOME

Franklin Adjustable U.S. Government Securities Fund⁵ Franklin Floating Rate Daily Access Fund Franklin High Income Fund Franklin Limited Maturity U.S. Government Securities Fund⁵ 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 Fund⁵ Templeton Emerging Markets Bond Fund Templeton Global Bond Fund Templeton Global Total Return Fund Templeton International Bond Fund

TAX-FREE INCOME®

National

Double Tax-Free Income Fund⁷ 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

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

INSURANCE FUNDS

Franklin Templeton Variable Insurance Products Trust¹⁰

- 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.

VALUE FIXED INCOME



< GAIN FROM OUR PERSPECTIVE® >

Semiannual Report and Shareholder Letter Franklin Value Investors Trust

Investment Manager Franklin Advisory Services, LLC

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.