

FRANKLIN UNIVERSAL TRUST  
Form N-CSRS  
April 30, 2015

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

**FORM N-CSRS**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-05569

Franklin Universal Trust

(Exact name of registrant as specified in charter)

One Franklin Parkway, San Mateo, CA 94403-1906  
(Address of principal executive offices) (Zip code)

Craig S. Tyle, One Franklin Parkway, San Mateo, CA 94403-1906

(Name and address of agent for service)

Registrant's telephone number, including area code: (650) 312-2000

Date of fiscal year end: 8/31

Date of reporting period: 2/28/15

**Item 1. Reports to Stockholders.**

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# Franklin Templeton Investments

## Gain From Our Perspective®

At Franklin Templeton Investments, we're dedicated to one goal: delivering exceptional asset management for our clients. By bringing together multiple, world-class investment teams in a single firm, we're able to offer specialized expertise across styles and asset classes, all supported by the strength and resources of one of the world's largest asset managers. This has helped us to become a trusted partner to individual and institutional investors across the globe.

## Focus on Investment Excellence

At the core of our firm, you'll find multiple independent investment teams—each with a focused area of expertise—from traditional to alternative strategies and multi-asset solutions. And because our portfolio groups operate autonomously, their strategies can be combined to deliver true style and asset class diversification.

All of our investment teams share a common commitment to excellence grounded in rigorous, fundamental research and robust, disciplined risk management. Decade after decade, our consistent, research-driven processes have helped Franklin Templeton earn an impressive record of strong, long-term results.

## Global Perspective Shaped by Local Expertise

In today's complex and interconnected world, smart investing demands a global perspective. Franklin Templeton pioneered international investing over 60 years ago, and our expertise in emerging markets spans more than a quarter of a century. Today, our investment professionals are on the ground across the globe, spotting investment ideas and potential risks firsthand. These locally based teams bring in-depth understanding of local companies, economies and cultural nuances, and share their best thinking across our global research network.

## Strength and Experience

Franklin Templeton is a global leader in asset management serving clients in over 150 countries.<sup>1</sup> We run our business with the same prudence we apply to asset management, staying focused on delivering relevant investment solutions, strong long-term results and reliable, personal service. This approach, focused on putting clients first, has helped us to become one of the most trusted names in financial services.

1. As of 12/31/14. Clients are represented by the total number of shareholder accounts.

**Not FDIC Insured | May Lose Value | No Bank Guarantee**

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## Semiannual Report

### Franklin Universal Trust

Dear Shareholder:

This semiannual report for Franklin Universal Trust covers the period ended February 28, 2015.

#### Your Fund's Goals and Main Investments

The Fund's primary investment objective is to provide high, current income consistent with preservation of capital. Its secondary objective is growth of income through dividend increases and capital appreciation.

#### Performance Overview

For the six months under review, the Fund's cumulative total returns were -0.70% based on net asset value and +1.57% based on market price, as shown in the Performance Summary on page 5. For comparison, the Credit Suisse (CS) High Yield Index, which is designed to mirror the investable universe of the U.S. dollar-denominated high yield debt market, posted a -0.74% total return,<sup>1</sup> and utilities stocks, as measured by the Standard & Poor's (S&P<sup>®</sup>) 500 Utilities Index, which tracks all electric utility stocks in the broad S&P 500<sup>®</sup> Index, produced a +6.44% total return for the same period.<sup>2</sup>

*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.*

#### Economic and Market Overview

U.S. economic growth trends were generally encouraging during the six-month period ended February 28, 2015, although economic expansion moderated in 2014's fourth quarter. A wider trade deficit and lower federal defense spending partially offset the positive effect from greater spending by consumers, businesses, and state and local governments. Manufacturing and non-manufacturing activities increased, and the unemployment rate declined to 5.5% in February 2015 from 6.1% in August 2014.<sup>3</sup> Housing market data were generally soft as median home

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prices and existing home sales fell, while new home sales rose and mortgage rates declined during the six-month period. Retail sales softened in the second half of the period despite job growth and falling gasoline prices. Inflation, as measured by the Consumer Price Index, remained low for the period and fell sharply toward period-end resulting from lower energy and import prices.

1. Source: Credit Suisse Group.

2. Source: Morningstar.

The indexes are unmanaged and include reinvestment of any income or distributions. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

3. Source: Bureau of Labor Statistics.

**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 11.**

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The U.S. Federal Reserve Board (Fed) ended its bond buying program in October 2014, based on its view that underlying economic strength could support ongoing progress in labor market conditions. The Fed stated that it could be patient with regard to raising interest rates and that it would consider inflationary pressures, labor market conditions, and financial and international developments in determining its next course of action. In her monetary policy testimony, Fed Chair Janet Yellen asserted that removing the word "patient" from the Fed's future policy guidance would not necessarily mean an immediate rate hike. Instead, the Fed would be giving itself the flexibility to decide on rates on a meeting-by-meeting basis.

The 10-year Treasury yield declined from 2.35% at the start of the period to 2.00% by period-end, as investors sought less risky assets given concerns about Greece's debt negotiations, the crisis in Ukraine, moderating economic growth in China and soft domestic data near period-end.

### Portfolio Breakdown\*

2/28/15

	<b>% of Total Net Assets</b>
Corporate Bonds	83.9 %
Utilities Common Stocks	39.8 %
Natural Resources Common Stocks	1.6 %
Materials Common Stocks	1.5 %
Senior Floating Rate Interests	0.5 %
Convertible Preferred Stocks	0.1 %
Transportation Common Stocks	0.1 %
Short-Term Investments & Other Net Assets	-27.5 %

\*Figures are stated as a percentage of total and may not equal 100% or may be negative due to rounding, use of any derivatives, unsettled trades or other factors.

### Investment Strategy

We invest primarily in two asset classes: high yield bonds and utility stocks. Within the high yield portion of the portfolio, we use fundamental research to invest in a diversified portfolio of bonds. Within the utility portion of the portfolio, we focus on companies with attractive dividend yields and with a history of increasing their dividends.

### Top 10 Holdings

Based on Total Net Assets

2/28/15 vs. 8/31/14

<b>Issuer</b>	<b>2/28/15</b>
Dominion Resources Inc.	3.6 %
Duke Energy Corp.	3.1 %
Sempra Energy	2.7 %
NextEra Energy Inc.	2.6 %
Edison International	2.4 %
Pinnacle West Capital Corp.	2.2 %
American Electric Power Co. Inc.	2.1 %
The Southern Co.	2.0 %
Entergy Corp.	2.0 %

CenterPoint Energy Inc.	1.7 %
<b>Issuer</b>	<b>8/31/14</b>
Dominion Resources Inc.	3.3 %
Duke Energy Corp.	3.3 %
Sempra Energy	2.5 %
NextEra Energy Inc.	2.3 %
The Southern Co.	2.3 %
Edison International	2.1 %
CenterPoint Energy Inc.	2.0 %
American Electric Power Co. Inc.	1.9 %
Pinnacle West Capital Corp.	1.9 %
Entergy Corp.	1.8 %

## Manager s Discussion

Performance of the Fund s primary asset classes was mixed over the semiannual period under review. Although the U.S. economy showed more signs of a sustainable recovery, ongoing weakness in Europe and concerns over China s moderating growth kept interest rates at historically low levels. The sharp decline in crude oil prices from more than \$95 in August to around \$50 in February also served to alleviate inflationary pressures. The yield on the 10-year Treasury bond declined even as the market increasingly expected the Fed to begin to raise short-term rates later this year. High yield corporate



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bonds, which would normally have benefited from the moderate growth environment experienced over the past six months, declined 0.74%, as measured by the CS High Yield Index, largely due to the performance of the energy sector.<sup>1</sup> Energy was the high yield index's largest sector and approached a 20% index weighting at the beginning of the period. As oil prices fell, bonds of energy companies followed suit, impacting overall high yield returns. The oil price decline accelerated in December following the decision by the Organization of the Petroleum Exporting Countries not to cut oil production in late November, and the high yield market experienced large outflows, which impacted not only energy but also overall market returns. Crude oil prices stabilized in January and recovered slightly in February, enabling energy bonds to rally from December lows and improving overall sentiment toward the high yield asset class. Inflows into the high yield asset class led to positive performance so far in 2015, but over the semiannual period, high yield corporate bond returns were negative. Conversely, utility stocks benefited from the low interest rate environment as the drop in oil and many other commodity prices painted a benign inflationary outlook. The low rates combined with a favorable fundamental outlook for utilities enabled the S&P 500 Utilities Index to deliver a +6.44% return for the period.<sup>2</sup>

### High Yield Corporate Bonds

The Fund benefited from its overweighted positions in health care and wireless communications relative to the CS High Yield Index.<sup>4</sup> The health care sector benefited from the Affordable Care Act (ACA). The number of people with health insurance rose as the ACA was implemented, and these people began to consume more health care and to pay a larger percentage of their bills. This trend resulted in higher volumes and lower bad debt for most of the sector, especially for hospitals, which make up a large part of the health care sector. Supporting performance of the wireless communications industry was continued momentum in adding subscribers and increasing data revenues. Tower companies also benefited from the proliferation of wireless devices.

The Fund's performance in the high yield sector was impeded by overweighted positions in the energy and metals and mining sectors relative to the CS High Yield Index. Energy bonds suffered in conjunction with the steady oil price decline, and natural gas prices also weakened in the winter months, which further pressured the sector. Investors were particularly concerned that lower oil and gas prices could lead to tightening liquidity profiles for energy companies. Weak commodity pricing hampered metals and mining. Oversupply in many commodities coupled with moderating growth in China led to falling prices, lowering cash flow generation.

### Utility Stocks

The utilities sector, as measured by the S&P 500 Utilities Index, rose 6.44%, marginally outperforming the +6.12% total return of the S&P 500 Index for the six-month period.<sup>2</sup> Utilities far outpaced the broad index during the first five months of the period but gave up most of those gains in February. In that month, utilities stocks corrected sharply while long-term bond yields increased, largely as a result of improving U.S. economic indicators and the anticipation of upcoming Fed action to counter inflationary concerns. History has shown an inverse correlation between utilities stocks and long-term interest rates. Overall, the fundamental outlook for utilities was still healthy in our view, and we remained committed to our current holdings. Some of the Fund's top contributors for the period included CMS Energy, PG&E and Public Service Enterprise Group, all of which were core holdings within the Fund's portfolio.

4. The health care sector comprises health care equipment and services; and pharmaceuticals, biotechnology and life sciences in the SOI. Wireless communication

holdings are in telecommunication services in the SOI.

See [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com) for additional data provider information.

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Thank you for your continued participation in Franklin Universal Trust. We look forward to serving your future investment needs.

Sincerely,

*The foregoing information reflects our analysis, opinions and portfolio holdings as of February 28, 2015, 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.*

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## Performance Summary as of February 28, 2015

Your dividend income will vary depending on dividends or interest paid by securities in the Fund's portfolio, adjusted for operating expenses. Capital gain distributions are net profits realized from the sale of portfolio securities. Total return reflects reinvestment of the Fund's dividends and capital gain distributions, if any, and any unrealized gains or losses. Total returns do not reflect any sales charges paid at inception or brokerage commissions paid on secondary market purchases. 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.

### Share Prices

Symbol: FT		2/28/15		8/31/14	Change
Net Asset Value (NAV)	\$	8.04	\$	8.34	-\$ 0.30
Market Price (NYSE)	\$	7.26	\$	7.39	-\$ 0.13

### Distributions (9/1/14–2/28/15)

	Dividend Income
\$	0.2370

### Performance<sup>1</sup>

	Cumulative Total Return <sup>2</sup>		Average Annual Total Return <sup>2</sup>		Average Annual Total Return (3/31/15) <sup>3</sup>	
	Based on NAV <sup>4</sup>	Based on Market Price <sup>5</sup>	Based on NAV <sup>4</sup>	Based on Market Price <sup>5</sup>	Based on NAV <sup>4</sup>	Based on Market Price <sup>5</sup>
6-Month	-0.70 % +	1.57 %	-0.70 % +	1.57 %		
1-Year	+ 4.55 % +	7.65 % +	+ 4.55 % +	7.65 % +	1.51 % +	7.07 %
5-Year	+ 72.99 % +	74.02 % +	+ 11.58 % +	11.72 % +	+ 10.47 % +	11.23 %
10-Year	+ 120.35 % +	143.61 % +	+ 8.22 % +	9.31 % +	+ 8.38 % +	9.59 %

*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.*

**All investments involve risks, including possible loss of principal. Bond prices generally move in the opposite direction of interest rates.**

**As prices of bonds in**

**the Fund adjust to a rise in interest rates, the Fund's share price may decline. Investments in lower rated bonds include higher risk of default and loss of principal. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market**

**conditions. In addition to having sensitivity to other factors, securities issued by utility companies have historically been sensitive to interest rate changes.**

**When interest rates fall, utility securities prices, and thus a utilities fund's share price, tend to rise; when interest rates rise, their prices generally fall. The Fund**

**is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results.**

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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 lower.

2. Total return calculations represent the cumulative and average annual changes in value of an investment over the periods indicated. Six-month return has not been annualized.

3. In accordance with SEC rules, we provide standardized average annual total return information through the latest calendar quarter.

4. Assumes reinvestment of distributions based on net asset value.

5. Assumes reinvestment of distributions based on the dividend reinvestment and cash purchase plan.

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## Annual Shareholders Meeting

### March 20, 2015

An annual shareholders meeting of Franklin Universal Trust (Fund) was held on March 20, 2015. At the meeting, the holders of 21,363,789 shares of the Fund's common stock were represented in person or by proxy, constituting a quorum. The following persons were elected by the shareholders to serve as Trustees of the Fund.

The results of the voting at the meeting are as follows:

	Shares	% of	Shares	% of
Nominees	For	Voted	Withheld	Voted
Harris J. Ashton	20,633,886	96.58 %	729,903	3.42 %
Mary C. Choksi	20,713,954	96.96 %	649,835	3.04 %
Sam Ginn	20,642,973	96.63 %	720,816	3.37 %
Edith E. Holliday	20,674,202	96.77 %	689,587	3.23 %
Gregory E. Johnson	20,732,063	97.04 %	631,725	2.96 %
Rupert H. Johnson, Jr.	20,677,825	96.79 %	685,963	3.21 %
J. Michael Luttig	20,717,734	96.98 %	646,055	3.02 %
Frank A. Olson	20,630,451	96.57 %	733,338	3.43 %
Larry D. Thompson	20,668,223	96.74 %	695,565	3.26 %
John B. Wilson	20,733,263	97.05 %	630,525	2.95 %

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## Important Notice to Shareholders

The Fund's Board previously authorized an open-market share repurchase program, pursuant to which the Fund may purchase Fund shares, from time to time, up to 10% of the Fund's common shares in open-market transactions, at the discretion of management. This authorization remains in effect.

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## Dividend Reinvestment and Cash Purchase Plan

The Fund's Dividend Reinvestment and Cash Purchase Plan (Plan) offers you a prompt and simple way to reinvest dividends and capital gain distributions in shares of the Fund. The Plan also allows you to purchase additional shares of the Fund by making voluntary cash payments. American Stock Transfer & Trust Company, LLC (Plan Agent), P.O. Box 922, Wall Street Station, New York, NY 10269-0560, acts as your Plan Agent in administering the Plan.

You are automatically enrolled in the Plan unless you elect to receive dividends or distributions in cash. If you own shares in your own name, you should notify the Plan Agent, in writing, if you wish to receive dividends or distributions in cash.

If the Fund declares a dividend or capital gain distribution payable either in cash or in stock of the Fund and the market price of shares on the valuation date equals or exceeds the net asset value, the Fund will issue new shares to you at the higher of net asset value or 95% of the then current market price. Whenever the Fund declares a distribution from capital gains or an income dividend payable in either cash or shares, if the net asset value per share of the Fund's common stock exceeds the market price per share on the valuation date, the Plan Agent shall apply the amount of such dividend or distribution payable to participants to the purchase of shares (less their pro rata share of brokerage commissions incurred with respect to open market purchases in connection with the reinvestment of such dividend or distribution). If the price exceeds the net asset value before the Plan Agent has completed its purchases, the average purchase price may exceed the net asset value, resulting in fewer shares being acquired than if the Fund had issued new shares. All reinvestments are in full and fractional shares, carried to three decimal places. The Fund will not issue shares under the Plan at a price below net asset value.

The Plan permits you on a voluntary basis to submit in cash payments of not less than \$100 each up to a total of \$5,000 per month to purchase additional shares of the Fund. It is entirely up to you whether you wish to buy additional shares with voluntary cash payments, and you do not have to send in the same amount each time if you do. These payments should be made by check or money order payable to American Stock Transfer & Trust Company, LLC and sent to American Stock Transfer & Trust Company, LLC, P.O. Box 922, Wall Street Station, New York, NY 10269-0560, Attn: Franklin Universal Trust.

Your cash payment will be aggregated with the payments of other participants and invested on your behalf by the Plan Agent in shares of the Fund that are purchased in the open market.

The Plan Agent will invest cash payments on approximately the 5th of each month in which no dividend or distribution is payable and, during each month in which a dividend or distribution is payable, will invest cash payments beginning on the dividend payment date. *Under no circumstances will interest be paid on your funds held by the Plan Agent.* Accordingly, you should send any voluntary cash payments you wish to make shortly before an investment date but in sufficient time to ensure that your payment will reach the Plan Agent not less than two business days before an investment date. Payments received less than two business days before an investment date will be invested during the next month or, if there are more than 30 days until the next investment date, will be returned to you. You may obtain a refund of any cash payment by written notice, if the Plan Agent receives the written notice not less than 48 hours before an investment date.

There is no direct charge to participants for reinvesting dividends and capital gain distributions, since the Plan Agent's fees are paid by the Fund. However, when shares are purchased in the open market, each participant will pay a pro rata portion of any brokerage commissions incurred. The Plan Agent will deduct a \$5.00 service fee from each of your voluntary cash payments.

The automatic reinvestment of dividends and capital gain distributions does not relieve you of any taxes which may be payable on dividends or distributions. In connection with the reinvestment of dividends and capital gain distributions, if the Fund issues new shares, shareholders receiving such shares generally will be treated as having a distribution equal to the market value of the shares received, and if shares are purchased on the open market, shareholders generally will be treated as having received a distribution equal to the cash distribution that would have been paid.

The Fund does not issue new shares in connection with voluntary cash payments. All investments are in full and fractional shares, carried to three decimal places. If the market price exceeds the net asset value at the time the Plan Agent purchases the additional shares, you will receive shares at a price greater than the net asset value.





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DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

You will receive a monthly account statement from the Plan Agent showing total dividends and capital gain distributions, date of investment, shares acquired and price per share, and total shares of record held by you and by the Plan Agent for you. You are entitled to vote all shares of record, including shares purchased for you by the Plan Agent, and, if you vote by proxy, your proxy will include all such shares.

As long as you participate in the Plan, the Plan Agent will hold the shares it has acquired for you in safekeeping, in its name or in the name of its nominee. This convenience provides added protection against loss, theft or inadvertent destruction of certificates. However, you may request that a certificate representing your Plan shares be issued to you.

You may withdraw from the Plan without penalty at any time by notifying the Plan Agent, in writing, at the address above. If you withdraw, you will receive, without charge, stock certificates issued in your name for all full shares. The Plan

Agent will convert any fractional shares you hold at the time of your withdrawal to cash at current market price and send you a check for the proceeds.

If you hold shares in your own name, please address all notices, correspondence, questions, or other communications regarding the Plan to the Plan Agent at the address noted above. If your shares are not held in your name, you should contact your brokerage firm, bank, or other nominee for more information and to determine if your nominee will participate in the Plan on your behalf.

The Fund or the Plan Agent may amend or terminate the Plan. You will receive written notice at least 90 days before the effective date of termination or of any amendment. In the case of termination, you will receive written notice at least 90 days before the record date of any dividend or capital gain distribution by the Fund.

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## FRANKLIN UNIVERSAL TRUST

**Financial Highlights**

	<b>Six Months Ended</b>		<b>Year Ended August 31,</b>			
	<b>February 28, 2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<b>(unaudited)</b>					
<b>Per share operating performance</b>						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	\$ 8.34	\$ 7.61	\$ 7.47	\$ 6.87	\$ 6.57	\$ 5.85
Income from investment operations:						
Net investment income <sup>a</sup>	0.22	0.47	0.43	0.45	0.45	0.47
Net realized and unrealized gains (losses)	(0.28 )	0.73	0.17	0.61	0.31	0.71
Total from investment operations	(0.06 )	1.20	0.60	1.06	0.76	1.18
Less distributions from net investment income	(0.24 )	(0.47 )	(0.46 )	(0.46 )	(0.46 )	(0.46 )
Net asset value, end of period	\$ 8.04	\$ 8.34	\$ 7.61	\$ 7.47	\$ 6.87	\$ 6.57
Market value, end of period <sup>b</sup>	\$ 7.26	\$ 7.39	\$ 6.76	\$ 7.38	\$ 6.33	\$ 6.23
Total return (based on market value per share) <sup>c</sup>						
	1.57 %	16.71 %	(2.45 )%	24.47 %	9.01 %	32.53 %
<b>Ratios to average net assets<sup>d</sup></b>						
Expenses	1.97 % <sup>e</sup>	1.97 % <sup>e,f</sup>	2.34 %	2.46 %	2.51 %	2.63 %
Net investment income	5.51 %	5.76 %	5.58 %	6.20 %	6.41 %	7.36 %
<b>Supplemental data</b>						
Net assets, end of period (000's)	\$ 202,024	\$ 209,674	\$ 191,223	\$ 187,729	\$ 172,758	\$ 165,075
Portfolio turnover rate	9.20 %	18.25 %	21.95 %	19.40 %	41.60 %	38.23 %
Total debt outstanding at end of period (000's)	\$ 60,000	\$ 60,000	\$ 60,000	\$ 42,000	\$ 42,000	\$ 42,000
Asset coverage per \$1,000 of debt	\$ 4,367	\$ 4,495	\$ 4,187	\$ 5,470	\$ 5,113	\$ 4,930
Average amount of senior fixed rate Notes per share during the period	\$ 2.39	\$ 2.39	\$ 1.68	\$ 1.67	\$ 1.67	\$ 1.67

<sup>a</sup>Based on average daily shares outstanding.<sup>b</sup>Based on the last sale on the New York Stock Exchange.

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<sup>c</sup>Total return is not annualized for periods less than one year.

<sup>d</sup>Ratios are annualized for periods less than one year.

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

<sup>f</sup>Benefit of expense reduction rounds to less than 0.01%.

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