# Franklin Rising Dividends Fund

**Advisor Class: FRDAX Class A: FRDPX** — **Commentary | as of June 30, 2025**

### Key Takeaways

- **Markets:** US stocks advanced during the second quarter of 2025, despite a sharp pullback in early April. US President Donald Trump's announcement of "reciprocal" tariffs led to significant financial market volatility. However, global trade tensions eased during the rest of the quarter amid delayed planned tariff increases, which reduced investor fears of a recession. The S&P 500 Index dropped significantly in early April, then moved higher and hit new record highs at the end of June. Eight out of the 11 S&P 500 sectors rose, led by information technology (IT), communication services, industrials and consumer discretionary. The energy, health care and real estate sectors ended the period with negative returns. Large-cap equities fared better than their smaller counterparts, while growth stocks outperformed value by a wide margin.
- **Contributors:** Stock selection in the financials and industrials sectors added relative value, as did a lack of exposure to real estate stocks. An overweight allocation to industrials and an underweight to utilities also contributed.
- **Detractors:** Overall, sector allocation and stock selection weighed on relative performance, with health care, consumer discretionary and communication services as the largest sector detractors. IT and materials also substantially hindered relative returns.
- **Outlook:** We remain optimistic about the opportunities we see across sectors in the US equity market. Broadly speaking, macroeconomic indicators related to consumer spending, unemployment and inflation have held reasonably steady, despite tariff-induced stock market volatility. Furthermore, potential economic drivers such as the development of artificial intelligence (AI)-driven solutions to unlock productivity, continue to advance. Pro-business policy around tax cuts and deregulation could further spur economic growth. We remain focused on identifying resilient businesses with strong secular growth drivers and enduring business models, with potential to be resilient in tough markets and to fare well in stronger markets.

### Performance Review

- Over the quarter, Franklin Rising Dividends Fund moderately underperformed its benchmark, the S&P 500 Index.
- Lack of exposure to chipmaker NVIDIA and several other heavily weighted index constituents that advanced sharply helped drive relative performance. NVIDIA was the largest individual detractor, while lack of exposure to Facebook parent Meta Platforms and Netflix also had a substantial negative impact.
- Within the fund's holdings, health insurance giant UnitedHealth was the largest relative detractor. Its shares declined sharply in April following a surprise revenue and earnings miss, prompting management to suspend 2025 guidance amid higher-than-expected medical cost pressures and unanticipated expenses in its Optum Health division. An abrupt chief executive officer change in May and reports of a Department of Justice investigation into the company's Medicare Advantage billing practices further weighed on the stock.
- Enterprise cloud software provider Oracle was the fund's largest relative contributor. Amid continued strong growth in its cloud business, Oracle reported double-digit revenue growth, driven by robust demand from customers using AI, as well as sharp growth in remaining performance obligations (RPO), or future expected revenues from existing contracts, a key metric for software/infrastructure as a service (SaaS/IaaS) providers. Management cited expectations for "dramatically higher" revenue growth rates and "more than 100%" RPO growth in fiscal 2026 as they raised guidance. Near quarter-end, a regulatory filing revealed multiple cloud deals, including a US$30 billion-per-year contract with an unspecified client.

### Outlook

- We remain cautiously optimistic, despite ongoing tariff-related uncertainty: Our view is that the United States will likely reach trade agreements with key partners, which should support economic growth. We believe further support could come from favorable tax policy, deregulation, on-shoring and infrastructure spending. Despite the positive backdrop, we anticipate that second quarter earnings could be mixed, given that prior tariff fears resulted in some uneven order patterns during the first and second quarters. We believe the fund is well-positioned, should near-term turbulence in the markets return, given our focus on resilient companies that can drive free cash flow during tougher environments. We are focused on determining the earnings outlook for our fund holdings, as well as those of companies we are considering for investment.
- We also actively monitor key gauges of economic activity, as well as policy announcements, to evaluate if adjustments to position sizing are warranted. One positive development is that inflation has moderated and is trending toward the US Federal Reserve's goal.
- We aim for attractive performance across full market cycles. As market volatility has increased at times in 2025, we have seen some opportunities to add to holdings. We believe the fund is well-positioned for a range of economic outcomes.
- We remain encouraged by dividend trends for our portfolio companies, which continue to grow their dividends faster than the overall market. Despite elevated uncertainty and some recent reductions in earnings estimates for the broader market, earnings are still expected to grow for the S&P 500 Index this year, implying that dividend growth should follow. We regard recent company announcements in relation to dividend increases as encouraging. Even if trends were to soften, we would expect dividend growth for companies held in the portfolio to outpace dividend growth for the broader market.

### Top Equity Issuers (% of Total)

| Holding | Fund |
|---|---|
| MICROSOFT CORP | 9.79 |
| BROADCOM INC | 4.56 |
| VISA INC | 3.39 |
| JPMORGAN CHASE & CO | 2.97 |
| ORACLE CORP | 2.94 |
| APPLE INC | 2.93 |
| LINDE PLC | 2.90 |
| STRYKER CORP | 2.83 |
| TEXAS INSTRUMENTS INC | 2.79 |
| WALMART INC | 2.67 |

### Sector Allocation (% of Total)

| Sector | Fund |
|---|---|
| Information Technology | 30.37 |
| Financials | 15.44 |
| Industrials | 14.45 |
| Health Care | 13.25 |
| Consumer Staples | 8.51 |
| Consumer Discretionary | 6.29 |
| Materials | 6.15 |
| Energy | 2.64 |
| Utilities | 1.14 |
| Cash & Cash Equivalents | 1.76 |

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

| | | | 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 | 7.62 | 6.11 | 11.41 | 12.93 | 13.02 | 11.28 | 9.87 | 7.62 | 6.11 | 11.41 | 12.93 | 13.02 | 11.28 | 9.87 | 0.59 | 0.58 | — | — | 1/14/1987 |
| Class A | 353825102 | FRDPX | 7.54 | 5.97 | 11.12 | 12.64 | 12.73 | 11.00 | 9.73 | 1.62 | 0.14 | 5.01 | 10.54 | 11.46 | 10.37 | 9.57 | 0.84 | 0.83 | 5.50 | — | 1/14/1987 |
| Benchmark | — | — | 10.94 | 6.20 | 15.16 | 19.70 | 16.64 | 13.64 | — | 10.94 | 6.20 | 15.16 | 19.70 | 16.64 | 13.64 | — | — | — | — | — | — |

## 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

**Free cash flow (FCF)** is a measure of financial performance calculated as operating cash flow minus capital expenditures.

## 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.

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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.***