**APRIL 30, 2014** 

### **SEMIANNUAL REPORT** AND SHAREHOLDER LETTER

Franklin All Cap Value Fund

Franklin Balance Sheet Investment Fund

Franklin Large Cap Value Fund

Franklin MicroCap Value Fund

Franklin MidCap Value Fund

Franklin Small Cap Value Fund

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VALUE

## FRANKLIN VALUE INVESTORS TRUST



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### Franklin Templeton Investments

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#### SPECIALIZED EXPERTISE

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**Franklin.** Founded in 1947, Franklin is a recognized leader in fixed income investing and also brings expertise in growth- and value-style U.S. equity investing.

**Templeton.** Founded in 1940, Templeton pioneered international investing and, in 1954, launched what has become the industry's oldest global fund. Today, with offices in over 25 countries, Templeton offers investors a truly global perspective.

**Mutual Series.** Founded in 1949, Mutual Series is dedicated to a unique style of value investing, searching aggressively for opportunity among what it believes are undervalued stocks, as well as arbitrage situations and distressed securities.

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Because our management groups work independently and adhere to different investment approaches, Franklin, Templeton and Mutual Series funds typically have distinct portfolios. That's why our funds can be used to build truly diversified allocation plans covering every major asset class.

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At Franklin Templeton Investments, we continuously seek to provide investors with strong risk-adjusted returns over the long term, as well as the reliable, accurate and personal service that has helped us become one of the most trusted names in financial services.

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### Contents

Shareholder Letter 1	Semiannual Report		Franklin MicroCap		Financial Statements	99
	Economic and Market Overview	3	Value Fund	29	Notes to Financial Statements 1	108
	Franklin All Cap Value Fund	5	Franklin MidCap Value Fund	37	Shareholder Information 1	128
	Franklin Balance Sheet Investment Fund	13	Franklin Small Cap Value Fund	45		
	Franklin Large Cap	21	Financial Highlights and Statements of Investments	53		

### Shareholder Letter

#### Dear Shareholder:

The U.S. economy grew modestly during the six months ended April 30, 2014. Accommodative monetary policy supported encouraging trends in consumer spending, business investment, manufacturing, trade and employment that bolstered investor confidence. Investors were concerned about the timing and extent of the Federal Reserve Board's (Fed's) pending reduction of its monthly asset purchases, but in December the Fed decided the U.S. economy had shown enough progress and initiated gradual reductions in January 2014. Despite severe U.S. winter weather that hindered some business activity, and geopolitical unrest in Ukraine, stocks, as measured by the Standard & Poor's® 500 Index,¹ generated gains and outperformed investment-grade fixed income markets, as measured by the Barclays U.S. Aggregate Index.<sup>2</sup>

We remain encouraged as the U.S. showed signs of continued economic growth during the six-month period. With this economic environment, we believe companies generally should continue to deliver healthy earnings and cash flow, which have historically been favorable for equity markets. Keep in mind in all economic environments we remain committed to our long-term perspective and disciplined investment approach. First and foremost for us, this means conducting diligent, fundamental analysis of securities with a continual emphasis on investment risk management.

Franklin Value Investors Trust is organized into six portfolios, each managed in the same value spirit but with a different focus. While the Funds generally have distinct investment approaches, our fundamental operating principles remain the same: prudent investment selection and constant professional management. You can be confident the Funds' managers will remain committed to their commonsense, value investment philosophy in any economic or financial market environment. We believe our value Funds provide shareholders with attractively valued portfolios of well-managed, financially sound companies that possess the potential for solid earnings growth and, with patience, capital appreciation over the long term.

Franklin Value Investors Trust's semiannual report goes into greater detail about prevailing conditions during the period under review. In addition, the portfolio managers discuss Fund performance and you will also find performance data and financial information. Please remember all securities markets fluctuate in value, as do mutual fund share prices. We encourage you to discuss your goals with your financial advisor, who can review your overall portfolio, reassess your goals and help you stay focused on the long term.

If you would like more frequent updates, franklintempleton.com provides daily prices, monthly performance figures, portfolio holdings and other information. You can also access your account, buy and sell shares, and find helpful financial planning tools. We hope you will take advantage of these online services.

We thank you for investing with Franklin Templeton, welcome your questions and comments, and look forward to continuing to serve your investment needs.

Sincerely,

William J. Lippman

President

Franklin Value Investors Trust

Donald Waylor

William J. Lippman

Donald G. Taylor, CPA

Chief Investment Officer

Franklin Value Investors Trust

This letter reflects our analysis and opinions as of April 30, 2014. The information is not a complete analysis of every aspect of any market, country, industry, security or fund. Statements of fact are from sources considered reliable.

2. Source: Barclays Global Family of Indices. © 2014 Barclays Capital Inc. Used with permission.

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## Semiannual Report

### Economic and Market Overview

The U.S. economy continued to show signs of recovery during the six-month period ended April 30, 2014. Strong consumer and business spending and rising inventories underpinned economic growth in the fourth quarter of 2013. Despite the abnormally cold weather that suppressed economic activity in the first quarter of 2014, economic indicators were still broadly supportive of recovery at period-end. Manufacturing activity expanded and retail sales rose year-over-year. Home sales slowed because of rising mortgage rates and lower inventories as well as the impact of extreme weather in early 2014, but home prices rose in comparison with year-ago figures. The unemployment rate declined to 6.3% in April 2014 from 7.2% in October 2013, and inflation remained below the U.S. Federal Reserve Board's (Fed's) 2.0% target.

In January, Congress passed a spending bill to fund the federal government through September 2014. Congress then approved suspension of the debt ceiling until March 2015. Despite speculation that it would start tapering its quantitative easing, the Fed maintained its monthly bond purchases at \$85 billion through December 2013, gradually reducing them beginning in January, based on continued positive economic and employment data. Although economic data in early 2014 were soft in part because of severe winter weather, Fed Chair Janet Yellen kept the pace of asset-purchase tapering intact while adopting a more qualitative approach to rate-hike guidance. However, the Fed remained committed to keeping interest rates low for a considerable time even after the asset purchase program ends, depending on inflation and unemployment trends. Despite volatility in U.S. equity markets toward period-end heightened by geopolitical risks from the crisis in Ukraine, markets continued to advance.

Investors' confidence grew as corporate profits rose and generally favorable economic data indicated continued recovery despite brief sell-offs when markets reacted to the Fed's statements, political instability in certain emerging markets and China's slowing economy. U.S. stocks generated strong returns for the six months under review as the Standard & Poor's 500 Index and Dow Jones Industrial Average reached all-time highs.<sup>2</sup>

The foregoing information reflects our analysis and opinions as of April 30, 2014. The information is not a complete analysis of every aspect of any market, country, industry, security or fund. Statements of fact are from sources considered reliable.

- 1. Source: Bureau of Labor Statistics.
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## Franklin All Cap Value Fund

Your Fund's Goal and Main Investments: Franklin All Cap Value Fund seeks long-term

total return by primarily investing in stocks of companies of any size that we believe are undervalued at the time of purchase and have the potential for capital appreciation.

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. Please visit franklintempleton.com or call (800) 342-5236 for most recent month-end performance.

This semiannual report for Franklin All Cap Value Fund covers the period ended April 30, 2014.

#### **Performance Overview**

Franklin All Cap Value Fund – Class A delivered a +7.16% cumulative total return for the six months under review. In comparison, the Russell 3000® Value Index, which measures performance of those Russell 3000 Index companies with lower price-to-book ratios and lower forecasted growth values, posted a +9.24% total return.<sup>1,2</sup> Although this report covers a six-month period, our investment strategy aims for long-term results. You can find the Fund's long-term performance data in the Performance Summary beginning on page 8.

### **Investment Strategy**

Our goal is to invest in stocks of companies of any size that we determine are currently undervalued and have the potential for capital appreciation. The Fund purchases securities that are out of favor in the market for reasons we believe will prove to be temporary in nature, or that appear to be inexpensive measured by factors such as price relative to earnings, book value or cash flow. In addition, the Fund may invest in companies with valuable intangibles we believe are not reflected in the stock price. This strategy is not aimed at short-term trading gains, nor do we consider the composition of any index. Rather, we try to identify attractively priced, financially sound companies that meet our investment criteria, and we assume at purchase that we will hold the positions for several years.

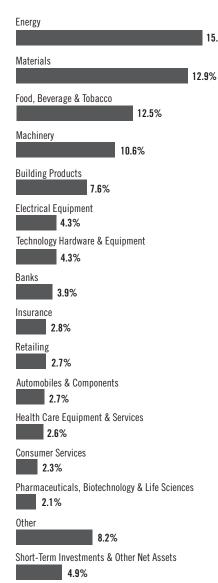
#### Manager's Discussion

During the six months under review, three holdings that helped absolute Fund performance were Alcoa, Unit Corp. and Royal Caribbean Cruises. Alcoa, an aluminum products manufacturer, began to realize the benefits of several restructuring programs designed to help improve the company's overall cost position. In addition, aerospace demand remained strong and the

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI). The SOI begins on page 57.

#### Portfolio Breakdown

Franklin All Cap Value Fund Based on Total Net Assets as of 4/30/14



positive outlook for increased aluminum use in automobile production was expected to aid future results. Unit Corp., an onshore oil and gas exploration, production and services company, was helped by an increase in natural gas prices because of the cold winter and improved demand for land-based drilling rigs to support the North American energy revolution. Royal Caribbean Cruises, a cruise line operator, reported in-line results, but sentiment was helped by a positive outlook for pricing and volume in Europe and Asia and by an improvement in on-board spending. Also, after years of substantial capacity growth, it appeared that the pace of adding capacity would be moderate over the next several years.

Detractors from absolute Fund performance included AAR, Griffon and Spartan Motors. AAR, an aerospace services company, reported weaker-thanexpected revenues and earnings per share. The company reduced its earnings guidance as its airlift business was hurt by reduced flying activity in Afghanistan and weakness in aircraft maintenance activities because of cyclical factors and the conclusion of successful contracts in the prior year. Griffon, a manufacturer of plastic films, garage doors, garden tools and defense systems, reported generally improving earnings as the company benefited from restructuring activities in its plastics business, improving and stabilizing business trends and a favorable debt restructuring. However, through its garage door and outdoor garden tools businesses, the company has exposure to the domestic housing market, which suffered recently from weaker-than-expected home sales and overall sentiment. Spartan Motors, a manufacturer of specialty vehicles such as delivery vans and custom vehicle chassis for fire trucks and RVs, posted weaker-than-expected margins as the company experienced difficulty converting orders profitably because of factory restructuring activities. In addition, slowing end-market demand and supplier constraints for truck bodies also weighed on sales.

During the period, we initiated positions in eight new holdings, including L.B. Foster, a railroad and industrial construction products manufacturer; Target, a mass-market discount retailer; Allegheny Technologies, a steel and specialty metals manufacturer; Wabash National, a truck trailer manufacturer; Maple Leaf Foods, a packaged consumer foods manufacturer; Minerals Technologies, a global producer of value-added specialty minerals; GrainCorp, a grain products and services provider; and AMCOL International, a specialty materials producer that was also sold later in the period as it was the subject of a takeover offer by Minerals Technologies. We also added to several existing positions including H.B. Fuller, an industrial adhesive producer; Allstate, a property and casualty insurer; and Gibraltar Industries, a construction products manufacturer, among others. We liquidated our positions in Harman International Industries, Benchmark Electronics, Laboratory Corp. of America Holdings and Jos. A. Bank Clothiers. We also reduced several positions, including Spartan Motors, John Bean Technologies and Valero Energy.

Thank you for your participation in Franklin All Cap Value Fund. We look forward to continuing to serve your investment needs.



William J. Lippman

William J. Lippman

President and Co-Lead Portfolio Manager



Steven B. Raineri Co-Lead Portfolio Manager

Bruce C. Baughman, CPA Margaret McGee Donald G. Taylor, CPA

Portfolio Management Team Franklin All Cap Value Fund

The foregoing information reflects our analysis, opinions and portfolio holdings as of April 30, 2014, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

The index is unmanaged and includes reinvested dividends. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

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**Top 10 Equity Holdings** Franklin All Cap Value Fund 4/30/14

Company Sector/Industry	% of Total Net Assets
PHI Inc.  Energy	2.8%
Alcoa Inc.  Materials	2.7%
Royal Caribbean Cruises Ltd.  Consumer Services	2.3%
Unit Corp.  Energy	2.3%
Miller Industries Inc.  Machinery	2.2%
Corning Inc.  Technology Hardware & Equipment	2.2%
Johnson & Johnson  Pharmaceuticals, Biotechnology & Life Sciences	2.1%
QUALCOMM Inc.  Technology Hardware & Equipment	2.1%
L.B. Foster Co., A  Machinery	2.0%
The Allstate Corp.  Insurance	2.0%

# Performance Summary as of 4/30/14

### Franklin All Cap Value Fund

Your dividend income will vary depending on dividends or interest paid by securities in the Fund's portfolio, adjusted for operating expenses of each class. Capital gain distributions are net profits realized from the sale of portfolio securities. The performance table does not reflect any taxes that a shareholder would pay on Fund dividends, capital gain distributions, if any, or any realized gains on the sale of Fund shares. Total return reflects reinvestment of the Fund's dividends and capital gain distributions, if any, and any unrealized gains or losses.

### **Net Asset Value**

Share Class	4/30/14	10/31/13	Change
A (FRAVX)	\$13.09	\$12.23	+\$0.86
C (n/a)	\$12.87	\$12.05	+\$0.82
R (n/a)	\$13.10	\$12.23	+\$0.87
Advisor (n/a)	\$13.15	\$12.29	+\$0.86

### **Distributions**

Share Class	Dividend Income
A (11/1/13-4/30/14)	\$0.0153
Advisor (11/1/13-4/30/14)	\$0.0377

### Performance as of 4/30/14<sup>1</sup>

Cumulative total return excludes sales charges. Average annual total returns and value of \$10,000 investment include maximum sales charges. Class A: 5.75% maximum initial sales charge; Class C: 1% contingent deferred sales charge in first year only; Class R/Advisor Class: no sales charges.

Share Class	Cumulative Total Return <sup>2</sup>	Average Annual Total Return <sup>3</sup>	Value of \$10,000 Investment <sup>4</sup>	Average Annual Total Return (3/31/14) <sup>5</sup>	Total Annual O (with waiver)	perating Expenses <sup>6</sup> (without waiver)
Α					1.24%	1.61%
6-Month	+7.16%	+0.97%	\$10,097			
1-Year	+24.58%	+17.44%	\$11,744	+18.12%		
5-Year	+132.35%	+16.98%	\$21,909	+19.77%		
Since Inception (6/1/07)	+36.34%	+3.69%	\$12,850	+3.85%		
<b>C</b> 6-Month	+6.81%	+5.81%	\$10,581		1.94%	2.31%
1-Year	+23.63%	+22.63%	\$12,263	+23.45%		
5-Year	+124.05%	+17.51%	\$22,405	+20.37%		
Since Inception (6/1/07)	+30.01%	+3.87%	\$13,001	+4.05%		
R					1.44%	1.81%
6-Month	+7.11%	+7.11%	\$10,711			
1-Year	+24.38%	+24.38%	\$12,438	+25.09%		
5-Year	+129.84%	+18.11%	\$22,984	+21.00%		
Since Inception (6/1/07)	+34.72%	+4.40%	\$13,472	+4.57%		
Advisor					0.94%	1.31%
6-Month	+7.32%	+7.32%	\$10,732			
1-Year	+24.90%	+24.90%	\$12,490	+25.73%		
5-Year	+135.65%	+18.70%	\$23,565	+21.60%		
Since Inception (6/1/07)	+39.29%	+4.91%	\$13,929	+5.09%		

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to franklintempleton.com or call (800) 342-5236.

All investments involve risks, including possible loss of principal. Value securities may not increase in price as anticipated or may decline further in value. While smaller and midsize companies may offer substantial opportunities for capital growth, they also involve heightened risks and should be considered speculative. Historically, smaller and midsize company securities have been more volatile in price than larger company securities, especially over the short term. The Fund may invest up to 25% of its total assets in foreign securities, which may involve special risks, including currency fluctuations and economic and political uncertainty. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Class C: These shares have higher annual fees and expenses than Class A shares.

Class R: Shares are available to certain eligible investors as described in the prospectus. These shares have higher annual fees and expenses

than Class A shares.

Advisor Class: Shares are available to certain eligible investors as described in the prospectus.

- 1. The Fund has an expense reduction contractually guaranteed through at least 2/28/15 and a fee waiver associated with its investments in a Franklin Templeton money fund, contractually guaranteed through at least its current fiscal year-end. Fund investment results reflect the expense reduction and fee waiver, to the extent applicable; without these reductions, the results would have been lower.
- 2. Cumulative total return represents the change in value of an investment over the periods indicated.
- 3. Average annual total return represents the average annual change in value of an investment over the periods indicated. Six-month return has not been annualized.
- 4. These figures represent the value of a hypothetical \$10,000 investment in the Fund over the periods indicated.
- 5. In accordance with SEC rules, we provide standardized average annual total return information through the latest calendar quarter.
- 6. Figures are as stated in the Fund's current prospectus. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.

### Your Fund's Expenses

### Franklin All Cap Value Fund

As a Fund shareholder, you can incur two types of costs:

- Transaction costs, including sales charges (loads) on Fund purchases; and
- Ongoing Fund costs, including management fees, distribution and service (12b-1) fees, and other Fund expenses. All mutual funds have ongoing costs, sometimes referred to as operating expenses.

The following table shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other mutual funds. The table assumes a \$1,000 investment held for the six months indicated.

### **Actual Fund Expenses**

The first line (Actual) for each share class listed in the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of Fund expenses.

You can estimate the expenses you paid during the period by following these steps. Of course, your account value and expenses will differ from those in this illustration:

- 1. Divide your account value by \$1,000. If an account had an \$8,600 value, then  $$8,600 \div $1,000 = 8.6$ .
- 2. Multiply the result by the number under the heading "Expenses Paid During Period." If Expenses Paid During Period were \$7.50, then  $8.6 \times 7.50 = 64.50$ .

In this illustration, the estimated expenses paid this period are \$64.50.

### Hypothetical Example for Comparison with Other Funds

Information in the second line (Hypothetical) for each class in the table can help you compare ongoing costs of investing in the Fund with those of other mutual funds. This information may not be used to estimate the actual ending account balance or expenses you paid during the period. The hypothetical "Ending Account Value" is based on the actual expense ratio for each class and an assumed 5% annual rate of return before expenses, which does not represent the Fund's actual return. The figure under the heading "Expenses Paid During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds.

### Your Fund's Expenses (continued)

Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transaction costs, such as sales charges. Therefore, the second line for each class is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transaction costs were included, your total costs would have been higher. Please refer to the Fund prospectus for additional information on operating expenses.

Share Class	Beginning Account Value 11/1/13	Ending Account Value 4/30/14	Expenses Paid During Period* 11/1/13-4/30/14
A			
Actual	\$1,000	\$1,071.60	\$ 6.42
Hypothetical (5% return before expenses)	\$1,000	\$1,018.60	\$ 6.26
С			
Actual	\$1,000	\$1,068.10	\$10.00
Hypothetical (5% return before expenses)	\$1,000	\$1,015.12	\$ 9.74
R			
Actual	\$1,000	\$1,071.10	\$ 7.45
Hypothetical (5% return before expenses)	\$1,000	\$1,017.60	\$ 7.25
Advisor			
Actual	\$1,000	\$1,073.20	\$ 4.88
Hypothetical (5% return before expenses)	\$1,000	\$1,020.08	\$ 4.76

<sup>\*</sup>Expenses are calculated using the most recent six-month expense ratio, net of expense waivers, annualized for each class (A: 1.25%; C: 1.95%; R: 1.45%; and Advisor: 0.95%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

### Franklin Balance Sheet Investment Fund

Your Fund's Goal and Main Investments: Franklin Balance Sheet Investment Fund seeks high total return, of which capital appreciation and income are components, by investing most of its assets in equity securities of companies of any size that we believe are undervalued in the marketplace at the time of purchase but have the potential for capital appreciation.

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. Please visit franklintempleton.com or call (800) 342-5236 for most recent month-end performance.

This semiannual report for Franklin Balance Sheet Investment Fund covers the period ended April 30, 2014.

#### **Performance Overview**

Franklin Balance Sheet Investment Fund - Class A delivered a +5.99% cumulative total return for the six months under review. In comparison, the Russell 3000 Value Index, which measures performance of those Russell 3000 Index companies with lower price-to-book ratios and lower forecasted growth values, posted a +9.24% total return.<sup>1,2</sup> Although this report covers a six-month period, our investment strategy aims for long-term results. You can find the Fund's long-term performance data in the Performance Summary beginning on page 16.

#### Investment Strategy

Our strategy is to buy shares of financially sound, well-established companies at a low price-to-book value when we have reasonable confidence that book value will increase over several years. Book value per share is a company's net worth or shareholders' equity on an accounting or "book" basis, divided by shares outstanding. We generally define "low price-to-book value" as the lower two deciles (20%) of our investable universe, which we derive from a proprietary database for screening purposes. This strategy is not aimed at short-term trading gains, nor do we consider the composition of any index. Rather, we try to identify individual companies that meet our investment criteria, and we assume at purchase that we will hold the positions for several years.

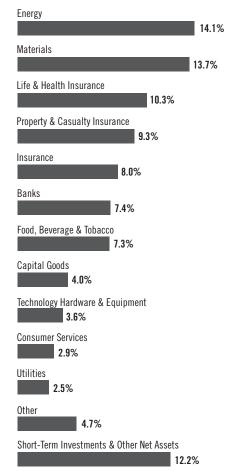
#### Manager's Discussion

During the six months under review, three holdings that helped absolute Fund performance were Alcoa, Corning and Trinity Industries. Alcoa, an aluminum products manufacturer, began to realize the benefits of several restructuring

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI), The SOI begins on page 65.

#### Portfolio Breakdown

Franklin Balance Sheet Investment Fund Based on Total Net Assets as of 4/30/14



programs designed to help improve the company's overall cost position. In addition, aerospace demand remained strong, and the positive outlook for increased aluminum use in automobile production was expected to aid future results. Corning, a world leader in specialty glass and ceramics, experienced price stabilization in its display glass business. The market also reacted positively to Corning's acquisition of its South Korean joint venture with Samsung. Trinity Industries, a railcar manufacturer, benefited from strong demand for crude oil tank railcars related to a surge in domestic energy production, a broadening of orders for other railcar types such as hoppers and auto racks, accretive asset sales and the potential for acquisitions and other shareholderfriendly capital allocations.

Detractors from absolute Fund performance included Tidewater, RTI International Metals and Selective Insurance Group. Tidewater, an offshore oilfield services provider, suffered from weaker-than-expected deep-water day rates, higher maintenance expenses and concerns over excess industry capacity. Stock of RTI International Metals, a specialty metals products manufacturer, declined because of weak first-quarter earnings and forward guidance that disappointed investors. Selective Insurance Group, a property and casualty insurer, suffered weather-related losses from harsh winter conditions in the northeast and Midwest. Selective has successfully increased rates in recent quarters, but the pace of increase slowed in the first quarter of 2014, suggesting that the storm losses will be difficult to recoup over the balance of the year.

During the reporting period, we identified six new investment opportunities: Allegheny Technologies, a producer of specialty metals; Century Aluminum, an aluminum producer; GrainCorp, a grain products and services provider; First Solar, a manufacturer and designer of solar modules and solutions; Fresh DelMonte Produce, a producer and marketer of fresh fruit; and Photronics, a maker of photomasks for semiconductor manufacturers. We also added to existing positions including the aforementioned Alcoa and Tidewater, as well as Ensco, an offshore drilling provider.

We liquidated positions in Benchmark Electronics, Noble, Ruby Tuesday, MeadWestvaco and ESCO Technologies during the period, and NV Energy was acquired by Berkshire Hathaway Energy through its subsidiary, MidAmerican Energy. We also reduced some other positions including Validus Holdings, Valero Energy and Assurant.

Thank you for your continued participation in Franklin Balance Sheet Investment Fund. We look forward to continuing to serve your investment needs.



Bune C Boughman

Bruce C. Baughman, CPA Co-Lead Portfolio Manager



Grace Hoefig Co-Lead Portfolio Manager

William J. Lippman Margaret McGee Donald G. Taylor, CPA

Portfolio Management Team Franklin Balance Sheet Investment Fund

The foregoing information reflects our analysis, opinions and portfolio holdings as of April 30, 2014, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

The index is unmanaged and includes reinvested dividends. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

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**Top 10 Equity Holdings** 

Franklin Balance Sheet Investment Fund 4/30/14

Company Sector/Industry	% of Total Net Assets
Corning Inc.  Technology Hardware & Equipment	3.6%
Alcoa Inc.  Materials	3.2%
StanCorp Financial Group Inc. <i>Life &amp; Health Insurance</i>	2.8%
Bunge Ltd. Food, Beverage & Tobacco	2.8%
E-L Financial Corp. Ltd. (Canada)  Insurance	2.8%
Archer-Daniels-Midland Co. Food, Beverage & Tobacco	2.7%
Prudential Financial Inc.  Life & Health Insurance	2.7%
Old Republic International Corp.  Property & Casualty Insurance	2.6%
Devon Energy Corp.  Energy	2.6%
Ensco PLC, A  Energy	2.5%

# Performance Summary as of 4/30/14

### Franklin Balance Sheet Investment Fund

Your dividend income will vary depending on dividends or interest paid by securities in the Fund's portfolio, adjusted for operating expenses of each class. Capital gain distributions are net profits realized from the sale of portfolio securities. The performance table does not reflect any taxes that a shareholder would pay on Fund dividends, capital gain distributions, if any, or any realized gains on the sale of Fund shares. Total return reflects reinvestment of the Fund's dividends and capital gain distributions, if any, and any unrealized gains or losses.

#### Net Asset Value<sup>1</sup>

Share Class	4/30/14	10/31/13	Change
A (FRBSX)	\$51.05	\$53.95	-\$2.90
C (FCBSX)	\$49.92	\$52.74	-\$2.82
R (FBSRX)	\$51.05	\$53.86	-\$2.81
R6 (FBSIX)	\$52.09	\$55.03	-\$2.94
Advisor (FBSAX)	\$52.10	\$55.01	-\$2.91

### **Distributions**

Share Class	Dividend Income	Short-Term Capital Gain	Long-Term Capital Gain	Total
A (11/1/13-4/30/14)	\$0.6479	\$0.6536	\$4.6492	\$5.9507
C (11/1/13-4/30/14)	\$0.3141	\$0.6536	\$4.6492	\$5.6169
R (11/1/13-4/30/14)	\$0.4949	\$0.6536	\$4.6492	\$5.7977
R6 (11/1/13-4/30/14)	\$0.8468	\$0.6536	\$4.6492	\$6.1496
Advisor (11/1/13-4/30/14)	\$0.7782	\$0.6536	\$4.6492	\$6.0810

### Performance as of 4/30/14<sup>2</sup>

Cumulative total return excludes sales charges. Average annual total returns and value of \$10,000 investment include maximum sales charges. Class A: 5.75% maximum initial sales charge. Class C: 1% contingent deferred sales charge in first year only; Class R/R6/Advisor Class: no sales charges.

	Cumulative	Average Annual	Value of \$10,000	Average Annual Total Return	Total Annual O	perating Expenses <sup>7</sup>
Share Class	Total Return <sup>3</sup>	Total Return <sup>4</sup>	Investment <sup>5</sup>	(3/31/14)6	(with waiver)	(without waiver)
Α					0.92%	0.93%
6-Month	+5.99%1	-0.10%	\$9,990			
1-Year	+19.90%	+13.01%	\$11,301	+13.63%		
5-Year	+135.23%	+17.26%	\$22,173	+20.28%		
10-Year	+115.60%	+7.35%	\$20,319	+7.02%		
С					1.67%	1.68%
6-Month	+5.59%1	+4.65%	\$10,465			
1-Year	+19.02%	+18.02%	\$11,802	+18.68%		
5-Year	+126.58%	+17.77%	\$22,658	+20.81%		
10-Year	+99.83%	+7.17%	\$19,983	+6.84%		
R					1.17%	1.18%
6-Month	+5.86%1	+5.86%	\$10,586			
1-Year	+19.61%	+19.61%	\$11,961	+20.26%		
5-Year	+132.30%	+18.36%	\$23,230	+21.41%		
10-Year	+110.92%	+7.75%	\$21,092	+7.42%		
R6					0.52%	0.53%
6-Month	+6.19%1	+6.19%	\$10,619			
Since Inception (5/1/13)8	+22.27%	+22.27%	\$12,227	+22.63%		
Advisor					0.67%	0.68%
6-Month	+6.11%1	+6.11%	\$10,611			
1-Year	+20.20%	+20.20%	\$12,020	+20.87%		
5-Year	+138.17%	+18.95%	\$23,817	+22.02%		
10-Year	+124.11%	+8.40%	\$22,411	+8.07%		

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to franklintempleton.com or call (800) 342-5236.

All investments involve risks, including possible loss of principal. Value securities may not increase in price as anticipated or may decline further in value. While smaller and midsize companies may offer substantial opportunities for capital growth, they also involve heightened risks and should be considered speculative. Historically, smaller and midsize company securities have been more volatile in price than larger company securities, especially over the short term. The Fund may invest up to 25% of its total assets in foreign securities, which may involve special risks, including currency fluctuations and economic and political uncertainty. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Class C: These shares have higher annual fees and expenses than Class A shares.

Class R-Shares are available to certain eligible investors as described in the prospectus. These shares have higher annual fees and expenses

than Class A shares.

Class R6: Shares are available to certain eligible investors as described in the prospectus Advisor Class: Shares are available to certain eligible investors as described in the prospectus.

- 1. Price and total return information is based on net asset values calculated for shareholder transactions. Certain adjustments were made to the net assets of the Fund at 10/31/13 for financial reporting purposes, and as a result, the net asset values for shareholder transactions and the total returns based on those net asset values differ from the adjusted net asset values and total returns reported in the Financial Highlights.
- 2. The Fund has a fee waiver associated with its investments in a Franklin Templeton money fund, contractually guaranteed through at least its current fiscal year-end. Fund investment results reflect the fee waiver, to the extent applicable; without this reduction, the results would have been
- 3. Cumulative total return represents the change in value of an investment over the periods indicated.
- 4. Average annual total return represents the average annual change in value of an investment over the periods indicated. Six-month return has not
- 5. These figures represent the value of a hypothetical \$10,000 investment in the Fund over the periods indicated.
- 6. In accordance with SEC rules, we provide standardized average annual total return information through the latest calendar quarter.
- 7. Figures are as stated in the Fund's prospectus current as of the date of this report. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.
- 8. Performance shown is not annualized.

### Your Fund's Expenses

### Franklin Balance Sheet Investment Fund

As a Fund shareholder, you can incur two types of costs:

- Transaction costs, including sales charges (loads) on Fund purchases; and
- Ongoing Fund costs, including management fees, distribution and service (12b-1) fees, and other Fund expenses. All mutual funds have ongoing costs, sometimes referred to as operating expenses.

The following table shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other mutual funds. The table assumes a \$1,000 investment held for the six months indicated.

### **Actual Fund Expenses**

The first line (Actual) for each share class listed in the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of Fund expenses.

You can estimate the expenses you paid during the period by following these steps. Of course, your account value and expenses will differ from those in this illustration:

- 1. Divide your account value by \$1,000. If an account had an \$8,600 value, then  $$8,600 \div $1,000 = 8.6$ .
- 2. Multiply the result by the number under the heading "Expenses Paid During Period." If Expenses Paid During Period were \$7.50, then  $8.6 \times 7.50 = 64.50$ .

In this illustration, the estimated expenses paid this period are \$64.50.

### Hypothetical Example for Comparison with Other Funds

Information in the second line (Hypothetical) for each class in the table can help you compare ongoing costs of investing in the Fund with those of other mutual funds. This information may not be used to estimate the actual ending account balance or expenses you paid during the period. The hypothetical "Ending Account Value" is based on the actual expense ratio for each class and an assumed 5% annual rate of return before expenses, which does not represent the Fund's actual return. The figure under the heading "Expenses Paid During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds.

### Your Fund's Expenses (continued)

Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transaction costs, such as sales charges. Therefore, the second line for each class is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transaction costs were included, your total costs would have been higher. Please refer to the Fund prospectus for additional information on operating expenses.

Share Class	Beginning Account Value 11/1/13	Ending Account Value 4/30/14	Expenses Paid During Period* 11/1/13-4/30/14
A			
Actual	\$1,000	\$1,059.90	\$4.55
Hypothetical (5% return before expenses)	\$1,000	\$1,020.38	\$4.46
С			
Actual	\$1,000	\$1,055.90	\$8.36
Hypothetical (5% return before expenses)	\$1,000	\$1,016.66	\$8.20
R			
Actual	\$1,000	\$1,058.60	\$5.82
Hypothetical (5% return before expenses)	\$1,000	\$1,019.14	\$5.71
R6			
Actual	\$1,000	\$1,061.90	\$2.51
Hypothetical (5% return before expenses)	\$1,000	\$1,022.36	\$2.46
Advisor			
Actual	\$1,000	\$1,061.10	\$3.27
Hypothetical (5% return before expenses)	\$1,000	\$1,021.62	\$3.21

<sup>\*</sup>Expenses are calculated using the most recent six-month expense ratio, net of expense waivers, annualized for each class (A: 0.89%; C: 1.64%; R: 1.14%; R6: 0.49%; and Advisor: 0.64%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

### Franklin Large Cap Value Fund

Your Fund's Goal and Main Investments: Franklin Large Cap Value Fund seeks longterm capital appreciation by investing at least 80% of its net assets in large capitalization companies that we believe are undervalued. We define large capitalization companies as those with market capitalizations that are similar in size at the time of purchase to those in the Russell 1000® Index.1

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. Please visit franklintempleton.com or call (800) 342-5236 for most recent month-end performance.

This semiannual report for Franklin Large Cap Value Fund covers the period ended April 30, 2014.

#### **Performance Overview**

Franklin Large Cap Value Fund – Class A delivered a +7.97% cumulative total return for the six months under review. In comparison, the Russell 1000 Value Index, which measures performance of those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values, posted a +9.61% total return.<sup>2,3</sup> Although this report covers a six-month period, our investment strategy aims for long-term results. You can find the Fund's long-term performance data in the Performance Summary beginning on page 24.

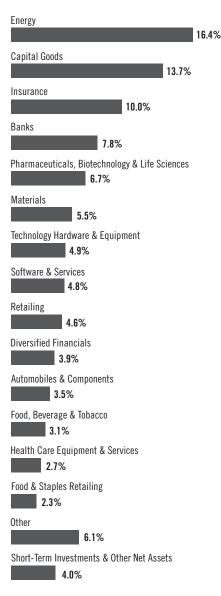
### **Investment Strategy**

We seek to invest in securities of large capitalization companies that we believe are selling below their underlying worth and hold them until they reach what we consider their fair market value. Our aim is to construct a diversified portfolio of fundamentally sound companies purchased at attractive prices, often when they are out of favor with other investors for reasons we believe are temporary. Portfolio securities are selected without regard to benchmark comparisons and are based on fundamental, bottom-up research focusing on several criteria, such as low price relative to earnings, cash flow or book value. We also consider stocks with recent sharp price declines that we believe still have significant growth potential or that possess valuable intangibles not reflected in the stock price.

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI). The SOI begins on page 73.

#### Portfolio Breakdown

Franklin Large Cap Value Fund Based on Total Net Assets as of 4/30/14



### Manager's Discussion

During the six months under review, three holdings that helped absolute Fund performance were Alcoa, Merck & Co. and Valero Energy. Alcoa, an aluminum products manufacturer, began to realize the benefits of several restructuring programs designed to help improve the company's overall cost position. In addition, aerospace demand remained strong and the positive outlook for increased aluminum use in automobile production is expected to aid future results. Pharmaceuticals manufacturer Merck & Co. outperformed as expectations rose for a number of large drug opportunities, including a PD-1 cancer drug and an oral hepatitis C drug. Valero Energy, a petroleum refiner and marketer, benefited from a U.S. refining boom, particularly among coastal refiners, which is being fueled by abundant supplies of low-cost crude oil inventories.

Detractors from absolute Fund performance included Ensco, Noble and State Street. Ensco and Noble, which operate offshore drilling rigs, suffered from weaker industry day rates. State Street, an institutional financial services provider, underperformed because of weaker fee revenues and reduced net interest margins in the ongoing low interest rate environment.

During the period, we initiated positions in six new holdings: HollyFrontier, an independent oil refiner; Maxim Integrated Products, an integrated circuit manufacturer; Denbury Resources, an oil and gas exploration and production company; CVS Caremark, an integrated pharmacy health care provider; EMC, an information technology data infrastructure provider; and Symantec, an information technology security solutions provider. We also added to some existing positions, including Target, a mass-market discount retailer; Abbott Laboratories, a diversified manufacturer of health care products; and Capital One Financial, a credit card and bank holding company. We liquidated our positions in Knowles, a spin-off of Dover, and Mallinckrodt, a spin-off of Covidien, and reduced our holdings in the aforementioned Noble.

Thank you for your continued participation in Franklin Large Cap Value Fund. We look forward to continuing to serve your investment needs.



William J. Lippman

William J. Lippman President and Lead Portfolio Manager

Bruce C. Baughman, CPA Margaret McGee Donald G. Taylor, CPA

Portfolio Management Team Franklin Large Cap Value Fund

The foregoing information reflects our analysis, opinions and portfolio holdings as of April 30, 2014, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

The index is unmanaged and includes reinvested dividends. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

- 1. The Russell 1000 Index is market capitalization weighted and measures performance of the largest companies in the Russell 3000 Index, which represents the majority of the U.S. market's total market capitalization.
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**Top 10 Equity Holdings** Franklin Large Cap Value Fund 4/30/14

Company Sector/Industry	% of Total Net Assets
Gilead Sciences Inc.  Pharmaceuticals, Biotechnology &  Life Sciences	2.3%
Corning Inc.  Technology Hardware & Equipment	2.2%
Prudential Financial Inc.  Insurance	2.2%
MetLife Inc. Insurance	2.2%
The Allstate Corp.  Insurance	2.1%
Alcoa Inc.  Materials	2.0%
Citigroup Inc.  Banks	2.0%
Johnson Controls Inc.  Automobiles & Components	2.0%
Nucor Corp. <i>Materials</i>	1.9%
Baker Hughes Inc. <i>Energy</i>	1.9%

# Performance Summary as of 4/30/14

### Franklin Large Cap Value Fund

Your dividend income will vary depending on dividends or interest paid by securities in the Fund's portfolio, adjusted for operating expenses of each class. Capital gain distributions are net profits realized from the sale of portfolio securities. The performance table does not reflect any taxes that a shareholder would pay on Fund dividends, capital gain distributions, if any, or any realized gains on the sale of Fund shares. Total return reflects reinvestment of the Fund's dividends and capital gain distributions, if any, and any unrealized gains or losses.

#### **Net Asset Value**

Share Class	4/30/14	10/31/13	Change
A (FLVAX)	\$18.09	\$16.85	+\$1.24
C (FLCVX)	\$17.93	\$16.66	+\$1.27
R (FLCRX)	\$17.96	\$16.70	+\$1.26
R6 (FRLGX)	\$18.01	\$16.80	+\$1.21
Advisor (n/a)	\$18.02	\$16.80	+\$1.22

### **Distributions**

Share Class	Dividend Income
A (11/1/13-4/30/14)	\$0.0967
R (11/1/13-4/30/14)	\$0.0544
R6 (11/1/13-4/30/14)	\$0.1837
Advisor (11/1/13-4/30/14)	\$0.1406

### Performance as of 4/30/14<sup>1</sup>

Cumulative total return excludes sales charges. Average annual total returns and value of \$10,000 investment include maximum sales charges. Class A: 5.75% maximum initial sales charge. Class C: 1% contingent deferred sales charge in first year only; Class R/R6/Advisor Class: no

Share Class	Cumulative Total Return <sup>2</sup>	Average Annual Total Return <sup>3</sup>	Value of \$10,000 Investment <sup>4</sup>	Average Annual Total Return (3/31/14) <sup>5</sup>	Total Annual O (with waiver)	perating Expenses <sup>6</sup> (without waiver)
Α					1.36%	1.37%
6-Month	+7.97%	+1.75%	\$10,175			
1-Year	+23.00%	+15.95%	\$11,595	+15.76%		
5-Year	+116.11%	+15.28%	\$20,359	+17.78%		
10-Year	+72.51%	+4.98%	\$16,263	+4.81%		
С					2.07%	2.08%
6-Month	+7.62%	+6.62%	\$10,662			
1-Year	+22.14%	+21.14%	\$12,114	+21.04%		
5-Year	+108.68%	+15.85%	\$20,868	+18.36%		
10-Year	+61.13%	+4.89%	\$16,113	+4.71%		
R					1.57%	1.58%
6-Month	+7.89%	+7.89%	\$10,789			
1-Year	+22.74%	+22.74%	\$12,274	+22.64%		
5-Year	+113.84%	+16.42%	\$21,384	+18.94%		
10-Year	+69.27%	+5.40%	\$16,927	+5.23%		
R6					0.88%	0.89%
6-Month	+8.23%	+8.23%	\$10,823			
Since Inception (5/1/13) <sup>7</sup>	+25.12%	+25.12%	\$12,512	+24.28%		
Advisor <sup>8</sup>					1.07%	1.08%
6-Month	+8.15%	+8.15%	\$10,815			
1-Year	+23.35%	+23.35%	\$12,335	+23.26%		
5-Year	+119.14%	+16.99%	\$21,914	+19.53%		
10-Year	+77.10%	+5.88%	\$17,710	+5.71%		

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to franklintempleton.com or call (800) 342-5236.

All investments involve risks, including possible loss of principal. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. These price movements may result from factors affecting individual companies, industries or the securities market as a whole. The Fund may invest up to 25% of its total assets in foreign securities, which may involve special risks, including currency fluctuations and economic and political uncertainty. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Class C: These shares have higher annual fees and expenses than Class A shares.

Class R. Shares are available to certain eligible investors as described in the prospectus. These shares have higher annual fees and expenses

than Class A shares.

Class R6: Shares are available to certain eligible investors as described in the prospectus.

Advisor Class: Shares are available to certain eligible investors as described in the prospectus.

- 1. The Fund has a fee waiver associated with its investments in a Franklin Templeton money fund, contractually guaranteed through at least its current fiscal year-end. Fund investment results reflect the fee waiver, to the extent applicable; without this reduction, the results would have been
- 2. Cumulative total return represents the change in value of an investment over the periods indicated.
- 3. Average annual total return represents the average annual change in value of an investment over the periods indicated. Six-month return has not been annualized.
- 4. These figures represent the value of a hypothetical \$10,000 investment in the Fund over the periods indicated.
- 5. In accordance with SEC rules, we provide standardized average annual total return information through the latest calendar quarter.
- 6. Figures are as stated in the Fund's current prospectus. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.
- 7. Performance shown is not annualized.
- 8. Effective 11/1/05, the Fund began offering Advisor Class shares, which do not have sales charges or a Rule 12b-1 plan. Performance quotations for this class reflect the following methods of calculation: (a) For periods prior to 11/1/05, a restated figure is used based upon the Fund's Class A performance, excluding the effect of Class A's maximum initial sales charge, but reflecting the effect of the Class A Rule 12b-1 fees; and (b) for periods after 11/1/05, actual Advisor Class performance is used reflecting all charges and fees applicable to that class. Since 11/1/05 (commencement of sales), the cumulative and average annual total returns of Advisor Class shares were +62.22% and +5.86%.

### Your Fund's Expenses

### Franklin Large Cap Value Fund

As a Fund shareholder, you can incur two types of costs:

- Transaction costs, including sales charges (loads) on Fund purchases; and
- Ongoing Fund costs, including management fees, distribution and service (12b-1) fees, and other Fund expenses. All mutual funds have ongoing costs, sometimes referred to as operating expenses.

The following table shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other mutual funds. The table assumes a \$1,000 investment held for the six months indicated.

### **Actual Fund Expenses**

The first line (Actual) for each share class listed in the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of Fund expenses.

You can estimate the expenses you paid during the period by following these steps. Of course, your account value and expenses will differ from those in this illustration:

- 1. Divide your account value by \$1,000. If an account had an \$8,600 value, then  $$8,600 \div $1,000 = 8.6$ .
- 2. Multiply the result by the number under the heading "Expenses Paid During Period." If Expenses Paid During Period were \$7.50, then  $8.6 \times 7.50 = 64.50$ .

In this illustration, the estimated expenses paid this period are \$64.50.

### Hypothetical Example for Comparison with Other Funds

Information in the second line (Hypothetical) for each class in the table can help you compare ongoing costs of investing in the Fund with those of other mutual funds. This information may not be used to estimate the actual ending account balance or expenses you paid during the period. The hypothetical "Ending Account Value" is based on the actual expense ratio for each class and an assumed 5% annual rate of return before expenses, which does not represent the Fund's actual return. The figure under the heading "Expenses Paid During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds.

### Your Fund's Expenses (continued)

Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transaction costs, such as sales charges. Therefore, the second line for each class is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transaction costs were included, your total costs would have been higher. Please refer to the Fund prospectus for additional information on operating expenses.

Share Class	Beginning Account Value 11/1/13	Ending Account Value 4/30/14	Expenses Paid During Period* 11/1/13-4/30/14
A			
Actual	\$1,000	\$1,079.70	\$ 6.81
Hypothetical (5% return before expenses)	\$1,000	\$1,018.25	\$ 6.61
С			
Actual	\$1,000	\$1,076.20	\$10.35
Hypothetical (5% return before expenses)	\$1,000	\$1,014.83	\$10.04
R			
Actual	\$1,000	\$1,078.90	\$ 7.78
Hypothetical (5% return before expenses)	\$1,000	\$1,017.31	\$ 7.55
R6			
Actual	\$1,000	\$1,082.30	\$ 4.39
Hypothetical (5% return before expenses)	\$1,000	\$1,020.58	\$ 4.26
Advisor			
Actual	\$1,000	\$1,081.50	\$ 5.21
Hypothetical (5% return before expenses)	\$1,000	\$1,019.79	\$ 5.06

<sup>\*</sup>Expenses are calculated using the most recent six-month expense ratio, net of expense waivers, annualized for each class (A: 1.32%; C: 2.01%; R: 1.51%; R6: 0.85%; and Advisor: 1.01%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

## Franklin MicroCap Value Fund

Your Fund's Goal and Main Investments: Franklin MicroCap Value Fund seeks high total return, of which capital appreciation and income are components, by investing at least 80% of its net assets in securities of companies with market capitalizations under \$500 million at the time of purchase that we believe are undervalued in the marketplace.1

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. Please visit franklintempleton.com or call (800) 342-5236 for most recent month-end performance.

This semiannual report for Franklin MicroCap Value Fund covers the period ended April 30, 2014. The Fund closed to new investors (with the exception of certain retirement accounts) in January 2004 and has remained closed except for two days in mid-February 2013, when we opened the Fund on a limited basis. Existing shareholders may add to or reduce their investments in the Fund; however, once an account is reduced to zero, it may not be reopened unless the Fund reopens.

#### **Performance Overview**

Franklin MicroCap Value Fund - Class A delivered a +2.69% cumulative total return for the six months under review. In comparison, the Russell 2000® Value Index, which measures performance of those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values, posted a +4.97% total return.<sup>2,3</sup> Although this report covers a six-month period, our investment strategy aims for long-term results. You can find the Fund's long-term performance data in the Performance Summary beginning on page 32.

### **Investment Strategy**

Our strategy is to buy shares of financially sound, well-established companies at a low price-to-book value, where we have reasonable confidence that book value will increase over several years. We limit purchases to companies with market capitalizations of less than \$500 million, which we define as "microcap." Book value per share is a company's net worth or shareholders' equity on an accounting or "book" basis, divided by shares outstanding. This strategy is not aimed at short-term trading gains, nor do we consider the composition of any index. Rather, we try to identify individual companies that meet our investment criteria, and we assume at purchase that we will hold the positions for several years.

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI). The SOI begins on page 79.

#### Portfolio Breakdown

Franklin MicroCap Value Fund Based on Total Net Assets as of 4/30/14

Capital Goods 15.1% Energy Food, Beverage & Tobacco 7.6% Transportation 6.0% Banks 5.9% Materials 4.5% Consumer Durables & Apparel 4.4% Retailing 4.3% Insurance 3.6% Commercial & Professional Services 3.3% Consumer Services 2.7% Other

4.5%

Short-Term Investments & Other Net Assets

28.2%

### Manager's Discussion

During the six months under review, three holdings that helped absolute Fund performance were P.A.M. Transportation Services, Omega Protein and Magellan Petroleum. P.A.M. Transportation Services, a trucking delivery provider, reported better-than-expected earnings and a positive outlook. Omega Protein, a fish meal and oil products producer, also reported unexpectedly strong results. Magellan Petroleum, an oil and gas exploration and production company, was able to monetize part of its Australian holdings in favor of promising projects in North America. Magellan also has rights to shale assets in the U.K. that attracted increased attention.

Detractors from absolute Fund performance included Delta Apparel, Village Super Market and Cal Dive International. Garment manufacturer Delta Apparel's turnaround of its important Soffe subsidiary was complicated by cotton price increases and weather-related demand weakness for various apparel lines. Supermarket chain operator Village Super Market suffered an adverse state tax ruling that, should it stand, could lower future earnings. Cal Dive International, an offshore oil and gas construction contractor, reported losses as it worked through a restructuring plan necessitated by poorly timed capital deployment in prior years.

During the period under review, we identified a new investment opportunity in Versar, a project management company that serves the engineering, construction, environmental services, telecommunications and energy markets. We added to existing positions in the aforementioned Cal Dive International; Sterling Construction, a heavy civil construction contractor; and Full House Resorts, a gaming company.

We liquidated positions in USA Truck and Circor International, and two others, American Pacific and Costa, were bought out. We reduced positions including Sparton, Dixie Group, Espey Manufacturing & Electronics, Fred's, Haverty Furniture and P.A.M. Transportation Services.

Our preference is to be fully invested at all times. However, Fund cash levels have at times been high for extended periods, as they are now and have been for more than a year. These periods come about when stock valuations are stretched, making investment opportunities that meet our value criteria scarce. At such times, cash will likely drag on performance. We cannot predict how long it will take for conditions to change, but we can assure our fellow shareholders that we will stick to the disciplined, value-oriented, long-term approach that has served us well over the years.

Thank you for your continued participation in Franklin MicroCap Value Fund. We look forward to continuing to serve your investment needs.



Bune C Bengliman

Bruce C. Baughman, CPA Lead Portfolio Manager

William J. Lippman Margaret McGee Donald G. Taylor, CPA

Portfolio Management Team Franklin MicroCap Value Fund

The foregoing information reflects our analysis, opinions and portfolio holdings as of April 30, 2014, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

The index is unmanaged and includes reinvested dividends. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

- 1. Effective 12/10/12, the maximum market capitalization for each investment that the Fund can invest in increased from \$400 million at time of purchase to \$500 million.
- 2. Source: © 2014 Morningstar. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.
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**Top 10 Equity Holdings** Franklin MicroCap Value Fund 4/30/14

Company Sector/Industry	% of Total Net Assets
PHI Inc. <i>Energy</i>	3.5%
Seneca Foods Corp., A & B Food, Beverage & Tobacco	3.4%
Omega Protein Corp. Food, Beverage & Tobacco	2.6%
Healthcare Services Group Inc.  Commercial & Professional Service	2.4% es
Hardinge Inc. Capital Goods	2.3%
P.A.M. Transportation Services Inc. <i>Transportation</i>	2.1%
Delta Apparel Inc.  Consumer Durables & Apparel	2.0%
Tesco Corp.  Energy	2.0%
Hurco Cos. Inc. Capital Goods	1.8%
Alamo Group Inc.  Capital Goods	1.7%

# Performance Summary as of 4/30/14

### Franklin MicroCap Value Fund

Your dividend income will vary depending on dividends or interest paid by securities in the Fund's portfolio, adjusted for operating expenses of each class. Capital gain distributions are net profits realized from the sale of portfolio securities. The performance table does not reflect any taxes that a shareholder would pay on Fund dividends, capital gain distributions, if any, or any realized gains on the sale of Fund shares. Total return reflects reinvestment of the Fund's dividends and capital gain distributions, if any, and any unrealized gains or losses.

### **Net Asset Value**

Share Class	4/30/14	10/31/13	Change
A (FRMCX)	\$39.61	\$40.99	-\$1.38
R6 (n/a)	\$39.58	\$41.03	-\$1.45
Advisor (FVRMX)	\$39.58	\$40.99	-\$1.41

### **Distributions**

Share Class	Dividend Income	Short-Term Capital Gain	Long-Term Capital Gain	Total
A (11/1/13-4/30/14)	\$0.0437	\$0.1066	\$2.3350	\$2.4853
R6 (11/1/13-4/30/14)	\$0.1769	\$0.1066	\$2.3350	\$2.6185
Advisor (11/1/13-4/30/14)	\$0.1188	\$0.1066	\$2.3350	\$2.5604

### Performance as of 4/30/141

Cumulative total return excludes sales charges. Average annual total returns and value of \$10,000 investment include maximum sales charges. Class A: 5.75% maximum initial sales charge. Class R6/Advisor Class: no sales charges.

Share Class	Cumulative Total Return <sup>2</sup>	Average Annual Total Return <sup>3</sup>	Value of \$10,000 Investment <sup>4</sup>	Average Annual Total Return (3/31/14) <sup>5</sup>	Total Annual O (with waiver)	perating Expenses <sup>6</sup> (without waiver)
A					1.17%	1.19%
6-Month	+2.69%	-3.21%	\$9,679			
1-Year	+19.41%	+12.55%	\$11,255	+12.01%		
5-Year	+157.15%	+19.37%	\$24,234	+22.60%		
10-Year	+149.83%	+8.94%	\$23,549	+8.92%		
R6					0.82%	0.84%
6-Month	+2.85%	+2.85%	\$10,285			
Since Inception (5/1/13) <sup>7</sup>	+22.60%	+22.60%	\$12,260	+23.65%		
Advisor <sup>8</sup>					0.93%	0.95%
6-Month	+2.81%	+2.81%	\$10,281			
1-Year	+19.68%	+19.68%	\$11,968	+19.12%		
5-Year	+160.17%	+21.07%	\$26,017	+24.36%		
10-Year	+154.94%	+9.81%	\$25,494	+9.79%		

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to franklintempleton.com or call (800) 342-5236.

All investments involve risks, including possible loss of principal. The Fund's ability to invest in smaller company securities that may have limited liquidity involves additional risks, such as relatively small revenues, limited product lines and small market share. Historically, these stocks have exhibited greater price volatility than larger company stocks, especially over the short term. In addition, the Fund may invest up to 25% of its total assets in foreign securities, which involve special risks, including currency fluctuations and economic and political uncertainty. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Class R6: Shares are available to certain eligible investors as described in the prospectus.

Advisor Class: Shares are available to certain eligible investors as described in the prospectus.

- 1. The Fund has a fee waiver associated with its investments in a Franklin Templeton money fund, contractually guaranteed through at least its current fiscal year-end. Fund investment results reflect the fee waiver, to the extent applicable; without this reduction, the results would have been
- 2. Cumulative total return represents the change in value of an investment over the periods indicated.
- 3. Average annual total return represents the average annual change in value of an investment over the periods indicated. Six-month return has not been annualized.
- 4. These figures represent the value of a hypothetical \$10,000 investment in the Fund over the periods indicated.
- 5. In accordance with SEC rules, we provide standardized average annual total return information through the latest calendar quarter.
- 6. Figures are as stated in the Fund's current prospectus. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.
- 7. Performance shown is not annualized
- 8. Effective 11/1/05, the Fund began offering Advisor Class shares, which do not have sales charges or a Rule 12b-1 plan. Performance quotations for this class reflect the following methods of calculation: (a) For periods prior to 11/1/05, a restated figure is used based upon the Fund's Class A performance, excluding the effect of Class A's maximum initial sales charge, but reflecting the effect of the Class A Rule 12b-1 fees; and (b) for periods after 11/1/05, actual Advisor Class performance is used reflecting all charges and fees applicable to that class. Since 11/1/05 (commencement of sales), the cumulative and average annual total returns of Advisor Class shares were +113.12% and +9.32%.

## Your Fund's Expenses

### Franklin MicroCap Value Fund

As a Fund shareholder, you can incur two types of costs:

- Transaction costs, including sales charges (loads) on Fund purchases; and
- Ongoing Fund costs, including management fees, distribution and service (12b-1) fees, and other Fund expenses. All mutual funds have ongoing costs, sometimes referred to as operating expenses.

The following table shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other mutual funds. The table assumes a \$1,000 investment held for the six months indicated.

### **Actual Fund Expenses**

The first line (Actual) for each share class listed in the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of Fund expenses.

You can estimate the expenses you paid during the period by following these steps. Of course, your account value and expenses will differ from those in this illustration:

- 1. Divide your account value by \$1,000. If an account had an \$8,600 value, then  $$8,600 \div $1,000 = 8.6$ .
- 2. Multiply the result by the number under the heading "Expenses Paid During Period." If Expenses Paid During Period were \$7.50, then  $8.6 \times 7.50 = 64.50$ .

In this illustration, the estimated expenses paid this period are \$64.50.

### Hypothetical Example for Comparison with Other Funds

Information in the second line (Hypothetical) for each class in the table can help you compare ongoing costs of investing in the Fund with those of other mutual funds. This information may not be used to estimate the actual ending account balance or expenses you paid during the period. The hypothetical "Ending Account Value" is based on the actual expense ratio for each class and an assumed 5% annual rate of return before expenses, which does not represent the Fund's actual return. The figure under the heading "Expenses Paid During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds.

# Your Fund's Expenses (continued)

Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transaction costs, such as sales charges. Therefore, the second line for each class is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transaction costs were included, your total costs would have been higher. Please refer to the Fund prospectus for additional information on operating expenses.

Share Class	Beginning Account Value 11/1/13	Ending Account Value 4/30/14	Expenses Paid During Period* 11/1/13-4/30/14
A			
Actual	\$1,000	\$1,026.90	\$5.68
Hypothetical (5% return before expenses)	\$1,000	\$1,019.19	\$5.66
R6			
Actual	\$1,000	\$1,028.50	\$3.87
Hypothetical (5% return before expenses)	\$1,000	\$1,020.98	\$3.86
Advisor			
Actual	\$1,000	\$1,028.10	\$4.48
Hypothetical (5% return before expenses)	\$1,000	\$1,020.38	\$4.46

<sup>\*</sup>Expenses are calculated using the most recent six-month expense ratio, net of expense waivers, annualized for each class (A: 1.13%; R6: 0.77%; and Advisor: 0.89%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

# Franklin MidCap Value Fund

Your Fund's Goal and Main Investments: Franklin MidCap Value Fund seeks long-term total return by investing at least 80% of net assets in securities of mid-capitalization companies that we believe are undervalued. We define mid-capitalization companies as those with market capitalizations that are similar in size at the time of purchase to those in the Russell Midcap® Index.1

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. Please visit franklintempleton.com or call (800) 342-5236 for most recent month-end performance.

This semiannual report for Franklin MidCap Value Fund covers the period ended April 30, 2014.

#### **Performance Overview**

Franklin MidCap Value Fund – Class A delivered a +6.77% cumulative total return for the six months under review. In comparison, the Russell Midcap Value Index, which measures performance of those Russell Midcap Index companies with lower price-to-book ratios and lower forecasted growth values, posted a +9.69% total return.<sup>2,3</sup> Although this report covers a six-month period, our investment strategy aims for long-term results. You can find the Fund's long-term performance data in the Performance Summary beginning on page 40.

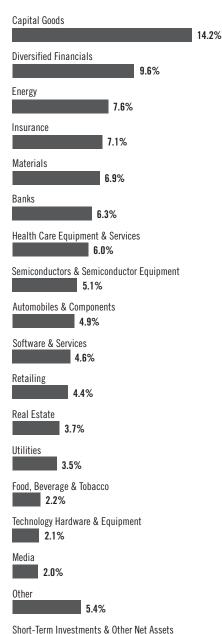
### **Investment Strategy**

Our goal is to invest in mid-capitalization companies that we determine are currently undervalued and have the potential for capital appreciation. The Fund purchases stocks that are out of favor in the market for reasons we believe will prove to be temporary in nature. In addition, the Fund may invest in companies with valuable intangibles we believe are not reflected in the stock price. This strategy is not aimed at short-term trading gains, nor do we consider the composition of any index. Rather, we try to identify attractively priced, financially sound companies that meet our investment criteria, and we assume at purchase that we will hold the positions for several years.

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI). The SOI begins on page 86.

#### Portfolio Breakdown

Franklin MidCap Value Fund Based on Total Net Assets as of 4/30/14



#### Manager's Discussion

During the six months under review, three holdings that helped absolute Fund performance were Valero Energy, iShares Russell Mid-Cap Value ETF and Corning. Valero Energy, a petroleum refiner and marketer, benefited from a U.S. refining boom, particularly among coastal refiners, which is being fueled by abundant supplies of low-cost crude oil inventories. iShares Russell Mid-Cap Value ETF, an exchange-traded fund, is designed to closely approximate the benchmark's return. The ETF benefited, as did the Fund's benchmark, primarily from its concentration in financial stocks, especially real estate investment trusts, banks and insurance. Corning, a world leader in specialty glass and ceramics, experienced price stabilization in its display glass business. The market also reacted positively to Corning's acquisition of its South Korean joint venture with Samsung.

Detractors from absolute Fund performance included GameStop, Tidewater and Leidos Holdings. GameStop, a video game retailer, reported weaker-thanexpected new software sales and lowered guidance as the industry shifted its focus to new video game consoles developed by Microsoft and Sony. Tidewater, an offshore oilfield services provider, suffered from weaker-thanexpected deep-water day rates, higher maintenance expenses and concerns over excess industry capacity. Leidos Holdings, an information technology security solutions provider, was hurt by poor bookings and by management guidance that materially trailed Wall Street estimates.

During the reporting period, the Fund initiated 21 new positions. Some of the largest purchases were John Wiley & Sons, a print and electronic reading and educational products publisher; Host Hotels & Resorts, a real estate investment trust; Zimmer Holdings, a medical devices developer and manufacturer; Denbury Resources, an oil and gas exploration and production company; HollyFrontier, an independent oil refiner; Agilent Technologies, a bio-analytic and electronic measurement solutions and services provider; CareFusion, a medical technology company; Cadence Design Systems, an electronic design automation company; and Regal-Beloit, an electric motor manufacturer. Consistent with our value strategy, we added to existing positions in Raymond James Financial, a diversified financial services company; Ingredion, a food sweetener and starch producer; and the aforementioned GameStop, among others.

We liquidated positions in Beam and Noble, and during the period NV Energy was acquired by Berkshire Hathaway through its subsidiary, MidAmerican Energy. We also reduced our positions in Valero Energy, Xerox and Time Warner Cable, among others. In addition, there were two takeover announcements during the period: Beam will be acquired

4.4%

by Suntory Holdings, a subsidiary of Kotobuki Fudosan, in an all cash deal, and Time Warner Cable will be acquired by Comcast in an all stock deal.

Thank you for your continued participation in Franklin MidCap Value Fund. We look forward to continuing to serve your investment needs.





Sam Kerner, CFA Lead Portfolio Manager

Bruce C. Baughman, CPA William J. Lippman Margaret McGee Donald G. Taylor, CPA

Portfolio Management Team Franklin MidCap Value Fund

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The foregoing information reflects our analysis, opinions and portfolio holdings as of April 30, 2014, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

- 1. The Russell Midcap Index is market capitalization weighted and measures performance of the smallest companies in the Russell 1000 Index, which represent a modest amount of the Russell 1000 Index's total market capitalization.
- 2. Source: © 2014 Morningstar. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of
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**Top 10 Equity Holdings** Franklin MidCap Value Fund 4/30/14

Company Sector/Industry	% of Total Net Assets
iShares Russell Mid-Cap Value ETF  Diversified Financials	4.8%
American Campus Communities Inc. <i>Real Estate</i>	2.1%
Northern Trust Corp.  Diversified Financials	2.0%
Corning Inc. Technology Hardware & Equipment	2.0%
Comerica Inc. Banks	1.9%
KeyCorp <i>Banks</i>	1.8%
Xylem Inc. Capital Goods	1.6%
Total System Services Inc. Software & Services	1.6%
GameStop Corp., A  Retailing	1.6%
Owens Corning Inc.  Capital Goods	1.5%

# Performance Summary as of 4/30/14

### Franklin MidCap Value Fund

Your dividend income will vary depending on dividends or interest paid by securities in the Fund's portfolio, adjusted for operating expenses of each class. Capital gain distributions are net profits realized from the sale of portfolio securities. The performance table does not reflect any taxes that a shareholder would pay on Fund dividends, capital gain distributions, if any, or any realized gains on the sale of Fund shares. Total return reflects reinvestment of the Fund's dividends and capital gain distributions, if any, and any unrealized gains or losses.

#### **Net Asset Value**

Share Class	4/30/14	10/31/13	Change
A (FMVAX)	\$15.67	\$14.76	+\$0.91
C (FMVCX)	\$15.47	\$14.55	+\$0.92
R (n/a)	\$15.65	\$14.71	+\$0.94
Advisor (n/a)	\$15.74	\$14.84	+\$0.90

#### **Distributions**

Share Class	Dividend Income
A (11/1/13-4/30/14)	\$0.0849
C (11/1/13-4/30/14)	\$0.0058
R (11/1/13-4/30/14)	\$0.0495
Advisor (11/1/13-4/30/14)	\$0.1206

# Performance Summary (continued)

### Performance as of 4/30/14<sup>1</sup>

Cumulative total return excludes sales charges. Average annual total returns and value of \$10,000 investment include maximum sales charges. Class A: 5.75% maximum initial sales charge; Class C: 1% contingent deferred sales charge in first year only; Class R/Advisor Class: no sales charges.

		Value of	Average Annual		
Cumulative	Average Annual	\$10,000	Total Return		perating Expenses <sup>6</sup>
Total Return <sup>2</sup>	Total Return <sup>3</sup>	Investment <sup>4</sup>	(3/31/14)5	(with waiver)	(without waiver)
				1.36%	1.66%
+6.77%	+0.64%	\$10,064			
+20.67%	+13.71%	\$11,371	+15.21%		
+126.66%	+16.38%	\$21,352	+19.67%		
+73.36%	+5.72%	\$16,339	+5.77%		
				2.06%	2.36%
+6.36%	+5.36%	\$10,536			
+19.88%	+18.88%	\$11,888	+20.48%		
+119.00%	+16.97%	\$21,900	+20.30%		
+63.40%	+5.72%	\$16,340	+5.77%		
				1.56%	1.86%
+6.68%	+6.68%	\$10,668			
+20.43%	+20.43%	\$12,043	+22.04%		
+124.53%	+17.56%	\$22,453	+20.87%		
+70.67%	+6.24%	\$17,067	+6.29%		
				1.06%	1.36%
+6.92%	+6.92%	\$10,692			
+21.12%	+21.12%	\$12,112	+22.73%		
+130.44%	+18.17%	\$23,044	+21.49%		
+78.54%	+6.78%	\$17,854	+6.84%		
	+6.77% +20.67% +126.66% +73.36% +6.36% +19.88% +119.00% +63.40% +6.68% +20.43% +124.53% +70.67% +6.92% +21.12% +130.44%	Total Return²         Total Return³           +6.77%         +0.64%           +20.67%         +13.71%           +126.66%         +16.38%           +73.36%         +5.72%           +6.36%         +5.36%           +19.88%         +18.88%           +119.00%         +16.97%           +63.40%         +5.72%           +6.68%         +20.43%           +20.43%         +20.43%           +124.53%         +17.56%           +70.67%         +6.24%           +6.92%         +21.12%           +21.12%         +21.12%           +130.44%         +18.17%	Cumulative Total Return²         Average Annual Average Annual Total Return³         \$10,000 Investment⁴           +6.77%         +0.64%         \$10,064           +20.67%         +13.71%         \$11,371           +126.66%         +16.38%         \$21,352           +73.36%         +5.72%         \$16,339           +6.36%         +5.36%         \$10,536           +19.88%         +18.88%         \$11,888           +119.00%         +16.97%         \$21,900           +63.40%         +5.72%         \$16,340           +6.68%         +6.68%         \$10,668           +20.43%         +20.43%         \$12,043           +124.53%         +17.56%         \$22,453           +70.67%         +6.24%         \$17,067           +6.92%         +6.92%         \$10,692           +21.12%         +21.12%         \$12,112           +130.44%         +18.17%         \$23,044	Cumulative Total Return²         Average Annual Total Return³         \$10,000 Investment⁴         Total Return (3/31/14)⁵           +6.77%         +0.64%         \$10,064           +20.67%         +13.71%         \$11,371         +15.21%           +126.66%         +16.38%         \$21,352         +19.67%           +73.36%         +5.72%         \$16,339         +5.77%           +6.36%         +5.36%         \$10,536         +5.77%           +19.88%         +18.88%         \$11,888         +20.48%           +19.00%         +16.97%         \$21,900         +20.30%           +63.40%         +5.72%         \$16,340         +5.77%           +6.68%         \$10,668         +20.43%         +22.04%           +20.43%         +20.43%         \$12,043         +22.04%           +124.53%         +17.56%         \$22,453         +20.87%           +70.67%         +6.24%         \$17,067         +6.29%           +6.92%         \$10,692         +21.12%         +21.12%         +22.73%           +130.44%         +18.17%         \$23,044         +21.49%	Cumulative Total Return²         Average Annual Total Return³         \$10,000 Investment⁴         Total Return (3/31/14)⁵         Total Annual O (with waiver)           +6.77%         +0.64%         \$10,064         \$12,067%         \$13.71%         \$11,371         \$15.21%         \$12.666%         \$12.666%         \$10.67%         \$12.666%         \$10.67%         \$10.67%         \$10.67%         \$10.67%         \$10.67%         \$10.67%         \$10.67%         \$10.67%         \$10.67%         \$10.67%         \$10.67%         \$10.66%

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to franklintempleton.com or call (800) 342-5236.

## Performance Summary (continued)

All investments involve risks, including possible loss of principal. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Historically, midsize company securities have been more volatile in price than larger company securities, especially over the short term. Midsize companies may be more susceptible to particular economic events or competitive factors than are larger, more broadly diversified companies. In addition, the Fund may invest up to 25% of its total assets in foreign securities, which involve special risks, including currency fluctuations and economic and political uncertainty. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Class C: These shares have higher annual fees and expenses than Class A shares.

Class R: Shares are available to certain eligible investors as described in the prospectus. These shares have higher annual fees and expenses

than Class A shares

Advisor Class: Shares are available to certain eligible investors as described in the prospectus.

1. The Fund has an expense reduction contractually guaranteed through at least 2/28/15 and a fee waiver associated with its investments in a Franklin Templeton money fund, contractually guaranteed through at least its current fiscal year-end. Fund investment results reflect the expense reduction and fee waiver, to the extent applicable; without these reductions, the results would have been lower.

- 2. Cumulative total return represents the change in value of an investment over the periods indicated.
- 3. Average annual total return represents the average annual change in value of an investment over the periods indicated. Six-month return has not
- 4. These figures represent the value of a hypothetical \$10,000 investment in the Fund over the periods indicated.
- 5. In accordance with SEC rules, we provide standardized average annual total return information through the latest calendar quarter.
- 6. Figures are as stated in the Fund's current prospectus. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.

## Your Fund's Expenses

### Franklin MidCap Value Fund

As a Fund shareholder, you can incur two types of costs:

- Transaction costs, including sales charges (loads) on Fund purchases; and
- Ongoing Fund costs, including management fees, distribution and service (12b-1) fees, and other Fund expenses. All mutual funds have ongoing costs, sometimes referred to as operating expenses.

The following table shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other mutual funds. The table assumes a \$1,000 investment held for the six months indicated.

### **Actual Fund Expenses**

The first line (Actual) for each share class listed in the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of Fund expenses.

You can estimate the expenses you paid during the period by following these steps. Of course, your account value and expenses will differ from those in this illustration:

- 1. Divide your account value by \$1,000. If an account had an \$8,600 value, then  $$8,600 \div $1,000 = 8.6$ .
- 2. Multiply the result by the number under the heading "Expenses Paid During Period." If Expenses Paid During Period were \$7.50, then  $8.6 \times 7.50 = 64.50$ .

In this illustration, the estimated expenses paid this period are \$64.50.

### Hypothetical Example for Comparison with Other Funds

Information in the second line (Hypothetical) for each class in the table can help you compare ongoing costs of investing in the Fund with those of other mutual funds. This information may not be used to estimate the actual ending account balance or expenses you paid during the period. The hypothetical "Ending Account Value" is based on the actual expense ratio for each class and an assumed 5% annual rate of return before expenses, which does not represent the Fund's actual return. The figure under the heading "Expenses Paid During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds.

# Your Fund's Expenses (continued)

Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transaction costs, such as sales charges. Therefore, the second line for each class is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transaction costs were included, your total costs would have been higher. Please refer to the Fund prospectus for additional information on operating expenses.

Share Class	Beginning Account Value 11/1/13	Ending Account Value 4/30/14	Expenses Paid During Period* 11/1/13-4/30/14
A			
Actual	\$1,000	\$1,067.70	\$ 6.97
Hypothetical (5% return before expenses)	\$1,000	\$1,018.05	\$ 6.80
С			
Actual	\$1,000	\$1,063.60	\$10.54
Hypothetical (5% return before expenses)	\$1,000	\$1,014.58	\$10.29
R			
Actual	\$1,000	\$1,066.80	\$ 7.99
Hypothetical (5% return before expenses)	\$1,000	\$1,017.06	\$ 7.80
Advisor			
Actual	\$1,000	\$1,069.20	\$ 5.44
Hypothetical (5% return before expenses)	\$1,000	\$1,019.54	\$ 5.31

<sup>\*</sup>Expenses are calculated using the most recent six-month expense ratio, net of expense waivers, annualized for each class (A: 1.35%; C: 2.05%; R: 1.55%; and Advisor: 1.05%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

# Franklin Small Cap Value Fund

Your Fund's Goal and Main Investments: Franklin Small Cap Value Fund seeks longterm total return by investing at least 80% of net assets in securities of small-capitalization companies that we believe are undervalued. We define small-capitalization companies as those with market capitalizations less than \$3.5 billion at the time of purchase.

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. Please visit franklintempleton.com or call (800) 342-5236 for most recent month-end performance.

This semiannual report for Franklin Small Cap Value Fund covers the period ended April 30, 2014.

#### **Performance Overview**

Franklin Small Cap Value Fund – Class A delivered a +3.57% cumulative total return for the six months under review. In comparison, the Russell 2500<sup>TM</sup> Value Index, which measures performance of those Russell 2500 Index companies with lower price-to-book ratios and lower forecasted growth values, generated a +6.97% total return.<sup>1,2</sup> Although this report covers a six-month period, our investment strategy aims for long-term results. You can find the Fund's long-term performance data in the Performance Summary beginning on page 48.

### **Investment Strategy**

We seek to invest in small-capitalization companies that we believe are selling below their underlying worth and hold them until they reach what we consider their fair market value. We seek a diversified portfolio of fundamentally sound companies purchased at attractive prices, often when they are out of favor with other investors. Portfolio securities are selected without regard to benchmark comparisons and are based on fundamental, bottom-up research focusing on several criteria, such as low price relative to earnings, book value or cash flow. We also consider stocks with recent sharp price declines that we believe still have significant growth potential or that possess valuable intangibles not reflected in the stock price.

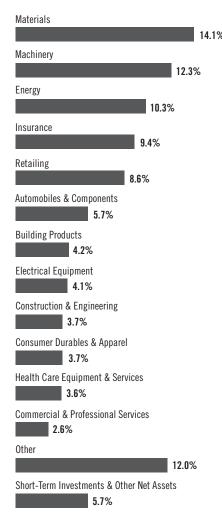
#### Manager's Discussion

During the six months under review, contributors to absolute Fund performance included Trinity Industries, Unit Corp. and Cabot Corp. Trinity Industries, a railcar manufacturer, benefited from strong demand for crude

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI). The SOI begins on page 95.

#### Portfolio Breakdown

Franklin Small Cap Value Fund Based on Total Net Assets as of 4/30/14



oil tank railcars related to a surge in domestic energy production, a broadening of orders for other railcar types such as hoppers and auto racks, accretive asset sales and the potential for acquisitions and other shareholder-friendly capital allocation moves. Unit Corp., an onshore oil and gas exploration, production and services company, was helped by an increase in natural gas prices because of the cold winter and improved demand for land-based drilling rigs to support the North American energy revolution. Cabot, a specialty chemicals and materials company, was positively influenced by an increase in demand for carbon black, a key ingredient in automobile tire manufacturing, as global automobile sales were on the rise and miles driven were also growing. In addition, the disappointing performance of a recent acquisition serving the utility coal emissions market appeared to be stabilizing.

Detractors from absolute Fund performance included GameStop, Tidewater and The Pep Boys – Manny, Moe and Jack. GameStop, a video game retailer, reported weaker-than-expected new software sales and lowered guidance as the industry shifted its focus to new video game consoles developed by Microsoft and Sony. Tidewater, an offshore oilfield services provider, suffered from weaker-than-expected deep-water day rates, higher maintenance expenses and concerns over excess industry capacity. The Pep Boys - Manny, Moe and Jack, an auto service and retail chain, was negatively impacted by weak operating performance as the company's restructuring program failed to gain traction, while increased competitive pressure in the replacement tire market also weighed on results.

During the reporting period, the Fund initiated positions in four new holdings: Maple Leaf Foods, a packaged consumer foods manufacturer; GrainCorp, a grain products and services provider; Minerals Technologies, a global producer of value-added specialty minerals; and AMCOL International, a specialty materials producer that was also sold later in the period as it was the subject of a takeover offer by Minerals Technologies. We also added to our positions in Stepan, a global chemical manufacturer; Lindsay, a manufacturer of irrigation equipment and road construction products; and Genesco, a specialty retailer, among others.

We liquidated positions in five companies: Harman International Industries, Benchmark Electronics, Jos. A. Bank Clothiers, Regis and General Cable. We reduced positions in several securities including Pentair, Autoliv and Men's Wearhouse. In addition, there were two new takeover announcements — a cash and stock deal for the acquisition of Schawk by Matthews International was announced at a 36% premium to Schawk's then share price, and Aspen Insurance was the subject of a takeover offer by Endurance Specialty Holdings at a 21% premium to Aspen's then share price. Also completed during the period was the acquisition of NV Energy by Berkshire Hathaway Energy through its subsidiary, MidAmerican Energy.

Thank you for your continued participation in Franklin Small Cap Value Fund. We look forward to continuing to serve your investment needs.



William J. Lippman

William J. Lippman President and Co-Portfolio Manager



Steven B. Raineri

Co-Portfolio Manager

Bruce C. Baughman, CPA Margaret McGee Donald G. Taylor, CPA

Portfolio Management Team Franklin Small Cap Value Fund

The foregoing information reflects our analysis, opinions and portfolio holdings as of April 30, 2014, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

The index is unmanaged and includes reinvested dividends. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

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**Top 10 Equity Holdings** Franklin Small Cap Value Fund 4/30/14

Company Sector/Industry	% of Total Net Assets
Trinity Industries Inc.  Machinery	2.5%
Thor Industries Inc.  Automobiles & Components	2.4%
Group 1 Automotive Inc.  Retailing	2.1%
Bristow Group Inc.  Energy	2.1%
Regal-Beloit Corp.  Electrical Equipment	2.0%
Unit Corp. <i>Energy</i>	2.0%
Granite Construction Inc.  Construction & Engineering	1.9%
H.B. Fuller  Materials	1.9%
Protective Life Corp.  Insurance	1.8%
EMCOR Group Inc.  Construction & Engineering	1.8%

# Performance Summary as of 4/30/14

### Franklin Small Cap Value Fund

Your dividend income will vary depending on dividends or interest paid by securities in the Fund's portfolio, adjusted for operating expenses of each class. Capital gain distributions are net profits realized from the sale of portfolio securities. The performance table does not reflect any taxes that a shareholder would pay on Fund dividends, capital gain distributions, if any, or any realized gains on the sale of Fund shares. Total return reflects reinvestment of the Fund's dividends and capital gain distributions, if any, and any unrealized gains or losses.

### **Net Asset Value**

Share Class	4/30/14	10/31/13	Change
A (FRVLX)	\$58.85	\$59.76	-\$0.91
C (FRVFX)	\$54.62	\$55.62	-\$1.00
R (FVFRX)	\$58.35	\$59.21	-\$0.86
R6 (n/a)	\$60.81	\$61.78	-\$0.97
Advisor (FVADX)	\$60.81	\$61.72	-\$0.91

### **Distributions**

Share Class	Dividend Income	Short-Term Capital Gain	Long-Term Capital Gain	Total
A (11/1/13-4/30/14)	\$0.2491	\$0.0776	\$2.6632	\$2.9899
C (11/1/13-4/30/14)	_	\$0.0776	\$2.6632	\$2.7408
R (11/1/13-4/30/14)	\$0.1308	\$0.0776	\$2.6632	\$2.8716
R6 (11/1/13-4/30/14)	\$0.5325	\$0.0776	\$2.6632	\$3.2733
Advisor (11/1/13-4/30/14)	\$0.4105	\$0.0776	\$2.6632	\$3.1513

# Performance Summary (continued)

### Performance as of 4/30/141

Cumulative total return excludes sales charges. Average annual total returns and value of \$10,000 investment include maximum sales charges. Class A: 5.75% maximum initial sales charge. Class C: 1% contingent deferred sales charge in first year only; Class R/R6/Advisor Class: no sales charges.

			Value of	Average Annual		
	Cumulative	Average Annual	\$10,000	Total Return		perating Expenses <sup>6</sup>
Share Class	Total Return <sup>2</sup>	Total Return <sup>3</sup>	Investment <sup>4</sup>	(3/31/14)5	(with waiver)	(without waiver)
Α					1.20%	1.21%
6-Month	+3.57%	-2.39%	\$9,761			
1-Year	+22.80%	+15.75%	\$11,575	+17.13%		
5-Year	+145.02%	+18.22%	\$23,093	+23.39%		
10-Year	+159.16%	+9.34%	\$24,429	+9.30%		
С					1.90%	1.91%
6-Month	+3.20%	+2.22%	\$10,222			
1-Year	+21.92%	+20.92%	\$12,092	+22.42%		
5-Year	+136.59%	+18.80%	\$23,659	+23.99%		
10-Year	+141.70%	+9.23%	\$24,170	+9.18%		
R					1.40%	1.41%
6-Month	+3.46%	+3.46%	\$10,346			
1-Year	+22.54%	+22.54%	\$12,254	+24.03%		
5-Year	+142.58%	+19.39%	\$24,258	+24.62%		
10-Year	+154.08%	+9.77%	\$25,408	+9.73%		
R6					0.65%	0.66%
6-Month	+3.83%	+3.83%	\$10,383	+11.10%		
Since Inception (5/1/13) <sup>7</sup>	+26.20%	+26.20%	\$12,620	+29.50%		
Advisor					0.90%	0.91%
6-Month	+3.73%	+3.73%	\$10,373			
1-Year	+23.16%	+23.16%	\$12,316	+24.65%		
5-Year	+148.73%	+19.99%	\$24,873	+25.24%		
10-Year	+167.09%	+10.32%	\$26,709	+10.28%		

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to franklintempleton.com or call (800) 342-5236.

## Performance Summary (continued)

All investments involve risks, including possible loss of principal. The Fund's investments in smaller company stocks carry special risks as such stocks have historically exhibited greater price volatility than larger company stocks, particularly over the short term. Additionally, smaller companies often have relatively small revenues, limited product lines and small market share. In addition, the Fund may invest up to 25% of its total assets in foreign securities, which involve special risks, including currency fluctuations and economic and political uncertainty. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Class C: These shares have higher annual fees and expenses than Class A shares.

Class R: Shares are available to certain eligible investors as described in the prospectus. These shares have higher annual fees and expenses

than Class A shares.

Class R6: Shares are available to certain eligible investors as described in the prospectus. Advisor Class: Shares are available to certain eligible investors as described in the prospectus.

- 1. The Fund has a fee waiver associated with its investments in a Franklin Templeton money fund, contractually guaranteed through at least its current fiscal year-end. Fund investment results reflect the fee waiver, to the extent applicable; without this reduction, the results would have been
- 2. Cumulative total return represents the change in value of an investment over the periods indicated.
- 3. Average annual total return represents the average annual change in value of an investment over the periods indicated. Six-month return has not
- 4. These figures represent the value of a hypothetical \$10,000 investment in the Fund over the periods indicated.
- 5. In accordance with SEC rules, we provide standardized average annual total return information through the latest calendar quarter.
- 6. Figures are as stated in the Fund's current prospectus. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.
- 7. Performance shown is not annualized.

## Your Fund's Expenses

### Franklin Small Cap Value Fund

As a Fund shareholder, you can incur two types of costs:

- Transaction costs, including sales charges (loads) on Fund purchases; and
- Ongoing Fund costs, including management fees, distribution and service (12b-1) fees, and other Fund expenses. All mutual funds have ongoing costs, sometimes referred to as operating expenses.

The following table shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other mutual funds. The table assumes a \$1,000 investment held for the six months indicated.

### **Actual Fund Expenses**

The first line (Actual) for each share class listed in the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of Fund expenses.

You can estimate the expenses you paid during the period by following these steps. Of course, your account value and expenses will differ from those in this illustration:

- 1. Divide your account value by \$1,000. If an account had an \$8,600 value, then  $$8,600 \div $1,000 = 8.6$ .
- 2. Multiply the result by the number under the heading "Expenses Paid During Period." If Expenses Paid During Period were \$7.50, then  $8.6 \times 7.50 = 64.50$ .

In this illustration, the estimated expenses paid this period are \$64.50.

### Hypothetical Example for Comparison with Other Funds

Information in the second line (Hypothetical) for each class in the table can help you compare ongoing costs of investing in the Fund with those of other mutual funds. This information may not be used to estimate the actual ending account balance or expenses you paid during the period. The hypothetical "Ending Account Value" is based on the actual expense ratio for each class and an assumed 5% annual rate of return before expenses, which does not represent the Fund's actual return. The figure under the heading "Expenses Paid During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds.

# Your Fund's Expenses (continued)

Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transaction costs, such as sales charges. Therefore, the second line for each class is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transaction costs were included, your total costs would have been higher. Please refer to the Fund prospectus for additional information on operating expenses.

Share Class	Beginning Account Value 11/1/13	Ending Account Value 4/30/14	Expenses Paid During Period* 11/1/13–4/30/14
A			
Actual	\$1,000	\$1,035.70	\$5.65
Hypothetical (5% return before expenses)	\$1,000	\$1,019.24	\$5.61
С			
Actual	\$1,000	\$1,032.00	\$9.17
Hypothetical (5% return before expenses)	\$1,000	\$1,015.77	\$9.10
R			
Actual	\$1,000	\$1,034.60	\$6.66
Hypothetical (5% return before expenses)	\$1,000	\$1,018.25	\$6.61
R6			
Actual	\$1,000	\$1,038.30	\$3.08
Hypothetical (5% return before expenses)	\$1,000	\$1,021.77	\$3.06
Advisor			
Actual	\$1,000	\$1,037.30	\$4.14
Hypothetical (5% return before expenses)	\$1,000	\$1,020.73	\$4.11

<sup>\*</sup>Expenses are calculated using the most recent six-month expense ratio, net of expense waivers, annualized for each class (A: 1.12%; C: 1.82%; R: 1.32%; R6: 0.61%; and Advisor: 0.82%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

### **Financial Highlights**

	Six Months Ended April 30, 2014		Year E	Ended October	31,	
Class A	(unaudited)	2013	2012	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$12.23	\$ 9.23	\$8.45	\$8.41	\$6.83	\$6.25
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b</sup>	c	0.04	0.06	0.04	0.04	0.05
Net realized and unrealized gains (losses)	0.88	3.04	0.77	0.03	1.59	0.58
Total from investment operations	0.88	3.08	0.83	0.07	1.63	0.63
Less distributions from net investment income	(0.02)	(0.08)	(0.05)	(0.03)	(0.05)	(0.05)
Net asset value, end of period	\$13.09	\$12.23	\$9.23	\$8.45	\$8.41	\$6.83
Total return <sup>d</sup>	7.16%	33.69%	9.83%	0.86%	23.90%	10.27%
Ratios to average net assetse						
Expenses before waiver and payments by affiliates	1.41%	1.59%	1.67%	1.72%	1.92%	2.05%
affiliates	1.25%	1.23%	1.20%	1.20%	1.20%	1.21% <sup>f</sup>
Net investment income	0.03%	0.37%	0.70%	0.46%	0.49%	0.89%
Supplemental data						
Net assets, end of period (000's)	\$46,746	\$37,004	\$20,127	\$18,455	\$15,904	\$10,167
Portfolio turnover rate	9.92%	26.63%	26.94%	34.96%	27.31%	38.74%

<sup>&</sup>lt;sup>a</sup>The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

<sup>&</sup>lt;sup>b</sup>Based on average daily shares outstanding.

cAmount rounds to less than \$0.01 per share.

dTotal return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

eRatios are annualized for periods less than one year.

<sup>&</sup>lt;sup>†</sup>Benefit of expense reduction rounds to less than 0.01%.

### Financial Highlights (continued)

	Six Months Ended April 30, 2014		Year E	nded October	31,	
Class C	(unaudited)	2013	2012	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$12.05	\$ 9.09	\$8.34	\$8.33	\$6.77	\$6.20
Income from investment operations <sup>a</sup> :						
Net investment income (loss) <sup>b</sup>	(0.04)	(0.03)	c	(0.02)	(0.01)	0.01
Net realized and unrealized gains (losses)	0.86	3.01	0.75	0.03	1.58	0.58
Total from investment operations	0.82	2.98	0.75	0.01	1.57	0.59
Less distributions from net investment income		(0.02)	_	_	(0.01)	(0.02)
Net asset value, end of period	\$12.87	\$12.05	\$9.09	\$8.34	\$8.33	\$6.77
Total return <sup>d</sup>	6.81%	32.82%	8.99%	0.12%	23.14%	9.50%
Ratios to average net assetse						
Expenses before waiver and payments by affiliates	2.11%	2.29%	2.37%	2.42%	2.62%	2.72%
affiliates	1.95%	1.93%	1.90%	1.90%	1.90%	1.88% <sup>f</sup>
Net investment income (loss)	(0.67)%	(0.33)%	—% <sup>g</sup>	(0.24)%	(0.21)%	0.22%
Supplemental data						
Net assets, end of period (000's)	\$8,336	\$5,745	\$3,248	\$3,159	\$2,364	\$1,565
Portfolio turnover rate	9.92%	26.63%	26.94%	34.96%	27.31%	38.74%

a The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

<sup>&</sup>lt;sup>b</sup>Based on average daily shares outstanding.

 $<sup>^{\</sup>text{c}}\text{Amount}$  rounds to less than \$0.01 per share.

dTotal return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

eRatios are annualized for periods less than one year.

<sup>&</sup>lt;sup>†</sup>Benefit of expense reduction rounds to less than 0.01%.

gRounds to less than 0.01%.

### Financial Highlights (continued)

	Six Months Ended April 30, 2014	Year Ended October 31,				
Class R	(unaudited)	2013	2012	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$12.23	\$ 9.21	\$8.43	\$8.39	\$6.82	\$6.25
Income from investment operations <sup>a</sup> :						
Net investment income (loss) <sup>b</sup>	(0.01)	0.02	0.06	0.02	0.02	0.03
Net realized and unrealized gains (losses)	0.88	3.04	0.75	0.04	1.59	0.58
Total from investment operations	0.87	3.06	0.81	0.06	1.61	0.61
Less distributions from net investment income		(0.04)	(0.03)	(0.02)	(0.04)	(0.04)
Net asset value, end of period	\$13.10	\$12.23	\$9.21	\$8.43	\$8.39	\$6.82
Total return <sup>c</sup>	7.11%	33.45%	9.61%	0.69%	23.69%	9.88%
Ratios to average net assets <sup>d</sup>						
Expenses before waiver and payments by affiliates	1.61%	1.79%	1.87%	1.92%	2.12%	2.24%
affiliates	1.45%	1.43%	1.40%	1.40%	1.40%	1.40%e
Net investment income (loss)	(0.17)%	0.18%	0.50%	0.26%	0.29%	0.70%
Supplemental data						
Net assets, end of period (000's)	\$56	\$46	\$29	\$54	\$25	\$18
Portfolio turnover rate	9.92%	26.63%	26.94%	34.96%	27.31%	38.74%

a The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

<sup>&</sup>lt;sup>b</sup>Based on average daily shares outstanding.

 $<sup>{}^{\</sup>rm c}\text{Total}$  return is not annualized for periods less than one year.

dRatios are annualized for periods less than one year.

<sup>&</sup>lt;sup>e</sup>Benefit of expense reduction rounds to less than 0.01%.

### Financial Highlights (continued)

	Six Months Ended April 30, 2014		Year E	inded October	31,	
Advisor Class	(unaudited)	2013	2012	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$12.29	\$ 9.28	\$8.49	\$8.45	\$6.86	\$6.28
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b</sup>	0.02	0.07	0.09	0.07	0.06	0.07
Net realized and unrealized gains (losses)	0.88	3.05	0.77	0.02	1.60	0.58
Total from investment operations	0.90	3.12	0.86	0.09	1.66	0.65
Less distributions from net investment income	(0.04)	(0.11)	(0.07)	(0.05)	(0.07)	(0.07)
Net asset value, end of period	\$13.15	\$12.29	\$9.28	\$8.49	\$8.45	\$6.86
Total return <sup>c</sup>	7.32%	34.00%	10.28%	1.09%	24.27%	10.54%
Ratios to average net assets <sup>d</sup>						
Expenses before waiver and payments by affiliates	1.11%	1.29%	1.37%	1.42%	1.62%	1.74%
affiliates	0.95%	0.93%	0.90%	0.90%	0.90%	0.90% <sup>e</sup>
Net investment income	0.33%	0.67%	1.00%	0.76%	0.79%	1.20%
Supplemental data						
Net assets, end of period (000's)	\$2,678	\$2,411	\$1,668	\$1,644	\$1,158	\$939
Portfolio turnover rate	9.92%	26.63%	26.94%	34.96%	27.31%	38.74%

a The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

<sup>&</sup>lt;sup>b</sup>Based on average daily shares outstanding.

 $<sup>{}^{\</sup>rm c}\text{Total}$  return is not annualized for periods less than one year.

dRatios are annualized for periods less than one year.

<sup>&</sup>lt;sup>e</sup>Benefit of expense reduction rounds to less than 0.01%.

## Statement of Investments, April 30, 2014 (unaudited)

Franklin All Cap Value Fund	Shares	Value
Common Stocks 95.1%		
Aerospace & Defense 1.7%		
AAR Corp.	32,000	\$ 828,800
United Technologies Corp.	1,500	177,495
		1,006,295
A		
Automobiles & Components 2.7%	F 000	F00 000
Autoliv Inc.	5,000	509,900
Gentex Corp.  Johnson Controls Inc.	12,000	344,040
Spartan Motors Inc.	14,500 6,000	654,530 31,860
Spartali Motors me.	0,000	
		1,540,330
Banks 3.9%		
KeyCorp	80,500	1,098,020
U.S. Bancorp	28,200	1,149,996_
		2,248,016
Building Products 7.6%		
<sup>a</sup> Gibraltar Industries Inc.	54,900	937,692
Griffon Corp.	79,500	845,880
Insteel Industries Inc.	56,000	1,152,480
Owens Corning Inc.	23,700	968,145
Universal Forest Products Inc.	9,600	484,704
	,	4,388,901
0 110 0 7 1 10 1 0 707		4,300,301
Commercial & Professional Services 0.5%	0.700	074746
McGrath RentCorp	8,700	274,746
Consumer Durables & Apparel 1.5%		
Adidas AG, ADR (Germany)	4,000	213,440
La-Z-Boy Inc.	25,800	625,134
		838,574
Consumer Services 2.3%		
Royal Caribbean Cruises Ltd.	25,500	1,354,815
Electrical Equipment 4.3%	,	
Eaton Corp. PLC	11,200	813,568
Encore Wire Corp.	11,300	550,649
Regal-Beloit Corp.	15,000	1,120,950
······································	,	
		2,485,167
Energy 15.6%		
Apache Corp.	11,650	1,011,220
Baker Hughes Inc.	16,000	1,118,400
Bristow Group Inc.	13,000	998,400
Ensco PLC, A  a Natural Gas Services Group Inc.	5,000 36,100	252,250
Occidental Petroleum Corp.	36,100 7,000	1,107,909 670,250
a PHI Inc.	28,700	1,214,010
PHI Inc., non-voting	9,000	403,200
Tidewater Inc.	8,800	448,184
nuonato mo	5,555	770,104

Statement of Investments, April 30, 2014 (unaudited) (continued)

Franklin All Cap Value Fund	Shares	Value
Common Stocks (continued)		
Energy (continued)		
a Unit Corp.	20,000	\$ 1,319,000
Valero Energy Corp	8,000	457,360
		9,000,183
Food 9 Charles Datailing 1 49/		
Food & Staples Retailing 1.4%	10.000	707 100
Wal-Mart Stores Inc.	10,000	797,100
Food, Beverage & Tobacco 12.5%		
Archer-Daniels-Midland Co	22,700	992,671
Bunge Ltd.	14,500	1,154,925
GrainCorp Ltd. (Australia)	55,000	452,677
Kraft Foods Group Inc.	7,233	411,268
Maple Leaf Foods Inc. (Canada)	36,000	594,827
Mondelez International Inc., A	16,700	595,355
a Omega Protein Corp.	88,500	1,005,360
PepsiCo Inc	11,600 36,669	996,324
"Serieca Foods Corp., A	30,009	1,041,400
		7,244,807
Health Care Equipment & Services 2.6%		
Becton, Dickinson and Co	6,600	745,998
STERIS Corp	16,200	778,410
		1,524,408
Household & Personal Products 1.0%		
The Procter & Gamble Co	7,300	602,615
	7,500	
Insurance 2.8%	00 000	1 156 005
The Allstate Corp.	20,300	1,156,085
The Chubb Corp.	5,000	460,400
		1,616,485
Machinery 10.6%		
Briggs & Stratton Corp.	26,000	555,620
John Bean Technologies Corp.	28,700	832,013
L.B. Foster Co., A	25,000	1,183,750
Miller Industries Inc	66,500	1,288,105
Pentair Ltd	7,400	549,746
<sup>a</sup> Wabash National Corp	64,500	861,720
Xylem Inc	23,000	864,570
		6,135,524
Materials 12.9%		
Alcoa Inc.	115,000	1,549,050
Allegheny Technologies Inc.	22,000	906,400
Carpenter Technology Corp.	10,100	634,280
H.B. Fuller Co.	23,000	1,065,590
Kaiser Aluminum Corp	8,400	591,360
Minerals Technologies Inc.	6,100	362,889
Nucor Corp.	10,000	517,500
Sensient Technologies Corp.	15,000	810,750

Statement of Investments, April 30, 2014 (unaudited) (continued)

Franklin All Cap Value Fund	Shares	Value
Common Stocks (continued) Materials (continued)		
Stepan Co	4,500 21,936	\$ 260,235
Pharmaceuticals, Biotechnology & Life Sciences 2.1%		
Johnson & Johnson	12,000	1,215,480
Retailing 2.7% The Home Depot Inc.  The Pep Boys - Manny, Moe & Jack Target Corp.	4,000 30,300 15,000	318,040 309,666 926,250 1,553,956
Semiconductors & Semiconductor Equipment 1.2%  Microchip Technology Inc	14,500	689,330
Software & Services 0.8%	14,300	000,550
International Business Machines Corp.	2,300	451,881_
Technology Hardware & Equipment 4.3%	60.000	1 054 600
Corning Inc	60,000 15,300	1,254,600 1,204,263
		2,458,863
Utilities 0.1%           Avista Corp.	500	16,076
IDACORP Inc.	500	28,070
		44,146
Total Common Stocks (Cost \$41,742,534)		54,956,959
Short Term Investments (Cost \$2,578,930) 4.4%		
Money Market Funds 4.4%		
a.b Institutional Fiduciary Trust Money Market Portfolio	2,578,930	2,578,930
Total Investments (Cost \$44,321,464) 99.5%		57,535,889
·		280,289 \$\psi = 280,289
Net Assets 100.0%		\$57,816,178

See Abbreviations on page 127.

<sup>a</sup>Non-income producing.

bSee Note 3(f) regarding investments in the Institutional Fiduciary Trust Money Market Portfolio.

### **Financial Highlights**

	Six Months End April 30, 201		Year Ended October 31,			
Class A	(unaudited)	2013	2012	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$53.98	\$43.01	\$44.05	\$47.25	\$39.28	\$37.85
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b</sup>	0.29℃	0.64d	0.48	0.50	0.39	0.40
Net realized and unrealized gains (losses)	2.73	13.15	3.65	1.02	8.01	2.78
Total from investment operations	3.02	13.79	4.13	1.52	8.40	3.18)
Less distributions from:						
Net investment income	(0.65)	(0.66)	(0.25)	(0.79)	(0.43)	(0.70)
Net realized gains	(5.30)	(2.16)	(4.92)	(3.93)		(1.05
Total distributions	(5.95)	(2.82)	(5.17)	(4.72)	(0.43)	(1.75)
Net asset value, end of period	\$51.05	\$53.98	\$43.01	\$44.05	\$47.25	\$39.28
Total returne	5.93%	33.97%	11.09%	2.75%	21.48%	9.38%
Ratios to average net assets <sup>f</sup>						
Expenses before waiver and payments by affiliates	0.90%	0.91%	0.99%	0.94%	0.97%	1.00%
Expenses net of waiver and payments by affiliates	0.89% <sup>g</sup>	0.91%	0.99%	0.94%	0.97%	1.00%g
Net investment income	1.13%c	1.34% <sup>d</sup>	1.16%	1.06%	0.89%	1.17%
Supplemental data						
Net assets, end of period (000's)	\$1,295,901	\$1,256,543	\$1,079,418	\$1,441,777	\$1,788,318	\$2,081,258
Portfolio turnover rate	10.71%	11.54%	7.91% <sup>h</sup>	9.66%	5.15%	6.07%

<sup>&</sup>lt;sup>a</sup>The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

<sup>&</sup>lt;sup>b</sup>Based on average daily shares outstanding.

Net investment income per share includes approximately \$0.13 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 0.63%.

Net investment income per share includes approximately \$0.15 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 1.02%.

eTotal return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

fRatios are annualized for periods less than one year.

gBenefit of expense reduction rounds to less than 0.01%.

hExcludes the value of portfolio securities delivered as a result of a redemption in-kind.

### Financial Highlights (continued)

	Six Months Ended April 30, 2014		Year	Ended October	31,	
Class C	(unaudited)	2013	2012	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$52.77	\$42.10	\$43.27	\$46.51	\$38.70	\$37.27
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b</sup>	0.10c	0.25 <sup>d</sup>	0.15	0.12	0.05	0.14
Net realized and unrealized gains (losses)	2.66	12.93	3.60	1.02	7.91	2.71
Total from investment operations	2.76	13.18	3.75	1.14	7.96	2.85
Less distributions from:						
Net investment income	(0.31)	(0.35)	_	(0.45)	(0.15)	(0.37)
Net realized gains	(5.30)	(2.16)	(4.92)	(3.93)		(1.05)
Total distributions	(5.61)	(2.51)	(4.92)	(4.38)	(0.15)	(1.42)
Net asset value, end of period	\$49.92	\$52.77	\$42.10	\$43.27	\$46.51	\$38.70
Total returne	5.53%	33.01%	10.25%	1.97%	20.59%	8.42%
Ratios to average net assets <sup>f</sup>						
Expenses before waiver and payments by affiliates	1.65%	1.66%	1.74%	1.69%	1.72%	1.75%
Expenses net of waiver and payments by affiliates	1.64% <sup>g</sup>	1.66%	1.74%	1.69%	1.72%	1.75% <sup>g</sup>
Net investment income	0.38%°	0.59% <sup>d</sup>	0.41%	0.31%	0.14%	0.42%
Supplemental data						
Net assets, end of period (000's)	\$101,200	\$96,462	\$71,723	\$75,025	\$77,217	\$72,184
Portfolio turnover rate	10.71%	11.54%	7.91% <sup>h</sup>	9.66%	5.15%	6.07%

<sup>&</sup>lt;sup>a</sup>The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

<sup>&</sup>lt;sup>b</sup>Based on average daily shares outstanding.

Net investment income per share includes approximately \$0.13 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been (0.12)%.

Net investment income per share includes approximately \$0.15 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 0.27%.

eTotal return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

fRatios are annualized for periods less than one year.

gBenefit of expense reduction rounds to less than 0.01%.

hExcludes the value of portfolio securities delivered as a result of a redemption in-kind.

### Financial Highlights (continued)

	Six Months Ended April 30, 2014		Year	Ended October	31,	
Class R	(unaudited)	2013	2012	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$53.90	\$42.95	\$43.94	\$47.12	\$39.19	\$37.54
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b</sup>	0.25℃	$0.49^{d}$	0.37	0.42	0.28	0.31
Net realized and unrealized gains (losses)	2.69	13.18	3.65	0.98	7.99	2.91
Total from investment operations	2.94	13.67	4.02	1.40	8.27	3.22
Less distributions from:						
Net investment income	(0.49)	(0.56)	(0.09)	(0.65)	(0.34)	(0.52)
Net realized gains	(5.30)	(2.16)	(4.92)	(3.93)	_	(1.05)
Total distributions	(5.79)	(2.72)	(5.01)	(4.58)	(0.34)	(1.57)
Net asset value, end of period	\$51.05	\$53.90	\$42.95	\$43.94	\$47.12	\$39.19
Total returne	5.78%	33.67%	10.80%	2.50%	21.17%	9.46%
Ratios to average net assets <sup>f</sup>						
Expenses before waiver and payments by affiliates	1.15%	1.16%	1.24%	1.19%	1.22%	1.25%
Expenses net of waiver and payments by affiliates	1.14% <sup>g</sup>	1.16%	1.24%	1.19%	1.22%	1.25% <sup>g</sup>
Net investment income	0.88%⁵	1.09% <sup>d</sup>	0.91%	0.81%	0.64%	0.92%
Supplemental data						
Net assets, end of period (000's)	\$15,950	\$17,992	\$15,053	\$19,321	\$28,490	\$28,264
Portfolio turnover rate	10.71%	11.54%	7.91% <sup>h</sup>	9.66%	5.15%	6.07%

The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

bBased on average daily shares outstanding.

Net investment income per share includes approximately \$0.13 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 0.38%.

<sup>&</sup>lt;sup>4</sup>Net investment income per share includes approximately \$0.15 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 0.77%.

eTotal return is not annualized for periods less than one year.

<sup>&</sup>lt;sup>f</sup>Ratios are annualized for periods less than one year.

gBenefit of expense reduction rounds to less than 0.01%.

hExcludes the value of portfolio securities delivered as a result of a redemption in-kind.

### Financial Highlights (continued)

Franklin Balance Sheet Investment Fund		
	Six Months Ended	Period Ended
Class R6	April 30, 2014 (unaudited)	October 31, 2013 <sup>a</sup>
Per share operating performance		
(for a share outstanding throughout the period)		
Net asset value, beginning of period	\$55.06	\$47.79
Income from investment operations <sup>b</sup> :		
Net investment income <sup>c</sup>	0.18 <sup>d</sup>	0.32e
Net realized and unrealized gains (losses)	3.00	6.95
Total from investment operations	3.18	7.27
Less distributions from:		
Net investment income	(0.85)	_
Net realized gains	(5.30)	
Total distributions	(6.15)	
Net asset value, end of period	\$52.09	\$55.06
Toal return <sup>f</sup>	6.13%	15.21%
Ratios to average net assets <sup>g</sup>		
Expenses before waiver and payments by affiliates	0.50%	2.10%
Expenses net of waiver and payments by affiliates	0.49% <sup>h</sup>	0.51%
Net investment income	1.53% <sup>d</sup>	1.25% <sup>e</sup>
Supplemental data		
Net assets, end of period (000's)	\$6,506	\$6
Portfolio turnover rate	10.71%	11.54%

<sup>&</sup>lt;sup>a</sup>For the period May 1, 2013 (effective date) to October 31, 2013.

bThe amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

<sup>&</sup>lt;sup>c</sup>Based on average daily shares outstanding.

<sup>4</sup>Net investment income per share includes approximately \$0.13 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 1.03%.

Net investment income per share includes approximately \$0.07 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 1.00%.

<sup>&#</sup>x27;Total return is not annualized for periods less than one year.

gRatios are annualized for periods less than one year.

hBenefit of expense reduction rounds to less than 0.01%.

### Financial Highlights (continued)

	Six Months Ende April 30, 2014	d	Yea	r Ended Octobe	r 31,	
Advisor Class	(unaudited)	2013	2012	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$55.04	\$43.79	\$44.82	\$48.01	\$39.89	\$37.93
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b</sup>	0.36°	$0.79^{d}$	0.58	0.58	0.51	0.48
Net realized and unrealized gains (losses)	2.78	13.40	3.69	1.08	8.13	3.36
Total from investment operations	3.14	14.19	4.27	1.66	8.64	3.84
Less distributions from:						
Net investment income	(0.78)	(0.78)	(0.38)	(0.92)	(0.52)	(0.83)
Net realized gains	(5.30)	(2.16)	(4.92)	(3.93)		(1.05)
Total distributions	(6.08)	(2.94)	(5.30)	(4.85)	(0.52)	(1.88)
Net asset value, end of period	\$52.10	\$55.04	\$43.79	\$44.82	\$48.01	\$39.89
Total returne	6.05%	34.39%	11.34%	3.01%	21.80%	11.18%
Ratios to average net assets <sup>f</sup>						
Expenses before waiver and payments by affiliates	0.65%	0.66%	0.74%	0.69%	0.72%	0.75%
Expenses net of waiver and payments by affiliates	0.64% <sup>g</sup>	0.66%	0.74%	0.69%	0.72%	0.75% <sup>g</sup>
Net investment income	1.38% <sup>c</sup>	1.59% <sup>d</sup>	1.41%	1.31%	1.14%	1.42%
Supplemental data						
Net assets, end of period (000's)	\$112,626	\$107,925	\$115,694	\$195,437	\$145,478	\$132,921
Portfolio turnover rate	10.71%	11.54%	7.91% <sup>h</sup>	9.66%	5.15%	6.07%

The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

bBased on average daily shares outstanding.

Net investment income per share includes approximately \$0.13 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 0.88%.

<sup>&</sup>lt;sup>4</sup>Net investment income per share includes approximately \$0.15 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 1.27%.

eTotal return is not annualized for periods less than one year.

<sup>&</sup>lt;sup>f</sup>Ratios are annualized for periods less than one year.

gBenefit of expense reduction rounds to less than 0.01%.

hExcludes the value of portfolio securities delivered as a result of a redemption in-kind.

## Statement of Investments, April 30, 2014 (unaudited)

Franklin Balance Sheet Investment Fund	Shares	Value
Common Stocks 87.8%		
Banks 7.4%		
Citigroup Inc.	769,000	\$ 36,842,790
Comerica Inc.	631,000	30,439,440
Farmers & Merchants Bank of Long Beach	1,475	8,813,125
KeyCorp	2,700,000	36,828,000
	, ,	112,923,355
Capital Goods 4.0%		
Encore Wire Corp.	535,000	26,070,550
Mueller Industries Inc.	396,000	11,460,240
Trinity Industries Inc.	321,200	24,109,272
mility moustres me.	321,200	
		61,640,062
Commercial & Professional Services 1.6%		
Kelly Services Inc., A	1,145,000	24,113,700
Consumer Durables & Apparel 0.4%		
Lennar Corp., B	200,000	6,504,000
Consumer Services 2.9%		
Royal Caribbean Cruises Ltd.	572,000	30,390,360
Vail Resorts Inc.	212,500	14,711,375
		45,101,735
Energy 14.1%		
Apache Corp	233,000	20,224,400
Bristow Group Inc.	160,500	12,326,400
Devon Energy Corp.	564,600	39,522,000
Ensco PLC, A	767,000	38,695,150
<sup>a</sup> McDermott International Inc.	1,970,000	14,243,100
aPHI Inc.	77,500	3,278,250
<sup>a</sup> PHI Inc., non-voting	390,000	17,472,000
a Rowan Cos. PLC	831,000	25,694,520
Tidewater Inc.	660,000	33,613,800
Valero Energy Corp	199,000	11,376,830
		216,446,450
Food, Beverage & Tobacco 7.3%		
Archer-Daniels-Midland Co.	955,000	41,762,150
Bunge Ltd.	543,000	43,249,950
Fresh Del Monte Produce Inc.	281,000	8,118,090
GrainCorp Ltd. (Australia)	2,219,000	18,263,473
		111,393,663
Insurance 8.0%		
American National Insurance Co.	189,000	21,245,490
Assurant Inc.	479,000	32,289,390
E-L Financial Corp. Ltd. (Canada)	63,000	42,329,068
HCC Insurance Holdings Inc.	585,000	26,874,900
		122,738,848
		122,/30,040

Statement of Investments, April 30, 2014 (unaudited) (continued)

Franklin Balance Sheet Investment Fund	Shares	Value
Common Stocks (continued)		
Life & Health Insurance 10.3%		
Manulife Financial Corp. (Canada)	590,000	\$ 11,062,500
MetLife Inc.	565,000	29,577,750
National Western Life Insurance Co., A	138,500	32,305,125
Prudential Financial Inc.	505,000	40,743,400
StanCorp Financial Group Inc.	710,000	43,381,000
		157,069,775
Materials 13.7%		
	3,600,000	48,492,000
Alloghany Tachnologias Inc	575,000	23,690,000
Allegheny Technologies Inc.	,	, ,
Ashland Inc.	167,000	16,132,200
<sup>a</sup> Century Aluminum Co.	2,205,000	30,318,750
Commercial Metals Co.	521,000	10,003,200
Kaiser Aluminum Corp.	424,100	29,856,640
Reliance Steel & Aluminum Co.	427,000	30,240,140
<sup>a</sup> RTI International Metals Inc.	741,300	20,875,008
		209,607,938
Property & Casualty Insurance 9.3%		
The Chubb Corp.	374,000	34,437,920
Old Republic International Corp.	2,400,000	39,744,000
Selective Insurance Group Inc.	1,317,000	30,211,980
The Travelers Cos. Inc.	420,000	38,043,600
		142,437,500
D: 0.40/		
Reinsurance 0.4%	1.40.000	F 49C 3C0
Validus Holdings Ltd.	148,000	5,486,360
Retailing 1.3%		
CST Brands Inc.	333	10,866
Haverty Furniture Cos. Inc.	505,000	12,897,700
<sup>a,b</sup> Trinity Place Holdings Inc.	1,200,000	7,620,000
		20,528,566
Semiconductors & Semiconductor Equipment 1.0%		
<sup>a</sup> First Solar Inc.	229,000	15,455,210
Photronics Inc.	9,400	81,592
Thouastic.	3,400	· · · · · · · · · · · · · · · · · · ·
		15,536,802
Technology Hardware & Equipment 3.6%		
Corning Inc.	2,658,000	55,578,780
Utilities 2.5%		
Great Plains Energy Inc.	297,000	7,968,510
IDACORP Inc.	134,000	7,522,760
a,b,c KGen Power Corp., 144A	2,800,000	1,540,000
Northeast Utilities	165,000	7,797,900
PNM Resources Inc.	297,000	8,220,960
Westar Energy Inc.	130,000	4,664,400
	5,000	
		37,714,530
Total Common Stocks (Cost \$770,344,459)		1,344,822,064

### Statement of Investments, April 30, 2014 (unaudited) (continued)

Franklin Balance Sheet Investment Fund	Shares	Value
Short Term Investments (Cost \$183,438,700) 11.9% Money Market Funds 11.9%  a.d Institutional Fiduciary Trust Money Market Portfolio	183,438,700	\$ 183,438,700
Total Investments (Cost \$953,783,159) 99.7%		1,528,260,764 3,922,090
Net Assets 100.0%		\$1,532,182,854

<sup>&</sup>lt;sup>a</sup>Non-income producing.

bSee Note 8 regarding holdings of 5% voting securities.

eSecurity was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. This security has been deemed liquid under guidelines approved by the Trust's Board of Trustees. At April 30, 2014, the value of this security was \$1,540,000, representing 0.10% of net assets.

dSee Note 3(f) regarding investments in the Institutional Fiduciary Trust Money Market Portfolio.

### **Financial Highlights**

### Franklin Large Cap Value Fund

	Six Months End April 30, 201		Yea			
Class A	(unaudited)	2013	2012	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$16.85	\$13.05	\$11.95	\$11.78	\$10.63	\$ 9.84
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b</sup>	0.05	0.11	0.12	0.10	0.08	0.12
Net realized and unrealized gains (losses)	1.29	3.83	1.10	0.15	1.24	0.86
Total from investment operations	1.34	3.94	1.22	0.25	1.32	0.98
Less distributions from net investment income	(0.10)	(0.14)	(0.12)	(0.08)	(0.17)	(0.19)
Net asset value, end of period	\$18.09	\$16.85	\$13.05	\$11.95	\$11.78	\$10.63
Total return <sup>c</sup>	7.97%	30.53%	10.31%	2.09%	12.47%	10.37%
Ratios to average net assets <sup>d</sup>						
Expenses	1.32%e	1.35%	1.40%	1.39%	1.42%	1.48%
Net investment income	0.57%	0.75%	0.95%	0.79%	0.71%	1.36%
Supplemental data						
Net assets, end of period (000's)	\$152,583	\$138,325	\$96,584	\$101,711	\$101,638	\$98,252
Portfolio turnover rate	0.62%	5.81%	15.76%	17.99%	13.89%	10.95%

a The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

<sup>&</sup>lt;sup>b</sup>Based on average daily shares outstanding.

cTotal return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

dRatios are annualized for periods less than one year.

eBenefit of waiver and payments by affiliates rounds to less than 0.01%.

### Financial Highlights (continued)

### Franklin Large Cap Value Fund

	Six Months Endo		Year			
Class C	(unaudited)	2013	2012	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$16.66	\$12.91	\$11.82	\$11.65	\$10.52	\$ 9.70
Income from investment operationsa:						
Net investment income (loss) <sup>b</sup>	(0.01)	0.01	0.03	0.01	c	0.06
Net realized and unrealized gains (losses)	1.28	3.79	1.08	0.16	1.22	0.85
Total from investment operations	1.27	3.80	1.11	0.17	1.22	0.91
Less distributions from net investment income		(0.05)	(0.02)	_	(0.09)	(0.09)
Net asset value, end of period	\$17.93	\$16.66	\$12.91	\$11.82	\$11.65	\$10.52
Total return <sup>d</sup>	7.62%	29.59%	9.46%	1.46%	11.68%	9.59%
Ratios to average net assets <sup>e</sup>						
Expenses	2.01% <sup>f</sup>	2.06%	2.11%	2.09%	2.12%	2.20%
Net investment income (loss)	(0.12)%	0.04%	0.24%	0.09%	0.01%	0.64%
Supplemental data						
Net assets, end of period (000's)	\$36,783	\$33,287	\$22,650	\$22,062	\$23,693	\$23,845
Portfolio turnover rate	0.62%	5.81%	15.76%	17.99%	13.89%	10.95%

a The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

<sup>&</sup>lt;sup>b</sup>Based on average daily shares outstanding.

cAmount rounds to less than \$0.01 per share.

dTotal return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

eRatios are annualized for periods less than one year.

<sup>&</sup>lt;sup>f</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.

### Financial Highlights (continued)

### Franklin Large Cap Value Fund

	Six Months Ende		Year	er 31,		
Class R	(unaudited)	2013	2012	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$16.70	\$12.94	\$11.85	\$11.68	\$10.55	\$ 9.74
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b</sup>	0.03	0.08	0.09	0.07	0.05	0.10
Net realized and unrealized gains (losses)	1.28	3.80	1.09	0.16	1.22	0.86
Total from investment operations	1.31	3.88	1.18	0.23	1.27	0.96
Less distributions from net investment income	(0.05)	(0.12)	(0.09)	(0.06)	(0.14)	(0.15)
Net asset value, end of period	\$17.96	\$16.70	\$12.94	\$11.85	\$11.68	\$10.55
Total return <sup>c</sup>	7.89%	30.20%	10.07%	1.92%	12.16%	10.18%
Ratios to average net assets <sup>d</sup>						
Expenses	1.51%e	1.56%	1.61%	1.59%	1.62%	1.70%
Net investment income	0.38%	0.54%	0.74%	0.59%	0.51%	1.14%
Supplemental data						
Net assets, end of period (000's)	\$5,235	\$4,531	\$3,644	\$3,638	\$3,895	\$3,707
Portfolio turnover rate	0.62%	5.81%	15.76%	17.99%	13.89%	10.95%

aThe amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

<sup>&</sup>lt;sup>b</sup>Based on average daily shares outstanding.

cTotal return is not annualized for periods less than one year.

dRatios are annualized for periods less than one year.

<sup>&</sup>lt;sup>e</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.

### Financial Highlights (continued)

#### Franklin Large Cap Value Fund

Class R6	Six Months Ended April 30, 2014 (unaudited)	Period Ended October 31, 2013 <sup>a</sup>
Per share operating performance (for a share outstanding throughout the period)		
Net asset value, beginning of period	\$16.80	\$14.55
Income from investment operations <sup>b</sup> :		
Net investment income <sup>c</sup>	0.07	0.09
Net realized and unrealized gains (losses)	1.32	2.16
Total from investment operations	1.39	2.25
Less distributions from net investment income	(0.18)	
Net asset value, end of period	\$18.01	\$16.80
Total return <sup>d</sup>	8.23%	15.46%
Ratios to average net assetse		
Expenses before waiver and payments by affiliates	0.85%	2.22%
Expenses net of waiver and payments by affiliates	0.85% <sup>f</sup>	0.87%
Net investment income	1.04%	1.23%
Supplemental data		
Net assets, end of period (000's)	\$5,928	\$6
Portfolio turnover rate	0.62%	5.81%

 $<sup>\</sup>ensuremath{^{\text{a}}} \text{For the period May 1, 2013 (effective date) to October 31, 2013.}$ 

bThe amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

<sup>&</sup>lt;sup>c</sup>Based on average daily shares outstanding.

dTotal return is not annualized for periods less than one year.

eRatios are annualized for periods less than one year.

<sup>&</sup>lt;sup>f</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.

### Financial Highlights (continued)

#### Franklin Large Cap Value Fund

	Six Months Ended April 30, 2014 Year Ended October 31,					
Advisor Class	(unaudited)	2013	2012	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$16.80	\$13.01	\$11.93	\$11.75	\$10.60	\$ 9.83
Income from investment operationsa:						
Net investment income <sup>b</sup>	0.08	0.15	0.15	0.13	0.10	0.14
Net realized and unrealized gains (losses)	1.28	3.82	1.08	0.16	1.24	0.86
Total from investment operations	1.36	3.97	1.23	0.29	1.34	1.00
Less distributions from net investment income	(0.14)	(0.18)	(0.15)	(0.11)	(0.19)	(0.23)
Net asset value, end of period	\$18.02	\$16.80	\$13.01	\$11.93	\$11.75	\$10.60
Total return <sup>c</sup>	8.15%	30.95%	10.53%	2.47%	12.78%	10.68%
Ratios to average net assets <sup>d</sup>						
Expenses	1.01%e	1.06%	1.11%	1.09%	1.12%	1.20%
Net investment income	0.88%	1.04%	1.24%	1.09%	1.01%	1.64%
Supplemental data						
••	¢E 022	¢10 4Ε4	<b>ቀ</b> 7 1 C O	<b></b>	¢4.0Ε1	¢2.000
Net assets, end of period (000's)	\$5,832	\$10,454	\$7,169	\$6,028	\$4,851	\$3,896
Portfolio turnover rate	0.62%	5.81%	15.76%	17.99%	13.89%	10.95%

a The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

<sup>&</sup>lt;sup>b</sup>Based on average daily shares outstanding.

cTotal return is not annualized for periods less than one year.

dRatios are annualized for periods less than one year.

eBenefit of waiver and payments by affiliates rounds to less than 0.01%.

## Statement of Investments, April 30, 2014 (unaudited)

Franklin Large Cap Value Fund	Shares	Value
Common Stocks 96.0%		
Automobiles & Components 3.5%		
BorgWarner Inc.	51,000	\$ 3,169,140
Johnson Controls Inc.	90,000	4,062,600
		7,231,740
Banks 7.8%		
Bank of America Corp.	136,000	2,059,040
Citigroup Inc.	85,000	4,072,350
Comerica Inc.	70,000	3,376,800
KeyCorp	266,000	3,628,240
U.S. Bancorp	71,000	2,895,380
o.o. balloop	71,000	
		16,031,810_
Capital Goods 13.7%		
3M Co	26,500	3,685,885
Dover Corp.	34,500	2,980,800
Eaton Corp. PLC	55,000	3,995,200
General Dynamics Corp.	28,000	3,064,600
General Electric Co.	103,500	2,783,115
Illinois Tool Works Inc.	28,000	2,386,440
Parker Hannifin Corp.	27,000	3,425,760
Rockwell Automation Inc.	15,000	1,787,700
Stanley Black & Decker Inc.	12,000	1,030,680
United Technologies Corp.	26,500	3,135,745
		28,275,925
Consumer Durables & Apparel 1.3%		
NIKE Inc., B	37,400	2,728,330
Consumer Services 0.7%		
McDonald's Corp.	13,000	1,317,940
Diversified Financials 3.9%	,	
<sup>a</sup> Berkshire Hathaway Inc., A	8	1,546,200
Capital One Financial Corp.	17,456	1,289,998
Northern Trust Corp.	27,000	1,626,750
State Street Corp.	55,000	3,550,800
	00,000	
		8,013,748
Energy 16.4%		
Apache Corp.	33,400	2,899,120
Baker Hughes Inc.	57,200	3,998,280
Chevron Corp.	20,000	2,510,400
ConocoPhillips	38,500	2,860,935
Denbury Resources Inc.	84,000	1,412,880
Devon Energy Corp.	45,000	3,150,000
Ensco PLC, A	41,000	2,068,450
Exxon Mobil Corp.	29,000	2,969,890
HollyFrontier Corp.  Noble Corp. PLC	42,000 48,000	2,208,780
Occidental Petroleum Corp.	26,500	1,478,880 2,537,375
Phillips 66	19,250	2,537,375 1,601,985
ι ιιιιιμο ου	13,200	1,001,900

Franklin Large Cap Value Fund	Shares	Value
Common Stocks (continued)		
Energy (continued)		
Schlumberger Ltd.	10,000	\$ 1,015,500
Valero Energy Corp.	55,000	3,144,350
		33,856,825
Food & Stanley Potailing 2 20/		
Food & Staples Retailing 2.3%	12.000	045.360
CVS Caremark Corp.  Wal-Mart Stores Inc.	13,000 13,500	945,360 1,076,085
bWalgreen Co.	40,000	2,716,000
walgicell ou.	40,000	
		4,737,445_
Food, Beverage & Tobacco 3.1%		
Archer-Daniels-Midland Co	65,000	2,842,450
Bunge Ltd.	45,500	3,624,075
		6,466,525
Health Care Equipment & Services 2.7%		
Abbott Laboratories	28,300	1,096,342
Becton, Dickinson and Co	29,000	3,277,870
Covidien PLC	17,500	1,246,875
		5,621,087
Household & Personal Products 0.9%		
The Procter & Gamble Co.	23,000	1,898,650
	23,000	1,090,000
Insurance 10.0%	F7 000	0.575.040
Aflac Inc.	57,000	3,575,040
The Allstate Corp.	75,000	4,271,250
The Chubb Corp.	25,000	2,302,000
MetLife Inc. Prudential Financial Inc.	85,000	4,449,750
The Travelers Cos. Inc.	55,500 17,000	4,477,740
The travelers cos. flic.	17,000	1,539,860
		20,615,640
Materials 5.5%		
Air Products and Chemicals Inc.	13,900	1,633,528
Alcoa Inc	305,000	4,108,350
Nucor Corp.	78,000	4,036,500
Praxair Inc	12,000	1,566,600
		11,344,978
Pharmaceuticals, Biotechnology & Life Sciences 6.7%		
<sup>a</sup> Gilead Sciences Inc.	61,000	4,787,890
Merck & Co. Inc.	64,000	3,747,840
Pfizer Inc.	95,000	2,971,600
Teva Pharmaceutical Industries Ltd., ADR (Israel)	46,500	2,271,990
		13,779,320
Retailing 4.6%		
Family Dollar Stores Inc.	13,700	804,875
The Home Depot Inc.	38,500	3,061,135
Nordstrom Inc.	39,000	2,389,920
	55,000	2,003,320

### Statement of Investments, April 30, 2014 (unaudited) (continued)

Franklin Large Cap Value Fund	Shares	Value
Common Stocks (continued)		
Retailing (continued)		
<sup>a</sup> Office Depot Inc.	84,500	\$ 345,605
Target Corp.	48,000	2,964,000
		9,565,535
Semiconductors & Semiconductor Equipment 1.8%		
Maxim Integrated Products Inc.	48,600	1,576,584
Microchip Technology Inc.	45,000	2,139,300
		3,715,884
Software & Services 4.8%		
International Business Machines Corp.	15,000	2,947,050
Microsoft Corp.	69,500	2,807,800
Symantec Corp.  Xerox Corp.	25,000 295,000	507,000 3,566,550
λειόλ σοι μ.	233,000	
		9,828,400
Technology Hardware & Equipment 4.9%	110.000	0.540.100
Cisco Systems Inc.  Corning Inc.	110,000 220,000	2,542,100 4,600,200
EMC Corp.	27,200	701,760
QUALCOMM Inc.	22,500	1,770,975
TE Connectivity Ltd.	8,600	507,228
		10,122,263
Transportation 1.2%		
Norfolk Southern Corp.	25,000	2,363,250
Utilities 0.2%	•	
Exelon Corp.	14,000	490,420
Total Common Stocks (Cost \$132,592,603)		198,005,715
Short Term Investments (Cost \$8,808,891) 4.2%		
Money Market Funds 4.2%		
a.c Institutional Fiduciary Trust Money Market Portfolio	8,808,891	8,808,891
Total Investments (Cost \$141,401,494) 100.2%	. ,	206,814,606
Other Assets, less Liabilities (0.2)%		(452,724)
,		
Net Assets 100.0%		\$206,361,882

See Abbreviations on page 127.

<sup>&</sup>lt;sup>a</sup>Non-income producing.

bAt April 30, 2014, pursuant to the Fund's policies and the requirements of applicable securities law, the Fund may be restricted from trading this security for a limited or extended period of time due to ownership limits and/or potential possession of material non-public information.

<sup>&</sup>lt;sup>c</sup>See Note 3(f) regarding investments in the Institutional Fiduciary Trust Money Market Portfolio.

### **Financial Highlights**

	Six Months Ended April 30, 2014 Year Ended October 31,					
Class A	(unaudited)	2013	2012	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$40.99	\$32.60	\$32.38	\$29.34	\$25.84	\$25.09
Income from investment operations <sup>a</sup> :						
Net investment income (loss) <sup>b</sup>	(0.04)	0.10 <sup>d</sup>	0.30e	0.04	0.05	0.18
Net realized and unrealized gains (losses)	1.14	10.25	3.77	4.07	3.60	2.87
Total from investment operations	1.10	10.35	4.07	4.11	3.65	3.05
Less distributions from:						
Net investment income	(0.04)	(0.52)	(0.02)	(0.09)	(0.15)	(0.41)
Net realized gains	(2.44)	(1.44)	(3.83)	(0.98)	_	(1.89)
Total distributions	(2.48)	(1.96)	(3.85)	(1.07)	(0.15)	(2.30)
Net asset value, end of period	\$39.61	\$40.99	\$32.60	\$32.38	\$29.34	\$25.84
Total return <sup>f</sup>	2.69%	33.64%	14.70%	14.16%	14.19%	15.07%
Ratios to average net assets <sup>g</sup>						
Expenses before waiver and payments by affiliates	1.15%	1.15%	1.16%	1.16%	1.18%	1.18%
Expenses net of waiver and payments by affiliates	1.13%	1.15%	1.16%	1.16%	1.17%	1.17% <sup>h</sup>
Net investment income (loss)	(0.21)% <sup>c</sup>	0.36% <sup>d</sup>	1.01%e	0.12%	0.17%	0.79%
Supplemental data						
Net assets, end of period (000's)	\$372,065	\$370,763	\$202,636	\$214,646	\$217,735	\$232,075
Portfolio turnover rate	0.55%	11.31%	5.03%	9.46%	8.34%	10.97%

<sup>&</sup>lt;sup>a</sup>The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

bBased on average daily shares outstanding.

Net investment income per share includes approximately \$0.04 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been (0.40)%.

<sup>4</sup>Net investment income per share includes approximately \$0.17 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been (0.10)%.

Net investment income per share includes approximately \$0.23 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 0.25%.

Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

gRatios are annualized for periods less than one year.

hBenefit of expense reduction rounds to less than 0.01%.

### Financial Highlights (continued)

Class R6	Six Months Ended April 30, 2014 (unaudited)	Period Ended October 31, 2013 <sup>a</sup>
Per share operating performance (for a share outstanding throughout the period)	(unuuuncu)	2013
Net asset value, beginning of period	\$41.03	\$34.43
Income from investment operations <sup>b</sup> :		
Net investment income <sup>c</sup>	0.01 <sup>d</sup>	0.04
Net realized and unrealized gains (losses)	1.16	6.56
Total from investment operations	1.17	6.60
Less distributions from:		
Net investment income	(0.18)	_
Net realized gains	(2.44)	
Total distributions	(2.62)	
Net asset value, end of period	\$39.58	\$41.03
Total returne	2.85%	19.17%
Ratios to average net assets		
Expenses before waiver and payments by affiliates	0.79%	0.79%
Expenses net of waiver and payments by affiliates	0.77%	0.79%
Net investment income	0.15% <sup>d</sup>	0.19%
Supplemental data		
Net assets, end of period (000's)	\$83,550	\$59,597
Portfolio turnover rate	0.55%	11.31%

 $<sup>^{\</sup>mathrm{a}}$ For the period May 1, 2013 (effective date) to October 31, 2013.

bThe amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

<sup>&</sup>lt;sup>c</sup>Based on average daily shares outstanding.

<sup>&</sup>lt;sup>4</sup>Net investment income per share includes approximately \$0.04 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been (0.04)%.

eTotal return is not annualized for periods less than one year.

fRatios are annualized for periods less than one year.

### Financial Highlights (continued)

	Six Months End		Yea	r Ended Octo	ber 31,	
Advisor Class	(unaudited)	2013	2012	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$40.99	\$32.61	\$32.41	\$29.37	\$25.85	\$25.14
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b</sup>	0.02c	0.31 <sup>d</sup>	0.39e	0.12	0.11	0.22
Net realized and unrealized gains (losses)	1.13	10.11	3.74	4.07	3.62	2.87
Total from investment operations	1.15	10.42	4.13	4.19	3.73	3.09
Less distributions from:						
Net investment income	(0.12)	(0.60)	(0.10)	(0.17)	(0.21)	(0.49)
Net realized gains	(2.44)	(1.44)	(3.83)	(0.98)	_	(1.89)
Total distributions	(2.56)	(2.04)	(3.93)	(1.15)	(0.21)	(2.38)
Net asset value, end of period	\$39.58	\$40.99	\$32.61	\$32.41	\$29.37	\$25.85
Total return <sup>f</sup>	2.81%	33.93%	14.97%	14.44%	14.50%	15.33%
Ratios to average net assets <sup>g</sup>						
Expenses before waiver and payments by affiliates	0.91%	0.91%	0.92%	0.91%	0.94%	0.94%
Expenses net of waiver and payments by affiliates	0.89%	0.91%	0.92%	0.91%	0.93%	0.93% <sup>h</sup>
Net investment income	0.03% <sup>c</sup>	0.60% <sup>d</sup>	1.25%e	0.37%	0.41%	1.03%
Supplemental data						
Net assets, end of period (000's)	\$97,476	\$116,292	\$165,296	\$133,697	\$129,806	\$84,298
Portfolio turnover rate	0.55%	11.31%	5.03%	9.46%	8.34%	10.97%

a The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

<sup>&</sup>lt;sup>b</sup>Based on average daily shares outstanding.

Net investment income per share includes approximately \$0.04 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been (0.16)%.

<sup>4</sup>Net investment income per share includes approximately \$0.17 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 0.14%.

Net investment income per share includes approximately \$0.23 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 0.49%.

<sup>&</sup>lt;sup>f</sup>Total return is not annualized for periods less than one year.

gRatios are annualized for periods less than one year.

<sup>&</sup>lt;sup>h</sup>Benefit of expense reduction rounds to less than 0.01%.

## Statement of Investments, April 30, 2014 (unaudited)

Franklin MicroCap Value Fund	Shares	Value
Common Stocks 71.8%		
Automobiles & Components 0.7%		
Spartan Motors Inc.	756,650	\$ 4,017,812
Banks 5.9%	,	· , , ,
	156 760	E 001 241
Bar Harbor Bankshares	156,768 143,700	5,891,341 1,153,911
First Defiance Financial Corp.	210,000	5,674,200
•		, ,
MidSouth Bancorp Inc.	225,000 437,000	3,762,000 4,247,640
Northeast Bancorp	94,145	, ,
Old Line Bancshares Inc.		1,597,641
Peoples Financial Services Corp.	87,543	4,047,113
Southern Missouri Bancorp Inc.	70,000	2,471,000
WSFS Financial Corp.	60,000	4,057,200
		32,902,046
Capital Goods 15.1%		
Alamo Group Inc	175,500	9,322,560
Burnham Holdings Inc., A	219,000	4,036,170
<sup>a</sup> Ducommun Inc.	236,000	5,727,720
Espey Manufacturing & Electronics Corp.	16,500	438,900
<sup>a</sup> Gibraltar Industries Inc.	345,000	5,892,600
Griffon Corp.	120,000	1,276,800
<sup>b</sup> Hardinge Inc	934,900	12,490,264
<sup>b</sup> Hurco Cos. Inc.	379,400	10,114,804
Insteel Industries Inc.	119,723	2,463,899
<sup>a</sup> Lydall Inc	323,000	7,561,430
Miller Industries Inc.	355,000	6,876,350
a Northwest Pipe Co.	170,000	6,080,900
a.c Smith Investment Co. LLC	44,600	24,084
<sup>a</sup> Sparton Corp	260,211	7,067,331
a Sterling Construction Co.	515,000	3,955,200
		83,329,012
Commercial & Professional Services 3.3%		
Ecology and Environment Inc., A	144,000	1,380,960
Healthcare Services Group Inc.	456,000	13,269,600
Kelly Services Inc., A	60,100	1,265,706
Kimball International Inc., B	134,300	2,250,868
<sup>a</sup> Versar Inc	33,900	130,854
		18,297,988
Consumer Durables & Apparel 4.4%		-
Callaway Golf Co	135,000	1,175,850
a,b Cobra Electronics Corp.	455,000	1,501,500
Delta Apparel Inc.	743,700	11,326,551
<sup>a</sup> The Dixie Group Inc.	292,350	4,405,714
Flexsteel Industries Inc.	140,000	4,804,800
a P & F Industries Inc., A	65,200	534,640
"I & I IIIuustiies iiic., A		
Rocky Brands Inc.	37,000	541,680

Franklin MicroCap Value Fund	Shares	Value
Common Stocks (continued)		
Consumer Services 2.7%		
Frisch's Restaurants Inc.	220,000	\$ 5,209,600
a,b Full House Resorts Inc.	1,450,000	2,892,750
<sup>a</sup> Ruby Tuesday Inc.	912,000	7,031,520
		15,133,870
Diversified Financials 0.9%		
KCAP Financial Inc.	635,972	5,068,697
	000,372	
Energy 9.9%	4.075.000	6 475 000
a Cal Dive International Inc.	4,375,000	6,475,000
a,b Magellan Petroleum Corp.	2,377,980	5,255,336
a Natural Gas Services Group Inc	246,000	7,549,740
<sup>a</sup> Parker Drilling Co	765,000	5,071,950
<sup>a</sup> PHI Inc.	17,600	744,480
<sup>a</sup> PHI Inc., non-voting	411,000	18,412,800
<sup>a</sup> Tesco Corp	555,200	11,104,000
		54,613,306
Food & Staples Retailing 1.0%		
Village Super Market Inc., A	227,000	5,491,130
Food, Beverage & Tobacco 7.6%		
Griffin Land & Nurseries Inc.	127,000	3,708,400
John B. Sanfilippo & Son Inc.	212,000	4,886,600
a,b Omega Protein Corp.	1,275,000	14,484,000
<sup>a</sup> Seneca Foods Corp., A	539,104	15,310,554
<sup>a</sup> Seneca Foods Corp., B	121,500	3,710,610
	,	42,100,164
Insurance 3.6%		
a,b ACMAT Corp., A	314,200	6,943,820
Baldwin & Lyons Inc., B	275,001	7,152,776
<sup>a</sup> Global Indemnity PLC, A	108,584	2,910,051
<sup>a</sup> Hallmark Financial Services Inc.	120,000	1,008,000
Safety Insurance Group Inc.	35,000	1,879,850
outery mountained droup me.	33,000	
		19,894,497
Materials 4.5%		
d Central Steel and Wire Co	6,905	5,178,750
a,b Continental Materials Corp	129,700	2,334,600
<sup>a</sup> Mercer International Inc	303,030	2,509,088
The Monarch Cement Co	140,744	3,659,344
<sup>a</sup> RTI International Metals Inc	173,300	4,880,128
<sup>a</sup> Universal Stainless & Alloy Products Inc.	173,440	6,224,762
		24,786,672
Real Estate 0.9%		
a,c Allen Organ Co. (LandCo. Holdings)	94,800	415,129
Arbor Realty Trust Inc.	257,700	1,806,477
<sup>a</sup> Bresler & Reiner Inc.	205,000	63,550
<sup>b</sup> Origen Financial Inc	1,900,000	2,660,000
		4,945,156
		.,5 10,100

Franklin MicroCap Value Fund	Shares	Value
Common Stocks (continued)		
Retailing 4.3%		
<sup>a</sup> ALCO Stores Inc.	103,000	\$ 1,039,270
Brown Shoe Co. Inc.	226,000	5,331,340
Fred's Inc.	360,000	6,559,200
Haverty Furniture Cos. Inc. Shoe Carnival Inc.	215,000 233,000	5,491,100
Shoe Carnival IIIC.	233,000	5,321,720
		23,742,630
Telecommunication Services 1.0%		
Atlantic Tele-Network Inc.	66,000	3,905,220
North State Telecommunications Corp., B	21,757	1,411,594
		5,316,814
Transportation 6.0%		
International Shipholding Corp.	345,000	9,294,300
a,b P.A.M. Transportation Services Inc	476,051	11,848,909
Providence and Worcester Railroad Co	190,000	3,313,600
<sup>a</sup> SAIA Inc	214,500	8,830,965
		33,287,774
Total Common Stocks (Cost \$212,625,286)		397,218,303
Short Term Investments (Cost \$157,339,254) 28.5%		
Money Market Funds 28.5%		
a,e Institutional Fiduciary Trust Money Market Portfolio	157,339,254	157,339,254
Total Investments (Cost \$369,964,540) 100.3%		554,557,557
Other Assets, less Liabilities (0.3)%		(1,465,964)
Net Assets 100.0%		\$553,091,593

<sup>&</sup>lt;sup>a</sup>Non-income producing.

bSee Note 8 regarding holdings of 5% voting securities.

<sup>°</sup>See Note 7 regarding restricted securities.

<sup>&</sup>lt;sup>4</sup>At April 30, 2014, pursuant to the Fund's policies and the requirements of applicable securities law, the Fund may be restricted from trading this security for a limited or extended period of time due to ownership limits and/or potential possession of material non-public information.

eSee Note 3(f) regarding investments in the Institutional Fiduciary Trust Money Market Portfolio.

### **Financial Highlights**

Six Months Ended April 30, 2014 Year Ended October 31,					
(unaudited)	2013	2012	2011	2010	2009
\$14.76	\$11.38	\$10.39	\$10.31	\$ 8.35	\$7.31
0.04°	0.11 <sup>d</sup>	0.08	0.05	0.06	0.02e
0.95	3.43	0.96	0.08	1.94	1.07
0.99	3.54	1.04	0.13	2.00	1.09
(0.08)	(0.16)	(0.05)	(0.05)	(0.04)	(0.05)
\$15.67	\$14.76	\$11.38	\$10.39	\$10.31	\$8.35
6.77%	31.47%	10.04%	1.26%	24.08%	15.03%
1.56%	1.64%	1.70%	1.70%	1.77%	1.88%
1.35%	1.35%	1.35%	1.35%	1.35%	1.36%
0.58%℃	0.83% <sup>d</sup>	0.78%	0.50%	0.62%	0.33%e
\$120,756	\$102,866	\$64,265	\$62,226	\$55,445	\$41,642
11 440/	10.00%	22.29%	18.61%	20.67%	14.56%
	\$14.76 \$14.76 0.04° 0.95 0.99 (0.08) \$15.67 6.77% 1.56% 1.35% 0.58%°	April 30, 2014 (unaudited) 2013  \$14.76 \$11.38  0.04° 0.11° 0.95 3.43 0.99 3.54 (0.08) (0.16) \$15.67 \$14.76  6.77% 31.47%  1.56% 1.64%  1.35% 1.35% 0.58%° 0.83%° \$120,756 \$102,866	April 30, 2014 (unaudited) 2013 2012  \$14.76 \$11.38 \$10.39  0.04c 0.11d 0.08 0.95 3.43 0.96 0.99 3.54 1.04 (0.08) (0.16) (0.05) \$15.67 \$14.76 \$11.38  6.77% 31.47% 10.04%  1.56% 1.64% 1.70% 1.35% 1.35% 0.58%c 0.83%d 0.78%  \$120,756 \$102,866 \$64,265	April 30, 2014 (unaudited)       Year Ended Octobe 2013       Year Ended Octobe 2011         \$14.76       \$11.38       \$10.39       \$10.31         0.04°       0.11°       0.08       0.05         0.95       3.43       0.96       0.08         0.99       3.54       1.04       0.13         (0.08)       (0.16)       (0.05)       (0.05)         \$15.67       \$14.76       \$11.38       \$10.39         6.77%       31.47%       10.04%       1.26%         1.35%       1.35%       1.35%       1.35%         0.58%°       0.83%°       0.78%       0.50%         \$120,756       \$102,866       \$64,265       \$62,226	April 30, 2014 (unaudited)         Year Ended October 31, 2012         2011         2010           \$14.76         \$11.38         \$10.39         \$10.31         \$ 8.35           0.04c         0.11d         0.08         0.05         0.06           0.95         3.43         0.96         0.08         1.94           0.99         3.54         1.04         0.13         2.00           (0.08)         (0.16)         (0.05)         (0.05)         (0.04)           \$15.67         \$14.76         \$11.38         \$10.39         \$10.31           6.77%         31.47%         10.04%         1.26%         24.08%           1.35%         1.35%         1.35%         1.35%         1.35%           0.58%c         0.83%d         0.78%         0.50%         0.62%           \$120,756         \$102,866         \$64,265         \$62,226         \$55,445

<sup>&</sup>lt;sup>a</sup>The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

bBased on average daily shares outstanding.

Net investment income per share includes approximately \$0.02 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 0.38%.

Net investment income per share includes approximately \$0.03 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 0.61%.

eNet investment income per share includes approximately \$(0.06) per share of a return of capital adjustment to a previously recorded special dividend received by the Fund. Excluding this non-recurring amount, the ratio of net investment income to average net assets would have been 1.16%.

Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

gRatios are annualized for periods less than one year.

### Financial Highlights (continued)

	Six Months Ende April 30, 2014		Yea			
Class C	(unaudited)	2013	2012	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$14.55	\$11.21	\$10.25	\$10.20	\$ 8.27	\$7.24
Income from investment operations <sup>a</sup> :						
Net investment income (loss) <sup>b</sup>	(0.01) <sup>c</sup>	$0.02^{d}$	0.01	(0.02)	(0.01)	$(0.02)^{e}$
Net realized and unrealized gains (losses)	0.94	3.39	0.95	0.07	1.94	1.05
Total from investment operations	0.93	3.41	0.96	0.05	1.93	1.03
Less distributions from net investment income	(0.01)	(0.07)		(—) <sup>f</sup>	(—) <sup>f</sup>	
Net asset value, end of period	\$15.47	\$14.55	\$11.21	\$10.25	\$10.20	\$8.27
Total return <sup>g</sup>	6.36%	30.56%	9.37%	0.50%	23.36%	14.23%
Ratios to average net assets <sup>h</sup>						
Expenses before waiver and payments by affiliates	2.26%	2.34%	2.39%	2.40%	2.46%	2.56%
Expenses net of waiver and payments by affiliates	2.05%	2.05%	2.04%	2.05%	2.04%	2.04%
Net investment income (loss)	(0.12)% <sup>c</sup>	0.13% <sup>d</sup>	0.09%	(0.20)%	(0.07)%	(0.35)% <sup>e</sup>
Supplemental data						
Net assets, end of period (000's)	\$24,947	\$21,965	\$12,175	\$12,696	\$12,156	\$8,598
Portfolio turnover rate	11.44%	10.00%	22.29%	18.61%	20.67%	14.56%

The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

bBased on average daily shares outstanding.

Net investment income per share includes approximately \$0.02 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been (0.32)%.

<sup>4</sup>Net investment income per share includes approximately \$0.03 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been (0.09)%.

Net investment income per share includes approximately \$(0.06) per share of a return of capital adjustment to a previously recorded special dividend received by the Fund. Excluding this non-recurring amount, the ratio of net investment income to average net assets would have been 0.48%.

fAmount rounds to less than \$0.01 per share.

<sup>«</sup>Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

hRatios are annualized for periods less than one year.

### Financial Highlights (continued)

	Six Months Ende April 30, 2014	d 	Year			
Class R	(unaudited)	2013	2012	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$14.71	\$11.35	\$10.36	\$10.28	\$ 8.33	\$7.30
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b</sup>	0.03°	0.08 <sup>d</sup>	0.06	0.03	0.04	0.01e
Net realized and unrealized gains (losses)	0.96	3.42	0.95	0.08	1.95	1.06
Total from investment operations	0.99	3.50	1.01	0.11	1.99	1.07
Less distributions from net investment income	(0.05)	(0.14)	(0.02)	(0.03)	(0.04)	(0.04)
Net asset value, end of period	\$15.65	\$14.71	\$11.35	\$10.36	\$10.28	\$8.33
Total return <sup>f</sup>	6.68%	31.22%	9.77%	1.05%	23.95%	14.77%
Ratios to average net assets <sup>g</sup>						
Expenses before waiver and payments by affiliates	1.76%	1.84%	1.90%	1.90%	1.97%	2.07%
Expenses net of waiver and payments by affiliates	1.55%	1.55%	1.55%	1.55%	1.55%	1.55%
Net investment income	0.38% <sup>c</sup>	0.63% <sup>d</sup>	0.58%	0.30%	0.42%	0.14%e
Supplemental data						
Net assets, end of period (000's)	\$1,026	\$1,000	\$485	\$507	\$564	\$440
Portfolio turnover rate	11.44%	10.00%	22.29%	18.61%	20.67%	14.56%

<sup>&</sup>lt;sup>a</sup>The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

<sup>&</sup>lt;sup>b</sup>Based on average daily shares outstanding.

Net investment income per share includes approximately \$0.02 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 0.18%.

<sup>&</sup>lt;sup>4</sup>Net investment income per share includes approximately \$0.03 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 0.41%.

Net investment income per share includes approximately \$(0.06) per share of a return of capital adjustment to a previously recorded special dividend received by the Fund. Excluding this non-recurring amount, the ratio of net investment income to average net assets would have been 0.97%.

<sup>&#</sup>x27;Total return is not annualized for periods less than one year.

gRatios are annualized for periods less than one year.

### Financial Highlights (continued)

	Six Months Ende	d	Year			
Advisor Class	(unaudited)	2013	2012	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$14.84	\$11.44	\$10.45	\$10.36	\$ 8.38	\$7.35
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b</sup>	0.07°	$0.15^{d}$	0.12	0.09	0.09	0.04e
Net realized and unrealized gains (losses)	0.95	3.45	0.95	0.08	1.95	1.07
Total from investment operations	1.02	3.60	1.07	0.17	2.04	1.11
Less distributions from net investment income	(0.12)	(0.20)	(80.0)	(80.0)	(0.06)	(0.08)
Net asset value, end of period	\$15.74	\$14.84	\$11.44	\$10.45	\$10.36	\$8.38
Total return <sup>f</sup>	6.92%	31.94%	10.35%	1.59%	24.50%	15.43%
Ratios to average net assets <sup>g</sup>						
Expenses before waiver and payments by affiliates	1.26%	1.34%	1.40%	1.40%	1.47%	1.57%
Expenses net of waiver and payments by affiliates	1.05%	1.05%	1.05%	1.05%	1.05%	1.05%
Net investment income	0.88% <sup>c</sup>	1.13% <sup>d</sup>	1.08%	0.80%	0.92%	0.64%e
Supplemental data						
Net assets, end of period (000's)	\$4,130	\$3,596	\$2,507	\$2,052	\$1,548	\$1,198
Portfolio turnover rate	11.44%	10.00%	22.29%	18.61%	20.67%	14.56%

<sup>&</sup>lt;sup>a</sup>The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

<sup>&</sup>lt;sup>b</sup>Based on average daily shares outstanding.

Net investment income per share includes approximately \$0.02 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 0.68%.

<sup>&</sup>lt;sup>4</sup>Net investment income per share includes approximately \$0.03 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 0.91%.

Net investment income per share includes approximately \$(0.06) per share of a return of capital adjustment to a previously recorded special dividend received by the Fund. Excluding this non-recurring amount, the ratio of net investment income to average net assets would have been 1.47%.

<sup>&#</sup>x27;Total return is not annualized for periods less than one year.

gRatios are annualized for periods less than one year.

### Statement of Investments, April 30, 2014 (unaudited)

Franklin MidCap Value Fund	Shares/Units	Value
Common Stocks and Other Equity Interests 95.6%		
Automobiles & Components 4.9%		
Autoliv Inc.	20,100	\$ 2,049,798
BorgWarner Inc.	33,200	2,063,048
Gentex Corp.	34,900	1,000,583
Harley-Davidson Inc.	30,900	2,284,746
	,	7,398,175
Banks 6.3%		
Comerica Inc.	57,900	2,793,096
Hudson City Bancorp Inc.	164,000	1,633,440
KeyCorp	201,500	2,748,460
PNC Financial Services Group Inc.	12,727	1,069,577
Regions Financial Corp.	123,600	1,253,304
	,	9,497,877
Capital Goods 14.2%		
Babcock & Wilcox Co.	63,400	2,205,686
Carlisle Cos. Inc.	22,400	1,842,400
Dover Corp.	17,400	1,503,360
Eaton Corp. PLC	18,200	1,322,048
Exelis Inc.	73,400	1,360,836
Fortune Brands Home & Security Inc.	32,000	1,275,200
ITT Corp.	29,700	1,281,258
L-3 Communications Holdings Inc.	10,600	1,222,922
<sup>a</sup> MRC Global Inc.	22,300	650,937
Owens Corning Inc.	56,400	2,303,940
Pentair Ltd.	14,500	1,077,205
Regal-Beloit Corp.	20,400	1,524,492
Rockwell Automation Inc.	3,600	429,048
Stanley Black & Decker Inc.	4,000	343,560
W.W. Grainger Inc.	2,800	712,320
Xylem Inc.	64,600	2,428,314
Commercial & Professional Services 1.3%		21,483,526
Robert Half International Inc.	15,300	685,440
Towers Watson & Co.	15,300	1,256,864
Towers Walsoff & Co	11,200	
		1,942,304
Consumer Durables & Apparel 0.8%		
Hasbro Inc.	22,400	1,237,824
Consumer Services 1.1%		
Hillenbrand Inc.	57,500	1,748,000
Diversified Financials 9.6%		
iShares Russell Mid-Cap Value ETF	105,500	7,280,555
KKR & Co., LP (Units)	93,800	2,130,198
Northern Trust Corp.	49,200	2,964,300
Raymond James Financial Inc.	42,400	2,107,280
	,	
		14,482,333

Franklin MidCap Value Fund	Shares/Units	Value
Common Stocks and Other Equity Interests (continued)		
Energy 7.6%		
Denbury Resources Inc.	109,000	\$ 1,833,380
Ensco PLC, A	21,096	1,064,293
HollyFrontier Corp.	36,200	1,903,758
Murphy Oil Corp.	11,900	754,817
Peabody Energy Corp.	43,800	832,638
a Rowan Cos. PLC	32,500	1,004,900
Superior Energy Services Inc.	19,600	645,232
Tidewater Inc.	11,700	595,881
a Unit Corp.	27,700	1,826,815
Valero Energy Corp	17,300	989,041
		11,450,755
Food, Beverage & Tobacco 2.2%		
Bunge Ltd.	20,994	1,672,172
Ingredion Inc.	23,600	1,662,620
		3,334,792
Health Care Equipment & Services 6.0%	00.700	1 550 600
<sup>a</sup> CareFusion Corp	39,700	1,550,682
Community Health Systems Inc.	6,800	257,652
Hill-Rom Holdings Inc.	45,100	1,684,936
<sup>a</sup> Laboratory Corp. of America Holdings	14,800	1,460,760
<sup>a</sup> LifePoint Hospitals Inc.	13,900	777,288
a Mednax Inc.  Omnicare Inc.  Omnicare Inc.	6,500	385,125
Zimmer Holdings Inc.	18,500 18,700	1,096,495 1,810,160
Zimmer Holdings inc.	18,700	9,023,098
Insurance 7.1%		9,023,098
The Allstate Corp	35,800	2,038,810
•	45,000	2,025,900
Arthur J. Gallagher & Co. <sup>a</sup> Genworth Financial Inc., A	83,300	1,486,905
Marsh & McLennan Cos. Inc.	36,000	1,775,160
The Progressive Corp.	67,600	1,639,300
W. R. Berkley Corp.	39,900	1,765,176
	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	10,731,251
Materials 6.9%		
Albemarle Corp	13,400	898,336
Alcoa Inc	116,500	1,569,255
Bemis Co. Inc.	13,200	531,168
Celanese Corp., A	29,900	1,836,757
MeadWestvaco Corp	57,900	2,262,153
Nucor Corp.	37,600	1,945,800
Sigma-Aldrich Corp.	13,600	1,308,456
		10,351,925

Franklin MidCap Value Fund	Shares/Units	Value
Common Stocks and Other Equity Interests (continued)		
Media 2.0%		
John Wiley & Sons Inc., A	39,400	\$ 2,263,924
Time Warner Cable Inc.	5,300	749,738
		3,013,662
Pharmaceuticals, Biotechnology & Life Sciences 1.2%		
<sup>a</sup> Actavis PLC	500	102,165
Agilent Technologies Inc.	30,200	1,632,008
<sup>a</sup> Endo International PLC	1,600	100,712
		1,834,885
Real Estate 3.7%		
American Campus Communities Inc.	81,300	3,105,660
Host Hotels & Resorts Inc.	89,000	1,909,050
<sup>a</sup> Realogy Holdings Corp.	12,600	529,830
		5,544,540
Datailing 4 49/		0,044,040
Retailing 4.4% CST Brands Inc.	3,722	121,449
Family Dollar Stores Inc.	11,200	658,000
GameStop Corp., A	60,400	2,396,672
Nordstrom Inc.	27,500	1,685,200
PetSmart Inc.	25,900	1,752,912
		6,614,233
Coming destroy 0 Coming destroy Freeign and 5 10/		0,014,233
Semiconductors & Semiconductor Equipment 5.1%	F 200	257.007
<sup>a</sup> First Solar Inc.	5,300 32,500	357,697 2,079,675
KLA-Tencor Corp.  Maxim Integrated Products Inc.	68,900	2,235,116
Microchip Technology Inc.	48,400	2,300,936
<sup>a</sup> Teradyne Inc.	38,300	676,761
	00,000	7,650,185
Catherina O. Carriana A COV		7,030,183
Software & Services 4.6%	101 000	1 000 760
a Cadence Design Systems Inc.	121,000 28,125	1,882,760 1,047,375
Leidos Holdings Inc. Science Applications International Corp.	16,071	626,769
Symantec Corp.	10,000	202,800
Total System Services Inc.	75,500	2,398,635
Xerox Corp.	61,500	743,535
	,	6,901,874
Taskardana Hankara 0 Fariharant 2 10/		0,901,874
Technology Hardware & Equipment 2.1%  Corning Inc	141 000	2.052.402
a Knowles Corp.	141,200 8,700	2,952,492
*Kilowies Corp	8,700	242,991
		3,195,483
Transportation 1.0%		
Alaska Air Group Inc.	5,600	526,848
J.B. Hunt Transport Services Inc.	13,300	1,012,130
		1,538,978

Statement of Investments, April 30, 2014 (unaudited) (continued)

Franklin MidCap Value Fund	Shares/Units	Value
Common Stocks and Other Equity Interests (continued)		
Utilities 3.5%		
DTE Energy Co	20,300	\$ 1,586,242
Northeast Utilities	36,000	1,701,360
Sempra Energy	20,000	1,972,200
		5,259,802
Total Common Stocks and Other Equity Interests (Cost \$109,567,889)		144,235,502
Short Term Investments (Cost \$7,191,812) 4.8% Money Market Funds 4.8%		
a,b Institutional Fiduciary Trust Money Market Portfolio	7,191,812	7,191,812
Total Investments (Cost \$116,759,701) 100.4%		151,427,314
Other Assets, less Liabilities (0.4)%		(567,535)
Net Assets 100.0%		\$150,859,779

See Abbreviations on page 127.

<sup>a</sup>Non-income producing.

bSee Note 3(f) regarding investments in the Institutional Fiduciary Trust Money Market Portfolio.

### **Financial Highlights**

	Six Months Ended April 30, 2014			Year Ended October 31,		
Class A	(unaudited		2012	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$59.76	\$45.12	\$42.25	\$39.69	\$33.01	\$28.58
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b</sup>	0.09c	0.30 <sup>d</sup>	0.34 <i>e</i>	0.18	0.11	0.19
Net realized and unrealized gains (losses)	1.99	16.30	4.47	2.50	6.73	4.53
Total from investment operations	2.08	16.60	4.81	2.68	6.84	4.72
Less distributions from:						
Net investment income	(0.25)	(0.49)	(0.17)	(0.12)	(0.16)	(0.29)
Net realized gains	(2.74)	(1.47)	(1.77)	_	_	
Total distributions	(2.99)	(1.96)	(1.94)	(0.12)	(0.16)	(0.29)
Net asset value, end of period	\$58.85	\$59.76	\$45.12	\$42.25	\$39.69	\$33.01
Total return <sup>f</sup>	3.57%	38.15%	12.08%	6.73%	20.77%	16.86%
Ratios to average net assets						
Expenses	1.12%h	1.19%	1.26%	1.21%	1.27%	1.37%
Net investment income	0.31%℃	0.57% <sup>d</sup>	0.79%e	0.41%	0.29%	0.68%
Supplemental data						
Net assets, end of period (000's)	\$1,318,639	\$1,224,592	\$856,541	\$829,710	\$788,992	\$644,675
Portfolio turnover rate	9.41%	13.04%	5.18%	14.24%	8.69%	2.58%

aThe amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

<sup>&</sup>lt;sup>b</sup>Based on average daily shares outstanding.

Net investment income per share includes approximately \$0.04 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 0.18%.

<sup>4</sup>Net investment income per share includes approximately \$0.10 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 0.38%.

Net investment income per share includes approximately \$0.14 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 0.48%.

Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

gRatios are annualized for periods less than one year.

<sup>&</sup>lt;sup>h</sup>Benefit of waiver and payments by affiliates and expense reduction rounds to less than 0.01%.

Benefit of expense reduction rounds to less than 0.01%.

### Financial Highlights (continued)

	Six Months Ended April 30, 2014			Year Ended October 31,		
Class C	(unaudited)	2013	2012	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$55.62	\$42.12	\$39.66	\$37.42	\$31.20	\$26.94
Income from investment operations <sup>a</sup> :						
Net investment income (loss) <sup>b</sup>	(0.11)°	$(0.05)^d$	0.04e	(0.12)	(0.14)	(0.01)
Net realized and unrealized gains (losses)	1.85	15.21	4.19	2.36	6.36	4.30
Total from investment operations	1.74	15.16	4.23	2.24	6.22	4.29
Less distributions from:						
Net investment income	_	(0.19)	_	_	_	(0.03)
Net realized gains	(2.74)	(1.47)	(1.77)			
Total distributions	(2.74)	(1.66)	(1.77)	_	_	(0.03)
Net asset value, end of period	\$54.62	\$55.62	\$42.12	\$39.66	\$37.42	\$31.20
Total return <sup>f</sup>	3.20%	37.23%	11.29%	5.99%	19.94%	15.98%
Ratios to average net assets <sup>g</sup>						
Expenses	1.82%h	1.89%	1.95%	1.91%	1.97%	2.10% <sup>i</sup>
Net investment income (loss)	(0.39)%c	(0.13)% <sup>d</sup>	0.10%e	(0.29)%	(0.41)%	(0.05)%
Supplemental data						
Net assets, end of period (000's)	\$260,070	\$247,742	\$183,986	\$189,321	\$192,880	\$159,441
Portfolio turnover rate	9.41%	13.04%	5.18%	14.24%	8.69%	2.58%

aThe amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

<sup>&</sup>lt;sup>b</sup>Based on average daily shares outstanding.

Net investment income per share includes approximately \$0.04 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been (0.52)%.

<sup>4</sup>Net investment income per share includes approximately \$0.10 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been (0.32)%.

Net investment income per share includes app roximately \$0.14 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been (0.21)%.

Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

gRatios are annualized for periods less than one year.

<sup>&</sup>lt;sup>h</sup>Benefit of waiver and payments by affiliates and expense reduction rounds to less than 0.01%.

Benefit of expense reduction rounds to less than 0.01%.

### Financial Highlights (continued)

	Six Months End April 30, 201	Year Ended October 31,				
Class R	(unaudited)	2013	2012	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$59.21	\$44.71	\$41.88	\$39.35	\$32.75	\$28.37
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b</sup>	0.03°	0.21 <sup>d</sup>	0.26e	0.09	0.03	0.12
Net realized and unrealized gains (losses)	1.98	16.15	4.42	2.48	6.67	4.51
Total from investment operations	2.01	16.36	4.68	2.57	6.70	4.63
Less distributions from:						
Net investment income	(0.13)	(0.39)	(0.08)	(0.04)	(0.10)	(0.25)
Net realized gains	(2.74)	(1.47)	(1.77)	_	_	
Total distributions	(2.87)	(1.86)	(1.85)	(0.04)	(0.10)	(0.25)
Net asset value, end of period	\$58.35	\$59.21	\$44.71	\$41.88	\$39.35	\$32.75
Total return <sup>f</sup>	3.46%	37.91%	11.85%	6.53%	20.51%	16.60%
Ratios to average net assetsg						
Expenses	1.32%h	1.39%	1.46%	1.41%	1.47%	1.60%
Net investment income	0.11%	0.37% <sup>d</sup>	0.59%	0.21%	0.09%	0.45%
Supplemental data						
Net assets, end of period (000's)	\$280,960	\$272,697	\$220,539	\$221,524	\$216,788	\$172,652
Portfolio turnover rate	9.41%	13.04%	5.18%	14.24%	8.69%	2.58%

<sup>&</sup>lt;sup>a</sup>The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

bBased on average daily shares outstanding.

Net investment income per share includes approximately \$0.04 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been (0.02)%.

Net investment income per share includes approximately \$0.10 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 0.18%.

Net investment income per share includes approximately \$0.14 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 0.28%.

<sup>&</sup>lt;sup>†</sup>Total return is not annualized for periods less than one year.

gRatios are annualized for periods less than one year.

<sup>&</sup>lt;sup>h</sup>Benefit of waiver and payments by affiliates and expense reduction rounds to less than 0.01%.

Benefit of expense reduction rounds to less than 0.01%.

### Financial Highlights (continued)

Class R6	Six Months Ended April 30, 2014 (unaudited)	Period Ended October 31, 2013 <sup>a</sup>
Per share operating performance (for a share outstanding throughout the period)		
Net asset value, beginning of period	\$61.78	\$50.83
Income from investment operations <sup>b</sup> :		
Net investment income <sup>c</sup>	0.17 <sup>d</sup>	0.19
Net realized and unrealized gains (losses)	2.13	10.76
Total from investment operations	2.30	10.95
Less distributions from:		
Net investment income	(0.53)	_
Net realized gains	(2.74)	
Total distributions	(3.27)	
Net asset value, end of period	\$60.81	\$61.78
Total return <sup>e</sup>	3.83%	21.54%
Ratios to average net assets <sup>f</sup>		
Expenses before waiver and payments by affiliates	0.61%	2.09%
Expenses net of waiver and payments by affiliates	0.61%g	0.64%
Net investment income	0.82% <sup>d</sup>	0.68%
Supplemental data		
Net assets, end of period (000's)	\$31,856	\$17
Portfolio turnover rate	9.41%	13.04%

 $<sup>^{\</sup>mathrm{a}}$ For the period May 1, 2013 (effective date) to October 31, 2013.

bThe amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

<sup>&</sup>lt;sup>c</sup>Based on average daily shares outstanding.

<sup>&</sup>lt;sup>4</sup>Net investment income per share includes approximately \$0.04 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 0.69%.

eTotal return is not annualized for periods less than one year.

<sup>&</sup>lt;sup>f</sup>Ratios are annualized for periods less than one year.

gBenefit of waiver and payments by affiliates and expense reduction rounds to less than 0.01%.

### Financial Highlights (continued)

	Six Months End April 30, 201	Yea	ber 31,			
Advisor Class	(unaudited)	2013	2012	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$61.72	\$46.54	\$43.53	\$40.87	\$33.96	\$29.44
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b</sup>	0.18c	0.46 <sup>d</sup>	0.48e	0.32	0.22	0.27
Net realized and unrealized gains (losses)	2.06	16.82	4.60	2.57	6.93	4.64
Total from investment operations	2.24	17.28	5.08	2.89	7.15	4.91
Less distributions from:						
Net investment income	(0.41)	(0.63)	(0.30)	(0.23)	(0.24)	(0.39)
Net realized gains	(2.74)	(1.47)	(1.77)	_	_	
Total distributions	(3.15)	(2.10)	(2.07)	(0.23)	(0.24)	(0.39)
Net asset value, end of period	\$60.81	\$61.72	\$46.54	\$43.53	\$40.87	\$33.96
Total return <sup>f</sup>	3.73%	38.56%	12.42%	7.05%	21.15%	17.13%
Ratios to average net assets <sup>g</sup>						
Expenses	0.82%h	0.89%	0.96%	0.91%	0.97%	1.10%
Net investment income	0.61%	0.87% <sup>d</sup>	1.09%€	0.71%	0.59%	0.95%
Supplemental data						
Net assets, end of period (000's)	\$766,182	\$653,660	\$419,840	\$359,034	\$311,581	\$207,391
Portfolio turnover rate	9.41%	13.04%	5.18%	14.24%	8.69%	2.58%

aThe amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

<sup>&</sup>lt;sup>b</sup>Based on average daily shares outstanding.

Net investment income per share includes approximately \$0.04 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 0.48%.

<sup>4</sup>Net investment income per share includes approximately \$0.10 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 0.68%.

Net investment income per share includes approximately \$0.14 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 0.78%.

<sup>&</sup>lt;sup>f</sup>Total return is not annualized for periods less than one year.

gRatios are annualized for periods less than one year.

<sup>&</sup>lt;sup>h</sup>Benefit of waiver and payments by affiliates and expense reduction rounds to less than 0.01%.

Benefit of expense reduction rounds to less than 0.01%.

## Statement of Investments, April 30, 2014 (unaudited)

Franklin Small Cap Value Fund	Shares	Value
Common Stocks 94.3%		
Aerospace & Defense 1.4%		
AAR Corp.	1,492,000	\$ 38,642,800
Automobiles & Components 5.7%	0.00.4.00	
Autoliv Inc.	262,100	26,728,958
Drew Industries Inc.	316,300	15,916,216
Gentex Corp.	1,105,000	31,680,350
Thor Industries Inc.	1,066,000	64,887,420
a Winnebago Industries Inc.	510,200	12,193,780
		151,406,724
Banks 1.8%		
Chemical Financial Corp	552,355	15,504,605
OFG Bancorp.	755,000	12,880,300
Peoples Bancorp Inc.	183,500	4,783,845
TrustCo Bank Corp. NY	2,188,000	14,462,680
		47,631,430
Building Products 4.2%		
Apogee Enterprises Inc.	907,900	28,843,983
<sup>a</sup> Gibraltar Industries Inc	1,160,400	19,819,632
Simpson Manufacturing Co. Inc.	567,000	18,591,930
Universal Forest Products Inc.	868,000	43,825,320
		111,080,865
Commercial & Professional Services 2.6%		
Insperity Inc.	383,200	12,285,392
McGrath RentCorp	486,800	15,373,144
MSA Safety Inc.	715,700	37,753,175
Schawk Inc.	199,137	3,982,740
		69,394,451
Construction & Engineering 3.7%		
EMCOR Group Inc.	1,039,400	47,802,006
Granite Construction Inc.	1,371,800	51,277,884
		99,079,890
Consumer Durables & Apparel 3.7%		
Brunswick Corp.	635,000	25,520,650
b Hooker Furniture Corp.	582,900	8,073,165
La-Z-Boy Inc.	1,822,100	44,149,483
M.D.C. Holdings Inc.	276,300	7,625,880
a M/I Homes Inc.	577,900	12,869,833
	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	98,239,011
Consumer Services 1.4%		
Hillenbrand Inc.	1,228,000	37,331,200
	1,220,000	
Electrical Equipment 4.1%           Brady Corp., A	583,500	15,048,465
EnerSys	30,600	2,067,948
Franklin Electric Co. Inc.	512,600	19,822,242
Transmit Licearc 90. Inc.	312,000	13,022,242

Franklin Small Cap Value Fund	Shares	Value
Common Stocks (continued)		
Electrical Equipment (continued)		
Powell Industries Inc.	297,000	\$ 18,806,040
Regal-Beloit Corp	723,100	54,037,263
		109,781,958
Energy 10 20/		
Energy 10.3% <sup>a</sup> Atwood Oceanics Inc.	E22 000	25 970 220
Bristow Group Inc.	522,000 709,900	25,870,320 54,520,320
Energen Corp.	314,000	24,463,740
<sup>a</sup> Helix Energy Solutions Group Inc.	1,058,100	25,436,724
<sup>a</sup> Oil States International Inc.	335,000	32,541,900
a Rowan Cos. PLC	827,000	25,570,840
Tidewater Inc.	600,000	30,558,000
a Unit Corp.	816,600	53,854,770
omt corp.	810,000	
		272,816,614
Food, Beverage & Tobacco 1.9%		
GrainCorp Ltd. (Australia)	2,675,000	22,016,579
Maple Leaf Foods Inc. (Canada)	1,650,200	27,266,203
		49,282,782
Health Care Equipment & Services 3.6%		
Hill-Rom Holdings Inc.	574,200	21,452,112
STERIS Corp	943,200	45,320,760
Teleflex Inc.	297,000	30,320,730
		97,093,602
Industrial Conglomerates 1.4%		
Carlisle Cos. Inc.	458,000	37,670,500
Insurance 9.4%	, , , , , ,	
Arthur J. Gallagher & Co.	304,400	13,704,088
Aspen Insurance Holdings Ltd.	590,000	27,010,200
Assurant Inc.	68,700	4,631,067
The Hanover Insurance Group Inc.	482,200	28,184,590
HCC Insurance Holdings Inc.	235,300	10,809,682
Montpelier Re Holdings Ltd.	810,000	24,769,800
Old Republic International Corp.	1,820,000	30,139,200
Protective Life Corp.	935,000	47,825,250
StanCorp Financial Group Inc.	685,000	41,853,500
Validus Holdings Ltd.	566,111	20,985,735
	,	249,913,112
Machinery 12.3%		
Astec Industries Inc.	800,000	31,960,000
Briggs & Stratton Corp.	1,140,000	24,361,800
<sup>a</sup> EnPro Industries Inc.	358,000	25,493,180
Kennametal Inc.	725,794	33,916,354
Lincoln Electric Holdings Inc.	519,900	34,734,519
c Lindsay Corp.	315,200	27,778,576
Mueller Industries Inc.	941,000	27,232,540
Nordson Corp.	44,300	3,293,705
	1 1,000	5,230,700

Common Stocks (continued)           Machinery (continued)         89,926         \$6,680,020           Pentair Ltd.         89,926         \$6,680,020           Tirnity Industries Inc.         2,794,600         37,335,865           Waths Water Technologies Inc., A         136,800         7,277,760           Waterials 14.1%         7         75,000           A Schulman Inc.         84,600         5,703,732           A Schulman Inc.         84,600         5,703,732           Caper Inc.         82,000         47,511,600           Carpenter Technology Corp.         82,000         47,511,600           Carpenter Technologies Inc.         10,650,00         49,341,450           Minerals Technologies Inc.         272,500         16,211,025           Reliance Stele & Muminum Co.         56,650,00         40,119,530           RPM International Inc.         973,400         41,525,244           Stele Dynamics Inc.         1,565,000         28,592,550           Stepa Co.         1,565,000         28,592,550           Stepa Co.         1,565,000         28,793,800           The Cato Corp., A         573,000         16,327,619           Brown Shee Co. Inc.         72,000         57,301,900	Franklin Small Cap Value Fund	Shares	Value
Pentair Ltd.         89,926         6,680,602           Trinity Industries Inc.         875,200         65,692,512           Wabash National Corp.         2,794,600         37,335,856           Wats Water Technologies Inc. A         136,800         7,277,760           Materials 14.1%         75,000         325,757,404           A. Schulman Inc.         795,000         28,556,400           A plant Corp.         84,600         5,703,732           Cabot Corp.         822,000         47,511,600           Carpenter Technology Corp.         716,400         49,393,200           Minerals Technologies Inc.         277,500         16,211,025           Reliance Steal & Aluminum Co.         566,500         40,119,50           Reliance Steal & Aluminum Co.         565,500         40,119,50           Respirent Technologies Lorg.         87,900         41,625,244           Sensient Technologies Sorp.         85,900         46,636,945           Steal Dynamics Inc.         1,565,000         28,759,800           Steal Dynamics Inc.         1,520,000         28,759,800           Revisiting 8.6%         1,220,000         28,779,800           Brown Shoe Co. Inc.         1,220,000         28,779,800           The Cato Corp. A	Common Stocks (continued)		
Trinity Industries Inc.         875,200         65,692,512           Wabash National Corp.         2,794,600         37,335,856           Wats Water Technologies Inc. A         136,800         7,277,760           Wats Water Technologies Inc. A         795,000         28,556,400           A Schulman Inc.         795,000         28,556,400           A ptarGroup Inc.         84,600         5,703,732           Cabot Corp.         822,000         47,511,600           Carpenter Technology Corp.         716,400         49,993,200           H.B. Fuller Co.         1,065,000         49,311,450           Minerals Technologies Inc.         1,065,000         49,311,450           Minerals Technologies Corp.         365,600         40,119,530           Reliance Steel & Aluminum Co.         365,600         40,119,530           Reliance Steel & Aluminum Co.         367,900         45,552,44           Sensient Technologies Corp.         367,900         45,650         40,119,530           Retailing 8.6%         375,331,907         2641,0961         375,331,907           Retailing 8.6%         375,310         16,327,619         36,560,000         28,799,800         375,331,907           Retailing 8.6%         370,000         28,779,800         37	Machinery (continued)		
Wabash National Corp.         2,794,600         37,335,856           Watts Water Technologies Inc., A         136,800         7,277,760           Materials 14.1%         75,500         25,565,400           A. Schulman Inc.         795,000         25,566,400           A. Schulman Inc.         795,000         25,566,400           A. Schulman Inc.         795,000         25,703,732           Cabet Corp.         822,000         47,511,600           Cappet Technology Corp.         10,65,000         49,341,450           H.B. Fuller Co.         1,065,000         49,341,450           Minerals Technologies Inc.         272,500         16,211,025           RPM International Inc.         973,400         41,525,244           Sensient Technologies Corp.         85,790         46,369,495           Steel Dynamics Inc.         1,565,000         28,592,550           Stepan Co.         45,700         28,799,800           Brown Shoe Co. Inc.         1,220,000         28,779,800           Brown Shoe Co. Inc.         1,220,000         28,779,800           Brown Shoe Co. Inc.         1,220,000         28,779,800           Genesso Inc.         484,50         37,01,265           Group I Automotive Inc.         674,600	Pentair Ltd.	89,926	\$ 6,680,602
Water Ischnologies Inc., A         136,80%         7,277,760           Materials 14.1%         795,000         28,556,400           A Schulman Inc.         795,000         28,556,400           AptarGroup Inc.         84,600         57,03,732           Cabot Corp.         820,000         47,511,600           Carpenter Technology Corp.         716,400         49,931,150           H.B. Fuller Co.         10,655,000         49,311,500           Minerals Technologies Inc.         272,500         16,211,025           Reliance Steel & Aluminum Co.         566,500         40,119,530           Reliance Steel & Aluminum Co.         857,900         46,369,495           Steel Dynamics Inc.         1,565,000         26,910,50           Stepan Co.         456,700         26,410,961           Stepan Co.         456,700         26,410,961           Brown Shoe Co. Inc.         1,220,000         28,792,800           The Cato Corp., A         573,100         16,327,619           Genesco Inc.         484,500         37,012,65           Group I Automotive Inc.         779,900         55,749,277           The Men's Warrhouse Inc.         674,60         31,000           Semiconductors & Semiconductor Equipment 0.4%         1,	Trinity Industries Inc.	875,200	65,692,512
Materials 14.1%         325,757,404           A. Schulman Inc.         795,000         28,556,400           A. Schulman Inc.         795,000         5,703,732           Cabot Corp.         822,000         47,511,600           Carpenter Technology Corp.         11,665,000         49,341,450           H.B. Fuller Co.         1,065,000         49,341,450           Minerals Technologies Inc.         227,500         16,211,025           Reliance Steel & Aluminum Co.         566,500         401,953           RPM International Inc.         973,400         41,825,244           Sensient Technologies Corp.         857,900         26,949,55           Stepan Co.         456,700         28,992,555           Stepan Co.         456,700         28,779,800           The Cato Corp.,         573,100         16,327,619           Brown Shoe Co. Inc.         1,220,000         28,779,800           The Cato Corp., A         573,100         16,327,619           Genes Stop Corp., A         573,100         16,327,619           Genes Stop Corp., A         574,600         22,2368           Genes Stop Corp., A         574,600         23,925,784           Genes Color.         772,900         55,749,277	<sup>a</sup> Wabash National Corp	2,794,600	37,335,856
Materials 14.1%         795,000         28,556,40           A. Schulman Inc.         795,000         28,556,30           AptarGroup Inc.         84,600         5,703,732           Cabot Corp.         822,000         47,511,600           Carpenter Technology Corp.         1716,400         44,989,920           Minerals Technologies Inc.         272,500         16,211,025           Minerals Technologies Inc.         566,500         40,119,530           RPM International Inc.         973,400         41,525,244           Sensient Technologies Corp.         887,900         46,369,495           Steel Dynamics linc.         1,565,000         28,793,800           Steel Dynamics linc.         1,565,000         28,779,800           Steel Dynamics linc.         1,220,000         28,779,800           Steel Dynamics linc.         1,220,000         28,779,800           The Cato Corp., A         573,100         16,327,619           Brown Shoe Co. Inc.         1,220,000         28,779,800           The Cato Corp., A         573,100         15,276,600         22,22,368           "Genesco Inc.         484,500         37,001,265         67,000         25,749,277           The Men's Westhouse Inc.         674,600         31,962,548	Watts Water Technologies Inc., A	136,800	7,277,760
A Schulman Inc.         795,000         28,556,400           AptarGroup Inc.         84,600         5,703,732           Cabot Corp.         822,000         47,511,600           Carpenter Technology Corp.         716,400         44,989,920           H.B. Fuller Co.         1,065,000         49,341,450           Minerals Technologies Inc.         272,500         16,211,025           Reliance Steel & Aluminum Co.         566,500         40,119,530           RPM International Inc.         973,400         41,525,244           Sensient Technologies Corp.         367,900         46,369,495           Steel Dynamics Inc.         1,565,000         28,592,550           Stepan Co.         466,700         28,799,800           The Cato Corp.         375,331,907           Retailing 8.6%         1,220,000         28,799,800           Brown Shee Co. Inc.         1,220,000         22,522,368           Genesco Inc.         367,600         22,522,368           Genesco Inc.         484,500         37,001,265           Group 1 Automotive Inc.         772,900         55,749,277           The Pe Boys - Manny, Moe & Jack         2,143,900         21,910,568           Pier 1 Imports Inc.         310,000         3,566,500			325,757,404
AptarGroup Inc.         84,600         5,703,732           Cabot Corp.         822,000         47,511,600           Carpenter Technology Corp.         11,640         44,898,926           H.B. Fuller Co.         1,065,000         49,341,450           Minerals Technologies Inc.         272,500         16,211,025           Reliance Stelk a Huminum Co.         566,500         40,119,530           RPM International Inc.         93,400         41,625,244           Sensient Technologies Corp.         857,900         46,369,495           Steel Dynamics Inc.         1,565,000         28,992,550           Steel Dynamics Inc.         1,565,000         28,992,550           Steel Dynamics Inc.         1,220,000         28,779,800           The Cat Corp., A         573,100         16,327,619           Genesto Drop., A         573,100         16,327,619           Genesco Inc.         484,500         37,001,265           Group I, Automotive Inc.         772,900         55,749,277           The Men's Wearhouse Inc.         27,290         55,749,277           The Pep Boys - Manny, Moe & Jack         2,143,900         21,910,558           Pier I Imports Inc.         310,000         560,600           West Admire Inc.         <	Materials 14.1%		
Cabb Corp.         82.000         47.511.600         Carpenter Technology Corp.         47.981.500         Carpenter Technology Corp.         47.989.920         H4.989.920         H9.87.4100         44.989.920         H9.87.4100         44.989.920         H9.87.4100         44.989.920         H9.87.4100         49.941,450         M1.065.000         15.210.025         R6.500         49.311,450         A0.119,530         RPM International Inc.         566,500         40.119,530         RPM International Inc.         973,400         41.525,244         Sensient Technologies Corp.         387,900         45.659.09         28.992,550         Steel Dynamics Inc.         1,565,000         28.892,550         25.9410,961         26.410,961         375,331,907         Retailing 8.6%         87.900         28.879,800         26.410,961         375,331,907         Retailing 8.6%         88.900         28.799,800         28.799,800         28.799,800         29.500         28.799,800         28.799,800         29.500 <td>A. Schulman Inc.</td> <td>795,000</td> <td>28,556,400</td>	A. Schulman Inc.	795,000	28,556,400
Carpenter Technology Corp.         716,400         49,89,90           H.B. Fuller Co.         1,065,000         49,341,450           Minerals Technologies Inc.         272,500         16,211,025           Reliance Steel & Aluminum Co.         566,500         40,119,530           RPM International Inc.         973,400         41,525,244           Sensient Technologies Corp.         3857,900         46,369,495           Steel Dynamics Inc.         1,565,000         28,592,550           Stepan Co.         456,700         26,410,961           Retailing 8.6%           Brown Shoe Co. Inc.         1,220,000         28,779,800           The Cato Corp., A         573,100         16,327,619           GameStop Corp.         567,600         22,522,368           *Genesco Inc.         484,500         37,001,265           Group 1 Automotive Inc.         772,900         55,749,277           The Men's Wearhouse Inc.         772,900         55,749,277           *The Pep Boys - Manny, Moe & Jack         2,143,900         21,910,658           *Pier 1 Imports Inc.         310,000         560,600           *West Marine Inc.         1,000,000         10,300,000           *Technology Hardware & Equipment 1.6%         700,000	AptarGroup Inc.	84,600	5,703,732
H.B. Fuller Co.       1,065,000       49,341,450         Minerals Technologies Inc.       272,500       16,211,025         Reliance Steek & Aluminum Co.       973,400       41,525,244         Sensient Technologies Corp.       857,900       46,369,495         Steel Dynamics Inc.       1,565,000       28,592,550         Steep Arrow       456,700       26,410,961         Stepan Co.       456,700       28,779,800         Retailing 8.6%       1,220,000       28,779,800         Brown Shoe Co. Inc.       1,220,000       28,779,800         The Cato Corp., A       573,100       16,327,619         Genesco Inc.       484,500       37,001,265         Group 1 Automotive Inc.       772,900       55,749,277         The Men's Wearhouse Inc.       674,600       31,962,548         The Per Boys - Manny, Moe & Jack       2,143,900       21,910,568         Piler I Imports Inc.       310,000       5,666,600         Piler I Imports Inc.       310,000       5,666,600         Piler I Imports Inc.       310,000       0         Piler Inc.       310,000       0         Piler Inc.       310,000       0         Piler Inc.       310,000       0	Cabot Corp.	822,000	47,511,600
Minerals Technologies Inc.         272,500         16,211,025           Reliance Steel & Aluminum Co.         566,500         40,119,530           RPM International Inc.         973,400         41,525,244           Sensient Technologies Corp.         857,900         46,369,495           Steel Dynamics Inc.         1,565,000         28,592,550           Stepan Co.         456,700         26,410,961           375,331,907         375,331,907           Retailing 8.6%         1,220,000         28,779,800           Brown Shoe Co. Inc.         1,220,000         28,779,800           The Cato Corp., A         567,600         22,522,368           *Genesco Inc.         484,500         37,012,655           Group 1 Automotive Inc.         772,900         55,749,277           The Men's Wearhouse Inc.         674,600         31,962,548           *The Pep Boys - Manny, Moe & Jack         2,143,900         21,910,658           *Pier 1 Imports Inc.         310,000         5,660,600           *West Marine Inc.         795,000         8,506,500           *Post Marine Inc.         795,000         10,300,000           *Ingram Micro Inc., A         700,000         18,872,000           *Multi-Fineline Electronix Inc.         317,300 <td>Carpenter Technology Corp.</td> <td>716,400</td> <td>44,989,920</td>	Carpenter Technology Corp.	716,400	44,989,920
Reliance Steel & Aluminum Co.         566,500         40,119,530           RPM International Inc.         973,400         41,525,244           Sensient Technologies Corp.         857,900         46,694,995           Steel Dynamics Inc.         1,565,000         28,592,550           Steel Dynamics Inc.         456,700         26,410,961           Retailing 8.6%           Brown Shoe Co. Inc.         1,220,000         28,779,800           The Cato Corp., A         573,100         16,327,619           Genestop Corp., A         567,600         22,522,368           Genesco Inc.         484,500         37,012,265           Group 1 Automotive Inc.         772,900         55,749,277           The Men's Wearhouse Inc.         674,600         31,962,548           Pier P I Imports Inc.         310,000         5,660,600           West Marine Inc.         795,000         8,506,500           West Marine Inc.         795,000         8,506,500           Cohu Inc.         1,000,000         10,300,000           Technology Hardware & Equipment 1.6%         1,000,000         10,300,000           Multi-Fineline Electronix Inc.         317,300         3,928,174           Refin-Sinar Technologies Inc.         227,200 <t< td=""><td>H.B. Fuller Co.</td><td>1,065,000</td><td>49,341,450</td></t<>	H.B. Fuller Co.	1,065,000	49,341,450
RPM International Inc.         973,400         41,525,244           Sensient Technologies Corp.         857,900         46,369,495           Steel Dynamics Inc.         1,565,000         28,592,550           Stepan Co.         456,700         26,410,961           Applied Industrial Technologies Inc.         1,220,000         28,779,800           Retailing 8.6%         1,220,000         28,779,800           Brown Shoe Co. Inc.         1,220,000         28,779,800           The Cato Corp., A         567,600         22,522,368           Genesco Inc.         484,500         37,001,265           Group 1 Automotive Inc.         772,900         55,749,277           The Pep Boys - Manny, Moe & Jack         2,143,900         21,910,658           Pier 1 Imports Inc.         310,000         5,660,600           West Marine Inc.         795,000         8,506,500           Explanam Micro Inc., A         700,000         10,300,000           Technology Hardware & Equipment 1.6%         317,300         3,928,174           *Rofin-Sinar Technologies Inc.         317,300         3,928,174           *Rofin-Sinar Technologies Inc.         227,200         10,887,424           *Transportation 1.7%         40,002,174         44,169,958	Minerals Technologies Inc.	272,500	16,211,025
Sensient Technologies Corp.         857,900         46,369,495           Steel Dynamics Inc.         1,565,000         28,592,550           Stepan Co.         456,700         26,410,961           Retailing 8.6%           Brown Shoe Co. Inc.         1,220,000         28,779,800           The Cato Corp., A         567,600         225,223,68           Genesco Inc.         484,500         37,001,265           Group 1 Automotive Inc.         772,900         55,749,277           The Men's Wearhouse Inc.         674,600         31,962,548           **The Pep Boys - Manny, Moe & Jack         2,143,900         21,910,658           Pier 1 Imports Inc.         310,000         5,660,600           **West Marine Inc.         310,000         5,660,600           **West Marine Inc.         1,000,000         10,300,000           Technology Hardware & Equipment 1.6%         700,000         18,872,000           **Multi-Fineline Electronix Inc.         317,300         3,928,174           **Rolling Companies & Distributors 0.4%         227,200         43,002,174           **Trading Companies & Distributors 0.4%         227,200         10,887,424           **Transportation 1.7%         295,800         29,287,158           **Gene	Reliance Steel & Aluminum Co	566,500	40,119,530
Steel Dynamics Inc.         1,565,000         28,592,550           Stepan Co.         456,700         26,410,961           Retailing 8.6%         Brown Shoe Co. Inc.         1,220,000         28,779,800           The Cato Corp., A         573,100         16,327,619           GameStop Corp., A         567,600         22,522,368           Genesco Inc.         484,500         37,001,265           Group 1 Automotive Inc.         772,900         55,749,277           The Men's Wearhouse Inc.         674,600         31,962,548           Piler I Imports Inc.         310,000         5,660,600           West Marine Inc.         795,000         8,506,500           West Marine Inc.         795,000         8,506,500           Cohu Inc.         1,000,000         10,300,000           Technology Hardware & Equipment 1.6%         700,000         18,872,000           Ingram Micro Inc., A         700,000         18,872,000           Profin-Sinar Technologies Inc.         317,300         3,928,174           **Rofin-Sinar Technologies Inc.         317,300         3,928,174           **Rofin-Sinar Technologies Inc.         227,200         10,887,424           **Transportation 1.7%         229,287,158           **Genessee	RPM International Inc.	973,400	41,525,244
Stepan Co.         456,700         26,410,961           Retailing 8.6%         757,331,907           Brown Shoe Co. Inc.         1,220,000         28,779,800           The Cato Corp., A         573,100         16,327,619           GameStop Corp., A         567,600         22,522,368           Genesco Inc.         484,500         37,001,265           Group 1 Automotive Inc.         772,900         55,749,277           The Men's Wearhouse Inc.         674,600         31,962,548           *The Pep Boys - Manny, Moe & Jack         2,143,900         21,910,658           Pier 1 Imports Inc.         310,000         5,660,600           *West Marine Inc.         795,000         8,506,500           Cohu Inc.         1,000,000         10,300,000           Technology Hardware & Equipment 0.4%           Eingram Micro Inc., A         700,000         18,872,000           *Multi-Fineline Electronix Inc.         317,300         3,928,174           *Pofin-Sinar Technologies Inc.         201,000         20,202,000           *Potin-Sinar Technologies Inc.         227,200         10,887,424           *Transportation 1.7%         295,800         29,287,158           *SkyWest Inc.         295,800         29,287,158	Sensient Technologies Corp.	857,900	46,369,495
Retailing 8.6%           Brown Shoe Co. Inc.         1,220,000         28,779,800           The Cato Corp., A         573,100         16,327,619           GameStop Corp., A         567,600         22,522,368           **Genesco Inc.         484,500         37,001,265           Group 1 Automotive Inc.         772,900         55,749,277           The Men's Wearhouse Inc.         674,600         31,962,548           **The Pep Boys - Manny, Moe & Jack         2,143,900         21,910,650           Pier 1 Imports Inc.         310,000         5660,600           **West Marine Inc.         795,000         8,506,500           **West Marine Inc.         1,000,000         10,300,000           **Cohu Inc.         1,000,000         10,300,000           Technology Hardware & Equipment 1.6%         1,000,000         18,872,000           **Multi-Fineline Electronix Inc.         317,300         3,928,174           **Rofin-Sinar Technologies Inc.         910,000         20,202,000           **Multi-Fineline Electronix Inc.         317,300         3,928,174           **Rofin-Sinar Technologies Inc.         227,200         10,887,424           **Rofin-Sinar Technologies Inc.         227,200         10,887,424           **Transportation	Steel Dynamics Inc.	1,565,000	28,592,550
Retailing 8.6%           Brown Shoe Co. Inc.         1,220,000         28,779,800           The Cato Corp., A         573,100         16,327,619           GameStop Corp., A         567,600         22,522,368           Genesco Inc.         484,500         37,001,265           Group 1 Automotive Inc.         772,900         55,749,277           The Men's Wearhouse Inc.         674,600         31,962,548           *The Pep Boys - Manny, Moe & Jack         2,143,900         21,910,658           Pier 1 Imports Inc.         310,000         5,660,600           *West Marine Inc.         795,000         8,565,500           228,420,635         28,420,635           Semiconductors & Semiconductor Equipment 0.4%         1,000,000         10,300,000           Technology Hardware & Equipment 1.6%         1,000,000         10,300,000           *Multi-Fineline Electronix Inc.         317,300         3,928,174           *Rofin-Sinar Technologies Inc.         910,000         20,202,000           *Multi-Fineline Electronix Inc.         227,200         10,887,424           Trading Companies & Distributors 0.4%           Applied Industrial Technologies Inc.         227,200         10,887,424           Transportation 1.7% <t< td=""><td>Stepan Co</td><td>456,700</td><td>26,410,961</td></t<>	Stepan Co	456,700	26,410,961
Brown Shoe Co. Inc.         1,220,000         28,779,800           The Cato Corp., A         573,100         16,327,619           GameStop Corp., A         567,600         22,522,368           Genesco Inc.         484,500         37,001,265           Group 1 Automotive Inc.         772,900         55,749,277           The Men's Wearhouse Inc.         674,600         31,962,548           Piter Pep Boys - Manny, Moe & Jack         2,143,900         21,910,658           Pier 1 Imports Inc.         310,000         5,660,600           West Marine Inc.         795,000         8,506,500           West Marine Inc.         1,000,000         10,300,000           Technology Hardware & Equipment 1.6%           Engram Micro Inc., A         700,000         18,872,000           Multi-Fineline Electronix Inc.         317,300         3,928,174           Rofin-Sinar Technologies Inc.         20,202,000           Trading Companies & Distributors 0.4%         227,200         10,887,424           Transportation 1.7%         295,800         29,287,158           Genesee & Wyoming Inc.         295,800         29,287,158           SkyWest Inc.         44,169,958			375,331,907
Brown Shoe Co. Inc.         1,220,000         28,779,800           The Cato Corp., A         573,100         16,327,619           GameStop Corp., A         567,600         22,522,368           Genesco Inc.         484,500         37,001,265           Group 1 Automotive Inc.         772,900         55,749,277           The Men's Wearhouse Inc.         674,600         31,962,548           *The Pep Boys - Manny, Moe & Jack         2,143,900         21,910,658           Pier 1 Imports Inc.         310,000         5,660,600           *West Marine Inc.         795,000         8,506,500           *West Marine Inc.         1,000,000         10,300,000           Technology Hardware & Equipment 1.6%           *Ingram Micro Inc., A         700,000         18,872,000           *Multi-Fineline Electronix Inc.         317,300         3,928,174           *Rofin-Sinar Technologies Inc.         910,000         20,202,000           *Applied Industrial Technologies Inc.         227,200         10,887,424           Transportation 1.7%           *Genesee & Wyoming Inc.         295,800         29,287,158           SkyWest Inc.         1,283,000         44,169,958	Retailing 8.6%		
The Cato Corp., A         573,100         16,327,619           GameStop Corp., A         567,600         22,522,368           PGenesco Inc.         484,500         37,001,265           Group 1 Automotive Inc.         772,900         55,749,277           The Men's Wearhouse Inc.         674,600         31,962,548           Pice Pp Boys - Manny, Moe & Jack         2,143,900         21,910,658           Pier 1 Imports Inc.         310,000         5,660,600           West Marine Inc.         795,000         8,506,500           West Marine Inc.         1,000,000         10,300,000           Cohu Inc.         1,000,000         10,300,000           Technology Hardware & Equipment 1.6%         700,000         18,872,000           Piloram Micro Inc., A         700,000         3,928,174           Profin-Sinar Technologies Inc.         317,300         3,928,174           Profin-Sinar Technologies Inc.         317,300         3,928,174           Applied Industrial Technologies Inc.         227,200         10,887,424           Transportation 1.7%         295,800         29,287,158           Genesee & Wyoming Inc.         295,800         29,287,158           SkyWest Inc.         44,169,958	· · · · · · · · · · · · · · · · · · ·	1,220,000	28,779,800
Genesco Inc.         484,500         37,001,265           Group 1 Automotive Inc.         772,900         55,749,277           The Men's Wearhouse Inc.         674,600         31,962,548           ® The Pep Boys - Manny, Moe & Jack         2,143,900         21,910,6560           Pier 1 Imports Inc.         310,000         5,660,600           ® West Marine Inc.         795,000         8,506,500           Exemiconductors & Semiconductor Equipment 0.4%         228,420,635           Semiconductors & Semiconductor Equipment 1.6%         1,000,000         10,300,000           Technology Hardware & Equipment 1.6%         317,300         3,928,174           ® Rofin-Sinar Technologies Inc.         317,300         3,928,174           ® Rofin-Sinar Technologies Inc.         910,000         20,202,000           43,002,174         43,002,174         43,002,174           Trading Companies & Distributors 0.4%         227,200         10,887,424           Transportation 1.7%         295,800         29,287,158           SkyWest Inc.         1,283,000         14,882,800           44,169,958		573,100	16,327,619
Genesco Inc.         484,500         37,001,265           Group 1 Automotive Inc.         772,900         55,749,277           The Men's Wearhouse Inc.         674,600         31,962,548           The Pep Boys - Manny, Moe & Jack         2,143,900         21,910,656           Pier 1 Imports Inc.         310,000         5,660,600           Pier 1 Imports Inc.         795,000         8,506,500           West Marine Inc.         1,000,000         10,300,000           Semiconductors & Semiconductor Equipment 0.4%           Cohu Inc.         1,000,000         10,300,000           Technology Hardware & Equipment 1.6%           Ingram Micro Inc., A         700,000         18,872,000           Multi-Fineline Electronix Inc.         317,300         3,928,174           Pofin-Sinar Technologies Inc.         910,000         20,202,000           43,002,174         43,002,174           Trading Companies & Distributors 0.4%           Applied Industrial Technologies Inc.         227,200         10,887,424           Transportation 1.7%         295,800         29,287,158           SkyWest Inc.         1,283,000         44,169,958	GameStop Corp., A		22,522,368
Group 1 Automotive Inc.         772,900         55,749,277           The Men's Wearhouse Inc.         674,600         31,962,548           a The Pep Boys - Manny, Moe & Jack         2,143,900         21,910,658           Pier 1 Imports Inc.         310,000         5,660,600           a West Marine Inc.         795,000         8,506,500           228,420,635         228,420,635           Semiconductors & Semiconductor Equipment 0.4%           Cohu Inc.         1,000,000         10,300,000           Technology Hardware & Equipment 1.6%           a Ingram Micro Inc., A         700,000         18,872,000           a Multi-Fineline Electronix Inc.         317,300         3,928,174           a Rofin-Sinar Technologies Inc.         910,000         20,202,000           Trading Companies & Distributors 0.4%           Applied Industrial Technologies Inc.         227,200         10,887,424           Transportation 1.7%           a Cenesee & Wyoming Inc.         295,800         29,287,158           SkyWest Inc.         1,283,000         14,882,800           44,169,958	Genesco Inc.		
The Pep Boys - Manny, Moe & Jack 2,143,900 21,910,658 Pier 1 Imports Inc. 310,000 5,660,600 8 West Marine Inc. 795,000 228,420,635	Group 1 Automotive Inc.		
a* The Pep Boys - Manny, Moe & Jack       2,143,900       21,910,658         Pier 1 Imports Inc.       310,000       5,660,600         a* West Marine Inc.       795,000       8,506,500         228,420,635         Semiconductors & Semiconductor Equipment 0.4%         Cohu Inc.       1,000,000       10,300,000         Technology Hardware & Equipment 1.6%         a Ingram Micro Inc., A       700,000       18,872,000         a Multi-Fineline Electronix Inc.       317,300       3,928,174         a Rofin-Sinar Technologies Inc.       910,000       20,202,000         Trading Companies & Distributors 0.4%         Applied Industrial Technologies Inc.       227,200       10,887,424         Transportation 1.7%         a*Genesee & Wyoming Inc.       295,800       29,287,158         SkyWest Inc.       1,283,000       14,882,800         44,169,958	The Men's Wearhouse Inc.	674,600	31,962,548
West Marine Inc.       795,000       8,506,500         228,420,635         Semiconductors & Semiconductor Equipment 0.4%       Technology Hardware & Equipment 1.6%         © Ingram Micro Inc., A       700,000       18,872,000         © Multi-Fineline Electronix Inc.       317,300       3,928,174         © Rofin-Sinar Technologies Inc.       910,000       20,202,000         Trading Companies & Distributors 0.4%       43,002,174         Applied Industrial Technologies Inc.       227,200       10,887,424         Transportation 1.7%       295,800       29,287,158         SkyWest Inc.       1,283,000       14,882,800         44,169,958		2,143,900	21,910,658
228,420,635         Semiconductors & Semiconductor Equipment 0.4%         Cohu Inc.       1,000,000       10,300,000         Technology Hardware & Equipment 1.6%         **Ingram Micro Inc., A       700,000       18,872,000         **Multi-Fineline Electronix Inc.       317,300       3,928,174         **Rofin-Sinar Technologies Inc.       910,000       20,202,000         **Applied Industrial Technologies Inc.       227,200       10,887,424         Transportation 1.7%         **Genesee & Wyoming Inc.       295,800       29,287,158         SkyWest Inc.       1,283,000       14,882,800         44,169,958	Pier 1 Imports Inc.	310,000	5,660,600
Semiconductors & Semiconductor Equipment 0.4%           Cohu Inc.         1,000,000         10,300,000           Technology Hardware & Equipment 1.6%           Ingram Micro Inc., A         700,000         18,872,000           Multi-Fineline Electronix Inc.         317,300         3,928,174           Profin-Sinar Technologies Inc.         910,000         20,202,000           43,002,174         43,002,174           Trading Companies & Distributors 0.4%         227,200         10,887,424           Transportation 1.7%         295,800         29,287,158           SkyWest Inc.         295,800         29,287,158           SkyWest Inc.         1,283,000         14,882,800           44,169,958	<sup>a</sup> West Marine Inc.	795,000	8,506,500
Cohu Inc.       1,000,000       10,300,000         Technology Hardware & Equipment 1.6%         a Ingram Micro Inc., A       700,000       18,872,000         a Multi-Fineline Electronix Inc.       317,300       3,928,174         a Rofin-Sinar Technologies Inc.       910,000       20,202,000         43,002,174         Trading Companies & Distributors 0.4%       227,200       10,887,424         Applied Industrial Technologies Inc.       227,200       10,887,424         Transportation 1.7%       295,800       29,287,158         SkyWest Inc.       1,283,000       14,882,800         44,169,958			228,420,635
Cohu Inc.       1,000,000       10,300,000         Technology Hardware & Equipment 1.6%         a Ingram Micro Inc., A       700,000       18,872,000         a Multi-Fineline Electronix Inc.       317,300       3,928,174         a Rofin-Sinar Technologies Inc.       910,000       20,202,000         43,002,174         Trading Companies & Distributors 0.4%         Applied Industrial Technologies Inc.       227,200       10,887,424         Transportation 1.7%         a Genesee & Wyoming Inc.       295,800       29,287,158         SkyWest Inc.       1,283,000       44,169,958	Semiconductors & Semiconductor Equipment 0.4%		
Technology Hardware & Equipment 1.6%         a Ingram Micro Inc., A       700,000       18,872,000         a Multi-Fineline Electronix Inc.       317,300       3,928,174         a Rofin-Sinar Technologies Inc.       910,000       20,202,000         43,002,174         Trading Companies & Distributors 0.4%         Applied Industrial Technologies Inc.       227,200       10,887,424         Transportation 1.7%         a Genesee & Wyoming Inc.       295,800       29,287,158         SkyWest Inc.       1,283,000       44,169,958		1,000,000	10,300,000
Ingram Micro Inc., A   700,000   18,872,000   317,300   3,928,174   317,300   3,928,174   317,300   20,202,000   43,002,174   317,300   20,202,000   43,002,174   317,300   20,202,000   43,002,174   317,300   3,928,174   317,300   20,202,000   317,300   3,928,174   317,300   317		, ,	
a Multi-Fineline Electronix Inc.       317,300       3,928,174         a Rofin-Sinar Technologies Inc.       910,000       20,202,000         43,002,174         Trading Companies & Distributors 0.4%         Applied Industrial Technologies Inc.       227,200       10,887,424         Transportation 1.7%         a Genesee & Wyoming Inc.       295,800       29,287,158         SkyWest Inc.       1,283,000       14,882,800         44,169,958	<del></del>	700,000	18,872,000
#Rofin-Sinar Technologies Inc. 910,000 20,202,000 43,002,174    Trading Companies & Distributors 0.4%   Applied Industrial Technologies Inc. 227,200 10,887,424    Transportation 1.7%   #Genesee & Wyoming Inc. 295,800 29,287,158   SkyWest Inc. 1,283,000 14,882,800   44,169,958			, ,
43,002,174         Trading Companies & Distributors 0.4%         Applied Industrial Technologies Inc.       227,200       10,887,424         Transportation 1.7%         © Genesee & Wyoming Inc.       295,800       29,287,158         SkyWest Inc.       1,283,000       14,882,800         44,169,958	<sup>a</sup> Rofin-Sinar Technologies Inc.		
Trading Companies & Distributors 0.4%         Applied Industrial Technologies Inc.       227,200       10,887,424         Transportation 1.7%         © Genesee & Wyoming Inc.       295,800       29,287,158         SkyWest Inc.       1,283,000       14,882,800         44,169,958		,,,,,,,	
Applied Industrial Technologies Inc.       227,200       10,887,424         Transportation 1.7%         a Genesee & Wyoming Inc.       295,800       29,287,158         SkyWest Inc.       1,283,000       14,882,800         44,169,958	Trading Companies & Distributors 0.4%		
Transportation 1.7%       295,800       29,287,158         Genesee & Wyoming Inc.       1,283,000       14,882,800         SkyWest Inc.       44,169,958		227.200	10,887.424
Genesee & Wyoming Inc.       295,800       29,287,158         SkyWest Inc.       1,283,000       14,882,800         44,169,958			
SkyWest Inc.       1,283,000       14,882,800         44,169,958       44,169,958		205 200	00 007 150
44,169,958	,	•	
	Skywest Inc.	1,283,000	
Total Common Stocks (Cost \$1,647,517,397)			44,169,958
	Total Common Stocks (Cost \$1,647,517,397)		2,507,234,441

Franklin Small Cap Value Fund	Shares	Value
Short Term Investments 4.9% Money Market Funds (Cost \$102,471,650) 3.9%		
a,d Institutional Fiduciary Trust Money Market Portfolio	102,471,650	\$ 102,471,650
		I
	Principal Amount	
Investments from Cash Collateral Received for Loaned Securities 1.0% Repurchase Agreements 1.0%		
Barclays Capital Inc., 0.04%, 5/01/14 (Maturity Value \$6,218,366)		
Collateralized by U.S. Treasury Notes, 0.25% - 3.625%, 9/15/15 - 2/15/21; and U.S.		
Treasury Strips, 5/15/17 - 2/15/44 (valued at \$6,342,727)	\$ 6,218,359	6,218,359
BNP Paribas Securities Corp., 0.05%, 5/01/14 (Maturity Value \$6,218,368)		
Collateralized by U.S. Government and Agency Securities, zero cpn 7.25%,		
5/15/14 - 7/15/37; gU.S. Government Agency Discount Notes, 10/24/14; and U.S.		
Government Agency Strips, 5/15/22 - 7/15/28 (valued at \$6,342,734)	6,218,359	6,218,359
Deutsche Bank Securities Inc., 0.05%, 5/01/14 (Maturity Value \$6,218,368)		
Collateralized by U.S. Treasury Bonds, 4.50%, 5/15/38; U.S. Treasury Bonds, Index Linked,		
0.625% - 3.875%, 1/15/28 - 2/15/43; U.S. Treasury Notes, 0.07% - 3.75%,		
10/31/14 - 5/15/23; U.S. Treasury Notes, Index Linked, 0.125% - 2.125%,		
4/15/15 - 1/15/24; and U.S. Treasury Strips, 5/15/25 - 11/15/40 (valued at \$6,342,726)	6 210 250	6 210 250
HSBC Securities (USA) Inc., 0.04%, 5/01/14 (Maturity Value \$6,218,366)	6,218,359	6,218,359
Collateralized by U.S. Government and Agency Securities, zero cpn 7.25%,		
5/15/14 - 7/15/32; and U.S. Government Agency Strips, 7/15/14 - 4/15/30		
(valued at \$6,342,795)	6,218,359	6,218,359
RBS Securities Inc., 0.05%, 5/01/14 (Maturity Value \$1,309,102)	0,210,000	0,210,000
Collateralized by U.S. Treasury Bonds, Index Linked, 0.625% - 3.875%, 1/15/25 - 2/15/44;		
and U.S. Treasury Notes, Index Linked, 0.625% - 2.625%, 7/15/15 - 1/15/24		
(valued at \$1,335,284)	1,309,100	1,309,100
Total Repurchase Agreements (Cost \$26,182,536)		26,182,536
Total Investments (Cost \$1,776,171,583) 99.2%		2,635,888,627
Other Assets, less Liabilities 0.8%		21,818,096
Net Assets 100.0%		\$2,657,706,723

<sup>&</sup>lt;sup>a</sup>Non-income producing.

bSee Note 8 regarding holdings of 5% voting securities.

cA portion or all of the security is on loan at April 30, 2014. See Note 1(d).

dSee Note 3(f) regarding investments in the Institutional Fiduciary Trust Money Market Portfolio.

eSee Note 1(d) regarding securities on loan.

<sup>&</sup>lt;sup>f</sup>See Note 1(c) regarding repurchase agreements.

gThe security is traded on a discount basis with no stated coupon rate.

### **Financial Statements**

#### Statements of Assets and Liabilities

	Franklin All Cap Value Fund	Franklin Balance Sheet Investment Fund	Franklin Large Cap Value Fund
Assets:			
Investments in securities:			
Cost - Unaffiliated issuers	\$41,742,534	\$ 759,947,624	\$132,592,603
Cost - Non-controlled affiliated issuers (Note 8)	_	10,396,835	_
Cost - Sweep Money Fund (Note 3f)	2,578,930	183,438,700	8,808,891
Total cost of investments	\$44,321,464	\$ 953,783,159	\$141,401,494
Value - Unaffiliated issuers	\$ 54,956,959	\$1,335,662,064	\$198,005,715
Value - Non-controlled affiliated issuers (Note 8)	_	9,160,000	_
Value - Sweep Money Fund (Note 3f)	2,578,930	183,438,700	8,808,891
Total value of investments	57,535,889	1,528,260,764	206,814,606
Receivables:			
Investment securities sold	845,041	10,065,262	_
Capital shares sold	163,414	2,368,924	410,285
Dividends	21,831	305,155	126,639
Other assets	30	905	113
Total assets	58,566,205	1,541,001,010	207,351,643
Liabilities:			
Payables:			
Investment securities purchased	620,473	4,060,528	415,899
Capital shares redeemed	51,839	3,311,874	307,214
Management fees	28,443	574,736	124,639
Distribution fees	18,158	357,042	68,857
Transfer agent fees	9,242	430,174	36,810
Accrued expenses and other liabilities	21,872	83,802	36,342
Total liabilities	750,027	8,818,156	989,761
Net assets, at value	\$57,816,178	\$1,532,182,854	\$206,361,882
Net assets consist of:			
Paid-in capital	\$44,963,815	\$ 887,710,706	\$142,112,087
Distributions in excess of net investment income	(73,203)	(975,452)	(100,028)
Net unrealized appreciation (depreciation)	13,214,396	574,477,605	65,413,112
Accumulated net realized gain (loss)	(288,830)	70,969,995	(1,063,289)
Net assets, at value	\$57,816,178	\$1,532,182,854	\$206,361,882

### Financial Statements (continued)

#### Statements of Assets and Liabilities (continued)

	Franklin All Cap Value Fund	Franklin Balance Sheet Investment Fund	Franklin Large Cap Value Fund
Class A:			
Net assets, at value	\$46,745,918	\$1,295,900,995	\$152,582,717
Shares outstanding	3,570,481	25,386,510	8,435,563
Net asset value per sharea	\$13.09	\$51.05	\$18.09
Maximum offering price per share (net asset value per share $\div$ 94.25%)	\$13.89	\$54.16	\$19.19
Class C:			
Net assets, at value	\$ 8,336,155	\$ 101,199,986	\$ 36,783,470
Shares outstanding	647,711	2,027,338	2,051,635
Net asset value and maximum offering price per share <sup>a</sup>	\$12.87	\$49.92	\$17.93
Class R:			
Net assets, at value	\$ 56,141	\$ 15,949,637	\$ 5,235,403
Shares outstanding	4,284	312,432	291,481
Net asset value and maximum offering price per share	\$13.10	\$51.05	\$17.96
Class R6:			
Net assets, at value		\$ 6,506,206	\$ 5,928,456
Shares outstanding		124,906	329,236
Net asset value and maximum offering price per share		\$52.09	\$18.01
Advisor Class:			
Net assets, at value	\$ 2,677,964	\$ 112,626,030	\$ 5,831,836
Shares outstanding	203,601	2,161,730	323,610
Net asset value and maximum offering price per share	\$13.15	\$52.10	\$18.02

<sup>&</sup>lt;sup>a</sup>Redemption price is equal to net asset value less contingent deferred sales charges, if applicable.

### Financial Statements (continued)

#### Statements of Assets and Liabilities (continued)

A t -	Franklin MicroCap Value Fund	Franklin MidCap Value Fund	Franklin Small Cap Value Fund
Assets:			
Investments in securities:	¢160 005 577	¢ 100 EC7 000	¢1 C27 Q2E Q21
Cost - Unaffiliated issuers	\$168,085,577	\$ 109,567,889	\$1,637,835,831
Cost - Non-controlled affiliated issuers (Note 8)	44,539,709	7 101 010	9,681,566
Cost - Sweep Money Fund (Note 3f)	157,339,254	7,191,812	102,471,650
Cost - Repurchase agreements			26,182,536
Total cost of investments	\$369,964,540	\$116,759,701	\$1,776,171,583
Value - Unaffiliated issuers	\$315,365,769	\$144,235,502	\$2,499,161,276
Value - Non-controlled affiliated issuers (Note 8)	81,852,534	_	8,073,165
Value - Sweep Money Fund (Note 3f)	157,339,254	7,191,812	102,471,650
Value - Repurchase agreements			26,182,536
Total value of investments <sup>a</sup>	554,557,557	151,427,314	2,635,888,627
Cash	_	_	2,951
Investment securities sold	_	_	53,533,339
Capital shares sold	125,873	320,719	5,713,790
Dividends	12,285	65,553	653,777
Other assets	323	81	1,454
Total assets	554,696,038	151,813,667	2,695,793,938
Liabilities:			
Payables:			
Investment securities purchased	168,442	626,132	5,477,229
Capital shares redeemed	752,713	111,862	3,592,049
Management fees	332,453	92,497	1,243,415
Distribution fees	73,444	49,885	658,680
Transfer agent fees	82,550	34,050	819,052
Funds advanced by custodian	154,250	_	_
Payable upon return of securities loaned	_	_	26,182,536
Accrued expenses and other liabilities	40,593	39,462	114,254
Total liabilities	1,604,445	953,888	38,087,215
Net assets, at value	\$553,091,593	\$150,859,779	\$2,657,706,723
Net assets consist of:	•		
Paid-in capital	\$341,532,198	\$118,266,174	\$1,721,868,424
Distributions in excess of net investment income			(3,052,677)
Net unrealized appreciation (depreciation)	184,593,017	34,667,613	859,714,390
Accumulated net realized gain (loss)	28,345,724	(2,005,983)	79,176,586
Net assets, at value	\$553,091,593	\$150,859,779	\$2,657,706,723
alncludes securities loaned	\$ —	\$ —	\$ 25,496,009

### Financial Statements (continued)

#### Statements of Assets and Liabilities (continued)

	Franklin MicroCap Value Fund	Franklin MidCap Value Fund	Franklin Small Cap Value Fund
Class A:			
Net assets, at value	\$372,065,273	\$120,756,092	\$1,318,638,887
Shares outstanding	9,393,748	7,703,749	22,405,435
Net asset value per share <sup>a</sup>	\$39.61	\$15.67	\$58.85
Maximum offering price per share (net asset value per share $\div$ 94.25%)	\$42.03	\$16.63	\$62.44
Class C:			
Net assets, at value		\$ 24,947,479	\$ 260,069,970
Shares outstanding		1,612,407	4,761,198
Net asset value and maximum offering price per share <sup>a</sup>		\$15.47	\$54.62
Class R:			
Net assets, at value		\$ 1,025,996	\$ 280,959,997
Shares outstanding		65,578	4,814,972
Net asset value and maximum offering price per share		\$15.65	\$58.35
Class R6:			
Net assets, at value	\$ 83,549,823	_	\$ 31,855,878
Shares outstanding	2,110,706		523,861
Net asset value and maximum offering price per share	\$39.58		\$60.81
Advisor Class:			
Net assets, at value	\$ 97,476,497	\$ 4,130,212	\$ 766,181,991
Shares outstanding	2,462,658	262,351	12,599,887
Net asset value and maximum offering price per share	\$39.58	\$15.74	\$60.81

<sup>&</sup>lt;sup>a</sup>Redemption price is equal to net asset value less contingent deferred sales charges, if applicable.

### Financial Statements (continued)

#### **Statements of Operations**

for the six months ended April 30, 2014 (unaudited)

	Franklin All Cap Value Fund	Franklin Balance Sheet Investment Fund	Franklin Large Cap Value Fund
Investment income: Dividends	\$ 332,224	\$15,401,130	\$ 1,830,063
Income from securities loaned		8,327	
Total investment income	332,224	15,409,457	1,830,063
Expenses:			
Management fees (Note 3a)	195,545	3,558,657	731,122
Class A	63,711	1,618,158	226,538
Class C	35,680	507,511	173,034
Class R	126	42,132	11,996
Transfer agent fees: (Note 3e)			
Class A	36,750	987,791	119,373
Class C	6,158	77,452	28,639
Class R	43	12,861	3,963
Class R6	0.100	37	42
Advisor Class	2,180	83,715	6,223
Custodian fees (Note 4)	234	8,609	778
Reports to shareholders	4,873	81,840	14,986
Registration and filing fees	30,078	64,006	47,511
Professional fees	11,780	35,132 50,125	16,597 5,527
Other	3,245	12,424	4,570
	-	· · · · · · · · · · · · · · · · · · ·	
Total expenses	390,403	7,140,450	1,390,899
Expense reductions (Note 4)	(42,883)	(8) (81,586)	(3,924)
Net expenses	347,520	7,058,856	1,386,975
Net investment income (loss)	(15,296)	8,350,601	443,088
	(13,230)	0,550,001	443,000
Realized and unrealized gains (losses):  Net realized gain (loss) from:  Investments:			
Unaffiliated issuers	1,300,093	71,483,873	293,304
Non-controlled affiliated issuers (Note 8)	_	140,000	_
Foreign currency transactions	(3,687)	(28,400)	
Net realized gain (loss)	1,296,406	71,595,473	293,304
Net change in unrealized appreciation (depreciation) on:			
Investments	2,208,410 (29)	5,989,968 6,204	14,103,904 —
Net change in unrealized appreciation (depreciation)	2,208,381	5,996,172	14,103,904
Net realized and unrealized gain (loss)	3,504,787	77,591,645	14,397,208
Net increase (decrease) in net assets resulting from operations	\$3,489,491	\$85,942,246	\$14,840,296
			-

### Financial Statements (continued)

#### **Statements of Operations** (continued)

for the six months ended April 30, 2014 (unaudited)

	Franklin MicroCap Value Fund	Franklin MidCap Value Fund	Franklin Small Cap Value Fund
Investment income:			
Dividends:		44 000 007	4.7.400.40
Unaffiliated issuers	\$ 2,436,038	\$1,332,387	\$17,498,943
Non-controlled affiliated issuers (Note 8)	82,904 23,684	_	116,580 307,604
Total investment income	2,542,626	1,332,387	17,923,127
	2,342,020	1,332,307	17,323,127
Expenses:  Management fees (Note 3a)	2,074,192	658,882	7,245,822
Distribution fees: (Note 3c)	2,074,132	030,002	, ,
Class A	443,073	166,516	1,925,333
Class C	_	116,581	1,274,477
Class R	_	2,468	691,370
Class A	226,033	113,493	1,371,633
Class C	_	23,917	274,052
Class R	_	1,012	297,296
Class R6	47	_	220
Advisor Class	62,921	3,929	754,876
Custodian fees (Note 4)	1,867 23,433	549 12,528	9,960 155,236
Registration and filing fees	38,553	33,880	90,023
Professional fees	21,172	14,813	38,607
Trustees' fees and expenses	16,630	3,495	67,034
Other	5,011	4,119	13,724
Total expenses	2,912,932	1,156,182	14,209,663
Expense reductions (Note 4)	· · · —	_	(180)
Expenses waived/paid by affiliates (Note 3f and 3g)	(57,086)	(142,391)	(84,273)
Net expenses	2,855,846	1,013,791	14,125,210
Net investment income (loss)	(313,220)	318,596	3,797,917
Realized and unrealized gains (losses):  Net realized gain (loss) from:  Investments:			
Unaffiliated issuers	25,402,969 2,948,576	4,588,308 —	79,429,618 —
Foreign currency transactions			(180,461)
Net realized gain (loss)	28,351,545	4,588,308	79,249,157
Net change in unrealized appreciation (depreciation) on:			
Investments	(13,019,348)	4,156,424	3,754,547 (2,654)
<u> </u>	(12.010.249)	1 156 121	
Net change in unrealized appreciation (depreciation)	(13,019,348)	4,156,424	3,751,893
Net realized and unrealized gain (loss)	15,332,197	8,744,732	83,001,050
Net increase (decrease) in net assets resulting from operations	\$ 15,018,977	\$9,063,328	\$86,798,967

### Financial Statements (continued)

#### Statements of Changes in Net Assets

	Franklin All Cap Value Fund			Franklin Balance Sheet Investment Fund		
	Six Months Ended April 30, 2014 (unaudited)	Year Ended October 31, 2013	Six Months Ended April 30, 2014 (unaudited)	Year Ended October 31, 2013		
Increase (decrease) in net assets:  Operations:						
Net investment income (loss)	\$ (15,296)	\$ 97,262	\$ 8,350,601	\$ 17,622,023		
and foreign currency transactions Net change in unrealized appreciation (depreciation) on investments and translation of other assets and liabilities	1,296,406	1,526,821	71,595,473	144,681,041		
denominated in foreign currencies	2,208,381	7,605,740	5,996,172	226,570,697		
Net increase (decrease) in net assets resulting from operations	3,489,491	9,229,823	85,942,246	388,873,761		
Distributions to shareholders from: Net investment income:						
Class A	(50,325)	(183,523)	(14,958,697)	(15,938,782)		
Class C	_	(6,464)	(589,599)	(602,654)		
Class R	_	(126)	(165,042) (89)	(206,731)		
Advisor Class	(7,582)	(20,261)	(1,543,619)	(1,523,919)		
Class A	_	_	(122,421,330)	(52,319,506)		
Class B	_	_	_	(22,629)		
Class C	_	_	(9,966,279)	(3,698,126)		
Class R	_	_	(1,768,405)	(794,960)		
Class R6	_	_	(554)	(4 222 612)		
	(57,007)	(010.074)	(10,518,510)	(4,222,612)		
Total distributions to shareholders	(57,907)	(210,374)	(161,932,124)	(79,329,919)		
Capital share transactions: (Note 2)	6 001 101	0.600.156	100.050.077	(05, 400, 004)		
Class A	6,931,191	9,603,156	103,859,077	(86,489,904)		
Class C		1,330,165	9,910,431	(657,653) 5,749,409		
Class R	6,751	5,936	(1,109,221)	(1,172,033)		
Class R6	_	_	6,481,021	5,000		
Advisor Class	100,087	174,252	10,103,177	(30,566,585)		
Total capital share transactions	9,179,024	11,113,509	129,244,485	(113,131,766)		
Net increase (decrease) in net assets	12,610,608	20,132,958	53,254,607	196,412,076		
Net assets:  Beginning of period	45,205,570	25,072,612	1,478,928,247	1,282,516,171		
End of period	\$57,816,178	\$45,205,570	\$ 1,532,182,854	\$1,478,928,247		
Undistributed net investment income (distributions in excess of net investment income) included in net assets:						
End of period	\$ (73,203)	\$ —	\$ (975,452)	\$ 7,930,993		

### Financial Statements (continued)

Statements of Changes in Net Assets (continued)

	Franklin L Value		Franklin I Value	
	Six Months Ended April 30, 2014 (unaudited)	Year Ended October 31, 2013	Six Months Ended April 30, 2014 (unaudited)	Year Ended October 31, 2013
Increase (decrease) in net assets:				
Operations:  Net investment income (loss)	\$ 443,088	\$ 983,116	\$ (313,220)	\$ 2,073,773
Net realized gain (loss) from investments	293,304	3,693,577	28,351,545	33,080,460
Net change in unrealized appreciation	230,004	0,030,077	20,001,040	33,000,400
(depreciation) on investments	14,103,904	35,976,844	(13,019,348)	94,816,098
Net increase (decrease) in net assets				<u> </u>
resulting from operations	14,840,296	40,653,537	15,018,977	129,970,331
Distributions to shareholders from:				
Net investment income:				
Class A	(792,231)	(1,048,669)	(395,289)	(3,211,043)
Class C	_	(95,970)	_	_
Class R	(14,847)	(32,283)	_	_
Class R6	(63)	(100.005)	(257,885)	- (0.750.740)
Advisor Class	(88,326)	(100,085)	(333,509)	(2,763,740)
Class A	_	_	(22,089,081)	(8,832,372)
Class R6	_	_	(3,559,372)	_
Advisor Class		_	(6,854,347)	(6,599,614)
Total distributions to shareholders	(895,467)	(1,277,007)	(33,489,483)	(21,406,769)
Capital share transactions: (Note 2)				
Class A	3,998,994	12,430,348	13,745,487	96,553,358
Class B	_	(452,073)	_	_
Class C	938,418	3,892,402	_	_
Class R	353,481	(184,598)	_	_
Class R6	5,753,795	5,000	26,208,974	50,710,929
Advisor Class	(5,231,088)	1,059,410	(15,044,615)	(77,107,165)
Total capital share transactions	5,813,600	16,750,489	24,909,846	70,157,122
Net increase (decrease) in net assets	19,758,429	56,127,019	6,439,340	178,720,684
Net assets:				
Beginning of period	186,603,453	130,476,434	546,652,253	367,931,569
End of period	\$206,361,882	\$186,603,453	\$553,091,593	\$546,652,253
Undistributed net investment income				
(distributions in excess of net investment				
income) included in net assets:				
End of period	\$ (100,028)	\$ 352,351	\$ (1,379,346)	\$ (79,443)

## Financial Statements (continued)

Statements of Changes in Net Assets (continued)

	Franklin MidCap Value Fund		Franklin S Value	
	Six Months Ended April 30, 2014 (unaudited)	Year Ended October 31, 2013	Six Months Ended April 30, 2014 (unaudited)	Year Ended October 31, 2013
Increase (decrease) in net assets:  Operations:				
Net investment income	\$ 318,596	\$ 724,061	\$ 3,797,917	\$ 11,079,750
Net realized gain (loss) from investments and foreign currency transactions	4,588,308	3,420,824	79,249,157	111,408,606
denominated in foreign currencies	4,156,424	22,826,785	3,751,893	514,804,893
Net increase (decrease) in net assets resulting from operations	9,063,328	26,971,670	86,798,967	637,293,249
Distributions to shareholders from:  Net investment income:				
Class A	(604,249)	(878,280)	(5,159,025)	(9,157,863)
Class C	(8,906) (3,235)	(75,476) (8,208)	— (602,165)	(804,802) (1,827,294)
Class R6	(0,200) —	——————————————————————————————————————	(156)	(1,027,231) —
Advisor Class	(30,235)	(42,172)	(4,460,827)	(5,551,546)
Class A	_	_	(56,728,963)	(27,443,676)
Class B	_	_	(10.077.200)	(42,814)
Class C	_	_	(12,277,329) (12,617,850)	(6,276,897) (6,905,306)
Class R6	_	_	(802)	(0,903,300)
Advisor Class	_	_	(29,783,763)	(12,953,902)
Total distributions to shareholders	(646,625)	(1,004,136)	(121,630,880)	(70,964,100)
Capital share transactions: (Note 2)		. , , , , , , , , , , , , , , , , , , ,	, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	
Class A	11,210,258	17,804,313	112,086,042	76,776,731
Class B	_	_	_	(2,021,188)
Class C	1,528,806	5,602,132	16,641,438	4,545,941
Class R	(35,460)	301,754	12,034,406	(15,890,545)
Class R6			31,520,632	16,211
Advisor Class	312,463	319,088	121,548,354	86,131,844
Total capital share transactions	13,016,067	24,027,287	293,830,872	149,558,994
Net increase (decrease) in net assets	21,432,770	49,994,821	258,998,959	715,888,143
Net assets:	129,427,009	79,432,188	2,398,707,764	1,682,819,621
End of period	\$150,859,779	\$129,427,009	\$2,657,706,723	\$2,398,707,764
Undistributed net investment income (distributions in excess of net investment income) included in net assets:				
End of period	\$ (68,025)	\$ 260,004	\$ (3,052,677)	\$ 3,371,579

## Notes to Financial Statements (unaudited)

#### 1. Organization and Significant Accounting Policies

Franklin Value Investors Trust (Trust) is registered under the Investment Company Act of 1940, as amended, (1940 Act) as an open-end management investment company, consisting of six funds (Funds). The classes of shares offered within each of the Funds are indicated below. Each class of shares differs by its initial sales load, contingent deferred sales charges, voting rights on matters affecting a single class, its exchange privilege and fees primarily due to differing arrangements for distribution and transfer agent fees.

Class A, Class R6 & Advisor Class	Class A, Class C, Class R & Advisor Class	Class A, Class C, Class R Class R6 & Advisor Class
Franklin MicroCap Value Fund	Franklin All Cap Value Fund	Franklin Balance Sheet Investment Fund
	Franklin MidCap Value Fund	Franklin Large Cap Value Fund
		Franklin Small Cap Value Fund

The following summarizes the Funds' significant accounting policies.

#### a. Financial Instrument Valuation

The Funds' investments in financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Funds calculate the net asset value (NAV) per share at the close of the New York Stock Exchange (NYSE), generally at 4 p.m. Eastern time (NYSE close) on each day the NYSE is open for trading. Under procedures approved by the Trust's Board of Trustees (the Board), the Funds' administrator, investment manager and other affiliates have formed the Valuation and Liquidity Oversight Committee (VLOC). The VLOC provides administration and oversight of the Funds' valuation policies and procedures, which are approved annually by the Board. Among other things, these procedures allow the Funds to utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Equity securities and exchange traded funds listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Foreign equity securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded or as of the NYSE close, whichever is earlier. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at the NYSE close on the day that the value of the security is determined. Over-the-counter (OTC) securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities. Investments in open-end mutual funds are valued at the closing net asset value. Repurchase agreements are valued at cost, which approximates fair value.

## Notes to Financial Statements (unaudited) (continued)

#### 1. Organization and Significant Accounting Policies (continued)

#### a. Financial Instrument Valuation (continued)

The Funds have procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the VLOC convenes on a regular basis to review such financial instruments and considers a number of factors, including significant unobservable valuation inputs, when arriving at fair value. The VLOC primarily employs a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine the fair value of the investment. An income-based valuation approach may also be used in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed. The VLOC employs various methods for calibrating these valuation approaches including a regular review of key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity.

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before the daily NYSE close. In addition, trading in certain foreign markets may not take place on every NYSE business day. Occasionally, events occur between the time at which trading in a foreign security is completed and the close of the NYSE that might call into question the reliability of the value of a portfolio security held by the fund. As a result, differences may arise between the value of the Funds' portfolio securities as determined at the foreign market close and the latest indications of value at the close of the NYSE. In order to minimize the potential for these differences, the VLOC monitors price movements following the close of trading in foreign stock markets through a series of country specific market proxies (such as baskets of American Depositary Receipts, futures contracts and exchange traded funds). These price movements are measured against established trigger thresholds for each specific market proxy to assist in determining if an event has occurred that may call into question the reliability of the values of the foreign securities held by the Funds. If such an event occurs, the securities may be valued using fair value procedures, which may include the use of independent pricing services.

Also, when the last day of the reporting period is a non-business day, certain foreign markets may be open on those days that the NYSE is closed, which could result in differences between the value of the Funds' portfolio securities on the last business day and the last calendar day of the reporting period. Any significant security valuation changes due to an open foreign market are adjusted and reflected by the Funds for financial reporting purposes.

### b. Foreign Currency Translation

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the exchange rate of such currencies against U.S. dollars on the date of valuation. The Funds may enter into foreign currency exchange contracts to facilitate transactions

## Notes to Financial Statements (unaudited) (continued)

#### 1. Organization and Significant Accounting Policies (continued)

### b. Foreign Currency Translation (continued)

denominated in a foreign currency. Purchases and sales of securities, income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. Portfolio securities and assets and liabilities denominated in foreign currencies contain risks that those currencies will decline in value relative to the U.S. dollar. Occasionally, events may impact the availability or reliability of foreign exchange rates used to convert the U.S. dollar equivalent value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Board.

The Funds do not separately report the effect of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized and unrealized gain or loss from investments on the Statements of Operations.

Realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in foreign exchange rates on foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period.

#### c. Repurchase Agreements

Certain funds enter into repurchase agreements, which are accounted for as a loan by the fund to the seller, collateralized by securities which are delivered to the funds' custodian. The fair value, including accrued interest, of the initial collateralization is required to be at least 102% of the dollar amount invested by the fund, with the value of the underlying securities marked to market daily to maintain coverage of at least 100%. Repurchase agreements are subject to the terms of Master Repurchase Agreements (MRAs) with approved counterparties (sellers). The MRAs contain various provisions, including but not limited to events of default and maintenance of collateral for repurchase agreements. In the event of default by either the seller or the funds, certain MRAs may permit the non-defaulting party to net and close-out all transactions, if any, traded under such agreements. The funds may sell securities it holds as collateral and apply the proceeds towards the repurchase price and any other amounts owed by the seller to the funds in the event of default by the seller. This could involve costs or delays in addition to a loss on the securities if their value falls below the repurchase price owed by the seller. All repurchase agreements held by the funds at period end, as indicated in the Statement of Investments, had been entered into on April 30, 2014.

#### d. Securities Lending

Certain funds participate in an agency based securities lending program. The fund receives cash collateral against the loaned securities in an amount equal to at least 102% of the fair value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than

## Notes to Financial Statements (unaudited) (continued)

#### 1. Organization and Significant Accounting Policies (continued)

#### d. Securities Lending (continued)

100% of the fair value of loaned securities, as determined at the close of fund business each day; any additional collateral required due to changes in security values is delivered to the fund on the next business day. The collateral is invested in repurchase agreements as indicated on the Statements of Investments. The fund receives income from the investment of cash collateral, in addition to lending fees and rebates paid by the borrower. The fund bears the market risk with respect to the collateral investment, securities loaned, and the risk that the agent may default on its obligations to the fund. The securities lending agent has agreed to indemnify the fund in the event of default by a third party borrower.

#### e. Income and Deferred Taxes

It is each fund's policy to qualify as a regulated investment company under the Internal Revenue Code. Each fund intends to distribute to shareholders substantially all of its taxable income and net realized gains to relieve it from federal income and excise taxes. As a result, no provision for U.S. federal income taxes is required.

The Funds may be subject to foreign taxation related to income received, capital gains on the sale of securities and certain foreign currency transactions in the foreign jurisdictions in which it invests. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Funds invest. When a capital gain tax is determined to apply the Funds record an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

Each fund recognizes the tax benefits of uncertain tax positions only when the position is "more likely than not" to be sustained upon examination by the tax authorities based on the technical merits of the tax position. As of April 30, 2014, and for all open tax years, each fund has determined that no liability for unrecognized tax benefits is required in each fund's financial statements related to uncertain tax positions taken on a tax return (or expected to be taken on future tax returns). Open tax years are those that remain subject to examination and are based on each tax jurisdiction statute of limitation.

#### f. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Estimated expenses are accrued daily. Dividend income is recorded on the ex-dividend date except that certain dividends from foreign securities are recognized as soon as the Funds are notified of the ex-dividend date. Distributions to shareholders are recorded on the ex-dividend date and are determined according to income tax regulations (tax basis). Distributable earnings determined on a tax basis may differ from earnings recorded in accordance with accounting principles generally accepted in the United States of America. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications

## Notes to Financial Statements (unaudited) (continued)

#### 1. Organization and Significant Accounting Policies (continued)

### f. Security Transactions, Investment Income, Expenses and Distributions (continued)

have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

Common expenses incurred by the Trust are allocated among the Funds based on the ratio of net assets of each fund to the combined net assets of the Trust. Fund specific expenses are charged directly to the fund that incurred the expense.

Realized and unrealized gains and losses and net investment income, not including class specific expenses, are allocated daily to each class of shares based upon the relative proportion of net assets of each class. Differences in per share distributions, by class, are generally due to differences in class specific expenses.

Distributions received by the funds from certain securities may be a return of capital (ROC). Such distributions reduce the cost basis of the securities, and any distributions in excess of the cost basis are recognized as capital gains.

#### g. Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

### h. Guarantees and Indemnifications

Under the Trust's organizational documents, its officers and trustees are indemnified by the Trust against certain liabilities arising out of the performance of their duties to the Trust. Additionally, in the normal course of business, the Trust, on behalf of the Funds, enters into contracts with service providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. Currently, the Trust expects the risk of loss to be remote.

## Notes to Financial Statements (unaudited) (continued)

### 2. SHARES OF BENEFICIAL INTEREST

At April 30, 2014, there were an unlimited number of shares authorized (\$0.01 par value). Transactions in the Funds' shares were as follows:

	Franklin All Cap Value Fund			Franklin Balance Sheet Investment Fund		
	Shares		Amount	Shares		Amount
Class A Shares:						
Six Months ended April 30, 2014						
Shares sold	843,041	\$	10,726,784	3,918,955	\$	200,768,182
Shares issued in reinvestment of distributions	3,886		48,418	2,595,547		128,609,331
Shares redeemed	(302,868)		(3,844,011)	(4,403,880)		(225,518,436)
Net increase (decrease)	544,059	\$	6,931,191	2,110,622	\$	103,859,077
Year ended October 31, 2013	344,033	Ψ	0,331,131	2,110,022	Ψ	103,033,077
Shares sold	1,481,112	Φ	16,165,463	4,950,421	\$	241,521,351
Shares issued in reinvestment of	1,401,112	Ψ	10,103,403	4,550,421	Ψ	241,321,331
distributions	18,024		169,965	1,536,547		64,135,473
Shares redeemed	(653,280)		(6,732,272)	(8,309,064)		(392,146,728)
Net increase (decrease)	845,856	\$	9,603,156	(1,822,096)	\$	(86,489,904)
Class B Shares <sup>a</sup> :						
Year ended October 31, 2013						
Shares sold				12	\$	518
Shares issued in reinvestment of						
distributions				508		21,499
Shares redeemed				(15,159)		(679,670)
Net increase (decrease)				(14,639)	\$	(657,653)
Class C Shares:						
Six Months ended April 30, 2014						
Shares sold	218,567	\$	2,743,652	234,091	\$	11,943,179
Shares issued in reinvestment of distributions				212,198		10,310,697
Shares redeemed	(47,748)		(602,657)	(246,838)		(12,343,445)
Net increase (decrease)	170,819	\$	2,140,995	199,451	\$	9,910,431
Year ended October 31, 2013	170,819	Ψ	2,140,993	199,431	Ψ	9,910,431
Shares sold	202,130	\$	2,181,111	454,786	\$	21,514,788
Shares issued in reinvestment of	202,130	Ψ	2,101,111	434,760	Ψ	21,314,700
distributions	658		6,151	101,311		4,160,845
Shares redeemed	(83,080)		(857,097)	(431,642)		(19,926,224)
Net increase (decrease)	119,708	\$	1,330,165	124,455	\$	5,749,409

## Notes to Financial Statements (unaudited) (continued)

Class R Shares:         Shares         Amount         Shares         Amount           Six Months ended April 30, 2014         535         6,869         27,556         \$ 1,419,221           Shares issued in reinvestment of distributions         —         —         38,981         1,933,447           Shares redeemed         (9)         (118)         (87,910)         (4,461,889)           Net increase (decrease)         526         6,751         (21,373)         \$ (1,109,221)           Year ended October 31, 2013         561         \$ 5,880         97,799         \$ 4,516,310           Shares sold         561         \$ 5,880         97,799         \$ 4,516,310           Shares issued in reinvestment of distributions         13         126         23,987         1,001,691           Shares redeemed         (7)         (70)         (138,447)         (6,690,034)           Net increase (decrease)         567         \$ 5,936         (16,661)         \$ (1,172,033)           Six Months ended April 30, 2014         Shares redeemed         13         135,071         \$ 7,010,161           Shares redeemed         1         135,071         \$ 7,010,161           Shares sold         19,180         251,078         293,605         \$ 5,841,021 <th></th> <th>Frankli Valu</th> <th></th> <th></th> <th>Franklin E Investr</th> <th></th> <th></th>		Frankli Valu			Franklin E Investr		
Six Months ended April 30, 2014         535         6,869         27,556         \$1,419,221           Shares issued in reinvestment of distributions         —         —         38,981         1,933,447           Shares redeemed         (9)         (118)         (87,910)         (4,461,889)           Net increase (decrease)         526         \$6,751         (21,373)         \$(1,109,221)           Year ended October 31, 2013         561         \$5,880         97,799         \$4,516,310           Shares issued in reinvestment of distributions         13         126         23,987         1,001,691           Shares redeemed         (7)         (70)         (138,447)         (6,690,034)           Net increase (decrease)         567         \$5,936         (16,661)         \$(1,172,033)           Class R6 Shares!*           Six Months ended April 30, 2014         Shares redeemed         135,071         \$7,010,161           Shares redeemed         135,071         \$7,010,161         Shares redeemed         101,0270         (529,140)           Net increase (decrease)         19,180         251,078         293,605         \$5,000           Shares sold         19,180         251,078         293,605         \$15,227,535           Shares					Shares		Amount
Shares sold         535         6,869         27,556         1,419,221           Shares issued in reinvestment of distributions         —         —         38,981         1,933,447           Shares redeemed         (9)         (118)         (87,910)         (4,461,889)           Net increase (decrease)         526         6,751         (21,373)         \$ (1,109,221)           Year ended October 31, 2013         561         \$ 5,880         97,799         \$ 4,516,310           Shares sold in reinvestment of distributions         13         126         23,987         1,001,691           Shares redeemed         (7)         (70)         (138,447)         (6,690,034)           Net increase (decrease)         567         \$ 5,936         (16,661)         \$ (1,172,033)           Class R6 Shares*:         Six Months ended April 30, 2014         Shares redeemed         135,071         \$ 7,010,161           Shares redeemed         2         135,071         \$ 7,010,161           Shares redeemed         124,801         \$ 6,481,021           Year ended October 31, 2013         105         \$ 5,000           Shares sold         19,180         \$ 251,078         293,605         \$ 15,227,535           Shares issued in reinvestment of distributions         <	Class R Shares:						
Shares issued in reinvestment of distributions         —         —         —         38,981         1,933,447           Shares redeemed         (9)         (118)         (87,910)         (4,461,889)           Net increase (decrease)         526         6,751         (21,373)         \$ (1,109,221)           Year ended October 31, 2013         561         \$ 5,880         97,799         \$ 4,516,310           Shares sold         561         \$ 5,880         97,799         \$ 4,516,310           Shares issued in reinvestment of distributions         13         126         23,987         1,001,691           Shares redeemed         (7)         (70)         (138,447)         (6,690,034)           Net increase (decrease)         567         \$ 5,936         (16,661)         \$ (1,172,033)           Class R6 Shares*           Six Months ended April 30, 2014           Shares redeemed         13         135,071         7,010,161           Shares sold         124,801         6,481,021           Shares sold         10,2700         5,000           Advisor Class Shares:           Six Months ended April 30, 2014         19,180         251,078         293,605         15,227,535           Shares issued in	•						
distributions         —         —         38,981         1,933,447           Shares redeemed         (9)         (118)         (87,910)         (4,461,889)           Net increase (decrease)         526         6,751         (21,373)         1,109,221           Year ended October 31, 2013         Shares sold         561         \$ 5,880         97,799         \$ 4,516,310           Shares issued in reinvestment of distributions         13         126         23,987         1,001,691           Shares redeemed         (7)         (70)         (138,447)         (6,690,034)           Net increase (decrease)         567         \$ 5,936         (16,661)         \$ (1,172,033)           Class R6 Shares*:           Six Months ended April 30, 2014         Shares redeemed         (10,270)         (529,140)           Net increase (decrease)         13         135,071         \$ 7,010,161           Shares redeemed         (10,270)         (529,140)           Net increase (decrease)         10         124,801         \$ 6,481,021           Year ended October 31, 2013         1,9180         251,078         293,605         \$ 15,227,535           Shares sold         19,180         251,078         293,605         \$ 15,227,535		535	\$	6,869	27,556	\$	1,419,221
Shares redeemed         (9)         (118)         (87,910)         (4,461,889)           Net increase (decrease)         526         \$ 6,751         (21,373)         \$ (1,109,221)           Year ended October 31, 2013         561         \$ 5,880         97,799         \$ 4,516,310           Shares sissued in reinvestment of distributions         13         126         23,987         1,001,691           Shares redeemed         (7)         (70)         (138,447)         (6,690,034)           Net increase (decrease)         567         \$ 5,936         (16,661)         \$ (1,172,033)           Class R6 Shares*           Six Months ended April 30, 2014           Shares redeemed         2         135,071         \$ 7,010,161           Shares redeemed         3         124,801         \$ 6,481,021           Year ended October 31, 2013           Shares sold         19,180         \$ 251,078         293,605         \$ 5,000           Advisor Class Shares:           Six Months ended April 30, 2014         19,180         \$ 251,078         293,605         \$ 15,227,535           Shares sold         19,180         \$ 251,078         293,605         \$ 15,227,535           Shares issued in reinvestment of distr		_		_	38.981		1.933.447
Net increase (decrease)         526         6,751         (21,373)         (1,109,221)           Year ended October 31, 2013         Shares sold         561         \$5,880         97,799         \$4,516,310           Shares issued in reinvestment of distributions         13         126         23,987         1,001,691           Shares redeemed         (7)         (70)         (138,447)         (6,690,034)           Net increase (decrease)         567         \$5,936         (16,661)         \$(1,72,033)           Class R6 Shares?         Six Months ended April 30, 2014         Shares sold         135,071         \$7,010,161           Shares redeemed         (8)         124,801         \$6,481,021           Year ended October 31, 2013         Shares sold         105         \$5,000           Advisor Class Shares:         Six Months ended April 30, 2014         Shares sold         19,180         \$251,078         293,605         \$15,227,535           Shares issued in reinvestment of distributions         597         7,459         233,789         11,811,029           Shares redeemed         (12,389)         (158,450)         (326,365)         (16,935,387)           Net increase (decrease)         7,388         100,087         201,029         10,103,177           <		(9)		(118)	,		, ,
Year ended October 31, 2013         561         5,880         97,799         4,516,310           Shares issued in reinvestment of distributions         13         126         23,987         1,001,691           Shares redeemed         (7)         (70)         (138,447)         (6,690,034)           Net increase (decrease)         567         \$ 5,936         (16,661)         \$ (1,72,033)           Net increase (decrease)         567         \$ 5,936         (16,661)         \$ (1,72,033)           Shares sold         58         \$ 5,936         (16,661)         \$ (1,72,033)           Shares sold         58         \$ 5,936         (16,661)         \$ (1,72,033)           Shares sold         58         \$ 5,936         (10,270)         (529,140)           Net increase (decrease)         58         \$ 135,071         \$ 7,010,161           Shares redeemed         19,180         \$ 124,801         \$ 6,481,021           Year ended October 31, 2013         \$ 105         \$ 5,000           Shares sold         19,180         \$ 251,078         293,605         \$ 15,227,535           Shares issued in reinvestment of distributions         597         7,459         233,789         11,811,029           Shares redeemed         (12,389)         <			\$			\$	
Shares issued in reinvestment of distributions         13         126         23,987         1,001,691           Shares redeemed         (7)         (70)         (138,447)         (6,690,034)           Net increase (decrease)         567         \$ 5,936         (16,661)         \$ (1,72,033)           Class R6 Shares <sup>6</sup> :           Six Months ended April 30, 2014         \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	Year ended October 31, 2013						
distributions         13         126         23,987         1,001,691           Shares redeemed         (7)         (70)         (138,447)         (6,690,034)           Net increase (decrease)         567         \$ 5,936         (16,661)         \$ (1,172,033)           Class R6 Shares <sup>b</sup> :           Six Months ended April 30, 2014         \$ 5,936         135,071         \$ 7,010,161           Shares sold         135,071         \$ 7,010,161         \$ 7,010,161           Shares redeemed         (10,270)         (529,140)         \$ 6,481,021           Year ended October 31, 2013         \$ 105         \$ 5,000           Advisor Class Shares:         \$ 105         \$ 5,000           Six Months ended April 30, 2014         \$ 251,078         293,605         \$ 15,227,535           Shares issued in reinvestment of distributions         597         7,459         233,789         11,811,029           Shares redeemed         (12,389)         (158,450)         (326,365)         (16,935,387)           Net increase (decrease)         7,388         100,087         201,029         \$ 10,103,177           Year ended October 31, 2013         \$ 236,102         353,037         \$ 17,769,463           Shares issued in reinvestment of distributions         2,09	•	561	\$	5,880	97,799	\$	4,516,310
Shares redeemed         (7)         (70)         (138,447)         (6,690,034)           Net increase (decrease)         567         \$ 5,936         (16,661)         \$ (1,172,033)           Class R6 Sharesb:         Six Months ended April 30, 2014           Shares sold         135,071         \$ 7,010,161           Shares redeemed         (10,270)         (529,140)           Net increase (decrease)         124,801         \$ 6,481,021           Year ended October 31, 2013         Shares sold         105         \$ 5,000           Advisor Class Shares:         Six Months ended April 30, 2014           Shares sold         19,180         \$ 251,078         293,605         \$ 15,227,535           Shares issued in reinvestment of distributions         597         7,459         233,789         11,811,029           Shares redeemed         (12,389)         (158,450)         (326,365)         (16,935,387)           Net increase (decrease)         7,388         100,087         201,029         10,103,177           Year ended October 31, 2013         21,765         \$ 236,102         353,037         \$ 17,769,463           Shares issued in reinvestment of distributions         2,099         19,837	Shares issued in reinvestment of						
Net increase (decrease)         567         \$ 5,936         (16,661)         \$ (1,172,033)           Class R6 Sharesb:         Six Months ended April 30, 2014           Shares sold         135,071         \$ 7,010,161           Shares redeemed         (10,270)         (529,140)           Net increase (decrease)         124,801         \$ 6,481,021           Year ended October 31, 2013         105         \$ 5,000           Shares sold         19,180         \$ 251,078         293,605         \$ 15,227,535           Shares issued in reinvestment of distributions         597         7,459         233,789         11,811,029           Shares redeemed         (12,389)         (158,450)         (326,365)         (16,935,387)           Net increase (decrease)         7,388         100,087         201,029         10,103,177           Year ended October 31, 2013         Shares sold         21,765         236,102         353,037         17,769,463           Shares issued in reinvestment of distributions         2,099         19,837         126,208         5,358,793           Shares redeemed         (7,537)         (81,687)         (1,160,657)         (53,694,841)	distributions	13		126	23,987		1,001,691
Class R6 Shares b:         Six Months ended April 30, 2014       135,071       7,010,161         Shares sold       (10,270)       (529,140)         Net increase (decrease)       124,801       6,481,021         Year ended October 31, 2013       105       5,000         Shares sold       105       5,000         Advisor Class Shares:       3105       5,000         Six Months ended April 30, 2014       5,1078       293,605       15,227,535         Shares sold       19,180       251,078       293,605       15,227,535         Shares issued in reinvestment of distributions       597       7,459       233,789       11,811,029         Shares redeemed       (12,389)       (158,450)       (326,365)       (16,935,387)         Net increase (decrease)       7,388       100,087       201,029       10,103,177         Year ended October 31, 2013       353,037       17,769,463         Shares issued in reinvestment of distributions       2,099       19,837       126,208       5,358,793         Shares redeemed       (7,537)       (81,687)       (1,160,657)       (53,694,841)	Shares redeemed	(7)		(70)	(138,447)		(6,690,034)
Six Months ended April 30, 2014         135,071         7,010,161           Shares sold         (10,270)         (529,140)           Net increase (decrease)         124,801         6,481,021           Year ended October 31, 2013         105         5,000           Shares sold         19,180         251,078         293,605         15,227,535           Shares sold         19,180         251,078         293,605         15,227,535           Shares issued in reinvestment of distributions         597         7,459         233,789         11,811,029           Shares redeemed         (12,389)         (158,450)         (326,365)         (16,935,387)           Net increase (decrease)         7,388         100,087         201,029         10,103,177           Year ended October 31, 2013         Shares sold         21,765         236,102         353,037         17,769,463           Shares issued in reinvestment of distributions         2,099         19,837         126,208         5,358,793           Shares redeemed         (7,537)         (81,687)         (1,160,657)         (53,694,841)	Net increase (decrease)	567	\$	5,936	(16,661)	\$	(1,172,033)
Shares sold         135,071         7,010,161           Shares redeemed         (10,270)         (529,140)           Net increase (decrease)         124,801         6,481,021           Year ended October 31, 2013         105         5,000           Shares sold         19,180         251,078         293,605         15,227,535           Shares issued in reinvestment of distributions         597         7,459         233,789         11,811,029           Shares redeemed         (12,389)         (158,450)         (326,365)         (16,935,387)           Net increase (decrease)         7,388         100,087         201,029         10,103,177           Year ended October 31, 2013         21,765         236,102         353,037         17,769,463           Shares issued in reinvestment of distributions         2,099         19,837         126,208         5,358,793           Shares redeemed         (7,537)         (81,687)         (1,160,657)         (53,694,841)	Class R6 Sharesb:						
Shares redeemed         (10,270)         (529,140)           Net increase (decrease)         124,801         \$ 6,481,021           Year ended October 31, 2013         105         \$ 5,000           Shares sold         19,180         \$ 251,078         293,605         \$ 15,227,535           Shares issued in reinvestment of distributions         597         7,459         233,789         11,811,029           Shares redeemed         (12,389)         (158,450)         (326,365)         (16,935,387)           Net increase (decrease)         7,388         100,087         201,029         \$ 10,103,177           Year ended October 31, 2013         21,765         \$ 236,102         353,037         \$ 17,769,463           Shares issued in reinvestment of distributions         2,099         19,837         126,208         5,358,793           Shares redeemed         (7,537)         (81,687)         (1,160,657)         (53,694,841)	Six Months ended April 30, 2014						
Net increase (decrease)         124,801         \$ 6,481,021           Year ended October 31, 2013 Shares sold         105         \$ 5,000           Advisor Class Shares:         Six Months ended April 30, 2014 Shares sold           Shares sold         19,180         \$ 251,078         293,605         \$ 15,227,535           Shares issued in reinvestment of distributions         597         7,459         233,789         11,811,029           Shares redeemed         (12,389)         (158,450)         (326,365)         (16,935,387)           Net increase (decrease)         7,388         \$ 100,087         201,029         \$ 10,103,177           Year ended October 31, 2013 Shares sold         21,765         \$ 236,102         353,037         \$ 17,769,463           Shares issued in reinvestment of distributions         2,099         19,837         126,208         5,358,793           Shares redeemed         (7,537)         (81,687)         (1,160,657)         (53,694,841)	Shares sold				135,071	\$	7,010,161
Year ended October 31, 2013         105         \$ 5,000           Advisor Class Shares:         Six Months ended April 30, 2014         251,078         293,605         \$ 15,227,535           Shares sold         19,180         \$ 251,078         293,605         \$ 15,227,535           Shares issued in reinvestment of distributions         597         7,459         233,789         11,811,029           Shares redeemed         (12,389)         (158,450)         (326,365)         (16,935,387)           Net increase (decrease)         7,388         100,087         201,029         \$ 10,103,177           Year ended October 31, 2013         21,765         \$ 236,102         353,037         \$ 17,769,463           Shares issued in reinvestment of distributions         2,099         19,837         126,208         5,358,793           Shares redeemed         (7,537)         (81,687)         (1,160,657)         (53,694,841)	Shares redeemed				(10,270)		(529,140)
Shares sold         105         \$ 5,000           Advisor Class Shares:           Six Months ended April 30, 2014         \$ 19,180         \$ 251,078         293,605         \$ 15,227,535           Shares sold         19,180         \$ 251,078         293,605         \$ 15,227,535           Shares issued in reinvestment of distributions         597         7,459         233,789         11,811,029           Shares redeemed         (12,389)         (158,450)         (326,365)         (16,935,387)           Net increase (decrease)         7,388         \$ 100,087         201,029         \$ 10,103,177           Year ended October 31, 2013         21,765         \$ 236,102         353,037         \$ 17,769,463           Shares sold         2,099         19,837         126,208         5,358,793           Shares redeemed         (7,537)         (81,687)         (1,160,657)         (53,694,841)	Net increase (decrease)				124,801	\$	6,481,021
Advisor Class Shares:         Six Months ended April 30, 2014         Shares sold	Year ended October 31, 2013						
Six Months ended April 30, 2014         Shares sold       19,180       251,078       293,605       \$ 15,227,535         Shares issued in reinvestment of distributions       597       7,459       233,789       11,811,029         Shares redeemed       (12,389)       (158,450)       (326,365)       (16,935,387)         Net increase (decrease)       7,388       100,087       201,029       \$ 10,103,177         Year ended October 31, 2013       21,765       236,102       353,037       \$ 17,769,463         Shares sold       2,099       19,837       126,208       5,358,793         Shares redeemed       (7,537)       (81,687)       (1,160,657)       (53,694,841)	Shares sold				105	\$	5,000
Shares sold       19,180       \$ 251,078       293,605       \$ 15,227,535         Shares issued in reinvestment of distributions       597       7,459       233,789       11,811,029         Shares redeemed       (12,389)       (158,450)       (326,365)       (16,935,387)         Net increase (decrease)       7,388       100,087       201,029       \$ 10,103,177         Year ended October 31, 2013       21,765       \$ 236,102       353,037       \$ 17,769,463         Shares issued in reinvestment of distributions       2,099       19,837       126,208       5,358,793         Shares redeemed       (7,537)       (81,687)       (1,160,657)       (53,694,841)	Advisor Class Shares:						
Shares issued in reinvestment of distributions         597         7,459         233,789         11,811,029           Shares redeemed         (12,389)         (158,450)         (326,365)         (16,935,387)           Net increase (decrease)         7,388         100,087         201,029         10,103,177           Year ended October 31, 2013         21,765         236,102         353,037         17,769,463           Shares issued in reinvestment of distributions         2,099         19,837         126,208         5,358,793           Shares redeemed         (7,537)         (81,687)         (1,160,657)         (53,694,841)	Six Months ended April 30, 2014						
distributions         597         7,459         233,789         11,811,029           Shares redeemed         (12,389)         (158,450)         (326,365)         (16,935,387)           Net increase (decrease)         7,388         100,087         201,029         \$ 10,103,177           Year ended October 31, 2013         Shares sold         21,765         \$ 236,102         353,037         \$ 17,769,463           Shares issued in reinvestment of distributions         2,099         19,837         126,208         5,358,793           Shares redeemed         (7,537)         (81,687)         (1,160,657)         (53,694,841)	Shares sold	19,180	\$	251,078	293,605	\$	15,227,535
Shares redeemed         (12,389)         (158,450)         (326,365)         (16,935,387)           Net increase (decrease)         7,388         100,087         201,029         10,103,177           Year ended October 31, 2013         Shares sold         21,765         236,102         353,037         17,769,463           Shares issued in reinvestment of distributions         2,099         19,837         126,208         5,358,793           Shares redeemed         (7,537)         (81,687)         (1,160,657)         (53,694,841)		507		7 450	233 780		11 911 020
Net increase (decrease)       7,388       100,087       201,029       10,103,177         Year ended October 31, 2013       21,765       236,102       353,037       17,769,463         Shares issued in reinvestment of distributions       2,099       19,837       126,208       5,358,793         Shares redeemed       (7,537)       (81,687)       (1,160,657)       (53,694,841)				,	,		, ,
Year ended October 31, 2013         Shares sold		- , ,	Φ.			Φ	
Shares sold       21,765       236,102       353,037       \$ 17,769,463         Shares issued in reinvestment of distributions       2,099       19,837       126,208       5,358,793         Shares redeemed       (7,537)       (81,687)       (1,160,657)       (53,694,841)		7,300	Ψ	100,087	201,023	Ψ	10,103,177
Shares issued in reinvestment of distributions	•	21 765	\$	236 102	353 037	\$	17 760 463
distributions       2,099       19,837       126,208       5,358,793         Shares redeemed       (7,537)       (81,687)       (1,160,657)       (53,694,841)		21,703	Ψ	250,102	333,037	Ψ	17,705,405
		2,099		19,837	126,208		5,358,793
Net increase (decrease)	Shares redeemed	(7,537)		(81,687)	(1,160,657)		(53,694,841)
	Net increase (decrease)	16,327	\$	174,252	(681,412)	\$	(30,566,585)

## Notes to Financial Statements (unaudited) (continued)

	Franklin Large Cap Value Fund			icroCap und		
	Shares		Amount	Shares		Amount
Class A Shares:						
Six Months ended April 30, 2014	1 107 050	Φ.	10,000,400	401 700	Φ.	16 114 041
Shares sold	1,137,253	\$	19,900,406	401,722	\$	16,114,341
distributions	43,168		738,180	543,454		21,455,549
Shares redeemed	(955,439)		(16,639,592)	(596,721)		(23,824,403)
Net increase (decrease)	224,982	\$	3,998,994	348,455	\$	13,745,487
Year ended October 31, 2013	·		· · · · · ·	·		
Shares sold	2,606,511	\$	38,896,001	3,612,735	\$	126,740,252
Shares issued in reinvestment of						
distributions	73,979		974,297	359,311		11,239,236
Shares redeemed	(1,872,289)		(27,439,950)	(1,142,305)		(41,426,130)
Net increase (decrease)	808,201	\$	12,430,348	2,829,741	\$	96,553,358
Class B Sharesa:						
Year ended October 31, 2013						
Shares sold	1,335	\$	18,170			
Shares redeemed	(34,356)	_	(470,243)			
Net increase (decrease)	(33,021)	\$	(452,073)			
Class C Shares:						
Six Months ended April 30, 2014	0.40, 610		4 000 144			
Shares sold	243,612	\$	4,220,144			
Shares redeemed	(189,913)		(3,281,726)			
Net increase (decrease)	53,699	\$	938,418			
Year ended October 31, 2013	660.040	Φ.	10.004.065			
Shares sold	669,948	<b>Þ</b>	10,094,365			
distributions	6,632		86,877			
Shares redeemed	(433,458)		(6,288,840)			
Net increase (decrease)	243,122	\$	3,892,402			
Class R Shares:						
Six Months ended April 30, 2014						
Shares sold	55,977	\$	978,711			
Shares issued in reinvestment of						
distributions	873		14,840			
Shares redeemed	(36,632)		(640,070)			
Net increase (decrease)	20,218	\$	353,481			
Year ended October 31, 2013						
Shares sold	71,402	\$	1,028,619			
Shares issued in reinvestment of	0.460		20.000			
distributions	2,468		32,283			
Shares redeemed	(84,292)	φ.	(1,245,500)			
Net increase (decrease)	(10,422)	\$	(184,598)			

## Notes to Financial Statements (unaudited) (continued)

	Franklin Large Cap Value Fund		Franklin N Value			
	Shares		Amount	Shares		Amount
Class R6 Shares <sup>b</sup> :						
Six Months ended April 30, 2014						
Shares sold	352,296	\$	6,167,801	648,551	\$	25,848,988
Shares issued on reinvestment of				06.060		0.017.057
distributions	(00.404)			96,860		3,817,257
Shares redeemed	(23,404)		(414,006)	(87,271)		(3,457,271)
Net increase (decrease)	328,892	\$	5,753,795	658,140	\$	26,208,974
Year ended October 31, 2013						
Shares sold <sup>c</sup>	344	\$	5,000	1,480,267	\$	51,775,021
Shares redeemed			_	(27,701)		(1,064,092)
Net increase (decrease)	344	\$	5,000	1,452,566	\$	50,710,929
Advisor Class Shares:						
Six Months ended April 30, 2014						
Shares sold	67,268	\$	1,165,230	192,458	\$	7,697,899
Shares issued in reinvestment of						
distributions	5,006		85,155	171,112		6,745,230
Shares redeemed	(370,890)		(6,481,473)	(737,850)		(29,487,744)
Net increase (decrease)	(298,616)	\$	(5,231,088)	(374,280)	\$	(15,044,615)
Year ended October 31, 2013						
Shares sold	178,146	\$	2,619,420	934,074	\$	33,120,540
Shares issued in reinvestment of						
distributions	7,352		96,310	292,423		9,129,437
Shares redeemed <sup>c</sup>	(114,156)		(1,656,320)	(3,457,977)		(119,357,142)
Net increase (decrease)	71,342	\$	1,059,410	(2,231,480)	\$	(77,107,165)

Shares	Amount	Shares		Amount
1,433,585	\$ 21,754,493	3,313,055	\$	195,748,348
39,544	587,598	984,630		56,941,181
(737,489)	(11,131,833)	(2,384,410)		(140,603,487)
735,640	\$ 11,210,258	1,913,275	\$	112,086,042
				_
2,984,325	\$ 39,169,559	6,167,822	\$	320,130,339
74,103	857,377	742,104		33,691,516
(1,736,944)	(22,222,623)	(5,401,336)		(277,045,124)
1,321,484	\$ 17,804,313	1,508,590	\$	76,776,731
	Valor Shares 1,433,585 39,544 (737,489) 735,640 2,984,325 74,103 (1,736,944)	1,433,585 \$ 21,754,493 39,544 587,598 (737,489) (11,131,833) 735,640 \$ 11,210,258 2,984,325 \$ 39,169,559 74,103 857,377 (1,736,944) (22,222,623)	Value Fund         Value           Shares         Amount         Shares           1,433,585         \$ 21,754,493         3,313,055           39,544         587,598         984,630           (737,489)         (11,131,833)         (2,384,410)           735,640         \$ 11,210,258         1,913,275           2,984,325         \$ 39,169,559         6,167,822           74,103         857,377         742,104           (1,736,944)         (22,222,623)         (5,401,336)	Value Fund         Value F           Shares         Amount         Shares           1,433,585         \$ 21,754,493         3,313,055         \$           39,544         587,598         984,630         (737,489)         (11,131,833)         (2,384,410)           735,640         \$ 11,210,258         1,913,275         \$           2,984,325         \$ 39,169,559         6,167,822         \$           74,103         857,377         742,104         (1,736,944)         (22,222,623)         (5,401,336)

## Notes to Financial Statements (unaudited) (continued)

	Franklin MidCap Value Fund		Franklin Small Cap Value Fund			
	Shares		Amount	Shares		Amount
Class B Shares <sup>a</sup> :						
Year ended October 31, 2013						
Shares sold				507	\$	23,453
Shares issued in reinvestment of distributions				878		38,088
Shares redeemed				(46,166)		(2,082,729)
Net increase (decrease)				(44,781)	\$	(2,021,188)
Class C Shares:				(44,701)	Ψ	(2,021,100)
Six Months ended April 30, 2014						
Shares sold	288,941	\$	4,322,132	514,577	\$	28,232,037
Shares issued in reinvestment of	200,541	Ψ	7,522,152	314,377	Ψ	20,232,037
distributions	578		8,494	206,367		11,104,596
Shares redeemed	(187,156)		(2,801,820)	(414,245)		(22,695,195)
Net increase (decrease)	102,363	\$	1,528,806	306,699	\$	16,641,438
Year ended October 31, 2013						
Shares sold	718,194	\$	9,377,583	887,397	\$	43,143,200
Shares issued in reinvestment of						
distributions	6,223		71,375	151,082		6,422,486
Shares redeemed	(300,793)		(3,846,826)	(952,543)		(45,019,745)
Net increase (decrease)	423,624	\$	5,602,132	85,936	\$	4,545,941
Class R Shares:						
Six Months ended April 30, 2014						
Shares sold	3,544	\$	53,880	875,526	\$	51,229,210
Shares issued in reinvestment of	010		0.005	010 000		10.500.400
distributions	218		3,235	219,039		12,568,430
Shares redeemed	(6,165)		(92,575)	(884,874)		(51,763,234)
Net increase (decrease)	(2,403)	\$	(35,460)	209,691	\$	12,034,406
Year ended October 31, 2013	07.005		007.050	1 500 105		00 040 174
Shares sold	27,095	\$	327,358	1,590,105	\$	80,942,174
Shares issued in reinvestment of distributions	711		8,208	183,582		8,272,193
Shares redeemed	(2,578)		(33,812)	(2,100,586)		(105,104,912)
Net increase (decrease)	25,228	\$	301,754	(326,899)	\$	(15,890,545)
Class R6 Shares <sup>b</sup> :	25,220	Ψ	301,734	(320,033)	Ψ	(13,030,343)
Six Months ended April 30, 2014						
Shares sold				548,781	\$	33,073,485
Shares issued on reinvestment of				540,761	Ψ	33,073,403
distributions				11		636
Shares redeemed				(25,211)		(1,553,489)
Net increase (decrease)				523,581	\$	31,520,632
Year ended October 31, 2013						· · · · · · · · · · · · · · · · · · ·
Shares sold				280	\$	16,211
						·

## Notes to Financial Statements (unaudited) (continued)

### 2. Shares of Beneficial Interest (continued)

	Franklin MidCap Value Fund		Franklin Small Cap Value Fund			
	Shares		Amount	Shares		Amount
Advisor Class Shares:						
Six Months ended April 30, 2014						
Shares sold	38,863	\$	596,358	3,258,264	\$	198,229,963
Shares issued in reinvestment of						
distributions	1,990		29,678	527,625		31,488,681
Shares redeemed	(20,793)		(313,573)	(1,777,341)		(108,170,290)
Net increase (decrease)	20,060	\$	312,463	2,008,548	\$	121,548,354
Year ended October 31, 2013						
Shares sold	58,011	\$	771,104	3,733,125	\$	201,535,491
Shares issued in reinvestment of						
distributions	3,566		41,331	355,086		16,603,831
Shares redeemed	(38,411)		(493,347)	(2,518,526)		(132,007,478)
Net increase (decrease)	23,166	\$	319,088	1,569,685	\$	86,131,844

<sup>&</sup>lt;sup>a</sup>Effective March 22, 2013, all Class B shares were converted into Class A.

### 3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton Investments. Certain officers and trustees of the Trust are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Advisory Services, LLC (Advisory Services)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Templeton Distributors, Inc. (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

#### a. Management Fees

The Franklin All Cap Value Fund and the Franklin Large Cap Value Fund each pay an investment management fee to Advisory Services based on the average daily net assets of each of the funds as follows:

Annualized Fee Rate	Net Assets
0.750%	Up to and including \$500 million
0.650%	Over \$500 million, up to and including \$1 billion
0.600%	Over \$1 billion, up to and including \$1.5 billion
0.550%	Over \$1.5 billion, up to and including \$6.5 billion
0.525%	Over \$6.5 billion, up to and including \$11.5 billion
0.500%	Over \$11.5 billion, up to and including \$16.5 billion
0.490%	Over \$16.5 billion, up to and including \$19 billion
0.480%	Over \$19 billion, up to and including \$21.5 billion
0.470%	In excess of \$21.5 billion

bFor the period May 1, 2013 (effective date) to October 31, 2013.

<sup>&</sup>lt;sup>c</sup>Effective May 1, 2013, a portion of Advisor Class shares were exchanged into Class R6.

## Notes to Financial Statements (unaudited) (continued)

#### 3. Transactions with Affiliates (continued)

#### a. Management Fees (continued)

The Franklin Balance Sheet Investment Fund pays an investment management fee to Advisory Services based on the average daily net assets of the fund as follows:

Annualized Fee Rate	Net Assets
0.625%	Up to and including \$100 million
0.500%	Over \$100 million, up to and including \$250 million
0.450%	Over \$250 million, up to and including \$7.5 billion
0.440%	Over \$7.5 billion, up to and including \$10 billion
0.430%	Over \$10 billion, up to and including \$12.5 billion
0.420%	Over \$12.5 billion, up to and including \$15 billion
0.400%	In excess of \$15 billion

The Franklin MicroCap Value Fund pays an investment management fee to Advisory Services of 0.75% per year of the average daily net assets of the fund.

The Franklin MidCap Value Fund pays an investment management fee to Advisory Services based on the average daily net assets of the fund as follows:

Annualized Fee Rate	Net Assets
0.950%	Up to and including \$500 million
0.850%	Over \$500 million, up to and including \$1 billion
0.800%	Over \$1 billion, up to and including \$1.5 billion
0.750%	Over \$1.5 billion, up to and including \$6.5 billion
0.725%	Over \$6.5 billion, up to and including \$11.5 billion
0.700%	Over \$11.5 billion, up to and including \$16.5 billion
0.690%	Over \$16.5 billion, up to and including \$19 billion
0.680%	Over \$19 billion, up to and including \$21.5 billion
0.670%	In excess of \$21.5 billion

Effective April 1, 2014, the Franklin Small Cap Value Fund pays an investment management fee to Advisory Services based on the average daily net assets of the fund as follows:

Annualized Fee Rate	Net Assets
0.750%	Up to and including \$500 million
0.625%	Over \$500 million, up to and including \$1 billion
0.500%	Over \$1 billion, up to and including \$5 billion
0.490%	In excess of \$5 billion

Prior to April 1, 2014, the Franklin Small Cap Value Fund paid fees to Advisory Services based on the average daily net assets of the fund as follows:

Annualized Fee Rate	Net Assets
0.750%	Up to and including \$500 million
0.625%	Over \$500 million, up to and including \$1 billion
0.500%	In excess of \$1 billion

## Notes to Financial Statements (unaudited) (continued)

#### 3. Transactions with Affiliates (continued)

#### b. Administrative Fees

Under an agreement with Advisory Services, FT Services provides administrative services to the Funds. The fee is paid by Advisory Services based on the Funds' average daily net assets, and is not an additional expense of the Funds.

#### c. Distribution Fees

The Board has adopted distribution plans for each share class, with the exception of Class R6 and Advisor Class shares, pursuant to Rule 12b-1 under the 1940 Act. Distribution fees are not charged on shares held by affiliates. Under the Funds' Class A reimbursement distribution plans, the Funds reimburse Distributors for costs incurred in connection with the servicing, sale and distribution of each fund's shares up to the maximum annual plan rate. Under the Class A reimbursement distribution plans, costs exceeding the maximum for the current plan year cannot be reimbursed in subsequent periods. In addition, under the Funds' Class C and R compensation distribution plans, the Funds pay Distributors for costs incurred in connection with the servicing, sale and distribution of each fund's shares up to the maximum annual plan rate for each class. The plan year, for purposes of monitoring compliance with the maximum annual plan rates, is February 1 through January 31 for each fund.

The maximum annual plan rates, based on the average daily net assets, for each class, are as follows:

	Franklin	Franklin	Franklin	Franklin	Franklin	Franklin
	All Cap	Balance Sheet	Large Cap	MicroCap	MidCap	Small Cap
	Value Fund	Investment Fund	Value Fund	Value Fund	Value Fund	Value Fund
Reimbursement Plans: Class A	0.35%	0.25%	0.35%	0.25%	0.35%	0.35%
Compensation Plans: Class C Class R	1.00%	1.00%	1.00%	_	1.00%	1.00%
	0.50%	0.50%	0.50%	_	0.50%	0.50%

The Board has set the current rate at 0.30% per year for Class A shares for the Franklin All Cap Value Fund, the Franklin Large Cap Value Fund, the Franklin MidCap Value Fund, and the Franklin Small Cap Value Fund until further notice and approval by the Board.

## Notes to Financial Statements (unaudited) (continued)

#### 3. Transactions with Affiliates (continued)

### d. Sales Charges/Underwriting Agreements

Front-end sales charges and contingent deferred sales charges (CDSC) do not represent expenses of the Funds. These charges are deducted from the proceeds of sales of fund shares prior to investment or from redemption proceeds prior to remittance, as applicable. Distributors has advised the Funds of the following commission transactions related to the sales and redemptions of the Funds' shares for the period:

	Franklin	Franklin	Franklin
	All Cap	Balance Sheet	Large Cap
	Value Fund	Investment Fund	Value Fund
Sales charges retained net of commissions paid to unaffiliated broker/dealers	\$30,039	\$142,576	\$43,162
	\$ 520	\$ 2,329	\$ 3,455
	Franklin	Franklin	Franklin
	MicroCap	MidCap	Small Cap
	Value Fund	Value Fund	Value Fund
Sales charges retained net of commissions paid to unaffiliated broker/dealers	\$37,843	\$63,133	\$275,154
	\$ 3,754	\$ 1,983	\$ 9,263

#### e. Transfer Agent Fees

Each class of shares, except for Class R6, pays transfer agent fees to Investor Services for its performance of shareholder servicing obligations and reimburses Investor Services for out of pocket expenses incurred, including shareholding servicing fees paid to third parties. These fees are allocated daily based upon their relative proportion of such classes' aggregate net assets. Class R6 pays Investor Services transfer agent fees specific to that class.

For the period ended April 30, 2014, the Funds paid transfer agent fees as noted in the Statements of Operations of which the following amounts were retained by Investor Services:

	Franklin	Franklin	Franklin	Franklin	Franklin	Franklin
	All Cap	Balance Sheet	Large Cap	MicroCap	MidCap	Small Cap
	Value Fund	Investment Fund	Value Fund	Value Fund	Value Fund	Value Fund
Transfer agent fees	\$28,135	\$505,771	\$92,961	\$114,192	\$75,201	\$1,149,944

#### f. Investment in Institutional Fiduciary Trust Money Market Portfolio

The Funds invest in the Institutional Fiduciary Trust Money Market Portfolio (Sweep Money Fund), an affiliated open-end management investment company. Management fees paid by the Funds are waived on assets invested in the Sweep Money Fund, in an amount not to exceed the management and administrative fees paid directly or indirectly by the Sweep Money Fund, as noted on the Statements of Operations. Prior to November 1, 2013, the waiver was accounted for as a reduction to management fees.

## Notes to Financial Statements (unaudited) (continued)

#### 3. Transactions with Affiliates (continued)

### g. Waiver and Expense Reimbursements

Advisory Services has contractually agreed in advance to waive or limit its respective fees and to assume as its own expense certain expenses otherwise payable by the Franklin All Cap Value Fund and the Franklin MidCap Value Fund so that the expenses (excluding distribution fees and acquired fund fees and expenses) for Class A, Class C, Class R and Advisor Class of the funds do not exceed 0.95% and 1.05%, respectively (other than certain non-routine expenses or costs, including those relating to litigation, indemnification, reorganizations, and liquidations) until February 28, 2015.

Additionally, Investor Services has contractually agreed in advance to waive or limit its fees so that the Class R6 transfer agent fees do not exceed 0.01% until February 28, 2015. There were no Class R6 transfer agent fees waived during the period ended April 30, 2014.

#### 4. EXPENSE OFFSET ARRANGEMENT

The Funds have entered into an arrangement with their custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Funds' custodian expenses. During the period ended April 30, 2014, the custodian fees were reduced as noted in the Statements of Operations.

#### 5. INCOME TAXES

For tax purposes, capital losses may be carried over to offset future capital gains. Capital loss carryforwards with no expiration, if any, must be fully utilized before those losses with expiration dates.

At October 31, 2013, the capital loss carryforwards were as follows:

	Franklin All Cap Value Fund	Franklin Large Cap Value Fund	Franklin MidCap Value Fund
Capital loss carryforwards subject to expiration:			
2017	\$1,583,149	\$ —	\$6,357,224
2018	_	1,356,593	
Total capital loss carryforwards	\$1,583,149	\$1,356,593	\$6,357,224

## Notes to Financial Statements (unaudited) (continued)

#### **5. Income Taxes** (continued)

At April 30, 2014, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

		Franklin All Cap Value Fund	Franklin Balance Sheet Investment Fund	Franklin Large Cap Value Fund
Cost of investments	\$	44,323,551	\$ 954,405,303	\$ 141,401,494
Unrealized appreciation	\$	13,323,168 (110,830)	\$ 577,876,927 (4,021,466)	71,781,090 (6,367,978)
Net unrealized appreciation (depreciation)	\$	13,212,338	\$ 573,855,461	\$ 65,413,112
	ı	Franklin MicroCap Value Fund	Franklin MidCap Value Fund	Franklin Small Cap Value Fund
Cost of investments	\$ 3	370,048,244	\$ 116,920,582	\$ 1,778,049,918
Unrealized appreciation	_	197,860,306 (13,350,993)	\$ 36,211,339 (1,704,607)	915,599,531 (57,760,822)
Net unrealized appreciation (depreciation)	Ж.	184,509,313	\$ 34,506,732	\$ 857,838,709

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of wash sales, pass-through entity income, passive foreign investment company shares and corporate actions.

#### 6. INVESTMENT TRANSACTIONS

Purchases and sales of investments (excluding short term securities) for the period ended April 30, 2014, were as follows:

	Franklin	Franklin	Franklin	Franklin	Franklin	Franklin
	All Cap	Balance Sheet	Large Cap	MicroCap	MidCap	Small Cap
	Value Fund	Investment Fund	Value Fund	Value Fund	Value Fund	Value Fund
Purchases	\$14,489,557	\$143,526,588	\$10,652,452	\$ 2,299,501	\$29,769,413	\$410,141,423
Sales	\$ 4,878,725	\$195,350,229	\$ 1,160,640	\$40,320,386	\$15,053,925	\$221,492,611

#### 7. RESTRICTED SECURITIES

The Funds invest in securities that are restricted under the Securities Act of 1933 (1933 Act) or which are subject to legal, contractual, or other agreed upon restrictions on resale. Restricted securities are often purchased in private placement transactions, and cannot be sold without prior registration unless the sale is pursuant to an exemption under the 1933 Act. Disposal of these securities may require greater effort and expense, and prompt sale at an acceptable price may be difficult. The Funds may have registration rights for restricted securities. The issuer generally incurs all registration costs.

## Notes to Financial Statements (unaudited) (continued)

### 7. RESTRICTED SECURITIES (continued)

At April 30, 2014, the Franklin MicroCap Value Fund held investments in restricted securities, excluding certain securities exempt from registration under the 1933 Act deemed to be liquid, as follows:

	Acquisition		
Shares	Issuer Dates	Cost	Value
94,800	Allen Organ Co. (LandCo. Holdings) 9/07/06	\$181,146	\$415,129
44,600	Smith Investment Co. LLC 1/20/09	_	24,084
	Total Restricted Securities (Value is 0.08% of Net Assets)	\$181,146	\$439,213

#### 8. HOLDINGS OF 5% VOTING SECURITIES OF PORTFOLIO COMPANIES

The 1940 Act defines "affiliated companies" to include investments in portfolio companies in which a fund owns 5% or more of the outstanding voting securities. Investments in "affiliated companies" for the Franklin Balance Sheet Investment Fund, the Franklin MicroCap Value Fund and the Franklin Small Cap Value Fund for the period ended April 30, 2014, were as shown below.

Name of Issuer	Number of Shares Held at Beginning of Period	Gross Additions	Gross Reductions	Number of Shares Held at End of Period	Value at End of Period	Investment Income	Realized Capital Gain (Loss)
Franklin Balance Sheet Investment Fund							
Non-Controlled Affiliates							
KGen Power Corp., 144A	2,800,000	_	_	2,800,000	\$ 1,540,000	\$ —	\$ 140,000
Trinity Place Holdings Inc	1,200,000	_	_	1,200,000	7,620,000		
Total Affiliated Securities (Value is 0.60%	of Net Assets) .				\$ 9,160,000	\$ —	\$ 140,000
Franklin MicroCap Value Fund							
Non-Controlled Affiliates							
ACMAT Corp., A	314.200	_	_	314.200	\$ 6.943.820	\$ —	\$ —
Cobra Electronics Corp	455,000	_	_	455,000	1,501,500	· —	· —
Continental Materials Corp	129,700	_	_	129,700	2,334,600	_	_
Delta Apparel Inc	743,700	_	_	743,700	11,326,551	_	_
Full House Resorts Inc	1,400,000	50,000	_	1,450,000	2,892,750	_	_
Hardinge Inc	934,900	_	_	934,900	12,490,264	37,396	_
Hurco Cos. Inc.	379,000	400	_	379,400	10,114,804	45,508	_
Magellan Petroleum Corp	2,377,980	_	_	2,377,980	5,255,336	_	_
Omega Protein Corp	1,321,000	_	46,000	1,275,000	14,484,000	_	222,545
Origen Financial Inc	1,900,000	_	_	1,900,000	2,660,000	_	_
P.A.M. Transportation Services Inc	568,000	_	91,949	476,051	11,848,909	_	211,567
USA Truck Inc	526,960	_	526,960	_	_	_	2,514,464
Total Affiliated Securities (Value is 14.80%	of Net Assets)				\$81,852,534	\$ 82,904	\$ 2,948,576
Franklin Small Cap Value Fund Non-Controlled Affiliates Hooker Furniture Corp. Total Affiliated Securities							
(Value is 0.30% of Net Assets)	582,900	_	_	582,900	\$ 8,073,165	\$ 116,580	\$

## Notes to Financial Statements (unaudited) (continued)

### 9. CREDIT FACILITY

The Funds, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton Investments, are borrowers in a joint syndicated senior unsecured credit facility totaling \$1.5 billion (Global Credit Facility) which matures on February 13, 2015. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests.

Under the terms of the Global Credit Facility, the Funds shall, in addition to interest charged on any borrowings made by the Funds and other costs incurred by the Funds, pay their share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon their relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.07% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses on the Statements of Operations. During the period ended April 30, 2014, the Funds did not use the Global Credit Facility.

#### 10. FAIR VALUE MEASUREMENTS

The Funds follow a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Funds' own market assumptions (unobservable inputs). These inputs are used in determining the value of the Funds' financial instruments and are summarized in the following fair value hierarchy:

- Level 1 quoted prices in active markets for identical financial instruments
- Level 2 other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 significant unobservable inputs (including the Funds' own assumptions in determining the fair value of financial instruments)

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

For movements between the levels within the fair value hierarchy, the Funds have adopted a policy of recognizing the transfers as of the date of the underlying event which caused the movement.

## Notes to Financial Statements (unaudited) (continued)

### 10. FAIR VALUE MEASUREMENTS (continued)

A summary of inputs used as of April 30, 2014, in valuing the Funds' assets carried at fair value, is as follows:

		Level 1	Level 2		Level 3		Total	
Franklin All Cap Value Fund Assets: Investments in Securities:								
Equity Investments <sup>a</sup>	\$	54,956,959 2,578,930	\$		\$ 	\$	54,956,959 2,578,930	
Total Investments in Securities	\$	57,535,889	\$		\$ 	\$	57,535,889	
Franklin Balance Sheet Investment Fo	und							
Assets: Investments in Securities: Equity Investments:								
Utilities All Other Equity	\$	36,174,530	\$	1,540,000	\$ _	\$	37,714,530	
Investments <sup>a</sup>	_1	,307,107,534 183,438,700		_ _			1,307,107,534 183,438,700	
Securities	\$1	,526,720,764	\$	1,540,000	\$ 	\$	1,528,260,764	
Franklin Large Cap Value Fund Assets: Investments in Securities:								
Equity Investments <sup>a</sup> Short Term Investments	\$	198,005,715 8,808,891	\$	_ 	\$ _ 	\$	198,005,715 8,808,891	
Total Investments in Securities	\$	206,814,606	\$		\$ 	\$	206,814,606	
Franklin MicroCap Value Fund Assets: Investments in Securities: Equity Investments:								
Capital Goods	\$	83,304,928 12,950,677	\$	 6,943,820	\$ 24,084	\$	83,329,012 19,894,497	
Real Estate		4,466,477		63,550	415,129		4,945,156	
All Other Equity Investments <sup>a</sup>	_	289,049,638 157,339,254		_			289,049,638 157,339,254	
Total Investments in Securities	\$	547,110,974	\$	7,007,370	\$ 439,213	\$	554,557,557	
Franklin MidCap Value Fund Assets: Investments in Securities:								
Equity Investments <sup>a</sup> Short Term Investments	\$	144,235,502 7,191,812	\$	_ 	\$ _ 	\$	144,235,502 7,191,812	
Total Investments in Securities	\$	151,427,314	\$	_	\$ 	\$	151,427,314	

## Notes to Financial Statements (unaudited) (continued)

#### 10. FAIR VALUE MEASUREMENTS (continued)

	Level 1	Level 2	Level 3	Total
Franklin Small Cap Value Fund Assets: Investments in Securities:				
Equity Investments <sup>a</sup>	\$2,507,234,441	\$ —	\$ —	\$2,507,234,441
Short Term Investments	102,471,650	26,182,536	_	128,654,186
Total Investments in Securities	\$2,609,706,091	\$26,182,536	\$ —	\$2,635,888,627

<sup>&</sup>lt;sup>a</sup>For detailed categories, see the accompanying Statement of Investments.

A reconciliation of assets in which Level 3 inputs are used in determining fair value is presented when there are significant Level 3 financial instruments at the end of the period.

#### 11. New Accounting Pronouncements

In June 2013, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2013-08, Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements. The ASU modifies the criteria used in defining an investment company under U.S. Generally Accepted Accounting Principles and also sets forth certain measurement and disclosure requirements. Under the ASU, an entity that is registered under the 1940 Act automatically qualifies as an investment company. The ASU is effective for interim and annual reporting periods beginning after December 15, 2013. Management has reviewed the requirements and believes the adoption of this ASU will not have a material impact on the financial statements.

#### 12. Subsequent Events

The Funds have evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure.

#### **ABBREVIATIONS**

#### Selected Portfolio

ADR - American Depositary Receipt

ETF - Exchange Traded Fund

#### Shareholder Information

#### Board Review of Investment Management Agreement

At a meeting held February 25, 2014, the Board of Trustees (Board), including a majority of noninterested or independent Trustees, approved renewal of the investment management agreement for each of the Funds within the Trust (Fund(s)). In reaching this decision, the Board took into account information furnished throughout the year at regular Board meetings, as well as information prepared specifically in connection with the annual renewal review process. Information furnished and discussed throughout the year included investment performance reports and related financial information for each Fund, along with periodic reports on expenses, shareholder services, legal and compliance matters, risk control, pricing, brokerage commissions and execution and other services provided by the Investment Manager (Manager) and its affiliates. Information furnished specifically in connection with the renewal process included a report for each Fund prepared by Lipper, Inc. (Lipper), an independent organization, as well as additional material, including a Fund profitability analysis prepared by management. The Lipper reports compared each Fund's investment performance and expenses with those of other mutual funds deemed comparable to the Fund as selected by Lipper. The Fund profitability analysis discussed the profitability to Franklin Templeton Investments from its overall U.S. fund operations, as well as on an individual fund-by-fund basis. Additional material accompanying such profitability analysis including information on a fund-by-fund basis listing portfolio managers and other accounts they manage, as well as information on management fees charged by the Manager and its affiliates to U.S. mutual funds and other accounts, including management's explanation of differences where relevant. Such material also included a memorandum prepared by management describing project initiatives and capital investments relating to the services provided to the Funds by the Franklin Templeton Investments organization, as well as a memorandum relating to economies of scale and an analysis concerning transfer agent fees charged by an affiliate of the Manager.

In considering such materials, the independent Trustees received assistance and advice from and met separately with independent counsel. While the investment management agreements for all Funds were considered at the same Board meeting, the Board dealt with each Fund separately. In approving continuance of the investment management agreement for each Fund, the Board, including a majority of independent Trustees, determined that the existing management fee structure was fair and reasonable and that continuance of the investment management agreement was in the best interests of each Fund and its shareholders. While attention was given to all information furnished, the following discusses some primary factors relevant to the Board's decision.

NATURE, EXTENT AND QUALITY OF SERVICES. The Board was satisfied with the nature and quality of the overall services provided by the Manager and its affiliates to the Funds and their shareholders. In addition to investment performance and expenses discussed later, the Board's opinion was based, in part, upon periodic reports furnished it showing that the investment policies and restrictions for each Fund were consistently complied with as well as other reports periodically furnished the Board covering matters such as the compliance of portfolio managers and other management personnel with the code of ethics adopted throughout the Franklin Templeton fund complex, the adherence to fair value pricing procedures established by the Board, and the accuracy

## **Shareholder Information** (continued)

## Board Review of Investment Management Agreement (continued)

of net asset value calculations. The Board also noted the extent of benefits provided Fund shareholders from being part of the Franklin Templeton family of funds, including the right to exchange investments between the same class of funds without a sales charge, the ability to reinvest Fund dividends into other funds and the right to combine holdings in other funds to obtain a reduced sales charge. Favorable consideration was given to management's continual efforts and expenditures in establishing back-up systems and recovery procedures to function in the event of a natural disaster, it being noted that such systems and procedures had functioned well during the Florida hurricanes and blackouts experienced in previous years, and that those operations in the New York/New Jersey area ran smoothly during the period of the 2012 Hurricane Sandy. Among other factors taken into account by the Board were the Manager's best execution trading policies, including a favorable report on the efficiency of its trading operations by an independent portfolio trading analytical firm, which also covered foreign exchange transactions. Consideration was also given to the experience of each Fund's portfolio management team, the number of accounts managed and general method of compensation. In this latter respect, the Board noted that a primary factor in management's determination of a portfolio manager's bonus compensation was the relative investment performance of the funds he or she managed and that a portion of such bonus was required to be invested in a predesignated list of funds within such person's fund management area so as to be aligned with the interests of shareholders. In this respect, the Board after making inquiries of management, received assurances that bonus composition was not unduly influenced by one-year or short-term performance but was based primarily on longer periods consistent with the interests of long-term shareholders. The Board also took into account the quality of transfer agent and shareholder services provided Fund shareholders by an affiliate of the Manager and the continual enhancements to the Franklin Templeton website. Particular attention was given to management's conservative approach and diligent risk management procedures, including expanded collateralization requirements. It was noted that the Funds did not currently invest in derivatives or other complex instruments. The Board also took into account, among other things, management's efforts in establishing a global credit facility for the benefit of the Funds and other accounts managed by Franklin Templeton Investments to provide a source of cash for temporary and emergency purposes or to meet unusual redemption requests as well as the strong financial position of the Manager's parent company and its commitment to the mutual fund business as evidenced by its subsidization of money market funds.

INVESTMENT PERFORMANCE. The Board placed significant emphasis on the investment performance of each Fund in view of its importance to shareholders. While consideration was given to performance reports and discussions with the portfolio management team at Board meetings throughout the year, particular attention in assessing performance was given to the Lipper reports furnished for the agreement renewals. The Lipper reports prepared for each individual Fund showed the investment performance of its Class A shares in comparison to a performance universe selected by Lipper. Comparative performance for each Fund was shown for 2013 and for the previous 10 years ended December 31, 2013, for those Funds that had been in existence for such length of time and for lesser periods for other Funds depending on when their operations commenced. The following summarizes the performance results for each of the Funds.

## **Shareholder Information** (continued)

#### Board Review of Investment Management Agreement (continued)

Franklin All Cap Value Fund — The performance universe for this Fund consisted of the Fund and all retail and institutional multi-cap value funds. The Lipper report showed the performance of the Fund to be in the second-highest performing quintile of such universe during 2013, and on an annualized basis to be in the lowest performing quintile of such universe for the previous threeyear period, and the middle performing quintile of such universe for the previous five-year period. The Board believed the Fund's overall performance was acceptable and noted that its annualized three- and five-year returns exceeded 13% and 17%, respectively.

Franklin Balance Sheet Investment Fund — The performance universe for this Fund consisted of the Fund and all retail and institutional mid-cap value funds as selected by Lipper. The Lipper report showed the Fund's total return during 2013 to be in the second-highest performing quintile of such performance universe, and on an annualized basis to be in the second-lowest performing quintile of such universe for the previous three-year period, and the lowest performing quintile for the previous five- and 10-year periods. In discussing such performance, management pointed out that the Fund's performance reflected adherence to its stated investment policy of investing in companies having low price-to-book ratios with strong balance sheets, which have been out of favor during the past five years but which appear to warrant continued investment. The Board noted the Fund's improved performance and did not believe there was a need for any change in portfolio management or the basic strategy employed at this time. It further noted that an additional senior analyst had been added to the investment team.

Franklin Large Cap Value Fund — The performance universe for this Fund consisted of the Fund and all retail and institutional large-cap value funds as selected by Lipper. The Lipper report comparison showed the Fund's total return during 2013 to be in the second-highest performing quintile of such universe, and on an annualized basis to be in the second-lowest performing quintile of such universe for the previous three- and five-year periods, and the lowest performing quintile of such universe for the previous 10-year period. The Board noted that during the past year management had taken steps to improve performance and in view of the Fund's positive performance during 2013, believed no change in portfolio management was warranted.

Franklin MicroCap Value Fund — The performance universe for this Fund consisted of the Fund and all retail and institutional small-cap value funds as selected by Lipper. The Lipper report comparison showed the Fund's total return during 2013 to be in the middle performing quintile of such performance universe, and on an annualized basis to be in the highest performing quintile of such universe for the previous three-year period, the middle performing quintile during the previous five-year period, and the second-highest performing quintile during the previous 10-year period. The Board was satisfied with the Fund's comparative performance as shown in the Lipper report.

Franklin MidCap Value Fund — The performance universe for this Fund consisted of the Fund and all retail and institutional mid-cap value funds as selected by Lipper. The Lipper report showed the Fund's total return for 2013 to be in the lowest performing quintile of such universe, and on an annualized basis to also be in the lowest performing quintile of such universe for the previous

#### Shareholder Information (continued)

#### Board Review of Investment Management Agreement (continued)

three- and five-year periods. The Board was not satisfied with such performance and discussed the Fund's investment strategy with management and reasons for such comparative underperformance. Management discussed the implementation of changes to the investment process designed to enhance relative returns and noted that an analyst had been added to the Fund's investment team. Based on such discussions, the Board did not believe any further change in portfolio management was warranted at this time, but intends to continually monitor future performance. The Board also noted that the Fund's 2013 total return as shown in the Lipper report exceeded 32.5%.

Franklin Small Cap Value Fund — The performance universe for this Fund consisted of the Fund and all retail and institutional small-cap value funds as selected by Lipper. The Lipper report comparison showed that the Fund's total return for 2013 placed it in the second-lowest performing quintile of such performance universe and that its total return on an annualized basis was in the second-highest performing quintile of such universe for the previous three- and five-year periods and in the highest performing quintile of such universe for the previous 10-year period. The Board was satisfied with the Fund's overall comparative performance as shown in the Lipper report and noted that its 2013 total return as shown in such report exceeded 34.5%.

COMPARATIVE EXPENSES. Consideration was given to a comparative analysis of the management fees and total expense ratio of each Fund compared with those of a group of other funds selected by Lipper as constituting its appropriate Lipper expense group. Lipper expense data is based upon information taken from each fund's most recent annual report, which reflects historical asset levels that may be quite different from those currently existing, particularly in a period of market volatility. While recognizing such inherent limitation and the fact that expense ratios generally increase as assets decline and decrease as assets grow, the Board believed the independent analysis conducted by Lipper to be an appropriate measure of comparative expenses. In reviewing comparative costs, Lipper provides information on each Fund's contractual investment management fee in comparison with the contractual investment management fee that would have been charged by other funds within its Lipper expense group assuming they were similar in size to the Fund, as well as the actual total expenses of the Fund in comparison with those of its expense group. The Lipper contractual investment management fee comparison includes within such fee any separate administrative fees, and the Lipper actual total expenses, for comparative consistency, are shown by Lipper for Fund Class A shares. Such expense comparisons in the case of each of Franklin Balance Sheet Investment Fund, Franklin MicroCap Value Fund, Franklin Small Cap Value Fund and Franklin All Cap Value Fund showed their contractual investment management fee rate and total expense ratios to be in either the least expensive or second least expensive quintile of their respective Lipper expense groups. The Board was satisfied with the expenses of these Funds. The Lipper report for Franklin MidCap Value Fund showed its contractual fee rate to be within six basis points above the median of its expense group and its actual total expense ratio to be within eight basis points above the median of such expense group. The Board found the expenses of such Fund to be acceptable, noting that they were being subsidized by management fee waivers.

## **Shareholder Information** (continued)

#### Board Review of Investment Management Agreement (continued)

The Lipper report for Franklin Large Cap Value Fund showed its contractual investment management fee rate to be at the median of its expense group, and its actual total expense ratio to be approximately 13 basis points above the median of such expense group. The Board found the expenses of such Fund to be acceptable.

MANAGEMENT PROFITABILITY. The Board also considered the level of profits realized by the Manager and its affiliates in connection with the operation of each Fund. In this respect, the Board reviewed the Fund profitability analysis that addresses the overall profitability of Franklin Templeton's U.S. fund business, as well as its profits in providing management and other services to each of the individual funds during the 12-month period ended September 30, 2013, being the most recent fiscal year-end for Franklin Resources, Inc., the Manager's parent. In reviewing the analysis, the Board recognized that allocation methodologies are inherently subjective and various allocation methodologies may be reasonable while producing different results. In this respect, the Board noted that while management continually makes refinements to its methodologies in response to organizational and product related changes, the overall approach as defined by the primary drivers and activity measurements has remained consistent with that used in the Funds' profitability report presentations from prior years. Additionally, the Funds' independent registered public accounting firm had been engaged by the Manager to periodically review the reasonableness of the allocation methodologies to be used solely by the Funds' Board in reference to the profitability analysis. In reviewing and discussing such analysis, management discussed with the Board its belief that costs incurred in establishing the infrastructure necessary for the type of mutual fund operations conducted by the Manager and its affiliates may not be fully reflected in the expenses allocated to each Fund in determining its profitability, as well as the fact that the level of profits, to a certain extent, reflected operational cost savings and efficiencies initiated by management. The Board also took into account management's expenditures in improving shareholder services provided the Funds, as well as the need to implement systems and meet additional regulatory and compliance requirements resulting from statutes such as the Sarbanes-Oxley and Dodd-Frank Acts and recent SEC and other regulatory requirements. In addition, the Board considered a third-party study comparing the profitability of the Manager's parent on an overall basis to other publicly held managers broken down to show profitability from management operations exclusive of distribution expenses, as well as profitability including distribution expenses. The Board also considered the extent to which the Manager and its affiliates might derive ancillary benefits from fund operations, including revenues generated from transfer agent services and potential benefits resulting from allocation of fund brokerage and the use of commission dollars to pay for research. Based upon its consideration of all these factors, the Board determined that the level of profits realized by the Manager and its affiliates from providing services to each Fund was not excessive in view of the nature, quality and extent of services provided.

ECONOMIES OF SCALE. The Board also considered whether economies of scale are realized by the Manager as the Funds grow larger and the extent to which this is reflected in the level of management fees charged. While recognizing that any precise determination is inherently subjective,

### **Shareholder Information** (continued)

#### Board Review of Investment Management Agreement (continued)

the Board noted that based upon the Fund profitability analysis, it appears that as some funds get larger, at some point economies of scale do result in the Manager realizing a larger profit margin on management services provided such a fund. The Board also noted that economies of scale are shared with each Fund and its shareholders through management fee breakpoints so that as a Fund grows in size, its effective management fee rate declines. The fee structure under the investment management agreements for each of Franklin Balance Sheet Investment Fund and Franklin Large Cap Value Fund contain breakpoints that continued to asset levels that exceed the present sizes of these Funds, and the Board believed that to the extent economies of scale may be realized by the Manager of these Funds and their affiliates, there was a sharing of benefits with each of these Funds and their shareholders. The fee structure of Franklin Small Cap Value Fund provides an initial fee of 0.75% on the first \$500 million of Fund net assets; 0.625% on the next \$500 million of Fund net assets, and 0.50% on Fund net assets in excess of \$1 billion. At December 31, 2013, the Fund's net assets were approximately \$2.55 billion. The Board observed that such assets extended beyond the existing breakpoints. In discussing additional breakpoints for such Fund, management agreed to institute an additional breakpoint of 0.49% on Fund net assets in excess of \$5 billion. The Board believed that to the extent economies of scale may be realized by the Manager and its affiliates, the revised schedule of fees under the investment management agreement provides a reasonable sharing of benefits with the Fund and its shareholders. The fee structure of both Franklin MidCap Value Fund and Franklin All Cap Value Fund contains breakpoints and the Board felt that in view of their small size no economies of scale were realized in their operations, noting that the expenses of both Funds were subsidized by management. The fee structure under the investment management agreement for Franklin MicroCap Value Fund provides a flat fee of 0.75% at all asset levels. In discussing the absence of breakpoints with the independent Trustees, management pointed out that this Fund invests only in domestic and foreign securities with a market capitalization of less than \$500 million that are believed to be undervalued. Management stated its belief that such limited investment options curtail the potential size of the Fund, thus preventing the type of economies of scale that might benefit other funds from increases in size and also pointed out that the Fund, whose asset size was approximately \$573 million at year-end, has been closed to new investors, with limited exceptions, since January 14, 2004, and had a limited reopening on February 15, 2013, and closed again to new investors (with limited exceptions) on February 19, 2013. Management also expressed its view that this fee was relatively low for this type of a fund and pointed out the favorable comparison of fees and expenses within its Lipper expense group. The independent Trustees acknowledged that management's explanation provided a reasonable basis for believing the existing fee rate under the investment management agreement was fair and that, in view of the Fund's current modest size, management was not benefiting from any meaningful economies of scale in its management of this Fund.

### **Shareholder Information** (continued)

### **Proxy Voting Policies and Procedures**

The Trust's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Trust uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Trust's complete Policies online at franklintempleton.com. Alternatively, shareholders may request copies of the Policies free of charge by calling the Proxy Group collect at (954) 527-7678 or by sending a written request to: Franklin Templeton Companies, LLC, 300 S.E. 2nd Street, Fort Lauderdale, FL 33301, Attention: Proxy Group. Copies of the Trust's proxy voting records are also made available online at franklintempleton.com and posted on the U.S. Securities and Exchange Commission's website at sec.gov and reflect the most recent 12-month period ended June 30.

### **Quarterly Statement of Investments**

The Trust files a complete statement of investments with the U.S. Securities and Exchange Commission for the first and third quarters for each fiscal year on Form N-Q. Shareholders may view the filed Form N-Q by visiting the Commission's website at sec.gov. The filed form may also be viewed and copied at the Commission's Public Reference Room in Washington, DC. Information regarding the operations of the Public Reference Room may be obtained by calling (800) SEC-0330.

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# Franklin Templeton Funds

Literature Request. To receive a summary prospectus and/or prospectus, please call us at (800) DIAL BEN/342-5236 or visit franklintempleton.com or etf.franklintempleton.com for Franklin Short Duration U.S. Government ETF. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. The prospectus contains this and other information. Please carefully read a prospectus before investing.

#### VALUE

Franklin All Cap Value Fund
Franklin Balance Sheet Investment Fund
Franklin Large Cap Value Fund
Franklin MicroCap Value Fund
Franklin MidCap Value Fund
Franklin Small Cap Value Fund
Franklin Mutual Beacon Fund
Franklin Mutual Quest Fund
Franklin Mutual Recovery Fund<sup>2</sup>
Franklin Mutual Shares Fund

#### **BLEND**

Franklin Focused Core Equity Fund Franklin Large Cap Equity Fund Franklin Rising Dividends Fund

#### **GROWTH**

Franklin DynaTech Fund Franklin Flex Cap Growth Fund Franklin Growth Fund Franklin Growth Opportunities Fund Franklin Small Cap Growth Fund Franklin Small-Mid Cap Growth Fund

#### **SECTOR**

Franklin Biotechnology Discovery Fund Franklin Global Listed Infrastructure Fund Franklin Global Real Estate Fund Franklin Gold & Precious Metals Fund Franklin Natural Resources Fund Franklin Real Estate Securities Fund Franklin Utilities Fund Franklin Mutual Financial Services Fund

#### GLOBAL

Franklin World Perspectives Fund Franklin Mutual Global Discovery Fund Templeton Global Opportunities Trust Templeton Global Smaller Companies Fund Templeton Growth Fund Templeton World Fund

#### INTERNATIONAL

Franklin India Growth Fund
Franklin International Growth Fund
Franklin International Small Cap Growth Fund
Franklin Mutual European Fund
Franklin Mutual International Fund
Templeton BRIC Fund
Templeton China World Fund
Templeton Developing Markets Trust
Templeton Emerging Markets Small Cap Fund
Templeton Foreign Fund
Templeton Foreign Smaller Companies Fund
Templeton Frontier Markets Fund

#### HYBRID

Franklin Balanced Fund
Franklin Convertible Securities Fund
Franklin Equity Income Fund
Franklin Income Fund
Templeton Emerging Markets Balanced Fund
Templeton Global Balanced Fund

#### **ALTERNATIVE**

Franklin K2 Alternative Strategies Fund Franklin Pelagos Commodities Strategy Fund

#### **ASSET ALLOCATION**

Franklin Corefolio® Allocation Fund
Franklin Founding Funds Allocation Fund
Franklin Conservative Allocation Fund
Franklin Growth Allocation Fund
Franklin Moderate Allocation Fund
Franklin LifeSmart™ Retirement Target Funds
(2015-2050)
Franklin Global Allocation Fund
Franklin Multi-Asset Real Return Fund

#### **FIXED INCOME**

Franklin Adjustable U.S. Government Securities Fund<sup>6</sup> Franklin Floating Rate Daily Access Fund Franklin Global Government Bond Fund Franklin High Income Fund Franklin Real Return Fund Franklin Short Duration U.S. Government ETF Franklin Strategic Income Fund Franklin Strategic Mortgage Portfolio

Franklin Low Duration Total Return Fund

Franklin Total Return Fund

Franklin U.S. Government Securities Fund<sup>6</sup> Templeton Constrained Bond Fund Templeton Emerging Markets Bond Fund

Templeton Global Bond Fund Templeton Global Total Return Fund Templeton Hard Currency Fund

Templeton International Bond Fund

#### TAX-FREE INCOME7

#### National

Double Tax-Free Income Fund<sup>8</sup> Federal Tax-Free Income Fund High Yield Tax-Free Income Fund Insured Tax-Free Income Fund<sup>9, 10</sup>

#### Limited-/Intermediate-Term

California Intermediate-Term Tax-Free Income Fund Federal Intermediate-Term Tax-Free Income Fund Federal Limited-Term Tax-Free Income Fund New York Intermediate-Term Tax-Free Income Fund

#### State-Specific

Alabama Kentucky New York (2 funds) Arizona Louisiana North Carolina California Maryland (4 funds)10 Massachusetts Ohio Colorado Michigan Oregon Connecticut Pennsylvania Minnesota Florida Tennessee Missouri Georgia Virginia New Jersey

### **INSURANCE FUNDS**

Franklin Templeton Variable Insurance Products Trust<sup>11</sup>

- 1. The fund is closed to new investors. Existing shareholders and select retirement plans may add to their accounts.
- 2. The fund is a continuously offered, closed-end fund. Shares may be purchased daily; there is no daily redemption. However, each quarter, pending board approval, the fund will authorize the repurchase of 5%–25% of the outstanding number of shares. Investors may tender all or a portion of their shares during the tender period.
- 3. Effective 6/3/13, the fund closed to new investors, with limited exceptions.
- 4. Effective 12/10/13, the fund closed to new investors, with limited exceptions.
- 5. Effective 6/28/13, the fund closed to new investors. Existing shareholders and select retirement plans may add to their accounts.
- 6. An investment in the fund is neither insured nor guaranteed by the U.S. government or by any other entity or institution.

- 7. For investors subject to the alternative minimum tax, a small portion of fund dividends may be taxable. Distributions of capital gains are generally taxable.
- 8. The fund is closed to all new investments (other than reinvestment of dividends and capital gains distributions).
- 9. The fund invests primarily in insured municipal securities.
- 10. Franklin Insured Tax-Free Income Fund and Franklin California Insured Tax-Free Income Fund are closed to all new investments (other than reinvestment of dividends and capital gains distributions).
- 11. The funds of the Franklin Templeton Variable Insurance Products Trust are generally available only through insurance company variable contracts.

VALUE BLEND GROWTH SECTOR GLOBAL INTERNATIONAL HYBRID ALTERNATIVE ASSET ALLOCATION FIXED INCOME TAX-FREE INCOME



### < GAIN FROM OUR PERSPECTIVE® >

# Semiannual Report and Shareholder Letter FRANKLIN VALUE INVESTORS TRUST

Investment Manager

Franklin Advisory Services, LLC

Franklin Templeton Distributors, Inc. (800) DIAL BEN®/342-5236 franklintempleton.com

Shareholder Services (800) 632-2301

Distributor

Authorized for distribution only when accompanied or preceded by a summary prospectus and/or prospectus. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. A prospectus contains this and other information; please read it carefully before investing.

 $To \ help \ ensure \ we \ provide \ you \ with \ quality \ service, \ all \ calls \ to \ and \ from \ our \ service \ areas \ are \ monitored \ and/or \ recorded.$