

Franklin Utilities Fund

Advisor Class: FRUAX Class A: FKUQX

Commentary | as of September 30, 2025

Key Takeaways

- Markets: US equities delivered strong performance over the third quarter, buoyed, in part, by easing trade tensions and
 optimism surrounding artificial intelligence (AI). The US Federal Reserve's (Fed's) interest-rate cut in September also
 supported market sentiment, as did generally robust corporate earnings. Both the S&P 500 Index and the NASDAQ
 Composite Index ended the quarter at new record highs, while returns for the Dow Jones Industrial Average were more
 muted. In this environment, growth investing surpassed value in the large-capitalization tier, while it was the reverse in
 the mid- and small-capitalization segments, with small-cap stocks overall performing better than their large- and midcap counterparts.
- Contributors: Stock selection effects were the primary contributors to the fund's relative performance. Stock selection
 in the electric utilities and independent power producers and energy traders industries were leading contributors to
 relative returns
- Detractors: Allocation effects dampened the fund's relative results. Off-benchmark exposures to the oil and gas storage and transportation industry and the renewable electricity industry had a negative impact on relative results.
- Outlook: We believe that power demand across the United States is likely to improve significantly, along with industry
 capital spending on data center development.

Performance Review

- The fund (Advisor Class without sales charges) outperformed the S&P 500 Utilities Index benchmark in the third quarter of 2025. In the electric utilities industry, Constellation Energy's stock appreciation lagged the benchmark, and an underweight position contributed to relative returns. The company has been benefiting from a broader resurgence in nuclear power.
- Talen Energy (not part of the benchmark) was a leading contributor in the independent power producers and energy traders
 industry. The power generation and infrastructure company announced the acquisition of two gas-fired power plants and
 deepened its relationship with Amazon Web Services (a subsidiary of Amazon.com, which is not held by the fund) through a
 long-term power purchase agreement.
- Relative performance was hindered by an off-benchmark position in National Grid in the multi-utilities industry. A
 combination of governance failures, regulatory risk and leadership turnover impacted investor sentiment around the UK
 multinational utility company and weighed on its stock.

Outlook

- We continue to believe that power demand across the United States is likely 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 is
 only increasing the desire to improve T&D infrastructure so that it is less impacted by storm activity, and many electric
 utilities are making this a top priority.
- 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.
- Utilities remain sensitive to long-term interest rates, and the direction of interest rates is uncertain as the Trump
 administration begins implementing a set of economic initiatives that differ from those of recent administrations. Dividends
 remain a key component of the investment opportunity for utility investors, but investment opportunities have companies
 directing more cash toward organic reinvestment and less toward dividends.
- The recently passed One Big Beautiful Bill legislation has provisions that curb tax-credit benefits for solar and wind
 renewable development, resulting in some uncertainty about the future of new electricity supply. Given that economic
 growth is driving demand, policies that restrict supply could have an additional negative impact on the prices customers pay
 for their electricity, further exacerbating the affordability concerns at the forefront of regulatory discussions.

Morningstar Rating™

Overall Rating as of September 30, 2025



(4-Star) Advisor Class



(3-Star) Class A

As of 09/30/2025 the fund's Advisor Class shares received a 4 star and Class A shares received a 3 star overall Morningstar rating™, measuring risk-adjusted returns against 57, 56 and 50 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.

Top Equity Issuers (% of Total)

| Holding | Fund |
|---------------------------|------|
| NEXTERA ENERGY INC | 8.58 |
| ENTERGY CORP | 5.55 |
| VISTRA CORP | 5.37 |
| SOUTHERN CO/THE | 5.19 |
| SEMPRA | 4.50 |
| DUKE ENERGY CORP | 4.32 |
| EVERGY INC | 4.32 |
| CONSTELLATION ENERGY CORP | 3.61 |
| PPL CORP | 3.56 |
| NISOURCE INC | 3.56 |

Franklin Utilities Fund as of September 30, 2025

Average annual total returns and fund expenses (%) - as of September 30, 2025

| | | | Without Sales Charge | | | | | | | With Maximum Sales Charge | | | | | | | | ses | 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 | 7.60 | 16.56 | 14.23 | 15.54 | 12.95 | 11.10 | 9.98 | 7.60 | 16.56 | 14.23 | 15.54 | 12.95 | 11.10 | 9.98 | 0.56 | 0.56 | _ | _ | 9/30/1948 |
| Class A | 353496474 | FKUQX | 7.54 | 16.37 | 13.99 | 15.26 | 12.66 | 10.85 | 9.88 | 3.51 | 12.01 | 9.72 | 13.80 | 11.80 | 10.43 | 9.82 | 0.81 | 0.81 | 3.75 | _ | 9/30/1948 |
| Benchmark 1 | _ | _ | 7.57 | 17.69 | 11.20 | 13.61 | 11.44 | 10.88 | _ | 7.57 | 17.69 | 11.20 | 13.61 | 11.44 | 10.88 | _ | _ | _ | _ | _ | _ |
| Benchmark 2 | _ | _ | 8.12 | 14.83 | 17.60 | 24.93 | 16.47 | 15.30 | _ | 8.12 | 14.83 | 17.60 | 24.93 | 16.47 | 15.30 | _ | _ | _ | _ | _ | _ |

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. 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.

Gross expenses are the fund's total annual operating expenses as of the fund's prospectus available at the time of publication. Net expenses are capped under a contractual agreement, which cannot be terminated prior to 01/31/2026 without Board consent. 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.

Glossary

Dow Jones Industrial Average (DJIA) is an unmanaged index composed of 30 blue-chip stocks, each with annual sales exceeding \$7 billion. The DJIA is price-weighted, reflects large-cap companies representative of U.S. industry, and historically has moved in tandem with other major market indexes such as the S&P 500. Source:

S&P Dow Jones Indices LLC.

Nasdaq Composite Index is a market-capitalization-weighted index that is designed to represent the performance of NASDAQ securities and includes over 3,000 stocks. Source: Nasdaq OMX.

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 Utilities Index** comprises those companies included in the S&P 500 that are classified as members of the GICS utilities sector. Source: © S&P Dow Jones Indices LLC. All rights reserved. The **S&P 500 Index** features 500 leading U.S. publicly traded companies, with a primary emphasis on market capitalization. Source: © S&P Dow Jones Indices LLC. All rights reserved. Important data provider notices and terms available at www.franklintempletondatasources.com. All data is subject to change.

Morningstar Rating™: Source: Morningstar®, 09/30/2025. 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 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 Advisor Class shares received a Morningstar Rating of 4, 4 and 4 and fund's Class A shares received a Morningstar Rating of 4, 3 and 4 star(s) for the 3-, 5- and 10-year periods, respectively. Franklin Templeton provides this fund's Morningstar Rating™ for Advisor Class and Class A shares only. Other share classes may have different Morningstar ratings.

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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.

