FRANKLIN TEMPLETON

Franklin Utilities Fund

Advisor Class: FRUAX Class A: FKUQX | **Commentary | as of September 30, 2026**

Key Takeaways

- **Markets:** US equities rose in the third quarter, with market leadership shifting from large-cap growth and semiconductor stocks towards value shares before reversing in September. Strong corporate earnings supported sentiment, although market breadth narrowed and small-cap stocks weakened late in the period.
- **Contributors**: Allocation decisions were beneficial during the quarter. An off-benchmark exposure to European utilities contributed to relative returns.
- **Detractors**: Conversely, stock selection decisions held back relative returns. Stock selection among electric utilities was a leading detractor from relative performance.
- **Outlook**: We believe that power demand across the United States is likely to improve significantly, bolstered by enterprise capital spending on data center development.

Performance Review

- The fund marginally underperformed its benchmark, the S&P 500 Utilities Index, for the quarter ended September 30, 2026.
- An underweight in Constellation Energy, a US-based clean-power utility, had a negative impact on relative performance as its shares rose alongside an increase in power prices. The company also cleared important regulatory hurdles toward restarting its Crane Clean Energy Center.
- PG&E, a California-based electric and gas utility, detracted from relative performance as legislators in California failed to adopt proposed reforms that would have reduced utilities' exposure to wildfire liabilities.
- Drax Group, a UK-based renewable power producer, added to relative performance as its shares strengthened on strategic progress. The company completed a transformational acquisition that expanded solar and wind capacity, and reaffirmed earnings guidance.
- United Utilities, a UK water utility, had a positive impact on relative performance as the company reaffirmed guidance and targeted strong regulatory returns. Investors favored its highly regulated, defensive business model and visible long-term growth outlook.

Outlook

- We continue to believe that power demand across the United States has the potential to improve significantly, along with industry capital spending on data center development. Utilities are also spending record levels of capital in transmission and distribution (T&D) to make the grid more reliable and resilient. The increasing severity of weather in the past several years has made T&D infrastructure upgrades more urgent.
- With more capital to spend in the industry, the importance of utilities regulation is higher than ever. Utilities need to balance the need for improved reliability with the burden that is placed on customer bills when financing their investment decisions. Finding the right balance between growing the business and keeping utility services affordable for customers is a challenge utilities face.

Morningstar Rating™

Overall Rating as of September 30, 2026

★★★★ **(4-Star)** Advisor Class

★★★★ **(4-Star)** Class A

As of 09/30/2026 the fund's Advisor Class and Class A shares received a 4 star overall Morningstar rating™, measuring risk-adjusted returns against 53, 49 and 44 Utilities funds over the 3-, 5- and 10- year periods, respectively. A fund's overall rating is derived from a weighted average of the performance figures associated with its 3-, 5- and 10-year (if applicable) rating metrics. The number of funds in the category for the Overall Rating are listed under the 3-year period.

Top Equity Issuers (% of Total)

Holding	Fund
NEXTERA ENERGY INC	9.42
ENTERGY CORP	6.44
SEMPRA	4.71
EVERGY INC	4.52
DUKE ENERGY CORP	4.41
SOUTHERN CO/THE	4.40
VISTRA CORP	3.99
PPL CORP	3.94
CONSTELLATION ENERGY CORP	3.76
PG&E CORP	3.73

Not FDIC Insured | No Bank Guarantee | May Lose Value

Average annual total returns and fund expenses (%) - as of September 30, 2026

			Without Sales Charge							With Maximum Sales Charge							Expenses		Sales Charges		Inception
Class	CUSIP	Ticker	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception	Gross	Net	Initial Charge	CDSC	Date
Advisor Class	353496854	FRUAX	-12.50	-3.81	-4.84	15.33	9.21	8.70	9.78	-12.50	-3.81	-4.84	15.33	9.21	8.70	9.78	0.55	0.55	—	—	9/30/1948
Class A	353496474	FKUQX	-12.54	-3.96	-5.07	15.05	8.94	8.45	9.67	-15.82	-7.56	-8.63	13.59	8.11	8.03	9.62	0.80	0.80	3.75	—	9/30/1948
Benchmark 1	—	—	-12.39	-5.65	-6.97	13.62	7.57	8.34	—	-12.39	-5.65	-6.97	13.62	7.57	8.34	—	—	—	—	—	—
Benchmark 2	—	—	2.30	12.75	15.74	22.88	13.79	15.33	—	2.30	12.75	15.74	22.88	13.79	15.33	—	—	—	—	—	—

Benchmark(s)

Benchmark 1=S&P 500 Utilities Index

Benchmark 2=S&P 500 Index

Performance data quoted represents past performance, which does not guarantee future results. *Current performance may be lower or higher than the figures shown. Principal value and investment returns will fluctuate, and investors' shares, when redeemed, may be worth more or less than the original cost. Performance would have been lower if fees had not been waived in various periods. Total returns assume the reinvestment of all distributions and the deduction of all fund expenses. Returns with sales charge reflect a deduction of the stated maximum sales charge. An investor cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges. Returns for periods of less than one year are not annualized. All classes of shares may not be available to all investors or through all distribution channels. For current month-end performance, please visit franklintempleton.com.*
The fund began offering Advisor Class shares on 12/31/1996 and the fund began offering A Class shares on 9/10/2018. Performance quotations have been calculated as follows: (a) for Advisor Class periods prior to 12/31/1996, a restated figure is used based on the fund's Class A1 performance; for A Class periods prior to 9/10/2018, a restated figure is used based on the fund's Class A1 performance. The performance was adjusted to take into account differences in class-specific operating expenses and maximum sales charges. (b) For periods after share class offering, performance for the specific share class is used, reflecting the expenses and maximum sales charges applicable to that class.
The total annual operating expenses are as of the fund's prospectus available at the time of publication. Actual expenses may be higher and may impact portfolio returns.

What are the Risks?

All investments involve risks, including possible loss of principal. To the extent the portfolio invests in a **concentration of certain securities, regions or industries**, it is subject to increased volatility. **Equity securities** are subject to price fluctuation and possible loss of principal. Securities issued by **utility companies** have been historically sensitive to interest rate changes. When interest rates fall, utility securities prices, and thus a utilities fund's share price, tend to rise; when interest rates rise, their prices generally fall. The manager may consider **environmental, social and governance (ESG) criteria** in the research or investment process; however, ESG considerations may not be a determinative factor in security selection. In addition, the manager may not assess every investment for ESG criteria, and not every ESG factor may be identified or evaluated. These and other risks are discussed in the fund's prospectus.

Important Information

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

The **S&P 500 Index** features 500 leading U.S. publicly traded companies, with a primary emphasis on market capitalization. The **S&P 500 Utilities Index** comprises those companies included in the S&P 500 that are classified as members of the GICS utilities sector.

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Important data provider notices and terms available at www.franklintempletondatasources.com. All data is subject to change.

Holdings are provided for informational purposes only and should not be construed as a recommendation to purchase or sell any security.

Morningstar Rating™: Source: Morningstar®, 09/30/2026. For each mutual fund and ETF with at least a 3-year history, Morningstar calculates a Morningstar Rating™ based on how a fund ranks on a Morningstar Risk-Adjusted Return measure against other funds in the same category. This measure takes into account variations in a fund's monthly performance, and does not take into account the effects of sales charges and loads, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. The weights are: 100% 3-year rating for 36-59 months of total returns, 60% 5-year rating/40% 3-year rating for 60-119 months of total returns, and 50% 10-year rating/30% 5-year rating/20% 3-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent 3-year period actually has the greatest impact because it is included in all three rating periods. The fund's Class A shares received a Morningstar Rating of 4, 4 and 4 and fund's Advisor Class shares received a Morningstar Rating of 4, 4 and 4 star(s) for the 3-, 5- and 10-year periods, respectively. Franklin Templeton provides this fund's Morningstar Rating™ for Class A and Advisor Class shares only. Other share classes may have different Morningstar ratings. 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.

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Before investing, carefully consider a fund's investment objectives, risks, charges and expenses. You can find this and other information in each prospectus, or summary prospectus, if available, at www.franklintempleton.com. Please read it carefully.

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