

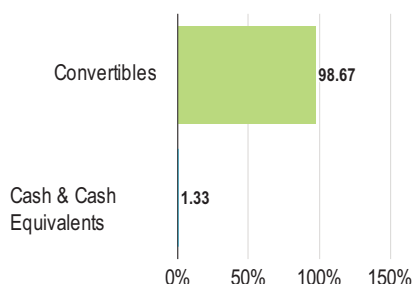
Product Profile

Product Details¹

| | |
|-----------------------|--|
| Fund Assets | \$2,914,055,070.51 |
| Fund Inception Date | 04/15/1987 |
| Number of Issuers | 67 |
| NASDAQ Symbol | FCSZX |
| Maximum Sales Charge | 0.00 |
| Investment Style | Convertibles |
| Benchmark | ICE BofA 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™^a



As of 12/31/2022 the fund's Advisor Class shares received a 5 star overall Morningstar Rating™, measuring risk-adjusted returns against 76, 71 and 57 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.

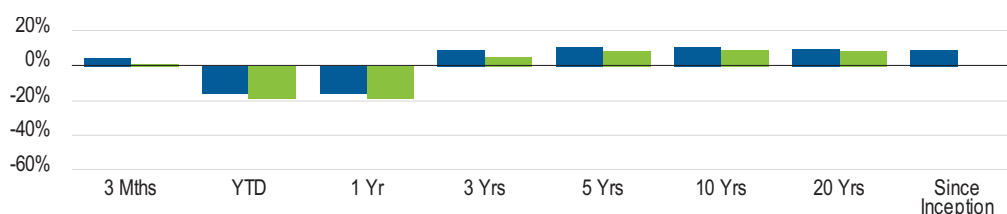
Fund Description

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

Performance Data^{b,3}

Average Annual Total Returns⁴ (%)

| | 3 Mths | YTD | 1 Yr | 3 Yrs | 5 Yrs | 10 Yrs | 20 Yrs | Since Inception (04/15/1987) |
|---|--------|--------|--------|-------|-------|--------|--------|---------------------------------|
| Advisor Class | 4.87 | -15.68 | -15.68 | 10.00 | 11.56 | 11.16 | 10.13 | 9.63 |
| ICE BofA All Alternatives U.S. Convertibles Index | 2.14 | -18.59 | -18.59 | 5.46 | 8.84 | 9.55 | 9.06 | - |



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

Total Annual Operating Expenses—0.58%

30-Day SEC Yield⁵—1.02%

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 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 call Franklin Templeton at (800) DIAL BEN/(800) 342-5236 or visit www.franklintempleton.com.

The total annual operating expenses are as of the fund's prospectus available at the time of publication. Actual fees may be higher and may impact portfolio returns.

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.

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

2. Percentage may not equal 100% due to rounding. All holdings are subject to change.

3. 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.

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

5. The fund's 30-Day SEC Yield is calculated using the net income (interest and dividends) per share earned over a trailing 30-day period (annualized), divided by the fund's share price at the end of that period. It may not equal the fund's actual income distribution rate, which reflects the fund's past dividends paid to shareholders. **Past performance is not an indicator or a guarantee of future performance.**

Calendar Year Returns (%)

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---------------------------|--------|------|-------|-------|------|-------|------|-------|------|-------|
| Advisor Class | -15.68 | 7.69 | 46.60 | 24.18 | 4.56 | 18.24 | 7.96 | 1.03 | 4.62 | 23.50 |
| ICE BofA All Alternatives | -18.59 | 3.37 | 39.37 | 25.86 | 3.45 | 12.61 | 7.22 | -1.35 | 8.34 | 26.33 |
| U.S. Convertibles 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 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 call Franklin Templeton at (800) DIAL BEN/(800) 342-5236 or visit www.franklintempleton.com.

Portfolio Manager Insight*

Performance Review

QUARTERLY KEY PERFORMANCE DRIVERS

| | Securities | Sectors |
|--------|------------------|-----------------------------|
| HELPED | Insulet | Information Technology (IT) |
| | Coupa Software | Consumer Discretionary |
| | PG&E | Health Care |
| HURT | Wolfspeed | — |
| | PTC Therapeutics | — |
| | Viavi Solutions | — |

- All 11 of the fund's sector allocations added to its absolute returns over the October–December span. Following a prolonged bout of weakness, most of the fund's consumer discretionary holdings advanced and several rallied solidly, including double-digit percentage gains for Burlington Stores (American national off-price department store retailer), Etsy (US-based e-commerce sales platform for specialty, hand-crafted and creative goods) and Aptiv (Ireland-based supplier of automotive technology components). In particular, record Black Friday sales reignited interest in Etsy. In its third-quarter 2022 update, Etsy reported lower gross merchandise sales and surging expenses, but higher revenue. Since then, a post-Black Friday survey has concluded that shoppers were more active on Etsy's platform than originally projected. Previously, investors were concerned that growth may be stalling for Etsy as the pandemic surge slowly wears off. The company has a competitive advantage in that the bulk of its customers find items they could not find elsewhere, an edge that we believe could potentially see its gross merchandise sales and revenue continue rising once inflation starts to abate.
- Positive results in the health care sector (at roughly 19% of total net assets) were aided by key contributors such as Insulet, Dexcom and Neurocrine Biosciences. Diabetes-care technology companies Insulet (customizable, non-injection, automated insulin delivery systems) and Dexcom (blood-glucose monitors) are innovative specialty medical device manufacturers, while Neurocrine is a biotechnology company developing treatments for neurological and endocrine-related diseases. In a favorable development for Dexcom, its third-quarter financial results surpassed Wall Street's expectations, the launch of its newest device was faring well, and US Medicare issued a proposal to expand coverage of continuous glucose monitors from users of bolus/mealtime insulin to users of basal/long-acting insulin and diabetics with histories of hypoglycemic events. This cohort expansion, if adopted by commercial insurers too, would roughly double the US covered population from about four million diabetics to roughly eight million; on a global basis, Dexcom would potentially increase its covered population by about 30% (from approximately 13 million diabetics to 17 million). Medicare is slated to finalize its decision in the first half of 2023. We continue to own Dexcom as we expect robust growth through 2030.
- On the downside, two of our best sector contributors—IT and health care—also contained some of our largest detractors for the autumn quarter, including Wolfspeed, Viavi Solutions, and Palo Alto Networks in IT; and PTC Therapeutics, Revance Therapeutics, Insmed, and Guardant Health in health care. In particular, PTC—a biopharmaceutical company focused on the development of new treatments for multiple therapeutic areas, including rare diseases and oncology—released a statement that enrollment at US sites in the Phase 2 Huntington's Disease (HD) study of PTC-518 was paused at the behest of the US Food and Drug Administration (FDA), and that the company was working toward a resolution to resume US enrollment. Our view is that it is unlikely that this FDA action portends something catastrophic with the program. After speaking with management at length, we learned the following additional details: (1) This is not the same as a clinical hold, where the FDA prohibits new or continued patient dosing of an investigative drug. Rather, the FDA is holding the drug to a maximum dose level beyond 12 weeks and is asking for additional data to justify PTC's proposed 12-month trial at the 5mg and 10mg dose. (2) The FDA request is specific in nature to something submitted in the long-term toxicology package and should not require multiple rounds of back-and-forth to understand exactly what the FDA's issue is. And (3) the same submission was made to authorities in Europe, where the trial protocol was approved, so the study will continue as planned, just without the inclusion of additional US patients for now. In our view, while this is certainly a new share price risk, all the available evidence points to a low likelihood that there is a serious toxicity issue with PTC-518. Within the IT sector, Viavi Solutions specializes in network test, monitoring and assurance solutions for communication service providers, enterprises, network equipment manufacturers, government and avionics. Viavi revealed surprisingly weak third-quarter financial results that missed consensus estimates as budget-wary service providers began pulling back on spending, a trend that has continued into the current quarter, according to our analysis. The volume deleveraging prompted company management to substantially downgrade its earnings guidance for the final quarter of 2022. We remain constructive on Viavi and believe its operations are still sound. In our view, this business could still see long-term demand. It is not experiencing a competitive issue; it is facing macro-induced spending cuts from the customers that we believe should resume spending when the global economic environment improves.

Outlook & Strategy

- Heading into the new year, convertibles were still in correction territory as inflation and recession concerns persist, while the sharp year-over-year decline in convertible issuance continued to give some investors pause. Total 2022 convertible issuance was the smallest in records going back to 1998 despite a solid pickup over the past four months. In general, the majority of convertible bond issuers are still well-capitalized companies with liquidity and no near-term maturity walls. Roughly half of the issuers of convertible securities (in the United States and globally) have no other outstanding debt on their books, so they are experiencing lower cost-of-capital debt.
- Along with firming signs of decelerating global economic growth, the key risks we are monitoring include those associated with inflation and interest rates, as well as their impact on both equity and convertible bond valuations. In our view, the US Federal Reserve's aggressive efforts to curtail current inflationary pressures through interest-rate actions are prudent and required. We note that convertible securities have performed relatively well in past rising-rate environments because they have low interest-rate sensitivity compared with traditional fixed income asset classes.
- Convertible issuance boomed in 2020 and 2021 as growth companies and those hit hard by the pandemic took advantage of high demand to issue convertibles with rates as low as zero and high equity-conversion premiums. Many convertibles are down 40% or more since then, and are "busted," meaning the stock prices have fallen so much that the issues have become highly credit/rate sensitive, and in many cases act like pure bonds. We continue to generally avoid investing in this tranche of the asset class.
- 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 continue to prefer, as we feel this is the most appealing aspect of the asset class.
- A considerable portion of the portfolio's convertible-bond issuers are higher-growth companies in the IT sector (representing 32.7% of the portfolio at December-end), as well as tech-focused companies in the consumer discretionary and communication services sectors (14.0% and 10.5% of total net assets, respectively). Following the pandemic-related boom, many of these companies are reporting a significant slowdown in earnings growth and profitability versus levels seen in 2021 and the first half of 2022—despite our view that such companies have accelerated a more long-lasting global "digital transformation" theme that we believe will be playing out for years to come. We selectively reduced some of these holdings recently as they became too credit-/rate-sensitive (i.e., "busted"), losing much of their ability to participate in the underlying equity's upside and, therefore, are no longer balanced. The cash received in these transactions was redeployed into what we considered more balanced convertibles.
- In all environments, but especially in periods of high volatility, we believe convertibles continue to offer a way to invest in equities while keeping risk at manageable levels. We continue to believe the ability to adapt to myriad market conditions makes convertibles an attractive vehicle for potentially increasing a portfolio's level of diversification.

*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^{6,7}

| | Portfolio | ICE BofA All Alternatives U.S. Convertibles Index |
|---------------------------------------|-----------|---|
| Price to Earnings (12-Month Trailing) | 30.06x | 19.37x |
| Price to Book | 3.47x | 4.08x |
| Price to Cash Flow | 19.08x | 11.89x |

Fund Measures

| | Portfolio | ICE BofA All Alternatives U.S. Convertibles Index |
|---------|-----------|---|
| Delta | 44.28% | 51.91% |
| Gamma | 0.28% | 0.37% |
| Premium | 77.90% | - |

6. 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. Source: FactSet. All holdings are subject to change.

7. 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.

Portfolio Diversification

Top Ten Holdings⁸

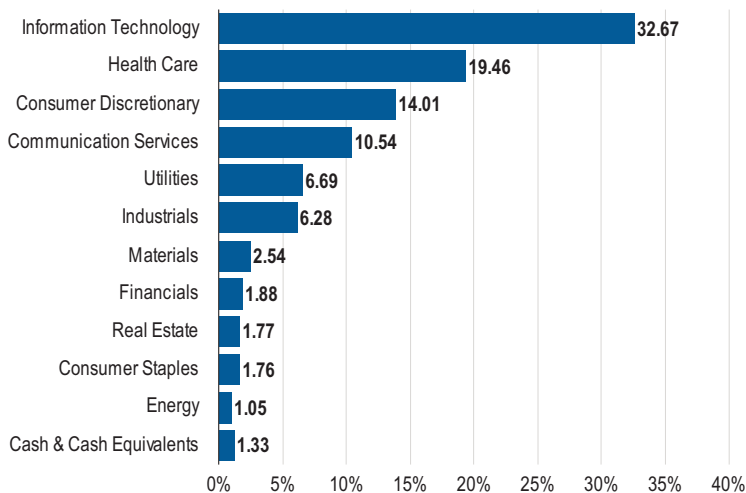
Percent of Total

Top Holdings

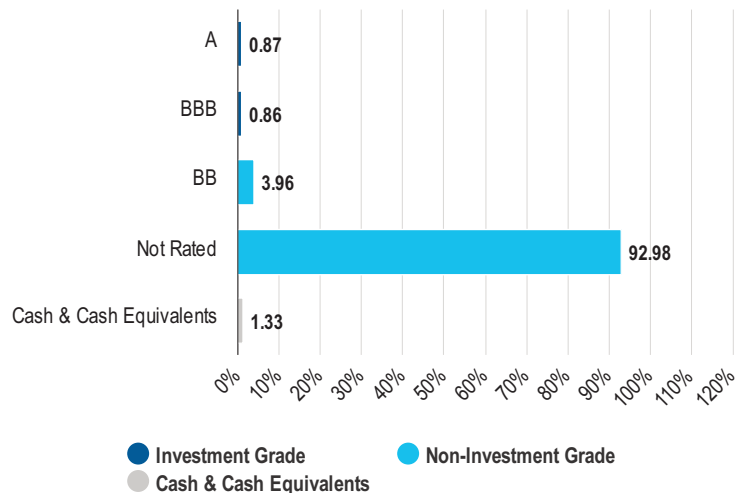
| | % |
|------------------------------------|------|
| JAZZ PHARMACEUTICALS PUBLIC LTD CO | 2.79 |
| INSULET CORP | 2.67 |
| ETSY INC | 2.66 |
| LIBERTY BROADBAND CORP | 2.66 |
| SILICON LABORATORIES INC | 2.58 |
| IVANHOE MINES LTD | 2.54 |
| NEUROCRINE BIOSCIENCES INC | 2.44 |
| ENVESTNET INC | 2.36 |
| DEXCOM INC | 2.36 |
| BILLCOM HOLDINGS INC | 2.33 |

Sector Allocation⁹

Percent of Total

Credit Quality Ratings¹⁰

Convertibles as a Percent of Total



Performance Statistics

Risk Statistics^{11,12}

| | 3 Yrs | 5 Yrs | 10 Yrs |
|------------------------|-------|-------|--------|
| Standard Deviation (%) | 17.91 | 15.69 | 12.34 |
| Tracking Error (%) | 5.02 | 4.47 | 3.67 |
| Information Ratio | 0.91 | 0.61 | 0.44 |
| Beta | 0.99 | 1.00 | 0.99 |
| Sharpe Ratio | 0.52 | 0.66 | 0.84 |

Past performance is not an indicator or a guarantee of future performance.

8. 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.

9. Percentage may not equal 100% due to rounding. All holdings are subject to change.

10. 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 Not Rated category consists of ratable securities that have not been rated by an NRSRO. The Not Applicable category consists of nonratable securities (e.g., equities). All holdings are subject to change.

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

12. 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

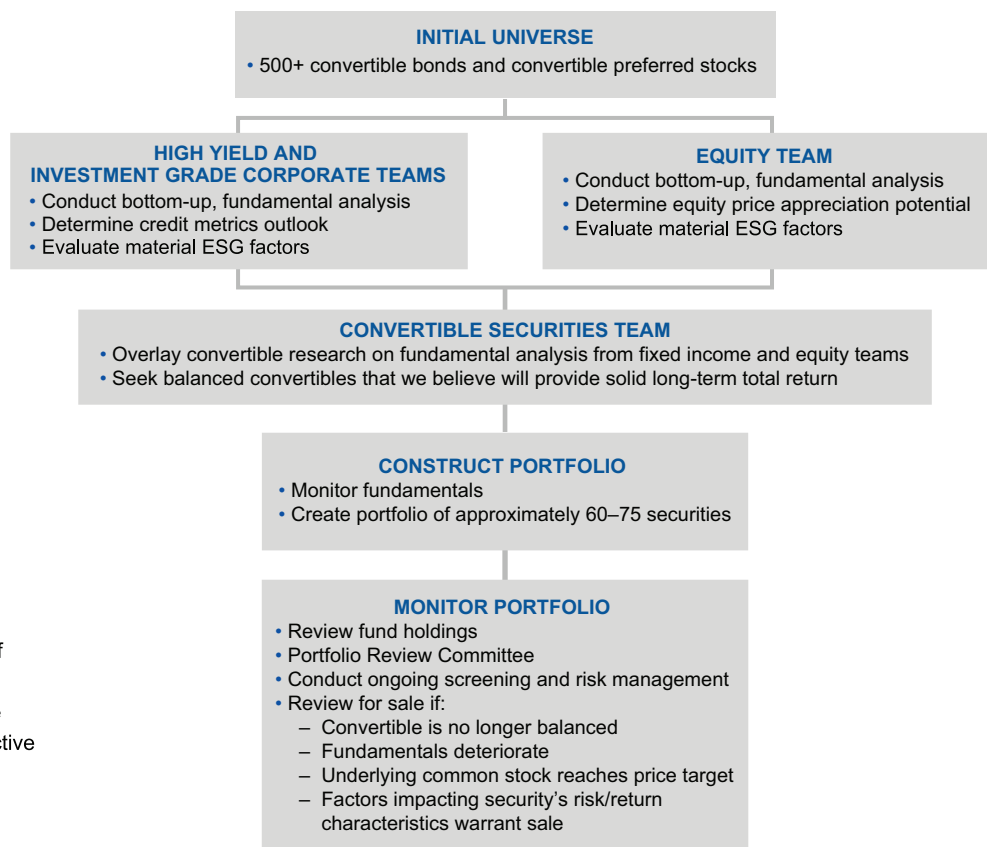
We seek to exploit a fundamental view that differs from the “market consensus” regarding growth potential or valuation.

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 | 24 | 24 |
| Eric Webster, CFA | 10 | 10 |

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-month 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. The manager's portfolio selection strategy is not solely based on ESG considerations, and therefore the issuers in which the fund invests may not be considered ESG-focused companies. Integrating ESG considerations into the investment process is not a guarantee that better performance will be achieved. These and other risks are described more fully in the fund's prospectus.

Important 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 professional, 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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Source: FactSet. Important data provider notices and terms available at: www.franklintempletondatasources.com.

a. Source: Morningstar®, 12/31/2022. 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.**

b. 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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