

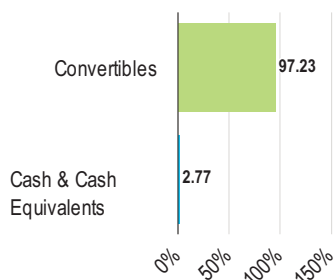
Product Profile

Product Details¹

Fund Assets	\$3,877,141,579.82
Fund Inception Date	04/15/1987
Number of Issuers	77
NASDAQ Symbol	FCSZX
Maximum Sales Charge	0.00
Investment Style	Convertibles
Benchmark	ICE BofAML All Alternatives U.S. Convertibles Index
Lipper Classification	Convertible Securities Funds
Morningstar Category™	Convertibles
Dividend Frequency	Quarterly

Asset Allocation²

Percent of Total



Third-Party Fund Data

Overall Morningstar Rating™³



As of 09/30/2019 the fund's Advisor Class shares received a 5 star overall Morningstar Rating™, measuring risk-adjusted returns against 75, 60 and 45 U.S.-domiciled Convertibles mutual funds and exchange traded 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.

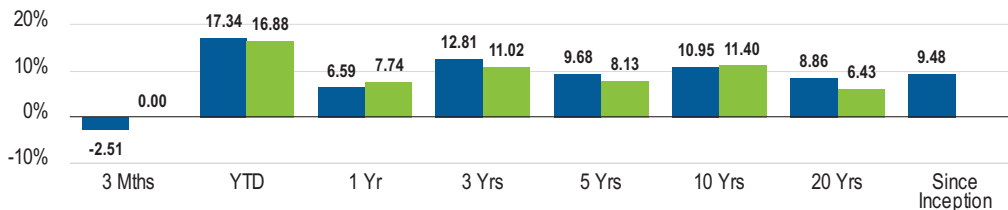
Fund Description

The fund seeks to maximize total return, consistent with reasonable risk, by investing at least 80% of its net assets in convertible securities. Convertible securities are bonds or preferred stock that may be converted into common stock.

Performance Data^{4,5}

Average Annual Total Returns⁶ (%)

	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	20 Yrs	Since Inception (04/15/1987)
Advisor Class	-2.51	17.34	6.59	12.81	9.68	10.95	8.86	9.48
ICE BofAML All Alternatives U.S. Convertibles Index	0.00	16.88	7.74	11.02	8.13	11.40	6.43	-



● Advisor Class
● ICE BofAML All Alternatives U.S. Convertibles Index

Total Annual Operating Expenses—With Waiver: 0.6% Without Waiver: 0.62%

30-Day Standardized Yield⁷—With Waiver: 1.90% Without Waiver: 1.87%

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

Advisor Class shares are offered only to certain eligible investors as stated in the prospectus. They are offered without sales charges or Rule 12b-1 fees. The fund offers other share classes subject to different fees and expenses, which will affect their performance. Please see the prospectus for details.

Franklin Convertible Securities Fund closed to new investors with limited exceptions on 8/29/18. Existing investors may continue to purchase additional shares of the fund.

The fund has a fee waiver associated with any investment it makes in a Franklin Templeton money fund and/or other Franklin Templeton fund, contractually guaranteed through 02/29/2020. Fund investment results reflect the fee waiver; without this waiver, the results would have been lower.

1. All holdings are subject to change. Holdings of the same issuers have been combined.

2. Information is historical and may not reflect current or future portfolio characteristics. Percentage may not equal 100% due to rounding. All holdings are subject to change.

5. Source for Index: FactSet. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

6. Periods shorter than one year are shown as cumulative total returns.

7. The fund's 30-day standardized yield is calculated over a trailing 30-day period using the yield to maturity on bonds and/or the dividends accrued on stocks. It may not equal the fund's actual income distribution rate, which reflects the fund's past dividends paid to shareholders.

Calendar Year Returns (%)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Advisor Class	4.56	18.24	7.96	1.03	4.62	23.50	13.60	-5.27	20.70	50.18
ICE BofAML All Alternatives	3.45	12.61	7.22	-1.35	8.34	26.33	15.66	-5.59	26.61	56.76
U.S. Convertibles Index										

Portfolio Manager Insight⁸

Performance Review

QUARTERLY KEY PERFORMANCE DRIVERS

	Securities	Sectors
HELPED	Insulet	Utilities
	RH	Financials
	Microchip Technology	Consumer Staples
HURT	Sarepta Therapeutics	Information Technology (IT)
	Wayfair	Health Care
	Twilio	Industrials

- Seven out of 10 sector allocations posted negative returns that weighed on the fund's absolute performance over the July–September span, with IT and health care holdings comprising the bulk of the overall decline. This was partially due to their significant presence as the portfolio's two largest exposures; IT-related securities averaged just over 38% of total net assets during the quarter, while the weighting in health care averaged roughly 20%. Results in the IT sector were held back primarily by significant selloffs in Twilio, Zendesk and Workday, while biotechnology and pharmaceutical names were a distinct point of weakness in health care.
- The fund's health care sector allocation contained some of our best and worst third-quarter performers. On the upside, diabetic medical technology-related holding Insulet rallied solidly. Insulet, a leader in tubeless insulin pump technology, revealed impressive second-quarter earnings that surpassed consensus expectations; management also raised its full-year 2019 revenue growth outlook to a range of 24% to 27%, up significantly from the previous guidance of 18% to 22%. Our combined results in the sector would have been much better if not for a steep selloff in Sarepta Therapeutics, which occurred after US Food and Drug Administration regulators raised concerns over two of the biopharmaceutical company's important drug candidates aimed at treating Duchenne muscular dystrophy.
- IT sector losses were partially offset by summer rebounds in semiconductor chip and semiconductor fabrication equipment companies such as Microchip Technology, Silicon Laboratories, NXP Semiconductors, Broadcom and Intel. Intel and other industry bellwether firms reported better-than-expected earnings for the second quarter and offered upbeat guidance on the semiconductor chip industry for the months ahead, reducing some investors' concerns about tariff-stressed technology sales in China.

Outlook & Strategy

- With stocks just below all-time highs at quarter-end and bond yields having fallen over the period, many investors have been searching for capital appreciation and current income. We continue to believe convertibles, as often-overlooked securities that exhibit beneficial equity and fixed income characteristics, could satisfy both needs, while potentially insulating investors from a downdraft. We continue to look for convertibles that typically capture 75% of the upside of stocks but only 50% of the downside.
- We believe convertibles continue to offer a way to invest in high-flying growth stocks while keeping risk at manageable levels. Many of the portfolio's convertible-bond issuers are higher-growth IT companies (comprising 39.6% of total net assets at September-end), as well as tech-focused consumer discretionary and communication services companies.
- As long-term investors, our overall view on convertible securities does not change from quarter to quarter or during periods of heightened market volatility. The average life of a convertible security is about five years, and we often will hold a convertible to maturity, regardless of market gyrations in the interim.
- Historically, convertible securities have tended to perform well during periods of above-average market volatility, when cautious investors with a generally positive view of the equity markets seek risk-controlled equity exposure to reduce their potential downside risk. We believe the ability to adapt to myriad market conditions makes convertibles an attractive vehicle for potentially increasing a portfolio's level of diversification.
- Often called "balanced" convertibles, those with deltas (a measure of their equity sensitivity) near the middle of the range from 0.0 to 1.0 can participate more with an issuer's equity upside than they do with the downside. These are the types of convertibles we prefer, as we feel this is the most appealing aspect of the asset class.
- We continue to apply our disciplined, bottom-up research process to pursue promising investment opportunities. Many of these opportunities are in companies that demonstrate high levels of innovation, whether in their market approach or technology, and which show compelling growth potential. The convertibles universe tilts toward higher growth sectors like IT, health care and consumer discretionary; fortunately, these are all sectors in which we see compelling growth drivers over the next several years.

- Worldwide, convertible securities are garnering increasing attention from both issuers and investors, a trend we believe will continue in the coming months. Corporations seem to have grown more comfortable issuing convertible securities as an alternative means of financing by taking advantage of global market conditions that can potentially lower their overall cost of capital below what it would be if they issued only one class of debt and common stock.

8. 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.

Portfolio Characteristics^{9,10,11}

	Portfolio	ICE BofAML All Alternatives U.S. Convertibles Index
Price to Earnings (12-Month Trailing)	30.76x	26.07x
Price to Book	3.69x	4.22x
Price to Cash Flow	19.04x	14.52x
Market Capitalization (Millions in USD)	23,657	28,672

Fund Measures

	Portfolio	ICE BofAML All Alternatives U.S. Convertibles Index
Delta	60.31%	54.44%
Gamma	0.43%	0.46%
Premium	34.96%	-

Portfolio Diversification

Top Ten Holdings¹²

Percent of Total

Top Holdings	%
SEMPRA ENERGY	2.35
INSULET CORP	2.31
MICROCHIP TECHNOLOGY INC	2.31
RH	2.09
ILLUMINA INC	2.05
WAYFAIR INC	2.04
AXA SA	2.02
SERVICENOW INC	1.98
WORKDAY INC	1.95
DEXCOM INC	1.94

9. The portfolio characteristics listed are based on the fund's underlying holdings, and do not necessarily reflect the fund's characteristics. Due to data limitations all equity holdings are assumed to be the primary equity issue (usually the ordinary or common shares) of each security's issuing company. This methodology may cause small differences between the portfolio's reported characteristics and the portfolio's actual characteristics. In practice, Franklin Templeton's portfolio managers invest in the class or type of security which they believe is most appropriate at the time of purchase. The market capitalization figures for both the portfolio and the benchmark are at the security level, not aggregated up to the main issuer. Source: Factset. Price ratio calculations for weighted average use harmonic means. Any exceptions to this are noted. Information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change.

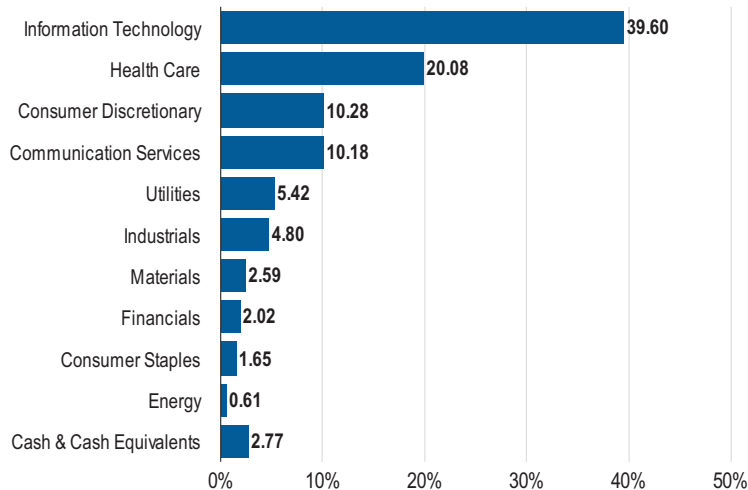
10. Source: FactSet. Price ratio calculations for weighted average use harmonic means. Any exceptions to this are noted.

11. Source for Index: FactSet. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

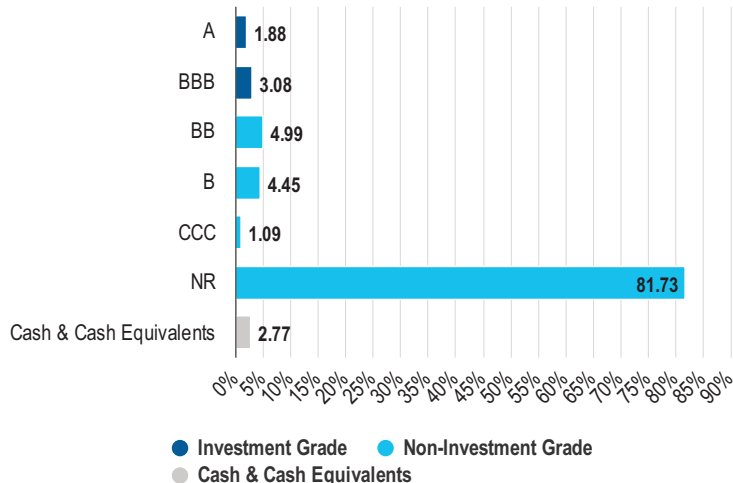
12. Holdings of the same issuers have been combined. Top ten holdings information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change. The information provided is not a recommendation to purchase, sell, or hold any particular security. The portfolio manager for the fund reserves the right to withhold release of information with respect to holdings that would otherwise be included.

Sector Allocation¹³

Percent of Total

**Credit Quality Ratings¹⁴**

Convertibles as a Percent of Total

**Supplemental Performance Statistics****Supplemental Risk Statistics^{15,16}**

	3 Yrs	5 Yrs	10 Yrs
Standard Deviation (%)	9.70	9.35	10.19
Tracking Error (%)	3.27	2.91	2.92
Information Ratio	0.55	0.53	-0.15
Beta	1.04	1.01	0.92
Sharpe Ratio	1.16	0.93	1.02

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

13. Information is historical and may not reflect current or future portfolio characteristics. Percentage may not equal 100% due to rounding. All holdings are subject to change.

14. Ratings shown are assigned by one or more Nationally Recognized Statistical Rating Organizations ('NRSRO'), such as Standard & Poor's, Moody's and Fitch. The ratings are an indication of an issuer's creditworthiness and typically range from AAA or Aaa (highest) to D (lowest). When ratings from all three agencies are available, the middle rating is used; when two are available, the lowest rating is used; and when only one is available, that rating is used. Foreign government bonds without a specific rating are assigned the country rating provided by an NRSRO, if available. If listed, the NR category consists of ratable securities that have not been rated by an NRSRO. The N/A category consists of nonratable securities (e.g., equities). Cash and equivalents as well as derivatives are excluded from this breakdown. As a result, the chart does not reflect the fund's total net assets. Information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change.

15. Beta, Information Ratio and Tracking Error information are measured against the ICE BofAML All Alternatives U.S. Convertibles Index.

16. Information Ratio is a way to evaluate a manager's ability to outperform a benchmark in relation to the risk that manager is assuming, with risk defined as deviation from the benchmark. This measure is calculated by dividing the portfolio's excess return (portfolio return less the benchmark return) by the tracking error (derived by taking the standard deviation of the monthly differences between the portfolio return and the benchmark return over time).

Investment Philosophy and Process

Balanced

We believe our bottom-up approach to investing in “balanced” convertible securities, with their potential for common stock price appreciation and reduced downside risk from their fixed-income attributes, can offer solid long-term results for our shareholders.

Fundamental

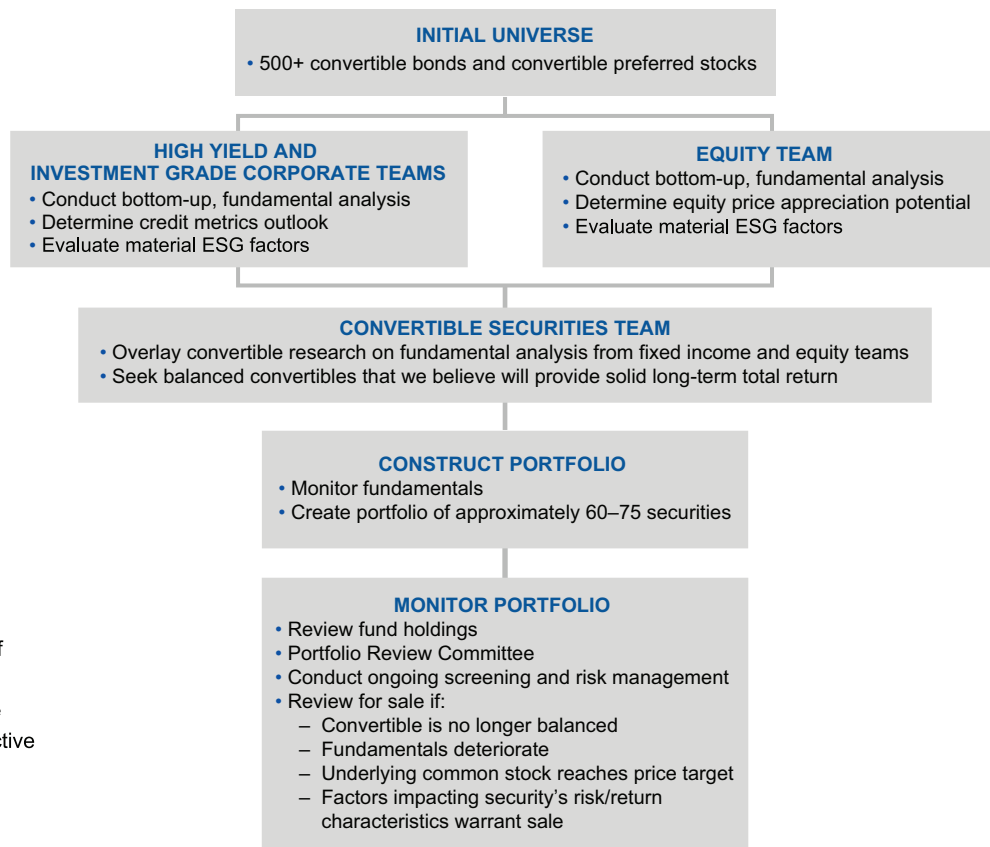
We seek to exploit a fundamental view that differs from the “market consensus” regarding growth potential or valuation.

Diversified

We seek to invest in a diverse set of securities across industry sectors and market capitalizations and styles.

Long Term

We seek financially strong companies with favorable secular growth potential and sustainable competitive advantages. Our analysis includes an assessment of any material Environmental, Social and Governance (ESG) factors on the long-term risk and return profile of a company. We seek to apply a long-term perspective through the spectrum of market cycles.



Investment Team

Portfolio Manager	Years with Firm	Years Experience
Alan Muschott, CFA, Portfolio Manager	21	21
Matt Quinlan, Portfolio Manager/Research Analyst	13	24
Eric Webster, CFA, Portfolio Manager/Research Analyst	7	7

Beta: A measure of the magnitude of a portfolio’s past share-price fluctuations in relation to the ups and downs of the overall market (or appropriate market index). The market (or index) is assigned a beta of 1.00, so a portfolio with a beta of 1.20 would have seen its share price rise or fall by 12% when the overall market rose or fell by 10%.

Delta: A measure of a convertible’s price sensitivity to changes in the underlying common stock price. Delta ranges from zero to 100%. A delta of zero indicates that the bond’s price does not move when the underlying stock price changes. A delta of 100% indicates a direct relationship between the underlying stock and the bond.

Gamma: A measure of a convertible’s delta sensitivity to changes in the underlying common stock price. A relatively higher gamma indicates a greater increase in delta for a given increase in the underlying stock price, which may offer the potential for a higher return on the convertible.

Information Ratio: In investing terminology, the ratio of expected return to risk. Usually, this statistical technique is used to measure a manager’s performance against a benchmark. This measure explicitly relates the degree by which an investment has beaten the benchmark to the consistency by which the investment has beaten the benchmark.

Market Capitalization: A determination of a company’s value, calculated by multiplying the total number of company stock shares outstanding by the price per share. Market capitalization is expressed in millions of USD.

Premium: The amount by which the convertible’s price exceeds its conversion value. As stock prices rise, the conversion premium typically declines.

Price to Book Value: The price per share of a stock divided by its book value (i.e., net worth) per share. For a portfolio, the value represents a weighted average of the stocks it holds.

Price to Cash Flow: Supplements price/earnings ratio as a measure of relative value for a stock. For a portfolio, the value represents a weighted average of the stocks it holds.

Price to Earnings (12-mo Trailing): The share price of a stock, divided by its per-share earnings over the past year. For a portfolio, the value represents a weighted average of the stocks it holds.

Sharpe Ratio: To calculate a Sharpe ratio, an asset’s excess returns (its return in excess of the return generated by risk-free assets such as Treasury bills) are divided by the asset’s standard deviation.

Standard Deviation: A measure of the degree to which returns vary from the average of its previous returns. The larger the standard deviation, the greater the likelihood (and risk) that performance will fluctuate from the average return.

Tracking Error: Measure of the deviation of the return of a product compared to the return of a benchmark over a fixed period of time. Expressed as a percentage. The more passively the investment is managed, the smaller the tracking error.

What Are The Risks?

All investments involve risks, including possible loss of principal. Convertible securities are subject to the risks of stocks when the underlying stock price is high relative to the conversion price (because more of the security's value resides in the conversion feature) and debt securities when the underlying stock price is low relative to the conversion price (because the conversion feature is less valuable). A convertible security is not as sensitive to interest rate changes as a similar non-convertible debt security, and generally has less potential for gain or loss than the underlying stock. The fund may invest in high-yielding, fixed income securities. High yields reflect the higher credit risk associated with these lower-rated securities and, in some cases, the lower market prices for these instruments. Interest rate movements may affect the fund's share price and yield. Bond prices generally move in the opposite direction of interest rates. As the prices of bonds in the fund adjust to a rise in interest rates, the fund's share price may decline. The fund may also invest in foreign securities, which involve special risks, including political uncertainty and currency volatility. These and other risks are described more fully in the fund's prospectus

Important Legal Information

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

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Important data provider notices and terms available at: www.franklintempletondatasources.com

3. Source: Morningstar®, 09/30/2019. For each mutual fund and exchange traded fund 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 Advisor Class shares received a Morningstar Rating of 5, 5 and 5 star(s) for the 3-, 5- and 10-year periods, respectively. Morningstar Rating™ is for the named share class only; other classes may have different performance characteristics. **Past performance is not an indicator or a guarantee of future performance.**

4. Effective 05/15/2008, the fund began offering Advisor Class Shares. For periods prior to the fund's Advisor Class inception date, a restated figure is used based on the fund's oldest share class, 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 the fund's Advisor Class inception date, actual Advisor Class performance is used, reflecting all charges and fees applicable to that class.

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