

FRANKLIN UNIVERSAL TRUST
Form N-CSRS
May 02, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM N-CSRS

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-05569

Franklin Universal Trust

(Exact name of registrant as specified in charter)

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

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

(Name and address of agent for service)

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

Date of fiscal year end: 8/31

Date of reporting period: 2/28/14

Item 1. Reports to Stockholders.

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Semiannual Report

Franklin Universal Trust

Your Fund's Goals and Main Investments Franklin Universal Trust'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 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.

Dear Shareholder:

We are pleased to bring you Franklin Universal Trust's semiannual report for the period ended February 28, 2014.

Performance Overview

For the six months under review, the Fund's cumulative total returns were +10.30% based on net asset value and +10.14% based on market price, as shown in the Performance Summary on page 6. 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, produced a +7.38% total return,^{1, 2} and utilities stocks, as measured

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by the Standard & Poor[®] (S&P[®]) 500 Utilities Index, which tracks all electric utility stocks in the broad S&P 500[®] Index, generated a +10.71% total return for the same period.^{1, 3}

Economic and Market Overview

The U.S. economy showed ongoing signs of recovery during the six-month period ended February 28, 2014, although abnormally cold weather negatively affected economic activity beginning in January. Solid consumer and business

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 13.

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spending, rising inventories, and increasing exports underpinned economic growth in the fourth quarter of 2013. Manufacturing activity expanded during the six-month period, although it slowed in early 2014, partly because of adverse weather. Retail sales rose for the period compared with the prior year's levels, with particularly strong performance toward year-end 2013. The unemployment rate declined to 6.7% in February from 7.2% in August.⁴ Inflation remained well below the Federal Reserve Board's (Fed's) 2.0% target.

Long-term Treasury yields rose late in 2013 as the Federal Reserve Board (Fed) announced that it would reduce its bond purchases by \$10 billion a month beginning in January 2014 while keeping interest rates low. However, yields declined through period-end as investors shifted from emerging market assets to less risky assets because of concerns over emerging market growth prospects and the potential impact of the Fed's reductions to its asset purchase program. Despite soft economic data in February, the new Fed Chair, Janet Yellen, confirmed that the Fed would continue to reduce its asset purchases, although it would reconsider its plan if the outlook changed significantly.

In October 2013, the federal government temporarily shut down after Congress reached a budget impasse. However, Congress passed a spending bill in January to fund the federal government through September 2014. Congress then approved suspension of the debt ceiling until March 2015.

The 10-year Treasury yield rose from 2.78% at the beginning of the period to a high of 3.04% at the end of 2013, mainly because of economic improvement and market certainty about the Fed's plans. However, some weakening economic data, possibly affected by bad weather, and increasing political tension in Ukraine contributed to a decline in the 10-year U.S. Treasury yield to 2.66% at period-end.

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

Performance of the Fund's primary asset classes was positive during the six months under review. Concerns earlier in the summer about higher interest rates led to a sell-off, but at the beginning of the period financial markets

began to accept that the Fed's exit from quantitative easing and other supportive monetary policies would be gradual and based on economic data. Therefore, fears of a prolonged rise in interest rates abated, and equity and credit markets appreciated in value. After rising sharply in May and June, yields on the 10-year Treasury bond peaked in early September before declining near period-end. With the prospect of higher interest rates no longer a pressing concern, the high yield corporate bond market turned its focus to company credit fundamentals, which were generally solid. At the end of February, the par-weighted high yield default rate was well below the historical average. In addition to favorable fundamental trends, the high yield asset class continued to benefit from positive inflows, as investors sought income in a low interest rate environment. The combination of technical and fundamental factors enabled high yield corporate bonds, as measured by the CS High Yield Index, to return +7.38% as spreads tightened from 5.0 to 4.2 percentage points over Treasuries.^{1, 2} Utility stocks, as measured by the S&P 500 Utilities Index, returned +10.71% for the period, as investors remained attracted to the combination of high relative dividend yields with a favorable, fundamental growth component.^{1, 3}

High Yield Corporate Bonds

The Fund benefited from an overweighted position in broadcasting and an underweighted position in retailing relative to the CS High Yield Index.⁵ The broadcasting industry outperformed the index during the period under review as operational results remained sound with an improving advertising market being a key support for radio, outdoor advertising and television companies. Broadcasting also received important support from the high yield market as highly leveraged creditors were able to refinance and extend maturities, thus providing companies with more time until maturities and decreasing the risk of default. Retailing was hurt by weaker-than-expected sales during the holidays and the beginning of 2014, caused by severe winter weather as well as an intensely promotional, competitive environment, which drove the industry's underperformance for the six-month period.

The Fund's performance in the high yield asset class was hindered by an overweighted position in the wireless communications industry and a lack of exposure to the paper and forest products industry relative to the CS High Yield Index.⁶ The broader wireless communications industry suffered from intensifying competitive pressures, as well as from debt-funded capital spending to fund network upgrades. The paper and forest products industry outperformed the broader index resulting from a rally in certain distressed issues following the merger of one of the distressed companies with a recently restructured competitor. A weaker Canadian dollar also benefited certain Canada-domiciled issuers.

Portfolio Breakdown

2/28/14

| | % of Total Investments* |
|--|----------------------------|
| Corporate Bonds | 66.4 % |
| Utilities Common Stocks | 27.7 % |
| Materials Common Stocks | 1.7 % |
| Natural Resources Common Stocks | 1.3 % |
| Senior Floating Rate Interests | 0.7 % |
| Convertible Preferred Stocks | 0.2 % |
| Preferred Stocks | 0.1 % |
| Transportation Common Stocks | 0.1 % |
| Short-Term Investments & Other Net Assets | 1.8 % |

*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.

Top 10 Holdings*

Based on Total Investments**

2/28/14 vs. 8/31/13

| Issuer | 2/28/14 |
|----------------------------------|---------|
| Dominion Resources Inc. | 2.6 % |
| Duke Energy Corp. | 2.5 % |
| Sempra Energy | 1.8 % |
| The Southern Co. | 1.7 % |
| NextEra Energy Inc. | 1.7 % |
| CenterPoint Energy Inc. | 1.5 % |
| Edison International | 1.5 % |
| Pinnacle West Capital Corp. | 1.5 % |
| American Electric Power Co. Inc. | 1.4 % |
| Spectra Energy Corp. | 1.3 % |
| Issuer | 8/31/13 |
| Duke Energy Corp. | 2.4 % |
| Dominion Resources Inc. | 2.3 % |
| The Southern Co. | 1.8 % |
| Sempra Energy | 1.7 % |
| NextEra Energy Inc. | 1.6 % |
| CenterPoint Energy Inc. | 1.5 % |
| Pinnacle West Capital Corp. | 1.5 % |
| Alliant Energy Corp. | 1.4 % |
| Edison International | 1.4 % |
| American Electric Power Co. Inc. | 1.3 % |

*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.

Utility Stocks

The Fund's utilities sector delivered strong absolute performance during the six-month period, in line with the S&P 500 Utilities Index, but this performance lagged that of the S&P 500 Index. An increase in consumer confidence and U.S. economic improvements benefited nearly all equity market sectors, while a continuance of relatively low interest rates helped maintain investor interest in high dividend-paying securities like utilities. Some of the top-performing utilities during the period benefited from expansion opportunities in natural gas and electricity transmission. Dominion Resources and Spectra Energy, an energy sector position, each has a significant presence in natural gas transmission, and increased North American gas development has improved the usage and opportunity of their pipelines. American Electric Power offered similar opportunity on the electricity side, where it is one of the largest U.S. operators of high voltage networks. These three companies outperformed the utilities market during the period. FirstEnergy announced a 35% reduction in its quarterly dividend payout in January, and its share price was negatively impacted. Overall, most of the Fund's utility holdings continued to focus on regulated, dividend-paying utilities.

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

Sincerely,

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The foregoing information reflects our analysis, opinions and portfolio holdings as of February 28, 2014, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

The 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.

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2. CS High Yield Index. Copyright © 2014 CREDIT SUISSE GROUP AG and/or its affiliates. All rights reserved.

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4. Source: Bureau of Labor Statistics.

5. Broadcasting holdings are in media in the SOI.

6. Wireless communications holdings are in telecommunication services in the SOI.

Performance Summary as of 2/28/14

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.

Price and Distribution Information

| Symbol: FT | Change | 2/28/14 | 8/31/13 |
|---------------------------------------|-----------|---------|---------|
| Net Asset Value (NAV) | +\$ 0.55 | \$ 8.16 | \$ 7.61 |
| Market Price (NYSE) | +\$ 0.44 | \$ 7.20 | \$ 6.76 |
| Distributions (9/1/13 2/28/14) | | | |
| Dividend Income | \$ 0.2355 | | |

Performance¹

| | 6-Month | 1-Year | 5-Year | 10-Year |
|--|-----------|-----------|------------|------------|
| Cumulative Total Return ² | | | | |
| Based on change in NAV ³ | + 10.30 % | + 11.21 % | + 158.51 % | + 141.49 % |
| Based on change in market price ⁴ | + 10.14 % | + 3.44 % | + 163.35 % | + 152.28 % |
| Average Annual Total Return ² | | | | |
| Based on change in NAV ³ | + 10.30 % | + 11.21 % | + 20.92 % | + 9.22 % |
| Based on change in market price ⁴ | + 10.14 % | + 3.44 % | + 21.37 % | + 9.70 % |
| Average Annual total Return (3/31/14) ⁵ | | | | |
| Based on change in NAV ³ | + 10.05 % | + 10.05 % | + 20.66 % | + 9.31 % |
| Based on change in market price ⁴ | + 1.71 % | + 1.71 % | + 22.00 % | + 9.71 % |

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown.

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 a 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.**

1. The Fund has a fee waiver associated with its investments in a Franklin Templeton money fund, contractually guaranteed through at least its current fiscal year-end. Fund investment results reflect the fee waiver, to the extent applicable; without this reduction, the results would have been lower.
2. Total return calculations represent the cumulative and average annual changes in value of an investment over the periods indicated. Six-month return has not been annualized.
3. Assumes reinvestment of distributions based on net asset value.
4. Assumes reinvestment of distributions based on the dividend reinvestment and cash purchase plan.
5. In accordance with SEC rules, we provide standardized average annual total return information through the latest calendar quarter.

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Annual Shareholders Meeting

March 21, 2014

An annual shareholders meeting of Franklin Universal Trust (Fund) was held on March 21, 2014. At the meeting, the holders of 20,093,292 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:

| Nominees | Shares | % of | Shares | % of |
|------------------------|------------|---------|----------|--------|
| | For | Voted | Withheld | Voted |
| Harris J. Ashton | 19,724,285 | 98.16 % | 369,007 | 1.84 % |
| Sam Ginn | 19,746,211 | 98.27 % | 347,082 | 1.73 % |
| Edith E. Holiday | 19,786,289 | 98.47 % | 307,003 | 1.53 % |
| Gregory E. Johnson | 19,737,039 | 98.23 % | 356,253 | 1.77 % |
| Rupert H. Johnson, Jr. | 19,729,605 | 98.19 % | 363,687 | 1.81 % |
| J. Michael Luttig | 19,772,293 | 98.40 % | 320,999 | 1.60 % |
| Frank A. Olson | 19,728,151 | 98.18 % | 365,141 | 1.82 % |
| Larry D. Thompson | 19,755,035 | 98.32 % | 338,257 | 1.68 % |
| John B. Wilson | 19,770,273 | 98.39 % | 323,019 | 1.61 % |

Important Notice to Shareholders

Share Repurchase Program

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

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Dividend Reinvestment and Cash Purchase Plan

The Fund's Dividend Reinvestment and Cash Purchase Plan (Plan) offers you a prompt and simple way to reinvest dividends and capital gain distributions in shares of the Fund. The Plan also allows you to purchase additional shares of the Fund by making voluntary cash payments. BNY Mellon Investment Servicing (US) Inc. (Plan Agent), P.O. Box 43006, Providence, RI 02940-3006, acts as your Plan Agent in administering the Plan. The complete Terms and Conditions of the Dividend Reinvestment and Cash Purchase Plan are contained in the Fund's Dividend Reinvestment and Cash Purchase Plan Brochure. Participants may contact the Plan Agent at the address above to obtain a copy of the Brochure.

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 BNY Mellon Investment Servicing (US) Inc. and sent to Investment Services, P.O. Box 43006, Providence, RI 02940-3006, Attn: Franklin Universal Trust.

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

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

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

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

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

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.

Franklin Universal Trust

Financial Highlights

| | Six Months Ended | | Year Ended August 31, | | | |
|---|----------------------------------|------------|-----------------------|------------|------------|-----------------------|
| | February 28, 2014 (unaudited) | 2013 | 2012 | 2011 | 2010 | 2009 |
| Per share operating performance (for a share outstanding throughout the period) | | | | | | |
| Net asset value, beginning of period | \$ 7.61 | \$ 7.47 | \$ 6.87 | \$ 6.57 | \$ 5.85 | \$ 6.96 |
| Income from investment operations: | | | | | | |
| Net investment income ^a | 0.25 | 0.43 | 0.45 | 0.45 | 0.47 | 0.35 |
| Net realized and unrealized gains (losses) | 0.54 | 0.17 | 0.61 | 0.31 | 0.71 | (1.00) |
| Total from investment operations | 0.79 | 0.60 | 1.06 | 0.76 | 1.18 | (0.65) |
| Less distributions from net investment income | (0.24) | (0.46) | (0.46) | (0.46) | (0.46) | (0.46) |
| Net asset value, end of period | \$ 8.16 | \$ 7.61 | \$ 7.47 | \$ 6.87 | \$ 6.57 | \$ 5.85 |
| Market value, end of period ^b | \$ 7.20 | \$ 6.76 | \$ 7.38 | \$ 6.33 | \$ 6.23 | \$ 5.08 |
| Total return (based on market value per share) ^c | 10.14 % | (2.45)% | 24.47 % | 9.01 % | 32.53 % | (7.85)% |
| Ratios to average net assets^d | | | | | | |
| Expenses | 2.00 % ^e | 2.34 % | 2.46 % | 2.51 % | 2.63 % | 4.89 % ^{e,f} |
| Net investment income | 6.23 % | 5.58 % | 6.20 % | 6.41 % | 7.36 % | 6.98 % |
| Supplemental data | | | | | | |
| Net assets, end of period (000's) | \$ 204,950 | \$ 191,223 | \$ 187,729 | \$ 172,758 | \$ 165,075 | \$ 147,066 |
| Portfolio turnover rate | 8.53 % | 21.95 % | 19.40 % | 41.60 % | 38.23 % | 24.78 % |
| Total debt outstanding at end of period (000's) | \$ 60,000 | \$ 60,000 | \$ 42,000 | \$ 42,000 | \$ 42,000 | \$ 42,000 |
| Asset coverage per \$1,000 of debt | \$ 4,416 | \$ 4,187 | \$ 5,470 | \$ 5,113 | \$ 4,930 | \$ 4,502 |
| Average amount of senior fixed rate Notes per share during the period | \$ 2.39 | \$ 1.68 | \$ 1.67 | \$ 1.67 | \$ 1.67 | \$ 1.80 |

^aBased on average daily shares outstanding.

^bBased on the last sale on the New York Stock Exchange.

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

dRatios are annualized for periods less than one year.

eBenefit of expense reduction rounds to less than 0.01%.

fTotal expense ratio excluding Notes prepayment fees and issuance cost was 3.44%. See Note 3.

12 | The accompanying notes are an integral part of these financial statements. | Semiannual Report

Franklin Universal Trust

Statement of Investments, February 28, 2014 (unaudited)

| | Country | Shares | Value |
|--|----------------|-----------|-----------|
| Common Stocks 39.7% | | | |
| Energy 1.7% | | | |
| Spectra Energy Corp. | United States | 92,350 \$ | 3,442,808 |
| Materials 2.2% | | | |
| BHP Billiton PLC, ADR | United Kingdom | 25,185 | 1,616,373 |
| Freeport-McMoRan Copper & Gold Inc., B | United States | 80,380 | 2,621,995 |
| NewPage Holdings Inc. | United States | 2,400 | 222,000 |
| | | | 4,460,368 |
| Transportation 0.1% | | | |
| ^a CEVA Holdings LLC | United Kingdom | 179 | 183,916 |
| Utilities 35.7% | | | |
| Alliant Energy Corp. | United States | 40,000 | 2,169,600 |
| American Electric Power Co. Inc. | United States | 75,000 | 3,765,000 |
| CenterPoint Energy Inc. | United States | 169,800 | 4,015,770 |
| CMS Energy Corp. | United States | 65,000 | 1,847,950 |
| Consolidated Edison Inc. | United States | 42,000 | 2,354,100 |
| Dominion Resources Inc. | United States | 100,000 | 6,940,000 |
| DTE Energy Co. | United States | 25,000 | 1,794,000 |
| Duke Energy Corp. | United States | 92,520 | 6,557,818 |
| Edison International | United States | 75,000 | 3,927,750 |
| Entergy Corp. | United States | 50,000 | 3,191,000 |
| Exelon Corp. | United States | 55,000 | 1,672,550 |
| FirstEnergy Corp. | United States | 60,000 | 1,846,800 |
| Great Plains Energy Inc. | United States | 70,000 | 1,838,900 |
| NextEra Energy Inc. | United States | 50,000 | 4,569,500 |
| PG&E Corp. | United States | 50,000 | 2,203,000 |
| Pinnacle West Capital Corp. | United States | 70,000 | 3,895,500 |
| PPL Corp. | United States | 80,000 | 2,583,200 |
| Public Service Enterprise Group Inc. | United States | 45,000 | 1,649,700 |
| Sempra Energy | United States | 50,000 | 4,723,500 |
| The Southern Co. | United States | 108,500 | 4,594,975 |
| UIL Holdings Corp. | United States | 40,000 | 1,548,800 |
| Westar Energy Inc. | United States | 60,000 | 2,053,200 |

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| | | | |
|--|----------------|--------|------------|
| Wisconsin Energy Corp. | United States | 40,000 | 1,758,400 |
| Xcel Energy Inc. | United States | 60,000 | 1,817,400 |
| | | | 73,318,413 |
| Total Common Stocks (Cost \$49,434,636) | | | 81,405,505 |
| Convertible Preferred Stocks 0.2% | | | |
| Transportation 0.2% | | | |
| ^a CEVA Holdings LLC, cvt. pfd., A-1 | United Kingdom | 6 | 7,950 |
| ^a CEVA Holdings LLC, cvt. pfd., A-2 | United Kingdom | 388 | 398,120 |
| Total Convertible Preferred Stocks (Cost \$587,092) | | | 406,070 |
| Preferred Stocks (Cost \$290,000) 0.2% | | | |
| Diversified Financials 0.2% | | | |
| GMAC Capital Trust I, 8.125%, pfd. | United States | 11,600 | 314,940 |

Franklin Universal Trust

Statement of Investments, February 28, 2014 (unaudited) (continued)

| | Country | Principal Amount* | Value |
|---|----------------|-------------------|-----------|
| Corporate Bonds 85.9% | | | |
| Automobiles & Components 1.2% | | | |
| The Goodyear Tire & Rubber Co., senior note, 6.50%, 3/01/21 | United States | 1,100,000 \$ | 1,207,250 |
| ^b International Automotive Components Group SL, senior secured note, 144A, 9.125%, 6/01/18 | United States | 1,100,000 | 1,162,563 |
| | | | 2,369,813 |
| Banks 1.5% | | | |
| CIT Group Inc., senior note, 5.375%, 5/15/20 | United States | 500,000 | 542,500 |
| 5.00%, 8/15/22 | United States | 1,200,000 | 1,265,369 |
| ^b 144A, 6.625%, 4/01/18 | United States | 300,000 | 339,750 |
| Royal Bank of Scotland Group PLC, sub. note, 6.125%, 12/15/22 | United Kingdom | 900,000 | 948,937 |
| | | | 3,096,556 |
| Capital Goods 2.5% | | | |
| ^b Abengoa Finance SAU, senior note, 144A, 8.875%, 11/01/17 | Spain | 1,500,000 | 1,695,000 |
| 7.75%, 2/01/20 | Spain | 150,000 | 163,500 |
| Meritor Inc., senior note, 10.625%, 3/15/18 | United States | 1,200,000 | 1,270,500 |
| Navistar International Corp., senior note, 8.25%, 11/01/21 | United States | 900,000 | 943,875 |
| ^b Oshkosh Corp., senior note, 144A, 5.375%, 3/01/22 | United States | 500,000 | 513,750 |
| ^b Zachry Holdings Inc., senior note, 144A, 7.50%, 2/01/20 | United States | 600,000 | 642,000 |
| | | | 5,228,625 |
| Commercial & Professional Services 1.7% | | | |
| ADS Waste Holdings Inc., senior note, 8.25%, 10/01/20 | United States | 1,500,000 | 1,635,000 |
| ^b Algeco Scotsman Global Finance PLC, senior secured note, first lien, 144A, 8.50%, 10/15/18 | United Kingdom | 900,000 | 982,125 |
| ^b Darling Escrow Corp., senior note, 144A, 5.375%, 1/15/22 | United States | 300,000 | 308,250 |
| ^{b,c} Igloo Holdings Corp., senior note, 144A, PIK, 8.25%, 12/15/17 | United States | 500,000 | 513,125 |
| | | | 3,438,500 |
| Consumer Durables & Apparel 3.1% | | | |
| KB Home, senior bond, 7.50%, 9/15/22 | United States | 1,100,000 | 1,197,625 |
| senior note, 7.00%, 12/15/21 | United States | 300,000 | 322,500 |

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| | | | |
|---|---------------|-----------|-----------|
| M/I Homes Inc., senior note, 8.625%, 11/15/18 | United States | 900,000 | 977,625 |
| ^b SIWF Merger Sub Inc./Springs Industries Inc., senior secured note, 144A, 6.25%, 6/01/21 | United States | 300,000 | 308,250 |
| Standard Pacific Corp., senior note, 6.25%, 12/15/21 | United States | 700,000 | 748,125 |
| ^b Taylor Morrison Communities Inc./Monarch Communities Inc., senior note, 144A, 7.75%, 4/15/20 | United States | 492,000 | 544,890 |
| 5.25%, 4/15/21 | United States | 400,000 | 397,000 |
| 5.625%, 3/01/24 | United States | 200,000 | 200,000 |
| Toll Brothers Finance Corp., senior bond, 5.625%, 1/15/24 | United States | 600,000 | 621,000 |
| Visant Corp., senior note, 10.00%, 10/01/17 | United States | 1,000,000 | 972,500 |
| | | | 6,289,515 |

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Statement of Investments, February 28, 2014 (unaudited) (continued)

| | Country | Principal Amount* | Value |
|---|---------------|-------------------|-----------|
| Corporate Bonds (continued) | | | |
| Consumer Services 3.3% | | | |
| Caesars Entertainment Operating Co. Inc., first lien, 9.00%, 2/15/20 | United States | 300,000 \$ | 293,250 |
| senior secured note, 11.25%, 6/01/17 | United States | 1,500,000 | 1,535,625 |
| ClubCorp Club Operations Inc., senior note, 10.00%, 12/01/18 | United States | 674,000 | 748,982 |
| ^{b,d} Fontainebleau Las Vegas, senior secured note, first lien, 144A, 11.00%, 6/15/15 | United States | 1,600,000 | 4,000 |
| ^b Landry's Inc., senior note, 144A, 9.375%, 5/01/20 | United States | 900,000 | 994,500 |
| MGM Resorts International, senior note, 6.875%, 4/01/16 | United States | 1,200,000 | 1,323,000 |
| 7.50%, 6/01/16 | United States | 800,000 | 896,000 |
| ^b Paris Las Vegas Holding LLC, senior secured note, first lien, 144A, 8.00%, 10/01/20 | United States | 300,000 | 320,625 |
| Pinnacle Entertainment Inc., senior sub. note, 7.75%, 4/01/22 | United States | 200,000 | 219,000 |
| ^b PNK Finance Corp., senior note, 144A, 6.375%, 8/01/21 | United States | 500,000 | 525,000 |
| | | | 6,859,982 |
| Diversified Financials 3.4% | | | |
| Ally Financial Inc., senior note, 5.50%, 2/15/17 | United States | 600,000 | 658,500 |
| E*TRADE Financial Corp., senior note, 6.375%, 11/15/19 | United States | 800,000 | 872,000 |
| General Motors Financial Co. Inc., senior note, 3.25%, 5/15/18 | United States | 400,000 | 411,000 |
| GMAC Inc., sub. note, 8.00%, 12/31/18 | United States | 200,000 | 239,500 |
| ^e JPMorgan Chase & Co., junior sub. bond, 6.00% to 8/01/23, FRN thereafter, Perpetual | United States | 900,000 | 900,000 |
| ^b Neuberger Berman Group LLC/Finance Corp., senior note, 144A, 5.875%, 3/15/22 | United States | 700,000 | 738,500 |
| ^b Nuveen Investments Inc., senior note, 144A, 9.50%, 10/15/20 | United States | 900,000 | 965,250 |
| SLM Corp., senior note, 8.45%, 6/15/18 | United States | 900,000 | 1,068,750 |
| 5.50%, 1/15/19 | United States | 800,000 | 849,105 |
| 4.875%, 6/17/19 | United States | 300,000 | 310,532 |
| | | | 7,013,137 |

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Energy 23.1%

| | | | |
|---|---------------|---------|---------|
| Access Midstream Partner LP/ACMP Finance Corp., senior note, 6.125%, 7/15/22 | United States | 400,000 | 436,000 |
| BreitBurn Energy Partners LP/Finance Corp., senior bond, 7.875%, 4/15/22 | United States | 700,000 | 766,500 |
| senior note, 8.625%, 10/15/20 | United States | 600,000 | 652,500 |
| Calumet Specialty Products Partners LP/Finance Corp., senior note, 9.375%, 5/01/19 | United States | 900,000 | 999,000 |
| 9.625%, 8/01/20 | United States | 100,000 | 114,500 |
| Carrizo Oil & Gas Inc., senior note, 8.625%, 10/15/18 | United States | 800,000 | 866,000 |
| 7.50%, 9/15/20 | United States | 300,000 | 331,500 |
| CGG, senior note, 7.75%, 5/15/17 | France | 600,000 | 615,000 |
| 6.50%, 6/01/21 | France | 600,000 | 619,500 |

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Statement of Investments, February 28, 2014 (unaudited) (continued)

| | Country | Principal Amount* | Value |
|--|----------------|-------------------|-----------|
| Corporate Bonds (continued) | | | |
| Energy (continued) | | | |
| Chaparral Energy Inc., senior note, 9.875%, 10/01/20 | United States | 800,000 \$ | 916,000 |
| 8.25%, 9/01/21 | United States | 200,000 | 220,000 |
| 7.625%, 11/15/22 | United States | 300,000 | 327,000 |
| CHC Helicopter SA, senior secured note, first lien, 9.25%, 10/15/20 | Canada | 1,350,000 | 1,474,031 |
| Chesapeake Energy Corp., senior note, 6.625%, 8/15/20 | United States | 1,700,000 | 1,950,750 |
| Clayton Williams Energy Inc., senior note, 7.75%, 4/01/19 | United States | 1,000,000 | 1,060,000 |
| ^b 144A, 7.75%, 4/01/19 | United States | 100,000 | 106,000 |
| CONSOL Energy Inc., senior note, 8.00%, 4/01/17 | United States | 500,000 | 522,500 |
| 8.25%, 4/01/20 | United States | 300,000 | 327,750 |
| 6.375%, 3/01/21 | United States | 300,000 | 319,500 |
| ^b Drill Rigs Holdings Inc., secured note, 144A, 6.50%, 10/01/17 | United States | 1,000,000 | 1,055,000 |
| Eagle Rock Energy Partners LP/Finance Corp., senior note, 8.375%, 6/01/19 | United States | 1,100,000 | 1,199,000 |
| El Paso Corp., senior bond, 6.50%, 9/15/20 | United States | 1,200,000 | 1,321,374 |
| Energy Transfer Equity LP, senior bond, 5.875%, 1/15/24 | United States | 200,000 | 203,750 |
| senior note, 7.50%, 10/15/20 | United States | 1,500,000 | 1,721,250 |
| Energy XXI Gulf Coast Inc., senior note, 9.25%, 12/15/17 | United States | 1,300,000 | 1,426,750 |
| EPL Oil & Gas Inc., senior note, 8.25%, 2/15/18 | United States | 800,000 | 868,000 |
| ^b Expro Finance Luxembourg, senior secured note, 144A, 8.50%, 12/15/16 | United Kingdom | 1,307,000 | 1,368,266 |
| Goodrich Petroleum Corp., senior note, 8.875%, 3/15/19 | United States | 1,200,000 | 1,242,000 |
| Halcon Resources Corp., senior note, 9.75%, 7/15/20 | United States | 1,000,000 | 1,057,500 |
| 8.875%, 5/15/21 | United States | 400,000 | 409,000 |
| ^b 144A, 9.25%, 2/15/22 | United States | 200,000 | 206,000 |
| ^b Kinder Morgan Finance Co. LLC, senior secured note, 144A, 6.00%, 1/15/18 | United States | 1,200,000 | 1,329,000 |
| Kodiak Oil & Gas Corp., senior note, | | | |

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| | | | |
|--|---------------|-----------|-----------|
| 8.125%, 12/01/19 | United States | 700,000 | 782,250 |
| 5.50%, 1/15/21 | United States | 200,000 | 207,000 |
| Linn Energy LLC/Finance Corp., senior note, | | | |
| 8.625%, 4/15/20 | United States | 1,000,000 | 1,095,000 |
| 7.75%, 2/01/21 | United States | 700,000 | 761,250 |
| Martin Midstream Partners LP/Martin Midstream Finance Corp., senior note, | | | |
| 8.875%, 4/01/18 | United States | 350,000 | 367,063 |
| 7.25%, 2/15/21 | United States | 600,000 | 631,500 |
| Midstates Petroleum Co. Inc./LLC, senior note, 9.25%, 6/01/21 | United States | 700,000 | 743,750 |
| ^b Murray Energy Corp., senior secured note, 144A, 8.625%, 6/15/21 | United States | 700,000 | 745,500 |
| Oasis Petroleum Inc., senior note, | | | |
| 7.25%, 2/01/19 | United States | 200,000 | 216,000 |
| 6.50%, 11/01/21 | United States | 400,000 | 434,000 |
| 6.875%, 1/15/23 | United States | 200,000 | 218,500 |
| ^b 144A, 6.875%, 3/15/22 | United States | 400,000 | 436,000 |

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Statement of Investments, February 28, 2014 (unaudited) (continued)

| | Country | Principal Amount* | Value |
|--|---------------|-------------------|------------|
| Corporate Bonds (continued) | | | |
| Energy (continued) | | | |
| Offshore Group Investment Ltd., senior bond, first lien, 7.125%, 4/01/23 | United States | 700,000 \$ | 719,250 |
| senior secured note, first lien, 7.50%, 11/01/19 | United States | 700,000 | 755,562 |
| PBF Holding Co. LLC, first lien, 8.25%, 2/15/20 | United States | 1,200,000 | 1,323,000 |
| Penn Virginia Corp., senior note, 8.50%, 5/01/20 | United States | 700,000 | 773,500 |
| Penn Virginia Resource Partners LP/Finance Corp. II, senior note, 8.375%, 6/01/20 | United States | 470,000 | 527,575 |
| 6.50%, 5/15/21 | United States | 400,000 | 428,000 |
| Plains Exploration & Production Co., senior note, 6.875%, 2/15/23 | United States | 1,000,000 | 1,120,000 |
| QEP Resources Inc., senior note, 5.375%, 10/01/22 | United States | 700,000 | 707,000 |
| 5.25%, 5/01/23 | United States | 400,000 | 401,000 |
| QR Energy LP/QRE Finance, senior note, 9.25%, 8/01/20 | United States | 1,000,000 | 1,080,000 |
| ^{b,f} Quicksilver Resources Inc., secured note, second lien, 144A, FRN, 7.00%, 6/21/19 | United States | 1,200,000 | 1,194,750 |
| ^b Sabine Pass Liquefaction LLC, first lien, 144A, 6.25%, 3/15/22 | United States | 200,000 | 207,250 |
| secured note, 144A, 5.625%, 2/01/21 | United States | 1,000,000 | 1,030,000 |
| senior secured note, 144A, 5.625%, 4/15/23 | United States | 500,000 | 493,750 |
| ^b Samson Investment Co., senior note, 144A, 9.75%, 2/15/20 | United States | 1,400,000 | 1,562,750 |
| ^b Sanchez Energy Corp., senior note, 144A, 7.75%, 6/15/21 | United States | 900,000 | 945,000 |
| W&T Offshore Inc., senior note, 8.50%, 6/15/19 | United States | 1,200,000 | 1,305,000 |
| | | | 47,242,121 |
| Food, Beverage & Tobacco 2.6% | | | |
| Constellation Brands Inc., senior note, 4.25%, 5/01/23 | United States | 500,000 | 491,250 |
| Del Monte Corp., senior note, 7.625%, 2/15/19 | United States | 1,600,000 | 1,668,000 |
| ^b Dole Food Co. Inc., senior secured note, 144A, 7.25%, 5/01/19 | United States | 800,000 | 813,000 |
| ^b JBS USA LLC/Finance Inc., senior note, 144A, | | | |