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DELTA REPORT

10-Q

BEN - FRANKLIN RESOURCES INC

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - DECEMBER 31, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	761
CHANGES	177
DELETIONS	198
ADDITIONS	386

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(MARK ONE)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended December 31, 2023 March 31, 2024

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-09318

FRANKLIN RESOURCES, INC.

(Exact name of registrant as specified in its charter)

Delaware	13-2670991
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.10 per share	BEN	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-accelerated Filer	☐	Smaller Reporting Company	☐
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

Number of shares of the registrant's common stock outstanding at January 22, 2024 April 22, 2024: 526,557,923. 526,091,302.

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INDEX TO FORM 10-Q

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

FRANKLIN RESOURCES, INC.

CONSOLIDATED STATEMENTS OF INCOME

Unaudited

		Three Months Ended December 31,			Three Months Ended March 31,		Six Months Ended March 31,	
(in millions, except per share data)	*(in millions, except per share data)*	**2023**	**2022**	*(in millions, except per share data)*	**2024**	**2023**	**2024**	**2023**
Operating Revenues								
Investment management fees								
Investment management fees								
Investment management fees								
Sales and distribution fees								
Shareholder servicing fees								
Other								
Total operating revenues								
Operating Expenses								
Compensation and benefits								
Compensation and benefits								
Compensation and benefits								
Sales, distribution and marketing								
Information systems and technology								
Occupancy								

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Amortization of intangible assets
General, administrative and other
Total operating expenses
Operating Income
Other Income (Expenses)
Investment and other income, net
Investment and other income, net
Investment and other income, net
Interest expense
Investment and other losses of consolidated investment products, net
Investment and other income of consolidated investment products, net
Expenses of consolidated investment products
Other income, net
Income before taxes
Taxes on income
Net income
Less: net income (loss) attributable to
Redeemable noncontrolling interests
Redeemable noncontrolling interests
Redeemable noncontrolling interests
Nonredeemable noncontrolling interests
Net Income Attributable to Franklin Resources, Inc.
Earnings per Share
Earnings per Share
Earnings per Share
Basic
Basic
Basic
Diluted

See Notes to Consolidated Financial Statements.

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FRANKLIN RESOURCES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Unaudited

		Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	*(in millions)*	**2024**	**2023**	**2024**	**2023**

	Three Months Ended December 31,	
(in millions)	**2023**	**2022**
Net Income		
Other Comprehensive Income		
Other Comprehensive Income (Loss)		
Currency translation adjustments, net of tax		
Currency translation adjustments, net of tax		

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Currency translation adjustments, net of tax
Net unrealized losses on defined benefit plans, net of tax
Total other comprehensive income
Total other comprehensive income
Total other comprehensive income
Net unrealized gains (losses) on defined benefit plans, net of tax
Net unrealized gains on investments, net of tax
Total other comprehensive income (loss)
Total comprehensive income
Less: comprehensive income (loss) attributable to
Redeemable noncontrolling interests
Redeemable noncontrolling interests
Redeemable noncontrolling interests
Nonredeemable noncontrolling interests
Comprehensive Income Attributable to Franklin Resources, Inc.

See Notes to Consolidated Financial Statements.

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FRANKLIN RESOURCES, INC.

CONSOLIDATED BALANCE SHEETS

Unaudited

(in millions, except share and per share data)	*(in millions, except share and per share data)*	**December 31, 2023**	**September 30, 2023**	*(in millions, except share and per share data)*	**March 31, 2024**	**September 30, 2023**
Assets						
Cash and cash equivalents						
Cash and cash equivalents						
Cash and cash equivalents						
Receivables						
Investments (including $894.2 and $872.8 at fair value at December 31, 2023 and September 30, 2023)						
Investments (including $899.7 and $872.8 at fair value at March 31, 2024 and September 30, 2023)						
Assets of consolidated investment products						
Cash and cash equivalents						
Cash and cash equivalents						
Cash and cash equivalents						
Investments, at fair value						
Property and equipment, net						
Goodwill						
Intangible assets, net						
Operating lease right-of-use assets						
Other						
Total Assets						
Liabilities						
Liabilities						
Liabilities						
Compensation and benefits						
Compensation and benefits						

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Compensation and benefits
Accounts payable and accrued expenses
Income taxes
Income taxes
Income taxes
Debt
Liabilities of consolidated investment products
Accounts payable and accrued expenses
Accounts payable and accrued expenses
Accounts payable and accrued expenses
Debt
Deferred tax liabilities
Operating lease liabilities
Other
Total liabilities
Commitments and Contingencies (Note 10)
Commitments and Contingencies (Note 11)
Redeemable Noncontrolling Interests
Stockholders' Equity
Preferred stock, $1.00 par value, 1,000,000 shares authorized; none issued
Preferred stock, $1.00 par value, 1,000,000 shares authorized; none issued
Preferred stock, $1.00 par value, 1,000,000 shares authorized; none issued
Common stock, $0.10 par value, 1,000,000,000 shares authorized; 494,734,214 and 495,937,891 shares issued and outstanding at December 31, 2023 and September 30, 2023
Common stock, $0.10 par value, 1,000,000,000 shares authorized; 526,185,104 and 495,937,891 shares issued and outstanding at March 31, 2024 and September 30, 2023
Capital in excess of par
Retained earnings
Accumulated other comprehensive loss
Total Franklin Resources, Inc. stockholders' equity
Nonredeemable noncontrolling interests
Total stockholders' equity
Total Liabilities, Redeemable Noncontrolling Interests and Stockholders' Equity

See Notes to Consolidated Financial Statements.

FRANKLIN RESOURCES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Unaudited

(in millions) for the three months ended December 31, 2023	Franklin Resources, Inc. Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Stockholders' Equity	Nonredeemable Noncontrolling Interests	Total Stockholders' Equity
Balance at October 1, 2023	**495.9**	**$ 49.6**	**$ —**	**$ 12,376.6**	**$ (509.3)**	**$ 11,916.9**	**$ 630.9**	**$ 12,547.8**
Net income (loss)				251.3		251.3	(4.5)	246.8
Other comprehensive income					59.0	59.0		59.0

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Dividends declared on common stock ($0.31 per share)				(167.6)		(167.6)		(167.6)
Repurchase of common stock	(2.4)	(0.2)	(66.6)	8.0		(58.8)		(58.8)
Issuance of common stock	1.2	0.1	26.7			26.8		26.8
Stock-based compensation			39.9			39.9		39.9
Net subscriptions and other							9.6	9.6
Adjustment to fair value of redeemable noncontrolling interests				(65.9)		(65.9)		(65.9)
Balance at December 31, 2023	**494.7**	**$ 49.5**	**$ —**	**$ 12,402.4**	**$ (450.3)**	**$ 12,001.6**	**$ 636.0**	**$ 12,637.6**

Franklin Resources, Inc.

(in millions) Common Stock Common Stock Capital in Excess of Par Value Accumulated Other Comprehensive Loss

for the three months ended December 31, 2022 Shares Stockholders' Equity

Franklin Resources, Inc.

Common Stock Non-redeemable Non-controlling Interests Total Stockholders' Equity

Non-redeemable Non-controlling Interests Total Stockholders' Equity

Franklin Resources, Inc.

Capital in Excess of Par Value Retained Earnings Accumulated Other Comprehensive Loss Stockh Equ

Balance at October 1, 2022

Net income

Net income

Net income

for the six months ended March 31, 2024

Capital in Excess of Par Value Accumulated Other Comprehensive Loss Shares Amount

Retained Earnings Stockholders' Equity

Balance at October 1, 2023

Net income (loss)

Non-redeemable Non-controlling Interests Total Stockholders' Equity

Other comprehensive income

Dividends declared on common stock ($0.30 per share)

Dividends declared on common stock ($0.31 per share)

Repurchase of common stock

Issuance of common stock

Stock-based compensation

Net subscriptions and other

Adjustment to fair value of redeemable noncontrolling interests

Balance at December 31, 2023

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Net income
Other comprehensive loss
Dividends declared on common stock ($0.31 per share)
Repurchase of common stock
Issuance of common stock
Stock-based compensation
Acquisition
Net subscriptions and other
Net deconsolidation of investment products
Balance at December 31, 2022
Adjustment to fair value of redeemable noncontrolling interests
Balance at March 31, 2024

See Notes to Consolidated Financial Statements.

	Franklin Resources, Inc.							
(in millions)	Common Stock							
for the six months ended March 31, 2023	**Shares**	**Amount**	**Capital in Excess of Par Value**	**Retained Earnings**	**Accumulated Other Comprehensive Loss**	**Stockholders' Equity**	**Non-redeemable Non-controlling Interests**	**Total Stockholders' Equity**
Balance at October 1, 2022	**499.6**	**$ 50.0**	**$ —**	**$ 12,045.6**	**$ (621.0)**	**$ 11,474.6**	**$ 824.3**	**$ 12,298.9**
Net income				165.6		165.6	3.5	169.1
Other comprehensive income					124.7	124.7		124.7
Dividends declared on common stock ($0.30 per share)				(153.6)		(153.6)		(153.6)
Repurchase of common stock	(0.5)	(0.1)	(69.1)	55.0		(14.2)		(14.2)
Issuance of common stock	1.2	0.1	33.5			33.6		33.6
Stock-based compensation			35.6			35.6		35.6
Net subscriptions and other							97.1	97.1

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Net deconsolidation of investment products							(35.7)	(35.7)
Balance at December 31, 2022	**500.3**	**$ 50.0**	**$ —**	**$ 12,112.6**	**$ (496.3)**	**$ 11,666.3**	**$ 889.2**	**$ 12,555.5**
Net income (loss)				194.2		194.2	(4.3)	189.9
Other comprehensive income					17.9	17.9		17.9
Dividends declared on common stock ($0.30 per share)				(153.8)		(153.8)		(153.8)
Repurchase of common stock	(0.1)	—	(66.0)	62.4		(3.6)		(3.6)
Issuance of common stock	0.7	0.1	25.2			25.3		25.3
Stock-based compensation			40.8			40.8		40.8
Net subscriptions and other							50.1	50.1
Net deconsolidation of investment products							(324.2)	(324.2)
Adjustment to fair value of redeemable noncontrolling interests				44.7		44.7		44.7
Balance at March 31, 2023	**500.9**	**$ 50.1**	**$ —**	**$ 12,260.1**	**$ (478.4)**	**$ 11,831.8**	**$ 610.8**	**$ 12,442.6**

See Notes to Consolidated Financial Statements.

FRANKLIN RESOURCES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited

		Three Months Ended December 31,			**Six Months Ended March 31,**	
(in millions)	*(in millions)*	**2023**	**2022**	*(in millions)*	**2024**	**2023**
Net Income						
Net Income						
Net Income						
Adjustments to reconcile net income to net cash used in operating activities:						
Stock-based compensation						
Stock-based compensation						
Stock-based compensation						
Amortization of deferred sales commissions						
Depreciation and other amortization						
Amortization of intangible assets						
Net gains on investments						
Income from investments in equity method investees						
Net losses on investments of consolidated investment products						
Net (gains) losses on investments of consolidated investment products						
Net purchase of investments by consolidated investment products						
Deferred income taxes						
Other						
Changes in operating assets and liabilities:						
Decrease (increase) in receivables and other assets						
Decrease (increase) in receivables and other assets						
Decrease (increase) in receivables and other assets						
Increase in receivables and other assets						
Increase in receivables and other assets						

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Increase in receivables and other assets
Decrease (increase) in investments, net
Decrease in accrued compensation and benefits
Increase in income taxes payable
Increase (decrease) in accounts payable, accrued expenses and other liabilities
Increase in accounts payable and accrued expenses of consolidated investment products
Decrease in income taxes payable
Increase in accounts payable, accrued expenses and other liabilities
Increase (decrease) in accounts payable and accrued expenses of consolidated investment products
Net cash used in operating activities
Purchase of investments
Liquidation of investments
Purchase of investments by consolidated collateralized loan obligations
Liquidation of investments by consolidated collateralized loan obligations
Additions of property and equipment, net
Acquisitions, net of cash acquired
Acquisitions, net of cash acquired (including $281.4 in cash and cash equivalents of consolidated investment products in fiscal year 2024)
Payments of contingent consideration asset
Payments of deferred consideration liability
Net deconsolidation of investment products
Net consolidation (deconsolidation) of investment products
Net cash used in investing activities

[Table continued on next page]

See Notes to Consolidated Financial Statements.

FRANKLIN RESOURCES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited

[Table continued from previous page]

		Three Months Ended December 31,			Six Months Ended March 31,	
(in millions)	*(in millions)*	2023	2022	*(in millions)*	2024	2023
Dividends paid on common stock						
Dividends paid on common stock						
Issuance of common stock						
Issuance of common stock						
Issuance of common stock						
Dividends paid on common stock						
Repurchase of common stock						
Proceeds from repurchase agreement						
Proceeds from repurchase agreement						
Proceeds from repurchase agreement						
Proceeds from debt of consolidated investment products						
Payments on debt of consolidated investment products						
Payments on contingent consideration liabilities						
Noncontrolling interests						
Net cash (used in) provided by financing activities						

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Net cash provided by financing activities	
Effect of exchange rate changes on cash and cash equivalents	
Decrease in cash and cash equivalents	
Cash and cash equivalents, beginning of period	
Cash and Cash Equivalents, End of Period	
Supplemental Disclosure of Cash Flow Information	
Supplemental Disclosure of Cash Flow Information	
Supplemental Disclosure of Cash Flow Information	
Cash paid for income taxes	
Cash paid for income taxes	
Cash paid for income taxes	
Cash paid for interest	
Cash paid for interest by consolidated investment products	

See Notes to Consolidated Financial Statements.

FRANKLIN RESOURCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December March 31, 2023 2024
(Unaudited)

Note 1 – Basis of Presentation

The unaudited interim financial statements of Franklin Resources, Inc. ("Franklin") and its consolidated subsidiaries (collectively, the "Company") included herein have been prepared in accordance with the instructions to Form 10-Q and the rules and regulations of the U.S. Securities and Exchange Commission. Under these rules and regulations, some information and footnote disclosures normally included in financial statements prepared under accounting principles generally accepted in the United States of America have been shortened or omitted. Management believes that all adjustments necessary for a fair statement of the financial position and the results of operations for the periods shown have been made. All adjustments are normal and recurring. Management also believes that the accounting estimates are appropriate, and the resulting balances are reasonable; however, due to the inherent uncertainties in making estimates, actual amounts may differ from these estimates. These financial statements should be read together with the Company's audited financial statements included in its Annual Report on Form 10-K for the fiscal year ended September 30, 2023 ("fiscal year 2023").

During the quarter ended March 31, 2024, the Company identified that it did not eliminate the investment income from certain consolidated limited partnerships for the fiscal year ended September 30, 2023, resulting in offsetting adjustments to investment and other income, net and net income attributable to nonredeemable noncontrolling interest. The Company is not entitled to the economic returns associated with the underlying investments held by these limited partnerships.

There is no impact on operating income, net income attributable to Franklin Resources, Inc., earnings per share, total assets, total liabilities, retained earnings or total shareholders' equity. There is no impact on the financial results attributable to the Company's shareholders. The Company has determined this did not result in a material misstatement to its previously issued consolidated financial statements. For comparability, the Company has revised the comparative prior period amounts included in the consolidated statements of income, consolidated statements of stockholders' equity, consolidated statements of cash flows, and related footnote disclosures.

The impacts on the consolidated statements of income for the three and six months ended March 31, 2023 are as follows:

(in millions)	Three Months Ended March 31, 2023			Six Months Ended March 31, 2023		
	As Reported	Adjustments	As Revised	As Reported	Adjustments	As Revised
Operating Income	$ 255.1	$ —	$ 255.1	$ 449.1	$ —	$ 449.1
Other income, net						
Investment and other income, net	125.6	(65.0)	60.6	216.7	(66.2)	150.5
Other income, net	175.9	(65.0)	110.9	211.0	(66.2)	144.8
Income before taxes	431.0	(65.0)	366.0	660.1	(66.2)	593.9
Net income	338.1	(65.0)	273.1	506.9	(66.2)	440.7
Less: net income (loss) attributable to nonredeemable noncontrolling interest	60.7	(65.0)	(4.3)	65.4	(66.2)	(0.8)
Net Income Attributable to Franklin Resources, Inc.	194.2	—	194.2	359.8	—	359.8

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The impact on the consolidated statement of cash flows for the six months ended March 31, 2023 are as follows:

(in millions)	Six Months Ended March 31, 2023		
	As Reported	Adjustments	As Revised
Net cash used in operating activities	$ (289.7)	$ (39.9)	$ (329.6)
Net cash used in investing activities	(2,195.0)	(26.3)	(2,221.3)
Net cash provided by financing activities	1,920.6	66.2	1,986.8
Decrease to cash and cash equivalents	(503.9)	—	(503.9)

Note 2 – **New Accounting Guidance**

Accounting Guidance Not Yet Adopted

In November 2023, the Financial Accounting Standards Board ("FASB") issued an amendment to the existing segment reporting guidance. The amendment requires annual and interim disclosures of significant segment expenses that are regularly provided to the chief operating decision maker by reportable segment and clarifies that single reportable segment entities are required to apply all existing segment disclosures in the guidance. The amendment is effective for the Company on October 1, 2024, and is retrospectively applicable to all prior periods presented in its consolidated financial statements. The Company is currently evaluating the impact that the adoption will have on its consolidated financial statements.

In December 2023, the FASB issued an amendment to the existing income taxes guidance. The amendment requires the disclosure of additional information with respect to the reconciliation of the effective tax rate to the statutory rate for federal, state, and foreign income taxes and requires greater detail about significant reconciling items in the reconciliation. Additionally, the amendment requires disaggregated information pertaining to taxes paid, net of refunds received, for federal, state, and foreign income taxes. The amendment allows for either a prospective or retrospective approach on adoption and is effective for the Company on October 1, 2025. The Company is currently evaluating the impact that the adoption will have on its consolidated financial statements and has not yet determined its transition approach.

Note 3 – **Acquisition**

Putnam Investments

On January 1, 2024, the Company acquired Putnam Investments ("Putnam") from Great-West Lifeco Inc. ("Great-West") for 31.6[1] million shares of its common stock, cash consideration paid at close of $221.7 million for investments and other purchase-related amounts, and deferred cash consideration of $100.0 million to be paid during the third quarter of fiscal year 2024. The cash consideration paid at close was funded from existing cash and we expect to fund the deferred cash consideration from existing cash and sources of liquidity. See below for a summary of the total purchase consideration transferred at closing:

(in millions)	Total
Equity consideration[1, 2]	$ 940.1
Cash consideration	221.7
Deferred cash consideration	100.0
Less: Other adjustments[3]	(30.2)
Total Purchase Consideration	**$ 1,231.6**

1 Excludes shares to be granted under a deferred compensation program.

2 Market price on closing date of $29.79.

3 Primarily relates to payments treated as future compensation expense.

Great-West became a long-term shareholder of the Company with an approximate 6.0% stake in the common stock of the Company as of the acquisition date. Shares representing 4.9% of the Company's outstanding Common Stock at closing are subject to a five-year lock-up, and the remaining shares are subject to a 180-day lock-up following the date of closing.

The acquisition of Putnam accelerates the Company's growth in the retirement sector by increasing the amount of the Company's defined contribution AUM and expanding insurance assets, further strengthening the Company's presence in these key market segments to better serve clients.

The following table summarizes the estimated fair value amounts recognized for the assets acquired and liabilities assumed and resulting goodwill as of the acquisition date. The issuance of common stock consideration represents a non-cash financing activity related to the statement of cash flows.

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(in millions)

as of January 1, 2024	Estimated Fair Value
Cash and cash equivalents	$ 101.1
Receivables	118.9
Investments	111.2
Assets of consolidated investment products	
Cash and cash equivalents	281.4
Investments, at fair value	849.5
Property and equipment	87.1
Goodwill	189.8
Indefinite-lived intangible assets	542.5
Definite-lived intangible asset	52.9
Operating lease right-of-use assets	109.2
Other assets	20.4
Compensation and benefits	(57.8)
Accounts payable and accrued expenses	(40.9)
Liabilities of consolidated investment products	
Accounts payable and accrued expenses	(259.6)
Debt	(706.8)
Operating lease liabilities	(109.2)
Other liabilities	(12.1)
Redeemable noncontrolling interests	(20.2)
Nonredeemable noncontrolling interests	(25.8)
Total Identifiable Net Assets	**$ 1,231.6**

The purchase price allocation is preliminary and subject to change during the measurement period, which is not to exceed one year from the acquisition date. At this time, the Company does not expect material changes to the assets acquired or liabilities assumed.

The goodwill is primarily attributable to expected growth opportunities from the combined operations and is expected to be deductible for tax purposes. The definite-lived intangible asset relates to trade name, which is amortized over its estimated useful life of 10.0 years. Amortization expense related to the trade name was $1.3 million for the period ended March 31, 2024. The estimated remaining amortization expense is $5.3 million per year.

Transaction costs incurred in connection with the acquisition were $17.8 million for the six months ended March 31, 2024. These costs are primarily comprised of professional fees, recorded in general, administrative and other expenses. The Company also incurred $103.0 million of acquisition-related compensation and benefits expense during the period, primarily related to the acceleration of expense for historical Putnam compensation arrangements, retention bonuses and termination benefits.

In addition, the Company will pay up to $375.0 million between the third and seventh anniversaries of the closing date related to revenue growth targets from the strategic partnership with Great-West and its affiliates which will be recognized in operating income.

Operating revenues of the acquired business from January 1, 2024 through March 31, 2024 were approximately $210 million. Net Income is not available to be separately reported due to the ongoing integration of the combined businesses.

Note 4 – Earnings per Share

The components of basic and diluted earnings per share were as follows:

(in millions, except per share data)

(in millions, except per share data)	*(in millions, except per share data)*	Three Months Ended December 31, 2023	2022	*(in millions, except per share data)*	*(in millions, except per share data)*	Three Months Ended March 31, 2024	2023	Six Months Ended March 31, 2024	2023
Net income attributable to Franklin Resources, Inc.									
Less: allocation of earnings to participating nonvested stock and stock unit awards									

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Net Income Available to Common Stockholders	
Weighted-average shares outstanding – basic	
Weighted-average shares outstanding – basic	
Weighted-average shares outstanding – basic	
Dilutive effect of nonparticipating nonvested stock unit awards	
Weighted-Average Shares Outstanding – Diluted	
Earnings per Share	
Earnings per Share	
Earnings per Share	
Basic	
Basic	
Basic	
Diluted	

Nonparticipating nonvested stock unit awards excluded from the calculation of diluted earnings per share because their effect would have been antidilutive were insignificant for the three and six months ended December 31, 2023 March 31, 2024 and 2022. 2023.

Note 4 5 – Revenues

Operating revenues by geographic area were as follows:

(in millions)	*(in millions)*	United States	Luxembourg	Asia-Pacific	Americas Excluding United States	Europe, Middle East and Africa, Excluding Luxembourg	Total	*(in millions)*	United States	Luxembourg	Asia-Pacific	Americas Excluding United States	Europe, Middle East and Africa, Excluding Luxembourg	Total
for the three months ended December 31, 2023														
for the three months ended March 31, 2024														
Investment management fees														
Investment management fees														
Investment management fees														
Sales and distribution fees														
Shareholder servicing fees														
Other														
Total														

(in millions)	*(in millions)*	United States	Luxembourg	Asia-Pacific	Americas Excluding United States	Europe, Middle East and Africa, Excluding Luxembourg	Total	*(in millions)*	United States	Luxembourg	Asia-Pacific	Americas Excluding United States	Europe, Middle East and Africa, Excluding Luxembourg	Total
for the three months ended December 31, 2022														
for the six months ended March 31, 2024														
Investment management fees														
Investment management fees														
Investment management fees														
Sales and distribution fees														
Shareholder servicing fees														
Other														
Total														

(in millions) **for the three months ended March 31, 2023**	United States	Luxembourg	Asia-Pacific	Americas Excluding United States	Europe, Middle East and Africa, Excluding Luxembourg	Total
Investment management fees	$ 1,165.8	$ 196.6	$ 82.5	$ 56.3	$ 72.1	$ 1,573.3

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Sales and distribution fees	212.4	73.6	5.0	10.4	—	301.4
Shareholder servicing fees	34.6	7.8	0.7	0.2	—	43.3
Other	8.5	0.3	0.1	—	0.3	9.2
Total	**$ 1,421.3**	**$ 278.3**	**$ 88.3**	**$ 66.9**	**$ 72.4**	**$ 1,927.2**

(in millions) **for the six months ended March 31, 2023**	**United States**	**Luxembourg**	**Asia-Pacific**	**Americas Excluding United States**	**Europe, Middle East and Africa, Excluding Luxembourg**	**Total**
Investment management fees	$ 2,440.6	$ 378.4	$ 150.1	$ 108.1	$ 127.9	$ 3,205.1
Sales and distribution fees	420.6	142.0	10.0	20.7	—	593.3
Shareholder servicing fees	59.9	15.5	1.1	0.2	—	76.7
Other	18.2	0.3	0.4	—	0.3	19.2
Total	**$ 2,939.3**	**$ 536.2**	**$ 161.6**	**$ 129.0**	**$ 128.2**	**$ 3,894.3**

Operating revenues are attributed to geographic areas based on the locations of the subsidiaries that provide the services, which may differ from the regions in which the related investment products are sold.

Revenues earned from sponsored funds were 83% of the Company's total operating revenues for the three and six months ended December 31, 2023 March 31, 2024 and 2022. March 31, 2023.

Note 5 6 – Investments

The disclosures below include details of the Company's investments, excluding those of consolidated investment products ("CIPs"). See Note 7 8 – Consolidated Investment Products for information related to the investments held by these entities.

Investments consisted of the following:

(in millions)	*(in millions)*	**December 31, 2023**	**September 30, 2023**	*(in millions)*	**March 31, 2024**	**September 30, 2023**
Investments, at fair value						
Sponsored funds and separate accounts						
Sponsored funds and separate accounts						
Sponsored funds and separate accounts						
Investments related to long-term incentive plans						
Other equity and debt investments						
Total investments, at fair value						
Investments in equity method investees						
Other investments						
Total						

The Company has entered into repurchase agreements with a third-party financing company for certain investments held by the Company. As of December 31, 2023 March 31, 2024, other liabilities includes repurchase agreements of $167.9 $150.6 million with investments of $176.0 $158.2 million in carrying value pledged as collateral. The repurchase agreements have contractual maturity dates ranging between 2029 to 2035.

Note 6 7 – Fair Value Measurements

The disclosures below include details of the Company's fair value measurements, excluding those of CIPs. See Note 7 8 – Consolidated Investment Products for information related to fair value measurements of the assets and liabilities of these entities.

The assets and liabilities measured at fair value on a recurring basis were as follows:

(in millions) **as of December 31, 2023** **as of March 31, 2024**	*(in millions)*	**Level 1**	**Level 2**	**Level 3**	**NAV as a Practical Expedient**	**Total**	*(in millions)*	**Level 1**	**Level 2**	**Level 3**	**NAV as a Practical Expedient**	**Total**
Assets												

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Assets
Assets
Investments, at fair value
Investments, at fair value
Investments, at fair value
Sponsored funds and separate accounts
Sponsored funds and separate accounts
Sponsored funds and separate accounts
Investments related to long-term incentive plans
Other equity and debt investments
Total Assets Measured at Fair Value
Total Assets Measured at Fair Value
Total Assets Measured at Fair Value
Liabilities
Liabilities
Liabilities
Securities sold short
Securities sold short
Securities sold short
Contingent consideration liabilities
Total Liabilities Measured at Fair Value

(in millions) as of September 30, 2023	Level 1	Level 2	Level 3	NAV as a Practical Expedient	Total
Assets					
Investments, at fair value					
Sponsored funds and separate accounts	$ 356.5	$ 211.9	$ 18.5	$ 43.6	$ 630.5
Investments related to long-term incentive plans	168.2	—	—	23.4	191.6
Other equity and debt investments	3.4	11.3	3.3	32.7	50.7
Total Assets Measured at Fair Value	**$ 528.1**	**$ 223.2**	**$ 21.8**	**$ 99.7**	**$ 872.8**
Liabilities					
Securities sold short	$ 158.3	$ —	$ —	$ —	$ 158.3
Contingent consideration liabilities	—	—	55.0	—	55.0
Total Liabilities Measured at Fair Value	**$ 158.3**	**$ —**	**$ 55.0**	**$ —**	**$ 213.3**

Investments for which fair value was estimated using reported NAV as a practical expedient primarily consist of nonredeemable private equity, debt and infrastructure funds, and redeemable alternative credit, global equity and private real estate funds. These investments were as follows:

(in millions)	*(in millions)*	December 31, 2023	September 30, 2023	*(in millions)*	March 31, 2024	September 30, 2023
Nonredeemable investments[1]						
Investments with known liquidation periods						
Investments with known liquidation periods						
Investments with known liquidation periods						
Investments with unknown liquidation periods						
Redeemable investments[2]						
Redeemable investments[2]						
Redeemable investments[2]						
Unfunded commitments						

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Unfunded commitments

Unfunded commitments

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1 The investments are expected to be returned through distributions over the life of the funds as a result of liquidations of the funds' underlying assets. Investments with known liquidation periods have an expected weighted-average life of 3.1 2.6 years and 2.9 years at December 31, 2023 March 31, 2024 and September 30, 2023.

2 Investments are redeemable on a semi-monthly, monthly and quarterly basis.

Financial instruments that were not measured at fair value were as follows:

(in millions)	(in millions)	Fair Value Level	December 31, 2023 Carrying Value	December 31, 2023 Estimated Fair Value	September 30, 2023 Carrying Value	September 30, 2023 Estimated Fair Value	(in millions)	(in millions)	Fair Value Level	March 31, 2024 Carrying Value	March 31, 2024 Estimated Fair Value	September 30, 2023 Carrying Value	September 30, 2023 Estimated Fair Value
Financial Assets													
Cash and cash equivalents													
Cash and cash equivalents													
Cash and cash equivalents													
Other investments													
Time deposits													
Time deposits													
Time deposits													
Equity securities													
Financial Liability													
Financial Liability													
Financial Liability													
Debt													
Debt													
Debt													

Note 7 8 – Consolidated Investment Products

CIPs consist of mutual and other investment funds, limited partnerships and similar structures and CLOs, all of which are sponsored by the Company, and include both voting interest entities and variable interest entities ("VIEs"). The Company had 69 81 CIPs, including 19 22 CLOs, as of December 31, 2023 March 31, 2024 and 70 CIPs, including 20 CLOs, as of September 30, 2023.

The balances related to CIPs included in the Company's consolidated balance sheets were as follows:

(in millions)	(in millions)	December 31, 2023	September 30, 2023	(in millions)	March 31, 2024	September 30, 2023
Assets						
Cash and cash equivalents						
Cash and cash equivalents						
Cash and cash equivalents						
Receivables						
Investments, at fair value						
Total Assets						
Liabilities						
Liabilities						
Liabilities						
Accounts payable and accrued expenses						
Accounts payable and accrued expenses						
Accounts payable and accrued expenses						
Debt						

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Other liabilities
Total liabilities
Redeemable Noncontrolling Interests
Stockholders' Equity
Franklin Resources, Inc.'s interests
Franklin Resources, Inc.'s interests
Franklin Resources, Inc.'s interests
Nonredeemable noncontrolling interests
Total stockholders' equity
Total Liabilities, Redeemable Noncontrolling Interests and Stockholders' Equity

The CIPs did not have a significant impact on net income attributable to the Company during the three and six months ended December 31, 2023 March 31, 2024 and 2022. 2023.

The Company has no right to the CIPs' assets, other than its direct equity investments in them and investment management and other fees earned from them. The debt holders of the CIPs have no recourse to the Company's assets beyond the level of its direct investment; therefore the Company bears no other risks associated with the CIPs' liabilities.

Fair Value Measurements

Assets of CIPs measured at fair value on a recurring basis were as follows:

(in millions)	*(in millions)*	Level 1	Level 2	Level 3	NAV as a Practical Expedient	Total	*(in millions)*	Level 1	Level 2	Level 3	NAV as a Practical Expedient	Total
as of December 31, 2023												
as of March 31, 2024												
Assets												
Assets												
Assets												
Cash and cash equivalents of CLOs												
Cash and cash equivalents of CLOs												
Cash and cash equivalents of CLOs												
Receivables of CLOs												
Investments												
Equity and debt securities												
Equity and debt securities												
Equity and debt securities												
Loans												
Total Assets Measured at Fair Value												
Total Assets Measured at Fair Value												
Total Assets Measured at Fair Value												

(in millions) **as of September 30, 2023**	**Level 1**	**Level 2**	**Level 3**	**NAV as a Practical Expedient**	**Total**
Assets					
Cash and cash equivalents of CLOs	$ 352.3	$ —	$ —	$ —	$ 352.3
Receivables of CLOs	—	116.7	—	—	116.7
Investments					
Equity and debt securities	210.9	642.6	584.9	154.0	1,592.4
Loans	—	8,044.8	—	—	8,044.8
Total Assets Measured at Fair Value	**$ 563.2**	**$ 8,804.1**	**$ 584.9**	**$ 154.0**	**$ 10,106.2**

Investments for which fair value was estimated using reported NAV as a practical expedient consist of a redeemable global hedge U.S. equity fund, a redeemable U.S. equity global hedge fund and nonredeemable private equity debt funds. These investments were as follows:

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(in millions)	*(in millions)*	December 31, 2023	September 30, 2023	*(in millions)*	March 31, 2024	September 30, 2023
Nonredeemable investments[1]						
Investments with unknown liquidation periods						
Investments with unknown liquidation periods						
Investments with unknown liquidation periods						
Redeemable investments[2]						
Redeemable investments[2]						
Redeemable investments[2]						

1 The investments are expected to be returned through distributions over the life of the funds as a result of liquidations of the funds' underlying assets.

2 Investments are redeemable on a monthly basis and liquidation periods are unknown.

Changes in Level 3 assets were as follows:

(in millions) for the three months ended December 31, 2023	Equity and Debt Securities	Loans	Total Level 3 Assets
Balance at October 1, 2023	$ 584.9	$ —	$ 584.9
Losses included in investment and other losses of consolidated investment products, net	(38.1)	—	(38.1)
Purchases	3.8	—	3.8
Sales	(0.2)	—	(0.2)
Transfers into Level 3	1.1	0.6	1.7
Balance at December 31, 2023	**$ 551.5**	**$ 0.6**	**$ 552.1**
Change in unrealized losses included in net income relating to assets held at December 31, 2023	$ (37.8)	$ —	$ (37.8)

(in millions) for the three months ended March 31, 2024	Equity and Debt Securities
Balance at January 1, 2024	$ 551.5
Acquisition	29.6
Losses included in investment and other income of consolidated investment products, net	(0.1)
Purchases	22.8
Sales	(0.3)
Net deconsolidations	(12.5)
Balance at March 31, 2024	**$ 591.0**
Change in unrealized gains included in net income relating to assets held at March 31, 2024	$ —

(in millions) for the six months ended March 31, 2024	Equity and Debt Securities
Balance at October 1, 2023	$ 584.9
Acquisition	29.6
Losses included in investment and other income of consolidated investment products, net	(38.2)
Purchases	26.6
Sales	(0.5)
Net deconsolidations	(12.5)
Transfers into Level 3	1.1
Balance at March 31, 2024	**$ 591.0**
Change in unrealized losses included in net income relating to assets held at March 31, 2024	$ (37.6)

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(in millions) for the three months ended December 31, 2022	Equity and Debt Securities	Real Estate	Loans	Total Level 3 Assets
Balance at October 1, 2022	$ 555.8	$ 268.6	$ 239.4	$ 1,063.8
Gains (losses) included in investment and other losses of consolidated investment products, net	(6.3)	3.7	0.1	(2.5)
Purchases	9.0	85.7	27.5	122.2
Sales	(5.6)	—	(0.2)	(5.8)
Net (deconsolidations) and consolidations	2.9	—	(202.1)	(199.2)
Balance at December 31, 2022	**$ 555.8**	**$ 358.0**	**$ 64.7**	**$ 978.5**
Change in unrealized gains included in net income relating to assets held at December 31, 2022	$ 2.0	$ 3.7	$ 0.1	$ 5.8

(in millions) for the three months ended March 31, 2023	Equity and Debt Securities	Real Estate	Loans	Total Level 3 Assets
Balance at January 1, 2023	$ 555.8	$ 358.0	$ 64.7	$ 978.5
Losses included in investment and other income of consolidated investment products, net	(18.4)	(12.7)	—	(31.1)
Purchases	13.5	0.4	31.1	45.0
Sales	(19.4)	—	—	(19.4)
Net (deconsolidations) consolidations	7.5	(345.7)	(90.5)	(428.7)
Transfers into Level 3	—	—	3.1	3.1
Transfers out of Level 3	—	—	(5.3)	(5.3)
Balance at March 31, 2023	**$ 539.0**	**$ —**	**$ 3.1**	**$ 542.1**
Change in unrealized losses included in net income relating to assets held at March 31, 2023	$ (25.0)	$ —	$ —	$ (25.0)

(in millions) for the six months ended March 31, 2023	Equity and Debt Securities	Real Estate	Loans	Total Level 3 Assets
Balance at October 1, 2022	$ 555.8	$ 268.6	$ 239.4	$ 1,063.8
Gains (losses) included in investment and other income of consolidated investment products, net	(24.7)	(9.0)	0.1	(33.6)
Purchases	22.5	86.1	58.6	167.2
Sales	(25.0)	—	(0.2)	(25.2)
Net (deconsolidations) consolidations	10.4	(345.7)	(292.6)	(627.9)
Transfers into Level 3	—	—	3.1	3.1
Transfers out of Level 3	—	—	(5.3)	(5.3)
Balance at March 31, 2023	**$ 539.0**	**$ —**	**$ 3.1**	**$ 542.1**
Change in unrealized losses included in net income relating to assets held at March 31, 2023	$ (22.3)	$ —	$ —	$ (22.3)

Valuation techniques and significant unobservable inputs used in Level 3 fair value measurements were as follows:

(in millions) as of December 31, 2023	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range (Weighted Average[1])
Equity and debt securities	$ 290.4	Market pricing	Private sale pricing	$0.37–$1,000.00 ($27.23) per share
			Discount for lack of marketability	17.2%
	261.1	Market comparable companies	Enterprise value/ Revenue multiple	1.2–31.2 (15.5)
			Discount for lack of marketability	8.3%–12.0% (9.9%)

(in millions) as of March 31, 2024	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range (Weighted Average[1])
Equity and debt securities	$ 298.3	Market pricing	Private sale pricing	$0.37–$1,000.00 ($60.33) per share
			Discount for lack of marketability	18.8%–24.5% (22.2%)

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	248.7	Market comparable companies	Enterprise value/ Revenue multiple	1.5–22.4 (15.1)
			Discount for lack of marketability	7.4%–9.9% (8.8%)
	44.0	Discounted cash flow	Discount rate	6.4%

(in millions)

as of September 30, 2023	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range (Weighted Average[1])
Equity and debt securities	$ 346.0	Market pricing	Private sale pricing	$0.01–$1,000.00 ($23.88) per share
			Discount for lack of marketability	21.9%
	238.9	Market comparable companies	Enterprise value/ Revenue multiple	11.4–13.5 (12.1)
			Discount for lack of marketability	11.2%–13.6% (12.2%)

1 Based on the relative fair value of the instruments.

If the relevant significant inputs used in the market-based valuations, other than discount for lack of marketability, were independently higher (lower) as of December 31, 2023 March 31, 2024, the resulting fair value of the assets would be higher (lower). If the relevant significant inputs used in the discounted cash flow, as well as the discount for lack of marketability used in the market-based valuations, were independently higher (lower) as of December 31, 2023 March 31, 2024, the resulting fair value of the assets would be lower (higher).

Financial instruments of CIPs that were not measured at fair value were as follows:

				December 31, 2023	September 30, 2023						March 31, 2024	September 30, 2023	
(in millions)	*(in millions)*	Fair Value Level	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value	*(in millions)*	*(in millions)*	Fair Value Level	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial Asset													
Cash and cash equivalents													
Cash and cash equivalents													
Cash and cash equivalents													
Financial Liabilities													
Financial Liabilities													
Financial Liabilities													
Debt of CLOs[1]													
Debt of CLOs[1]													
Debt of CLOs[1]													
Other debt													

1 Substantially all was Level 2.

Debt

Debt of CIPs consisted of the following:

		December 31, 2023			September 30, 2023									
		March 31, 2024			September 30, 2023									
(in millions)	*(in millions)*	Amount		Weighted-Average Effective Interest Rate	Amount		Weighted-Average Effective Interest Rate	*(in millions)*	Amount		Weighted-Average Effective Interest Rate	Amount		Weighted-Average Effective Interest Rate
Debt of CLOs	Debt of CLOs	$7,839.6	7.41%	7.41%	$ 8,210.0	7.12%	7.12%	Debt of CLOs	$9,116.0	7.54%	7.54%	$8,210.0	7.12%	7.12%

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Other debt	Other debt	—	N/A	N/A		21.8	6.00%		6.00%	Other debt	15.0	5.57%	5.57%	21.8	6.00%	6.00%
Total														

The debt of CIPs had fixed and floating interest rates ranging from 2.39% 0.25% to 15.77% 15.86% at December 31, 2023 March 31, 2024, and from 2.39% to 15.49% at September 30, 2023. The floating rates were based on the Secured Overnight Financing Rate.

The contractual maturities for the debt of CIPs at December 31, 2023 March 31, 2024 were as follows:

(in millions) for the fiscal years ending September 30,		Amount
2024 (remainder of year)	$	59.8
2025		—
2026		—
2027		—
2028		—
Thereafter		7,779.8
Total	**$**	**7,839.6**

(in millions) for the fiscal years ending September 30,		Amount
2024 (remainder of year)	$	191.5
2025		15.0
2026		—
2027		—
2028		—
Thereafter		8,924.5
Total	**$**	**9,131.0**

Collateralized Loan Obligations

The unpaid principal balance and fair value of the investments of CLOs were as follows:

(in millions)	*(in millions)*	December 31, 2023	September 30, 2023	*(in millions)*	March 31, 2024	September 30, 2023
Unpaid principal balance						
Difference between unpaid principal balance and fair value						
Fair Value						

Investments 90 days or more past due were immaterial at December 31, 2023 March 31, 2024 and September 30, 2023.

The Company recognized $20.8 million $9.7 million and $30.5 million of net gains and $2.3 million of net losses during the three and six months ended December 31, 2023 March 31, 2024 and 2022, $4.8 million and $2.5 million of net gains during the three and six months ended March 31, 2023, related to its own economic interests in the CLOs. The aggregate principal amount due of the debt of CLOs was $7,811.1 $9,037.2 million and $8,281.5 million at December 31, 2023 March 31, 2024 and September 30, 2023.

Note 8 9 – Redeemable Noncontrolling Interests

Changes in redeemable noncontrolling interests were as follows:

(in millions)	*(in millions)*	2023				2022		*(in millions)*	2024			2023		
for the three months ended December 31,		CIPs	Minority Interests	Total	CIPs	Minority Interests	Total	*(in millions)*	CIPs	Minority Interests	Total	CIPs	Minority Interests	Total
for the three months ended March 31,														
Balance at beginning of period														
Balance at beginning of period														

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Balance at beginning of period
Net income (loss)
Net income
Net subscriptions (distributions) and other
Net consolidations (deconsolidations)
Acquisition
Adjustment to fair value
Balance at End of Period

(in millions)	2024			2023		
for the six months ended March 31,	**CIPs**	**Minority Interests**	**Total**	**CIPs**	**Minority Interests**	**Total**
Balance at beginning of period	$ 580.1	$ 446.0	$ 1,026.1	$ 942.2	$ 583.6	$ 1,525.8
Net income	29.8	22.5	52.3	58.0	23.7	81.7
Net subscriptions (distributions) and other	29.6	(15.9)	13.7	468.0	(47.7)	420.3
Net deconsolidations	(16.2)	—	(16.2)	(1,022.6)	—	(1,022.6)
Acquisition	20.2	—	20.2	—	—	—
Adjustment to fair value	—	157.8	157.8	—	(44.7)	(44.7)
Balance at End of Period	**$ 643.5**	**$ 610.4**	**$ 1,253.9**	**$ 445.6**	**$ 514.9**	**$ 960.5**

Note 9 10 – Nonconsolidated Variable Interest Entities

VIEs for which the Company is not the primary beneficiary consist of sponsored funds and other investment products in which the Company has an equity ownership interest. The Company's maximum exposure to loss from these VIEs consists of equity investments, investment management and other fee receivables as follows:

(in millions)	*(in millions)*	**December 31, 2023**	**September 30, 2023**	*(in millions)*	**March 31, 2024**	**September 30, 2023**
Investments						
Receivables						
Total						

While the Company has no legal or contractual obligation to do so, it routinely makes cash investments in the course of launching sponsored funds. As it has done in the past, the Company also may voluntarily elect to provide its sponsored funds with additional direct or indirect financial support based on its business objectives. The Company did not provide financial or other support to its sponsored funds assessed as VIEs during the three six months ended December 31, 2023 March 31, 2024 or fiscal year 2023.

Note 10 11 – Commitments and Contingencies

Legal Proceedings

India Credit Fund Closure Matters. During the three six months ended December 31, 2023 March 31, 2024, there were no significant changes from the disclosure in the Form 10-K for the fiscal year ended September 30, 2023.

Other Litigation Matters. The Company is from time to time involved in other litigation relating to claims arising in the normal course of business. Management is of the opinion that the ultimate resolution of such claims will not materially affect the Company's business, financial position, results of operations or liquidity. In management's opinion, an adequate accrual has been made as of December 31, 2023 March 31, 2024 to provide for any probable losses that may arise from such matters for which the Company could reasonably estimate an amount.

Indemnifications and Guarantees

In the ordinary course of business or in connection with certain acquisition agreements, the Company enters into contracts that provide for indemnifications by the Company in certain circumstances. In addition, certain Company entities guarantee certain financial and performance-related obligations of various Franklin subsidiaries. The Company is also subject to certain legal requirements and agreements providing for indemnifications of directors, officers and personnel against liabilities and expenses they may incur under certain circumstances in connection with their service. The terms of these indemnities and guarantees vary pursuant to applicable facts and circumstances, and from agreement to agreement. Future payments for claims against the Company under these indemnities or guarantees could negatively impact the Company's financial condition. In management's opinion, no material loss was deemed probable or reasonably possible pursuant to such indemnification agreements and/or guarantees as of December 31, 2023 March 31, 2024.

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Other Commitments and Contingencies

On November 1, 2023, the Company took possession of office space in New York City located at One Madison Avenue. At the time of possession, the Company recognized an operating lease right-of-use asset and a corresponding operating lease liability of $396.6 million. The lease agreement is over sixteen years with an aggregate expected commitment of $707.3 million and is part of a corporate initiative to consolidate existing office space in New York City.

At December 31, 2023 March 31, 2024, there were no other material changes in the other commitments and contingencies as reported in the Company's Annual Report on Form 10-K for fiscal year 2023.

Note 11 12 – Stock-Based Compensation

Stock and stock unit award activity was as follows:

(shares in thousands)	*(shares in thousands)*	Time-Based Shares	Performance-Based Shares	Total Shares	Weighted-Average Grant-Date Fair Value	*(shares in thousands)*	Time-Based Shares	Performance-Based Shares	Total Shares	Weighted-Average Grant-Date Fair Value
for the three months ended December 31, 2023										
for the six months ended March 31, 2024										
Nonvested balance at October 1, 2023										
Nonvested balance at October 1, 2023										
Nonvested balance at October 1, 2023										
Granted										
Vested										
Forfeited/canceled										
Nonvested Balance at December 31, 2023										
Nonvested Balance at March 31, 2024										

Total unrecognized compensation expense related to nonvested stock and stock unit awards was $280.0 $314.3 million at December 31, 2023 March 31, 2024. This expense is expected to be recognized over a remaining weighted-average vesting period of 2.0 2.1 years.

Note 13 - Subsequent Event

On January 1, 2024, the Company acquired Putnam Investments ("Putnam") from Great-West Lifeco Inc. ("Great-West") for 31.6 million shares of its common stock (excludes shares to be granted under deferred compensation program), cash consideration paid at close of approximately $220 million for investments and other purchase-related amounts, and deferred cash consideration of $100.0 million to be paid during the third quarter of fiscal year 2024.

In addition, the Company will pay up to $375.0 million between the third and seventh anniversaries of the closing date related to revenue growth targets from the strategic partnership with Great-West and its affiliates which will be recognized in operating income.

Note 12 13 – Investment and Other Income, Net

Investment and other income, net consisted of the following:

(in millions)	*(in millions)*	Three Months Ended December 31, 2023	2022	*(in millions)*	Three Months Ended March 31, 2024	2023	Six Months Ended March 31, 2024	2023
Dividend and interest income								
Gains on investments, net								
Gains (losses) on investments, net								
Income from investments in equity method investees								
Rental income								
Rental income								
Rental income								
Foreign currency exchange losses, net								
Other, net								
Investment and other income, net								

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Net gains recognized on equity securities measured at fair value and trading debt securities that were held by the Company were $68.5 $9.5 million and $86.1 million for the three and six months ended December 31, 2023 March 31, 2024 and $68.3 $13.1 million and $78.2 million for the three and six months ended December 31, 2022 March 31, 2023.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

FORWARD-LOOKING STATEMENTS

This Form 10-Q and the documents incorporated by reference herein may include forward-looking statements that reflect our current views with respect to future events, financial performance and market conditions. Such statements are provided under the "safe harbor" protection of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include all statements that do not relate solely to historical or current facts and generally can be identified by words or phrases written in the future tense and/or preceded by words such as "anticipate," "believe," "could," "depends," "estimate," "expect," "intend," "likely," "may," "plan," "potential," "seek," "should," "will," "would," or other similar words or variations thereof, or the negative thereof, but these terms are not the exclusive means of identifying such statements.

Forward-looking statements involve a number of known and unknown risks, uncertainties and other important factors that may cause actual results and outcomes to differ materially from any future results or outcomes expressed or implied by such forward-looking statements, including pandemic-related risks, market and volatility risks, investment performance and reputational risks, global operational risks, competition and distribution risks, third-party risks, technology and security risks, human capital risks, cash management risks, and legal and regulatory risks. The forward-looking statements contained in this Form 10-Q or that are incorporated by reference herein are qualified in their entirety by reference to the risks and uncertainties disclosed in this Form 10-Q and/or discussed under the headings "Risk Factors" and "Quantitative and Qualitative Disclosures About Market Risk" in our Annual Report on Form 10-K for the fiscal year ended September 30, 2023 ("fiscal year 2023").

While forward-looking statements are our best prediction at the time that they are made, you should not rely on them and are cautioned against doing so. Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other possible future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. They are neither statements of historical fact nor guarantees or assurances of future performance. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them.

If a circumstance occurs after the date of this Form 10-Q that causes any of our forward-looking statements to be inaccurate, whether as a result of new information, future developments or otherwise, we undertake no obligation to announce publicly the change to our expectations, or to make any revision to our forward-looking statements, to reflect any change in assumptions, beliefs or expectations, or any change in events, conditions or circumstances upon which any forward-looking statement is based, unless required by law.

In this section, we discuss and analyze the results of operations and financial condition of Franklin Resources, Inc. ("Franklin") and its subsidiaries (collectively, the "Company"). The following discussion should be read in conjunction with our Annual Report on Form 10-K for fiscal year 2023 filed with the U.S. Securities and Exchange Commission (the "SEC"), and the consolidated financial statements and notes thereto included in subsequent filings on Form 10-Q and elsewhere in this Form 10-Q.

OVERVIEW

Franklin is a holding company with subsidiaries operating under our Franklin Templeton® and/or subsidiary brand names. We are a global investment management organization that derives operating revenues and net income from providing investment management and related services to investors in jurisdictions worldwide. We deliver our investment capabilities through a variety of investment products, which include our sponsored funds, as well as institutional and high-net-worth separate accounts, retail separately managed account programs, sub-advised products, and other investment vehicles. Related services include fund administration, sales and distribution, and shareholder servicing. We may perform services directly or through third parties. We offer our services and products under our various distinct brand names, including, but not limited to, Franklin®, Templeton®, Legg Mason®, Alcentra®, Benefit Street Partners®, Brandywine Global Investment Management®, Clarion Partners®, ClearBridge Investments®, Fiduciary Trust International™, Franklin Bissett®, Franklin Mutual Series®, K2®, Lexington Partners®, Martin Currie®, O'Shaughnessy® Asset Management, Putnam®, Royce® Investment Partners and Western Asset Management Company®. We offer a broad product mix of fixed income, equity, alternative, multi-asset and cash management asset classes and solutions that meet a wide variety of specific investment goals and needs for individual and institutional investors. We also provide sub-advisory services to certain investment products sponsored by other companies which may be sold to investors under the brand names of those other companies or on a co-branded basis.

The level of our revenues depends largely on the level and relative mix of assets under management ("AUM"). As noted in the "Risk Factors" section of our Annual Report on Form 10-K for the fiscal year 2023, the amount and mix of our AUM are subject to significant fluctuations that can negatively impact our revenues and income. The level of our revenues also depends on the fees charged for our services, which are based on contracts with our funds and customers, fund sales, and the number of shareholder transactions and accounts. These arrangements could change in the future.

During our first second fiscal quarter, global equity markets provided positive returns, led by developed markets, reflecting strong corporate earnings in certain sectors and continued expectations that of interest rate increases have ended reductions, although likely slower and rate reductions will begin later in the calendar year 2024. than initially anticipated due to strong economic data. The S&P 500 Index and MSCI World Index increased 11.7% 10.6% and 11.5% 9.0% for the quarter. quarter and 23.5% and 21.6% for the fiscal year to date. The global bond markets were also positive as the Bloomberg Global Aggregate Index increased 8.1% decreased 2.1% during the quarter, reflecting the shift in interest rate expectations, but increased 5.9% for the fiscal year to date, reflecting strong positive returns in our first fiscal quarter.

Our total AUM at December 31, 2023 March 31, 2024 was $1,455.5 $1,644.7 billion, 6% 20% higher than at September 30, 2023 and 5% 16% higher than at December 31, 2022 March 31, 2023. Monthly average AUM ("average AUM") for the three and six months ended December 31, 2023 March 31, 2024 increased 3% 11% and 8% from the same

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period periods in the prior fiscal year.

On January 1, 2024, we acquired Putnam Investments ("Putnam"), a global asset management firm, from Great-West Lifeco Inc. ("Great-West").

The business and regulatory environments in which we operate globally remain complex, uncertain and subject to change. We are subject to various laws, rules and regulations globally that impose restrictions, limitations, registration, reporting and disclosure requirements on our business, and add complexity to our global compliance operations.

Uncertainties regarding the global economy remain for the foreseeable future. As we continue to confront the challenges of the current economic and regulatory environments, we remain focused on the investment performance of our products and on providing high quality service to our clients. We continuously perform reviews of our business model. While we remain focused on expense management, we will also seek to attract, retain and develop personnel and invest strategically in systems and technology that will provide a secure and stable environment. We will continue to seek to protect and further our brand recognition while developing and maintaining broker-dealer and client relationships. The success of these and other strategies may be influenced by the factors discussed in the "Risk Factors" section of our Annual Report on Form 10-K for the fiscal year 2023.

RESULTS OF OPERATIONS

(in millions, except per share data)	**Three Months Ended December 31,**		**Percent Change**	**Three Months Ended March 31,**		**Percent Change**	**Six Months Ended March 31,**		**Percent Change**
Operating revenues	$1,991.1	$1,967.1	1 %	$ 2,152.8	$ 1,927.2	12 %	$ 4,143.9	$ 3,894.3	6 %
Operating income	206.5	194.0	6 %	129.3	255.1	(49 %)	335.8	449.1	(25 %)
Operating margin[1]									
Net income attributable to Franklin Resources, Inc.	$ 251.3	$ 165.6	52 %	$ 124.2	$ 194.2	(36 %)	$ 375.5	$ 359.8	4 %
Diluted earnings per share	0.50	0.32	56 %	0.23	0.38	(39 %)	0.71	0.70	1 %
As adjusted (non-GAAP):[2]									
Adjusted operating income	$ 417.0	$ 395.1	6 %	$ 419.6	$ 440.2	(5 %)	$ 836.6	$ 835.3	0 %
Adjusted operating margin									
Adjusted net income	$ 328.5	$ 262.4	25 %	$ 306.6	$ 316.7	(3 %)	$ 635.1	$ 579.1	10 %

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Adjusted diluted earnings per share	Adjusted diluted earnings per share	0.65	0.51	27 %	Adjusted diluted earnings per share	0.56	0.61	(8 %)	1.21	1.13	7 %

1 Defined as operating income divided by operating revenues.

2 "Adjusted operating income," "adjusted operating margin," "adjusted net income" and "adjusted diluted earnings per share" are based on methodologies other than generally accepted accounting principles. See "Supplemental Non-GAAP Financial Measures" for definitions and reconciliations of these measures.

ASSETS UNDER MANAGEMENT

AUM by asset class was as follows:

(in billions)	*(in billions)*	December 31, 2023		December 31, 2022		Percent Change	*(in billions)*	March 31, 2024		March 31, 2023		Percent Change
Equity		$ 592.7		$ 437.1		36 %						
Fixed Income	Fixed Income	$ 511.7	$	$ 494.8	3	3 %	Fixed Income	571.4	510.1	510.1	12	12 %
Equity		467.5		419.1		12 %						
Alternative	Alternative	256.2	257.4	257.4	0	0 %	Alternative	255.5	258.2	258.2	(1	(1 %)
Multi-Asset	Multi-Asset	154.6	141.4	141.4	9	9 %	Multi-Asset	163.4	146.1	146.1	12	12 %
Cash Management	Cash Management	65.5	75.0	75.0	(13	(13 %)	Cash Management	61.7	70.6	70.6	(13	(13 %)
Total	**Total**	**$ 1,455.5**	**$**	**$ 1,387.7**	**5**	**5 %**	**Total**	**$1,644.7**	**$**	**$1,422.1**	**16**	**16 %**

Average AUM and the mix of average AUM by asset class are shown below.

(in billions)	*(in billions)*	Average AUM				Percent Change	Mix of Average AUM		*(in billions)*	Average AUM				Percent Change / Mix of Average
for the three months ended December 31,		2023		2022		Percent Change	2023	2022						
for the three months ended March 31,		2024		2023			2024	2023						
Equity		$ 546.0		$ 433.4		26 %	35 %	31 %						
Fixed Income	Fixed Income	$ 489.7	$	$ 490.3	0	0 %	35 %	36 %	Fixed Income	553.3	504.9	504.9	10	10 %
Equity		439.2		417.3		5 %	32 %	31 %						
Alternative	Alternative	255.6	240.4	240.4	6	6 %	18 %	18 %	Alternative	256.1	257.5	257.5	(1	(
Multi-Asset	Multi-Asset	147.3	138.6	138.6	6	6 %	11 %	10 %	Multi-Asset	160.3	144.7	144.7	11	1
Cash Management	Cash Management	62.4	66.9	66.9	(7	(7 %)	4 %	5 %	Cash Management	65.4	79.0	79.0	(17	(1
Total	**Total**	**$1,394.2**	**$**	**$1,353.5**	**3**	**3 %**	**100 %**	**100 %**	**Total**	**$1,581.1**	**$**	**$1,419.5**	**11**	**11 %**

(in billions)	Average AUM		Percent	Mix of Average AUM	
for the six months ended March 31,	**2024**	**2023**	**Change**	**2024**	**2023**
Equity	$ 496.2	$ 426.3	16 %	34 %	31 %
Fixed Income	522.8	498.0	5 %	35 %	36 %
Alternative	255.8	247.7	3 %	17 %	18 %
Multi-Asset	153.7	141.7	8 %	10 %	10 %
Cash Management	63.7	72.7	(12 %)	4 %	5 %
Total	**$ 1,492.2**	**$ 1,386.4**	**8 %**	**100 %**	**100 %**

Components of the change in AUM are shown below. Net market change, distributions and other includes appreciation (depreciation), distributions to investors that represent return on investments and return of capital, and foreign exchange revaluation.

(in billions)	*(in billions)*	Three Months Ended December 31,	Percent Change	*(in billions)*	Three Months Ended March 31,	Percent Change

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Beginning AUM											
Beginning AUM											
Beginning AUM		$1,374.2	$	$1,297.4	6	6 %		$1,455.5	$	$ 1,387.7	5
Long-term inflows	Long-term inflows	68.9	70.5	70.5	(2	(2 %)	Long-term inflows	84.9	61.8	61.8	37
Long-term outflows	Long-term outflows	(73.9)	(81.4)	(81.4)	(9	(9 %)	Long-term outflows	(78.0)	(65.5)	(65.5)	19
Long-term net flows	**Long-term net flows**	(5.0)	(10.9)	(10.9)	(54	(54 %)	**Long-term net flows**	6.9	(3.7)	(3.7)	NM
Cash management net flows	Cash management net flows	4.7	17.5	17.5	(73	(73 %)	Cash management net flows	(4.8)	(4.3)	(4.3)	12
Total net flows	**Total net flows**	(0.3)	6.6	6.6	NM	NM	**Total net flows**	2.1	(8.0)	(8.0)	N
Acquisition	Acquisition	—	34.9	34.9	(100	(100 %)	Acquisition	148.3	—	—	NM
Net market change, distributions and other	Net market change, distributions and other	81.6	48.8	48.8	67	67 %	Net market change, distributions and other	38.8	42.4	42.4	(8
Ending AUM	**Ending AUM**	**$1,455.5**	**$**	**$1,387.7**	**5**	**5 %**	**Ending AUM**	**$1,644.7**	**$**	**$1,422.1**	**16**

Components of the change in AUM by asset class were as follows:

(in billions)	*(in billions)*	Fixed Income	Equity	Alternative	Multi-Asset	Cash Management	Total	*(in billions)*	Equity	Fixed Income	Alternative	Multi-Asset	Cash Management	Total
for the three months ended December 31, 2023														
AUM at October 1, 2023														
AUM at October 1, 2023														
AUM at October 1, 2023														
for the three months ended March 31, 2024														
AUM at January 1, 2024														
AUM at January 1, 2024														
AUM at January 1, 2024														
Long-term inflows														
Long-term outflows														
Long-term net flows														
Cash management net flows														
Total net flows														
Acquisition														
Net market change, distributions and other														
AUM at December 31, 2023														
AUM at March 31, 2024														

AUM increased $81.3 billion, $189.2 billion, or 6% 13%, during the three months ended December 31, 2023 March 31, 2024 due to $148.3 billion from the acquisition of Putnam, the positive impact of $81.6 $38.8 billion of net market change, distributions and other and $4.7 $6.9 billion of long-term net inflows, which include $3.1 billion of long-term reinvested distributions, partially offset by $4.8 billion of cash management net outflows. Fixed income net inflows include the funding of $13.7 billion related to the strategic partnership with Great-West, partially offset by an institutional client redemption of $2.0 billion. Net market change, distributions and other primarily consists of $51.9 billion of market appreciation, partially offset by $7.9 billion of long-term distributions and a $5.2 billion decrease from foreign exchange revaluation. The market appreciation occurred substantially in

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all asset classes, most significantly in the equity asset class and reflected positive returns in the global equity markets. Foreign exchange revaluation from AUM in products that are not U.S. dollar denominated was primarily due to a stronger U.S. dollar compared to the Japanese Yen, Australian dollar, Euro and Canadian dollar.

AUM increased $222.6 billion or 16%, as compared to the prior year period. Long-term inflows increased 37% to $84.9 billion, driven by higher inflows in fixed income and equity fund vehicles. Long-term outflows increased 19% to $78.0 billion driven by higher redemptions in equity fund vehicles and fixed income funds and retail separate accounts, partially offset by lower redemptions in alternative open end and private open end funds.

(in billions) **for the three months ended March 31, 2023**	Equity	Fixed Income	Alternative	Multi-Asset	Cash Management	Total
AUM at January 1, 2023	$ 419.1	$ 494.8	$ 257.4	$ 141.4	$ 75.0	$ 1,387.7
Long-term inflows	17.1	31.5	4.9	8.3	—	61.8
Long-term outflows	(25.4)	(29.7)	(3.6)	(6.8)	—	(65.5)
Long-term net flows	(8.3)	1.8	1.3	1.5	—	(3.7)
Cash management net flows	—	—	—	—	(4.3)	(4.3)
Total net flows	(8.3)	1.8	1.3	1.5	(4.3)	(8.0)
Net market change, distributions and other	26.3	13.5	(0.5)	3.2	(0.1)	42.4
AUM at March 31, 2023	**$ 437.1**	**$ 510.1**	**$ 258.2**	**$ 146.1**	**$ 70.6**	**$ 1,422.1**

AUM increased $34.4 billion or 2% during the three months ended March 31, 2023 due to the positive impact of $42.4 billion of net market change, distributions and other, partially offset by $4.3 billion of cash management net outflows and $3.7 billion of long-term net outflows. Fixed income net inflows included the funding of a $7.5 billion institutional mandate invested across fixed income strategies. Net market change, distributions and other primarily consists of $48.1 billion of market appreciation and a $0.9 billion increase from foreign exchange revaluation, partially offset by $6.6 billion of long-term distributions. The market appreciation occurred in all asset classes, most significantly in the equity and fixed income asset classes and reflected positive returns in the global equity and fixed income markets.

AUM decreased $55.4 billion or 4%, as compared to the fiscal year 2022 period. Long-term inflows decreased 19% to $61.8 billion, driven by lower inflows in equity and fixed income open end funds, equity separately managed accounts, and fixed income institutional separate accounts. Long-term outflows decreased 25% to $65.5 billion driven by lower redemptions in fixed income and equity open end funds, equity separately managed accounts and fixed income institutional separate accounts.

(in billions) **for the six months ended March 31, 2024**	Equity	Fixed Income	Alternative	Multi-Asset	Cash Management	Total
AUM at October 1, 2023	$ 430.4	$ 483.1	$ 254.9	$ 145.0	$ 60.8	$ 1,374.2
Long-term inflows	54.5	72.1	9.3	17.9	—	153.8
Long-term outflows	(59.6)	(72.2)	(5.6)	(14.5)	—	(151.9)
Long-term net flows	(5.1)	(0.1)	3.7	3.4	—	1.9
Cash management net flows	—	—	—	—	(0.1)	(0.1)
Total net flows	(5.1)	(0.1)	3.7	3.4	(0.1)	1.8
Acquisition	81.3	59.3	0.7	5.8	1.2	148.3
Net market change, distributions and other	86.1	29.1	(3.8)	9.2	(0.2)	120.4
AUM at March 31, 2024	**$ 592.7**	**$ 571.4**	**$ 255.5**	**$ 163.4**	**$ 61.7**	**$ 1,644.7**

AUM increased $270.5 billion, or 20%, during the six months ended March 31, 2024 due to $148.3 billion from the acquisition of Putnam, the positive impact of $120.4 billion of net market change, distributions and other and $1.9 billion of long-term net inflows, which include $13.9 billion of long-term reinvested distributions, partially offset by $0.1 billion of cash management net outflows. Net market change, distributions and other primarily consists of $146.2 billion of market appreciation and a $1.4 billion increase from foreign exchange revaluation, partially offset by $27.2 billion of long-term distributions. The market appreciation occurred in all asset classes, most significantly in the equity and fixed income asset classes and reflected positive returns in the global equity and fixed income markets.

Long-term inflows increased 16% to $153.8 billion, as compared to the prior year period, driven by higher inflows in equity and fixed income fund vehicles, partially offset by lower inflows in multi-asset open end funds and alternative institutional separate accounts. Long-term outflows increased 3% to $151.9 billion due to higher outflows in equity open end funds, partially offset by lower outflows in alternative private funds, open end funds, and institutional separate accounts.

(in billions) **for the six months ended March 31, 2023**	Equity	Fixed Income	Alternative	Multi-Asset	Cash Management	Total
AUM at October 1, 2022	$ 392.3	$ 490.9	$ 225.1	$ 131.5	$ 57.6	$ 1,297.4

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Long-term inflows	44.3	60.0	11.4	16.6	—	132.3
Long-term outflows	(52.3)	(71.5)	(10.4)	(12.7)	—	(146.9)
Long-term net flows	(8.0)	(11.5)	1.0	3.9	—	(14.6)
Cash management net flows	—	—	—	—	13.2	13.2
Total net flows	(8.0)	(11.5)	1.0	3.9	13.2	(1.4)
Acquisition	—	—	34.9	—	—	34.9
Net market change, distributions and other	52.8	30.7	(2.8)	10.7	(0.2)	91.2
AUM at March 31, 2023	**$ 437.1**	**$ 510.1**	**$ 258.2**	**$ 146.1**	**$ 70.6**	**$ 1,422.1**

AUM increased $124.7 billion, or 10%, during the six months ended March 31, 2023 due to the positive impact of $91.2 billion of net market change, distributions and other, $34.9 billion from an acquisition, and $13.2 billion of cash management net inflows, partially offset by $5.0 $14.6 billion of long-term net outflows. Long-term net outflows which include $10.8 billion of long-term reinvested distributions. included a $2.1 billion fixed income institutional redemption that had minimal impact on revenue. Net market change, distributions and other primarily consists of $94.3 $106.6 billion of market appreciation, and a $6.6 $9.7 billion increase from foreign exchange revaluation, partially offset by $19.3 $25.1 billion of long-term distributions. The market appreciation occurred in substantially all asset classes, most significantly in the equity and fixed income asset classes and reflected positive returns in the global equity and fixed income markets. Foreign exchange revaluation from AUM in products that are not U.S. dollar denominated was primarily due to a weaker U.S. dollar compared to the Euro, Australian dollar, Pound Sterling, Japanese Yen and Pound Sterling. Australian dollar.

Long-term inflows decreased 2% 28% to $68.9 $132.3 billion, as compared to the prior fiscal year period, driven by lower inflows in fixed income open end funds, alternative private open end funds, and equity and alternative institutional separate accounts, partially offset by higher inflows in alternative private closed end funds and fixed income separately managed accounts. Decreased inflows for open end mutual funds include the impact of lower reinvested distributions, which were $10.8 billion in the current year period, as compared to $12.1 billion in the prior year period. Long-term outflows decreased 9% to $73.9 billion due to lower outflows in fixed income open end funds, fixed income and alternative institutional separate accounts, equity separately managed accounts and alternative private open end funds, partially offset by higher outflows in fixed income separately managed accounts, equity sub-advised mutual funds and multi-asset high net worth accounts.

(in billions) **for the three months ended** **December 31, 2022**	**Fixed Income**	**Equity**	**Alternative**	**Multi-Asset**	**Cash Management**	**Total**
AUM at October 1, 2022	$ 490.9	$ 392.3	$ 225.1	$ 131.5	$ 57.6	$ 1,297.4
Long-term inflows	28.5	27.2	6.5	8.3	—	70.5
Long-term outflows	(41.8)	(26.9)	(6.8)	(5.9)	—	(81.4)
Long-term net flows	(13.3)	0.3	(0.3)	2.4	—	(10.9)
Cash management net flows	—	—	—	—	17.5	17.5
Total net flows	(13.3)	0.3	(0.3)	2.4	17.5	6.6
Acquisition	—	—	34.9	—	—	34.9
Net market change, distributions and other	17.2	26.5	(2.3)	7.5	(0.1)	48.8
AUM at December 31, 2022	**$ 494.8**	**$ 419.1**	**$ 257.4**	**$ 141.4**	**$ 75.0**	**$ 1,387.7**

AUM increased $90.3 billion, or 7%, during the three months ended December 31, 2022 due to the positive impact of $48.8 billion of net market change, distributions and other, $34.9 billion from an acquisition, and $17.5 billion of cash management net inflows, partially offset by $10.9 billion of long-term net outflows. Long-term net outflows included a $2.1 billion fixed income institutional redemption that had minimal impact on revenue. Net market change, distributions and other primarily consists of $58.5 billion of market appreciation, an $8.8 billion increase from foreign exchange revaluation, partially offset by $18.5 billion of long-term distributions. The market appreciation occurred in all asset classes with the exception of the alternative asset class and reflected positive returns in the global equity and fixed income markets. Foreign exchange revaluation from AUM in products that are not U.S. dollar denominated was primarily due to a weaker U.S. dollar compared to the Euro, Japanese Yen, Australian dollar and Pound Sterling.

Long-term inflows decreased 34% to $70.5 billion, as compared to the prior year 2022 period, driven by lower inflows in equity, multi-asset, fixed income, and fixed income multi-asset open end funds, fixed income institutional separate accounts and sub-advised CITs, collective investment trusts, and equity retail separate accounts. Decreased inflows for open end mutual funds include the impact of lower reinvested distributions, which were $12.1 billion $14.4 billion in the current year quarter, period, as compared to $23.5 billion $32.0 billion in the prior year quarter. period. Long-term outflows decreased 2% 14% to $81.4 $146.9 billion due to lower outflows in equity and fixed income open end funds, and multi-asset sub-advised mutual funds and equity sub-advised mutual funds, separately managed accounts, partially offset by higher outflows in fixed income and alternative institutional separate accounts, fixed income open end funds, and alternative private open end funds. accounts.

AUM by sales region was as follows:

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(in billions)	(in billions)	December 31, 2023		December 31, 2022		Percent Change	(in billions)	March 31, 2024		March 31, 2023		Percent Change
United States	United States	$ 1,019.4	$	$ 993.1	3	3 %	United States	$1,155.9	$	$1,017.1	14	14 %
International												
Europe, Middle East and Africa												
Europe, Middle East and Africa												
Europe, Middle East and Africa		180.6		164.3		10 %						
Europe, Middle East and Africa[1]												
Europe, Middle East and Africa[1]												
Europe, Middle East and Africa[1]		206.3		167.6		23 %						
Asia-Pacific	Asia-Pacific	150.5	115.5	115.5	30	30 %	Asia-Pacific	170.4	120.0	120.0	42	42 %
Americas, excl. U.S.	Americas, excl. U.S.	105.0	114.8	114.8	(9	(9 %)	Americas, excl. U.S.	112.1	117.4	117.4	(5	(5 %)
Total international	Total international	436.1	394.6	394.6	11	11 %	Total international	488.8	405.0	405.0	21	21 %
Total	**Total**	**$ 1,455.5**	**$**	**$ 1,387.7**	**5**	**5 %**	**Total**	**$1,644.7**	**$**	**$1,422.1**	**16**	**16 %**

1 Effective October 1, 2023, India region is included in Europe, Middle East and Africa.

Investment Performance Overview

A key driver of our overall success is the long-term investment performance of our investment products. A measure of the performance of these products is the percentage of AUM exceeding peer group medians and benchmarks. We compare the relative performance of our mutual funds against peers, and of our strategy composites against benchmarks.

The performance of our mutual fund products against peer group medians and of our strategy composites against benchmarks is presented in the table below.

		Peer Group Comparison[1] % of Mutual Fund AUM in Top Two Peer Group Quartiles				Peer Group Comparison[1] % of Mutual Fund AUM in Top Two Peer Group Quartiles		Benchmark Comparison[2] % of Strategy Composite AUM Exceeding Benchmark			Peer Group Comparison[1] % of Mutual Fund AUM in Top Two Peer Group Quartiles				Benchmark Comparison[2] % of Strategy Composite AUM Exceeding Benchmark			
as of December 31, 2023		**1-Year**	**3-Year**	**5-Year**	**10-Year**	**1-Year**	**3-Year**	**5-Year**	**10-Year**									
as of March 31, 2024		**1-Year**	**3-Year**	**5-Year**	**10-Year**	**1-Year**	**3-Year**	**5-Year**	**10-Year**									
Equity		58 %	53 %	47 %	59 %	54 %	45 %	46 %	50 %									
Fixed Income	Fixed Income	69 %	37 %	38 %	66 %	78 %	44 %	89 %	90 %	Fixed Income	58 %	53 %	53 %	71 %	73 %	50 %	88 %	91 %
Equity		55 %	42 %	43 %	59 %	47 %	38 %	37 %	32 %									
Total AUM[3]	Total AUM[3]	51 %	50 %	37 %	54 %	61 %	46 %	60 %	61 %	Total AUM[3]	51 %	60 %	44 %	56 %	62 %	51 %	62 %	69 %

1 Mutual fund performance is sourced from Morningstar and measures the percent of ranked AUM in the top two quartiles versus peers. Total mutual fund AUM measured for the 1-, 3-, 5- and 10-year periods represents 36% 38%, 35% 37%, 35% 37% and 33% 35% of our total AUM as of December 31, 2023 March 31, 2024.

2 Strategy composite performance measures the percent of composite AUM beating its benchmark. The benchmark comparisons are based on each account's/composite's (strategy composites may include retail separately managed accounts and mutual fund assets managed as part of the same strategy) return as compared to a market index that has been selected to be generally consistent with the asset class of the account/composite. Total strategy composite AUM measured for the 1-, 3-, 5- and 10-year periods represents 51% 54%, 51% 53%, 50% 53% and 46% 49% of our total AUM as of December 31, 2023 March 31, 2024.

3 Total mutual fund AUM includes performance of our alternative and multi-asset funds, and total strategy composite AUM includes performance of our alternative composites. Alternative and multi-asset AUM represent 18% 16% and 11% 10% of our total AUM at December 31, 2023 March 31, 2024.

Mutual fund performance data includes U.S. and cross-border domiciled mutual funds and exchange-traded funds, excludes cash management and fund of funds, and assumes the reinvestment of dividends.

Past performance is not indicative of future results. For strategy composite AUM included in institutional and retail separately managed accounts and investment funds managed in the same strategy as separate accounts, performance comparisons are based on gross-of-fee performance. For investment funds which are not managed in a separate account format, performance comparisons are based on net-of-fee performance. These performance comparisons do not reflect the actual performance of any specific separate account or investment fund; individual separate account and investment fund performance may differ. The information in this presentation is provided solely for use in connection with this document, and is not directed toward existing or potential clients of Franklin.

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OPERATING REVENUES

The table below presents the percentage change in each operating revenue category.

(in millions)												
(in millions)	*(in millions)*		Three Months Ended December 31,		Percent Change		*(in millions)*		Three Months Ended March 31,		Percent Change	
Investment management fees												
Investment management fees												
Investment management fees		$1,652.2	$	$1,631.8	1	1 %		$1,713.9	$	$ 1,573.3	9	9 %
Sales and distribution fees	Sales and distribution fees	296.4	291.9	291.9	2	2 %	Sales and distribution fees	358.3	301.4	301.4	19	
Shareholder servicing fees	Shareholder servicing fees	32.5	33.4	33.4	(3	(3 %)	Shareholder servicing fees	68.0	43.3	43.3	57	
Other	Other	10.0	10.0	10.0	0%	0%	Other	12.6	9.2	9.2	37	
Total Operating Revenues	**Total Operating Revenues**	**$1,991.1**	**$**	**$1,967.1**	**1**	**1 %**	**Total Operating Revenues**	**$2,152.8**	**$**	**$1,927.2**	**12**	**12**

Investment Management Fees

Investment management fees increased $20.4 $140.6 million and $161.0 million for the three and six months ended December 31, 2023 March 31, 2024 primarily due to a 3% an 11% and 8% increase in average AUM, and for the six-month period, higher catch-up fees recognized at the closing of fundraising rounds in a secondary private equity fund partially offset and one additional month of revenues earned by lower performance fees. The increase in average AUM occurred primarily in the alternative and equity asset classes, Alcentra, which was acquired on November 1, 2022, partially offset by a decrease in performance fees. The increases in average AUM primarily occurred in the cash management equity, fixed income and multi-asset asset classes, primarily due to the acquisition of Putnam, and, for the six-month period, the alternative asset class.

Our effective investment management fee rate excluding performance fees (annualized investment management fees excluding performance fees divided by average AUM) increased to 42.4 was 41.4 and 41.7 basis points for the three and six months ended December 31, 2023 March 31, 2024, from as compared to 41.8 and 41.7 basis points for the same period periods in the prior fiscal year, primarily due to higher catch-up fees recognized at the closing of fundraising rounds in a secondary private equity fund. year.

Performance fees were $166.4 $85.2 million and $209.0 $251.6 million for the three and six months ended March 31, 2024, and $111.2 million and $320.2 million for the same periods in the prior fiscal year. The decrease for the three months ended December 31, 2023 March 31, 2024 was primarily due to lower performance fees earned by certain of our alternative specialist investment managers, and 2022. The decrease for the six months ended March 31, 2024 was primarily due to a $72.0 million $65.5 million decrease in performance fees earned by Lexington Partners L.P. ("Lexington"), which were passed through as compensation expense per the terms of the acquisition agreement, partially offset by higher performance fees earned by other alternative specialist investment managers. agreement.

Sales and Distribution Fees

Sales and distribution fees by revenue driver are presented below.

(in millions)														
(in millions)	*(in millions)*		Three Months Ended December 31,		Percent Change		*(in millions)*		Three Months Ended March 31,		Percent Change		Six Months Ended March 31,	
Asset-based fees														
Asset-based fees														
Asset-based fees		$246.0	$	$245.0	0	0 %		$291.5	$	$247.7	18	18 %	$537.5	$
Sales-based fees	Sales-based fees	50.4	46.9	46.9	7	7 %	Sales-based fees	66.8	53.7	53.7	24	24 %		117.2
Sales and Distribution Fees	**Sales and Distribution Fees**	**$296.4**	**$**	**$291.9**	**2**	**2 %**	**Sales and Distribution Fees**	**$358.3**	**$**	**$301.4**	**19**	**19 %**	**$654.7**	**$**

Asset-based distribution fees increased $1.0 $43.8 million and $44.8 million for the three and six months ended December 31, 2023 March 31, 2024 primarily due to a 1% increase revenue earned by Putnam subsequent to the acquisition and increases of 4% and 3% in the related average AUM, partially offset by a higher mix of lower fee assets. AUM.

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Sales-based fees increased $3.5 $13.1 million and $16.6 million for the three and six months ended December 31, 2023 March 31, 2024 primarily due to a 10% increase increases of 15% and 13% in commissionable sales. sales and sales-based revenue earned by Putnam subsequent to the acquisition.

Shareholder Servicing Fees

Shareholder servicing fees increased $24.7 million and $23.8 million for the three and six months ended March 31, 2024 primarily due to fees earned by Putnam subsequent to the acquisition.

OPERATING EXPENSES

The table below presents the percentage change in each operating expense category.

(in millions)		Three Months Ended December 31,			Percent Change			Three Months Ended March 31,				Percent Change		Six Months Ended March 31,
Compensation and benefits														
Compensation and benefits														
Compensation and benefits		$ 968.3	$	$ 979.2	(1	(1 %)		$1,028.2	$	$847.3	21		21 %	$1,996.5
Sales, distribution and marketing	Sales, distribution and marketing	400.8	388.6	388.6	3	3 %	Sales, distribution and marketing	484.3	406.6		406.6	19	19 %	
Information systems and technology	Information systems and technology	131.0	121.4	121.4	8	8 %	Information systems and technology	155.1	128.0		128.0	21	21 %	
Occupancy	Occupancy	66.7	54.5	54.5	22	22 %	Occupancy	76.2	59.7		59.7	28	28 %	
Amortization of intangible assets	Amortization of intangible assets	85.8	83.2	83.2	3	3 %	Amortization of intangible assets	84.6	86.0		86.0	(2	(2 %)	
General, administrative and other	General, administrative and other	132.0	146.2	146.2	(10	(10 %)	and other	195.1	144.5		144.5	35	35 %	
Total Operating Expenses	**Total Operating Expenses**	**$1,784.6**	**$**	**$1,773.1**	**1**	**1 %**	**Total Operating Expenses**	**$2,023.5**	**$**	**$1,672.1**	**21**		**21 %**	**$3,8**

The Putnam acquisition had a significant impact on operating expenses in the three and six months ended March 31, 2024; however, due to the ongoing integration of the combined businesses, it is not practicable to separately quantify the impact of the legacy Putnam business.

Compensation and Benefits

The components of compensation and benefits expenses are presented below.

(in millions)	Three Months Ended December 31, Three Months Ended December 31, Three Months Ended December 31,		Three Months Ended March 31,	Percent Change	Percent Change		Six Months Ended March 31,			Percent Change	
Salaries, wages and benefits											
Salaries, wages and benefits											
Salaries, wages and benefits	$370.9	$	$360.6	3	3 %	$453.8	$	$397.1	14	14 %	$824.7

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Incentive compensation	Incentive compensation	418.3	383.9	383.9	9	9 %	Incentive compensation	390.5	366.2	366.2	7	7 %
Acquisition-related retention	Acquisition-related retention	69.1	63.6	63.6	9	9 %	Acquisition-related retention	104.5	23.2	23.2	350	350 %
Acquisition-related performance fee pass through[1]	Acquisition-related performance fee pass through[1]	72.6	144.5	144.5	(50	(50 %)	Acquisition-related performance fee pass through[1]	14.4	8.0	8.0	80	80 %
Other[1,2]	Other[1,2]	37.4	26.6	26.6	41	41 %	Other[1,2]	65.0	52.8	52.8	23	23 %
Compensation and Benefits Expenses	**Compensation and Benefits Expenses**	**$968.3**	**$**	**$979.2**	**(1**	**(1 %)**	**Compensation and Benefits Expenses**	**$1,028.2**	**$**	**$847.3**	**21**	**21 %**

1 See “Supplemental Non-GAAP Financial Measures” for additional information.

2 Includes impact of gains and losses on investments related to deferred compensation plans, which is offset in investment and other income (losses), net; minority interests in certain subsidiaries, which is offset in net income (loss) attributable to redeemable noncontrolling interests; and special termination benefits.

Salaries, wages and benefits increased $10.3 $56.7 million and $67.0 million for the three and six months ended December 31, 2023 March 31, 2024, primarily due to annual salary increases and higher headcount as a result of the acquisition of Alcentra on November 1, 2022, Putnam and annual salary increases, partially offset by the impact of other headcount reductions.

Incentive compensation increased $34.4 million $24.3 million and $58.7 million for the three and six months ended December 31, 2023 March 31, 2024 primarily due to the acquisition of Putnam, an increase in expense for deferred compensation awards, and higher bonus expense based on expectations of our annual performance, partially offset by lower incentive compensation at specialist investment managers partially offset by a decrease in expense for deferred compensation awards, due in part to lower annual acceleration for retirement-eligible employees. the three-month period.

Acquisition-related retention expenses increased $5.5 million $81.3 million and $86.8 million for the three and six months ended December 31, 2023 March 31, 2024 primarily due to higher costs associated with recent acquisitions, partially offset by lower costs associated with performance-based awards. acquisitions.

Acquisition-related performance fee pass through expenses decreased $71.9 $65.5 million for the three six months ended December 31, 2023 March 31, 2024, due to lower performance fees earned by Lexington.

Other compensation and benefits were $37.4 million increased $12.2 million and $26.6 million $23.0 million for the three and six months ended December 31, 2023 March 31, 2024, primarily due to an increase in special termination benefits and 2022. The three months ended December 31, 2023 and 2022 included the impact of $19.0 million and $5.6 million of higher net market gains on investments related to our deferred compensation plans. Special termination benefits decreased $4.2 million increased $8.6 million and $4.4 million for the three and six months ended December 31, 2023 March 31, 2024 primarily due to the acquisition of Alcentra in the prior year, Putnam, partially offset by higher costs associated with workforce optimization initiatives. initiatives in the prior year. Compensation expense related to minority interests increased $1.6 million $0.2 million and $1.8 million for the three and six months ended December 31, 2023 March 31, 2024.

We expect to incur additional acquisition-related retention expenses including costs associated with the acquisition of Putnam, of approximately $250 $130 million during the remainder of the current fiscal year, and annual amounts beginning at approximately $190 million in the fiscal year ending September 30, 2025 and decreasing over the following two fiscal years by approximately $20 million and $90 $80 million. At December 31, 2023 March 31, 2024, our global workforce had decreased increased to approximately 9,100 10,100 employees from approximately 9,400 9,200 at December 31, 2022. March 31, 2023, primarily due to the acquisition of Putnam.

Sales, Distribution and Marketing

Sales, distribution and marketing expenses by cost driver are presented below.

(in millions)	Three Months Ended December 31,				Percent Change		Three Months Ended March 31,			Percent Change		Six Months Ended March 31,			Pe Ch
Asset-based expenses															
Asset-based expenses															
Asset-based expenses	$340.5	$	$331.9	3		3 %	$405.7	$	$343.0	18	18 %	$746.2	$	$	6

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Sales-based expenses	Sales-based expenses	46.9	44.3	44.3	6	6 %	Sales-based expenses	63.7	51.0	51.0	25	25 %	110.6	95.3
Amortization of deferred sales commissions	Amortization of deferred sales commissions	13.4	12.4	12.4	8	8 %	Amortization of deferred sales commissions	14.9	12.6	12.6	18	18 %	28.3	25.0
Sales, Distribution and Marketing	**Sales, Distribution and Marketing**	**$ 400.8**	**$**	**$ 388.6**	**3**	**3 %**	**Sales, Distribution and Marketing**	**$ 484.3**	**$**	**$ 406.6**	**19**	**19 %**	**$ 885.1**	**$**

Asset-based expenses increased $8.6 $62.7 million and $71.3 million for the three and six months ended December 31, 2023 March 31, 2024 primarily due to higher marketing support fees expenses incurred by Putnam subsequent to the acquisition, increases of 3% and a 1% increase 2% in the related average AUM. AUM and higher marketing support fees. Distribution expenses are generally not directly correlated with distribution fee revenues due to certain fee structures that do not provide full recovery of distribution costs.

Sales-based expenses increased $2.6 $12.7 million and $15.3 million for the three and six months ended December 31, 2023 March 31, 2024 primarily due to a 10% increase increases of 15% and 13% in commissionable sales. sales and sales-based expenses incurred by Putnam subsequent to the acquisition.

Occupancy

Occupancy expenses increased $12.2 $16.5 million and $28.7 million for the three and six months ended December 31, 2023 March 31, 2024, primarily due to new leased office space located at One Madison Avenue, associated with an initiative to consolidate our office space in New York City and lower sublease income. expenses incurred by Putnam subsequent to the acquisition.

Information Systems and Technology

Information systems and technology expenses increased $9.6 $27.1 million and $36.7 million for the three and six months ended December 31, 2023 March 31, 2024, primarily due to expenses incurred by Putnam subsequent to the acquisition, and higher outsourced data services and software costs.

Amortization of intangible assets Intangible Assets

Amortization of intangible assets decreased $1.4 million and increased $2.6 $1.2 million for the three and six months ended December 31, 2023 March 31, 2024, primarily due to the net effect of intangible assets which became fully amortized during the period, partially offset by the amortization of intangible assets recognized as part of the acquisition of Alcentra on November 1, 2022. Putnam and, for the six-month period, Alcentra.

General, Administrative and Other

General, administrative and other operating expenses decreased $14.2 increased $50.6 million and $36.4 million for the three and six months ended December 31, 2023 March 31, 2024, primarily due to a $14.9 million decrease in acquisition-related costs related to the acquisition of Alcentra Putnam, increases of $15.8 million and $16.5 million in the prior year quarter, a $2.1 million decrease in placement professional fees, and a $1.5 million decrease in other taxes, offset in part by a $5.3 million increase increases of $3.9 million and $9.3 million in travel and entertainment expenses due to higher activity levels.

These increases were partially offset by decreases of $10.5 million and $9.7 million in fund-related expenses.

OTHER INCOME (EXPENSES)

Other income (expenses) consisted of the following:

	Three Months Ended December 31,	Three Months Ended December 31,	Three Months Ended December 31,	Percent Change

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		Three Months Ended March 31,			**Percent Change**		**Six Months Ended March 31,**			**Percent Change**						
(in millions)																
Investment and other income, net																
Investment and other income, net																
Investment and other income, net				$173.2	$	$ 91.1	90	90 %		$ 52.5	$		$60.6	(13		(13 %)
Interest expense	Interest expense			(18.8)	(30.9)	(30.9)	(39	(39 %)	Interest expense		(27.7)	(33.5)		(33.5)	(17	(
Investment and other losses of consolidated investment products, net				(23.8)		(13.6)	75 %									
Investment and other income of consolidated investment products, net		89.9	87.2	3 %		66.1	73.6			(10 %)						
Expenses of consolidated investment products	Expenses of consolidated investment products			(5.9)	(11.5)	(11.5)	(49	(49 %)	Expenses of consolidated investment products		(5.9)	(3.4)		(3.4)	74	
Other Income, Net	**Other Income, Net**			**$124.7**	**$**	**$ 35.1**	**255**	**255 %**	**Other Income, Net**		**$108.8**	**$**	**$110.9**	**(2**		**(2 %**

Investment and other income, net increased $82.1 million decreased $8.1 million for the three months ended December 31, 2023 March 31, 2024, primarily due to higher net gains losses on investments, as compared to gains in the prior year quarter, partially offset by higher dividend and interest income, from equity method investments, lower net foreign currency exchange losses, and an increase in higher net income from equity method investees. Investment and other income, net increased $75.2 million for the six months ended March 31, 2024, primarily due to higher net income from equity method investees, lower net foreign currency exchange losses, and higher dividend and interest income.

Investments held by the Company generated net losses of $18.5 million and net gains of $60.1 million $41.6 million in the three and six months ended December 31, 2023 March 31, 2024, as compared to net gains of $45.5 million $3.0 million and $48.5 million for the three and six months ended March 31, 2023. The net losses for the three months ended December 31, 2022. March 31, 2024 were primarily from investments in nonconsolidated funds and separate accounts, partially offset by net gains on assets invested for deferred compensation plans. The net gains for the three months ended March 31, 2023 were primarily from assets invested for deferred compensation plans, partially offset by losses on investments in nonconsolidated funds and separate accounts. The net gains in both the current and prior year period six-month periods were primarily from investments in nonconsolidated funds and separate accounts and assets invested for deferred compensation plans. plans, partially offset by net losses from investments measured at cost adjusted for observable price changes.

Equity method investees generated income of $56.9 million $24.4 million and $81.3 million for the three and six months ended December 31, 2023 March 31, 2024, as compared to income of $33.2 million $20.6 million and $52.6 million in the prior year, primarily related to various alternative and global equity funds.

Net foreign currency exchange losses were $7.4 million $1.3 million and $8.7 million for the three and six months ended December 31, 2023, March 31, 2024. as compared to net losses of $27.1 million $6.5 million and $33.6 million for the three and six months ended December 31, 2022 March 31, 2023. The U.S. dollar strengthened in the three-month period and weakened less in the current year six-month period against the Euro and British Pound, which resulted in lower foreign exchange losses on cash and cash equivalents denominated in U.S. dollars held by our European subsidiaries.

Dividend and interest income increased $18.3 million $5.7 million and $24.0 million for the three and six months ended December 31, 2023 March 31, 2024, primarily due to higher yields and higher balances. yields.

Interest expense decreased $12.1 million $5.8 million and $17.9 million for the three and six months ended December 31, 2023 March 31, 2024 primarily due to interest expense recognized in the prior year periods on our term loan that was terminated on July 25, 2023 and a decrease in interest recognized on tax reserves.

Investments held by consolidated investment products (“CIPs”) generated losses investment gains and other income of $23.8 million $89.9 million and $66.1 million in the three and six months ended December 31, 2023 March 31, 2024, and investment gains and other income of $87.2 million and $73.6 million during the three and six months ended March 31, 2023, largely related to losses on holdings of various alternative and equity funds. Investments held by CIPs generated losses of $13.6 million in the prior year period, largely related to losses gains on holdings of various equity and fixed income funds, partially offset by and in the current year periods, gains on holdings of various alternative funds.

Expenses of CIPs increased $2.5 million and decreased $5.6 million $3.1 million for the three and six months ended December 31, 2023 March 31, 2024, due to activity of the funds.

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Our cash, cash equivalents and investments portfolio by asset class and accounting classification at December 31, 2023 March 31, 2024, excluding third-party assets of CIPs, was as follows:

(in millions)	Accounting Classification[1]	Accounting Classification[1]	Total	Accounting Classification[1]	Total
Cash and Cash Equivalents					
Cash and Cash Equivalents					
Cash and Cash Equivalents					
Investments					
Alternative					
Alternative					
Alternative					
Equity					
Fixed Income					
Multi-Asset					
Total investments					
Total Cash and Cash Equivalents and Investments[2, 3]					

1 See Note 1 – Significant Accounting Policies in the notes to consolidated financial statements in Item 8 of Part II of our Annual Report on Form 10-K for fiscal year 2023 for information on investment accounting classifications.

2 Total cash and cash equivalents and investments includes $4,145.4 $4,435.5 million used for operational activities, including investments in sponsored funds and other products, and $327.3 $324.5 million necessary to comply with regulatory requirements.

3 Total cash and cash equivalents and investments includes $313.7 million approximately $350 million attributable to employee-owned and other third-party investments made through partnerships which are offset in nonredeemable noncontrolling interests, and approximately $370 million $353.0 million of investments that are subject to long-term repurchase agreements and other net financing arrangements. arrangements, and $447.1 million of cash and investments related to deferred compensation plans.

TAXES ON INCOME

Our effective income tax rate was 22.6% 26.4% and 26.3% 24.2% for the three and six months ended December 31, 2023 March 31, 2024, as compared to 25.4% and 2022. 25.8% for the three and six months ended March 31, 2023. The rate decrease increase for the three-month period was primarily due to tax audit settlements and state tax provision to return adjustments. The rate decrease for the six-month period was primarily due to tax benefits related to from stock-based compensation and the release of tax reserves due to statute of limitation expiration and settlements, and tax benefits from stock-based compensation. expiration.

Our effective income tax rate reflects the relative contributions of earnings in the jurisdictions in which we operate, which have varying tax rates. Changes in our pre-tax income mix, tax rates or tax legislation in such jurisdictions may affect our effective income tax rate and net income.

SUPPLEMENTAL NON-GAAP FINANCIAL MEASURES

As supplemental information, we are providing performance measures for “adjusted operating income,” “adjusted operating margin,” “adjusted net income” and “adjusted diluted earnings per share,” each of which is based on methodologies other than generally accepted accounting principles (“non-GAAP measures”). Management believes these non-GAAP measures are useful indicators of our financial performance and may be helpful to investors in evaluating our relative performance against industry peers.

“Adjusted operating income,” “adjusted operating margin,” “adjusted net income” and “adjusted diluted earnings per share” are defined below, followed by reconciliations of operating income, operating margin, net income attributable to Franklin Resources, Inc. and diluted earnings per share on a U.S. GAAP basis to these non-GAAP measures. Non-GAAP measures should not be considered in isolation from, or as substitutes for, any financial information prepared in accordance with U.S. GAAP, and may not be comparable to other similarly titled measures of other companies. Additional reconciling items may be added in the future to these non-GAAP measures if deemed appropriate.

Adjusted Operating Income

We define adjusted operating income as operating income adjusted to exclude the following:

- Elimination of operating revenues upon consolidation of investment products.
- Acquisition-related items:
  - Acquisition-related retention compensation.
  - Other acquisition-related expenses including professional fees, technology costs and fair value adjustments related to contingent consideration assets and liabilities.
  - Amortization of intangible assets.

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◦ Impairment of intangible assets and goodwill, if any.

- Special termination benefits related to workforce optimization initiatives related to past acquisitions and certain initiatives undertaken by the Company.
- Impact on compensation and benefits expense from gains and losses on investments related to deferred compensation plans, which is offset in investment and other income (losses), net.
- Impact on compensation and benefits expense related to minority interests in certain subsidiaries, which is offset in net income (loss) attributable to redeemable noncontrolling interests.

Adjusted Operating Margin

We calculate adjusted operating margin as adjusted operating income divided by adjusted operating revenues. We define adjusted operating revenues as operating revenues adjusted to exclude the following:

- Elimination of operating revenues upon consolidation of investment products.
- Acquisition-related performance-based investment management fees which are passed through as compensation and benefits expense.
- Sales and distribution fees and a portion of investment management fees allocated to cover sales, distribution and marketing expenses paid to the financial advisers and other intermediaries who sell our funds on our behalf.

Adjusted Net Income and Adjusted Diluted Earnings Per Share

We define adjusted net income as net income attributable to Franklin Resources, Inc. adjusted to exclude the following:

- Activities of CIPs.
- Acquisition-related items:
  - Acquisition-related retention compensation.
  - Other acquisition-related expenses including professional fees, technology costs and fair value adjustments related to contingent consideration assets and liabilities.
  - Amortization of intangible assets.
  - Impairment of intangible assets and goodwill, if any.
  - Write off of noncontrolling interests related to the wind down of an acquired business.
  - Interest expense for amortization of Legg Mason debt premium from acquisition-date fair value adjustment.
- Special termination benefits related to workforce optimization initiatives related to past acquisitions and certain initiatives undertaken by the Company.
- Net gains or losses on investments related to deferred compensation plans which are not offset by compensation and benefits expense.
- Net compensation and benefits expense related to minority interests in certain subsidiaries not offset by net income (loss) attributable to redeemable noncontrolling interests.
- Unrealized investment gains and losses.
- Net income tax expense of the above adjustments based on the respective blended rates applicable to the adjustments.

We define adjusted diluted earnings per share as diluted earnings per share adjusted to exclude the per share impacts of the adjustments applied to net income in calculating adjusted net income.

In calculating our non-GAAP measures, we adjust for the impact of CIPs because it is not considered reflective of our underlying results of operations. Acquisition-related items and special termination benefits are excluded to facilitate comparability to other asset management firms. We adjust for compensation and benefits expense related to funded deferred compensation plans because it is partially offset in other income (expense), net. We adjust for compensation and benefits expense and net income (loss) attributable to redeemable noncontrolling interests to reflect the economics of certain profits interest arrangements. Sales and distribution fees and a portion of investment management fees generally cover sales, distribution and marketing expenses and, therefore, are excluded from adjusted operating revenues. In addition, when calculating adjusted net income and adjusted diluted earnings per share we exclude unrealized investment gains and losses included in investment and other income (losses) because the related investments are generally expected to be held long term.

The calculations of adjusted operating income, adjusted operating margin, adjusted net income and adjusted diluted earnings per share are as follows:

(in millions)

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(in millions)	Three Months Ended December 31, 2023	Three Months Ended December 31, 2022	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Six Months Ended March 31, 2024	Six Months Ended March 31, 2023
Operating income	**$ 206.5**	**$194.0**	**$ 129.3**	**$ 255.1**	**$ 335.8**	**$**
Add (subtract):						
Elimination of operating revenues upon consolidation of investment products*	11.4	5.1	11.0	9.1	22.4	1
Acquisition-related retention	69.1	63.6	104.5	23.2	173.6	
Compensation and benefits expense from gains on deferred compensation, net	19.0	5.6	14.0	10.6	33.0	
Other acquisition-related expenses	6.8	22.6	25.2	14.0	32.0	
Amortization of intangible assets	85.8	83.2	84.6	86.0	170.4	
Special termination benefits	6.7	10.9	40.4	31.8	47.1	
Compensation and benefits expense related to minority interests in certain subsidiaries	11.7	10.1	10.6	10.4 22.3	22.3	
Adjusted operating income	**$ 417.0**	**$ 395.1**	**$ 419.6**	**$ 440.2**	**$ 836.6**	**$**
Total operating revenues	**$1,991.1**	**$ 1,967.1**	**$2,152.8**	**$1,927.2**	**$4,143.9**	**$3,8**
Add (subtract):						
Acquisition-related pass through performance fees	(72.6)	(144.5)	(14.4)	(8.0)	(87.0)	(15
Sales and distribution fees	(296.4)	(291.9)	(358.5)	(301.4)	(654.9)	

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Allocation of investment management fees for sales, distribution and marketing expenses	Allocation of investment management fees for sales, distribution and marketing expenses	(104.4)	(96.7)	Allocation of investment management fees for sales, distribution and marketing expenses	(125.8)	(105.2)	(230.2)	
Elimination of operating revenues upon consolidation of investment products*	Elimination of operating revenues upon consolidation of investment products*	11.4	5.1	Elimination of operating revenues upon consolidation of investment products*	11.0	9.1	22.4	
Adjusted operating revenues	**Adjusted operating revenues**	**$1,529.1**	**$ 1,439.1**	**Adjusted operating revenues**	**$ 1,665.1**	**$ 1,521.7**	**$ 3,194.2**	**$**
Operating margin								
Operating margin								
Operating margin		**10.4%**	**9.9%**		**6.0%**	**13.2%**	**8.1%**	**11**
Adjusted operating margin	**Adjusted operating margin**	**27.3%**	**27.5%**	**Adjusted operating margin**	**25.2%**	**28.9%**	**26.2%**	

(in millions, except per share data)

(in millions, except per share data)	*(in millions, except per share data)*	Three Months Ended December 31, 2023	2022	*(in millions, except per share data)*	Three Months Ended March 31, Three Months Ended March 31,	2024	Six Months Ended March 31, 2023	2024	2023
Net income attributable to Franklin Resources, Inc.									
Add (subtract):									
Net loss of consolidated investment products*									
Net loss of consolidated investment products*									
Net loss of consolidated investment products*									
Acquisition-related retention									
Other acquisition-related expenses									
Amortization of intangible assets									
Special termination benefits									
Special termination benefits									
Special termination benefits									
Net gains on deferred compensation plan investments not offset by compensation and benefits expense									
Unrealized investment gains									
Interest expense for amortization of debt premium									
Net compensation and benefits expense related to minority interests in certain subsidiaries not offset by net income (loss) attributable to redeemable noncontrolling interests									
Net income tax expense of adjustments									
Adjusted net income									
Diluted earnings per share									
Diluted earnings per share									
Diluted earnings per share									

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Adjusted diluted earnings per share

- The impact of CIPs is summarized as follows:

(in millions)	Three Months Ended December 31, 2023	Three Months Ended December 31, 2022
Elimination of operating revenues upon consolidation	$ (11.4)	$ (5.1)
Other expense, net	(8.6)	(2.8)
Less: loss attributable to noncontrolling interests	(22.2)	(11.5)
Net income	**$ 2.2**	**$ 3.6**

(in millions)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Six Months Ended March 31, 2024	Six Months Ended March 31, 2023
Elimination of operating revenues upon consolidation	$ (11.0)	$ (9.1)	$ (22.4)	$ (14.2)
Other income, net	38.6	62.9	30.0	60.1
Less: income attributable to noncontrolling interests	31.1	62.3	8.9	50.8
Net loss	**$ (3.5)**	**$ (8.5)**	**$ (1.3)**	**$ (4.9)**

LIQUIDITY AND CAPITAL RESOURCES

Cash flows were as follows:

(in millions)	*(in millions)*	Three Months Ended December 31, 2023		Three Months Ended December 31, 2022	*(in millions)*	Six Months Ended March 31, 2024		Six Months Ended March 31, 2023
Operating cash flows								
Investing cash flows								
Financing cash flows								

Net cash used in operating activities decreased during the three six months ended December 31, 2023 March 31, 2024 primarily due to lower net purchases of investments by CIPs and higher net income adjusted for non-cash items, decreases in receivables, partially offset by lower income taxes payable, decreases in accounts payable and accrued expenses as compared to increases in the prior year, increases in receivables and other assets as compared to decreases in the prior year, and lower taxes payable. net income adjusted for non-cash items. Net cash used in investing activities decreased primarily due to cash paid for an acquisition in the prior year, lower net purchases of investments by collateralized loan obligations ("CLOs"), lower cash paid for acquisitions in the current year as compared to the prior year, net consolidations of CIPs as compared to net deconsolidations of CIPs in the prior year period and net liquidations of investments as compared to purchases in the prior year, partially offset by a deferred consideration payment. year. Net cash used in financing activities, as compared to net cash provided by financing activities in the prior year, was decreased primarily due to lower net proceeds on debt of CIPs, lower net subscriptions in CIPs by noncontrolling interests, and proceeds from repurchase agreements in the prior year.

The assets and liabilities of CIPs attributable to third-party investors do not impact our liquidity and capital resources. We have no right to the CIPs' assets, other than our direct equity investment in them and investment management and other fees earned from them. The debt holders of the CIPs have no recourse to our assets beyond the level of our direct investment, therefore we bear no other risks associated with the CIPs' liabilities. Accordingly, the assets and liabilities of CIPs, other than our direct investments in them, are excluded from the amounts and discussion below.

Our liquid assets and debt consisted of the following:

(in millions)	*(in millions)*	December 31, 2023		September 30, 2023	*(in millions)*	March 31, 2024		September 30, 2023
Assets								
Cash and cash equivalents								
Cash and cash equivalents								
Cash and cash equivalents								
Receivables								
Investments								
Total Liquid Assets								
Liability								

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Liability
Liability
Debt
Debt
Debt

Liquidity

Liquid assets consist of cash and cash equivalents, receivables and certain investments. Cash and cash equivalents at December 31, 2023 March 31, 2024 primarily consist of money market funds and deposits with financial institutions. Liquid investments consist of investments in sponsored and other funds, direct investments in redeemable CIPs, other equity and debt securities, and time deposits with maturities greater than three months.

We utilize a significant portion of our liquid assets to satisfy operational and regulatory requirements and fund capital contributions to sponsored and other products. Certain of our subsidiaries are required by our internal policy or regulation to maintain minimum levels of cash and/or capital, and may be restricted in their ability to transfer cash to their parent companies. Should we require more capital than is available for use, we could elect to reduce the level of discretionary activities, such as share repurchases or investments in sponsored and other products, we could raise capital through debt or equity issuances, or utilize existing or new credit facilities. These alternatives could result in increased interest expense, decreased dividend or interest income, or other dilution to our earnings.

Capital Resources

We believe that we can meet our present and reasonably foreseeable operating cash needs and future commitments through existing liquid assets, continuing cash flows from operations, amounts available under the credit facility discussed below, the ability to issue debt or equity securities and borrowing capacity under our uncommitted commercial paper private placement program.

In prior fiscal years, we issued senior unsecured unsubordinated notes for general corporate purposes and to redeem outstanding notes. At December 31, 2023 March 31, 2024, Franklin's outstanding senior notes had an aggregate principal amount due of $1,600.0 million. The notes have fixed interest rates from 1.600% to 2.950% with interest paid semi-annually and have an aggregate carrying value, inclusive of unamortized discounts and debt issuance costs, of $1,585.6 $1,586.0 million. At December 31, 2023 March 31, 2024, Legg Mason's outstanding senior notes had an aggregate principal amount due of $1,250.0 million. The notes have fixed interest rates from 3.950% to 5.625% with interest paid semi-annually and have an aggregate carrying value, inclusive of unamortized premium, of $1,461.3 $1,455.0 million at December 31, 2023 March 31, 2024. Franklin unconditionally and irrevocably guarantees all of the outstanding notes issued by Legg Mason. We intend to repay the $250 million 3.950% senior notes due July 2024 from existing cash or other sources of liquidity.

The senior notes contain an optional redemption feature that allows us to redeem each series of notes prior to maturity in whole or in part at any time, at a make-whole redemption price. The indentures governing the senior notes contain limitations on our ability and the ability of our subsidiaries to pledge voting stock or profit participating equity interests in our subsidiaries to secure other debt without similarly securing the notes equally and ratably. In addition, the indentures include requirements that must be met if we consolidate or merge with, or sell all of our assets to, another entity.

We maintain an $800.0 million 5-year revolving credit facility that contains a financial performance covenant requiring that the Company maintain a consolidated net leverage ratio, measured as of the last day of each fiscal quarter, of no greater than 3.25 to 1.00. This facility remains undrawn as of the time of this filing. We were in compliance with all debt covenants at December 31, 2023 March 31, 2024.

At December 31, 2023 March 31, 2024, we had $500.0 million of short-term commercial paper available for issuance under an uncommitted private placement program which has been inactive since 2012 and is unrated.

Our ability to access the capital markets in a timely manner depends on a number of factors, including our credit rating, the condition of the global economy, investors' willingness to purchase our securities, interest rates, credit spreads and the valuation levels of equity markets. If we are unable to access capital markets in a timely manner, our business could be adversely impacted.

Uses of Capital

We expect that our main uses of cash will be to invest in and grow our business including through acquisitions, pay stockholder dividends, invest in our products, pay income taxes and operating expenses of the business, enhance technology infrastructure and business processes, repurchase shares of our common stock, and repay and service debt. While we expect to continue to repurchase shares to offset dilution from stock-based compensation, and expect to continue to repurchase shares opportunistically from time to time, we will likely spend more of our post-dividend free cash flow investing in our business, including seed capital and acquiring resources to help grow our investment teams and operations.

We typically declare cash dividends on a quarterly basis, subject to approval by our Board of Directors. We declared regular dividends of $0.31 $0.62 per share during the three six months ended December 31, 2023 March 31, 2024 and $0.30 $0.60 per share during the three six months ended December 31, 2022 March 31, 2023. We currently expect to continue paying comparable regular dividends on a quarterly basis to holders of our common stock depending upon earnings and other relevant factors.

We maintain a stock repurchase program to manage our equity capital with the objective of maximizing shareholder value. Our stock repurchase program is effected through open-market purchases and private transactions in accordance with applicable laws and regulations, and is not subject to an expiration date. The size and timing of these purchases will depend on business conditions, price, market and other factors, including the terms of any 10b5-1 stock purchase plan that may be in effect at any given time. During the three and six months ended December 31, 2023 March 31, 2024, we repurchased 2.4 0.4 million and 2.8 million shares of our common stock at a cost of $58.8 $11.7 million and we repurchased 0.5 million shares of our common stock at a cost of $14.2 million in the prior year period. $70.5 million. In December 2023, our Board of Directors authorized the

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repurchase of up to an additional 27.2 million shares of our common stock in either open market or private transactions, for a total of up to 40.0 million shares available for repurchase under the stock repurchase program. At December 31, 2023 March 31, 2024, 39.5 39.1 million shares remained available for repurchase under the authorization approved by our Board of Directors.

On January 1, 2024, we acquired Putnam from Great-West for 31.6 million shares of our common stock, cash consideration paid at close of approximately $220 million $221.7 million for investments and other purchase-related amounts, and deferred cash consideration of $100.0 million to be paid during the third quarter of fiscal year 2024. The cash consideration paid at close was funded from existing cash and we expect to fund the deferred consideration from existing cash and sources of liquidity. In addition, the Company will pay up to $375.0 million between the third and seventh anniversaries of the closing date related to revenue growth targets from the strategic partnership with Great-West and its affiliates which will be recognized in operating income.

On November 1, 2023, we paid $60.8 million in deferred cash consideration related to our acquisition of Alcentra from existing cash. On April 1, 2024, we paid $400.0 million in deferred cash consideration related to our acquisition of Lexington from existing cash. We expect to make an additional deferred cash payments payment related to our acquisition of Lexington of $400 million and $100 million during the third quarter of fiscal year 2024 and 2025 from existing cash and sources of liquidity.

The funds that we manage have their own resources available for purposes of providing liquidity to meet shareholder redemptions, including securities that can be sold or provided to investors as in-kind redemptions, and lines of credit. Increased liquidity risks and redemptions have required, and may continue to require, increased cash in the form of loans or other lines of credit to help settle redemptions and for other related purposes. While we have no legal or contractual obligation to do so, we have in certain instances voluntarily elected to provide the funds with direct or indirect financial support based on our business objectives. We did not provide financial or other support to our sponsored funds during the three six months ended December 31, 2023 March 31, 2024.

CRITICAL ACCOUNTING POLICIES

Our consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America, which require the use of estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. These estimates, judgments and assumptions are affected by our application of accounting policies. Further, concerns about the global economic outlook have adversely affected, and may continue to adversely affect, our business, financial condition and results of operations including the estimates and assumptions made by management. Actual results could differ from the estimates. Described below are the updates to our critical accounting policies disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for fiscal year 2023.

Consolidation

We consolidate our subsidiaries and investment products in which we have a controlling financial interest. We have a controlling financial interest when we own a majority of the voting interest in a voting interest entity or are the primary beneficiary of a variable interest entity ("VIE"). Our VIEs are primarily investment products and our variable interests consist of our equity ownership interests in and investment management fees earned from these products. As of December 31, 2023 March 31, 2024, we were the primary beneficiary of 61 69 investment product VIEs.

Business Combinations

Business combinations are accounted for by recognizing the acquired assets, including separately identifiable intangible assets, and assumed liabilities at their acquisition-date estimated fair values. Any excess of the purchase consideration over the acquisition-date fair values of these identifiable assets and liabilities is recognized as goodwill. Goodwill and indefinite-lived intangible assets are tested for impairment annually and when an event occurs or circumstances change that more likely than not reduce the fair value of the related reporting unit or indefinite-lived intangible asset below its carrying value. Definite-lived intangible assets are tested for impairment quarterly.

Subsequent to the annual impairment tests performed as of August 1, 2023, we monitored both macroeconomic and entity-specific factors, including changes in our AUM to determine whether circumstances have changed that would more likely than not reduce the fair value of the reporting unit below its carrying value or indicate that the other indefinite-lived intangible assets might be impaired. We also monitored fluctuations of our common stock per share price to evaluate our market capitalization relative to the reporting unit as a whole. During the three six months ended December 31, 2023 March 31, 2024, there were no events or circumstances which would indicate that goodwill, indefinite-lived intangible assets or definite-lived intangible assets might be impaired.

While we believe that the assumptions used to estimate fair value in our impairment tests are reasonable and appropriate, future changes in the assumptions could result in recognition of impairment.

Fair Value Measurements

Our investments are primarily recorded at fair value or amounts that approximate fair value on a recurring basis. We use a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value based on whether the inputs to those valuation techniques are observable or unobservable.

As of December 31, 2023 March 31, 2024, Level 3 assets represented 5% of total assets measured at fair value, which primarily related to CIPs' investments in equity and debt securities. There were insignificant transfers into and out of Level 3 during the three six months ended December 31, 2023 March 31, 2024.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

During the three six months ended December 31, 2023 March 31, 2024, there were no material changes from the market risk disclosures in our Form 10-K for the fiscal year ended September 30, 2023.

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Item 4. Controls and Procedures.

The Company's management evaluated, with the participation of the Company's principal executive and principal financial officers, the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of December 31, 2023 March 31, 2024. Based on their evaluation, the Company's principal executive and principal financial officers concluded that the Company's disclosure controls and procedures as of December 31, 2023 March 31, 2024 were designed and are functioning effectively to provide reasonable assurance that the information required to be disclosed by the Company in reports filed under the Exchange Act is (i) recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to management, including the principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure.

There has been no change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the Company's fiscal quarter ended December 31, 2023 March 31, 2024, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

For a description of our legal proceedings, please see the description set forth in the "Legal Proceedings" section in Note 10 11 – Commitments and Contingencies in the notes to consolidated financial statements in Item 1 of Part I of this Form 10-Q, which is incorporated herein by reference.

Item 1A. Risk Factors.

There were no material changes from the Risk Factors previously disclosed in our last Annual Report on Form 10-K for fiscal year 2023. These Risk Factors could materially and adversely affect our business, financial condition and results of operations, and our business also could be impacted by other risk factors that are not presently known to us or that we currently consider to be immaterial. Further, our disclosure of a risk should not be interpreted to imply that the risk has not already developed or materialized.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table provides information with respect to the shares of our common stock that we repurchased during the three months ended December 31, 2023 March 31, 2024.

Month	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 2023	1,240,037	$ 23.83	1,240,037	13,505,416
November 2023	725,713	24.16	725,713	12,779,703
December 2023	457,523	25.63	457,523	39,535,964
Total	**2,423,273**		**2,423,273**	

Month	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
January 2024	75,524	$ 27.72	75,524	39,460,440
February 2024	239,116	26.82	239,116	39,221,324
March 2024	114,166	27.12	114,166	39,107,158
Total	**428,806**		**428,806**	

Under our stock repurchase program, which is not subject to an expiration date, we can repurchase shares of our common stock from time to time in the open market and in private transactions in accordance with applicable laws and regulations, including without limitation applicable federal securities laws. In order to pay taxes due in connection with the vesting of employee and executive officer stock and stock unit awards, we may repurchase shares under our program using a net stock issuance method. In December 2023, our Board of Directors authorized the repurchase of up to an additional 27.2 million shares of our common stock in either open market or private transactions, for a total of up to 40.0 million shares available for repurchase under the stock repurchase program.

Item 6. Exhibits.

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The exhibits listed on the Exhibit Index to this Form 10-Q are incorporated herein by reference.

EXHIBIT INDEX

Exhibit No.	Description
3.1	Certificate of Incorporation of Registrant, as filed November 28, 1969, incorporated by reference to Exhibit (3)(i) to our Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (File No. 001-09318) (the “1994 Annual Report”)
3.2	Certificate of Amendment of Certificate of Incorporation of Registrant, as filed March 1, 1985, incorporated by reference to Exhibit 3(ii) to the 1994 Annual Report
3.3	Certificate of Amendment of Certificate of Incorporation of Registrant, as filed April 1, 1987, incorporated by reference to Exhibit 3(iii) to the 1994 Annual Report
3.4	Certificate of Amendment of Certificate of Incorporation of Registrant, as filed February 2, 1994, incorporated by reference to Exhibit 3(iv) to the 1994 Annual Report
3.5	Certificate of Amendment of Certificate of Incorporation of Registrant, as filed February 4, 2005, incorporated by reference to Exhibit (3)(i)(e) to our Quarterly Report on Form 10-Q for the period ended December 31, 2004 (File No. 001-09318)
3.6	Amended and Restated Bylaws of Registrant (as adopted and effective June 29, 2021), incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on July 1, 2021 (File No. 001-09318)
10.1	Franklin Resources, Inc. 2002 Universal Stock Incentive Plan (as amended and restated effective February 6, 2024), incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on February 8, 2024 (File No. 001-09318)*
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
101	The following materials from Registrant’s Quarterly Report on Form 10-Q for the quarter ended December 31, 2023 March 31, 2024, formatted in Inline Extensible Business Reporting Language (iXBRL), include: (i) the Consolidated Statements of Income, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Stockholders’ Equity, (v) the Consolidated Statements of Cash Flows, and (vi) related notes (filed herewith)
104	Cover Page Interactive Data File (formatted in iXBRL and contained in Exhibit 101)

* Management contract or compensatory plan or arrangement

SIGNATURES

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

FRANKLIN RESOURCES, INC.

Date: January April 29, 2024

By: /s/ Matthew Nicholls

Matthew Nicholls

Executive Vice President, Chief Financial Officer and Chief Operating Officer (Principal Financial Officer)

Date: January April 29, 2024

By: /s/ Gwen L. Shaneyfelt Lindsey H. Oshita

Gwen L. ShaneyfeltLindsey H. Oshita

Chief Accounting Officer (Principal Accounting Officer)

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EXHIBIT 31.1

CERTIFICATION

I, Jennifer M. Johnson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Franklin Resources, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January April 29, 2024

/s/ Jennifer M. Johnson

Jennifer M. Johnson

President and Chief Executive Officer (Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Matthew Nicholls, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Franklin Resources, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

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4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January April 29, 2024

/s/ Matthew Nicholls

Matthew Nicholls

Executive Vice President, Chief Financial Officer and Chief Operating Officer (Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002 (FURNISHED HEREWITH)

I, Jennifer M. Johnson, President and Chief Executive Officer of Franklin Resources, Inc. (the "Company"), certify, as of the date hereof and solely for purposes of and pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended December 31, 2023 March 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Date: January April 29, 2024

/s/ Jennifer M. Johnson

Jennifer M. Johnson

President and Chief Executive Officer (Principal Executive Officer)

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EXHIBIT 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002 (FURNISHED HEREWITH)**

I, Matthew Nicholls, Executive Vice President, Chief Financial Officer and Chief Operating Officer of Franklin Resources, Inc. (the “Company”), certify, as of the date hereof and solely for purposes of and pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended December 31, 2023 March 31, 2024 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, “filed” with the Securities and Exchange Commission.

Date: January April 29, 2024

/s/ Matthew Nicholls

Matthew Nicholls

Executive Vice President, Chief Financial Officer and Chief Operating Officer (Principal Financial Officer)

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