

# Franklin Utilities A

**Ticker** FKUTX **Load** 4.25% **NAV** \$11.92 **Yield** 3.4% **Total Assets** \$2,427 mil **Mstar Category** Specialty-Utilities

## Governance and Management

### Stewardship Grade:

### Portfolio Manager(s)

John Kohli, who joined the fund in 1998, and Matt Smith, an analyst with Franklin since 2002 who was recently promoted to comanager, call the shots here. Longtime comanager Gregory Johnson, whose input had been limited in recent years, has stepped aside. Kohli and Smith also contribute to conservative-allocation standout Franklin Income, which shares this fund's emphasis on yield.

### Strategy

Most of its utilities-fund rivals have put assets to work in telecommunications and energy names, but this half-century-old offering has resolutely stuck to electric utilities. The fund's managers tend to hold on to their picks--generally the biggest firms in the electric-utilities industry--for the long haul.

### Performance 04-30-06

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2002	4.08	-7.40	-11.94	5.49	-10.48
2003	-3.44	15.11	-0.74	8.13	19.30
2004	5.11	-0.28	6.23	10.59	23.14
2005	1.99	8.69	5.07	-4.92	10.74
2006	1.00	—	—	—	—

Trailing	Total Return%	+/- S&P 500	+/- DOWJNS UTIL	%Rank Cat	Growth of \$10,000
3 Mo	-0.50	-3.38	2.55	82	9,950
6 Mo	2.98	-6.65	2.14	84	10,298
1 Yr	8.46	-6.95	-2.19	88	10,846
3 Yr Avg	17.72	3.05	-7.71	76	16,314
5 Yr Avg	6.40	3.70	2.36	13	13,637
10 Yr Avg	8.96	0.02	-1.95	50	23,587
15 Yr Avg	9.20	-1.70	-0.18	67	37,440

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	14.37	90	1.43	81
5 Yr (estimated)	3.58	21	1.80	96
10 Yr (estimated)	6.13	79	2.18	85

Potential Capital Gain Exposure: 27% of assets

### Morningstar's Take by Paul Herbert 04-17-06

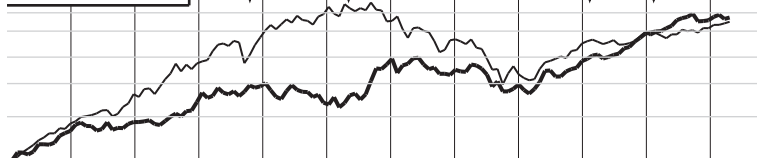
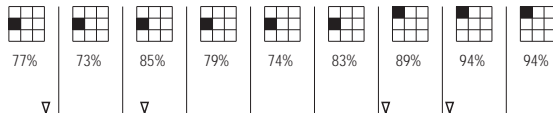
Franklin Utilities Fund may face bumps in the road in the near term, but it has lasting appeal.

We like this fund's sensible approach. Its managers look for firms offering dividend growth and reasonable valuations. And, unlike most of their specialty utility category peers, the managers mostly avoid buying telecom and energy stocks, preferring the stable earnings growth rates of electric utilities. Compared with its rivals, the fund has featured lower volatility, a higher dividend yield, and a lower level of correlation with the S&P 500 Index's returns.

The fund's way of doing things has limitations that deserve mention now, though. It has lagged at times when either telecom stocks or energy stocks have soared. The fund's 18.3% three-year return--which is impressive in absolute terms--trails about three fourths of its peers in large part because it hasn't owned much energy fare. More important going forward, perhaps, is that electric utilities tend to suffer as long-term interest rates rise. These

### Historical Profile

**Return** Average Below Avg  
**Risk Rating** ★★ ★★ Neutral



Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	04-06
NAV	10.39	9.63	11.13	11.08	8.59	11.59	9.73	8.28	9.41	11.09	11.77	11.92
Total Return %	30.68	2.03	24.90	7.57	-15.00	41.61	-8.09	-10.48	19.30	23.14	10.74	2.12
+/-S&P 500	-6.85	-20.92	-8.45	-21.01	-36.04	50.71	3.79	11.61	-9.37	12.27	5.83	-3.48
+/-DOWJNS UTIL	-1.30	-7.07	1.90	-11.31	-8.98	-9.15	18.18	12.90	-10.09	-7.10	-14.40	3.04
Income Return %	6.32	5.14	5.55	4.79	4.64	5.32	3.92	4.69	5.11	4.80	3.77	0.86
Capital Return %	24.36	-3.11	19.35	2.78	-19.64	36.29	-12.01	-15.17	14.19	18.34	6.97	1.26
Total Rtn % Rank Cat	28	97	70	94	96	4	2	2	66	52	63	86
Income \$	0.52	0.52	0.52	0.52	0.51	0.45	0.45	0.45	0.42	0.44	0.41	0.10
Capital Gains \$	0.07	0.43	0.26	0.33	0.36	0.02	0.47	0.00	0.00	0.00	0.09	0.00
Expense Ratio %	0.73	0.71	0.75	0.76	0.80	0.83	0.79	0.80	0.83	0.80	0.78	—
Income Ratio %	5.88	5.24	5.26	4.73	4.60	4.74	4.26	4.87	5.00	4.49	3.92	—
Turnover Rate %	6	17	7	12	34	20	34	31	26	16	14	—
Net Assets \$mil	2,904	2,322	2,182	2,129	1,418	1,654	1,350	1,139	1,342	1,610	1,863	1,821

### Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	3.85			
3 Yr	16.03	Low	-Avg	★
5 Yr	5.48	+Avg	Low	★★★★
10 Yr	8.49	Avg	-Avg	★★★★
Incept	9.90			

### Other Measures

	Standard Index S&P 500	Best Fit Index DOWJNS UTIL
Alpha	9.0	-0.5
Beta	0.47	0.70
R-Squared	16	85
Standard Deviation	9.14	
Mean	17.72	
Sharpe Ratio	1.58	

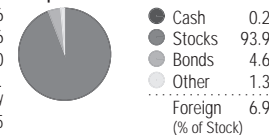
### Portfolio Analysis 03-31-06

Share change since 12-05	Total Stocks:48	Sector	PE	Tot Ret%	% Assets	
+		Energy Corporation Comm	Utilities	15.9	2.67	4.91
		Exelon Corporation Commo	Utilities	38.6	2.35	4.74
		Dominion Resources, Inc.	Utilities	25.0	-2.13	4.50
		FirstEnergy Corporation	Utilities	19.1	4.47	4.38
-		Public Service Enterpris	Utilities	17.9	-2.67	3.91
		Cinergy	Utilities	—	—	3.88
		FPL Group Common Stock	Utilities	17.3	-3.83	3.60
		Edison International Com	Utilities	12.1	-6.75	3.36
+		Southern Company Common	Utilities	15.1	-4.49	3.34
+		PG & E Corporation Commo	Utilities	17.0	8.22	3.33
		PPL Corporation Common S	Utilities	15.1	-0.34	2.87
		Progress Energy, Inc. Co	Utilities	14.6	0.18	2.87
+		Ameren Corporation Commo	Utilities	17.7	-0.43	2.50
-		American Electric Power	Utilities	12.7	-8.86	2.49
-		United Utilities	Utilities	—	—	2.44
		NiSource, Inc. Common St	Utilities	20.3	3.48	2.31
-		Alliant Energy Corporati	Utilities	66.6	16.16	2.19
		National Grid Transco	Utilities	—	—	2.02
		Sierra Pacific Resources	Utilities	30.7	8.28	1.95
		Sempra Energy Common Sto	Utilities	12.5	3.30	1.89

### Current Investment Style

Value	Blind Growth	Market Cap %	Industry Weightings	% of Stocks	Rel Cat		
Large	Mid	Small	Giant	4.5	Telecom Srv	4.2	0.3
			Large	63.8	Electric Utls	84.6	1.5
			Mid	30.8	Nat Gas Utls	8.8	1.0
			Small	0.7	Wireless Srv	0.0	0.0
			Micro	0.1	Energy	2.4	0.2
			Avg \$mil:	11,310	Media	0.0	0.0
			Value Measures		Network Eq	0.0	0.0
			Price/Earnings	14.39	Water	0.0	0.0
			Price/Book	1.73	Other	0.0	0.0
			Price/Sales	1.05			
			Price/Cash Flow	8.60			
			Dividend Yield %	3.84			
			Growth Measures				
			Long-Term Erngs	5.77			
			Book Value	3.50			
			Sales	6.60			
			Cash Flow	-10.31			
			Historical Erngs	-0.62			

### Composition



### Profitability

	% Rel Category
Return on Equity	11.67
Return on Assets	2.76
Net Margin	7.79

Address:	One Franklin Parkway San Mateo CA 94403-1906 800-632-2301	Minimum Purchase:	\$1000	Add: \$50	IRA: \$250
Web Address:	www.franklintempleton.com	Min Auto Inv Plan:	\$50	Add: \$50	
Inception:	09-30-48	Sales Fees:	4.25%L, 0.15%S, 2.00%R		
Advisor:	Franklin Advisers, Inc.	Management Fee:	0.63% mx./0.36% mn.		
Subadvisor:	None	Actual Fees:	Mgt:0.47% Dist:0.15%		
NTF Plans:	Schwab Instl NTF	Expense Projections:	3Yr:\$664 5Yr:\$840 10Yr:\$1350		
		Income Distrib:			

