

FRANKLIN UNIVERSAL TRUST
Form N-CSR
October 27, 2014

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: 8/31/14

Item 1. Reports to Stockholders.

Contents

Annual Report

Franklin Universal Trust	1
Performance Summary	5
Annual Shareholders Meeting	6
Important Notice to Shareholders	7
Dividend Reinvestment and Cash Purchase Plan	8
Financial Highlights and Statement of Investments	10
Financial Statements	20
Notes to Financial Statements	24
Report of Independent Registered Public Accounting Firm	30
Tax Information	31
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, 2014.

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 Overview

For the 12 months under review, the Fund's cumulative total returns were +16.13% based on net asset value and +16.71% 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, produced a +10.46% total return,¹ 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 +20.70% for the same period.^{2,3}

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

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The U.S. economy continued to show signs of recovery during the 12-month period ended August 31, 2014, underpinned by consumer and business spending and rising inventories. Economic activity rebounded strongly in the second quarter of 2014 after severe weather conditions and a slowdown in health care spending led to a contraction in the first quarter. Manufacturing activity expanded during the period under review,

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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 11.

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despite slowing in January. Except for a sharp rebound in March, retail sales rose at a modest pace that missed consensus expectations. In the housing market, home sales experienced some weather-related weakness early in 2014 but ticked up in May, and home prices remained higher than a year earlier. The unemployment rate declined to 6.1% in August 2014 from 7.2% in August 2013.⁴ Inflation, as measured by the Consumer Price Index, was subdued for the period.

U.S. economic growth trends were generally encouraging during the period, despite a contraction in gross domestic product in the first quarter of 2014. In January 2014, the U.S. Federal Reserve Board (Fed) began reducing its bond purchases \$10 billion a month, based on largely positive economic and employment data in late 2013. Fed comments made in July and August 2014 indicated the central bank was committed to supporting the U.S. recovery, although policymakers were divided on when to raise key interest rates. Fed Chair Janet Yellen took the middle ground about the exact timing, saying rates could rise sooner than expected and at a brisker pace in the case of “faster convergence” toward the Fed’s labor and inflation goals, or rates could remain low if progress toward the Fed’s goals was slower than expected.

The 10-year Treasury yield rose from 2.78% at the beginning of the period to a high of 3.04% on December 31, 2013, mainly because of an improved economic environment and market uncertainty about the Fed’s plans. However, the yield declined to 2.35% at period-end, as investors shifted to less risky assets following the crises in Ukraine and Iraq, growth concerns about emerging markets, record low bond yields in Europe and lower Treasury issuance.

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 12 months under review, the Fund’s primary asset classes, high yield corporate bonds and utility stocks, generated double-digit returns. The yield on the 10-year Treasury declined, driven by some of the same themes that have been prevalent for the past several years, namely ongoing accommodative Fed policies and continued positive but subdued economic growth. These factors tended to support corporate credit quality, and companies took advantage of the low interest rate environment to refinance debt and lock in lower rates. The Fed’s policy of maintaining extremely low short-term interest rates through quantitative easing also pushed investors searching for higher returns into asset classes such as high yield corporate bonds. The resulting investment inflows led to an environment of generally positive technical factors for the asset class as well. The supportive technical factors reversed in July and early August, however, as large outflows caused valuations to decline from the post-recession highs of late June.

Portfolio Breakdown

8/31/14

	% of Total Investments*
Corporate Bonds	64.4 %
Utilities Common Stocks	28.9 %
Materials Common Stocks	1.8 %
Natural Resources Common Stocks	1.4 %
Senior Floating Rate Interests	0.8 %
Convertible Preferred Stocks	0.2 %
Preferred Stocks	0.1 %
Transportation Common Stocks	0.1 %
Short-Term Investments & Other Net Assets	2.3 %

*Percentage of total investments of the Fund. Total investments of the Fund include

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long-term and short-term investments and other net assets, excluding long-term debt issued by the Fund.

Given the combination of generally supportive technical and fundamental factors, the average yield spread over Treasuries declined from 5.0 to 4.3 percentage points.¹ Spread narrowing combined with the decline in Treasury yields and below-average default rate contributed to a +10.46% total return for high yield bonds in the CS High Yield Index.¹ Utility stocks also benefited from declining interest rates over the period, as well as from investor appetite for investments offering relatively high dividend yields. Utility stocks, as measured by the S&P 500 Utilities Index, returned +20.70% during the period based on robust demand and generally solid earnings.^{2,3}

4. Source: Bureau of Labor Statistics.

2 | Annual Report franklintempleton.com

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High Yield Corporate Bonds

The Fund benefited from an overweighted position in the energy sector and an underweighted position in retailing relative to the CS High Yield Index. Commodity prices generally supported the energy sector, as severely cold winter weather at the beginning of 2014 enabled a rally in natural gas prices while oil prices remained robust. The industry also benefited from operational and cost efficiencies as companies began development drilling in many shale oil fields. Ongoing mergers and acquisitions activity also supported the sector. Retailing underperformed as industry-wide lower store traffic since last fall and the resultant increase in promotional activity led many retailers to underperform expectations. In this environment, several of the more highly indebted, stressed retailers declined considerably in value.

The Fund's performance in the high yield asset class was hindered by an overweighted position in the wireless communications industry and an underweighted position in the telecommunication services industry relative to the CS High Yield Index. The wireless communications industry was weighed down by the performance of its largest issuer, Sprint, after the company announced that it would not pursue the acquisition of rival T-Mobile. Investors had hoped the acquisition would boost profitability and lessen competition, but government regulators expressed concerns about the impact the proposed merger could have on competition in the industry. The telecommunication services industry benefited from consolidation, as potential synergies from mergers could help offset ongoing fundamental business declines.

Utility Stocks

The Fund's utilities sector delivered strong absolute performance during the period, in line with the S&P 500 Utilities Index, but this performance slightly lagged that of the S&P 500 Index. The sector, which historically has had a high correlation to long-term fixed income markets, continued to benefit from benign inflationary expectations, which helped keep long-term interest rates low. Regulated utilities continued to perform well from a fundamental perspective, as this component of the utilities sector experienced growth opportunities through infrastructure investment. Edison International and American Electric Power, two U.S. electric utility companies that benefited from strong infrastructure need in their service territories,

Top 10 Holdings*

Based on Total Investments**

8/31/14 vs. 8/31/13

Issuer	8/31/14
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 %
Pinnacle West Capital Corp.	1.5 %
Entergy Corp.	1.4 %
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.

outperformed the utilities market during the period. Utilities companies that relied on market fundamentals through the sale of their own electricity and natural gas benefited from improved pricing for those commodities during the period, which was driven by improved supply and demand fundamentals and harsh winter weather conditions in North America. FirstEnergy underperformed its sector peers and was negatively impacted by a 35% dividend reduction during the period. Overall, the Fund's utilities positions continued to focus on regulated, dividend-paying companies.

5. Wireless communication holdings are in telecommunication services in the SOI.

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

Sincerely,

The foregoing information reflects our analysis, opinions and portfolio holdings as of August 31, 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.

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4 | Annual Report franklintempleton.com

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Performance Summary as of August 31, 2014

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		8/31/14		8/31/13	Change
Net Asset Value (NAV)	\$	8.34	\$	7.61	+\$ 0.73
Market Price (NYSE)	\$	7.39	\$	6.76	+\$ 0.63

Distributions

		Dividend Income
9/1/13–8/31/14	\$	0.4725

Performance¹

	Cumulative Total Return ²		Average Annual Total Return ²		Average Annual Total Return (9/30/14) ³	
	Based	Based on	Based	Based on	Based	Based on
	on NAV ⁴	Market Price ⁵	on NAV ⁴	Market Price ⁵	on NAV ⁴	Market Price ⁵
1-Year	+16.13 %	+16.71 %	+16.13 %	+16.71 %	+10.53 %	+9.74 %
5-Year	+95.35 %	+104.64 %	+14.33 %	+15.40 %	+12.50 %	+12.58 %
10-Year	+146.72 %	+168.88 %	+9.45 %	+10.40 %	+8.91 %	+9.66 %

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.

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1. The Fund has a fee waiver associated with its investments in a Franklin Templeton money fund, contractually guaranteed through at least its current fiscal year-end.

Fund investment results reflect the fee waiver, to the extent applicable; without this reduction, the results would have been lower.

2. Total return calculations represent the cumulative and average annual changes in value of an investment over the periods indicated.

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

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

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

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Annual Shareholders Meeting

March 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:

	Shares	% of	Shares	% of
Nominees	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 %

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Important Notice to Shareholders

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

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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. 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.

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.

FRANKLIN UNIVERSAL TRUST

Financial Highlights

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

^aBased on average daily shares outstanding.

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

^cBenefit of waiver and payments by affiliates and expense reduction rounds to less than 0.01%.

Statement of Investments, August 31, 2014

	Country	Shares	Value
Common Stocks 41.4%			
Energy 1.8%			
Spectra Energy Corp.	United States	92,350	\$ 3,847,301
Materials 2.3%			
BHP Billiton PLC, ADR	Australia	25,185	1,598,744
Freeport-McMoRan Inc., B	United States	80,380	2,923,420
NewPage Holdings Inc.	United States	2,400	224,400
			4,746,564
Transportation 0.1%			
aCEVA Holdings LLC	United Kingdom	179	215,316
Utilities 37.2%			
Alliant Energy Corp.	United States	40,000	2,339,600
American Electric Power Co. Inc.	United States	75,000	4,027,500
CenterPoint Energy Inc.	United States	169,800	4,217,832
CMS Energy Corp.	United States	65,000	1,985,100
Consolidated Edison Inc.	United States	42,000	2,431,380
Dominion Resources Inc.	United States	100,000	7,022,000
DTE Energy Co.	United States	25,000	1,956,250
Duke Energy Corp.	United States	92,520	6,845,555
Edison International	United States	75,000	4,435,500
Entergy Corp.	United States	50,000	3,870,500
Exelon Corp.	United States	55,000	1,838,100
FirstEnergy Corp.	United States	60,000	2,054,400
Great Plains Energy Inc.	United States	70,000	1,796,900
NextEra Energy Inc.	United States	50,000	4,922,500
PG&E Corp.	United States	50,000	2,324,000
Pinnacle West Capital Corp.	United States	70,000	3,986,500
PPL Corp.	United States	80,000	2,770,400
Public Service Enterprise Group Inc.	United States	45,000	1,682,550
Sempra Energy	United States	50,000	5,298,500
The Southern Co.	United States	108,500	4,817,400
UIL Holdings Corp.	United States	40,000	1,490,000

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Westar Energy Inc.	United States	60,000	2,215,800
Wisconsin Energy Corp.	United States	40,000	1,813,200
Xcel Energy Inc.	United States	60,000	1,923,000
			78,064,467
Total Common Stocks (Cost \$49,353,891)			86,873,648
Convertible Preferred Stocks 0.2%			
Transportation 0.2%			
aCEVA Holdings LLC, cvt. pfd., A-1	United Kingdom	6	9,300
aCEVA Holdings LLC, cvt. pfd., A-2	United Kingdom	388	466,092
Total Convertible Preferred Stocks (Cost \$587,093)			475,392
Preferred Stocks (Cost \$290,000) 0.2%			
Diversified Financials 0.2%			
GMAC Capital Trust I, 8.125%, pfd.	United States	11,600	311,808

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STATEMENT OF INVESTMENTS

	Country	Principal Amount*	Value
Corporate Bonds 82.9%			
Automobiles & Components 1.1%			
The Goodyear Tire & Rubber Co., senior note, 6.50%, 3/01/21	United States	1,100,000 \$	1,185,250
bInternational Automotive Components Group SA, senior secured note, 144A, 9.125%, 6/01/18	United States	1,100,000	1,175,625
			2,360,875
Banks 3.1%			
CIT Group Inc., senior note, 5.375%, 5/15/20	United States	500,000	543,125
5.00%, 8/15/22	United States	1,200,000	1,270,500
b144A, 6.625%, 4/01/18	United States	300,000	335,625
cCitigroup Inc., M, junior sub. bond, 6.30% to 5/15/24, FRN thereafter, Perpetual	United States	1,100,000	1,124,053
cJPMorgan Chase & Co., junior sub. bond, 5.00% to 7/30/19, FRN thereafter, Perpetual	United States	800,000	798,591
6.00% to 8/01/23, FRN thereafter, Perpetual	United States	900,000	927,450
Royal Bank of Scotland Group PLC, sub. note, 6.125%, 12/15/22	United Kingdom	900,000	986,062
5.125%, 5/28/24	United Kingdom	400,000	409,000
			6,394,406
Capital Goods 2.1%			
bAbengoa Finance SAU, senior note, 144A, 8.875%, 11/01/17	Spain	1,500,000	1,675,313
7.75%, 2/01/20	Spain	150,000	164,250
Navistar International Corp., senior note, 8.25%, 11/01/21	United States	900,000	937,125
Oshkosh Corp., senior note, 5.375%, 3/01/22	United States	500,000	513,373
bTransDigm Inc., senior sub. bond, 144A, 6.50%, 7/15/24	United States	200,000	205,250
senior sub. note, 144A, 6.00%, 7/15/22	United States	200,000	203,750
bZachry Holdings Inc., senior note, 144A, 7.50%, 2/01/20	United States	600,000	634,500
			4,333,561
Commercial & Professional Services 1.4%			
ADS Waste Holdings Inc., senior note, 8.25%, 10/01/20	United States	1,500,000	1,605,000
bAlgeco Scotsman Global Finance PLC, senior secured note, first lien, 144A, 8.50%, 10/15/18	United Kingdom	700,000	728,875
United Rentals North America Inc., senior bond, 5.75%, 11/15/24	United States	600,000	630,000

2,963,875

Consumer Durables & Apparel 2.9%

KB Home,

senior bond, 7.50%, 9/15/22	United States	1,100,000	1,201,750
senior note, 4.75%, 5/15/19	United States	200,000	200,500
senior note, 7.00%, 12/15/21	United States	300,000	324,750
M/I Homes Inc., senior note, 8.625%, 11/15/18	United States	200,000	211,125
Springs Industries Inc., secured note, 6.25%, 6/01/21	United States	100,000	101,000
Standard Pacific Corp., senior note, 6.25%, 12/15/21	United States	700,000	745,500
bTaylor Morrison Communities Inc./Monarch Communities Inc., senior note, 144A, 7.75%, 4/15/20	United States	492,000	535,050
5.25%, 4/15/21	United States	400,000	406,000
5.625%, 3/01/24	United States	700,000	700,000
Toll Brothers Finance Corp., senior bond, 5.625%, 1/15/24	United States	700,000	747,250
Visant Corp., senior note, 10.00%, 10/01/17	United States	900,000	839,250
			6,012,175

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FRANKLIN UNIVERSAL TRUST
STATEMENT OF INVESTMENTS

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Consumer Services 2.8%			
b24 Hour Holdings III LLC, senior note, 144A, 8.00%, 6/01/22	United States	700,000 \$	682,500
Caesars Entertainment Operating Co. Inc., senior secured note, 11.25%, 6/01/17	United States	1,500,000	1,241,250
first lien, 9.00%, 2/15/20	United States	300,000	242,063
b,dFontainebleau Las Vegas, senior secured note, first lien, 144A, 11.00%, 6/15/15	United States	1,600,000	20,000
bLandry's Inc., senior note, 144A, 9.375%, 5/01/20	United States	900,000	972,000
MGM Resorts International, senior note, 6.875%, 4/01/16	United States	1,200,000	1,293,000
7.50%, 6/01/16	United States	800,000	872,000
Pinnacle Entertainment Inc., senior note, 6.375%, 8/01/21	United States	500,000	521,250
			5,844,063
Diversified Financials 2.9%			
Ally Financial Inc., senior note, 5.50%, 2/15/17	United States	600,000	641,625
E*TRADE Financial Corp., senior note, 6.375%, 11/15/19	United States	800,000	862,000
General Motors Financial Co. Inc., senior note, 3.25%, 5/15/18	United States	400,000	404,000
GMAC Inc., sub. note, 8.00%, 12/31/18	United States	200,000	234,375
bNeuberger Berman Group LLC/Finance Corp., senior note, 144A, 5.875%, 3/15/22	United States	700,000	754,250
bNuveen Investments Inc., senior note, 144A, 9.50%, 10/15/20	United States	900,000	1,055,106
SLM Corp., senior note, 8.45%, 6/15/18	United States	900,000	1,049,580
5.50%, 1/15/19	United States	800,000	852,000
4.875%, 6/17/19	United States	300,000	314,700
			6,167,636
Energy 23.1%			
Access Midstream Partner LP/ACMP Finance Corp., senior note, 6.125%, 7/15/22	United States	200,000	218,500
BreitBurn Energy Partners LP/BreitBurn Finance Corp., senior bond, 7.875%, 4/15/22	United States	700,000	745,500
senior note, 8.625%, 10/15/20	United States	600,000	645,000
Carrizo Oil & Gas Inc., senior note, 8.625%, 10/15/18	United States	800,000	840,500
7.50%, 9/15/20	United States	300,000	322,500

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CGG SA, senior note,			
7.75%, 5/15/17	France	203,000	206,045
6.50%, 6/01/21	France	600,000	558,000
b144A, 6.875%, 1/15/22	France	600,000	570,000
Chaparral Energy Inc., senior note,			
9.875%, 10/01/20	United States	800,000	894,000
8.25%, 9/01/21	United States	200,000	216,750
7.625%, 11/15/22	United States	300,000	323,625
CHC Helicopter SA, senior secured note, first lien, 9.25%, 10/15/20	Canada	1,350,000	1,475,719
Chesapeake Energy Corp., senior note,			
6.625%, 8/15/20	United States	1,700,000	1,967,750
4.875%, 4/15/22	United States	300,000	315,360
Clayton Williams Energy Inc., senior note, 7.75%, 4/01/19	United States	1,200,000	1,272,000
bCompressco Partners LP/Finance Corp., senior note, 144A, 7.25%, 8/15/22	United States	300,000	303,750
CONSOL Energy Inc., senior note,			
8.25%, 4/01/20	United States	300,000	320,625
6.375%, 3/01/21	United States	300,000	319,500
b144A, 5.875%, 4/15/22	United States	800,000	839,000

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FRANKLIN UNIVERSAL TRUST
STATEMENT OF INVESTMENTS

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Energy (continued)			
bDrill Rigs Holdings Inc., secured note, 144A, 6.50%, 10/01/17	United States	1,100,000 \$	1,138,500
El Paso Corp., senior bond, 6.50%, 9/15/20	United States	1,200,000	1,403,520
Energy Transfer Equity LP, senior bond, 5.875%, 1/15/24	United States	200,000	212,250
senior note, 7.50%, 10/15/20	United States	1,500,000	1,743,750
Energy XXI Gulf Coast Inc., senior note, 9.25%, 12/15/17	United States	1,300,000	1,384,500
bEnQuest PLC, senior note, 144A, 7.00%, 4/15/22	United Kingdom	600,000	604,125
EPL Oil & Gas Inc., senior note, 8.25%, 2/15/18	United States	800,000	852,000
bExpro Finance Luxembourg, senior secured note, 144A, 8.50%, 12/15/16	United Kingdom	1,307,000	1,362,547
Goodrich Petroleum Corp., senior note, 8.875%, 3/15/19	United States	1,200,000	1,266,000
Halcon Resources Corp., senior note, 9.75%, 7/15/20	United States	1,000,000	1,082,500
8.875%, 5/15/21	United States	400,000	423,000
9.25%, 2/15/22	United States	200,000	215,750
bKinder Morgan Finance Co. LLC, senior secured note, 144A, 6.00%, 1/15/18	United States	1,200,000	1,342,500
Kodiak Oil & Gas Corp., senior note, 8.125%, 12/01/19	United States	700,000	773,500
5.50%, 1/15/21	United States	200,000	212,000
Linn Energy LLC/Finance Corp., senior note, 8.625%, 4/15/20	United States	1,000,000	1,072,500
7.75%, 2/01/21	United States	700,000	749,000
Martin Midstream Partners LP/Martin Midstream Finance Corp., senior note, 7.25%, 2/15/21	United States	1,000,000	1,035,000
bMemorial Resource Development Corp., senior note, 144A, 5.875%, 7/01/22	United States	500,000	508,750
Midstates Petroleum Co. Inc./LLC, senior note, 9.25%, 6/01/21	United States	700,000	761,250
bMurray 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	211,000
6.50%, 11/01/21	United States	400,000	429,000
6.875%, 3/15/22	United States	400,000	439,000
6.875%, 1/15/23	United States	200,000	219,000
bOcean Rig UDW Inc., senior note, 144A, 7.25%, 4/01/19	United States	400,000	400,000

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Offshore Group Investment Ltd., senior bond, first lien, 7.125%, 4/01/23	United States	700,000	698,250
senior secured note, first lien, 7.50%, 11/01/19	United States	700,000	717,938
PBF Holding Co. LLC, first lien, 8.25%, 2/15/20	United States	1,200,000	1,299,000
Penn Virginia Corp., senior note, 8.50%, 5/01/20	United States	700,000	773,500
Penn Virginia Resource Partners LP/Penn Virginia Resource Finance Corp., senior note, 8.375%, 6/01/20	United States	390,000	435,825
6.50%, 5/15/21	United States	400,000	433,000
Plains Exploration & Production Co., senior note, 6.875%, 2/15/23	United States	648,000	754,110
QEP Resources Inc., senior note, 5.375%, 10/01/22	United States	700,000	720,125
5.25%, 5/01/23	United States	400,000	407,000
QR Energy LP/QRE Finance Corp. LLC, senior note, 9.25%, 8/01/20	United States	1,000,000	1,147,500
b,eQuicksilver Resources Inc., secured note, second lien, 144A, FRN, 7.00%, 6/21/19	United States	1,200,000	1,155,000
bRegency Energy Partners LP/Regency Energy Finance Corp., senior note, 144A, 8.375%, 6/01/19	United States	1,100,000	1,188,000

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FRANKLIN UNIVERSAL TRUST

STATEMENT OF INVESTMENTS

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Energy (continued)			
Sabine Pass Liquefaction LLC, first lien, 5.625%, 2/01/21	United States	1,000,000	\$ 1,060,000
5.625%, 4/15/23	United States	500,000	522,500
b144A, 6.25%, 3/15/22	United States	200,000	217,250
Samson Investment Co., senior note, 9.75%, 2/15/20	United States	1,400,000	1,435,000
Sanchez Energy Corp., senior note, 7.75%, 6/15/21	United States	900,000	1,003,500
b144A, 6.125%, 1/15/23	United States	200,000	207,500
W&T Offshore Inc., senior note, 8.50%, 6/15/19	United States	1,200,000	1,290,000
			48,405,564
Food, Beverage & Tobacco 2.7%			
Constellation Brands Inc., senior note, 4.25%, 5/01/23	United States	500,000	506,250
Del Monte Corp., senior note, 7.625%, 2/15/19	United States	1,072,000	1,108,180
bDole Food Co. Inc., senior secured note, 144A, 7.25%, 5/01/19	United States	800,000	807,000
bJBS USA LLC/Finance Inc., senior bond, 144A, 5.875%, 7/15/24	United States	600,000	603,000
senior note, 144A, 8.25%, 2/01/20	United States	300,000	324,450
senior note, 144A, 7.25%, 6/01/21	United States	700,000	750,750
Post Holdings Inc., senior note, 7.375%, 2/15/22	United States	800,000	842,000
b144A, 6.75%, 12/01/21	United States	500,000	510,625
b144A, 6.00%, 12/15/22	United States	100,000	98,625
			5,550,880
Health Care Equipment & Services 5.2%			
Alere Inc., senior note, 7.25%, 7/01/18	United States	900,000	954,000
senior sub. note, 6.50%, 6/15/20	United States	100,000	101,625
bAmSurg Corp., senior note, 144A, 5.625%, 7/15/22	United States	200,000	205,500
Aviv Healthcare Properties LP/Aviv Healthcare Capital Corp., senior note, 7.75%, 2/15/19	United States	1,000,000	1,061,250
6.00%, 10/15/21	United States	100,000	105,875
CHS/Community Health Systems Inc., senior note, 8.00%, 11/15/19	United States	900,000	981,000

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senior note, 7.125%, 7/15/20	United States	400,000	433,500
bsenior note, 144A, 6.875%, 2/01/22	United States	200,000	213,500
senior secured note, 5.125%, 8/15/18	United States	600,000	625,500
DaVita HealthCare Partners Inc.,			
senior bond, 5.125%, 7/15/24	United States	400,000	406,500
senior note, 5.75%, 8/15/22	United States	500,000	535,000
ExamWorks Group Inc., senior note, 9.00%, 7/15/19	United States	800,000	868,000
HCA Inc.,			
senior note, 6.50%, 2/15/16	United States	1,400,000	1,489,250
senior note, 5.875%, 5/01/23	United States	800,000	854,000
senior secured note, 5.875%, 3/15/22	United States	600,000	654,000
Tenet Healthcare Corp., senior note,			
8.125%, 4/01/22	United States	1,000,000	1,153,750
b144A, 5.00%, 3/01/19	United States	300,000	304,500
			10,946,750

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FRANKLIN UNIVERSAL TRUST
STATEMENT OF INVESTMENTS

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Materials 10.1%			
ArcelorMittal, senior note, 6.00%, 3/01/21	Luxembourg	900,000 \$	972,648
bArdagh Packaging Finance PLC, senior note, 144A, 9.125%, 10/15/20	Luxembourg	500,000	551,250
bArdagh Packaging Finance PLC/Ardagh MP Holdings USA Inc., senior note, 144A, 6.25%, 1/31/19	Luxembourg	200,000	202,500
7.00%, 11/15/20	Luxembourg	88,235	90,441
6.75%, 1/31/21	Luxembourg	200,000	205,625
6.00%, 6/30/21	Luxembourg	500,000	499,063
bBarmingo Finance Pty. Ltd., senior note, 144A, 9.00%, 6/01/18	Australia	800,000	728,500
bBlueScope Steel Ltd./BlueScope Steel Finance, senior note, 144A, 7.125%, 5/01/18	Australia	1,400,000	1,498,000
bCemex Finance LLC, senior secured note, 144A, 6.00%, 4/01/24	Mexico	600,000	625,500
bCemex SAB de CV, senior secured note, 144A, 9.00%, 1/11/18	Mexico	1,500,000	1,602,187
bConstellium NV, senior note, 144A, 5.75%, 5/15/24	Netherlands	1,300,000	1,355,250
bEldorado Gold Corp., senior note, 144A, 6.125%, 12/15/20	Canada	1,000,000	1,037,500
bFirst Quantum Minerals Ltd., senior note, 144A, 6.75%, 2/15/20	Canada	631,000	657,818
7.00%, 2/15/21	Canada	631,000	665,705
bFMG Resources (August 2006) Pty. Ltd., senior note, 144A, 6.875%, 2/01/18	Australia	1,000,000	1,054,060
8.25%, 11/01/19	Australia	300,000	329,625
bIneos Finance PLC, senior secured note, 144A, 7.50%, 5/01/20	Switzerland	800,000	866,500
bIneos Group Holdings SA, senior note, 144A, 6.125%, 8/15/18	Switzerland	300,000	310,875
5.875%, 2/15/19	Switzerland	200,000	205,125
Novelis Inc., senior note, 8.75%, 12/15/20	Canada	700,000	777,875
Olin Corp., senior bond, 5.50%, 8/15/22	United States	1,600,000	1,688,000
bPolymer Group Inc., senior note, 144A, 6.875%, 6/01/19	United States	300,000	304,500
bRain CII Carbon LLC/CII Carbon Corp., second lien, 144A, 8.25%, 1/15/21	United States	500,000	527,500
Reynolds Group Issuer Inc./LLC/SA, first lien, 5.75%, 10/15/20	United States	500,000	525,000
senior note, 8.50%, 5/15/18	United States	1,000,000	1,047,500
senior note, 9.00%, 4/15/19	United States	200,000	211,000
senior note, 9.875%, 8/15/19	United States	100,000	111,375

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senior note, 8.25%, 2/15/21	United States	700,000	767,375
bSealed Air Corp., senior note, 144A, 8.125%, 9/15/19	United States	400,000	439,000
6.50%, 12/01/20	United States	400,000	442,000
8.375%, 9/15/21	United States	300,000	339,000
bU.S. Coatings Acquisition Inc./Flash Dutch 2 BV, senior note, 144A, 7.375%, 5/01/21	United States	500,000	547,500
			21,185,797
Media 8.1%			
Cablevision Systems Corp., senior note, 8.625%, 9/15/17	United States	700,000	799,750
CCO Holdings LLC/CCO Holdings Capital Corp., senior bond, 5.25%, 9/30/22	United States	800,000	815,000
Clear Channel Communications Inc., senior secured bond, first lien, 9.00%, 3/01/21	United States	1,300,000	1,353,625
Clear Channel Worldwide Holdings Inc., senior note, 6.50%, 11/15/22	United States	500,000	537,500
senior sub. note, 7.625%, 3/15/20	United States	700,000	752,500
CSC Holdings LLC, senior note, 6.75%, 11/15/21	United States	700,000	772,625
b144A, 5.25%, 6/01/24	United States	200,000	198,500

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FRANKLIN UNIVERSAL TRUST

STATEMENT OF INVESTMENTS

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Media (continued)			
DISH DBS Corp., senior note, 7.125%, 2/01/16	United States	1,000,000 \$	1,070,000
6.75%, 6/01/21	United States	700,000	784,840
Gannett Co. Inc., bsenior bond, 144A, 6.375%, 10/15/23	United States	900,000	958,500
senior note, 5.125%, 7/15/20	United States	800,000	822,000
bThe Nielsen Co. (Luxembourg) S.A.R.L., senior note, 144A, 5.50%, 10/01/21	United States	400,000	415,250
bNielsen Finance LLC/Co., senior note, 144A, 5.00%, 4/15/22	United States	500,000	507,187
bRadio One Inc., senior sub. note, 144A, 9.25%, 2/15/20	United States	400,000	418,000
bSirius XM Radio Inc., senior bond, 144A, 6.00%, 7/15/24	United States	800,000	834,000
bUnivision Communications Inc., senior secured bond, 144A, 6.75%, 9/15/22	United States	358,000	394,695
senior secured note, 144A, 6.875%, 5/15/19	United States	1,000,000	1,062,500
senior secured note, 144A, 7.875%, 11/01/20	United States	200,000	219,000
bUPCB Finance III Ltd., senior secured note, 144A, 6.625%, 7/01/20	Netherlands	1,100,000	1,168,750
bVirgin Media Finance PLC, senior bond, 144A, 6.375%, 4/15/23	United Kingdom	300,000	321,000
bVirgin Media Secured Finance PLC, senior secured bond, first lien, 144A, 5.50%, 1/15/25	United Kingdom	800,000	825,500
bVTR Finance BV, senior secured note, 144A, 6.875%, 1/15/24	Chile	600,000	645,000
bWMG Acquisition Corp., secured note, 144A, 6.00%, 1/15/21	United States	1,190,000	1,243,550
senior note, 144A, 5.625%, 4/15/22	United States	100,000	102,750
			17,022,022
Pharmaceuticals, Biotechnology & Life Sciences 2.5%			
binVentiv Health Inc., senior secured note, 144A, 9.00%, 1/15/18	United States	300,000	315,000
b,fJaguar Holding Co. I, senior note, 144A, PIK, 9.375%, 10/15/17	United States	1,100,000	1,134,375
bJaguar Holding Co. II/Merger Sub Inc., senior note, 144A, 9.50%, 12/01/19	United States	400,000	436,500
Par Pharmaceutical Cos. Inc., senior note, 7.375%, 10/15/20	United States	1,600,000	1,704,000
bValeant Pharmaceuticals International Inc., senior note, 144A, 7.50%, 7/15/21	United States	300,000	328,125
5.625%, 12/01/21	United States	200,000	203,750
bVPI Escrow Corp., senior note, 144A, 6.375%, 10/15/20	United States	1,100,000	1,155,000
			5,276,750

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Retailing 0.7%

bAmerican Builders & Contractors Supply Co. Inc., senior note, 144A, 5.625%, 4/15/21	United States	900,000	918,000
bNew Look Bondco I PLC, secured note, 144A, 8.375%, 5/14/18	United Kingdom	600,000	639,750
			1,557,750

Software & Services 2.5%

bBMC Software Finance Inc., senior note, 144A, 8.125%, 7/15/21	United States	1,100,000	1,116,500
Equinix Inc., senior bond, 5.375%, 4/01/23	United States	1,300,000	1,332,500
First Data Corp., senior bond, 12.625%, 1/15/21	United States	900,000	1,102,500
senior note, 11.25%, 1/15/21	United States	136,000	158,440
b senior secured bond, 144A, 8.25%, 1/15/21	United States	900,000	985,500
Sterling International Inc., senior note, 11.00%, 10/01/19	United States	500,000	535,000
			5,230,440

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FRANKLIN UNIVERSAL TRUST
STATEMENT OF INVESTMENTS

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Technology Hardware & Equipment 1.0%			
bAlcatel-Lucent USA Inc., senior note, 144A, 6.75%, 11/15/20	France	1,200,000 \$	1,275,000
bBlackboard Inc., senior note, 144A, 7.75%, 11/15/19	United States	400,000	411,000
b, fCommScope Holdings Co. Inc., senior note, 144A, PIK, 6.625%, 6/01/20	United States	400,000	429,000
			2,115,000
Telecommunication Services 7.1%			
CenturyLink Inc., senior bond, 6.75%, 12/01/23	United States	300,000	333,187
bDigicel Group Ltd., senior note, 144A, 8.25%, 9/30/20	Bermuda	900,000	974,250
bDigicel Ltd., senior note, 144A, 6.00%, 4/15/21	Bermuda	500,000	516,250
beAccess Ltd., senior note, 144A, 8.25%, 4/01/18	Japan	700,000	752,937
Frontier Communications Corp., senior note, 8.50%, 4/15/20	United States	800,000	934,000
9.25%, 7/01/21	United States	200,000	237,750
8.75%, 4/15/22	United States	700,000	819,000
Intelsat Jackson Holdings SA, senior bond, 6.625%, 12/15/22	Luxembourg	500,000	525,000
senior note, 7.25%, 10/15/20	Luxembourg	200,000	214,500
senior note, 7.50%, 4/01/21	Luxembourg	1,500,000	1,629,375
bMillicom International Cellular SA, senior note, 144A, 6.625%, 10/15/21	Luxembourg	900,000	982,125
bSprint Corp., senior bond, 144A, 7.125%, 6/15/24	United States	200,000	204,750
senior note, 144A, 7.875%, 9/15/23	United States	500,000	537,500
bSprint Nextel Corp., senior note, 144A, 9.00%, 11/15/18	United States	2,000,000	2,382,500
7.00%, 3/01/20	United States	500,000	560,000
T-Mobile USA Inc., senior bond, 6.50%, 1/15/24	United States	200,000	208,500
senior note, 6.542%, 4/28/20	United States	800,000	843,000
senior note, 6.125%, 1/15/22	United States	100,000	104,000
bWind Acquisition Finance SA, senior secured note, 144A, 7.375%, 4/23/21	Italy	1,700,000	1,802,000
first lien, 4.75%, 7/15/20	Italy	300,000	302,438
			14,863,062
Transportation 1.6%			

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bFlorida East Coast Holdings Corp., secured note, first lien, 144A, 6.75%, 5/01/19	United States	400,000	423,000
senior note, 144A, 9.75%, 5/01/20	United States	200,000	212,500
Hertz Corp., senior note, 7.50%, 10/15/18	United States	600,000	627,750
6.75%, 4/15/19	United States	1,000,000	1,053,750
bStena AB, senior bond, 144A, 7.00%, 2/01/24	Sweden	500,000	531,250
bStena International SA, secured bond, 144A, 5.75%, 3/01/24	Sweden	500,000	514,375
			3,362,625

Utilities 2.0%

Calpine Corp., senior bond, 5.75%, 1/15/25	United States	1,300,000	1,314,625
bsenior secured note, 144A, 7.875%, 1/15/23	United States	408,000	454,920
bInterGen NV, secured bond, 144A, 7.00%, 6/30/23	Netherlands	1,000,000	1,020,000
bNGL Energy Partners LP/NGL Energy Finance Corp., senior note, 144A, 5.125%, 7/15/19	United States	200,000	203,000

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the Fund's Board of

Trustees. At August 31, 2014, the aggregate value of these securities was \$72,003,967, representing 34.34% of net assets.

^cPerpetual security with no stated maturity date.

^dSee Note 8 regarding defaulted securities.

^eThe coupon rate shown represents the rate at period end.

^fIncome may be received in additional securities and/or cash.

^gSee Note 1(b) regarding senior floating rate interests.

^hSecurity has been deemed illiquid because it may not be able to be sold within seven days.

ⁱSee Note 4(c) regarding investments in the Institutional Fiduciary Trust Money Market Portfolio.

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FRANKLIN UNIVERSAL TRUST

Financial Statements**Statement of Assets and Liabilities**

August 31, 2014

Assets:

Investments in securities:

Cost - Unaffiliated issuers	\$	217,311,340
Cost - Sweep Money Fund (Note 4c)		3,411,799
Total cost of investments	\$	220,723,139
Value - Unaffiliated issuers	\$	263,512,442
Value - Sweep Money Fund (Note 4c)		3,411,799
Total value of investments		266,924,241

Receivables:

Investment securities sold		205,545
Dividends and interest		3,724,192
Notes issuance costs (Note 3)		102,780
Total assets		270,956,758

Liabilities:

Payables:

Management fees		166,477
Transfer agent fees		44,216
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		64,654
Total liabilities		61,282,407

Net assets, at value	\$	209,674,351
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Net assets consist of:

Paid-in capital	\$	172,984,952
Undistributed net investment income		763,234
Net unrealized appreciation (depreciation)		46,201,102
Accumulated net realized gain (loss)		(10,274,937)
Net assets, at value	\$	209,674,351
Shares outstanding		25,131,894
Net asset value per share	\$	8.34

FRANKLIN UNIVERSAL TRUST

FINANCIAL STATEMENTS

Statement of Operations

for the year ended August 31, 2014

Investment income:		
Dividends	\$	3,233,946
Interest		12,464,476
Total investment income		15,698,422
Expenses:		
Management fees (Note 4a)		1,974,426
Interest expense (Note 3)		1,722,000
Transfer agent fees		58,913
Custodian fees (Note 5)		2,965
Reports to shareholders		44,350
Professional fees		53,474
Trustees' fees and expenses		21,752
Amortization of Notes issuance costs (Note 3)		23,978
Other		103,368
Total expenses		4,005,226
Expense reductions (Note 5)		(17)
Expenses waived/paid by affiliates (Note 4c)		(2,661)
Net expenses		4,002,548
Net investment income		11,695,874
Realized and unrealized gains (losses):		
Net realized gain (loss) from investments		5,159,324
Net change in unrealized appreciation (depreciation) on investments		13,470,954
Net realized and unrealized gain (loss)		18,630,278
Net increase (decrease) in net assets resulting from operations	\$	30,326,152

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FRANKLIN UNIVERSAL TRUST

FINANCIAL STATEMENTS

Statements of Changes in Net Assets

	Year Ended August 31,	
	2014	2013
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$ 11,695,874	\$ 10,848,364
Net realized gain (loss) from investments	5,159,324	3,400,837
Net change in unrealized appreciation (depreciation) on investments	13,470,954	705,274
Net increase (decrease) in net assets resulting from operations	30,326,152	14,954,475
Distributions to shareholders from net investment income	(11,874,820)	(11,460,144)
Net increase (decrease) in net assets	18,451,332	3,494,331
Net assets:		
Beginning of year	191,223,019	187,728,688
End of year	\$ 209,674,351	\$ 191,223,019
Undistributed net investment income included in net assets:		
End of year	\$ 763,234	\$ 914,109

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

Statement of Cash Flows

for the year ended August 31, 2014

Cash flow from operating activities:		
Dividends, interest and other income received	\$	15,781,645
Operating expenses paid		(2,228,536)
Interest expense paid		(1,722,000)
Purchases of long-term investments		(64,260,532)
Sales and maturities of long-term investments		46,722,953
Net sales of short-term investments		17,629,612
Cash provided – operating activities		11,923,142
Cash flow used from financing activities:		
Payment of Notes issuance costs		(86,039)
Distributions to shareholders		(11,837,122)
Cash used – financing activities		(11,923,161)
Net increase (decrease) in cash		(19)
Cash at beginning of year		19
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, 2014

Net increase (decrease) in net assets resulting from operating activities	\$	30,326,152
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		23,978
Net amortization income		(7,435)
Other investment transactions		152,451
Increase in dividends and interest receivable		(61,793)
Increase in payables to affiliates, accrued expenses, and other liabilities		28,034
Increase in cost of investments		(5,067,291)
Increase in unrealized appreciation on investments		(13,470,954)
Net cash provided by operating activities	\$	11,923,142

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, as amended, (1940 Act) as a closed-end management investment company.

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 net asset value.

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 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

FRANKLIN UNIVERSAL TRUST

NOTES TO FINANCIAL STATEMENTS

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.

Also, 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, 2014, 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 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 that certain dividends from foreign securities are recognized as soon as the Fund is notified of the ex-dividend date. 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 accounting principles generally accepted in the United States of America. 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.

e. Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements

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and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

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Annual Report

| 25

FRANKLIN UNIVERSAL TRUST

NOTES TO FINANCIAL STATEMENTS

1. Organization and Significant Accounting

Policies (continued)

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, 2014, there were an unlimited number of shares authorized (\$0.01 par value). During the years ended August 31, 2014 and August 31, 2013, there were no shares issued; all reinvested distributions were satisfied with previously issued shares purchased in the open market.

The Board previously authorized an open-market share repurchase program pursuant to which the Fund may purchase, from time to time, Fund shares in open-market transactions, at the discretion of management. This authorization remains in effect. During the years ended August 31, 2014 and August 31, 2013, 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, 2014, total interest expensed 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, 2014. 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, 2014, the Fund amortized \$23,978 of Notes issuance costs. Subject to certain restrictions and make whole premiums, the Fund may prepay the Notes at any time. At August 31, 2014, if the Notes were fully prepaid, the make whole premium related to the current balance of the Notes would have been approximately \$2,500,000.

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, 2014, the estimated fair value of the Notes was approximately \$61,040,000. 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:

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

FRANKLIN UNIVERSAL TRUST
NOTES TO FINANCIAL STATEMENTS

a. Management Fees

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.

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 the 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 on 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, 2014, 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, 2014, capital loss carryforwards were as follows:

Capital loss carryforwards subject to expiration:		
2017	\$	1,191,925
2018		9,083,012
Total capital loss carryforwards	\$	10,274,937

During the year ended August 31, 2014, the Fund utilized \$5,131,253 of capital loss carryforwards.