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 March 31, 2022

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 April 26, 2022: 499,924,147.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

FRANKLIN RESOURCES, INC.

CONSOLIDATED STATEMENTS OF INCOME

Unaudited

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions, except per share data)	2022	2021	2022	2021
Operating Revenues				
Investment management fees	$ 1,649.2	$ 1,598.4	$ 3,409.7	$ 3,138.8
Sales and distribution fees	370.2	413.6	768.4	810.5
Shareholder servicing fees	52.2	55.7	99.9	105.1
Other	9.4	8.8	27.0	17.2
Total operating revenues	2,081.0	2,076.5	4,305.0	4,071.6
Operating Expenses				
Compensation and benefits	752.5	732.3	1,555.1	1,457.8
Sales, distribution and marketing	482.4	541.8	992.5	1,048.3
Information systems and technology	126.9	117.5	250.7	234.0
Occupancy	53.0	53.8	109.3	109.5
Amortization of intangible assets	60.4	57.9	118.7	116.1
General, administrative and other	142.8	116.9	258.0	240.5
Total operating expenses	1,618.0	1,620.2	3,284.3	3,206.2
Operating Income	463.0	456.3	1,020.7	865.4
Other Income (Expenses)				
Investment and other income, net	27.7	67.1	84.7	144.3
Interest expense	(22.9)	(15.9)	(42.2)	(45.6)
Investment and other income of consolidated investment products, net	3.0	111.2	107.7	202.3
Expenses of consolidated investment products	(4.6)	(5.2)	(8.8)	(15.6)
Other income, net	3.2	157.2	141.4	285.4
Income before taxes	466.2	613.5	1,162.1	1,150.8
Taxes on income	107.1	128.1	258.2	270.6
Net income	359.1	485.4	903.9	880.2
Less: net income (loss) attributable to				
Redeemable noncontrolling interests	(57.2)	12.0	(49.7)	30.7
Nonredeemable noncontrolling interests	66.7	91.6	150.8	122.4
Net Income Attributable to Franklin Resources, Inc.	**$ 349.6**	**$ 381.8**	**$ 802.8**	**$ 727.1**
Earnings per Share				
Basic	$ 0.68	$ 0.74	$ 1.57	$ 1.42
Diluted	0.68	0.74	1.57	1.42

See Notes to Consolidated Financial Statements.

FRANKLIN RESOURCES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Unaudited

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2022**	**2021**	**2022**	**2021**
Net Income	$ 359.1	$ 485.4	$ 903.9	$ 880.2
Other Comprehensive Income (Loss)				
Currency translation adjustments, net of tax	(16.3)	(34.8)	(23.2)	58.7
Net unrealized gains on defined benefit plans, net of tax	5.3	1.0	0.2	0.4
Total other comprehensive income (loss)	(11.0)	(33.8)	(23.0)	59.1
Total comprehensive income	348.1	451.6	880.9	939.3
Less: comprehensive income (loss) attributable to				
Redeemable noncontrolling interests	(57.2)	12.0	(49.7)	30.7
Nonredeemable noncontrolling interests	66.7	91.6	150.8	122.4
Comprehensive Income Attributable to Franklin Resources, Inc.	**$ 338.6**	**$ 348.0**	**$ 779.8**	**$ 786.2**

See Notes to Consolidated Financial Statements.

FRANKLIN RESOURCES, INC.
CONSOLIDATED BALANCE SHEETS
Unaudited

(in millions, except share and per share data)	March 31, 2022	September 30, 2021
Assets		
Cash and cash equivalents	$ 4,411.6	$ 4,357.8
Receivables	1,370.7	1,428.2
Investments (including $589.3 and $588.3 at fair value at March 31, 2022 and September 30, 2021)	1,398.4	1,510.3
Assets of consolidated investment products		
Cash and cash equivalents	603.1	289.4
Investments, at fair value	7,134.6	5,820.1
Property and equipment, net	744.0	770.0
Goodwill	4,718.2	4,457.7
Intangible assets, net	4,721.9	4,710.2
Operating lease right-of-use assets	398.3	448.4
Other	332.1	376.3
Total Assets	**$ 25,832.9**	**$ 24,168.4**
Liabilities		
Compensation and benefits	$ 1,014.8	$ 1,179.3
Accounts payable and accrued expenses	504.7	479.3
Commissions	229.7	259.8
Income taxes	591.8	693.6
Debt	3,388.0	3,399.4
Liabilities of consolidated investment products		
Accounts payable and accrued expenses	654.3	558.0
Debt	5,100.1	3,671.0
Deferred tax liabilities	252.3	311.7
Operating lease liabilities	462.6	518.4
Other	306.9	354.3
Total liabilities	12,505.2	11,424.8
Commitments and Contingencies (Note 10)		
Redeemable Noncontrolling Interests	1,138.1	933.0
Stockholders' Equity		
Preferred stock, $1.00 par value, 1,000,000 shares authorized; none issued	—	—
Common stock, $0.10 par value, 1,000,000,000 shares authorized; 500,374,393 and 501,807,677 shares issued and outstanding at March 31, 2022 and September 30, 2021	50.0	50.2
Retained earnings	11,891.3	11,550.8
Accumulated other comprehensive loss	(400.6)	(377.6)
Total Franklin Resources, Inc. stockholders' equity	11,540.7	11,223.4
Nonredeemable noncontrolling interests	648.9	587.2
Total stockholders' equity	12,189.6	11,810.6
Total Liabilities, Redeemable Noncontrolling Interests and Stockholders' Equity	**$ 25,832.9**	**$ 24,168.4**

See Notes to Consolidated Financial Statements.

FRANKLIN RESOURCES, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Unaudited

(in millions)	Franklin Resources, Inc.								
	Common Stock								
for the six months ended March 31, 2022	Shares	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, 2021	**501.8**	**$ 50.2**	**$ —**	**$ 11,550.8**	**$ (377.6)**	**$ 11,223.4**	**$ 587.2**	**$ 11,810.6**
Net income				453.2		453.2	84.1	537.3
Other comprehensive loss					(12.0)	(12.0)		(12.0)
Dividends declared on common stock ($0.29 per share)				(148.9)		(148.9)		(148.9)
Repurchase of common stock	(0.7)	—	(58.8)	37.1		(21.7)		(21.7)
Issuance of common stock	1.4	0.1	47.6			47.7		47.7
Stock-based compensation			11.2			11.2		11.2
Net distributions and other							(27.8)	(27.8)
Balance at December 31, 2021	**502.5**	**$ 50.3**	**$ —**	**$ 11,892.2**	**$ (389.6)**	**$ 11,552.9**	**$ 643.5**	**$ 12,196.4**
Net income				349.6		349.6	66.7	416.3
Other comprehensive loss					(11.0)	(11.0)		(11.0)
Dividends declared on common stock ($0.29 per share)				(148.3)		(148.3)		(148.3)
Repurchase of common stock	(2.7)	(0.4)	(66.7)	(13.7)		(80.8)		(80.8)
Issuance of common stock	0.6	0.1	18.5			18.6		18.6
Stock-based compensation			48.2			48.2		48.2
Net distributions and other							(21.7)	(21.7)
Net deconsolidation of investment products							(39.6)	(39.6)
Adjustment to fair value of redeemable noncontrolling interests				(188.5)		(188.5)		(188.5)
Balance at March 31, 2022	**500.4**	**$ 50.0**	**$ —**	**$ 11,891.3**	**$ (400.6)**	**$ 11,540.7**	**$ 648.9**	**$ 12,189.6**

See Notes to Consolidated Financial Statements.

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FRANKLIN RESOURCES, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Unaudited

	Franklin Resources, Inc.								
(in millions)	Common Stock								
for the six months ended March 31, 2021	**Shares**	**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, 2020	**495.1**	**$ 49.5**	**$ —**	**$ 10,472.6**	**$ (407.6)**	**$ 10,114.5**	**$ 754.6**	**$ 10,869.1**
Adoption of new accounting guidance				(3.3)		(3.3)		(3.3)
Net income				345.3		345.3	30.8	376.1
Other comprehensive income					92.9	92.9		92.9
Dividends declared on common stock ($0.28 per share)				(144.0)		(144.0)		(144.0)
Repurchase of common stock	(2.1)	(0.2)	(39.9)	(5.5)		(45.6)		(45.6)
Issuance of common stock	12.5	1.2	32.5			33.7		33.7
Stock-based compensation			7.4			7.4		7.4
Net subscriptions and other							93.3	93.3
Balance at December 31, 2020	**505.5**	**$ 50.5**	**$ —**	**$ 10,665.1**	**$ (314.7)**	**$ 10,400.9**	**$ 878.7**	**$ 11,279.6**
Net income				381.8		381.8	91.6	473.4
Other comprehensive loss					(33.8)	(33.8)		(33.8)
Dividends declared on common stock ($0.28 per share)				(143.7)		(143.7)		(143.7)
Repurchase of common stock	(1.7)	(0.2)	(56.2)	10.6		(45.8)		(45.8)
Issuance of common stock	0.5	0.1	14.1			14.2		14.2
Stock-based compensation			42.1			42.1		42.1
Net subscriptions and other							16.5	16.5
Net deconsolidation of investment products							(31.6)	(31.6)
Adjustment to fair value of redeemable noncontrolling interests				(52.3)		(52.3)		(52.3)
Balance at March 31, 2021	**504.3**	**$ 50.4**	**$ —**	**$ 10,861.5**	**$ (348.5)**	**$ 10,563.4**	**$ 955.2**	**$ 11,518.6**

See Notes to Consolidated Financial Statements.

FRANKLIN RESOURCES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited

	Six Months Ended March 31,	
(in millions)	2022	2021
Net Income	**$ 903.9**	**$ 880.2**
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	112.5	86.2
Amortization of deferred sales commissions	35.0	38.4
Depreciation and other amortization	42.7	44.8
Amortization of intangible assets	118.7	116.1
Net gains on investments	(2.7)	(51.5)
Income from investments in equity method investees	(51.7)	(84.4)
Net gains on investments of consolidated investment products	(62.6)	(140.5)
Net purchase of investments by consolidated investment products	(321.8)	(242.5)
Deferred income taxes	3.3	(16.0)
Other	10.0	(8.6)
Changes in operating assets and liabilities:		
Increase in receivables and other assets	(121.6)	(112.7)
Decrease (increase) in investments, net	(21.3)	8.5
Decrease in accrued compensation and benefits	(162.2)	(12.5)
Increase (decrease) in commissions payable	(30.1)	11.3
Decrease in income taxes payable	(104.9)	(38.9)
Increase (decrease) in accounts payable, accrued expenses and other liabilities	(59.9)	45.6
Increase (decrease) in accounts payable and accrued expenses of consolidated investment products	(16.8)	22.8
Net cash provided by operating activities	**270.5**	**546.3**
Purchase of investments	(375.9)	(368.5)
Liquidation of investments	726.0	207.8
Purchase of investments by consolidated collateralized loan obligations	(2,170.2)	(1,656.0)
Liquidation of investments by consolidated collateralized loan obligations	1,058.8	524.7
Decrease in loans receivable, net	—	42.7
Additions of property and equipment, net	(42.5)	(20.8)
Acquisitions, net of cash acquired	(372.3)	—
Payments of contingent consideration asset	12.6	10.6
Net consolidation (deconsolidation) of investment products	12.2	(18.4)
Net cash used in investing activities	**(1,151.3)**	**(1,277.9)**

[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]

(in millions)	Six Months Ended March 31, 2022	Six Months Ended March 31, 2021
Issuance of common stock	$ 13.6	$ 11.0
Dividends paid on common stock	(290.5)	(276.8)
Repurchase of common stock	(104.3)	(90.4)
Proceeds from issuance of debt	—	748.3
Payment of debt issuance costs	—	(6.7)
Payment on debt	—	(250.0)
Proceeds from debt of consolidated investment products	3,016.9	1,496.8
Payments on debt of consolidated investment products	(1,609.9)	(488.7)
Payments on contingent consideration liabilities	(4.1)	—
Noncontrolling interests	254.2	187.3
Net cash provided by financing activities	**1,275.9**	**1,330.8**
Effect of exchange rate changes on cash and cash equivalents	(27.6)	14.9
Increase in cash and cash equivalents	367.5	614.1
Cash and cash equivalents, beginning of period	4,647.2	3,989.8
Cash and Cash Equivalents, End of Period	**$ 5,014.7**	**$ 4,603.9**
Supplemental Disclosure of Cash Flow Information		
Cash paid for income taxes	$ 350.1	$ 319.2
Cash paid for interest	54.7	62.8
Cash paid for interest by consolidated investment products	65.7	44.3

See Notes to Consolidated Financial Statements.

FRANKLIN RESOURCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2022
(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 ("U.S. GAAP") 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, 2021 ("fiscal year 2021"). Certain comparative amounts for the prior fiscal year period have been reclassified to conform to the financial statement presentation as of and for the period ended March 31, 2022.

During the quarter ended June 30, 2021, the Company identified an error related to the accounting of its indirect interests in certain collateralized loan obligations ("CLOs") held through a limited partnership and the Company's conclusion to consolidate that limited partnership. In accordance with U.S. GAAP, the Company should have consolidated the CLOs as the Company is the primary beneficiary of these entities and should not have consolidated the limited partnership. The error had no impact to net income attributable to the Company, earnings per share, retained earnings, or total Franklin Resources, Inc. stockholders' equity.

The Company determined that the error did not result in a material misstatement to its previously issued consolidated financial statements. Nonetheless, for comparability, the Company has revised the comparative prior period amounts included in the consolidated statements of cash flows and related footnote disclosures.

The impact of the error on the consolidated statement of cash flows for the six months ended March 31, 2021 is as follows:

(in millions)	As Reported	Adjustments	As Revised
Net cash provided by operating activities	$ 505.4	$ 40.9	$ 546.3
Net cash used in investing activities	(773.0)	(504.9)	(1,277.9)
Net cash provided by financing activities	659.9	670.9	1,330.8

Note 2 – Earnings per Share

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

(in millions, except per share data)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Six Months Ended March 31, 2022	Six Months Ended March 31, 2021
Net income attributable to Franklin Resources, Inc.	$ 349.6	$ 381.8	$ 802.8	$ 727.1
Less: allocation of earnings to participating nonvested stock and stock unit awards	15.1	16.9	34.3	31.3
Net Income Available to Common Stockholders	**$ 334.5**	**$ 364.9**	**$ 768.5**	**$ 695.8**
Weighted-average shares outstanding – basic	490.0	490.5	489.9	490.8
Dilutive effect of nonparticipating nonvested stock unit awards	0.5	0.4	0.6	0.5
Weighted-Average Shares Outstanding – Diluted	**490.5**	**490.9**	**490.5**	**491.3**
Earnings per Share				
Basic	$ 0.68	$ 0.74	$ 1.57	$ 1.42
Diluted	0.68	0.74	1.57	1.42

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 March 31, 2022 and 2021.

Note 3 – Revenues

Operating revenues by geographic area were as follows:

(in millions) **for the three months ended March 31, 2022**	United States	Luxembourg	Asia-Pacific	Americas Excluding United States	Europe, Middle East and Africa, Excluding Luxembourg	Total
Investment management fees	$ 1,202.1	$ 237.2	$ 89.5	$ 64.6	$ 55.8	$ 1,649.2
Sales and distribution fees	261.6	89.3	6.6	12.7	—	370.2
Shareholder servicing fees	42.1	9.3	0.3	—	0.5	52.2
Other	9.1	0.2	0.1	—	—	9.4
Total	**$ 1,514.9**	**$ 336.0**	**$ 96.5**	**$ 77.3**	**$ 56.3**	**$ 2,081.0**

(in millions) **for the six months ended March 31, 2022**	United States	Luxembourg	Asia-Pacific	Americas Excluding United States	Europe, Middle East and Africa, Excluding Luxembourg	Total
Investment management fees	$ 2,486.1	$ 495.6	$ 171.3	$ 134.9	$ 121.8	$ 3,409.7
Sales and distribution fees	540.0	188.1	14.2	26.1	—	768.4
Shareholder servicing fees	78.9	19.4	0.7	0.1	0.8	99.9
Other	26.2	0.5	0.3	—	—	27.0
Total	**$ 3,131.2**	**$ 703.6**	**$ 186.5**	**$ 161.1**	**$ 122.6**	**$ 4,305.0**

(in millions) for the three months ended March 31, 2021	United States	Luxembourg	Asia-Pacific	Americas Excluding United States	Europe, Middle East and Africa, Excluding Luxembourg	Total
Investment management fees	$ 1,091.0	$ 311.5	$ 83.6	$ 69.6	$ 42.7	$ 1,598.4
Sales and distribution fees	280.8	104.9	15.0	12.6	0.3	413.6
Shareholder servicing fees	43.6	10.1	2.0	—	—	55.7
Other	3.6	0.2	1.2	—	3.8	8.8
Total	**$ 1,419.0**	**$ 426.7**	**$ 101.8**	**$ 82.2**	**$ 46.8**	**$ 2,076.5**

(in millions) for the six months ended March 31, 2021	United States	Luxembourg	Asia-Pacific	Americas Excluding United States	Europe, Middle East and Africa, Excluding Luxembourg	Total
Investment management fees	$ 2,203.1	$ 533.3	$ 162.3	$ 139.6	$ 100.5	$ 3,138.8
Sales and distribution fees	558.7	194.7	29.0	24.9	3.2	810.5
Shareholder servicing fees	81.6	15.9	3.9	0.1	3.6	105.1
Other	10.1	0.5	1.5	—	5.1	17.2
Total	**$ 2,853.5**	**$ 744.4**	**$ 196.7**	**$ 164.6**	**$ 112.4**	**$ 4,071.6**

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 79% and 80% of the Company's total operating revenues for the three and six months ended March 31, 2022 and 82% and 81% for the three and six months ended March 31, 2021.

Note 4 – Investments

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

Investments consisted of the following:

(in millions)	March 31, 2022	September 30, 2021
Investments, at fair value		
Sponsored funds and separate accounts	$ 351.7	$ 368.3
Investments related to long-term incentive plans	185.8	160.0
Other equity and debt investments	51.8	60.0
Total investments, at fair value	589.3	588.3
Investments in equity method investees	593.0	814.3
Other investments	216.1	107.7
Total	**$ 1,398.4**	**$ 1,510.3**

The Company recognized other-than-temporary impairment of $21.2 million in earnings during the six months ended March 31, 2022.

Note 5 – Fair Value Measurements

The disclosures below include details of the Company’s fair value measurements, excluding those of CIPs. See Note 7 – 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 March 31, 2022	Level 1	Level 2	Level 3	NAV as a Practical Expedient	Total
Assets					
Investments, at fair value					
Sponsored funds and separate accounts	$ 220.4	$ 34.7	$ 21.9	$ 74.7	$ 351.7
Investments related to long-term incentive plans	185.8	—	—	—	185.8
Other equity and debt investments	3.6	17.0	—	31.2	51.8
Contingent consideration asset	—	—	17.1	—	17.1
Total Assets Measured at Fair Value	**$ 409.8**	**$ 51.7**	**$ 39.0**	**$ 105.9**	**$ 606.4**
Liabilities					
Contingent consideration liabilities	$ —	$ —	$ 56.5	$ —	$ 56.5

(in millions) as of September 30, 2021	Level 1	Level 2	Level 3	NAV as a Practical Expedient	Total
Assets					
Investments, at fair value					
Sponsored funds and separate accounts	$ 241.3	$ 18.4	$ 24.6	$ 84.0	$ 368.3
Investments related to long-term incentive plans	160.0	—	—	—	160.0
Other equity and debt investments	3.3	13.3	—	43.4	60.0
Contingent consideration asset	—	—	19.4	—	19.4
Total Assets Measured at Fair Value	**$ 404.6**	**$ 31.7**	**$ 44.0**	**$ 127.4**	**$ 607.7**
Liabilities					
Contingent consideration liabilities	$ —	$ —	$ 42.4	$ —	$ 42.4

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

(in millions)	March 31, 2022	September 30, 2021
Nonredeemable investments[1]		
Investments with unknown liquidation periods	$ 46.8	$ 46.6
Investments with known liquidation periods	32.2	53.9
Redeemable investments[2]	26.9	26.9
Unfunded commitments	51.7	51.8

[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 4.2 years and 4.0 years at March 31, 2022 and September 30, 2021.

[2] Investments are redeemable on a monthly and quarterly basis.

Changes in the Level 3 assets and liabilities were as follows:

(in millions)	2022			2021		
for the three months ended March 31,	**Investments**	**Contingent Consideration Asset**	**Contingent Consideration Liabilities**	**Investments**	**Contingent Consideration Asset**	**Contingent Consideration Liabilities**
Balance at beginning of period	$ 18.2	$ 15.5	$ (56.7)	$ 17.8	$ 36.9	$ (25.5)
Total realized and unrealized gains (losses)						
Included in investment and other income, net	(1.8)	—	—	(0.1)	—	—
Included in general, administrative and other expense	—	10.3	—	—	—	—
Purchases	6.8	—	—	3.0	—	—
Sales	(1.3)	—	—	(1.2)	—	—
Settlements	—	(8.7)	0.1	—	(7.8)	—
Foreign exchange revaluation	—	—	0.1	—	—	0.2
Balance at End of Period	**$ 21.9**	**$ 17.1**	**$ (56.5)**	**$ 19.5**	**$ 29.1**	**$ (25.3)**
Change in unrealized gains (losses) included in net income relating to assets and liabilities held at end of period	$ (0.2)	$ 10.3	$ —	$ (0.1)	$ —	$ —

(in millions) for the six months ended March 31,	2022 Investments	2022 Contingent Consideration Asset	2022 Contingent Consideration Liabilities	2021 Investments	2021 Contingent Consideration Asset	2021 Contingent Consideration Liabilities
Balance at beginning of period	$ 24.6	$ 19.4	$ (42.4)	$ 17.4	$ 39.7	$ (25.3)
Acquisitions	—	—	(24.5)	—	—	—
Total realized and unrealized gains (losses)						
Included in investment and other income, net	(1.6)	—	—	(0.2)	—	—
Included in general, administrative and other expense	—	10.3	1.1	—	—	—
Purchases	10.3	—	—	8.5	—	—
Sales	(6.3)	—	—	(5.5)	—	—
Settlements	(3.2)	(12.6)	9.1	(0.5)	(10.6)	—
Transfers out of Level 3	(1.9)	—	—	(0.2)	—	—
Foreign exchange revaluation	—	—	0.2	—	—	—
Balance at End of Period	**$ 21.9**	**$ 17.1**	**$ (56.5)**	**$ 19.5**	**$ 29.1**	**$ (25.3)**
Change in unrealized gains (losses) included in net income relating to assets and liabilities held at end of period	$ (0.4)	$ 10.3	$ 1.3	$ (0.2)	$ —	$ —

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

(in millions)	Fair Value Level	March 31, 2022 Carrying Value	March 31, 2022 Estimated Fair Value	September 30, 2021 Carrying Value	September 30, 2021 Estimated Fair Value
Financial Assets					
Cash and cash equivalents	1	$ 4,411.6	$ 4,411.6	$ 4,357.8	$ 4,357.8
Other investments					
Time deposits	2	12.7	12.7	13.2	13.2
Equity securities	3	203.4	203.4	94.5	99.1
Financial Liability					
Debt	2	$ 3,388.0	$ 3,121.9	$ 3,399.4	$ 3,434.1

Note 6 – Debt

On January 10, 2022, the Company entered into a bi-lateral credit agreement with Bank of America, N.A. to establish a 364 day revolving credit facility with an aggregate commitment of $500.0 million. As of March 31, 2022, there were no amounts outstanding.

There were no other material changes to the Company's debt during the six months ended March 31, 2022.

Note 7 – 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 64 CIPs, including 13 CLOs, as of March 31, 2022 and 60 CIPs, including 10 CLOs, as of September 30, 2021.

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

(in millions)	March 31, 2022	September 30, 2021
Assets		
Cash and cash equivalents	$ 603.1	$ 289.4
Receivables	130.6	127.8
Investments, at fair value	7,134.6	5,820.1
Total Assets	**$ 7,868.3**	**$ 6,237.3**
Liabilities		
Accounts payable and accrued expenses	$ 654.3	$ 558.0
Debt	5,100.1	3,671.0
Other liabilities	19.7	13.8
Total liabilities	5,774.1	4,242.8
Redeemable Noncontrolling Interests	625.3	622.5
Stockholders' Equity		
Franklin Resources, Inc.'s interests	1,017.4	1,000.7
Nonredeemable noncontrolling interests	451.5	371.3
Total stockholders' equity	1,468.9	1,372.0
Total Liabilities, Redeemable Noncontrolling Interests and Stockholders' Equity	**$ 7,868.3**	**$ 6,237.3**

The CIPs did not have a significant impact on net income attributable to the Company during the three and six months ended March 31, 2022 and 2021.

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) as of March 31, 2022	Level 1	Level 2	Level 3	NAV as a Practical Expedient	Total
Assets					
Cash and cash equivalents of CLOs	$ 438.3	$ —	$ —	$ —	$ 438.3
Receivables of CLOs	—	58.8	—	—	58.8
Investments					
Equity and debt securities	164.0	699.1	595.4	246.0	1,704.5
Loans	—	5,221.1	33.6	—	5,254.7
Real estate	—	—	175.4	—	175.4
Total Assets Measured at Fair Value	**$ 602.3**	**$ 5,979.0**	**$ 804.4**	**$ 246.0**	**$ 7,631.7**

(in millions) as of September 30, 2021	Level 1	Level 2	Level 3	NAV as a Practical Expedient	Total
Assets					
Cash and cash equivalents of CLOs	$ 145.4	$ —	$ —	$ —	$ 145.4
Receivables of CLOs	—	84.0	—	—	84.0
Investments					
Equity and debt securities	310.8	647.3	453.3	343.5	1,754.9
Loans	—	3,955.3	20.5	—	3,975.8
Real estate	—	—	89.4	—	89.4
Total Assets Measured at Fair Value	**$ 456.2**	**$ 4,686.6**	**$ 563.2**	**$ 343.5**	**$ 6,049.5**

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

(in millions)	March 31, 2022	September 30, 2021
Nonredeemable investments[1]		
Investments with known liquidation periods	$ 46.0	$ 141.4
Investments with unknown liquidation periods	12.0	—
Redeemable investments[2]	188.0	202.1
Unfunded commitments[3]	0.5	0.5

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 0.8 year at March 31, 2022 and 1.3 years at September 30, 2021.

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

3 Of the total unfunded commitments, the Company was contractually obligated to fund $0.2 million based on its ownership percentage in the CIPs, at March 31, 2022 and September 30, 2021.

Changes in Level 3 assets were as follows:

(in millions) for the three months ended March 31, 2022	Equity and Debt Securities	Real Estate	Loans	Total Level 3 Assets
Balance at January 1, 2022	$ 539.0	$ 98.9	$ 34.2	$ 672.1
Realized and unrealized gains (losses) included in investment and other income of consolidated investment products, net	78.0	5.7	(0.3)	83.4
Purchases	115.3	70.8	0.1	186.2
Sales and settlements	(81.9)	—	(0.4)	(82.3)
Deconsolidations	(55.0)	—	—	(55.0)
Balance at March 31, 2022	**$ 595.4**	**$ 175.4**	**$ 33.6**	**$ 804.4**
Change in unrealized gains (losses) included in net income relating to assets held at March 31, 2022	$ 73.6	$ 5.7	$ (0.3)	$ 79.0

(in millions) **for the six months ended March 31, 2022**	**Equity and Debt Securities**	**Real Estate**	**Loans**	**Total Level 3 Assets**
Balance at October 1, 2021	$ 453.3	$ 89.4	$ 20.5	$ 563.2
Realized and unrealized gains (losses) included in investment and other income of consolidated investment products, net	170.3	14.3	—	184.6
Purchases	133.5	71.7	14.1	219.3
Sales and settlements	(105.8)	—	(1.0)	(106.8)
Deconsolidations	(55.0)	—	—	(55.0)
Transfers into Level 3	0.1	—	—	0.1
Transfers out of Level 3	(1.0)	—	—	(1.0)
Balance at March 31, 2022	**$ 595.4**	**$ 175.4**	**$ 33.6**	**$ 804.4**
Change in unrealized gains included in net income relating to assets held at March 31, 2022	$ 166.1	$ 14.3	$ —	$ 180.4

(in millions) **for the three months ended March 31, 2021**	**Equity and Debt Securities**	**Real Estate**	**Loans**	**Total Level 3 Assets**
Balance at January 1, 2021	$ 356.0	$ 407.8	$ 23.5	$ 787.3
Realized and unrealized gains included in investment and other income of consolidated investment products, net	1.0	1.2	—	2.2
Purchases	7.5	21.2	—	28.7
Sales and settlements	(56.0)	—	(1.1)	(57.1)
Deconsolidations	(36.2)	—	—	(36.2)
Transfers into Level 3	1.2	—	—	1.2
Foreign exchange revaluation	(2.3)	(6.7)	—	(9.0)
Balance at March 31, 2021	**$ 271.2**	**$ 423.5**	**$ 22.4**	**$ 717.1**
Change in unrealized gains (losses) included in net income relating to assets held at March 31, 2021	$ 1.2	$ 1.2	$ (0.1)	$ 2.3

(in millions) **for the six months ended March 31, 2021**	**Equity and Debt Securities**	**Real Estate**	**Loans**	**Total Level 3 Assets**
Balance at October 1, 2020	$ 322.3	$ 339.2	$ 24.9	$ 686.4
Realized and unrealized gains included in investment and other income of consolidated investment products, net	20.1	2.7	—	22.8
Purchases	20.1	72.3	—	92.4
Sales and settlements	(57.0)	—	(2.5)	(59.5)
Deconsolidations	(36.2)	—	—	(36.2)
Transfers into Level 3	1.2	—	—	1.2
Foreign exchange revaluation	0.7	9.3	—	10.0
Balance at March 31, 2021	**$ 271.2**	**$ 423.5**	**$ 22.4**	**$ 717.1**
Change in unrealized gains included in net income relating to assets held at March 31, 2021	$ 19.7	$ 2.7	$ 0.1	$ 22.5

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

(in millions) as of March 31, 2022	Fair Value		Valuation Technique	Significant Unobservable Inputs	Range (Weighted Average[1])
Equity and debt securities	$	529.3	Market pricing	Private sale pricing	\$0.39–\$1,704.16 (\$132.63) per share
		66.1	Market comparable companies	Enterprise value/ EBITDA multiple	14.7
				Discount for lack of marketability	25.0%
				Price-to-book value ratio	1.2
Real estate		175.4	Discounted cash flow	Discount rate	5.5%–6.3% (6.0%)
				Exit capitalization rate	4.5%–5.5% (4.9%)

(in millions) as of September 30, 2021	Fair Value		Valuation Technique	Significant Unobservable Inputs	Range (Weighted Average[1])
Equity and debt securities	$	301.1	Market pricing	Private sale pricing	\$0.39-\$100.00 (\$19.34) per share
		102.3	Market comparable companies	Enterprise value/ EBITDA multiple	6.0–20.6 (13.7)
				Discount for lack of marketability	6.0%–25.5% (17.6%)
				Enterprise value/ Revenue multiple	0.6–7.2 (5.1)
				Price-to-book value ratio	0.7–1.8 (1.4)
				Control premium	20%
				Price-to-earnings ratio	28.8
		49.9	Discounted cash flow	Discount rate	3.3%–6.3% (4.3%)
Real estate		89.4	Discounted cash flow	Discount rate	5.8%–6.0% (5.9%)
				Exit capitalization rate	5.0%–5.3% (5.1%)

[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 March 31, 2022, the resulting fair value of the assets would be higher (lower). If the relevant significant inputs used in the discounted cash flow valuations, as well as the discount for lack of marketability used in the market-based valuations, were independently higher (lower) as of March 31, 2022, 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:

		March 31, 2022				September 30, 2021			
(in millions)	Fair Value Level	Carrying Value		Estimated Fair Value		Carrying Value		Estimated Fair Value	
Financial Asset									
Cash and cash equivalents	1	$	164.8	$	164.8	$	144.0	$	144.0
Financial Liabilities									
Debt of CLOs[1]	2 or 3	$	5,029.6	$	5,067.3	$	3,634.1	$	3,610.6
Other debt	3		70.5		66.1		36.9		36.6

[1] Substantially all was Level 2.

Debt

Debt of CIPs consisted of the following:

	March 31, 2022		September 30, 2021	
(in millions)	Amount	Weighted-Average Effective Interest Rate	Amount	Weighted-Average Effective Interest Rate
Debt of CLOs	$ 5,029.6	1.86%	$ 3,634.1	2.11%
Other debt	70.5	2.52%	36.9	1.95%
Total	**$ 5,100.1**		**$ 3,671.0**	

The debt of CLOs had fixed and floating interest rates ranging from 0.88% to 7.30% at March 31, 2022, and from 1.00% to 8.22% at September 30, 2021. The other debt had fixed and floating interest rates ranging from 1.72% to 6.00% at March 31, 2022, and from 1.63% to 2.42% at September 30, 2021. The floating rates were primarily based on LIBOR.

The contractual maturities for the debt of CIPs at March 31, 2022 were as follows:

(in millions) **for the fiscal years ending September 30,**	**Amount**
2022 (remainder of year)	$ 19.6
2023	—
2024	98.9
2025	—
2026	—
Thereafter	4,981.6
Total	**$ 5,100.1**

Collateralized Loan Obligations

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

(in millions)	March 31, 2022	September 30, 2021
Unpaid principal balance	$ 5,235.2	$ 3,951.1
Difference between unpaid principal balance and fair value	9.5	20.9
Fair Value	**$ 5,244.7**	**$ 3,972.0**

Investments 90 days or more past due were immaterial at March 31, 2022. There were no investments 90 days or more past due at September 30, 2021.

The Company recognized $7.6 million and $12.9 million of net gains during the three and six months ended March 31, 2022 and $6.5 million and $7.4 million of net gains during the three and six months ended March 31, 2021, related to its own economic interests in the CLOs. The aggregate principal amount due of the debt of CLOs was $5,039.8 million and $3,629.9 million at March 31, 2022 and September 30, 2021.

Note 8 – Redeemable Noncontrolling Interests

Changes in redeemable noncontrolling interests were as follows:

(in millions) **for the three months ended March 31,**	**2022** CIPs	**2022** Minority Interests	**2022** Total	**2021** CIPs	**2021** Minority Interests	**2021** Total
Balance at beginning of period	$ 662.5	$ 320.9	$ 983.4	$ 465.3	$ 150.3	$ 615.6
Net income (loss)	(69.6)	12.4	(57.2)	6.4	5.6	12.0
Net subscriptions (distributions) and other	148.3	(9.0)	139.3	109.8	(2.4)	107.4
Net consolidations (deconsolidations)	(115.9)	—	(115.9)	28.4	—	28.4
Adjustment to fair value	—	188.5	188.5	—	52.3	52.3
Balance at End of Period	**$ 625.3**	**$ 512.8**	**$ 1,138.1**	**$ 609.9**	**$ 205.8**	**$ 815.7**

(in millions) **for the six months ended March 31,**	**2022** CIPs	**2022** Minority Interests	**2022** Total	**2021** CIPs	**2021** Minority Interests	**2021** Total
Balance at beginning of period	$ 622.5	$ 310.5	$ 933.0	$ 397.3	$ 144.6	$ 541.9
Net income (loss)	(74.4)	24.7	(49.7)	19.4	11.3	30.7
Net subscriptions (distributions) and other	314.6	(10.9)	303.7	79.9	(2.4)	77.5
Net consolidations (deconsolidations)	(237.4)	—	(237.4)	113.3	—	113.3
Adjustment to fair value	—	188.5	188.5	—	52.3	52.3
Balance at End of Period	**$ 625.3**	**$ 512.8**	**$ 1,138.1**	**$ 609.9**	**$ 205.8**	**$ 815.7**

Note 9 – 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)	**March 31, 2022**	**September 30, 2021**
Investments	$ 535.0	$ 639.2
Receivables	153.4	172.1
Total	**$ 688.4**	**$ 811.3**

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 during the six months ended March 31, 2022. During the fiscal year ended September 30, 2020, the Company authorized loans to certain sponsored funds in India that experienced increased liquidity risks and redemptions. The loans were fully repaid by March 31, 2021. See Note 16 – Commitments and Contingencies in the notes to consolidated financial statements in Item 8 of Part II of our Annual Report on Form 10-K for fiscal year 2021 for further information.

Note 10 – Commitments and Contingencies

Legal Proceedings

India Credit Fund Closure Matters. During the six months ended March 31, 2022, there were no significant changes from the disclosure in the Form 10-K for the fiscal year ended September 30, 2021. As of March 31, 2022, the amount reported as distributed to Fund unitholders is approximately $3.5 billion.

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 March 31, 2022 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 in those positions. 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 March 31, 2022.

Other Commitments and Contingencies

At March 31, 2022, there were no material changes in the other commitments and contingencies as reported in the Company's Annual Report on Form 10-K for fiscal year 2021.

Note 11 – Stock-Based Compensation

Stock and stock unit award activity was as follows:

(shares in thousands) **for the six months ended March 31, 2022**	**Time-Based Shares**	**Performance-Based Shares**	**Total Shares**	**Weighted-Average Grant-Date Fair Value**
Nonvested balance at October 1, 2021	14,176	3,658	17,834	$ 22.27
Granted	4,465	227	4,692	34.89
Vested	(1,834)	(98)	(1,932)	25.26
Forfeited/canceled	(301)	(166)	(467)	25.48
Nonvested Balance at March 31, 2022	**16,506**	**3,621**	**20,127**	**$ 24.54**

Total unrecognized compensation expense related to nonvested stock and stock unit awards was $331.8 million at March 31, 2022. This expense is expected to be recognized over a remaining weighted-average vesting period of 2.2 years.

Note 12 – Investment and Other Income, Net

Investment and other income, net consisted of the following:

	Three Months Ended March 31,		**Six Months Ended March 31,**	
(in millions)	**2022**	**2021**	**2022**	**2021**
Dividend and interest income	$ 5.1	$ 3.9	$ 11.2	$ 9.0
Gains (losses) on investments, net	(23.1)	10.2	2.7	58.9
Income from investments in equity method investees	27.0	45.9	51.7	84.4
Gains (losses) on derivatives, net	6.7	(6.1)	(2.3)	(16.1)
Rental income	8.6	7.8	18.3	15.5
Foreign currency exchange gains (losses), net	5.8	6.5	9.7	(10.0)
Other, net	(2.4)	(1.1)	(6.6)	2.6
Investment and other income, net	**$ 27.7**	**$ 67.1**	**$ 84.7**	**$ 144.3**

Net gains (losses) recognized on equity securities measured at fair value and trading debt securities that were held by the Company at March 31, 2022 and 2021 were $(29.2) million and $(34.5) million for the three and six months ended March 31, 2022, and $(2.6) million and $51.2 million for the three and six months ended March 31, 2021.

Note 13 – Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) by component were as follows:

(in millions) **for the three months ended March 31, 2022**	**Currency Translation Adjustments**	**Unrealized Losses on Defined Benefit Plans**	**Total**
Balance at January 1, 2022	$ (377.4)	$ (12.2)	$ (389.6)
Other comprehensive income (loss)			
Other comprehensive income (loss) before reclassifications, net of tax	(17.4)	5.4	(12.0)
Reclassifications to compensation and benefits expense, net of tax	—	(0.1)	(0.1)
Reclassifications to net investment and other income, net of tax	1.1	—	1.1
Total other comprehensive income (loss)	(16.3)	5.3	(11.0)
Balance at March 31, 2022	**$ (393.7)**	**$ (6.9)**	**$ (400.6)**

(in millions) **for the six months ended March 31, 2022**	**Currency Translation Adjustments**	**Unrealized Losses on Defined Benefit Plans**	**Total**
Balance at October 1, 2021	$ (370.5)	$ (7.1)	$ (377.6)
Other comprehensive income (loss)			
Other comprehensive income (loss) before reclassifications, net of tax	(24.3)	0.8	(23.5)
Reclassifications to compensation and benefits expense, net of tax	—	(0.6)	(0.6)
Reclassifications to net investment and other income, net of tax	1.1	—	1.1
Total other comprehensive income (loss)	(23.2)	0.2	(23.0)
Balance at March 31, 2022	**$ (393.7)**	**$ (6.9)**	**$ (400.6)**

(in millions) **for the three months ended March 31, 2021**	**Currency Translation Adjustments**	**Unrealized Losses on Defined Benefit Plans**	**Total**
Balance at January 1, 2021	$ (306.1)	$ (8.6)	$ (314.7)
Other comprehensive income (loss)			
Other comprehensive income (loss) before reclassifications, net of tax	(35.6)	1.0	(34.6)
Reclassifications to net investment and other income, net of tax	0.8	—	0.8
Total other comprehensive income (loss)	(34.8)	1.0	(33.8)
Balance at March 31, 2021	**$ (340.9)**	**$ (7.6)**	**$ (348.5)**

(in millions) **for the six months ended March 31, 2021**	**Currency Translation Adjustments**	**Unrealized Losses on Defined Benefit Plans**	**Total**
Balance at October 1, 2020	$ (399.6)	$ (8.0)	$ (407.6)
Other comprehensive income			
Other comprehensive income before reclassifications, net of tax	57.8	0.4	58.2
Reclassifications to net investment and other income, net of tax	0.9	—	0.9
Total other comprehensive income	58.7	0.4	59.1
Balance at March 31, 2021	**$ (340.9)**	**$ (7.6)**	**$ (348.5)**

Note 14 – Subsequent Event

On April 1, 2022, the Company acquired all of the outstanding ownership interests in Lexington Partners L.P. ("Lexington") for cash consideration of $1.0 billion and additional payments totaling $750.0 million to be paid in cash over the next three years. In connection with the acquisition, the Company is granting a 25% ownership stake in Lexington and performance-based cash retention awards that both vest over approximately five years.

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, including those discussed under the heading "Risk Factors" below, 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, 2021 ("fiscal year 2021").

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 the fiscal year 2021 filed with the U.S. Securities and Exchange Commission, and the consolidated financial statements and notes thereto included 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. In addition to investment management, our 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®, Benefit Street Partners®, Brandywine Global Investment Management®, Clarion Partners®, ClearBridge Investments®, Fiduciary Trust International™, Franklin Bissett®, Franklin Mutual Series®, K2®, Lexington Partners®, LibertyShares®, Martin Currie®, O'Shaughnessy® Asset Management, 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 2021, 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.

As further noted in the "Risk Factors" section of our Annual Report on Form 10-K for the fiscal year 2021, the outbreak and spread of contagious diseases such as the coronavirus disease 2019 ("COVID-19"), a highly transmissible and pathogenic disease, has adversely affected, and may continue to adversely affect, our business, financial condition and results of operations. Ongoing global health concerns, and uncertainty regarding the impact of COVID-19, could lead to further and/or increased volatility in global capital and credit markets, adversely affect our key executives and other personnel, clients, investors, providers, suppliers, lessees, and other third parties, and negatively impact our AUM, revenues, income, business and operations. As of the time of this filing, as the COVID-19 pandemic continues to evolve, it is not possible to predict the full extent to which the pandemic may adversely impact our business, liquidity, capital resources, financial results and operations, which impacts will depend on numerous developing factors that remain uncertain and subject to change.

During our second fiscal quarter, global equity markets declined driven by concerns about the global economic impacts of the Russian invasion of Ukraine, rising inflation and central banks' monetary policies, including expectations about the pace of future interest rate increases. The S&P 500 Index and MSCI World Index decreased 4.6% and 5.0% for the quarter, and increased 5.9% and 2.4% for the fiscal year to date. The global bond markets had negative returns, with the Bloomberg Global Aggregate Index decreasing 6.2% during the quarter and 6.8% for the fiscal year to date, as the Federal Reserve and other developed market central banks began increasing interest rates in an effort to combat inflation.

Our total AUM at March 31, 2022 was $1,477.5 billion, 3% lower than at September 30, 2021 and 1% lower than at March 31, 2021. Monthly average AUM ("average AUM") for the three and six months ended March 31, 2022 increased 1% and 4% from the same periods in the prior fiscal year.

On April 1, 2022, we acquired all of the outstanding ownership interests in Lexington Partners L.P. ("Lexington"), a leading global manager of secondary private equity and co-investment funds, for cash consideration of $1.0 billion and additional payments totaling $750.0 million to be paid in cash over the next three years. In connection with the acquisition, we are granting a 25% ownership stake in Lexington and performance-based cash retention awards that both vest over approximately five years. On December 31, 2021, we acquired all of the outstanding ownership interest in O'Shaughnessy Asset Management, LLC ("OSAM"), a leading quantitative asset management firm, for cash consideration paid of approximately $300 million, excluding future payments to be made subject to the attainment of certain performance measures.

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.

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 under the heading "Risk Factors" below and in the "Risk Factors" section of our Annual Report on Form 10-K for the fiscal year 2021.

RESULTS OF OPERATIONS

(in millions, except per share data)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Percent Change	Six Months Ended March 31, 2022	Six Months Ended March 31, 2021	Percent Change
Operating revenues	$ 2,081.0	$ 2,076.5	0 %	$ 4,305.0	$ 4,071.6	6 %
Operating income	463.0	456.3	1 %	1,020.7	865.4	18 %
Operating margin[1]	22.2 %	22.0 %		23.7 %	21.3 %	
Net income attributable to Franklin Resources, Inc.	$ 349.6	$ 381.8	(8 %)	$ 802.8	$ 727.1	10 %
Diluted earnings per share	0.68	0.74	(8 %)	1.57	1.42	11 %
As adjusted (non-GAAP):[2]						
Adjusted operating income	$ 576.6	$ 581.1	(1 %)	$ 1,262.5	$ 1,131.0	12 %
Adjusted operating margin	35.7 %	38.0 %		37.8 %	37.6 %	
Adjusted net income	$ 491.6	$ 403.5	22 %	$ 1,045.2	$ 776.9	35 %
Adjusted diluted earnings per share	0.96	0.79	22 %	2.04	1.51	35 %

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)	March 31, 2022	March 31, 2021	Percent Change
Fixed Income	$ 595.0	$ 642.3	(7 %)
Equity	515.4	511.9	1 %
Alternative	157.9	131.1	20 %
Multi-Asset	151.9	148.2	2 %
Cash Management	57.3	65.4	(12 %)
Total	**$ 1,477.5**	**$ 1,498.9**	**(1 %)**

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

(in billions) **for the three months ended March 31,**	Average AUM 2022	Average AUM 2021	Percent Change	Mix of Average AUM 2022	Mix of Average AUM 2021
Fixed Income	$ 619.0	$ 658.6	(6 %)	41 %	44 %
Equity	528.7	500.2	6 %	35 %	33 %
Alternative	155.5	129.0	21 %	10 %	9 %
Multi-Asset	151.5	143.4	6 %	10 %	10 %
Cash Management	61.4	66.7	(8 %)	4 %	4 %
Total	**$ 1,516.1**	**$ 1,497.9**	**1 %**	**100 %**	**100 %**

(in billions) **for the six months ended March 31,**	**Average AUM** **2022**	**2021**	**Percent Change**	**Mix of Average AUM** **2022**	**2021**
Fixed Income	$ 629.0	$ 658.7	(5 %)	41 %	45 %
Equity	535.5	475.0	13 %	35 %	32 %
Alternative	152.2	125.9	21 %	10 %	9 %
Multi-Asset	151.3	140.2	8 %	10 %	10 %
Cash Management	61.0	67.2	(9 %)	4 %	4 %
Total	**$ 1,529.0**	**$ 1,467.0**	**4 %**	**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)	**Three Months Ended March 31,** **2022**	**2021**	**Percent Change**	**Six Months Ended March 31,** **2022**	**2021**	**Percent Change**
Beginning AUM	$ 1,578.1	$ 1,498.0	5 %	$ 1,530.1	$ 1,418.9	8 %
Long-term inflows	76.1	101.7	(25 %)	183.1	197.8	(7 %)
Long-term outflows	(87.8)	(105.9)	(17 %)	(170.7)	(206.5)	(17 %)
Long-term net flows	(11.7)	(4.2)	179 %	12.4	(8.7)	NM
Cash management net flows	(7.1)	1.2	NM	(1.3)	(9.0)	(86%)
Total net flows	(18.8)	(3.0)	527 %	11.1	(17.7)	NM
Acquisitions	—	—	NM	7.7	—	NM
Net market change, distributions and other	(81.8)	3.9	NM	(71.4)	97.7	NM
Ending AUM	**$ 1,477.5**	**$ 1,498.9**	**(1 %)**	**$ 1,477.5**	**$ 1,498.9**	**(1 %)**

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

(in billions) **for the three months ended March 31, 2022**	**Fixed Income**	**Equity**	**Alternative**	**Multi-Asset**	**Cash Management**	**Total**
AUM at January 1, 2022	$ 642.1	$ 563.4	$ 154.3	$ 154.0	$ 64.3	$ 1,578.1
Long-term inflows	33.3	29.8	4.6	8.4	—	76.1
Long-term outflows	(41.2)	(35.9)	(4.6)	(6.1)	—	(87.8)
Long-term net flows	(7.9)	(6.1)	—	2.3	—	(11.7)
Cash management net flows	—	—	—	—	(7.1)	(7.1)
Total net flows	(7.9)	(6.1)	—	2.3	(7.1)	(18.8)
Net market change, distributions and other	(39.2)	(41.9)	3.6	(4.4)	0.1	(81.8)
AUM at March 31, 2022	**$ 595.0**	**$ 515.4**	**$ 157.9**	**$ 151.9**	**$ 57.3**	**$ 1,477.5**

AUM decreased $100.6 billion or 6% during the three months ended March 31, 2022 due to $81.8 billion of net market change, distributions and other, $11.7 billion of long-term net outflows and $7.1 billion of cash management net outflows. Net market change, distributions and other primarily consists of $77.0 billion of market depreciation and $4.6 billion of long-term distributions. The market depreciation occurred primarily in the equity and fixed income asset classes.

AUM decreased $21.4 billion or 1%, as compared to the prior year period. Long-term inflows decreased 25% to $76.1 billion, driven by lower inflows in fixed income institutional separate accounts and equity and fixed income open-end funds. Long-term outflows decreased 17% to $87.8 billion driven by lower redemptions in fixed income institutional separate accounts related to a single fixed income institutional redemption of nearly $6 billion and $1.3 billion of outflows from our India credit funds that did not earn management fees, which are in the process of winding up.

(in billions) **for the three months ended March 31, 2021**	**Fixed Income**	**Equity**	**Alternative**	**Multi-Asset**	**Cash Management**	**Total**
AUM at January 1, 2021	$ 669.9	$ 495.7	$ 127.1	$ 141.1	$ 64.2	$ 1,498.0
Long-term inflows	53.5	32.4	6.2	9.6	—	101.7
Long-term outflows	(56.1)	(38.0)	(3.3)	(8.5)	—	(105.9)
Long-term net flows	(2.6)	(5.6)	2.9	1.1	—	(4.2)
Cash management net flows	—	—	—	—	1.2	1.2
Total net flows	(2.6)	(5.6)	2.9	1.1	1.2	(3.0)
Net market change, distributions and other	(25.0)	21.8	1.1	6.0	—	3.9
AUM at March 31, 2021	**$ 642.3**	**$ 511.9**	**$ 131.1**	**$ 148.2**	**$ 65.4**	**$ 1,498.9**

AUM increased $0.9 billion during the three months ended March 31, 2021 due to $3.9 billion of net market change, distributions and other, and $1.2 billion of cash management net inflows, partially offset by $4.2 billion of long-term net outflows. Net market change, distributions and other consists of $12.7 billion of market appreciation, partially offset by a $4.8 billion decrease from foreign exchange revaluation and $4.0 billion of long-term distributions. The market appreciation occurred primarily in the equity and multi-asset asset classes, partially offset by depreciation in the fixed income asset class, and reflected positive returns in global equity markets and negative returns in fixed income markets. Long-term outflows included outflows of $8.6 billion from three institutional products, including a single fixed income institutional redemption of $5.9 billion, $2.7 billion from two equity funds, $2.7 billion from six fixed income funds, including $1.3 billion from five India credit funds that were non-management fee earning which are in the process of winding up and $1.7 billion from a multi-asset fund, partially offset by inflows of $3.0 billion in a multi-asset fund, $1.8 billion in a fixed income fund, $1.1 billion in an equity fund and $1.1 billion in an institutional separate account. Additionally, long-term outflows in the equity asset class included $2.1 billion of exchanges that are included as long-term inflows in the multi-asset asset class. The foreign exchange revaluation was primarily due to the strengthening of the U.S. dollar against the Japanese Yen, Euro and Brazilian Real.

(in billions) **for the six months ended March 31, 2022**	**Fixed Income**	**Equity**	**Alternative**	**Multi-Asset**	**Cash Management**	**Total**
AUM at October 1, 2021	$ 650.3	$ 523.6	$ 145.2	$ 152.4	$ 58.6	$ 1,530.1
Long-term inflows	77.0	75.9	10.7	19.5	—	183.1
Long-term outflows	(76.8)	(69.3)	(7.7)	(16.9)	—	(170.7)
Long-term net flows	0.2	6.6	3.0	2.6	—	12.4
Cash management net flows	—	—	—	—	(1.3)	(1.3)
Total net flows	0.2	6.6	3.0	2.6	(1.3)	11.1
Acquisitions	—	4.6	0.8	2.3	—	7.7
Net market change, distributions and other	(55.5)	(19.4)	8.9	(5.4)	—	(71.4)
AUM at March 31, 2022	**$ 595.0**	**$ 515.4**	**$ 157.9**	**$ 151.9**	**$ 57.3**	**$ 1,477.5**

AUM decreased $52.6 billion or 3% during the six months ended March 31, 2022 due to $71.4 billion of net market change, distributions and other and $1.3 billion of cash management net outflows, partially offset by $12.4 billion of long-term net inflows and $7.7 billion from acquisitions. Net market change, distributions and other primarily consists of $35.2 billion of market depreciation, $34.7 billion of long-term distributions. The market depreciation occurred primarily in the fixed income and equity asset classes, partially offset by appreciation in the alternative asset class.

Long-term inflows decreased 7% to $183.1 billion, as compared to the prior-year period, driven by lower inflows in the equity and fixed income asset classes related to decreased sales in institutional separate accounts and open-end funds, partially offset by higher reinvested distributions in equity and multi-asset open-end funds. Long-term outflows decreased 17% to $170.7 billion due to lower outflows in fixed income institutional separate accounts.

(in billions) **for the six months ended March 31, 2021**	**Fixed Income**	**Equity**	**Alternative**	**Multi-Asset**	**Cash Management**	**Total**
AUM at October 1, 2020	$ 656.9	$ 438.1	$ 122.1	$ 129.4	$ 72.4	$ 1,418.9
Long-term inflows	95.5	73.9	9.5	18.9	—	197.8
Long-term outflows	(104.0)	(78.2)	(6.2)	(18.1)	—	(206.5)
Long-term net flows	(8.5)	(4.3)	3.3	0.8	—	(8.7)
Cash management net flows	—	—	—	—	(9.0)	(9.0)
Total net flows	(8.5)	(4.3)	3.3	0.8	(9.0)	(17.7)
Net market change, distributions and other	(6.1)	78.1	5.7	18.0	2.0	97.7
AUM at March 31, 2021	**$ 642.3**	**$ 511.9**	**$ 131.1**	**$ 148.2**	**$ 65.4**	**$ 1,498.9**

AUM increased $80.0 billion or 6% during the six months ended March 31, 2021 due to $97.7 billion of net market change, distributions and other, partially offset by $9.0 billion of cash management net outflows and $8.7 billion of long-term net outflows. Net market change, distributions and other consists of $113.8 billion of market appreciation and a $3.4 billion increase from foreign exchange revaluation, partially offset by $19.5 billion of long-term distributions. The market appreciation occured primarily in the equity and multi-asset asset classes, and reflected positive returns in global equity markets. Long-term net outflows included outflows of $19.8 billion from eight institutional products, including a single fixed income institutional redemption of $5.9 billion, $7.1 billion from seven fixed income funds, including $1.3 billion from five India credit funds that were non-management fee earning which are in the process of winding up, $3.2 billion from two equity funds and $3.1 billion from a multi-asset fund, partially offset by inflows of $6.3 billion in two fixed income funds, $5.3 billion in two institutional separate accounts, $3.1 billion in a multi-asset fund and $2.4 billion in an equity fund. Additionally, long-term outflows in the equity asset class included $2.1 billion of exchanges that are included as long-term inflows in the multi-asset asset class. The foreign exchange revaluation was primarily due to weakening of the U.S. dollar against the Australian dollar, Canadian dollar and Pound Sterling, partially offset by strengthening of the U.S. dollar against the Japanese Yen.

AUM by sales region was as follows:

(in billions)	**March 31, 2022**	**March 31, 2021**	**Percent Change**
United States	$ 1,107.2	$ 1,100.5	1 %
International			
Asia-Pacific	148.3	164.5	(10 %)
Europe, Middle East and Africa	143.4	150.1	(4 %)
Americas, excl. U.S.	78.6	83.8	(6 %)
Total international	370.3	398.4	(7 %)
Total	**$ 1,477.5**	**$ 1,498.9**	**(1 %)**

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. More than half of our total mutual fund AUM exceeded the peer group median comparison for the 1-, 5- and 10-year periods and more than half of our total strategy composite AUM exceeded the benchmark for the 3-, 5- and 10-year periods.

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				Benchmark Comparison[2] % of Strategy Composite AUM Exceeding Benchmark			
as of March 31, 2022	1-Year	3-Year	5-Year	10-Year	1-Year	3-Year	5-Year	10-Year
Fixed Income	38 %	41 %	60 %	65 %	42 %	88 %	90 %	95 %
Equity	48 %	28 %	54 %	49 %	25 %	32 %	37 %	51 %
Total AUM[3]	52 %	43 %	61 %	63 %	39 %	65 %	68 %	77 %

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 41%, 41%, 40% and 38% of our total AUM as of March 31, 2022.

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 68%, 68%, 67% and 63% of our total AUM as of March 31, 2022.

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 11% and 10% of our total AUM at March 31, 2022.

Mutual fund performance data includes U.S. and cross-border domiciled mutual funds and exchange-traded funds, and excludes cash management and fund of funds. These results assume the reinvestment of dividends, are based on data available as of April 8, 2022, and are subject to revision.

Past performance is not indicative of future results. For AUM included in institutional and retail separate 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.

OPERATING REVENUES

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

	Three Months Ended March 31,		Percent	Six Months Ended March 31,		Percent
(in millions)	2022	2021	Change	2022	2021	Change
Investment management fees	$ 1,649.2	$ 1,598.4	3 %	$ 3,409.7	$ 3,138.8	9 %
Sales and distribution fees	370.2	413.6	(10 %)	768.4	810.5	(5 %)
Shareholder servicing fees	52.2	55.7	(6 %)	99.9	105.1	(5 %)
Other	9.4	8.8	7 %	27.0	17.2	57 %
Total Operating Revenues	**$ 2,081.0**	**$ 2,076.5**	**0 %**	**$ 4,305.0**	**$ 4,071.6**	**6 %**

Investment Management Fees

Investment management fees increased $50.8 million and $270.9 million for the three and six months ended March 31, 2022 primarily due to higher performance fees and, for the six-month period, a 4% increase in average AUM. The increase in average AUM occurred primarily in the equity, alternative and multi-asset asset classes, partially offset by decreases in the fixed income asset class.

Our effective investment management fee rate excluding performance fees (annualized investment management fees excluding performance fees divided by average AUM) were 41.3 and 41.5 basis points for the three and six months ended March 31, 2022, and 42.1 and 41.7 basis points for the same periods in the prior fiscal year. The decreases were due to a shift in assets from higher-fee international sales regions to the lower-fee U.S. sales region.

Performance-based investment management fees were $105.1 million and $245.0 million for the three and six months ended March 31, 2022, and $45.3 million and $87.1 million for the same periods in the prior fiscal year, with the increase due to strong performance by our alternative specialist investment managers reflecting strong markets.

Sales and Distribution Fees

Sales and distribution fees by revenue driver are presented below.

(in millions)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Percent Change	Six Months Ended March 31, 2022	Six Months Ended March 31, 2021	Percent Change
Asset-based fees	$ 296.1	$ 322.2	(8 %)	$ 618.0	$ 639.2	(3 %)
Sales-based fees	70.6	86.4	(18 %)	143.2	160.0	(11 %)
Contingent sales charges	3.5	5.0	(30 %)	7.2	11.3	(36 %)
Sales and Distribution Fees	**$ 370.2**	**$ 413.6**	**(10 %)**	**$ 768.4**	**$ 810.5**	**(5 %)**

Asset-based distribution fees decreased $26.1 million and $21.2 million for the three and six months ended March 31, 2022 primarily due to $13.4 million and $24.9 million from a higher mix of lower-fee assets and for the three-month period $9.8 million from a 3% decrease in the related average AUM.

Sales-based fees decreased $15.8 million and $16.8 million for the three and six months ended March 31, 2022 primarily due to $16.7 million and $19.8 million from lower commissionable sales, partially offset by $3.0 million from a higher mix of equity sales for the six-month period, which typically generate higher sales fees than fixed income products.

Other

Other revenue increased $9.8 million for the six months ended March 31, 2022 primarily due to an increase in real estate transaction fees earned by certain of our alternative asset managers.

OPERATING EXPENSES

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

(in millions)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Percent Change	Six Months Ended March 31, 2022	Six Months Ended March 31, 2021	Percent Change
Compensation and benefits	$ 752.5	$ 732.3	3 %	$ 1,555.1	$ 1,457.8	7 %
Sales, distribution and marketing	482.4	541.8	(11 %)	992.5	1,048.3	(5 %)
Information systems and technology	126.9	117.5	8 %	250.7	234.0	7 %
Occupancy	53.0	53.8	(1 %)	109.3	109.5	0 %
Amortization of intangible assets	60.4	57.9	4 %	118.7	116.1	2 %
General, administrative and other	142.8	116.9	22 %	258.0	240.5	7 %
Total Operating Expenses	**$ 1,618.0**	**$ 1,620.2**	**0 %**	**$ 3,284.3**	**$ 3,206.2**	**2 %**

Compensation and Benefits

The components of compensation and benefits expenses are presented below.

(in millions)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Percent Change	Six Months Ended March 31, 2022	Six Months Ended March 31, 2021	Percent Change
Salaries, wages and benefits	$ 358.2	$ 361.3	(1 %)	$ 703.9	$ 719.0	(2 %)
Incentive compensation	355.7	313.9	13 %	769.9	630.8	22 %
Acquisition-related retention	34.2	46.6	(27 %)	74.2	90.1	(18 %)
Special termination benefits	4.4	10.5	(58 %)	7.1	17.9	(60 %)
Compensation and Benefits Expenses	**$ 752.5**	**$ 732.3**	**3 %**	**$ 1,555.1**	**$ 1,457.8**	**7 %**

Salaries, wages and benefits decreased $15.1 million for the six months ended March 31, 2022 primarily due to a decrease of $14.0 million related to lower termination benefits in the current year.

Incentive compensation increased $41.8 million and $139.1 million for the three and six months ended March 31, 2022 primarily due to increases of $33.3 million and $83.4 million related to higher bonuses at the specialist investment managers due to higher revenue, $8.3 million and $28.5 million in stock and stock unit award amortization and $15.3 million related to bonus expense primarily due to stronger performance in the six-month period.

Acquisition-related retention expenses decreased $12.4 million and $15.9 million for the three and six months ended March 31, 2022.

Special termination benefits decreased $6.1 million and $10.8 million for the three and six months ended March 31, 2022 primarily due to workforce optimization initiatives related to the acquisition of Legg Mason, Inc. ("Legg Mason") in the prior year periods.

We expect to incur additional acquisition-related retention expenses of approximately $130 million during the remainder of the current fiscal year, and annual amounts beginning at approximately $240 million in the fiscal year ending September 30, 2023 and decreasing over the following two fiscal years by approximately $30 million and $70 million. At March 31, 2022, our global workforce had decreased to approximately 9,500 employees from approximately 11,100 at March 31, 2021.

Sales, Distribution and Marketing

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

(in millions)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Percent Change	Six Months Ended March 31, 2022	Six Months Ended March 31, 2021	Percent Change
Asset-based expenses	$ 396.2	$ 437.3	(9 %)	$ 815.8	$ 851.6	(4 %)
Sales-based expenses	69.6	85.1	(18 %)	141.7	158.3	(10 %)
Amortization of deferred sales commissions	16.6	19.4	(14 %)	35.0	38.4	(9 %)
Sales, Distribution and Marketing	**$ 482.4**	**$ 541.8**	**(11 %)**	**$ 992.5**	**$ 1,048.3**	**(5 %)**

Asset-based expenses decreased $41.1 million and $35.8 million for the three and six months ended March 31, 2022 primarily due to $11.9 million and $18.2 million from a higher mix of lower-fee assets and, for the three-month period, $15.4 million from a 4% decrease in related average AUM. 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 decreased $15.5 million and $16.6 million for the three and six months ended March 31, 2022 substantially all due to lower commissionable sales.

Information Systems and Technology

Information systems and technology expenses increased $9.4 million and $16.7 million for the three and six months ended March 31, 2022 primarily due to higher costs incurred for consulting and software.

General, Administrative and Other

General, administrative and other operating expenses increased $25.9 million and $17.5 million for the three and six months ended March 31, 2022, primarily due to $15.7 million in non-recurring costs incurred in connection with the outsourcing of our global transfer agent functions, as well as increases of $11.4 million and $14.3 million in advertising and promotion expenses, largely related to our global brand campaign, offset in part by a $10.3 million credit adjustment to increase the fair value of a contingent consideration asset.

OTHER INCOME (EXPENSES)

Other income (expenses) consisted of the following:

(in millions)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Percent Change	Six Months Ended March 31, 2022	Six Months Ended March 31, 2021	Percent Change
Investment and other income, net	$ 27.7	$ 67.1	(59 %)	$ 84.7	$ 144.3	(41 %)
Interest expense	(22.9)	(15.9)	44 %	(42.2)	(45.6)	(7 %)
Investment and other income of consolidated investment products, net	3.0	111.2	(97 %)	107.7	202.3	(47 %)
Expenses of consolidated investment products	(4.6)	(5.2)	(12 %)	(8.8)	(15.6)	(44 %)
Other Income, Net	**$ 3.2**	**$ 157.2**	**(98 %)**	**$ 141.4**	**$ 285.4**	**(50 %)**

Investment and other income, net decreased $39.4 million and $59.6 million for the three and six months ended March 31, 2022 primarily due to the impact of declines in market valuations amid global market volatility in the current year periods.

Income from equity method investees decreased $18.9 million and $32.7 million for the three and six months ended March 31, 2022, primarily due to losses in the three-month period, as compared to gains in the prior year, and lower income in the six-month period, largely related to various global equity and alternative funds. The decrease in both periods was partially offset by a $52.6 million gain recognized on the sale of our investment in Embark in the current year.

Investments held by the Company generated net losses of $23.1 million for the three-month period as compared to net gains of $10.2 million in the prior year, and for the six-month period generated net gains of $2.7 million as compared to net gains of $58.9 million in the prior year, primarily from assets invested for deferred compensation plans, separate accounts and nonconsolidated funds, partially offset in the six-month period by gains from investments measured at cost adjusted for observable price changes.

Net foreign currency exchange gains were $9.7 million for the six months ended March 31, 2022, as compared to net losses of $10.0 million for the six months ended March 31, 2021. The increase was primarily due to the impact of the strengthening of the U.S. dollar against the Euro on cash and cash equivalents denominated in U.S. dollars held in Europe.

Derivatives generated $6.7 million of gains and $2.3 million of losses for the three- and six-month periods ended March 31, 2022 as compared to losses of $6.1 million and $16.1 million in the prior year three- and six-month periods.

Interest expense increased $7.0 million for the three months ended March 31, 2022 and decreased $3.4 million for the six months ended March 31, 2022. The increase for the three-month period was primarily due to $3.0 million of interest expense recognized on the senior unsecured unsubordinated notes issued in August 2021 and a $3.0 million increase in interest recognized on tax reserves in the current year period. The decrease for the six-month period was primarily due to the redemptions in fiscal year 2021 of the junior notes issued by Legg Mason, partially offset by interest expense recognized on the senior unsecured unsubordinated notes issued in August 2021.

Investment and other income of consolidated investment products, net, decreased $108.2 million and $94.6 million for the three and six months ended March 31, 2022. Investments held by CIPs generated losses of $14.2 million in the three-month period, as compared to gains of $88.7 million in the prior year period, and for the six-month period generated gains of $74.5 million, as compared to gains of $149.6 million in the prior year period, largely related to losses on holdings of various equity funds and fixed income funds, partially offset by higher gains on holdings of various alternative funds. The three-month period included $17.2 million of dividend and interest income of CIPs, as compared to $22.5 million in the prior year period, and the six-month period included $33.2 million, as compared to $52.7 million in the prior year period.

Expenses of consolidated investments products decreased $6.8 million for the six months ended March 31, 2022, primarily due to lower expenses incurred by an alternative fund.

Our cash, cash equivalents and investments portfolio by asset class and accounting classification at March 31, 2022, excluding third-party assets of CIPs, was as follows:

	Accounting Classification[1]					
(in millions)	Cash and Cash Equivalents	Investments at Fair Value	Equity Method Investments	Other Investments	Direct Investments in CIPs	Total Direct Portfolio
Cash and Cash Equivalents	$ 4,411.6	$ —	$ —	$ —	$ —	$ 4,411.6
Investments						
Alternative	—	94.7	346.3	61.9	457.9	960.8
Equity	—	227.8	208.9	116.9	199.6	753.2
Fixed Income	—	226.7	24.1	37.3	280.6	568.7
Multi-Asset	—	40.1	13.7	—	84.6	138.4
Total investments	—	589.3	593.0	216.1	1,022.7	2,421.1
Total Cash and Cash Equivalents and Investments[2]	**$ 4,411.6**	**$ 589.3**	**$ 593.0**	**$ 216.1**	**$ 1,022.7**	**$ 6,832.7**

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 2021 for information on investment accounting classifications.

2 Total cash and cash equivalents and investments includes $3,321.0 million used for operational activities, including investments in sponsored funds and other products, and $253.6 million necessary to comply with regulatory requirements.

TAXES ON INCOME

Our effective income tax rate was 23.0% and 22.2% for the three and six months ended March 31, 2022, as compared to 20.9% and 23.5% for the three and six months ended March 31, 2021. The rate increase for three-month period was primarily due to a decrease in net income attributable to noncontrolling interests and a decrease in foreign earnings. The rate decrease for the six-month period was primarily due to tax benefits from stock-based compensation and the release of tax reserves due to statute of limitation expiration partially offset by a decrease in net income from noncontrolling interests.

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 as these measures exclude the impact of CIPs and mitigate the margin variability related to sales and distribution revenues and expenses across multiple distribution channels globally. These measures also exclude performance-based investment management fees which are fully passed through as compensation and benefits expense per the terms of a previous acquisition by Legg Mason and have no impact on net income. These non-GAAP measures also exclude acquisition-related expenses, certain items which management considers to be nonrecurring, unrealized investment gains and losses included in investment and other income (losses), net, and the related income tax effect of these adjustments, as applicable. These non-GAAP measures also exclude the impact on compensation and benefits expense from gains and losses on investments made to fund deferred compensation plans and on seed investments under certain historical revenue sharing arrangements, which is offset in investment and other income (losses), net.

"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 retention compensation.
- Impact on compensation and benefits expense from gains and losses on investments related to deferred compensation plans and seed investments, which is offset in investment and other income (losses), net.
- Other acquisition-related expenses including professional fees, technology costs and fair value adjustments related to contingent consideration assets and liabilities.
- Amortization and impairment of intangible assets, if any.
- Special termination benefits related to workforce optimization initiatives related to past acquisitions and specific initiatives announced by the Company.

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:

- 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.
- Elimination of operating revenues upon consolidation of investment products.

Adjusted Net Income

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

- Activities of CIPs, including investment and other income (losses), net, and income (loss) attributable to noncontrolling interests, net of revenues eliminated upon consolidation of investment products.
- 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 and impairment of intangible assets, if any.
- Special termination benefits related to workforce optimization initiatives related to past acquisitions and specific initiatives announced by the Company.
- Net gains or losses on investments related to deferred compensation plans which are not offset by compensation and benefits expense.
- Unrealized investment gains and losses other than those that are offset by compensation and benefits expense.
- Interest expense for amortization of Legg Mason debt premium from acquisition-date fair value adjustment.
- Net income tax expense of the above adjustments based on the respective blended rates applicable to the adjustments.

Adjusted Diluted Earnings Per Share

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 adjusted operating income, adjusted operating margin, adjusted net income and adjusted diluted earnings per share, we adjust for activities of CIPs because the impact of consolidated products is not considered reflective of the underlying results of our operations. We adjust for acquisition-related retention compensation, other acquisition-related expenses, amortization and impairment of intangible assets, if any, and interest expense for amortization of the Legg Mason debt premium to facilitate comparability of our operating results with the results of other asset management firms. We adjust for special termination benefits related to workforce optimization initiatives related to past acquisitions and specific initiatives announced by the Company because these items are deemed nonrecurring. In calculating adjusted net income and adjusted diluted earnings per share, we adjust for unrealized investment gains and losses included in investment and other income (losses), net and net gains or losses on investments related to deferred compensation plans which are not offset by compensation and benefits expense because these items primarily relate to seed and strategic investments which have been and 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:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2022	2021	2022	2021
Operating income	**$ 463.0**	**$ 456.3**	**$ 1,020.7**	**$ 865.4**
Add (subtract):				
Elimination of operating revenues upon consolidation of investment products[1]	17.2	5.8	25.5	11.5
Acquisition-related retention	34.2	46.6	74.2	90.1
Compensation and benefits expense from gains (losses) on deferred compensation and seed investments, net	(15.3)	0.2	(11.1)	14.3
Other acquisition-related expenses	12.7	3.8	27.4	15.7
Amortization of intangible assets	60.4	57.9	118.7	116.1
Special termination benefits	4.4	10.5	7.1	17.9
Adjusted operating income	**$ 576.6**	**$ 581.1**	**$ 1,262.5**	**$ 1,131.0**
Total operating revenues	**$ 2,081.0**	**$ 2,076.5**	**$ 4,305.0**	**$ 4,071.6**
Add (subtract):				
Acquisition-related pass through performance fees	—	(9.3)	(0.4)	(25.3)
Sales and distribution fees	(370.2)	(413.6)	(768.4)	(810.5)
Allocation of investment management fees for sales, distribution and marketing expenses	(112.2)	(128.2)	(224.1)	(237.8)
Elimination of operating revenues upon consolidation of investment products[1]	17.2	5.8	25.5	11.5
Adjusted operating revenues	**$ 1,615.8**	**$ 1,531.2**	**$ 3,337.6**	**$ 3,009.5**
Operating margin	**22.2%**	**22.0%**	**23.7%**	**21.3%**
Adjusted operating margin	**35.7%**	**38.0%**	**37.8%**	**37.6%**

(in millions, except per share data)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Six Months Ended March 31, 2022	Six Months Ended March 31, 2021
Net income attributable to Franklin Resources, Inc.	**$ 349.6**	**$ 381.8**	**$ 802.8**	**$ 727.1**
Add (subtract):				
Net (income) loss of consolidated investment products[1]	0.1	(6.3)	10.1	14.9
Acquisition-related retention	34.2	46.6	74.2	90.1
Other acquisition-related expenses	12.7	3.7	27.8	13.8
Amortization of intangible assets	60.4	57.9	118.7	116.1
Special termination benefits	4.4	10.5	7.1	17.9
Net (gains) losses on deferred compensation plan investments not offset by compensation and benefits expense	2.8	(0.2)	2.5	(1.4)
Unrealized investment losses (gains)	70.3	(60.6)	72.1	(156.5)
Interest expense for amortization of debt premium	(6.3)	(16.9)	(12.6)	(22.9)
Net income tax expense of adjustments	(36.6)	(13.0)	(57.5)	(22.2)
Adjusted net income	**$ 491.6**	**$ 403.5**	**$ 1,045.2**	**$ 776.9**
Diluted earnings per share	**$ 0.68**	**$ 0.74**	**$ 1.57**	**$ 1.42**
Adjusted diluted earnings per share	**0.96**	**0.79**	**2.04**	**1.51**

[1] The impact of CIPs is summarized as follows:

(in millions)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Six Months Ended March 31, 2022	Six Months Ended March 31, 2021
Elimination of operating revenues upon consolidation	$ (17.2)	$ (5.8)	$ (25.5)	$ (11.5)
Other income, net	9.9	95.6	82.4	115.9
Less: income (loss) attributable to noncontrolling interests	(7.2)	83.5	67.0	119.3
Net income (loss)	**$ (0.1)**	**$ 6.3**	**$ (10.1)**	**$ (14.9)**

LIQUIDITY AND CAPITAL RESOURCES

Cash flows were as follows:

(in millions)	Six Months Ended March 31, 2022	Six Months Ended March 31, 2021
Operating cash flows	$ 270.5	$ 546.3
Investing cash flows	(1,151.3)	(1,277.9)
Financing cash flows	1,275.9	1,330.8

Net cash provided by operating activities decreased during the six months ended March 31, 2022 primarily due to payments of accrued compensation and benefits and decreases in accounts payable, accrued expenses and other liabilities as compared to increases in the prior year. Net cash used in investing activities decreased primarily due to net liquidations of our investments as compared net purchases in the prior year, partially offset by cash paid for acquisitions in the current year. Net cash provided by financing activities decreased primarily due to proceeds from the issuance of debt in the prior year, partially offset by higher net proceeds from the debt of CIPs, a prior-year debt payment and higher net subscriptions in CIPs by noncontrolling interests.

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)	March 31, 2022	September 30, 2021
Assets		
Cash and cash equivalents	$ 4,303.7	$ 4,357.8
Receivables	1,240.1	1,300.4
Investments	809.6	1,042.2
Total Liquid Assets	**$ 6,353.4**	**$ 6,700.4**
Liability		
Debt	$ 3,388.0	$ 3,399.4

Liquidity

Liquid assets consist of cash and cash equivalents, receivables and certain investments. Cash and cash equivalents at March 31, 2022 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 issuance, or utilize our revolving credit facility. 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.

On January 10, 2022, the Company entered into a bi-lateral credit agreement with Bank of America, N.A. to establish a 364 day revolving credit facility with an aggregate commitment of $500.0 million. As of the time of this filing, there were no amounts outstanding.

In prior fiscal years, we issued senior unsecured unsubordinated notes for general corporate purposes and to redeem outstanding notes. At March 31, 2022, Franklin's outstanding senior notes had an aggregate principal amount due of $1,900.0 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 $1,882.2 million. At March 31, 2022, 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 payable semi-annually for senior notes, and have an aggregate carrying value, inclusive of unamortized premium and debt issuance costs, of $1,505.8 million at March 31, 2022. Effective August 2, 2021, Franklin agreed to unconditionally and irrevocably guarantee all of the outstanding notes issued by Legg Mason.

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 were in compliance with all debt covenants at March 31, 2022.

At March 31, 2022, 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 share-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.

On November 15, 2021, we entered into an agreement with FIS, a financial technology leader, to assume operation of the Company's global transfer agent function as a sub-agent or delegate, depending on the jurisdiction. We will incur transfer agent expenses for the services provided by FIS which will be recorded gross of shareholder servicing revenue earned from the funds.

We typically declare cash dividends on a quarterly basis, subject to approval by our Board of Directors. We declared regular dividends of $0.58 per share during the six months ended March 31, 2022 and $0.56 per share during the six months ended March 31, 2021. 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. During the three and six months ended March 31, 2022, we repurchased 2.7 million and 3.4 million shares of our common stock at a cost of $80.8 million and $102.5 million. At March 31, 2022, 27.5 million shares remained available for repurchase under the authorization of 80.0 million shares approved by our Board of Directors in April 2018. During the three and six months ended March 31, 2021, we repurchased 1.7 million and 3.8 million shares of our common stock at a cost of $45.8 million and $91.4 million.

We redeemed $122.6 million, net of investments, into our sponsored products during the six months ended March 31, 2022 and invested $171.9 million, net of redemptions, in the prior year period.

On April 1, 2021, we acquired all of the outstanding ownership interests in Lexington, a leading global manager of secondary private equity and co-investment funds, for cash consideration of approximately $1.0 billion, excluding future payments to be made subject to the attainment of certain performance measures. In connection with the acquisition, we are granting a 25% ownership stake in Lexington and performance-based cash retention awards that both vest over approximately five years. We paid the purchase price from our existing cash.

On December 31, 2021, we acquired all of the outstanding ownership interests in OSAM, a leading quantitative asset management firm, for cash consideration of approximately $300 million, excluding future payments to be made subject to the attainment of certain performance measures. We paid the purchase price from our existing cash.

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. During the fiscal year ended September 30, 2020, the Company authorized loans to certain sponsored funds in India that experienced increased liquidity risks and redemptions. The loans were fully repaid during the second quarter of fiscal year 2021. See Note 16 – Commitments and Contingencies in the notes to consolidated financial statements in Item 8 of Part II of our Annual Report on Form 10-K for fiscal year 2021 for further information. We did not provide financial or other support to our sponsored funds during the six months ended March 31, 2022.

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, global concerns about the Russian invasion of Ukraine and the COVID-19 pandemic 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. The following are 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 2021.

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 March 31, 2022, we were the primary beneficiary of 55 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, 2021, 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 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 six months ended March 31, 2022, 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

A substantial amount of our investments are 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 March 31, 2022, Level 3 assets represented 10% 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 six months ended March 31, 2022.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

During the six months ended March 31, 2022, there were no material changes from the market risk disclosures in our Form 10-K for the fiscal year ended September 30, 2021.

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 March 31, 2022. Based on their evaluation, the Company’s principal executive and principal financial officers concluded that the Company’s disclosure controls and procedures as of March 31, 2022 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 March 31, 2022, 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 – 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.

The following Risk Factor disclosure supplements the discussion of our Risk Factors previously disclosed in our Annual Report on Form 10-K for fiscal year 2021. The Risk Factors disclosed in our Annual Report on Form 10-K for fiscal year 2021 and the Risk Factor below 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.

Volatility and disruption of our business and financial markets and adverse changes in the global economy may significantly affect our results of operations and put pressure on our financial results.

We derive substantially all of our operating revenues and income from providing investment management and related services to investors in jurisdictions worldwide through our investment products, which include our funds, as well as institutional and high-net-worth separate accounts, retail separately managed account programs, sub-advised products, and other investment vehicles. In addition to investment management, our services include fund administration, sales and distribution, and shareholder servicing. We may perform services directly or through third parties. The asset management industry continues to experience disruption and challenges, including increased fee pressure, regulatory changes, an increasing and changing role of technology in asset management services, the continuous introduction of new products and services, and the consolidation of financial services firms through mergers and acquisitions. Further, financial markets have and may continue, from time to time, to experience volatility and disruption worldwide. Declines in global economic conditions have in the past resulted in significant decreases in our AUM, revenues and income, and future declines may further negatively impact our financial results. Such declines have had, and may in the future have, a material adverse impact on our business. We may need to modify our business, strategies or operations and we may be subject to additional constraints or costs in order to compete in a changing global economy and business environment.

Individual financial, equity, debt and commodity markets may be adversely affected by financial, economic, political, electoral, diplomatic or other instabilities that are particular to the country or region in which a market is located, including without limitation local acts of terrorism, economic crises, political protests, war, insurrection or other business, social or political crises. For example, the Russian invasion of Ukraine, and the threat that Russia's military aggression may expand beyond Ukraine, has significantly impacted the global economy and financial markets, which has had, and may continue to have, an adverse effect on our investment performance and flows in certain products. Global economic conditions, exacerbated by war, terrorism, social, civil or political unrest, natural disasters, public health crises, such as epidemics or pandemics, or financial crises, changes in the equity, debt or commodity marketplaces, changes in currency exchange rates, interest rates, inflation rates, the yield curve, defaults by trading counterparties, bond defaults, revaluation and bond market liquidity risks, geopolitical risks, the imposition of economic sanctions and other factors that are difficult to predict, affect the mix, market values and levels of our AUM. Changing market conditions could also cause an impairment to the value of our goodwill and other intangible assets.

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 March 31, 2022.

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 2022	469,554	$ 33.38	469,554	29,717,806
February 2022	754,482	30.44	754,482	28,963,324
March 2022	1,508,934	27.96	1,508,934	27,454,390
Total	**2,732,970**		**2,732,970**	

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 April 2018, we announced that our Board of Directors authorized the repurchase of up to 80.0 million additional shares of our common stock under the stock repurchase program.

Item 6. Exhibits.

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	Credit Agreement, dated as of January 10, 2022, by and among Registrant, as borrower, the financial institutions from time-to-time party thereto, as lenders, and Bank of America, N.A., as administrative agent, incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on January 14, 2022 (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 March 31, 2022, 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)

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:	May 3, 2022	By:	/s/ Matthew Nicholls Matthew Nicholls Executive Vice President, Chief Financial Officer and Chief Operating Officer
Date:	May 3, 2022	By:	/s/ Gwen L. Shaneyfelt Gwen L. Shaneyfelt Chief Accounting Officer

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: May 3, 2022

/s/ Jennifer M. Johnson

Jennifer M. Johnson
President and Chief 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;
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: May 3, 2022

/s/ Matthew Nicholls

Matthew Nicholls

Executive Vice President, Chief Financial Officer and Chief Operating 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 March 31, 2022 (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: May 3, 2022

/s/ Jennifer M. Johnson

Jennifer M. Johnson
President and Chief Executive Officer

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 March 31, 2022 (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: May 3, 2022

/s/ Matthew Nicholls

Matthew Nicholls
Executive Vice President, Chief Financial Officer and Chief Operating Officer