FRANKLIN TEMPLETON

Franklin Rising Dividends Fund

Advisor Class: FRDAX Class A: FRDPX | **Commentary | as of March 31, 2025**

Key Takeaways

- **Markets:** US equities experienced heightened volatility and declined during the first quarter of 2025 amid concerns about President Donald's Trump's tariff policies and their impact on economic growth, inflation and the US Federal Reserve's interest-rate path. Some investors feared a potential recession or stagflation (i.e., economic stagnation and high inflation). Underwhelming earnings reports and guidance from some companies and significantly lower consumer confidence also hindered sentiment. The consumer discretionary and information technology (IT) sectors were the S&P 500's worst performers. Mega-capitalization technology stocks led the index lower as investors remained concerned about the potential effects of a Chinese company's new artificial intelligence (AI) model on US companies' AI spending.
- **Contributors:** Sector allocation and stock selection added relative value, with the largest contributions from the IT and consumer discretionary sectors. An overweight and stock selection in materials also contributed on a relative basis.
- **Detractors:** An underweight to (and stock selection in) utilities, a lack of exposure to real estate and stock selection in industrials.
- **Outlook:** We remain optimistic about the opportunities we see across sectors in the US equity market. We began the year with sentiment and business confidence showing improvement, reflecting hopes around likely economic outcomes, given the overall strength of the US economy and consumers' ongoing resilience. More recently, we have seen some of that enthusiasm decline as fears of slower growth from policy changes, particularly related to tariffs, have emerged. While the situation remains fluid and volatility has increased, we continue to focus on the fundamental performance of companies we hold or could hold in the portfolio.

Performance Review

- Over the quarter, Franklin Rising Dividends Fund was more resilient than its benchmark, the S&P 500 Index.
- A lack of exposure to several heavily weighted index constituents that declined was a key driver of positive relative performance. The quarter's largest individual detractors—chipmaker NVIDIA, electric vehicle maker Tesla and Google parent Alphabet—do not meet the fund's screen in terms of dividend growth.
- Within the fund's holdings, diversified software company Roper Technologies was the largest relative contributor. Its shares advanced sharply, aided by a solid earnings report in late January. A balanced contribution of organic and inorganic revenue growth fueled better-than-expected earnings. Strong demand for Roper's specialized software products and opportunities from recent acquisitions prompted Roper to raise revenue growth guidance for 2025.
- Semiconductor and software giant Broadcom was the fund's largest individual detractor amid a pullback among many AI names. After Broadcom's share price doubled in 2024, a positive mid-March earnings report failed to offset investor worries about global trade tensions, long-term AI demand and increased competition. In March, however, Broadcom forecast stronger-than-expected second-quarter revenues, bolstered by what Chief Executive Officer Hock Tan said was strong demand for costly, custom chips for AI infrastructure and data centers.

Outlook

- The path forward, and thus the impact, of new tariffs is unknown and will be something to evaluate as they come into focus. Business-friendly tax policy and deregulation should generally be supportive of equity valuations. We remain focused on corporate health and any messaging from management teams about orders or capital spending plans, especially with regard to trade policy.
- Until recently, we saw tremendous excitement around the technology sector, and AI in particular, but companies across many other sectors have also reported solid results. Ideally, improving corporate fundamentals would contribute to greater market breadth beyond the group of companies known as the Magnificent Seven, which were market leaders in recent years.
- We remain encouraged about dividend trends for our portfolio companies, which continue to grow their dividends faster than the overall market. Even with the higher level of uncertainty and some recent reduction of earnings estimates for the broader market, earnings are still expected to grow for the S&P 500 Index this year. If that holds, dividend growth for 2025 should follow. It is possible that our view regarding dividend growth could become more cautious if economic conditions deteriorate. If trends were to soften, we would expect dividend growth for companies held in the portfolio to outpace dividend growth for the broader market, as has historically been the case.
- We continue to believe that a diversified portfolio consisting of high-quality, market-leading companies is best-positioned to take advantage of market opportunities over the long term. Secular themes that occur over an extended period can help drive capital appreciation opportunities in stronger markets, as well as provide support for businesses in tougher times. While we focus on companies that we believe have strong long-term prospects and seek low turnover within the strategy, we also believe that being nimble and looking to take advantage of volatility as opportunities arise can aid performance.
- We aim to pursue attractive performance across full market cycles, and we continue to believe that in 2025 market volatility is likely to provide additional opportunities to invest in companies with strong business models that have resilient, growing earnings streams and sustainable cash flows, at what we believe are attractive prices. As market volatility has increased in early 2025, we have seen some opportunities to add to holdings. We believe the portfolio is well-positioned for a range of economic outcomes.

Top Equity Issuers (% of Total)

Holding	Fund
MICROSOFT CORP	8.03
VISA INC	3.51
APPLE INC	3.11
UNITEDHEALTH GROUP INC	3.06
LINDE PLC	3.01
BROADCOM INC	2.83
ROPER TECHNOLOGIES INC	2.83
STRYKER CORP	2.79
JPMORGAN CHASE & CO	2.64
TEXAS INSTRUMENTS INC	2.53

Sector Allocation (% of Total)

Sector	Fund
Information Technology	25.88
Health Care	15.79
Industrials	14.13
Financials	14.02
Consumer Staples	10.29
Consumer Discretionary	6.72
Materials	6.41
Energy	3.41
Utilities	1.21
Cash & Cash Equivalents	2.14

Average annual total returns and fund expenses (%)

			Without Sales Charge							With Maximum Sales Charge							Expenses		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	353825805	FRDAX	-1.41	-1.41	1.85	5.43	15.46	10.43	9.73	-1.41	-1.41	1.85	5.43	15.46	10.43	9.73	0.59	0.58	—	—	1/14/1987
Class A	353825102	FRDPX	-1.46	-1.46	1.61	5.17	15.18	10.15	9.59	-6.88	-6.88	-3.97	3.21	13.88	9.53	9.43	0.84	0.83	5.50	—	1/14/1987
Benchmark	—	—	-4.27	-4.27	8.25	9.06	18.59	12.50	—	-4.27	-4.27	8.25	9.06	18.59	12.50	—	—	—	—	—	—

Benchmark(s)

Benchmark =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 10/3/2005. Performance quotations have been calculated as follows: (a) for Advisor Class periods prior to 10/3/2005, 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. (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. 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 01/31/2026 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. The **investment style** may become out of favor, which may have a negative impact on performance. To the extent the portfolio invests in a **concentration of certain securities, regions or industries**, it is subject to increased volatility. **Dividends** may fluctuate and are not guaranteed, and a company may reduce or eliminate its dividend at any time. **Small- and mid-cap stocks** involve greater risks and volatility than large-cap stocks. 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

The **Magnificent Seven** stocks are Apple, Amazon, Alphabet, Meta Platforms, Microsoft, Nvidia, and Tesla.

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. 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.

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.

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