

Franklin Rising Dividends Fund

Advisor Class: FRDAX Class A: FRDPX

Commentary | as of September 30, 2025

Key Takeaways

- **Markets:** US equities delivered strong performance over the third quarter of 2025, buoyed by increasing clarity around tariff policy and easing trade tensions, anticipation of interest-rate cuts and the ongoing strength in artificial intelligence (AI)-driven technology-related companies. The US Federal Reserve's (Fed's) interest-rate cut in September also supported market sentiment, as did generally robust corporate earnings. The S&P 500 Index ended the quarter at new record highs. Ten of the 11 S&P 500 sectors advanced, led by information technology (IT), communication services and consumer discretionary. The consumer staples sector was the sole decliner. In this environment, growth investing surpassed value in the large-capitalization tier, though that was reversed in the mid- and small-cap segments. Small-cap stocks overall performed better than their large- and mid-cap counterparts.
- **Contributors:** A lack of exposure to the real estate sector contributed on a relative basis, along with stock selection in the health care and consumer discretionary sectors.
- **Detractors:** Overall, sector allocation and stock selection weighed on relative performance, with IT as the largest sector detractor, due largely to stock selection. A lack of exposure to communication services and stock selection and an overweight in materials also hindered relative returns.
- **Outlook:** Our view has been that the United States will likely reach trade agreements with key partners while finding some common ground with China, thereby supporting economic growth. We believe further economic support should come from favorable tax policy, deregulation, onshoring, IT productivity gains and infrastructure spending. As we had anticipated, second-quarter earnings reports reflected both the impact of uneven order patterns from prior tariff fears, as well as the incorporation of tariffs into full-year guidance. We believe the portfolio is well-positioned, should near-term turbulence return in the US equity markets, given our focus on resilient companies that can drive free cash flow during tougher environments. Over the last year-plus, we have made changes to the portfolio intended to improve its potential to perform relative to its benchmark across a full business cycle. By adding to areas of higher conviction and broadening exposures to what we view as attractive secular themes, we have seen improved performance in stronger markets, while still demonstrating attractive downside capture.

Top Equity Issuers (% of Total)

Holding	Fund
MICROSOFT CORP	9.41
BROADCOM INC	5.32
ORACLE CORP	3.69
APPLE INC	3.55
VISA INC	3.18
JPMORGAN CHASE & CO	3.16
LINDE PLC	2.86
WALMART INC	2.74
STRYKER CORP	2.58
TEXAS INSTRUMENTS INC	2.41

Performance Review

- Over the quarter, Franklin Rising Dividends Fund (Advisor Class without sales charges) underperformed its benchmark, the S&P 500 Index.
- A lack of exposure to Google parent Alphabet (communication services sector) and NVIDIA (IT sector) combined to account for more than half of the portfolio's quarterly relative underperformance as these companies' shares advanced sharply. Neither company meets the fund's dividend screen for investment.
- Within the portfolio's holdings, the largest relative detractor was diversified software company Roper Technologies, which may have exhibited ongoing weakness amid an intra-sector IT rotation toward more AI-driven firms. Roper posted solid second-quarter revenue growth and raised its guidance, but profit-margin pressures and investor concerns around the cost of acquisitions in a competitive environment weighed on the stock. We appreciate Roper's free cash flow generation and transition to an asset-light, software-focused business.
- Enterprise cloud software provider Oracle was the fund's largest relative contributor. The company's strong cloud revenue growth, robust earnings and upbeat forward guidance helped lift its stock. Shares declined in August amid a broad pullback in AI-related stocks but rebounded in September, surging higher as the company reaffirmed robust demand, reported a massive backlog and booked revenue forecast for its Oracle Cloud Infrastructure business.

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 third 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 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 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 US inflation has moderated and is trending toward the Fed'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 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.

Average annual total returns and fund expenses (%) - as of September 30, 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	4.94	11.34	8.61	16.31	12.03	12.83	9.94	4.94	11.34	8.61	16.31	12.03	12.83	9.94	0.59	0.58	—	—	1/14/1987
Class A	353825102	FRDPX	4.88	11.14	8.35	16.02	11.75	12.55	9.80	-0.89	5.03	2.39	13.85	10.50	11.91	9.64	0.84	0.83	5.50	—	1/14/1987
Benchmark	—	—	8.12	14.83	17.60	24.93	16.47	15.30	—	8.12	14.83	17.60	24.93	16.47	15.30	—	—	—	—	—	—

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.