



Franklin Equity Group

Franklin Global Convertible Securities – First Quarter 2024 Messaging Summary

March 2024

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Franklin Global Convertible Securities

- ❖ Convertibles Market Overview
- ❖ Portfolio Positioning
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Franklin Global Convertible Securities

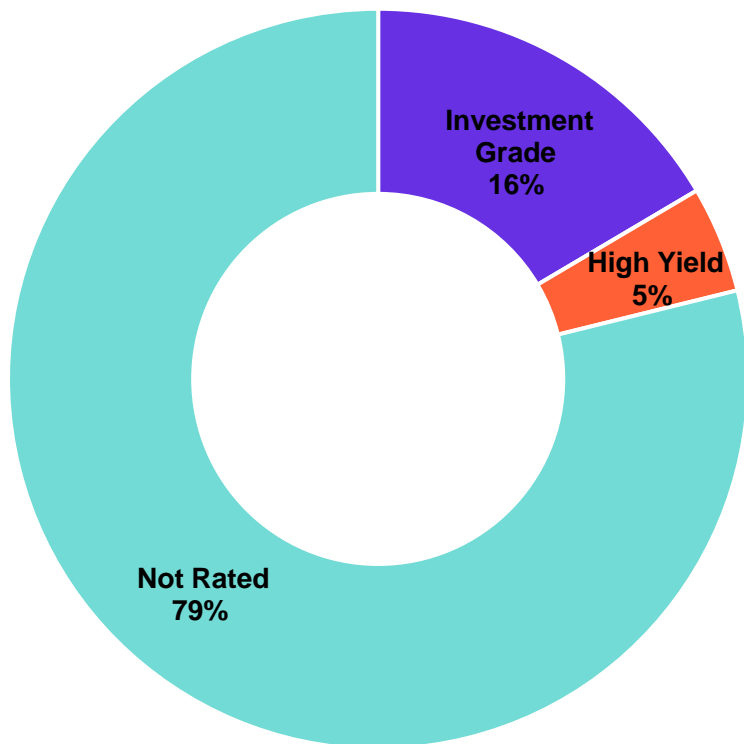
Global Convertibles Market



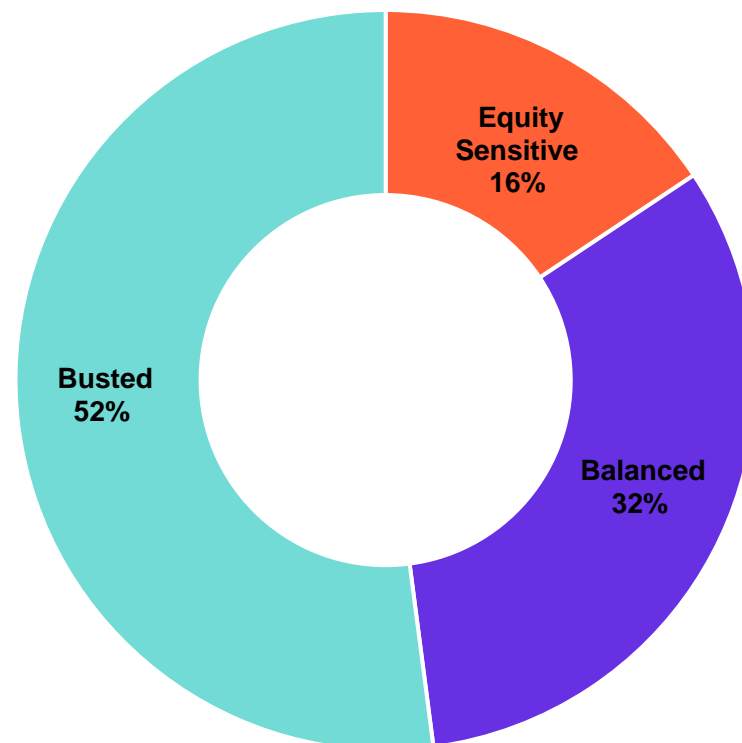
Global Convertibles Market – Bank of America Global Convertibles Universe

As of 31 March 2024

Credit Rating



Equity Sensitivity



For illustrative and discussion purposes only.

Source: Bank of America Convertibles Research, as of 31 March 2024. Important data provider notices and terms available at www.franklintempletondatasources.com.

Both charts are based on aggregated global convertibles data.

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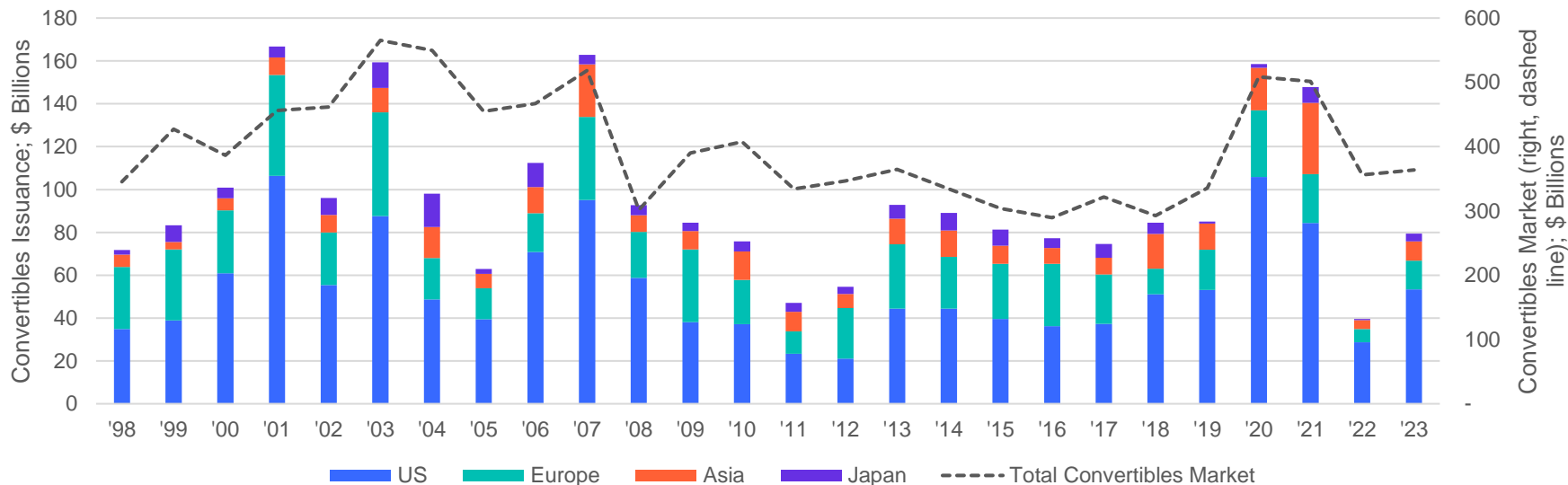
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Global Convertibles Issuance and Total Market Size



Global Convertibles Issuance and Total Market Size

As of 31 March 2024



- Global CB issuance totaled US\$79.4 billion in 2023—about double 2022’s US\$39.6 billion issuance volume, though still well below the pandemic-era years 2020-21, which averaged over US\$150 billion. The 2023 tally was led by US\$53.4 billion in the United States, while Europe, Asia and Japan saw US\$13.4 billion, US\$9.0 billion and US\$3.6 billion, respectively.
- In the first quarter of 2024, issuance totaled \$25bn, led by the US (\$20.8), followed by Japan (\$2.9bn) and Europe (\$1.1bn) – modestly outpacing 1Q2023’s total issuance of \$19.8bn.
- Per BofA, as of 31 March 2024, the convertibles market totaled \$367.7bn, a 27% reduction in market size from end-December 2021 (\$501.4bn).

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Source: Bank of America Convertibles Research, as of 31 March 2024. Important data provider notices and terms available at www.franklintempletondatasources.com.

Charts are based on aggregated global convertibles data.

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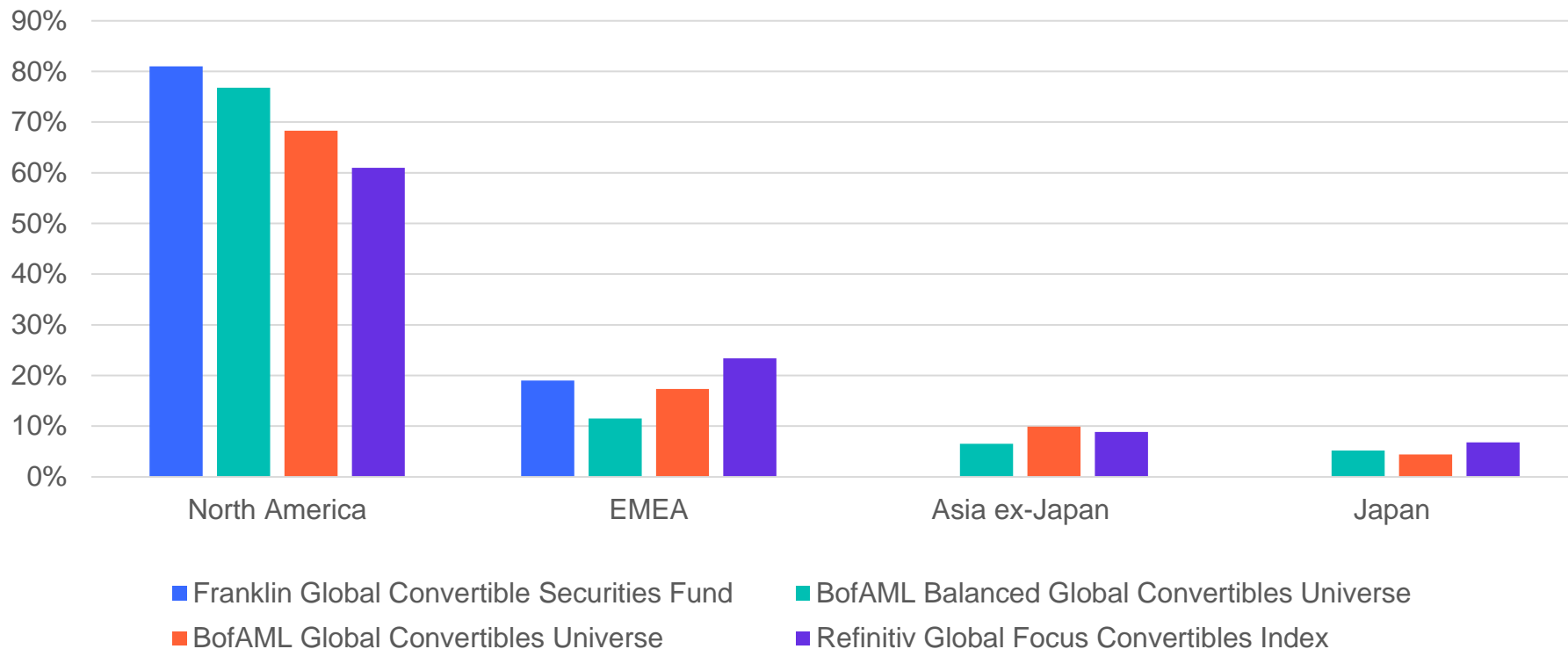
Franklin Global Convertible Securities

Portfolio Positioning – Regional Exposure



Franklin Global Convertible Securities – Regional Exposures (%)

As of 31 March 2024



Source: FactSet, BofA. As of 31 March 2024. North America regional exposure includes Latin America; EMEA regional exposure includes “other” countries. Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change. Weightings as percent of total. Percentage may not equal 100% due to rounding. Important data provider notices and terms available at www.franklintempletondatasources.com.

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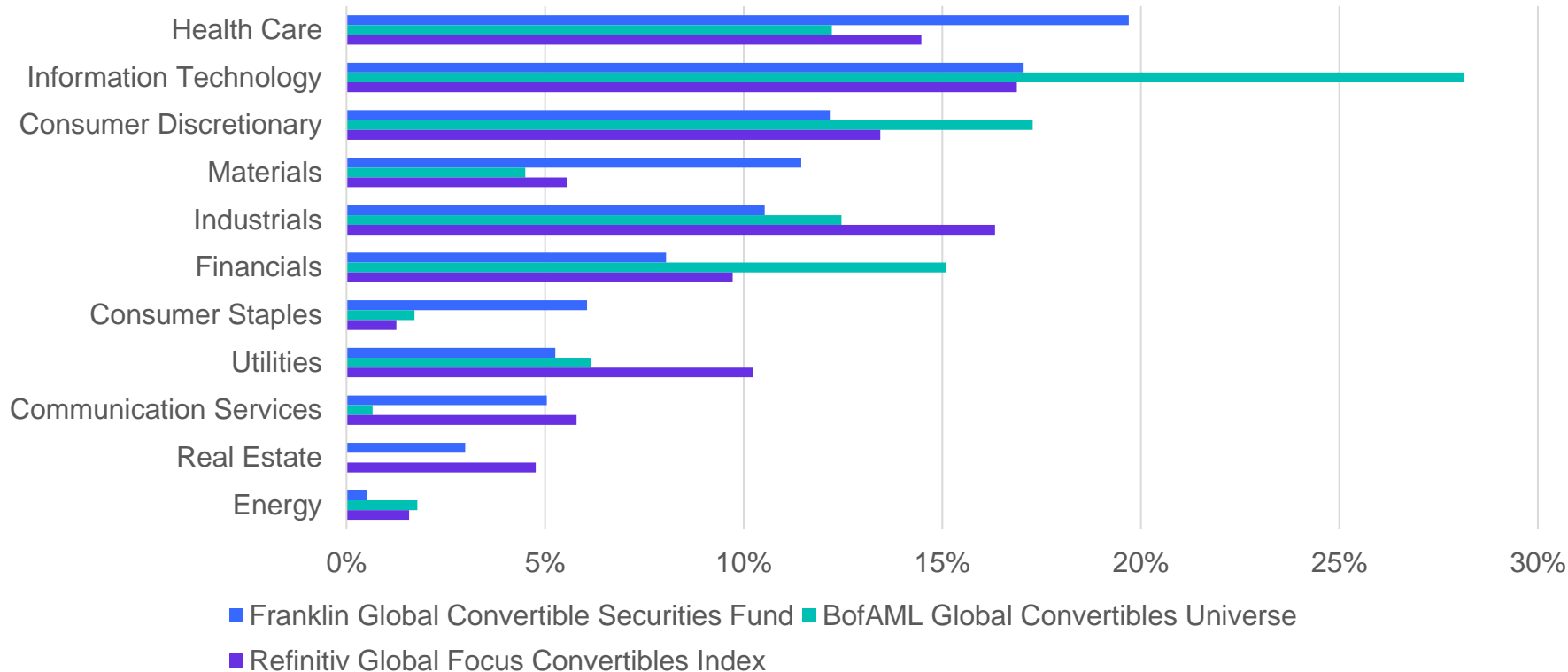
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Portfolio Positioning – Relative Sector Allocations



Franklin Global Convertible Securities – Sector Allocations Relative to Benchmark and Convertibles Universe (%)

As of 31 March 2024



Source: FactSet, BofA. As of 31 March 2024. Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change. Weightings as percent of total. Percentage may not equal 100% due to rounding. Important data provider notices and terms available at www.franklintempletondatasources.com.

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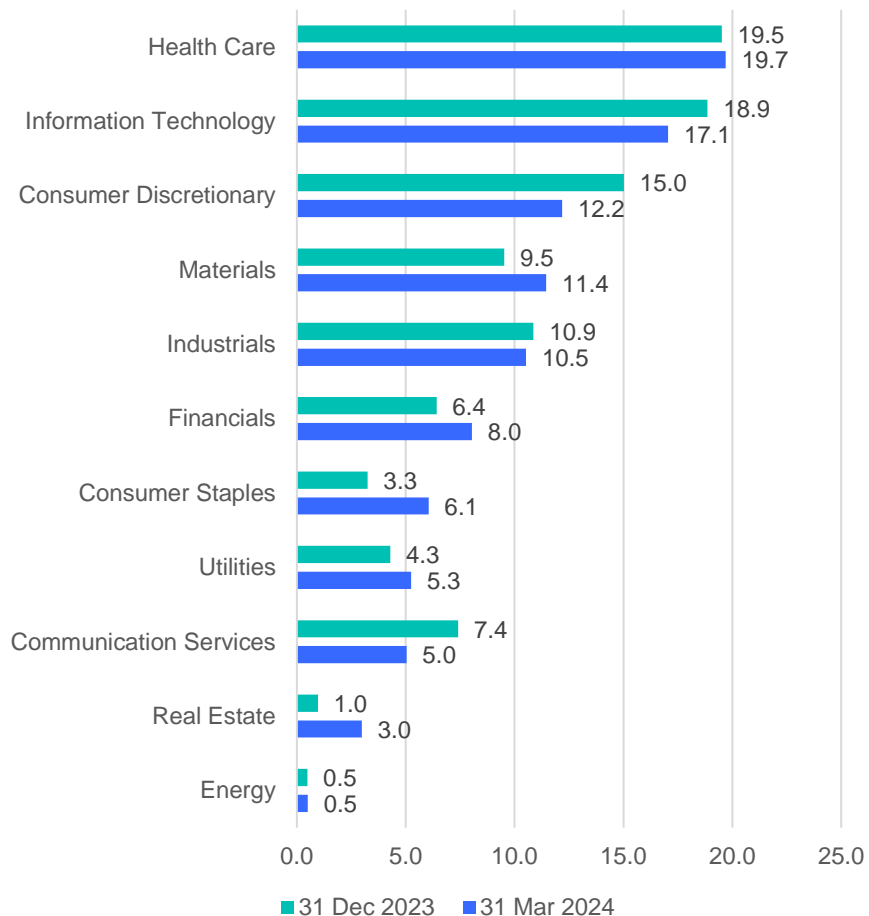
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Portfolio Positioning – Quarterly Sector Allocations



Franklin Global Convertible Securities – Sector Allocations (%)

As of 31 March 2024



- The Fund's allocation to **consumer staples** (+2.8%) and **real estate** (+2.0%) increased the most during the quarter.
 - The Fund's real estate weighting increased due to our participation in the Rexford Industrial Realty deal. In our view, the underlying equity represents an attractive growth opportunity in an exceptionally supply-constrained Los Angeles, California industrial market owing to improved earnings metrics (net operating income), active investment in new properties and strong funds from operations trends.
- The weightings in **consumer discretionary** and **communication services** decreased the most during the period, with a decline of 2.8% and 2.4%, respectively.
 - Both sector allocations declined in the period because of exiting out of the money ("busted") positions in Zalando SE (consumer discretionary) and Cable One (communication services).

Source: FactSet. As of 31 March 2024. Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change. Weightings as percent of total. Percentage may not equal 100% due to rounding. Important data provider notices and terms available at www.franklintempletondatasources.com.

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Franklin Global Convertible Securities

Portfolio Activity



We continue to be selective; we do not participate in every deal as we stay true to our fundamental security selection process. The Fund continues to focus on balanced convertibles, and we strive to maintain a balance in the portfolio between the equity and debt characteristics of convertible securities with an emphasis on the equity features.

Select Portfolio Changes – January through March 2024

Position Name	Sector	Description
Albemarle	Materials	<p><i>Initiated Position; Ending Portfolio Weight – 2.12%</i></p> <p>In March 2024, we participated in the large convertible primary issuance by Albemarle, the largest lithium producer. Given the current state of lithium markets and prices, management raised capital for general corporate purposes, including funding growth capital expenditures in support of several projects currently underway. Although the timing of a market bottom and recovery remain uncertain, lithium prices appear to be trading below the marginal cost of supply, which could lead to a curtailment in production and limit investment in new projects. There are signs this has begun to occur, and prices and related equities recently rebounded as a result. Even with supply additions, expected demand growth for the next several years may set the stage for a longer-term recovery, which we believe may support the underlying equity.</p>
Campari Group (Davide Campari-Milano NV)	Consumer Staples	<p><i>Initiated Position; Ending Portfolio Weight – 1.98%</i></p> <p>Campari Group is a prominent spirits company in Europe with a diverse portfolio of alcoholic products and aperitifs. Company margins and revenues could benefit due to the attractive product mix, pricing power and existing market penetration. Campari Group's continued focus on M&A, a key growth strategy for the company to expand its product categories, may also bolster long-term growth; this was most recently exemplified by their acquisition of Courvoisier. Additionally, Campari Group may have the opportunity to capture growth in additional markets through expanding its US brands portfolio and marketing its products more heavily in Asia.</p>
Lyft	Industrials	<p><i>Added to Existing Position; Ending Portfolio Weight – 1.13%</i></p> <p>Lyft is a major player in the transportation industry, delivering Transportation-as-a-Service (TaaS) solutions. Its comprehensive platform covers ride-sharing, bike and scooter rentals, access to self-driving cars, and various other transportation choices accessible via their mobile applications. The company came to market with a new convertibles issuance in February 2024, in which the company repurchased some of the shares of its existing convertibles due 2025, essentially replacing those busted (out of the money) securities with convertibles with a more balanced profile.</p>

Source: Franklin Templeton and FactSet; publicly traded positions.

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Important Disclosures



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