

FRANKLIN UNIVERSAL TRUST  
Form N-CSR  
October 29, 2015

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

**FORM N-CSR**

**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: 8/31/15

**Item 1. Reports to Stockholders.**

---



# 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.

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

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

---

## Contents

### Annual Report

Franklin Universal Trust	1
Performance Summary	5
Important Notice to Shareholders	6
Financial Highlights and Statement of Investments	7
Financial Statements	17
Notes to Financial Statements	21
Report of Independent Registered Public Accounting Firm	27
Tax Information	28
Annual Meeting of Shareholders	29
Dividend Reinvestment and Cash Purchase Plan	30
Board Members and Officers	32
Shareholder Information	37

## Annual Report

### Franklin Universal Trust

Dear Shareholder:

This annual report for Franklin Universal Trust covers the fiscal year ended August 31, 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 12 months under review, the Fund's cumulative total returns were -9.40% based on net asset value and -11.57% 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, had a -3.58% total return,<sup>1</sup> and utilities stocks, as measured by the Standard & Poor® (S&P®) 500 Utilities Index, which tracks all electric utility stocks in the broad S&P 500® Index, posted a total return of +1.62% 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

## Edgar Filing: FRANKLIN UNIVERSAL TRUST - Form N-CSR

U.S. economic growth was mixed during the 12 months under review. In 2014's fourth quarter, growth expanded due to increased consumer spending, business investment, exports, and state and local government spending. Growth slowed in 2015's first quarter as the U.S. dollar strengthened, energy prices fell, and a West Coast ports labor dispute led to decreased exports. However, growth rebounded in the second quarter due to increases in consumer spending, net exports, state and local government spending, and investments for businesses, homes and inventory. Manufacturing and service activities continued to expand during the 12-month period, contributing to new jobs, and the unemployment rate declined from 6.1% in August

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.

**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 8.**

[franklintempleton.com](http://franklintempleton.com)

Annual Report

FRANKLIN UNIVERSAL TRUST

2014 to 5.1% at period-end.<sup>3</sup> Housing market data were generally encouraging as home sales and prices rose amid declining mortgage rates. Retail sales generally rose for the 12-month period as strong employment gains led to broad-based improvement, especially for auto and auto components sales. Inflation, as measured by the Consumer Price Index, remained subdued due to lower energy prices.

The Federal Reserve (Fed) ended its bond buying program in October 2014 and kept its target interest rate at 0% 0.25% while considering when to begin increasing it toward normal levels. During its July meeting, the Fed stated that although labor market and economic conditions had improved, committee members would like more confidence that inflation was moving toward their goal before raising the federal funds target rate. Furthermore, it regarded international developments, particularly moderating growth in China and other emerging markets and China's unexpected currency devaluation, as well as a strengthening U.S. dollar, as potential risks to U.S. economic growth.

The 10-year Treasury yield, which moves inversely to price, shifted throughout the period. It began at 2.35%, rose to 2.63% in September 2014, declined to a period low of 1.68% in January 2015 and ended the period at 2.21%. The moves seemed to reflect investor uncertainty given concerns about soft domestic data, Greece's debt issues and the Fed's cautious tone on raising interest rates. Less robust growth in China as well as devaluation of the renminbi and subsequent rate cuts toward period-end also affected Treasury prices.

**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.

**Manager's Discussion**

During the Fund's fiscal year ended August 31, 2015, the Fund's primary asset classes, high yield corporate bonds and utility stocks, each faced unique headwinds that led to divergent returns. Weaker economic data drove the 10-year Treasury

**Portfolio Breakdown**

8/31/15

	<b>% of Total Investments*</b>
Corporate Bonds	64.5 %
Utilities Common Stocks	31.1 %
Natural Resources Common Stocks	1.1 %
Materials Common Stocks	0.8 %
Senior Floating Rate Interests	0.3 %
Convertible Preferred Stocks	0.1 %
Transportation Common Stocks	0.1 %
Short-Term Investments & Other Net Assets	2.0 %

\*Percentage of total investments of the Fund. Total investments of the Fund include long-term and short-term investments and other net assets, excluding long-term debt issued by the Fund.

yield lower during the first half of the reporting period, but signs of economic strength and indications that the Fed was considering increasing interest rates in the fall led yields to reverse course and rise from their January lows. Over the summer, a flare-up of the Greek sovereign debt crisis combined with concerns about the state of the Chinese economy impacted the upward trend in rates, and 10-year yields ended the period slightly lower. Despite the heightened volatility caused by concerns over Greece and China, the Fed indicated that, based on recent economic data, it still anticipated raising interest rates sometime in 2015. Investors' expectations of the first hike in the federal funds target rate since 2006

## Edgar Filing: FRANKLIN UNIVERSAL TRUST - Form N-CSR

caused anxiety and uncertainty in financial markets long accustomed to the current Fed policy.

We believe, however, that the Fed appeared to foresee sustainable if moderate economic growth that could support high yield corporate bond performance. Although overall corporate credit fundamentals were favorable during the period, commodity-related sectors such as energy and metals and mining faced severe headwinds. In this environment of a broadly supportive domestic economy hindered by significant pockets of commodity weakness, the average yield spread on high yield bonds, as measured by the CS High Yield Index, increased from 4.3 to 6.2 percentage points above comparable Treasuries. According to the CS High Yield Index, the average price of high yield bonds declined from 103.7 to 93.1 as the yield increased from 5.5%

3. Source: Bureau of Labor Statistics.

2 | Annual Report

franklintempleton.com

---



FRANKLIN UNIVERSAL TRUST

to 7.6%, which led to an overall return of -3.58%.<sup>1</sup> Utility stocks benefited from declining interest rates in the first half of the Fund's fiscal year before reversing course and trading down as rates began to rise in late January. Overall utility stocks, as measured by the S&P 500 Utilities Index, returned +1.62% as favorable industry fundamentals were largely offset by rising rate fears.<sup>2</sup>

**High Yield Corporate Bonds**

The Fund benefited from its overweighted positions in the health care and containers and packaging sectors relative to the CS High Yield Index.<sup>4</sup> Health care outperformed the benchmark as lower unemployment levels and the continued expansion of health insurance coverage under the Affordable Care Act reduced the percent of uninsured people and resulted in decreased bad debt expenses and increased utilization of health care services. Pricing power, more effective research and development and a more accommodative U.S. Food and Drug Administration helped the pharmaceutical sector produce strong results. Containers and packaging outperformed the index because its main end markets were the defensive food and beverage industries. In addition, a global consolidation trend continued during the period, which led to further market rationalization and significant pricing power for the remaining companies.

The Fund's high yield bond performance was impeded by overweighted positions in the energy and metals and mining sectors relative to the CS High Yield Index.<sup>5</sup> Energy, the largest industry in the index, suffered as crude oil prices fell during the reporting period before staging a small rally at period-end. Natural gas prices also fell, which put additional pressure on energy producers. Metals and mining companies were also challenged as a broad range of commodities including coal, iron ore and copper experienced price declines largely because of investor concerns about China's economic weakness.

**Utility Stocks**

The utilities sector, as measured by the S&P 500 Utilities Index, rose 1.62%, outperforming the +0.48% total return of the S&P 500 Index for the 12-month period.<sup>2</sup> Utilities share

**Top 10 Holdings\***

Based on Total Investments\*\*

8/31/15 vs. 8/31/14

<b>Issuer</b>	<b>8/31/15</b>
Dominion Resources Inc.	2.9 %
Duke Energy Corp.	2.4 %
NextEra Energy Inc.	2.1 %
Sempra Energy	2.0 %
Edison International	1.8 %
Pinnacle West Capital Corp.	1.7 %
American Electric Power Co. Inc.	1.7 %
The Southern Co.	1.6 %
Entergy Corp.	1.4 %
CenterPoint Energy Inc.	1.3 %
<b>Issuer</b>	<b>8/31/14</b>
Dominion Resources Inc.	2.6 %
Duke Energy Corp.	2.5 %
Sempra Energy	2.0 %
NextEra Energy Inc.	1.8 %
The Southern Co.	1.8 %
Edison International	1.6 %
CenterPoint Energy Inc.	1.6 %
American Electric Power Co. Inc.	1.5 %

## Edgar Filing: FRANKLIN UNIVERSAL TRUST - Form N-CSR

Pinnacle West Capital Corp.	1.5 %
Entergy Corp.	1.4 %

\*Excludes money market funds.

\*\*Percentage of total investments of the Fund. Total investments of the Fund include long-term and short-term investments and other net assets, excluding long-term debt issued by the Fund.

prices rose strongly during the fourth quarter of calendar year 2014 through January 2015 but gave up most of those gains during the remainder of the Fund's fiscal year as investors placed greater emphasis on potentially higher interest rates and their negative effect on utility share prices. In addition, weaker oil and natural gas prices hurt the performance of integrated utilities including CenterPoint Energy, Exelon and Entergy, whose profits were dependent on energy market prices. In contrast, regulated utilities did not suffer as commodities declined

4. Health care holdings are in health care equipment and services; and pharmaceuticals, biotechnology and life sciences in the SOI. Containers and packaging holdings are in materials in the SOI.

5. Metals and mining holdings are in materials in the SOI.

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

[franklintempleton.com](http://franklintempleton.com)

Annual Report

FRANKLIN UNIVERSAL TRUST

because of set rates that protected their margins. Utility positions that produced positive performance included Consolidated Edison and PG&E.

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 August 31, 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.*

CFA<sup>®</sup> is a trademark owned by CFA Institute.

4 | Annual Report

franklintempleton.com

---

FRANKLIN UNIVERSAL TRUST

## Performance Summary as of August 31, 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		8/31/15		8/31/14	Change
Net Asset Value (NAV)	\$	7.11	\$	8.34	-\$ 1.23
Market Price (NYSE)	\$	6.10	\$	7.39	-\$ 1.29

### Distributions<sup>1</sup> (9/1/14–8/31/15)

Dividend Income
\$ 0.4740

### Performance<sup>2</sup>

	Cumulative		Average Annual		Average Annual	
	Total Return <sup>3</sup>		Total Return <sup>3</sup>		Total Return (9/30/15) <sup>4</sup>	
	Based on NAV <sup>5</sup>	Based on Market Price <sup>6</sup>	Based on NAV <sup>4</sup>	Based on Market Price <sup>6</sup>	Based on NAV <sup>5</sup>	Based on Market Price <sup>6</sup>
1-Year	-9.40 %	-11.57 %	-9.40 %	-11.57 %	-7.97 %	-9.97 %
5-Year	+46.87 %	+36.59 %	+7.99 %	+6.43 %	+6.77 %	+4.82 %
10-Year	+92.05 %	+102.42 %	+6.74 %	+7.31 %	+6.49 %	+6.96 %

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.**

## Edgar Filing: FRANKLIN UNIVERSAL TRUST - Form N-CSR

1. The distribution amount is the sum of the dividend payments to shareholders for the period shown and includes only estimated tax-basis net investment income.
2. The Fund has a fee waiver associated with any investment 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.
3. Total return calculations represent the cumulative and average annual changes in value of an investment over the periods indicated.
4. In accordance with SEC rules, we provide standardized average annual total return information through the latest calendar quarter.
5. Assumes reinvestment of distributions based on net asset value.
6. Assumes reinvestment of distributions based on the dividend reinvestment and cash purchase plan.

franklintempleton.com

Annual Report

| 5

---

FRANKLIN UNIVERSAL TRUST

## 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.

6 | Annual Report

[franklintempleton.com](http://franklintempleton.com)

---

**Financial Highlights**

	<b>Year Ended August 31,</b>				
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$ 8.34	\$ 7.61	\$ 7.47	\$ 6.87	\$ 6.57
Income from investment operations:					
Net investment income <sup>a</sup>	0.45	0.47	0.43	0.45	0.45
Net realized and unrealized gains (losses)	(1.21 )	0.73	0.17	0.61	0.31
Total from investment operations	(0.76 )	1.20	0.60	1.06	0.76
Less distributions from net investment income	(0.47 )	(0.47 )	(0.46 )	(0.46 )	(0.46 )
Net asset value, end of year	\$ 7.11	\$ 8.34	\$ 7.61	\$ 7.47	\$ 6.87
Market value, end of year <sup>b</sup>	\$ 6.10	\$ 7.39	\$ 6.76	\$ 7.38	\$ 6.33
Total return (based on market value per share)	(11.57 )%	16.71 %	(2.45 )%	24.47 %	9.01 %
<b>Ratios to average net assets</b>					
Expenses	1.97 % <sup>c</sup>	1.97 % <sup>c</sup>	2.34 %	2.46 %	2.51 %
Net investment income	5.63 %	5.76 %	5.58 %	6.20 %	6.41 %
<b>Supplemental data</b>					
Net assets, end of year (000's)	\$ 178,747	\$ 209,674	\$ 191,223	\$ 187,729	\$ 172,758
Portfolio turnover rate	20.30 %	18.25 %	21.95 %	19.40 %	41.60 %
Total debt outstanding at end of year (000's)	\$ 60,000	\$ 60,000	\$ 60,000	\$ 42,000	\$ 42,000
Asset coverage per \$1,000 of debt	\$ 3,979	\$ 4,495	\$ 4,187	\$ 5,470	\$ 5,113
Average amount of senior fixed rate Notes per share during					
the year	\$ 2.39	\$ 2.39	\$ 1.68	\$ 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.

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

FRANKLIN UNIVERSAL TRUST

**Statement of Investments, August 31, 2015**

	Country	Shares	Value
<b>Common Stocks 44.2%</b>			
<b>Energy 1.5%</b>			
Spectra Energy Corp.	United States	92,350 \$	2,684,614
<b>Materials 1.0%</b>			
BHP Billiton PLC, ADR	Australia	25,185	883,238
Freeport-McMoRan Inc., B	United States	80,380	855,243
aSouth32 Ltd., ADR	Australia	10,074	54,500
aVerso Corp.	United States	4,527	1,087
			1,794,068
<b>Transportation 0.1%</b>			
aCEVA Holdings LLC	United Kingdom	179	116,630
<b>Utilities 41.6%</b>			
Alliant Energy Corp.	United States	40,000	2,266,800
American Electric Power Co. Inc.	United States	75,000	4,071,750
CenterPoint Energy Inc.	United States	169,800	3,161,675
CMS Energy Corp.	United States	65,000	2,130,700
Consolidated Edison Inc.	United States	42,000	2,642,220
Dominion Resources Inc.	United States	100,000	6,975,000
DTE Energy Co.	United States	25,000	1,951,500
Duke Energy Corp.	United States	80,060	5,677,055
Edison International	United States	75,000	4,386,000
Entergy Corp.	United States	50,000	3,266,500
Exelon Corp.	United States	55,000	1,691,800
FirstEnergy Corp.	United States	60,000	1,917,600
Great Plains Energy Inc.	United States	70,000	1,744,400
NextEra Energy Inc.	United States	50,000	4,920,500
PG&E Corp.	United States	50,000	2,479,000
Pinnacle West Capital Corp.	United States	70,000	4,167,100
PPL Corp.	United States	80,000	2,479,200
Public Service Enterprise Group Inc.	United States	45,000	1,811,250
Sempra Energy	United States	50,000	4,742,500
The Southern Co.	United States	87,250	3,787,522



Edgar Filing: FRANKLIN UNIVERSAL TRUST - Form N-CSR

aTalen Energy Corp.	United States	9,992	142,386
UIL Holdings Corp.	United States	40,000	1,821,200
WEC Energy Group Inc.	United States	40,000	1,906,000
Westar Energy Inc.	United States	60,000	2,193,000
Xcel Energy Inc.	United States	60,000	2,023,800
			74,356,458
<b>Total Common Stocks (Cost \$47,714,960)</b>			78,951,770
<b>Convertible Preferred Stocks 0.1%</b>			
<b>Transportation 0.1%</b>			
aCEVA Holdings LLC, cvt. pfd., A-1	United Kingdom	6	5,400
aCEVA Holdings LLC, cvt. pfd., A-2	United Kingdom	388	252,467
<b>Total Convertible Preferred Stocks (Cost \$587,093)</b>			257,867

8 | Annual Report

franklintempleton.com

---

Edgar Filing: FRANKLIN UNIVERSAL TRUST - Form N-CSR

FRANKLIN UNIVERSAL TRUST  
STATEMENT OF INVESTMENTS

	Country	Principal Amount*	Value
<b>Corporate Bonds 86.2%</b>			
<b>Automobiles &amp; Components 1.6%</b>			
Fiat Chrysler Automobiles NV, senior note, 5.25%, 4/15/23	United Kingdom	1,700,000 \$	1,694,688
The Goodyear Tire & Rubber Co., senior note, 6.50%, 3/01/21	United States	1,100,000	1,168,475
			2,863,163
<b>Banks 3.5%</b>			
CIT Group Inc., senior note, 5.375%, 5/15/20	United States	500,000	523,750
5.00%, 8/15/22	United States	1,200,000	1,222,500
b144A, 6.625%, 4/01/18	United States	300,000	321,750
cCitigroup Inc., junior sub. bond, M, 6.30% to 5/15/24, FRN thereafter, Perpetual	United States	1,100,000	1,068,375
cJPMorgan Chase & Co., junior sub. bond, R, 6.00% to 8/01/23, FRN thereafter, Perpetual	United States	900,000	893,250
V, 5.00% to 7/30/19, FRN thereafter, Perpetual	United States	800,000	781,000
Royal Bank of Scotland Group PLC, sub. note, 6.125%, 12/15/22	United Kingdom	900,000	973,125
5.125%, 5/28/24	United Kingdom	400,000	405,250
			6,189,000
<b>Capital Goods 2.5%</b>			
bAbengoa Finance SAU, senior note, 144A, 8.875%, 11/01/17	Spain	650,000	447,687
bBombardier Inc., senior bond, 144A, 7.50%, 3/15/25	Canada	1,700,000	1,287,750
Navistar International Corp., senior note, 8.25%, 11/01/21	United States	800,000	702,000
Oshkosh Corp., senior note, 5.375%, 3/01/22	United States	500,000	507,500
TransDigm Inc., senior sub. bond, 6.50%, 7/15/24	United States	200,000	196,500
b senior sub. bond, 144A, 6.50%, 5/15/25	United States	100,000	98,750
senior sub. note, 6.00%, 7/15/22	United States	700,000	688,625
bZachry Holdings Inc., senior note, 144A, 7.50%, 2/01/20	United States	600,000	601,500
			4,530,312
<b>Commercial &amp; Professional Services 1.0%</b>			
bAnna Merger Sub Inc., senior note, 144A, 7.75%, 10/01/22	United States	500,000	496,560
IHS Inc., senior note, 5.00%, 11/01/22	United States	300,000	304,500
United Rentals North America Inc., senior bond, 5.75%, 11/15/24	United States	1,000,000	990,000
			1,791,060

**Consumer Durables & Apparel 2.8%**

KB Home, senior bond, 7.50%, 9/15/22	United States	1,100,000	1,138,500
senior note, 4.75%, 5/15/19	United States	200,000	197,500
senior note, 7.00%, 12/15/21	United States	300,000	304,500
M/I Homes Inc., senior note, 8.625%, 11/15/18	United States	200,000	207,250
bTaylor Morrison Communities Inc./Monarch Communities Inc., senior note, 144A, 5.25%, 4/15/21	United States	400,000	404,000
5.875%, 4/15/23	United States	500,000	505,000
5.625%, 3/01/24	United States	700,000	686,000
Toll Brothers Finance Corp., senior bond, 5.625%, 1/15/24	United States	700,000	742,000
Visant Corp., senior note, 10.00%, 10/01/17	United States	900,000	738,000
			4,922,750

**Consumer Services 5.3%**

b1011778 BC ULC/New Red Finance Inc., secured note, second lien, 144A, 6.00%, 4/01/22	Canada	1,000,000	1,032,500
senior secured note, first lien, 144A, 4.625%, 1/15/22	Canada	500,000	503,750

Edgar Filing: FRANKLIN UNIVERSAL TRUST - Form N-CSR

FRANKLIN UNIVERSAL TRUST  
STATEMENT OF INVESTMENTS

	Country	Principal Amount*	Value
<b>Corporate Bonds</b> (continued)			
<b>Consumer Services</b> (continued)			
b24 Hour Holdings III LLC, senior note, 144A, 8.00%, 6/01/22	United States	1,000,000 \$	800,000
dCaesars Entertainment Operating Co. Inc., senior secured note, first lien, 11.25%, 6/01/17	United States	1,000,000	841,250
b,dFontainebleau Las Vegas, senior secured note, first lien, 144A, 11.00%, 6/15/15	United States	1,600,000	8,080
bInternational Game Technology PLC, senior secured bond, 144A, 6.50%, 2/15/25	United States	1,700,000	1,616,062
bLandry s Inc., senior note, 144A, 9.375%, 5/01/20	United States	900,000	964,688
MGM Resorts International, senior note, 6.875%, 4/01/16	United States	1,200,000	1,236,000
7.50%, 6/01/16	United States	800,000	830,000
bSabre GLOB Inc., first lien, 144A, 5.375%, 4/15/23	United States	1,200,000	1,182,000
bWynn Macau Ltd., senior note, 144A, 5.25%, 10/15/21	Macau	400,000	370,000
			9,384,330
<b>Diversified Financials 3.8%</b>			
AerCap Ireland Capital Ltd./AerCap Global Aviation Trust, senior note, 4.25%, 7/01/20	Netherlands	800,000	806,000
5.00%, 10/01/21	Netherlands	500,000	516,875
Ally Financial Inc., senior note, 5.50%, 2/15/17	United States	600,000	621,120
E*TRADE Financial Corp., senior note, 5.375%, 11/15/22	United States	300,000	314,250
4.625%, 9/15/23	United States	400,000	401,000
Navient Corp., senior note, 8.45%, 6/15/18	United States	900,000	960,750
5.50%, 1/15/19	United States	800,000	770,800
4.875%, 6/17/19	United States	800,000	750,000
bNeuberger Berman Group LLC/Finance Corp., senior note, 144A, 5.875%, 3/15/22	United States	700,000	739,375
bOneMain Financial Holdings Inc., senior note, 144A, 7.25%, 12/15/21	United States	900,000	933,750
			6,813,920
<b>Energy 14.9%</b>			
BreitBurn Energy Partners LP/BreitBurn Finance Corp., senior bond, 7.875%, 4/15/22	United States	700,000	311,500

## Edgar Filing: FRANKLIN UNIVERSAL TRUST - Form N-CSR

senior note, 8.625%, 10/15/20 California Resources Corp.,	United States	600,000	324,798
senior bond, 6.00%, 11/15/24	United States	600,000	454,500
senior note, 5.50%, 9/15/21	United States	400,000	312,152
bCalumet Specialty Products Partners LP/Calumet Finance Co., senior note, 144A, 7.75%, 4/15/23	United States	800,000	780,000
CGG SA, senior note, 7.75%, 5/15/17	France	203,000	161,893
6.50%, 6/01/21	France	600,000	340,500
6.875%, 1/15/22	France	300,000	175,687
Chaparral Energy Inc., senior note, 9.875%, 10/01/20	United States	800,000	420,000
8.25%, 9/01/21	United States	200,000	95,000
7.625%, 11/15/22	United States	300,000	136,500
CHC Helicopter SA, senior secured note, first lien, 9.25%, 10/15/20	Canada	1,350,000	820,125
Chesapeake Energy Corp., senior note, 6.625%, 8/15/20	United States	1,700,000	1,360,000
4.875%, 4/15/22	United States	300,000	219,000
Clayton Williams Energy Inc., senior note, 7.75%, 4/01/19	United States	1,200,000	1,014,000

Edgar Filing: FRANKLIN UNIVERSAL TRUST - Form N-CSR

FRANKLIN UNIVERSAL TRUST  
STATEMENT OF INVESTMENTS

	Country	Principal Amount*	Value
<b>Corporate Bonds</b> (continued)			
<b>Energy</b> (continued)			
Compressco Partners LP/Finance Corp., senior note, 7.25%, 8/15/22	United States	300,000 \$	247,500
CONSOL Energy Inc., senior note, 5.875%, 4/15/22	United States	800,000	572,000
b144A, 8.00%, 4/01/23	United States	800,000	608,000
bCrestwood Midstream Partners LP/Crestwood Midstream Finance Corp., senior note, 144A, 6.25%, 4/01/23	United States	500,000	460,000
bDrill Rigs Holdings Inc., secured note, 144A, 6.50%, 10/01/17	United States	1,100,000	858,000
Energy Transfer Equity LP, senior bond, 5.875%, 1/15/24	United States	200,000	194,000
senior note, first lien, 7.50%, 10/15/20	United States	1,500,000	1,610,625
Energy XXI Gulf Coast Inc., senior note, 9.25%, 12/15/17	United States	1,300,000	383,500
bEnQuest PLC, senior note, 144A, 7.00%, 4/15/22	United Kingdom	600,000	399,000
EPL Oil & Gas Inc., senior note, 8.25%, 2/15/18	United States	800,000	284,000
Goodrich Petroleum Corp., senior note, 8.875%, 3/15/19	United States	1,200,000	294,000
bFerrellgas LP/Ferrellgas Finance Corp., senior note, 144A, 6.75%, 6/15/23	United States	900,000	868,500
Halcon Resources Corp., senior note, 9.75%, 7/15/20	United States	800,000	280,000
bsenior secured note, third lien, 144A, 13.00%, 2/15/22	United States	520,000	405,600
Linn Energy LLC/Finance Corp., senior note, 8.625%, 4/15/20	United States	1,000,000	407,500
7.75%, 2/01/21	United States	700,000	278,250
6.50%, 9/15/21	United States	100,000	37,500
Martin Midstream Partners LP/Martin Midstream Finance Corp., senior note, 7.25%, 2/15/21	United States	1,000,000	935,000
Memorial Resource Development Corp., senior note, 5.875%, 7/01/22	United States	500,000	457,500
Midstates Petroleum Co. Inc./LLC, senior note, 9.25%, 6/01/21	United States	700,000	199,500
bMurray Energy Corp., secured note, second lien, 144A, 11.25%, 4/15/21	United States	700,000	332,500
Oasis Petroleum Inc., senior note, 7.25%, 2/01/19	United States	200,000	180,000
6.50%, 11/01/21	United States	400,000	328,000
6.875%, 3/15/22	United States	400,000	334,000
6.875%, 1/15/23	United States	200,000	161,000

## Edgar Filing: FRANKLIN UNIVERSAL TRUST - Form N-CSR

bOcean Rig UDW Inc., senior note, 144A, 7.25%, 4/01/19	United States	400,000	204,000
Offshore Group Investment Ltd., senior bond, first lien, 7.125%, 4/01/23	United States	700,000	325,500
senior secured note, first lien, 7.50%, 11/01/19	United States	700,000	327,687
PBF Holding Co. LLC, first lien, 8.25%, 2/15/20	United States	1,200,000	1,268,940
bPeabody Energy Corp., second lien, 144A, 10.00%, 3/15/22	United States	1,200,000	486,000
Penn Virginia Corp., senior note, 8.50%, 5/01/20	United States	700,000	185,500
QEP Resources Inc., senior note, 5.375%, 10/01/22	United States	700,000	610,750
5.25%, 5/01/23	United States	400,000	346,000
b,d,eQuicksilver Resources Inc., secured note, second lien, 144A, FRN, 7.00%, 6/21/19	United States	600,000	282,000
Sabine Pass Liquefaction LLC, first lien, 5.625%, 2/01/21	United States	1,000,000	990,000
6.25%, 3/15/22	United States	200,000	202,000
5.625%, 4/15/23	United States	500,000	488,125
Sanchez Energy Corp., senior note, 7.75%, 6/15/21	United States	900,000	765,000
6.125%, 1/15/23	United States	300,000	226,500
bUltra Petroleum Corp., senior bond, 144A, 6.125%, 10/01/24	United States	1,100,000	731,500

Edgar Filing: FRANKLIN UNIVERSAL TRUST - Form N-CSR

FRANKLIN UNIVERSAL TRUST  
STATEMENT OF INVESTMENTS

	Country	Principal Amount*	Value
<b>Corporate Bonds (continued)</b>			
<b>Energy (continued)</b>			
W&T Offshore Inc., senior note, 8.50%, 6/15/19	United States	1,200,000 \$	570,000
WPX Energy Inc., senior note, 8.25%, 8/01/23	United States	600,000	579,000
			26,629,632
<b>Food, Beverage &amp; Tobacco 3.2%</b>			
Constellation Brands Inc., senior bond, 4.75%, 11/15/24	United States	400,000	410,000
senior note, 4.25%, 5/01/23	United States	500,000	504,250
Cott Beverages Inc., senior note, 6.75%, 1/01/20	United States	600,000	624,000
bDole Food Co. Inc., senior secured note, 144A, 7.25%, 5/01/19	United States	800,000	810,000
bJBS USA LLC/Finance Inc., senior bond, 144A, 5.875%, 7/15/24	United States	600,000	600,750
senior note, 144A, 8.25%, 2/01/20	United States	300,000	317,625
senior note, 144A, 7.25%, 6/01/21	United States	700,000	734,125
Post Holdings Inc., senior note, 7.375%, 2/15/22	United States	800,000	823,000
b144A, 6.75%, 12/01/21	United States	500,000	504,375
b144A, 6.00%, 12/15/22	United States	300,000	290,625
b144A, 7.75%, 3/15/24	United States	100,000	103,500
			5,722,250
<b>Health Care Equipment &amp; Services 5.5%</b>			
Alere Inc., senior note, 7.25%, 7/01/18	United States	900,000	943,875
senior sub. note, 6.50%, 6/15/20	United States	100,000	104,209
CHS/Community Health Systems Inc., senior note, 8.00%, 11/15/19	United States	900,000	942,750
senior note, 7.125%, 7/15/20	United States	400,000	424,000
senior note, 6.875%, 2/01/22	United States	200,000	213,250
senior secured note, first lien, 5.125%, 8/15/18	United States	600,000	615,750
DaVita HealthCare Partners Inc., senior bond, 5.125%, 7/15/24	United States	400,000	399,000
senior note, 5.75%, 8/15/22	United States	500,000	533,875
HCA Inc.,			



## Edgar Filing: FRANKLIN UNIVERSAL TRUST - Form N-CSR

senior note, 6.50%, 2/15/16	United States	1,400,000	1,428,000
senior note, 5.875%, 5/01/23	United States	800,000	848,000
senior secured bond, first lien, 5.875%, 3/15/22	United States	600,000	654,000
bHologic Inc., senior note, 144A, 5.25%, 7/15/22	United States	500,000	513,750
Tenet Healthcare Corp., senior note, 5.00%, 3/01/19	United States	800,000	801,592
5.50%, 3/01/19	United States	400,000	402,500
8.125%, 4/01/22	United States	1,000,000	1,110,000
			9,934,551

### **Materials 10.8%**

ArcelorMittal, senior note, 6.25%, 3/01/21	Luxembourg	900,000	892,368
6.125%, 6/01/25	Luxembourg	300,000	277,125
bArdagh Packaging Finance PLC, senior note, 144A, 9.125%, 10/15/20	Luxembourg	500,000	526,250

12 | Annual Report

franklintempleton.com

---

Edgar Filing: FRANKLIN UNIVERSAL TRUST - Form N-CSR

FRANKLIN UNIVERSAL TRUST  
STATEMENT OF INVESTMENTS

	Country	Principal Amount*	Value
<b>Corporate Bonds</b> (continued)			
<b>Materials</b> (continued)			
bArdagh Packaging Finance PLC/Ardagh MP Holdings USA Inc., senior note, 144A, 6.25%, 1/31/19	Luxembourg	200,000 \$	205,000
7.00%, 11/15/20	Luxembourg	88,235	89,559
6.75%, 1/31/21	Luxembourg	200,000	204,625
6.00%, 6/30/21	Luxembourg	500,000	498,650
bBarrinco Finance Pty. Ltd., senior note, 144A, 9.00%, 6/01/18	Australia	800,000	628,000
bBlueScope Steel Ltd./BlueScope Steel Finance, senior note, 144A, 7.125%, 5/01/18	Australia	1,400,000	1,386,000
bCemex Finance LLC, senior secured note, first lien, 144A, 6.00%, 4/01/24	Mexico	600,000	575,250
bCemex SAB de CV, first lien, 144A, 5.70%, 1/11/25	Mexico	1,100,000	1,027,812
bThe Chemours Co., senior bond, 144A, 7.00%, 5/15/25	United States	200,000	171,500
senior note, 144A, 6.625%, 5/15/23	United States	1,100,000	959,750
bEldorado Gold Corp., senior note, 144A, 6.125%, 12/15/20	Canada	1,000,000	870,000
bFirst Quantum Minerals Ltd., senior note, 144A, 6.75%, 2/15/20	Canada	631,000	454,320
7.00%, 2/15/21	Canada	1,131,000	803,010
bFMG Resources (August 2006) Pty. Ltd., senior secured note, 144A, 9.75%, 3/01/22	Australia	1,800,000	1,651,500
bNOVA Chemicals Corp., senior bond, 144A, 5.00%, 5/01/25	Canada	1,100,000	1,102,750
Novelis Inc., senior note, 8.75%, 12/15/20	Canada	700,000	701,750
bOwens-Brockway Glass Container Inc., senior note, 144A, 5.00%, 1/15/22	United States	600,000	593,250
5.875%, 8/15/23	United States	500,000	509,688
bPlatform Specialty Products Corp., senior note, 144A, 6.50%, 2/01/22	United States	400,000	389,332
bRain CII Carbon LLC/CII Carbon Corp., second lien, 144A, 8.25%, 1/15/21	United States	500,000	475,000
Reynolds Group Issuer Inc./LLC/SA, first lien, 5.75%, 10/15/20	United States	500,000	516,875
senior note, 8.50%, 5/15/18	United States	1,000,000	1,013,750
senior note, 9.00%, 4/15/19	United States	200,000	205,000
senior note, 9.875%, 8/15/19	United States	100,000	105,250
senior note, 8.25%, 2/15/21	United States	700,000	723,625

## Edgar Filing: FRANKLIN UNIVERSAL TRUST - Form N-CSR

bSealed Air Corp.,			
senior bond, 144A, 5.50%, 9/15/25	United States	400,000	414,000
senior note, 144A, 6.50%, 12/01/20	United States	400,000	445,000
Steel Dynamics Inc.,			
senior bond, 5.50%, 10/01/24	United States	500,000	486,875
senior note, 5.125%, 10/01/21	United States	400,000	396,000
Verso Paper Holdings LLC/Inc., senior secured note, first lien, 11.75%, 1/15/19	United States	216,000	51,300
			19,350,164

### Media 9.2%

Cablevision Systems Corp., senior note, 8.625%, 9/15/17	United States	700,000	766,500
CCO Holdings LLC/CCO Holdings Capital Corp., senior bond, 5.25%, 9/30/22	United States	1,700,000	1,717,850
Clear Channel Worldwide Holdings Inc.,			
senior note, 6.50%, 11/15/22	United States	500,000	518,375
senior sub. note, 7.625%, 3/15/20	United States	700,000	727,125
CSC Holdings LLC, senior note,			
6.75%, 11/15/21	United States	700,000	735,875
5.25%, 6/01/24	United States	700,000	651,350

franklintempleton.com

Annual Report

Edgar Filing: FRANKLIN UNIVERSAL TRUST - Form N-CSR

FRANKLIN UNIVERSAL TRUST  
STATEMENT OF INVESTMENTS

	Country	Principal Amount*	Value
<b>Corporate Bonds</b> (continued)			
<b>Media</b> (continued)			
DISH DBS Corp., senior note, 7.125%, 2/01/16	United States	1,000,000 \$	1,016,250
6.75%, 6/01/21	United States	700,000	704,480
Gannett Co. Inc., senior bond, 6.375%, 10/15/23	United States	900,000	945,000
senior note, 5.125%, 7/15/20	United States	800,000	830,000
iHeartCommunications Inc., senior secured bond, first lien, 9.00%, 3/01/21	United States	1,300,000	1,148,875
senior secured note, first lien, 9.00%, 9/15/22	United States	100,000	87,875
bRadio One Inc., senior sub. note, 144A, 9.25%, 2/15/20	United States	500,000	447,500
bSirius XM Radio Inc., senior bond, 144A, 6.00%, 7/15/24	United States	800,000	826,000
5.375%, 4/15/25	United States	700,000	693,000
bUnitymedia KabelBW GmbH, senior bond, 144A, 6.125%, 1/15/25	Germany	600,000	616,500
bUnivision Communications Inc., senior secured bond, first lien, 144A, 6.75%, 9/15/22	United States	358,000	379,928
bVirgin Media Finance PLC, senior bond, 144A, 6.375%, 4/15/23	United Kingdom	300,000	312,936
bVirgin Media Secured Finance PLC, senior secured bond, 144A, 5.25%, 1/15/26	United Kingdom	500,000	486,562
first lien, 144A, 5.50%, 1/15/25	United Kingdom	800,000	814,000
bVTR Finance BV, senior secured note, 144A, 6.875%, 1/15/24	Chile	600,000	592,500
bWMG Acquisition Corp., secured note, 144A, 6.00%, 1/15/21	United States	1,190,000	1,219,750
senior note, 144A, 5.625%, 4/15/22	United States	100,000	99,500
			16,337,731
<b>Pharmaceuticals, Biotechnology &amp; Life Sciences 4.0%</b>			
bConcordia Healthcare Corp., senior note, 144A, 7.00%, 4/15/23	Canada	1,000,000	1,035,100
bEndo Finance LLC/Endo Ltd./Endo Finco Inc., senior bond, 144A, 6.00%, 2/01/25	United States	600,000	619,500
senior note, 144A, 6.00%, 7/15/23	United States	400,000	417,000
bHorizon Pharma Financing Inc., senior note, 144A, 6.625%, 5/01/23	United States	300,000	310,875
bJaguar Holding Co. II/Pharmaceutical Product Development LLC, senior note,			

## Edgar Filing: FRANKLIN UNIVERSAL TRUST - Form N-CSR

144A, 6.375%, 8/01/23	United States	500,000	497,500
Par Pharmaceutical Cos. Inc., senior note, 7.375%, 10/15/20	United States	1,600,000	1,704,800
bValeant Pharmaceuticals International Inc., senior bond, 144A, 6.125%, 4/15/25	United States	300,000	309,750
senior note, 144A, 7.50%, 7/15/21	United States	300,000	322,875
senior note, 144A, 5.625%, 12/01/21	United States	700,000	717,500
bVPI Escrow Corp., senior note, 144A, 6.375%, 10/15/20	United States	1,100,000	1,149,500
			7,084,400
<b>Real Estate 0.7%</b>			
Equinix Inc., senior bond, 5.375%, 4/01/23	United States	1,300,000	1,309,750
<b>Retailing 1.6%</b>			
bAmerican Builders & Contractors Supply Co. Inc., senior note, 144A, 5.625%, 4/15/21	United States	900,000	902,250
bArgos Merger Sub Inc., senior note, 144A, 7.125%, 3/15/23	United States	300,000	315,000
bDollar Tree Inc., senior note, 144A, 5.75%, 3/01/23	United States	500,000	526,250
bNetflix Inc., senior bond, 144A, 5.875%, 2/15/25	United States	1,100,000	1,148,125
			2,891,625

Edgar Filing: FRANKLIN UNIVERSAL TRUST - Form N-CSR

FRANKLIN UNIVERSAL TRUST  
STATEMENT OF INVESTMENTS

	Country	Principal Amount*	Value
<b>Corporate Bonds</b> (continued)			
<b>Software &amp; Services 2.8%</b>			
bBMC Software Finance Inc., senior note, 144A, 8.125%, 7/15/21	United States	1,600,000 \$	1,314,000
First Data Corp.,			
senior bond, 12.625%, 1/15/21	United States	900,000	1,036,125
senior note, 11.25%, 1/15/21	United States	136,000	150,620
bsenior secured bond, second lien, 144A, 8.25%, 1/15/21	United States	900,000	949,500
blnfor (U.S.) Inc., senior note, 144A, 6.50%, 5/15/22	United States	1,100,000	1,034,000
Sterling International Inc., senior note, 11.00%, 10/01/19	United States	500,000	521,250
			5,005,495
<b>Technology Hardware &amp; Equipment 1.8%</b>			
bAlcatel-Lucent USA Inc., senior note, 144A, 6.75%, 11/15/20	France	1,200,000	1,285,500
bBlackboard Inc., senior note, 144A, 7.75%, 11/15/19	United States	700,000	630,000
b,fCommScope Holdings Co. Inc., senior note, 144A, PIK, 6.625%, 6/01/20	United States	400,000	417,000
bCommScope Technologies Finance LLC, senior bond, 144A, 6.00%, 6/15/25	United States	900,000	877,500
			3,210,000
<b>Telecommunication Services 7.3%</b>			
CenturyLink Inc., senior bond,			
6.75%, 12/01/23	United States	300,000	292,125
b144A, 5.625%, 4/01/25	United States	1,000,000	896,750
bDigicel Group Ltd., senior note, 144A, 8.25%, 9/30/20	Bermuda	900,000	838,125
bDigicel Ltd., senior note, 144A,			
6.00%, 4/15/21	Bermuda	500,000	458,750
6.75%, 3/01/23	Bermuda	300,000	276,539
Frontier Communications Corp., senior note, 8.75%, 4/15/22	United States	200,000	198,000
Intelsat Jackson Holdings SA,			
senior bond, 6.625%, 12/15/22	Luxembourg	500,000	440,000
senior note, 7.25%, 10/15/20	Luxembourg	200,000	193,000
senior note, 7.50%, 4/01/21	Luxembourg	1,500,000	1,458,750
bMillicom International Cellular SA, senior note, 144A, 6.625%, 10/15/21	Luxembourg	900,000	918,000
bSprint Communications Inc., senior note, 144A,			
9.00%, 11/15/18	United States	2,000,000	2,232,500
7.00%, 3/01/20	United States	500,000	532,350
Sprint Corp., senior bond,			

Edgar Filing: FRANKLIN UNIVERSAL TRUST - Form N-CSR

7.875%, 9/15/23	United States	500,000	481,875
7.125%, 6/15/24	United States	200,000	186,000
T-Mobile USA Inc., senior bond, 6.50%, 1/15/24	United States	200,000	206,000
senior bond, 6.375%, 3/01/25	United States	500,000	511,250
senior note, 6.542%, 4/28/20	United States	800,000	836,000
senior note, 6.125%, 1/15/22	United States	100,000	103,375
bWind Acquisition Finance SA, senior note, 144A, 7.375%, 4/23/21	Italy	1,700,000	1,738,250
senior secured note, first lien, 144A, 4.75%, 7/15/20	Italy	300,000	302,437
			13,100,076

**Transportation 1.8%**

bFlorida East Coast Holdings Corp., secured note, first lien, 144A, 6.75%, 5/01/19	United States	400,000	404,000
senior note, 144A, 9.75%, 5/01/20	United States	200,000	181,000
Hertz Corp., senior note, 7.50%, 10/15/18	United States	600,000	614,250
6.75%, 4/15/19	United States	1,000,000	1,025,000

Edgar Filing: FRANKLIN UNIVERSAL TRUST - Form N-CSR

FRANKLIN UNIVERSAL TRUST  
STATEMENT OF INVESTMENTS

	Country	Principal Amount*	Value
<b>Corporate Bonds (continued)</b>			
<b>Transportation (continued)</b>			
bStena AB, senior bond, 144A, 7.00%, 2/01/24	Sweden	500,000 \$	440,000
bStena International SA, secured bond, 144A, 5.75%, 3/01/24	Sweden	500,000	471,625
			3,135,875
<b>Utilities 2.1%</b>			
Calpine Corp.,			
senior bond, 5.75%, 1/15/25	United States	1,300,000	1,264,250
bsenior secured bond, first lien, 144A, 7.875%, 1/15/23	United States	354,000	381,435
bInterGen NV, secured bond, 144A, 7.00%, 6/30/23	Netherlands	1,000,000	877,500
NRG Yield Operating LLC, senior bond, 5.375%, 8/15/24	United States	600,000	580,500
bPPL Energy Supply LLC, senior bond, 144A, 6.50%, 6/01/25	United States	400,000	371,500
b,dTexas Competitive Electric Holdings Co. LLC/Texas Competitive Electric Holdings Finance Inc., senior secured note, first lien, 144A, 11.50%, 10/01/20	United States	700,000	323,750
			3,798,935
<b>Total Corporate Bonds (Cost \$170,039,942)</b>			154,005,019
<b>e,gSenior Floating Rate Interests (Cost \$765,218) 0.4%</b>			
<b>Household &amp; Personal Products 0.4%</b>			
Sun Products Corp., Tranche B Term Loan, 5.50%, 3/23/20	United States	770,664	744,654
		<b>Shares</b>	
<b>Escrows and Litigation Trusts (Cost \$—) 0.0%</b>			
a,hNewPage Corp., Litigation Trust	United States	1,200,000	—
<b>Total Investments before Short Term Investments (Cost \$219,107,213)</b>			233,959,310
<b>Short Term Investments (Cost \$1,958,705) 1.1%</b>			
<b>Money Market Funds 1.1%</b>			
a,iInstitutional Fiduciary Trust Money Market Portfolio	United States	1,958,705	1,958,705
<b>Total Investments (Cost \$221,065,918) 132.0%</b>			235,918,015
<b>Notes Payable (33.6)%</b>			(60,000,000 )
<b>Other Assets, less Liabilities 1.6%</b>			2,828,602
<b>Net Assets 100.0%</b>			\$ 178,746,617



See Abbreviations on page 26.

\*The principal amount is stated in U.S. dollars unless otherwise indicated.

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

<sup>b</sup>Security 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. These securities have been deemed liquid under guidelines approved by the Fund's Board of

Trustees. At August 31, 2015, the aggregate value of these securities was \$70,180,710, representing 39.26% of net assets.

<sup>c</sup>Perpetual security with no stated maturity date.

<sup>d</sup>See Note 8 regarding defaulted securities.

<sup>e</sup>The coupon rate shown represents the rate at period end.

<sup>f</sup>Income may be received in additional securities and/or cash.

<sup>g</sup>See Note 1(b) regarding senior floating rate interests.

<sup>h</sup>Security has been deemed illiquid because it may not be able to be sold within seven days.

<sup>i</sup>See Note 4(c) regarding investments in Institutional Fiduciary Trust Money Market Portfolio.

16 | Annual Report | The accompanying notes are an integral part of these financial statements. franklintempleton.com

---

FRANKLIN UNIVERSAL TRUST

**Financial Statements****Statement of Assets and Liabilities**

August 31, 2015

## Assets:

## Investments in securities:

Cost - Unaffiliated issuers	\$	219,107,213
Cost - Sweep Money Fund (Note 4c)		1,958,705
Total cost of investments	\$	221,065,918
Value - Unaffiliated issuers	\$	233,959,310
Value - Sweep Money Fund (Note 4c)		1,958,705
Total value of investments		235,918,015

## Receivables:

Investment securities sold		194,500
Dividends and interest		3,834,040
Note issuance costs (Note 3)		78,136
Total assets		240,024,691

## Liabilities:

## Payables:

Investment securities purchased		88,792
Management fees		152,362
Distributions to shareholders		992,710
Accrued interest (Note 3)		14,350
Senior fixed rate Notes (Note 3)		60,000,000
Accrued expenses and other liabilities		29,860
Total liabilities		61,278,074

Net assets, at value	\$	178,746,617
----------------------	----	-------------

## Net assets consist of:

Paid-in capital	\$	172,984,952
Undistributed net investment income		153,875
Net unrealized appreciation (depreciation)		14,852,097
Accumulated net realized gain (loss)		(9,244,307 )
Net assets, at value	\$	178,746,617
Shares outstanding		25,131,894
Net asset value per share	\$	7.11

franklintempleton.com



FRANKLIN UNIVERSAL TRUST  
FINANCIAL STATEMENTS

**Statement of Operations**

for the year ended August 31, 2015

Investment income:		
Dividends	\$	3,345,390
Interest		11,767,937
Total investment income		15,113,327
Expenses:		
Management fees (Note 4a)		1,941,181
Interest expense (Note 3)		1,722,000
Transfer agent fees		56,229
Custodian fees (Note 5)		2,290
Reports to shareholders		35,269
Professional fees		60,575
Trustees' fees and expenses		16,617
Amortization of Notes issuance costs (Note 3)		24,644
Other		66,456
Total expenses		3,925,261
Expense reductions (Note 5)		(6 )
Expenses waived/paid by affiliates (Note 4c)		(3,151 )
Net expenses		3,922,104
Net investment income		11,191,223
Realized and unrealized gains (losses):		
Net realized gain (loss) from investments		1,142,567
Net change in unrealized appreciation (depreciation) on investments		(31,349,005 )
Net realized and unrealized gain (loss)		(30,206,438 )
Net increase (decrease) in net assets resulting from operations	\$	(19,015,215 )

18 | Annual Report | The accompanying notes are an integral part of these financial statements.

franklintempleton.com

FRANKLIN UNIVERSAL TRUST  
FINANCIAL STATEMENTS**Statements of Changes in Net Assets**

	<b>Year Ended August 31,</b>	
	<b>2015</b>	<b>2014</b>
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$ 11,191,223	\$ 11,695,874
Net realized gain (loss)	1,142,567	5,159,324
Net change in unrealized appreciation (depreciation)	(31,349,005 )	13,470,954
Net increase (decrease) in net assets resulting from operations	(19,015,215 )	30,326,152
Distributions to shareholders from net investment income	(11,912,519 )	(11,874,820 )
Net increase (decrease) in net assets	(30,927,734 )	18,451,332
Net assets:		
Beginning of year	209,674,351	191,223,019
End of year	\$ 178,746,617	\$ 209,674,351
Undistributed net investment income included in net assets:		
End of year	\$ 153,875	\$ 763,234

franklintempleton.com The accompanying notes are an integral part of these financial statements. | Annual Report | 19

---

FRANKLIN UNIVERSAL TRUST  
FINANCIAL STATEMENTS**Statement of Cash Flows**

for the year ended August 31, 2015

Cash flow from operating activities:	
Dividends, interest and other income received	\$ 14,987,603
Operating expenses paid	(2,268,585 )
Interest expense paid	(1,722,000 )
Purchases of long-term investments	(52,128,740 )
Sales and maturities of long-term investments	51,591,147
Net sales of short-term investments	1,453,094
Cash provided – operating activities	11,912,519
Cash flow used from financing activities – distributions to shareholders	(11,912,519 )
Net increase (decrease) in cash	—
Cash at beginning of year	—
Cash at end of year	\$ —

**Reconciliation of Net Increase (Decrease) in Net Assets resulting from Operating Activities to Net Cash****Provided by Operating Activities**

for the year ended August 31, 2015

Net increase (decrease) in net assets resulting from operating activities	\$ (19,015,215 )
Adjustments to reconcile net increase (decrease) in net assets resulting from operating activities to net cash provided by operating activities:	
Amortization of Notes issuance costs	24,644
Net amortization income	51,401
Other investment transactions	(67,277 )
Increase in dividends and interest receivable	(109,848 )
Decrease in payables to affiliates, accrued expenses, and other liabilities	(93,125 )
Increase in cost of investments	(227,066 )
Decrease in unrealized appreciation on investments	31,349,005
Net cash provided by operating activities	\$ 11,912,519

FRANKLIN UNIVERSAL TRUST

## Notes to Financial Statements

### 1. Organization and Significant Accounting Policies

Franklin Universal Trust (Fund) is registered under the Investment Company Act of 1940 (1940 Act) as a closed-end management investment company and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP).

The following summarizes the Fund's significant accounting policies.

#### a. Financial Instrument Valuation

The Fund's 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 Fund calculates 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. Senior fixed rate notes are carried at cost. Under compliance policies and procedures approved by the Fund's Board of Trustees (the Board), the Fund's administrator has responsibility for oversight of valuation, including leading the cross-functional Valuation and Liquidity Oversight Committee (VLOC). The VLOC provides administration and oversight of the Fund's valuation policies and procedures, which are approved annually by the Board. Among other things, these procedures allow the Fund to utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Equity securities 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 NAV.

Debt securities generally trade in the OTC market rather than on a securities exchange. The Fund's pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value. Securities denominated in a foreign currency are converted into their U.S. dollar equivalent at the foreign exchange rate in effect at the NYSE close on the date that the values of the foreign debt securities are determined.

The Fund has 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

franklintempleton.com





FRANKLIN UNIVERSAL TRUST

NOTES TO FINANCIAL STATEMENTS

## 1. Organization and Significant Accounting

### Policies (continued)

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

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 Fund's 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 Fund. If such an event occurs, the securities may be valued using fair value procedures, which may include the use of independent pricing services.

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 Fund's 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 Fund for financial reporting purposes.

#### b. Senior Floating Rate Interests

The Fund invests in senior secured corporate loans that pay interest at rates which are periodically reset by reference to a base lending rate plus a spread. These base lending rates are generally the prime rate offered by a designated U.S. bank or the London InterBank Offered Rate (LIBOR). Senior secured corporate loans often require prepayment of principal from excess cash flows or at the discretion of the borrower. As a result, actual maturity may be substantially less than the stated maturity. Senior secured corporate loans in which the Fund invests are generally readily marketable, but may be subject to certain restrictions on resale.

#### c. Income and Deferred Taxes

It is the Fund's policy to qualify as a regulated investment company under the Internal Revenue Code. The 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 Fund 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 Fund invests. When a capital gain tax is determined to apply, the Fund records an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

The 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 August 31, 2015, and for all open tax years, the Fund has determined that no liability for unrecognized tax benefits is required in the 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's statute of limitation.

#### d. 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. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Facility fees are recognized as income over the expected term of the loan. Dividend income is recorded on the ex-dividend date except for certain dividends from foreign securities where the dividend rate is not available. In such cases, the

## Edgar Filing: FRANKLIN UNIVERSAL TRUST - Form N-CSR

dividend is recorded as soon as the information is received by the Fund. 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 U.S. GAAP. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

22 | Annual Report

[franklintempleton.com](http://franklintempleton.com)

---

FRANKLIN UNIVERSAL TRUST

NOTES TO FINANCIAL STATEMENTS

**e. Accounting Estimates**

The preparation of financial statements in accordance with U.S. GAAP 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.

**f. Guarantees and Indemnifications**

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

**2. Shares of Beneficial Interest**

At August 31, 2015, there were an unlimited number of shares authorized (\$0.01 par value). During the years ended August 31, 2015 and August 31, 2014, there were no shares issued; all reinvested distributions were satisfied with previously issued shares purchased in the open market.

Under the Board approved open-market share repurchase program, the Fund may purchase, from time to time, Fund shares in open-market transactions, at the discretion of management. During the years ended August 31, 2015 and August 31, 2014, there were no shares repurchased.

**3. Senior Fixed Rate Notes**

On August 28, 2013, the Fund issued \$60 million principal amount of a new class of five-year senior fixed rate notes (Notes). The Notes bear interest, payable semi-annually, at a rate of 2.87% per year, to maturity on August 28, 2018. The Notes are general unsecured obligations of the Fund and rank senior to trust shares and all existing or future unsecured indebtedness of the Fund. For the year ended August 31, 2015, total interest paid by the Fund on the Notes was \$1,722,000. The Fund is required to maintain on a monthly basis a specified discounted asset value for its portfolio in compliance with guidelines established in the Notes Agreement, and is required under the 1940 Act to maintain asset coverage for the Notes of at least 300%. The Fund has met these requirements during the year ended August 31, 2015. The issuance costs of \$126,916 incurred by the Fund are deferred and amortized on an interest method basis over the term of the Notes. For the year ended August 31, 2015, the Fund amortized \$24,644 of Notes issuance costs. Subject to certain restrictions and make whole premiums, the Fund may prepay the Notes at any time. At August 31, 2015, if the Notes were fully prepaid, the make whole premium related to the current balance of the Notes would have been approximately \$2,293,000.

The Fund employs an income-based approach to determine the fair value of the Notes, which uses the Notes’ current credit rating, remaining time to maturity, stated coupon rates, the current yield of a comparable asset, and a liquidity premium. At August 31, 2015, the estimated fair value of the Notes was approximately \$61,594,000. The inputs used in determining the fair value of the Notes represent Level 3 in the fair value hierarchy. See Note 9 regarding fair value measurements for additional information about fair value hierarchy and Level 3 inputs.

**4. 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 Fund are also officers and/or directors of the following subsidiaries:

<b>Subsidiary</b>	<b>Affiliation</b>
Franklin Advisers, Inc. (Advisers)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager

**a. Management Fees**

## Edgar Filing: FRANKLIN UNIVERSAL TRUST - Form N-CSR

The Fund pays an investment management fee to Advisers of 0.75% per year of the average weekly managed assets. Managed assets are defined as the Fund's gross asset value minus the sum of accrued liabilities, other than the principal amount of the Notes.

[franklintempleton.com](http://franklintempleton.com)

Annual Report

| 23

---

FRANKLIN UNIVERSAL TRUST  
NOTES TO FINANCIAL STATEMENTS

**4. Transactions with Affiliates** (continued)

**b. Administrative Fees**

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

**c. Investments in Institutional Fiduciary Trust Money Market Portfolio**

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

**5. Expense Offset Arrangement**

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended August 31, 2015, the custodian fees were reduced as noted in the Statement of Operations.

**6. 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 August 31, 2015, capital loss carryforwards were as follows:

Capital loss carryforwards subject to expiration:		
2017	\$	161,295
2018		9,083,012
Total capital loss carryforwards	\$	9,244,307

During the year ended August 31, 2015, the Fund utilized \$1,029,970 of capital loss carryforwards.

The tax character of distributions paid during the years ended August 31, 2015 and 2014, was as follows:

		<b>2015</b>		<b>2014</b>
Distributions paid from ordinary income	\$	11,912,519	\$	11,874,820

At August 31, 2015, the cost of investments, net unrealized appreciation (depreciation), and undistributed ordinary income for income tax purposes were as follows:

Cost of investments	\$	221,283,929
---------------------	----	-------------

Edgar Filing: FRANKLIN UNIVERSAL TRUST - Form N-CSR

Unrealized appreciation	\$	36,782,520
Unrealized depreciation		(22,148,434 )
Net unrealized appreciation (depreciation)	\$	14,634,086
Distributable earnings undistributed ordinary income	\$	1,465,125

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of defaulted securities and bond discounts and premiums.

24 | Annual Report

[franklintempleton.com](http://franklintempleton.com)

---

FRANKLIN UNIVERSAL TRUST  
NOTES TO FINANCIAL STATEMENTS

**7. Investment Transactions**

Purchases and sales of investments (excluding short term securities) for the year ended August 31, 2015, aggregated \$52,217,532 and \$51,580,102, respectively.

**8. Credit Risk and Defaulted Securities**

At August 31, 2015, the Fund had 64.57% of its portfolio invested in high yield securities, senior secured floating rate notes, or other securities rated below investment grade. These securities may be more sensitive to economic conditions causing greater price volatility and are potentially subject to a greater risk of loss due to default than higher rated securities.

The Fund held defaulted securities and/or other securities for which the income has been deemed uncollectible. At August 31, 2015, the aggregate value of these securities was \$1,455,080, representing 0.62% of the Fund's portfolio. The Fund discontinues accruing income on securities for which income has been deemed uncollectible and provides an estimate for losses on interest receivable. The securities have been identified in the accompanying Statement of Investments.

**9. Fair Value Measurements**

The Fund follows a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Fund's own market assumptions (unobservable inputs). These inputs are used in determining the value of the Fund's 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 Fund's 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 Fund has adopted a policy of recognizing the transfers as of the date of the underlying event which caused the movement.

A summary of inputs used as of August 31, 2015, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Investments in Securities:				
Equity Investments: <sup>a</sup>				
Transportation	\$ —	\$ 374,497	\$ —	\$ 374,497
Other Equity Investments <sup>b</sup>	78,835,140	—	—	78,835,140
Corporate Bonds	—	153,591,339	413,680	154,005,019
Senior Floating Rate Interests	—	744,654	—	744,654
Escrows and Litigation Trusts	—	—	— <sup>c</sup>	—
Short Term Investments	1,958,705	—	—	1,958,705
Total Investments in Securities	\$ 80,793,845	\$ 154,710,490	\$ 413,680	\$ 235,918,015

## Edgar Filing: FRANKLIN UNIVERSAL TRUST - Form N-CSR

<sup>a</sup>Includes common and convertible preferred stocks.

<sup>b</sup>For detailed categories, see the accompanying Statement of Investments.

<sup>c</sup>Includes security determined to have no value at August 31, 2015.

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 year.

[franklintempleton.com](http://franklintempleton.com)

Annual Report

| 25

---



FRANKLIN UNIVERSAL TRUST  
NOTES TO FINANCIAL STATEMENTS

## 10. New Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2015-03, Interest Imputation of Interest (Subtopic 835-30), Simplifying the Presentation of Debt Issuance Costs. The ASU changes the presentation of debt issuance costs in the Statement of Assets and Liabilities from presenting it as a deferred charge asset to a direct deduction from the carrying amount of the debt liability. The ASU is effective for annual reporting periods beginning after December 15, 2015 and interim periods within those fiscal years. Management has reviewed the requirements and believes the adoption of this ASU will not have a material impact on the financial statements.

## 11. Subsequent Events

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

### Abbreviations

#### Selected Portfolio

<b>ADR</b>	American Depositary Receipt
<b>FRN</b>	Floating Rate Note
<b>PIK</b>	Payment-In-Kind

26 | Annual Report

franklintempleton.com

---

FRANKLIN UNIVERSAL TRUST

## Report of Independent Registered Public Accounting Firm

### To the Board of Trustees and Shareholders of Franklin Universal Trust

In our opinion, the accompanying statement of assets and liabilities, including the statement of investments, and the related statements of operations and of changes in net assets and of cash flows and the financial highlights present fairly, in all material respects, the financial position of Franklin Universal Trust (the Fund ) at August 31, 2015, the results of its operations and its cash flows for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as financial statements ) are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at August 31, 2015 by correspondence with the custodian, transfer agent and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California

October 20, 2015

franklintempleton.com

Annual Report

| 27

---

FRANKLIN UNIVERSAL TRUST

### **Tax Information (unaudited)**

Under Section 854(b)(1)(A) of the Internal Revenue Code (Code), the Fund hereby reports 26.23% of the ordinary income dividends as income qualifying for the dividends received deduction for the fiscal year ended August 31, 2015.

Under Section 854(b)(1)(B) of the Code, the Fund hereby reports the maximum amount allowable but no less than \$3,268,189 as qualified dividends for purposes of the maximum rate under Section 1(h)(11) of the Code for the fiscal year ended August 31, 2015. Distributions, including qualified dividend income, paid during calendar year 2015 will be reported to shareholders on Form 1099-DIV by mid-February 2016. Shareholders are advised to check with their tax advisors for information on the treatment of these amounts on their individual income tax returns.

Under Section 871(k)(1)(C) of the Code, the Fund hereby reports the maximum amount allowable but no less than \$6,879,136 as interest related dividends for purposes of the tax imposed under Section 871(a)(1)(A) of the Code for the fiscal year ended August 31, 2015.

28 | Annual Report

[franklintempleton.com](http://franklintempleton.com)

---

FRANKLIN UNIVERSAL TRUST

## Annual Meeting of Shareholders

### 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:

	<b>Shares</b>	<b>% of</b>	<b>Shares</b>	<b>% of</b>
<b>Nominees</b>	<b>For</b>	<b>Voted</b>	<b>Withheld</b>	<b>Voted</b>
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 %

franklintempleton.com

Annual Report

| 29

---

FRANKLIN UNIVERSAL TRUST

## 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.

30 | Annual Report

franklintempleton.com

FRANKLIN UNIVERSAL TRUST

DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

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.

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.

[franklintempleton.com](http://franklintempleton.com)

Annual Report

FRANKLIN UNIVERSAL TRUST

## Board Members and Officers

The name, year of birth and address of the officers and board members, as well as their affiliations, positions held with the Trust, principal occupations during at least the past five years and number of portfolios overseen in the Franklin Templeton Investments fund complex, are shown below. Generally, each board member serves a three-year term that continues until that person's successor is elected and qualified.

### Independent Board Members

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>Harris J. Ashton (1932)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 1988	144	Bar-S Foods (meat packing company) (1981-2010).

#### Principal Occupation During at Least the Past 5 Years:

Director of various companies; and **formerly**, Director, RBC Holdings, Inc. (bank holding company) (until 2002); and President, Chief Executive

Officer and Chairman of the Board, General Host Corporation (nursery and craft centers) (until 1998).

<b>Mary C. Choksi (1950)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since October 2014	119	Avis Budget Group Inc. (car rental) (2007-present), Omnicom Group Inc. (advertising and marketing communications services) (2011-present) and H.J. Heinz Company (processed foods and allied products) (1998-2006).
--	---------	-----------------------	-----	---

#### Principal Occupation During at Least the Past 5 Years:

Founding Partner and Senior Managing Director, Strategic Investment Group (investment management group) (1987-present); director of various companies; and **formerly**, Founding Partner and Managing Director, Emerging Markets Management LLC (investment management firm) (1987-2011); and Loan Officer/Senior Loan Officer/Senior Pension Investment Officer, World Bank Group (international financial institution)

(1977-1987).

<b>Edith E. Holiday (1952)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2004	144	Hess Corporation (exploration and refining of oil and gas) (1993-present), RTI International Metals, Inc. (manufacture and distribution of titanium) (1999-present), Canadian National Railway (railroad) (2001-present),
--	---------	------------	-----	---

White Mountains Insurance Group,  
Ltd. (holding company) (2004-present)  
and H.J. Heinz Company (processed  
foods and allied products)  
(1994-2013).

**Principal Occupation During at Least the Past 5 Years:**

Director or Trustee of various companies and trusts; and **formerly**, Assistant to the President of the United States and Secretary of the Cabinet (1990-1993); General Counsel to the United States Treasury Department (1989-1990); and Counselor to the Secretary and Assistant Secretary for Public Affairs and Public Liaison – United States Treasury Department (1988-1989).

<b>J. Michael Luttig (1954)</b>	Trustee	Since 2009	144	Boeing Capital Corporation (aircraft financing) (2006-2013).
---------------------------------	---------	------------	-----	---

One Franklin Parkway  
San Mateo, CA 94403-1906

**Principal Occupation During at Least the Past 5 Years:**

Executive Vice President, General Counsel and member of the Executive Council, The Boeing Company (aerospace company); and **formerly**, Federal Appeals Court Judge, U.S. Court of Appeals for the Fourth Circuit (1991-2006).



FRANKLIN UNIVERSAL TRUST

**Independent Board Members** (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>Frank A. Olson (1932)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2005	144	Hess Corporation (exploration and refining of oil and gas) (1998-2013).

**Principal Occupation During at Least the Past 5 Years:**

Director of various companies; and **formerly**, Chairman of the Board, The Hertz Corporation (car rental) (1980-2000) and Chief Executive Officer (1977-1999); and Chairman of the Board, President and Chief Executive Officer, UAL Corporation (airlines) (June-December 1987).

<b>Larry D. Thompson (1945)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	144	Cbeyond, Inc. (business communications provider) (2010-2012), The Southern Company (energy company) (2014-present; previously 2010-2012) and Graham Holdings Company (education and media organization) (2011-present).
---	---------	------------	-----	---

**Principal Occupation During at Least the Past 5 Years:**

Director of various companies; John A. Sibley Professor of Corporate and Business Law, University of Georgia School of Law (January 2015; previously 2011-2012); and **formerly**, Executive Vice President – Government Affairs, General Counsel and Corporate Secretary, PepsiCo, Inc. (consumer products) (2012-2014); Senior Vice President – Government Affairs, General Counsel and Secretary, PepsiCo, Inc. (2004-2011); Senior Fellow of The Brookings Institution (2003-2004); Visiting Professor, University of Georgia School of Law (2004); and Deputy Attorney General, U.S. Department of Justice (2001-2003).

<b>John B. Wilson (1959)</b> One Franklin Parkway San Mateo, CA 94403-1906	Lead Independent Trustee	Trustee since 2006 119 and Lead Independent Trustee since 2008	None
--	--------------------------------	--	------

**Principal Occupation During at Least the Past 5 Years:**

President, Staples Europe (office supplies) (2012-present); President and Founder, Hyannis Port Capital, Inc. (real estate and private equity investing); serves on private and non-profit boards; and **formerly**, Chief Operating Officer and Executive Vice President, Gap, Inc. (retail) (1996-2000); Chief Financial Officer and Executive Vice President – Finance and Strategy, Staples, Inc. (1992-1996); Senior Vice President – Corporate Planning, Northwest Airlines, Inc. (airlines) (1990-1992); and Vice President and Partner, Bain & Company (consulting firm)

(1986-1990).

**Interested Board Members and Officers**

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>**Gregory E. Johnson (1961)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2013	161	None

**Principal Occupation During at Least the Past 5 Years:**

Chairman of the Board, Member – Office of the Chairman, Director and Chief Executive Officer, Franklin Resources, Inc.; officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 45 of the investment companies in Franklin Templeton Investments; Vice Chairman, Investment Company Institute; and **formerly**, President, Franklin Resources, Inc. (1994-2015).

franklintempleton.com

Annual Report

FRANKLIN UNIVERSAL TRUST

**Interested Board Members and Officers** (continued)

<b>Name, Year of Birth and Address</b>	<b>Position</b>	<b>Length of Time Served</b>	<b>Number of Portfolios in Fund Complex Overseen by Board Member*</b>	<b>Other Directorships Held During at Least the Past 5 Years</b>
<b>**Rupert H. Johnson, Jr. (1940)</b> One Franklin Parkway San Mateo, CA 94403-1906	Chairman of the Board, Trustee and Senior Vice President	Chairman of the Board since 2013, Trustee and Senior Vice President since 1988	144	None

**Principal Occupation During at Least the Past 5 Years:**

Vice Chairman, Member – Office of the Chairman and Director, Franklin Resources, Inc.; Director, Franklin Advisers, Inc.; Senior Vice President, Franklin Advisory Services, LLC; and officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 43 of the investment companies in Franklin Templeton Investments.

<b>Alison E. Baur (1964)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2012	Not Applicable	Not Applicable
--	----------------	------------	----------------	----------------

**Principal Occupation During at Least the Past 5 Years:**

Deputy General Counsel, Franklin Templeton Investments; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 45 of the investment companies in Franklin Templeton Investments.

<b>Laura F. Ferguson (1962)</b> One Franklin Parkway San Mateo, CA 94403-1906	Chief Executive Officer – Finance and Administration	Since 2009	Not Applicable	Not Applicable
---	--	------------	----------------	----------------

**Principal Occupation During at Least the Past 5 Years:**

Senior Vice President, Franklin Templeton Services, LLC; Vice President, Franklin Advisers, Inc. and Franklin Templeton Institutional, LLC; and officer of 45 of the investment companies in Franklin Templeton Investments.

<b>Gaston Gardey (1967)</b> One Franklin Parkway San Mateo, CA 94403-1906	Treasurer, Chief Financial Officer and	Since 2009	Not Applicable	Not Applicable
---	--	------------	----------------	----------------

## Edgar Filing: FRANKLIN UNIVERSAL TRUST - Form N-CSR

Chief

Accounting

Officer

### Principal Occupation During at Least the Past 5 Years:

Treasurer, U.S. Fund Administration & Reporting, Franklin Templeton Investments; and officer of 27 of the investment companies in Franklin Templeton Investments.

**Aliya S. Gordon (1973)**

Vice President

Since 2009

Not Applicable

Not Applicable

One Franklin Parkway

San Mateo, CA 94403-1906

### Principal Occupation During at Least the Past 5 Years:

Senior Associate General Counsel, Franklin Templeton Investments; and officer of 45 of the investment companies in Franklin Templeton Investments.

34 | Annual Report

[franklintempleton.com](http://franklintempleton.com)

---

FRANKLIN UNIVERSAL TRUST

**Interested Board Members and Officers** (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>Steven J. Gray (1955)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2009	Not Applicable	Not Applicable

**Principal Occupation During at Least the Past 5 Years:**

Senior Associate General Counsel, Franklin Templeton Investments; Vice President, Franklin Templeton Distributors, Inc.; and Franklin Alternative Strategies Advisers, LLC; and officer of 45 of the investment companies in Franklin Templeton Investments.

<b>Selena L. Holmes (1965)</b> 100 Fountain Parkway St. Petersburg, FL 33716-1205	Vice President – AML Compliance	Since 2012	Not Applicable	Not Applicable
---	---------------------------------------	------------	----------------	----------------

**Principal Occupation During at Least the Past 5 Years:**

Director, Global Compliance Monitoring; Chief Compliance Officer, Franklin Alternative Strategies Advisers, LLC; Vice President, Franklin Templeton Companies, LLC; and officer of 45 of the investment companies in Franklin Templeton Investments.

<b>Edward B. Jamieson (1948)</b> One Franklin Parkway San Mateo, CA 94403-1906	President and Chief Executive Officer – Investment Management	President since 1993 and Chief Executive Officer – Investment Management since 2002	Not Applicable	Not Applicable
--	---	--	----------------	----------------

**Principal Occupation During at Least the Past 5 Years:**

President, Chief Investment Officer and Director, Franklin Advisers, Inc.; Executive Vice President, Franklin Templeton Institutional, LLC; and officer and/or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 10 of the investment companies in Franklin Templeton Investments.

<b>Kimberly H. Novotny (1972)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President	Since 2013	Not Applicable	Not Applicable
--	----------------	------------	----------------	----------------

**Principal Occupation During at Least the Past 5 Years:**

## Edgar Filing: FRANKLIN UNIVERSAL TRUST - Form N-CSR

Associate General Counsel, Franklin Templeton Investments; Vice President, Fiduciary Trust International of the South; Vice President, Templeton Investment Counsel, LLC; Assistant Secretary, Franklin Resources, Inc.; and officer of 45 of the investment companies in Franklin Templeton Investments.

<b>Robert C. Rosselot (1960)</b>	Chief	Since 2013	Not Applicable	Not Applicable
300 S.E. 2nd Street	Compliance			
Fort Lauderdale, FL 33301-1923	Officer			

### Principal Occupation During at Least the Past 5 Years:

Director, Global Compliance, Franklin Templeton Investments; Vice President, Franklin Templeton Companies, LLC; officer of 45 of the investment companies in Franklin Templeton Investments; and **formerly**, Senior Associate General Counsel, Franklin Templeton Investments (2007-2013); and Secretary and Vice President, Templeton Group of Funds (2004-2013).

<b>Karen L. Skidmore (1952)</b>	Vice President	Since 2006	Not Applicable	Not Applicable
One Franklin Parkway	and Secretary			
San Mateo, CA 94403-1906				

### Principal Occupation During at Least the Past 5 Years:

Senior Associate General Counsel, Franklin Templeton Investments; and officer of 45 of the investment companies in Franklin Templeton Investments.

franklintempleton.com

Annual Report

FRANKLIN UNIVERSAL TRUST

**Interested Board Members and Officers** (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>Craig S. Tyle (1960)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2005	Not Applicable	Not Applicable

**Principal Occupation During at Least the Past 5 Years:**

General Counsel and Executive Vice President, Franklin Resources, Inc.; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 45 of the investment companies in Franklin Templeton Investments.

<b>Lori A. Weber (1964)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President	Since 2011	Not Applicable	Not Applicable
--	----------------	------------	----------------	----------------

**Principal Occupation During at Least the Past 5 Years:**

Senior Associate General Counsel, Franklin Templeton Investments; Assistant Secretary, Franklin Resources, Inc.; Vice President and Secretary, Templeton Investment Counsel, LLC; and officer of 45 of the investment companies in Franklin Templeton Investments.

\*We base the number of portfolios on each separate series of the U.S. registered investment companies within the Franklin Templeton Investments fund complex.

These portfolios have a common investment manager or affiliated investment managers.

\*\*Gregory E. Johnson is considered to be an interested person of the Fund under the federal securities laws due to his position as an officer and director of Franklin Resources, Inc. (Resources), which is the parent company of the Fund's investment manager. Rupert H. Johnson, Jr. is considered to be an interested person of the Fund

under the federal securities laws due to his position as officer and director and major shareholder of Resources.

Note 1: Rupert H. Johnson, Jr. is the uncle of Gregory E. Johnson.

Note 2: Officer information is current as of the date of this report. It is possible that after this date, information about officers may change.

Note 3: Effective April 30, 2015, Sam Ginn ceased to be a trustee of the Fund.

**The Sarbanes-Oxley Act of 2002 and Rules adopted by the Securities and Exchange Commission require the Fund to disclose whether the Fund's Audit**

**Committee includes at least one member who is an audit committee financial expert within the meaning of such Act and Rules. The Fund's Board has determined that there is at least one such financial expert on the Audit Committee and has designated John B. Wilson as its audit committee financial expert. The Board believes that Mr. Wilson qualifies as such an expert in view of his extensive business background and experience, including service as chief financial officer of Staples, Inc. from 1992 to 1996. Mr. Wilson has been a Member and Chairman of the Fund's Audit Committee since 2006. As a result of such background and experience, the Board believes that Mr. Wilson has acquired an understanding of generally accepted accounting principles**

and financial statements, the general application of such principles in connection with the accounting estimates, accruals and reserves, and analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues generally comparable to those of the Fund, as well as an understanding of internal controls and procedures for financial reporting and an understanding of audit committee functions. Mr. Wilson is an independent Board member as that term is defined under the relevant Securities and Exchange Commission Rules and Releases or the listing standards applicable to the Fund.

36 | Annual Report

franklintempleton.com

---



FRANKLIN UNIVERSAL TRUST

## Shareholder Information

### Proxy Voting Policies and Procedures

The Fund's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Fund uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Fund's complete Policies online at [franklintempleton.com](http://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 Fund's proxy voting records are also made available online at [franklintempleton.com](http://franklintempleton.com) and posted on the U.S. Securities and Exchange Commission's website at [sec.gov](http://sec.gov) and reflect the most recent 12-month period ended June 30.

### Quarterly Statement of Investments

The Fund 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](http://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.

[franklintempleton.com](http://franklintempleton.com)

Annual Report

| 37

---

This page intentionally left blank.

---

This page intentionally left blank.

---

This page intentionally left blank.

---



**Item 2. Code of Ethics.**

(a) The Registrant has adopted a code of ethics that applies to its principal executive officers and principal financial and accounting officer.

(c) N/A

(d) N/A

(f) Pursuant to Item 12(a)(1), the Registrant is attaching as an exhibit a copy of its code of ethics that applies to its principal executive officers and principal financial and accounting officer.

**Item 3. Audit Committee Financial Expert.**

(a)(1) The Registrant has an audit committee financial expert serving on its audit committee.

(2) The audit committee financial expert is John B. Wilson and he is "independent" as defined under the relevant Securities and Exchange Commission Rules and Releases.

**Item 4. Principal Accountant Fees and Services.**

(a) Audit Fees

## Edgar Filing: FRANKLIN UNIVERSAL TRUST - Form N-CSR

The aggregate fees paid to the principal accountant for professional services rendered by the principal accountant for the audit of the registrant's annual financial statements or for services that are normally provided by the principal accountant in connection with statutory and regulatory filings or engagements were \$43,993 for the fiscal year ended August 31, 2015 and \$41,928 for the fiscal year ended August 31, 2014.

### (b) Audit-Related Fees

There were no fees paid to the principal accountant for assurance and related services rendered by the principal accountant to the registrant that are reasonably related to the performance of the audit of the registrant's financial statements and are not reported under paragraph (a) of Item 4.

There were no fees paid to the principal accountant for assurance and related services rendered by the principal accountant to the registrant's investment adviser and any entity controlling, controlled by or under common control with the investment adviser that provides ongoing services to the registrant that are reasonably related to the performance of the audit of their financial statements.

### (c) Tax Fees

There were no fees paid to the principal accountant for professional services rendered by the principal accountant to the registrant for tax compliance, tax advice and tax planning.

---

Edgar Filing: FRANKLIN UNIVERSAL TRUST - Form N-CSR

The aggregate fees paid to the principal accountant for professional services rendered by the principal accountant to the registrant's investment adviser and any entity controlling, controlled by or under common control with the investment adviser that provides ongoing services to the registrant for tax compliance, tax advice and tax planning were \$0 for the fiscal year ended August 31, 2015 and \$3,830 for the fiscal year ended August 31, 2014. The services for which these fees were paid included technical tax consultation for withholding tax reporting for foreign governments and requirements on local country's self-certification forms.

(d) All Other Fees

The aggregate fees paid to the principal accountant for products and services rendered by the principal accountant to the registrant, other than the services reported in paragraphs (a)-(c) of Item 4 were \$0 for the fiscal year ended August 31, 2015 and \$61 for the fiscal year ended August 31, 2014. The services for which these fees were paid included review of materials provided to the fund Board in connection with the investment management contract renewal process.

The aggregate fees paid to the principal accountant for products and services rendered by the principal accountant to the registrant's investment adviser and any entity controlling, controlled by or under common control with the investment adviser that provides ongoing services to the registrant, other than the services reported in paragraphs (a)-(c) of Item 4 were \$378,983 for the fiscal year ended August 31, 2015 and \$159,675 for the fiscal year ended August 31, 2014. The services for which these fees were paid included review of materials provided to the fund Board in connection with the investment management contract renewal process and derivatives assessments. Also, includes review of system processes related to fixed income securities.

(e) (1) The registrant's audit committee is directly responsible for approving the services to be provided by the auditors, including:

(i) pre-approval of all audit and audit related services;

(ii) pre-approval of all non-audit related services to be provided to the Fund by the auditors;



Edgar Filing: FRANKLIN UNIVERSAL TRUST - Form N-CSR

(iii) pre-approval of all non-audit related services to be provided to the registrant by the auditors to the registrant's investment adviser or to any entity that controls, is controlled by or is under common control with the registrant's investment adviser and that provides ongoing services to the registrant where the non-audit services relate directly to the operations or financial reporting of the registrant; and

(iv) establishment by the audit committee, if deemed necessary or appropriate, as an alternative to committee pre-approval of services to be provided by the auditors, as required by paragraphs (ii) and (iii) above, of policies and procedures to permit such services to be pre-approved by other means, such as through establishment of guidelines or by action of a designated member or members of the committee; provided the policies and procedures are detailed as to the particular service and the committee is informed of each service and such policies and procedures do not include delegation of audit committee responsibilities, as contemplated under the Securities Exchange Act of 1934, to management; subject, in the case of (ii) through (iv), to any waivers, exceptions or exemptions that may be available under applicable law or rules.

---

(e) (2) None of the services provided to the registrant described in paragraphs (b)-(d) of Item 4 were approved by the audit committee pursuant to paragraph (c) (7) (i) (C) of Rule 2-01 of regulation S-X.

(f) No disclosures are required by this Item 4(f).

(g) The aggregate non-audit fees paid to the principal accountant for services rendered by the principal accountant to the registrant and the registrant's investment adviser and any entity controlling, controlled by or under common control with the investment adviser that provides ongoing services to the registrant were \$378,983 for the fiscal year ended August 31, 2015 and \$163,566 for the fiscal year ended August 31, 2014.

(h) The registrant's audit committee of the board has considered whether the provision of non-audit services that were rendered to the registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the investment adviser that provides ongoing services to the registrant that were not pre-approved pursuant to paragraph (c) (7) (ii) of Rule 2-01 of Regulation S-X is compatible with maintaining the principal accountant's independence.

**Item 5. Audit Committee of Listed Registrants.**

Members of the Audit Committee are: Mary C. Choksi, J. Michael Luttig, Larry D. Thompson and John B. Wilson.

**Item 6. Schedule of Investments.**

**N/A**

**Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.**

The board of trustees of the Fund has delegated the authority to vote proxies related to the portfolio securities held by the Fund to the Fund's investment manager Franklin Advisers, Inc. in accordance with the Proxy Voting Policies and Procedures (Policies) adopted by the investment manager.

The investment manager has delegated its administrative duties with respect to the voting of proxies for equity securities to the Proxy Group within Franklin Templeton Companies, LLC (Proxy Group), an affiliate and wholly owned subsidiary of Franklin Resources, Inc. All proxies received by the Proxy Group will be voted based upon the investment manager's instructions and/or policies. The investment manager votes proxies solely in the best interests of the Fund and its shareholders.

---

To assist it in analyzing proxies, the investment manager subscribes to Institutional Shareholder Services, Inc. (ISS), an unaffiliated third-party corporate governance research service that provides in-depth analyses of shareholder meeting agendas, vote recommendations, vote execution services, ballot reconciliation services, recordkeeping and vote disclosure services. In addition, the investment manager subscribes to Glass, Lewis & Co., LLC (Glass Lewis), an unaffiliated third-party analytical research firm, to receive analyses and vote recommendations on the shareholder meetings of publicly held U.S. companies, as well as a limited subscription to its international research. Also, the investment manager has a supplemental subscription to Egan Jones Proxy Services (Egan Jones), an unaffiliated third party proxy advisory firm, to receive analyses and vote recommendations. Although analyses provided by ISS, Glass Lewis, Egan Jones, or another independent third party proxy service provider (each a "Proxy Service") are thoroughly reviewed and considered in making a final voting decision, the investment manager does not consider recommendations from a Proxy Service or any third party to be determinative of the investment manager's ultimate decision. Rather, the investment manager exercises its independent judgment in making voting decisions. As a matter of policy, the officers, directors/trustees and employees of the investment manager and the Proxy Group will not be influenced by outside sources whose interests conflict with the interests of the Fund and its shareholders. Efforts are made to resolve all conflicts in the best interests of the investment manager's clients. Material conflicts of interest are identified by the Proxy Group based upon analyses of client, distributor, broker-dealer and vendor lists, information periodically gathered from directors and officers, and information derived from other sources, including public filings. In situations where a material conflict of interest is identified, the Proxy Group may vote consistent with the voting recommendation of a Proxy Service; or send the proxy directly to the Fund's board or a committee of the board with the investment manager's recommendation regarding the vote for approval.

Where a material conflict of interest has been identified, but the items on which the investment manager's vote recommendations differ from a Proxy Service and relate specifically to (1) shareholder proposals regarding social or environmental issues, (2) "Other Business" without describing the matters that might be considered, or (3) items the investment manager wishes to vote in opposition to the recommendations of an issuer's management, the Proxy Group may defer to the vote recommendations of the investment manager rather than sending the proxy directly to the Fund's board or a board committee for approval.

To avoid certain potential conflicts of interest, the investment manager will employ echo voting, if possible, in the following instances: (1) when the Fund invests in an underlying fund in reliance on any one of Sections 12(d) (1) (E), (F), or (G) of the 1940 Act, the rules thereunder, or pursuant to a SEC exemptive order thereunder; (2) when the Fund invests uninvested cash in affiliated money market funds pursuant to the rules under the 1940 Act or any

Edgar Filing: FRANKLIN UNIVERSAL TRUST - Form N-CSR

exemptive orders thereunder ("cash sweep arrangement"); or (3) when required pursuant to the Fund's governing documents or applicable law. Echo voting means that the investment manager will vote the shares in the same proportion as the vote of all of the other holders of the underlying fund's shares.

---

The recommendation of management on any issue is a factor that the investment manager considers in determining how proxies should be voted. However, the investment manager does not consider recommendations from management to be determinative of the investment manager's ultimate decision. As a matter of practice, the votes with respect to most issues are cast in accordance with the position of the company's management. Each issue, however, is considered on its own merits, and the investment manager will not support the position of the company's management in any situation where it deems that the ratification of management's position would adversely affect the investment merits of owning that company's shares.

**Investment manager's proxy voting policies and principles** The investment manager has adopted general proxy voting guidelines, which are summarized below. These guidelines are not an exhaustive list of all the issues that may arise and the investment manager cannot anticipate all future situations. In all cases, each proxy and proposal will be considered based on the relevant facts and circumstances on a case-by-case basis.

*Board of directors.* The investment manager supports an independent, diverse board of directors, and prefers that key committees such as audit, nominating, and compensation committees be comprised of independent directors. The investment manager will generally vote against management efforts to classify a board and will generally support proposals to declassify the board of directors. The investment manager will consider withholding votes from directors who have attended less than 75% of meetings without a valid reason. While generally in favor of separating Chairman and CEO positions, the investment manager will review this issue as well as proposals to restore or provide for cumulative voting on a case-by-case basis, taking into consideration factors such as the company's corporate governance guidelines or provisions and performance. The investment manager generally will support non-binding shareholder proposals to require a majority vote standard for the election of directors; however, if these proposals are binding, the investment manager will give careful review on a case-by-case basis of the potential ramifications of such implementation.

In the event of a contested election, the investment manager will review a number of factors in making a decision including management's track record, the company's financial performance, qualifications of candidates on both slates, and the strategic plan of the dissidents.

## Edgar Filing: FRANKLIN UNIVERSAL TRUST - Form N-CSR

*Ratification of auditors of portfolio companies.* The investment manager will closely scrutinize the independence, role and performance of auditors. On a case-by-case basis, the investment manager will examine proposals relating to non-audit relationships and non-audit fees. The investment manager will also consider, on a case-by-case basis, proposals to rotate auditors, and will vote against the ratification of auditors when there is clear and compelling evidence of a lack of independence, accounting irregularities or negligence. The investment manager may also consider whether the ratification of auditors has been approved by an appropriate audit committee that meets applicable composition and independence requirements.

---

*Management and director compensation.* A company's equity-based compensation plan should be in alignment with the shareholders' long-term interests. The investment manager believes that executive compensation should be directly linked to the performance of the company. The investment manager evaluates plans on a case-by-case basis by considering several factors to determine whether the plan is fair and reasonable, including the ISS quantitative model utilized to assess such plans and/or the Glass Lewis evaluation of the plans. The investment manager will generally oppose plans that have the potential to be excessively dilutive, and will almost always oppose plans that are structured to allow the repricing of underwater options, or plans that have an automatic share replenishment "evergreen" feature. The investment manager will generally support employee stock option plans in which the purchase price is at least 85% of fair market value, and when potential dilution is 10% or less.

Severance compensation arrangements will be reviewed on a case-by-case basis, although the investment manager will generally oppose "golden parachutes" that are considered to be excessive. The investment manager will normally support proposals that require a percentage of directors' compensation to be in the form of common stock, as it aligns their interests with those of shareholders.

The investment manager will review non-binding say-on-pay proposals on a case-by-case basis, and will generally vote in favor of such proposals unless compensation is misaligned with performance and/or shareholders' interests, the company has not provided reasonably clear disclosure regarding its compensation practices, or there are concerns with the company's remuneration practices.

*Anti-takeover mechanisms and related issues.* The investment manager generally opposes anti-takeover measures since they tend to reduce shareholder rights. However, as with all proxy issues, the investment manager conducts an independent review of each anti-takeover proposal. On occasion, the investment manager may vote with management when the research analyst has concluded that the proposal is not onerous and would not harm the Fund or its shareholders' interests. The investment manager generally supports proposals that require shareholder rights' plans ("poison pills") to be subject to a shareholder vote and will closely evaluate such plans on a case-by-case basis to determine whether or not they warrant support. In addition, the investment manager will generally vote against any proposal to issue stock that has unequal or subordinate voting rights. The investment manager generally opposes any supermajority voting requirements as well as the payment of "greenmail." The investment manager generally supports "fair price" provisions and confidential voting. The investment manager will review a company's proposal to reincorporate to a



Edgar Filing: FRANKLIN UNIVERSAL TRUST - Form N-CSR

different state or country on a case-by-case basis taking into consideration financial benefits such as tax treatment as well as comparing corporate governance provisions and general business laws that may result from the change in domicile.

---

*Changes to capital structure.* The investment manager realizes that a company's financing decisions have a significant impact on its shareholders, particularly when they involve the issuance of additional shares of common or preferred stock or the assumption of additional debt. The investment manager will review, on a case-by-case basis, proposals by companies to increase authorized shares and the purpose for the increase. The investment manager will generally not vote in favor of dual-class capital structures to increase the number of authorized shares where that class of stock would have superior voting rights. The investment manager will generally vote in favor of the issuance of preferred stock in cases where the company specifies the voting, dividend, conversion and other rights of such stock and the terms of the preferred stock issuance are deemed reasonable. The investment manager will review proposals seeking preemptive rights on a case-by-case basis.

*Mergers and corporate restructuring.* Mergers and acquisitions will be subject to careful review by the research analyst to determine whether they would be beneficial to shareholders. The investment manager will analyze various economic and strategic factors in making the final decision on a merger or acquisition. Corporate restructuring proposals are also subject to a thorough examination on a case-by-case basis.

*Environmental and social issues.* The investment manager considers environmental and social issues alongside traditional financial measures to provide a more comprehensive view of the value, risk and return potential of an investment. Companies may face significant financial, legal and reputational risks resulting from poor environmental and social practices, or negligent oversight of environmental or social issues. Franklin Templeton's "Responsible Investment Principles and Policies" describes the investment manager's approach to consideration of environmental, social and governance issues within the investment manager's processes and ownership practices.

In the investment manager's experience, those companies that are managed well are often effective in dealing with the relevant environmental and social issues that pertain to their business. As such, the investment manager will generally give management discretion with regard to environmental and social issues. However, in cases where management and the board have not demonstrated adequate efforts to mitigate material environmental or social risks, have engaged in inappropriate or illegal conduct, or have failed to adequately address current or emergent risks that threaten shareholder value, the investment manager may choose to support well-crafted shareholder proposals that serve to promote or protect shareholder value. This may include seeking appropriate disclosure regarding material environmental and social issues. The investment manager will review shareholder proposals on a case-by-case basis

## Edgar Filing: FRANKLIN UNIVERSAL TRUST - Form N-CSR

and may support those that serve to enhance value or mitigate risk, are drafted appropriately, and do not disrupt the course of business or require a disproportionate or inappropriate use of company resources.

The investment manager will consider supporting a shareholder proposal seeking disclosure and greater board oversight of lobbying and corporate political contributions if the investment manager believes that there is evidence of inadequate oversight by the company's board, if the company's current disclosure is significantly deficient, or if the disclosure is notably lacking in comparison to the company's peers.

---

*Governance matters.* The investment manager generally supports the right of shareholders to call special meetings and act by written consent. However, the investment manager will review such shareholder proposals on a case-by-case basis in an effort to ensure that such proposals do not disrupt the course of business or require a disproportionate or inappropriate use of company resources. The investment manager will consider on a case-by-case basis any well-drafted and reasonable proposals for proxy access considering such factors as the size of the company, ownership thresholds and holding periods, responsiveness of management, intentions of the shareholder proponent, company performance, and shareholder base.

*Global corporate governance.* Many of the tenets discussed above are applied to the investment manager's proxy voting decisions for international investments. However, the investment manager must be flexible in these worldwide markets. Principles of good corporate governance may vary by country, given the constraints of a country's laws and acceptable practices in the markets. As a result, it is on occasion difficult to apply a consistent set of governance practices to all issuers. As experienced money managers, the investment manager's analysts are skilled in understanding the complexities of the regions in which they specialize and are trained to analyze proxy issues germane to their regions.

The investment manager will generally attempt to process every proxy it receives for all domestic and foreign securities. However, there may be situations in which the investment manager may be unable to vote a proxy, or may choose not to vote a proxy, such as where: (i) a proxy ballot was not received from the custodian bank; (ii) a meeting notice was received too late; (iii) there are fees imposed upon the exercise of a vote and it is determined that such fees outweigh the benefit of voting; (iv) there are legal encumbrances to voting, including blocking restrictions in certain markets that preclude the ability to dispose of a security if the investment manager votes a proxy or where the investment manager is prohibited from voting by applicable law or other regulatory or market requirements, including but not limited to, effective Powers of Attorney; (v) the investment manager held shares on the record date but has sold them prior to the meeting date; (vi) a proxy voting service is not offered by the custodian in the market; (vii) the investment manager believes it is not in the best interest of the Fund or its shareholders to vote the proxy for any other reason not enumerated herein; or (viii) a security is subject to a securities lending or similar program that has transferred legal title to the security to another person.

## Edgar Filing: FRANKLIN UNIVERSAL TRUST - Form N-CSR

In some foreign jurisdictions, even if the investment manager uses reasonable efforts to vote a proxy on behalf of the Fund, such vote or proxy may be rejected because of (a) operational or procedural issues experienced by one or more third parties involved in voting proxies in such jurisdictions; (b) changes in the process or agenda for the meeting by the issuer for which the investment manager does not have sufficient notice; or (c) the exercise by the issuer of its discretion to reject the vote of the investment manager. In addition, despite the best efforts of the Proxy Group and its agents, there may be situations where the investment manager's votes are not received, or properly tabulated, by an issuer or the issuer's agent.

---

The investment manager or its affiliates may, on behalf of one or more of the proprietary registered investment companies advised by the investment manager or its affiliates, determine to use its best efforts to recall any security on loan where the investment manager or its affiliates (a) learn of a vote on a material event that may affect a security on loan and (b) determine that it is in the best interests of such proprietary registered investment companies to recall the security for voting purposes.

Shareholders may view the complete Policies online at [franklintempleton.com](http://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 33301-1923, Attention: Proxy Group. Copies of the Fund's proxy voting records are available online at [franklintempleton.com](http://franklintempleton.com) and posted on the SEC website at [www.sec.gov](http://www.sec.gov). The proxy voting records are updated each year by August 31 to reflect the most recent 12-month period ended June 30.

**Item 8. Portfolio Managers of Closed-End Management Investment Companies.**

(a)(1) As of October 26, 2015, the portfolio managers of the Fund is as follows:

**CHRISTOPHER J. MOLUMPY CFA**, *Director and Executive Vice President of Advisers*

Mr. Molumphy has been a portfolio manager of the Fund since 1991. He has primary responsibility for the investments of the Fund. Mr. Molumphy has final authority over all aspects of the Fund's investment portfolio, including but not limited to, purchases and sales of individual securities, portfolio risk assessment, and the management of daily cash balances in accordance with anticipated management requirements. The degree to which he may perform these functions, and the nature of these functions, may change from time to time. He joined Franklin Templeton Investments in 1988.

**GLENN I. VOYLES CFA**, *Vice President of Advisers*

Mr. Voyles has been a manager of the Fund since 1999, providing research and advice on the purchases and sales of individual securities, and portfolio risk

Edgar Filing: FRANKLIN UNIVERSAL TRUST - Form N-CSR

assessment for the global income component of the Fund. He joined Franklin Templeton Investments in 1993.

CFA and Chartered Financial Analyst are trademarks owned by CFA Institute.

---

Edgar Filing: FRANKLIN UNIVERSAL TRUST - Form N-CSR

(a) (2) This section reflects information about the portfolio managers as of the fiscal year ended August 31, 2015.

The following table shows the number of other accounts managed by each portfolio manager and the total assets in the accounts managed within each category:

Name	Number of Other Registered Investment Companies Managed <sup>1</sup>	Assets of Other Registered Investment Companies Managed (x \$1 million) <sup>1</sup>	Number of Other Pooled Investment Vehicles Managed <sup>1</sup>	Assets of Other Pooled Investment Vehicles Managed (x \$1 million) <sup>1</sup>	Number of Other Accounts Managed <sup>1</sup>	Assets of Other Accounts Managed (x \$1 million) <sup>1</sup>
Christopher J. Molumphy	9	25,295.6	5	3,286.3	3	259.7
Glenn I. Voyles	2	6,103.0	3	211.3	9	1,069.4

1. The various pooled investment vehicles and accounts listed are managed by a team of investment professionals. Accordingly, the individual managers listed would not be solely responsible for managing such listed amounts.

Portfolio managers that provide investment services to the Fund may also provide services to a variety of other investment products, including other funds, institutional accounts and private accounts. The advisory fees for some of such other products and accounts may be different than that charged to the Fund and may include performance based compensation (as noted, in the chart above, if any). This may result in fees that are higher (or lower) than the advisory fees paid by the Fund. As a matter of policy, each fund or account is managed solely for the benefit of the beneficial owners thereof. As discussed



below, the separation of the trading execution function from the portfolio management function and the application of objectively based trade allocation procedures help to mitigate potential conflicts of interest that may arise as a result of the portfolio managers managing accounts with different advisory fees.

*Conflicts.* The management of multiple funds, including the Fund, and accounts may also give rise to potential conflicts of interest if the funds and other accounts have different objectives, benchmarks, time horizons, and fees as the portfolio manager must allocate his or her time and investment ideas across multiple funds and accounts. The investment manager seeks to manage such competing interests for the time and attention of portfolio managers by having portfolio managers focus on a particular investment discipline. Most other accounts managed by a portfolio manager are managed using the same investment strategies that are used in connection with the management of the Fund. Accordingly, portfolio holdings, position sizes, and industry and sector exposures tend to be similar across similar portfolios, which may minimize the potential for conflicts of interest. As noted above, the separate management of the trade execution and valuation functions from the portfolio management process also helps to reduce potential conflicts of interest. However, securities selected for funds or accounts other than the Fund may outperform the securities selected for the Fund. Moreover, if a portfolio manager identifies a limited investment opportunity that may be suitable for more than one fund or other account, the Fund may not be able to take full advantage of that opportunity due to an allocation of that opportunity across all eligible funds and other accounts. The investment manager seeks to manage such potential conflicts by using procedures intended to provide a fair allocation of buy and sell opportunities among funds and other accounts.

---

The structure of a portfolio manager's compensation may give rise to potential conflicts of interest. A portfolio manager's base pay and bonus tend to increase with additional and more complex responsibilities that include increased assets under management. As such, there may be an indirect relationship between a portfolio manager's marketing or sales efforts and his or her bonus.

Finally, the management of personal accounts by a portfolio manager may give rise to potential conflicts of interest. While the funds and the manager have adopted a code of ethics which they believe contains provisions reasonably necessary to prevent a wide range of prohibited activities by portfolio managers and others with respect to their personal trading activities, there can be no assurance that the code of ethics addresses all individual conduct that could result in conflicts of interest.

The manager and the Fund have adopted certain compliance procedures that are designed to address these, and other, types of conflicts. However, there is no guarantee that such procedures will detect each and every situation where a conflict arises.

*Compensation.* The investment manager seeks to maintain a compensation program that is competitively positioned to attract, retain and motivate top-quality investment professionals. Portfolio managers receive a base salary, a cash incentive bonus opportunity, an equity compensation opportunity, and a benefits package. Portfolio manager compensation is reviewed annually and the level of compensation is based on individual performance, the salary range for a portfolio manager's level of responsibility and Franklin Templeton guidelines. Portfolio managers are provided no financial incentive to favor one fund or account over another. Each portfolio manager's compensation consists of the following three elements:

**Base salary** Each portfolio manager is paid a base salary.

**Annual bonus** Annual bonuses are structured to align the interests of the portfolio manager with those of the Fund's shareholders. Each portfolio manager is eligible to receive an annual bonus. Bonuses generally are split between cash (50% to 65%) and restricted shares of Resources stock (17.5% to 25%) and mutual fund shares (17.5% to 25%). The deferred equity-based compensation is

## Edgar Filing: FRANKLIN UNIVERSAL TRUST - Form N-CSR

intended to build a vested interest of the portfolio manager in the financial performance of both Resources and mutual funds advised by the investment manager. The bonus plan is intended to provide a competitive level of annual bonus compensation that is tied to the portfolio manager achieving consistently strong investment performance, which aligns the financial incentives of the portfolio manager and Fund shareholders. The Chief Investment Officer of the investment manager and/or other officers of the investment manager, with responsibility for the Fund, have discretion in the granting of annual bonuses to portfolio managers in accordance with Franklin Templeton guidelines. The following factors are generally used in determining bonuses under the plan:

---

- *Investment performance.* Primary consideration is given to the historic investment performance of all accounts managed by the portfolio manager over the 1, 3 and 5 preceding years measured against risk benchmarks developed by the fixed income management team. The pre-tax performance of each fund managed is measured relative to a relevant peer group and/or applicable benchmark as appropriate.
- *Non-investment performance.* The more qualitative contributions of the portfolio manager to the investment manager's business and the investment management team, including business knowledge, productivity, customer service, creativity, and contribution to team goals, are evaluated in determining the amount of any bonus award.
- *Responsibilities.* The characteristics and complexity of funds managed by the portfolio manager are factored in the investment manager's appraisal.

**Additional long-term equity-based compensation** Portfolio managers may also be awarded restricted shares or units of Resources stock or restricted shares or units of one or more mutual funds. Awards of such deferred equity-based compensation typically vest over time, so as to create incentives to retain key talent.

Portfolio managers also participate in benefit plans and programs available generally to all employees of the investment manager.

*Ownership of Fund shares.* The investment manager has a policy of encouraging portfolio managers to invest in the funds they manage. Exceptions arise when, for example, a fund is closed to new investors or when tax considerations or jurisdictional constraints cause such an investment to be inappropriate for the portfolio manager. The following is the dollar range of Fund shares beneficially owned by the portfolio manager (such amounts may change from time to time):

Dollar Range of Fund Shares  
Beneficially Owned

Portfolio Manager	Dollar Range of Fund Shares Beneficially Owned
Christopher J. Molumphy	None
Glenn I. Voyles	None

**Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers. N/A**

**Item 10. Submission of Matters to a Vote of Security Holders.**

There have been no changes to the procedures by which shareholders may recommend nominees to the Registrant's Board of Trustees that would require disclosure herein.

---

**Item 11. Controls and Procedures.**

**(a) Evaluation of Disclosure Controls and Procedures.** The Registrant maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Registrant's filings under the Securities Exchange Act of 1934 and the Investment Company Act of 1940 is recorded, processed, summarized and reported within the periods specified in the rules and forms of the Securities and Exchange Commission. Such information is accumulated and communicated to the Registrant's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. The Registrant's management, including the principal executive officer and the principal financial officer, recognizes that any set of controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Within 90 days prior to the filing date of this Shareholder Report on Form N-CSR, the Registrant had carried out an evaluation, under the supervision and with the participation of the Registrant's management, including the Registrant's principal executive officer and the Registrant's principal financial officer, of the effectiveness of the design and operation of the Registrant's disclosure controls and procedures. Based on such evaluation, the Registrant's principal executive officer and principal financial officer concluded that the Registrant's disclosure controls and procedures are effective.

**(b) Changes in Internal Controls.** There have been no changes in the Registrant's internal controls or in other factors that could materially affect the internal controls over financial reporting subsequent to the date of their evaluation in connection with the preparation of this Shareholder Report on Form N-CSR.

**Item 12. Exhibits.**

**(a) (1)** Code of Ethics

**(a) (2)** Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Laura F. Fergerson, Chief Executive Officer - Finance and Administration, and Gaston Gardey, Chief Financial Officer and Chief Accounting Officer

**(b)** Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of Laura F. Fergerson, Chief Executive Officer - Finance and Administration, and Gaston Gardey, Chief Financial Officer and Chief Accounting Officer

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**FRANKLIN UNIVERSAL TRUST**

By /s/Laura F. Fergerson

Laura F. Fergerson

Chief Executive Officer - Finance and

Administration

Date: October 26, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By /s/Laura F. Fergerson

Laura F. Fergerson

Chief Executive Officer - Finance and

Administration



Edgar Filing: FRANKLIN UNIVERSAL TRUST - Form N-CSR

Date: October 26, 2015

By /s/Gaston Gardey

Gaston Gardey

Chief Financial Officer and

Chief Accounting Officer

Date: October 26, 2015