

# FRANKLIN SMALL-MID CAP GROWTH FUND

AS OF 12/31/13 GROWTH

# **FUND DESCRIPTION**

The fund seeks long-term capital growth by investing at least 80% of its net assets in equity securities of small and medium-sized companies, within the market capitalization ranges of the Russell 2500™ Index for small-sized companies and Russell Midcap® Index for medium-sized companies, at the time of purchase.

# FUND DATA<sup>1</sup>

Total Net Assets-All Share Classes: \$3.7 billion

Number of Holdings: 139

Inception: 2/14/92

Beta<sup>2</sup>: 1.10

Dividends: Annually in December

CUSIP/Symbol by Class:

Α	С	R	R6	Advisor
FRSGX	FRSIX	FSMRX	354 713 331	FSGAX

#### MAXIMUM SALES CHARGES

Class A: 5.75% initial sales charge

Class C: 1% contingent deferred sales charge

(CDSC) in the first year only

# TOTAL ANNUAL OPERATING EXPENSES

Class A: 0.98%; Class C: 1.73%

Performance data represents past performance, which does not guarantee future results. Current performance may differ from figures shown. The fund's investment return and principal value will change with market conditions, and you may have a gain or a loss when you sell your shares. Please call Franklin Templeton Investments at (800) DIAL BEN/342-5236 or visit franklintempleton.com for the most recent month-end performance.

# GROWTH OF A \$10,000 INVESTMENT—CLASS A (Without Sales Charge)3

February 14, 1992-December 31, 2013



If the sales charge had been included, the return would have been lower.

# AVERAGE ANNUAL TOTAL RETURNS (As of December 31, 2013)

With Maximum Sales Charges4

Class	Inception Date	1 Yr	5 Yrs	10 Yrs	Since Inception
Α	2/14/92	30.61%	20.40%	8.12%	10.70%
С	10/2/95	36.51%	20.91%	7.95%	8.09%

# Without Sales Charges

			Since
1 Yr	5 Yrs	10 Yrs	Inception
38.58%	21.84%	8.76%	11.00%
37.51%	20.91%	7.95%	8.09%

# PORTFOLIO BREAKDOWN<sup>1,5</sup>



# TOP 10 HOLDINGS1

Ametek Inc	1.52%
Affiliated Managers Group Inc	1.46%
Roper Industries Inc	1.43%
Actavis PLC	1.41%
Jarden Corp	1.40%

- 1. As of 12/31/13. Holdings are subject to change. For updated information, please call Franklin Templeton Investments at (800) DIAL BEN/342-5236 or visit franklintempleton.com. The portfolio manager for the fund reserves the right to withhold release of information with respect to holdings that would otherwise be included in the top 10 holdings list.
- 2. Source: © 2014 Thomson Reuters, 12/31/13. Beta measures the market-related risk over a three-year period relative to the Russell Midcap® Growth Index. A beta lower than 1.00 indicates historically lower volatility than the index; higher than 1.00 indicates historically higher volatility.
- 3. Source: © 2014 Morningstar, 12/31/13. Indexes are unmanaged, and one cannot invest directly in an index.
- 4. Class A: Prior to 8/3/98, fund shares were offered at a lower initial sales charge; thus, actual returns may have differed. Class C: Prior to 1/1/04, these shares were offered with an initial sales charge; thus actual returns would have differed. The fund offers other share classes, subject to different fees and expenses, which will affect their performance.
- 5. Due to rounding, the sum of portfolio holdings may not equal 100%.

#### PORTFOLIO MANAGERS6

Edward B. Jamieson

Since 1992; joined Franklin Templeton in 1987

Michael McCarthy, CFA

Since 1993; joined Franklin Templeton in 1992

James Cross, CFA

Since 2005; joined Franklin Templeton in 1998

# MORNINGSTAR STYLE BOX™7



# WHAT ARE THE RISKS?

All investments involve risks, including possible loss of principal. Growth stock prices reflect projections of future earnings or revenues, and can, therefore, fall dramatically if the company fails to meet those projections. Smaller, mid-sized and relatively new or unseasoned companies can be particularly sensitive to changing economic conditions, and their prospects for growth are less certain than those of larger, more established companies. Historically, these securities have experienced more price volatility than larger company stocks, especially over the short-term. To the extent the fund focuses on particular countries, regions, industries, sectors or types of investment from time to time, it may be subject to greater risks of adverse developments in such areas of focus than a fund that invests in a wider variety of countries, regions, industries, sectors or investments. From time to time, the trading market for a particular security or type of security in which the fund invests may become less liquid or even illiquid. These and other risks are described more fully in the fund's prospectus.

Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. To obtain a summary prospectus and/or prospectus, which contains this and other information, talk to your financial advisor, call us at (800) DIAL BEN/342-5236 or visit franklintempleton.com. Please carefully read a prospectus before you invest or send money.

#### MANAGER'S PERSPECTIVE

"We invest the majority of the fund's assets in small- to mid-sized growth companies that meet our criteria for growth, quality and valuation. We search for growth companies that can produce sustainable earnings or cash flow growth over several years, and focus on high-quality companies with strong management teams and strong balance sheets, that have the ability to finance their growth internally. We leverage the expertise of Franklin equity analysts who cover hundreds of stocks in multiple industries to select those companies that we believe offer the best trade-off between growth opportunity, business/financial risk and the upside in the stock given its current valuation."

-Edward B. Jamieson, Portfolio Manager

#### CALENDAR YEAR TOTAL RETURNS—CLASS A (Without Sales Charge)

2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
38.58%	10.78%	-4.89%	28.43%	43.17%	-42.51%	11.67%	7.52%	10.54%	13.04%
2003	2002	2001	2000	1999	1998	1997	1996	1995	1994

If the sales charge had been included, the returns would have been lower.

#### GAIN FROM OUR PERSPECTIVE®

Franklin Templeton's distinct multi-manager structure combines the specialized expertise of three world-class investment management groups—Franklin, Templeton and Mutual Series.

# Specialized Expertise

Each of our portfolio management groups operates autonomously, relying on its own research and staying true to the unique investment disciplines that underlie its success.

- Franklin. Founded in 1947, Franklin is a recognized leader in fixed income investing and also brings expertise in growth- and value-style U.S. equity investing.
- Templeton. Founded in 1940, Templeton pioneered international investing and, in 1954, launched what has become the industry's oldest global fund. Today, with offices in over 25 countries, Templeton offers investors a truly global perspective.
- Mutual Series. Founded in 1949, Mutual Series is dedicated to a unique style of value investing, searching
  aggressively for opportunity among what it believes are undervalued stocks, as well as arbitrage situations and
  distressed securities.
- 6. CFA® and Chartered Financial Analyst® are trademarks conditions. Shaded areas show the past 3 years of quarterly owned by CFA Institute.
- 7. Source: Morningstar®, 9/30/13. The style box reveals a fund's investment style. The vertical axis shows the market capitalization of the stocks owned and the horizontal axis shows investment style (value, blend, or growth). Placement is determined by fund portfolio holding figures most recently entered into Morningstar's database and corresponding market

conditions. Shaded areas show the past 3 years of quarterly data. Past performance does not guarantee future results.

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