

Franklin Convertible Securities Fund

Advisor Class: FCSZX Class A: FISCX

Commentary | as of September 30, 2025

Key Takeaways

- Convertible Securities Market: US and global convertible bonds (CBs) staged a broad-based advance and
 collectively returned 9.1% in 2025's third quarter (3Q25), as measured by ICE BofA indexes in US-dollar terms.
 Performance within the asset class varied during the quarter, as US-based equity-sensitive convertibles (+11.5%)
 outperformed both balanced convertibles (+10.4%) and "busted" (credit-/rate-sensitive) convertibles (+5.1%). Year-to-date, global CBs have now returned 18.5% outright. On a global cross-asset basis, convertibles remain one of the
 leading asset classes year-to-date, largely ahead of non-convertible corporate and sovereign debt, and closely tracking
 global equities.
- Contributors: Widespread and notably large gains in the consumer discretionary and materials sectors, adding to the support from positions in the information technology (IT), health care, real estate and other sectors.
- Detractors: Overall declines in the consumer staples, financials and industrials sectors.
- Outlook: Along with signs of decelerating global economic growth, the key risks we are monitoring include those
 associated with inflation and interest rates, tariffs and trade negotiations, and wars. We believe the US Federal Reserve
 has made good progress in bringing US inflation back down toward its target level, but that progress seems to have
 stalled recently.

Performance Review

- In absolute terms, the fund delivered fairly broad-based 3Q25 gains across eight out of 11 sector allocations, against a backdrop that featured impressive levels of new CB issuance. The global primary convertible bond market displayed remarkable resilience despite several macroeconomic and geopolitical headwinds. Total global CB issuance maintained robust summer momentum as \$54.4 billion of new supply was priced in 3Q25—far above the historical average for this time of year. September was a standout as \$29.9 billion came to market globally—the largest monthly total on record, across 43 new deals, with several linked to artificial intelligence (AI). The asset class appeared to be experiencing what some might call "Goldilocks" conditions that have fueled the recent deal surge: rallying small- and mid-capitalization share prices, tight credit spreads, supportive single-stock volumes and a spike in investor demand.
- Within the portfolio, all consumer discretionary and materials sector holdings traded higher, leading to robust double-digit percentage gains in both sector allocations. The key consumer discretionary contributors were Chinese e-commerce, cloud and digital services company Alibaba Group Holding, luxury online consignment marketplace The RealReal, US-based furniture and home goods retailer Wayfair, and "connected fitness" equipment maker Peloton Interactive. Wayfair's stock surge was event-driven, underpinned by successful promotional campaigns, analyst upgrades, and optimistic competitive dynamics, as many investors believed Wayfair could benefit indirectly from the bankruptcy of competitor At Home, which closed stores and left market voids. Wayfair has also demonstrated its ability to pivot in response to US trade policy shifts, to the extent that we think the company's repositioning of its e-commerce platform may shield it somewhat from tariff pressures. In materials, absolute returns were supported by gold-focused mining company B2Gold, as well as Albemarle, the world's largest lithium producer. Gold's ongoing rally lent primary support to B2Gold as prices soared 11.9% in September, 16.8% in 3Q25 and 47.0% year-to-date (to \$3,859 per troy ounce)—on track for the biggest annual gain since 1979.
- The fund was invested in 18 IT sector companies, 13 of which appreciated. Hewlett Packard Enterprise (edge-to-edge IT infrastructure, networking and hybrid cloud solutions) led the gains, while the IT detractors were focused on Microchip Technology (embedded control solutions and interface semiconductors) and MACOM Technology Solutions Holdings (semiconductor products for telecom infrastructure, defense, industrial and data center markets).
- Health care CBs delivered mixed, but overall positive, returns led by Mirum Pharmaceuticals, BridgeBio Pharma (focused on genetic diseases) and other biotech or pharma companies. Key contributor Mirum, which develops therapies for cholestatic liver diseases, reported better-than-expected revenue growth and strong product sales. In our view, Mirum has executed well commercially, and its clinical pipeline remains on track on multiple fronts.
- Freshpet and all other consumer staples CBs sold off, as did a few financials sector holdings, including Shift4 Payments
 (fintech tools and services) and alternative asset manager Apollo Global Management. Shift4 provides payment processing,
 point-of-sale hardware/software, data analytics, business intelligence and related tools to clients situated primarily in the
 hospitality, retail, restaurants and travel business segments. The company's equity and CB values deteriorated mainly
 because its 2Q25 earnings missed Wall Street expectations, while net income fell and profit margins tightened.
- The boosts from ride-hailing and delivery services platform provider Lyft and another industrials sector contributor were
 more than offset by declines for engineering, procurement, construction and maintenance company Fluor, roofing
 materials/products manufacturer QXO (formerly Beacon Building Products), and Axon Enterprise, a safety tech company that
 makes TASERs, body cameras, and cloud-based evidence software.

Outlook

• We expect convertible and equity market volatility to persist in the near term as investors are contending with heightened macroeconomic and policy uncertainty, exacerbated by fluidity in the Trump administration's shifting global trade policy framework. Widespread tariffs increase the risks of slowing economic growth, stoking inflation and disrupting supply chains. There are still many unknowns, including potential retaliatory measures from US trading partners and the negotiating power of both partners and impacted industries seeking exemptions. The US budget impasse and government shutdown at the beginning of 4Q25 create further headwinds to macro visibility as important data releases around unemployment and other key metrics are likely to be delayed. Through this uncertainty, we continue to invest in balanced convertibles that, in our analysis, provide more upside than downside compared with their underlying equities. We believe that this favorable upside-

Morningstar Rating™

Overall Rating as of September 30, 2025



(5-Star) Advisor Class



(4-Star) Class A

As of 09/30/2025 the fund's Advisor Class shares received a 5 star and Class A shares received a 4 star overall Morningstar rating™, measuring risk-adjusted returns against 72, 69 and 61 Convertibles 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 Holdings (% of Total)

Issuer	Fund
CLOUDFLARE INC	2.43
WAYFAIR INC	2.41
LYFT INC	2.35
WELLTOWER INC	2.32
HEWLETT PACKARD ENTERPRISE CO	2.31
ALIBABA GROUP HOLDING LTD	2.27
UBER TECHNOLOGIES INC	2.23
MICROCHIP TECHNOLOGY INC	2.13
SNOWFLAKE INC	2.09
DOORDASH INC	2.07

to-downside capture that we have always pursued is even more valuable in these times of greater uncertainty and volatility.

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

			Without Sales Charge						With Maximum Sales Charge								ses	Sales Charges	Inception	1	
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	è
Advisor Class	353612641	FCSZX	5.72	10.42	15.98	14.04	8.48	12.45	9.90	5.72	10.42	15.98	14.04	8.48	12.45	9.90	0.59	0.58		4/15/1987	7
Class A	353612104	FISCX	5.65	10.26	15.69	13.77	8.21	12.17	9.77	-0.16	4.20	9.33	11.64	6.99	11.54	9.61	0.84	0.83	5.50 —	4/15/1987	7
Benchmark	_	_	10.35	20.29	23.30	12.15	6.75	10.13	_	10.35	20.29	23.30	12.15	6.75	10.13	_	_	_		_	-

Benchmark(s)

Benchmark = ICE BofA Convertibles Total Return Alternatives 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 5/15/2008. Performance quotations have been calculated as follows: (a) for Advisor Class periods prior to 5/15/2008, a restated figure is used based on the fund's Class A performance. The performance was adjusted to take into account differences in class-specific operating 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. Actual expenses may be higher and may impact portfolio returns. Net expenses reflect contractual fee waivers, expense caps and/or reimbursements, which cannot be terminated prior to 02/28/2026 without Board consent. Additional amounts may be voluntarily waived and/or reimbursed and may be modified or discontinued at any time without notice.

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 and debt securities when the underlying stock price is low relative to the conversion price. Low-rated, high-yield bonds are subject to greater price volatility, illiquidity and possibility of default. Fixed income securities involve interest rate, credit, inflation and reinvestment risks, and possible loss of principal. As interest rates rise, the value of fixed income securities falls. International investments are subject to special risks, including currency fluctuations and social, economic and political uncertainties, which could increase volatility. These risks are magnified in emerging markets. 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

Convertible securities are bonds or preferred stocks that can be converted into a preset number of shares of common stocks after a predetermined date.

A Goldilocks economy has steady economic growth, preventing a recession, but not so much growth that inflation rises by a great deal.

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 ICE BofA Convertibles Total Return Alternatives Index comprises domestic securities of all quality grades that are convertible into U.S. dollar-denominated common stock, ADRs or cash equivalents and have a delta (measure of equity sensitivity) that indicates the security likely has a balance between the debt and equity characteristics of the security. Source: The index data referenced herein is the property of Intercontinental Exchange ("ICE") and/or its licensors and has been licensed for use by Franklin Templeton. ICE and its licensors accept no liability in connection with this use.

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, of 50% 10-year rating/30% 5-year rating/20% 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 4, 4 and 5 and fund's Class A shares received a Morningstar Rating of 3, 4 and 5 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. Franklin Distributors, LLC. Member FINRA/SIPC.

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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.

