

Franklin Utilities Fund

Advisor Class: FRUAX Class A: FKUQX

Commentary | as of March 31, 2026

Key Takeaways

- **Markets:** US equities endured a difficult first quarter of 2026 as investors reassessed the durability of the AI trade and geopolitical risk intensified. Technology-focused shares came under pressure as rising AI-related capital expenditure spurred a rotation away from mega-capitalization growth toward value stocks. At its two meetings during the quarter, the US Federal Reserve left its benchmark interest rate on hold. March brought further strain as the Middle East conflict disrupted energy markets, lifting oil prices and adding to inflation risk. The Nasdaq Composite Index underperformed the S&P 500 Index, while the Dow Jones Industrial Average proved more resilient. By investment style, value investing surpassed growth across market-cap tiers, with small- and mid-cap stocks performing better than their large-cap counterparts.
- **Contributors:** Stock selection decisions and, to a lesser extent, positive allocation effects benefited relative fund performance. Stock selection in the electric utilities industry and an allocation to the oil, gas and consumable fuels industry were strong contributors to relative performance.
- **Detractors:** Leading relative detractors were at the individual stock level.
- **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 first quarter of 2026. The electric utilities industry was a source of both positive and negative relative contributors. An underweight in Constellation Energy proved beneficial as the stock rose sharply early in 2026 but fell back by quarter-end, amid volatility over the period. An underweight in the renewable energy supplier limited our losses versus the benchmark as weaker 2026 guidance and higher capital-spending concerns weighed on investor sentiment.
- Entergy's shares rose due to robust industrial electricity demand, notably from major data center projects, and benefited from investors shifting toward defensive regulated utilities amid market volatility.
- In contrast, an unhelpful underweight in NextEra Energy worked against us as it limited our exposure to the stock's gains. Shares of the renewable energy provider moved higher as investors responded to a strong earnings outlook and rising power demand tied to data centers and artificial intelligence growth.

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 March 31, 2026



(4-Star) Advisor Class



(4-Star) Class A

As of 03/31/2026 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	9.95
ENTERGY CORP	5.95
SEMPRA	4.99
SOUTHERN CO/THE	4.98
EVERGY INC	4.39
DUKE ENERGY CORP	4.31
CONSTELLATION ENERGY CORP	3.78
VISTRA CORP	3.69
PG&E CORP	3.58
NISOURCE INC	3.43

Average annual total returns and fund expenses (%) - as of March 31, 2026

Class	CUSIP	Ticker	Without Sales Charge							With Maximum Sales Charge							Expenses		Sales Charges		Inception Date
			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	
Advisor Class	353496854	FRUAX	9.89	9.89	21.53	16.21	12.44	10.48	10.03	9.89	9.89	21.53	16.21	12.44	10.48	10.03	0.55	0.55	—	—	9/30/1948
Class A	353496474	FKUQX	9.83	9.83	21.23	15.91	12.16	10.23	9.93	5.71	5.71	16.69	14.44	11.30	9.81	9.87	0.80	0.80	3.75	—	9/30/1948
Benchmark 1	—	—	8.26	8.26	19.71	14.19	10.87	9.89	—	8.26	8.26	19.71	14.19	10.87	9.89	—	—	—	—	—	
Benchmark 2	—	—	-4.33	-4.33	17.80	18.31	12.07	14.16	—	-4.33	-4.33	17.80	18.31	12.07	14.16	—	—	—	—	—	

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.

Glossary

Capital Expenditure (capex) are funds used by a company to acquire or upgrade physical assets such as property, industrial buildings or equipment.

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 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.

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

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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®, 03/31/2026. 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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