

Franklin Rising Dividends Fund

Advisor Class: FRDAX Class A: FRDPX

Commentary | as of December 31, 2025

Key Takeaways

- **Markets:** US equities delivered solid gains over the fourth quarter of 2025, maintaining their upward trajectory against a backdrop of generally robust corporate earnings, despite mixed economic signals and investor concerns about stretched technology valuations. Continued monetary easing by the US Federal Reserve (Fed) helped investor sentiment. The outperformance of the Magnificent Seven mega-capitalization technology stocks during the quarter drove gains for the S&P 500 Index.
- **Contributors:** A lack of exposure to Meta Platforms was the quarter's top relative individual contributor. Selection in the financials and industrials sectors contributed on a relative basis, as did a lack of exposure to real estate.
- **Detractors:** The key driver of underperformance was a lack of exposure to Google parent Alphabet and several stocks in the information technology (IT) sector that advanced sharply but did not meet the portfolio's dividend screen for investment. Positioning in IT and materials weighed on returns, along with a lack of exposure to communication services.
- **Outlook:** We have made a number of changes to the portfolio, which we believe better positions it to perform across market cycles, increasing allocations to high-conviction areas and key secular themes. We believe greater exposure to such secular growth themes as artificial intelligence (AI), energy transition, digitalization, innovation in biopharma and growth in wealth management should help the portfolio. Looking ahead to 2026, we believe the equity market environment could continue to broaden and provide opportunities across a wide range of sectors. We see attractive opportunities for dividend growth investors as many companies with strong balance sheets, pricing power and disciplined capital allocation continue to differentiate themselves from more leveraged or speculative peers. Our focus remains on identifying high-quality companies with durable competitive advantages and the financial flexibility that can help them compound income and total return for shareholders through a full market cycle. As demonstrated by the new additions during the fourth quarter of 2025, we remain optimistic about the opportunities we see across sectors.

Performance Review

- Over the quarter, Franklin Rising Dividends Fund (Advisor Class without sales charges) underperformed its benchmark, the S&P 500 Index, due to stock selection, especially in the IT sector.
- A lack of exposure to Google parent Alphabet accounted for more than half of the portfolio's quarterly relative underperformance as the shares advanced sharply. Alphabet does not meet the portfolio's dividend screen for investment. Several stocks the portfolio did not hold in the IT sector also drove underperformance.
- Within the portfolio's holdings, the largest detractor was enterprise cloud software provider Oracle. Rising investor concern over the scale and execution risk of Oracle's aggressive data-center expansion weighed on sentiment. Questions have emerged around Oracle's ability to convert large AI-related bookings into near-term revenue, including uncertainty over the pace and durability of spending from major customers, even as capital expenditures accelerated sharply. Quarterly results showed slowing momentum in remaining performance obligations, or future expected revenues from existing contracts, a key metric for software/infrastructure-as-a-service providers.
- A lack of exposure to Facebook parent Meta Platforms, which has often weighed on relative performance in recent quarters, was the quarter's top individual contributor. The stock underperformed amid investor concerns around increasing operating costs and capital expenditures, tied to substantial investments in AI-related infrastructure. Among portfolio holdings, pharmaceutical firm Eli Lilly and Co., a significant overweight, was the top contributor. Its shares advanced sharply during the period as accelerating weight-loss drugs sales helped the company deliver better-than-expected quarterly revenue and earnings. Lilly raised its full-year guidance, citing sustained demand for obesity and diabetes drugs. Approvals from the US Food & Drug Administration, along with positive news on oral glucagon-like peptide-1 candidate orforglipron, reinforced optimism that Lilly can broaden access to obesity treatment and extend its category leadership.

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, onshoring and infrastructure spending. Despite the positive backdrop, we anticipate that corporate earnings could be mixed, given that prior tariff fears have resulted in some uneven order patterns. We believe the portfolio is well-positioned, should near-term turbulence return in equity markets, 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 portfolio holdings, as well as those of companies we are considering for investment.
- We actively monitor key gauges of economic activity, as well as policy announcements, to evaluate if adjustments to position sizes are warranted. One positive development is that inflation is trending toward the Fed's goal.
- We aim for attractive performance across full market cycles. As market volatility increased at times in 2025, we saw some opportunities to add to certain holdings. We believe the portfolio is well-positioned for a range of economic outcomes.
- We remain encouraged by dividend trends for our portfolio companies, which have continued 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 could follow. We regard recent company announcements in relation to dividend increases as encouraging. Even if trends were to soften, we believe dividend growth for companies held in the portfolio has the potential to outpace that of the broader market over time.

Top Equity Issuers (% of Total)

Holding	Fund
MICROSOFT CORP	8.87
BROADCOM INC	5.38
APPLE INC	3.87
VISA INC	3.35
JPMORGAN CHASE & CO	3.30
WALMART INC	3.02
ELI LILLY & CO	2.79
LINDE PLC	2.65
ORACLE CORP	2.63
MORGAN STANLEY	2.61

Average annual total returns and fund expenses (%) - as of December 31, 2025

Class	CUSIP	Ticker	Without Sales Charge							With Maximum Sales Charge							Expenses		Sales Charges		Inception Date
			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	
Advisor Class	353825805	FRDAX	0.75	12.18	12.18	11.90	9.78	12.25	9.90	0.75	12.18	12.18	11.90	9.78	12.25	9.90	0.59	0.58	—	—	1/14/1987
Class A	353825102	FRDPX	0.68	11.90	11.90	11.62	9.50	11.98	9.75	-4.85	5.74	5.74	9.54	8.27	11.34	9.60	0.84	0.83	5.50	—	1/14/1987
Benchmark	—	—	2.66	17.88	17.88	23.00	14.43	14.82	—	2.66	17.88	17.88	23.00	14.43	14.82	—	—	—	—	—	—

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

Capital Expenditure (capex) are funds used by a company to acquire or upgrade physical assets such as property, industrial buildings or equipment.

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

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.

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.