Franklin Small-Mid Cap Growth Fund–Class A

Growth
Equity
September 30, 2021

FRANKLIN TEMPLETON

Product Profile

Product Details[1]

Fund Assets	$5,899,299,795.51
Fund Inception Date	02/14/1992
Number of Issuers	133
Investment Style	Growth
Benchmark	S&P 500 Index
Lipper Classification	Mid-Cap Growth Funds
Morningstar Category™	Mid-Cap Growth
Dividend Frequency	Annually in December

	CUSIP	NASDAQ Symbol
Class A	354 713 109	FRSGX

	Maximum Sales Charges
Class A	5.50% initial sales charge

	Total Annual Operating Expenses With Waiver	Without Waiver
Class A	0.86%	0.87%

Third-Party Fund Data

Overall Morningstar Rating™–Class A[a]

★★★★

As of 09/30/2021 the fund's Class A shares received a 4 star overall Morningstar Rating™, measuring risk-adjusted returns against 549, 495 and 386 U.S.-domiciled Mid-Cap Growth mutual funds and exchange traded funds over the 3-, 5- and 10- year periods, respectively. A fund's overall rating is derived from a weighted average of the performance figures associated with its 3-, 5- and 10-year (if applicable) rating metrics.

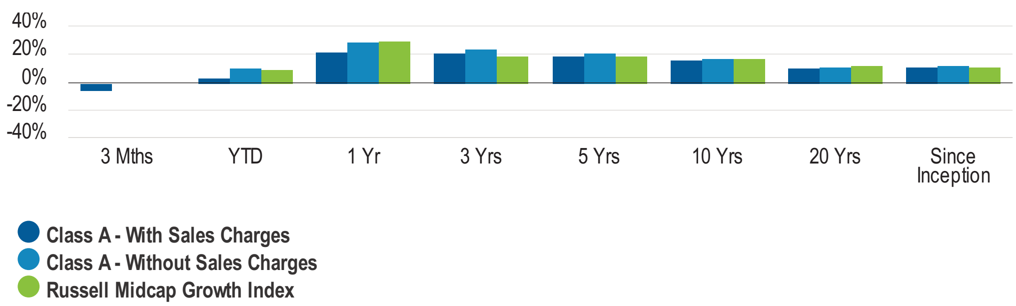
Fund Description

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.

Performance Data[2,3]

Average Annual Total Returns[4,5] (%)

	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	20 Yrs	Since Inception (02/14/1992)
Class A - With Sales Charges	-5.80	3.93	22.40	21.49	19.42	16.74	10.69	11.73
Class A - Without Sales Charges	-0.31	9.99	29.52	23.80	20.78	17.41	11.00	11.94
Russell Midcap Growth Index	-0.76	9.60	30.45	19.14	19.27	17.54	11.99	10.91



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 at (800) DIAL BEN/(800) 342-5236 or visit franklintempleton.com for the most recent month-end performance.

The fund has a fee waiver associated with any investment it makes in a Franklin Templeton money fund and/or other Franklin Templeton fund, contractually guaranteed through 08/31/2022. Fund investment results reflect the fee waiver; without this waiver, the results would have been lower.

Calendar Year Returns (% Without Sales Charges)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Class A	55.96	31.81	-4.60	21.53	4.33	-1.98	7.53	38.58	10.78	-4.90
Russell Midcap Growth Index	35.59	35.47	-4.75	25.27	7.33	-0.20	11.90	35.74	15.81	-1.65

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

1. All holdings are subject to change. Holdings of the same issuers have been combined.
2. Class A: Prior to 9/10/18, these shares were offered at a higher initial sales charge of 5.75%; thus actual returns would have differed. Total returns with sales charges have been restated to reflect the current maximum initial sales charge of 5.50%. The fund offers other share classes subject to different fees and expenses, which will affect their performance. Please see the prospectus for details.
3. Source for Index: FactSet. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.
4. Periods shorter than one year are shown as cumulative total returns.
5. Since inception return for the benchmark is calculated to the fund inception date.

Portfolio Manager Insight*

Performance Review

QUARTERLY KEY PERFORMANCE DRIVERS

	Stocks	Sectors
HELPED	SiTime Corporation	Information Technology (Stock Selection)
	Paylocity Holding Corp.	Materials (Stock Selection)
	MongoDB, Inc. Class A	Communication Services (Underweight)
HURT	Zynga Inc. Class A	Health Care (Stock Selection)
	Wynn Resorts, Limited	—
	Roku, Inc. Class A	—

- It was a strong earnings season for many technology companies, including SiTime, which announced strong June-quarter financial performance. SiTime manufactures timing solutions used in various industries including aerospace, automotive and communications. We believe SiTime is a compelling multi-year growth story as the company has a small share of a large and growing market.
- Another information technology sector holding, Paylocity, reported fiscal-fourth quarter and 2021 financial results ahead of guidance, which boosted the payroll software provider's stock. Despite a challenging environment driven by COVID-related restrictions, execution on new sales and product upselling were strong. Results were also helped by continued labor market improvements. The company has seen good traction with new products such as surveys, premium video and learning management, which should contribute to revenue growth, in our view.
- In contrast, mobile videogame maker Zynga reported an in-line second quarter but lowered its full-year sales guidance, which weighed on its stock. Management called out two headwinds that were compounded by recent mobile-app privacy changes from Apple (not held in the fund). The first was new 2021 player cohorts did not monetize as well as prior cohorts. Second, growth of the company's merge games stalled as competition grew in that category. We believe these are transient headwinds as the company reiterated its outlook for double-digit organic growth in 2022 and continued margin expansion.

Outlook & Strategy

- Heading into October, COVID-19 continues to be a major factor in the global economy, though this summer's growth in confirmed cases appeared to be levelling off (and even declining) since the latter half of August. As economies attempt to reopen more fully against the spreading Delta variant's effects, we remain optimistic that the productivity gains made during the pandemic closure will continue. This could create a strong backdrop for equities as productivity gains likely would be paired with significant ongoing government stimulus.
- We have witnessed an incredible technological achievement this year with the creation of a coronavirus vaccine both in the shortest window ever and using a new technology (mRNA) to do it. We expect this feat to be followed by a large amount of related spending, spurring other technological advancements using mRNA, and in the biotechnology sphere as a whole. We also continue to feel that the COVID-19 pandemic will create lasting change in people's habits in several different areas. For example, while e-commerce companies could see some tougher year-over-year earnings comparisons in the coming months, we believe those supporting accelerating trends such as cashless and contactless payments, fast fulfilment, online security and virtual "window shopping" can continue to thrive.
- In our opinion, increased investor concerns about inflation and interest rates are short term in nature. We continue to believe that investing in the merits of a core strategy that focuses on long-term secular growth companies with compounding revenue, earnings and free cash flow with strong and sustainable competitive advantages due to changes in the economy and the path of innovation over the next three-, five- and 10-year periods-remains sound. As such, we will be looking further into the future than pandemic trend lines or economic volatility as we search for innovations that will shape society for years to come.
- We remain focused on finding high-quality companies with healthy balance sheets that can weather potential spikes in market or economic volatility. Many of these companies should be able to emerge from a crisis even stronger. We saw recent bouts of equity market volatility as an opportunity to take advantage of what we consider good prices on fundamentally robust companies that stand to benefit from secular growth trends.
- We continue to monitor global policy shifts closely, including the rapid changes we are now seeing in the United States under the Biden administration, as well as the possible changes to affected companies' business models. Our role as active portfolio managers is to discern how these issues may present risks or opportunities in the market.
- As we emerge more fully from the pandemic crisis, we believe the ongoing shift to digital solutions may continue to accelerate as latecomers catch up, while employees and consumers retain at least some (if not most) of the new behaviors that became necessary in an era of social distancing.
- Overall, we seek to anticipate the ongoing convergence of technology with other sectors and the resultant innovation within these dynamic business environments. The ongoing digital revolution will continue to produce technologies that blur the lines between the physical, digital and biological spheres, and we are paying close attention. We see drivers of value creation across all industries—not just those operating within the IT or communication services spaces—with a current focus on health care, fintech, consumer retail and manufacturing (including supply chain logistics). The portfolio's latest shifts and increased diversification reflect that conviction. In the current environment, we believe many investors will place a premium on a widening array of companies that can grow revenues and earnings by addressing secular shifts in the way we interact with friends and family, shop and pay for goods and services, treat our illnesses, and spend our leisure time. Leaders on the forefront of these trends—companies working in spaces such as global e-commerce, genetic breakthroughs, intelligent machines, new finance, and exponential data—are proving they understand the evolving state of their businesses and can meet their customers' needs faster than ever.

- We use active management to navigate the complexities of investing in any new field or breakthrough as it emerges. We talk with thought leaders across industries; read up on the latest developments; and meet with companies, public and private, to understand the technologies and ideas that could hold transformative potential. We expect that over the next several decades, technological advancements will continue to unlock new business models and different platforms based on new innovations and advancements will emerge just as some of the current platforms will fade. As growth investors, a flexible mindset is critical.
- We have developed a specific process that we employed during the 2020 bear market and subsequent reversal to new all-time highs we saw through early September. This underscores that we have established—and continue to refine—our portfolio-construction techniques after decades of investing in the world's most innovative companies. We generally eschew large portfolio changes, and our process tends to move slowly, methodically and incrementally. We believe this strategy helps to remove bias and encourage rational thought during security selection or divestment.
- The benefit of our approach to active management is that we allocate based on our level of conviction regarding the pace of innovation at each company and the sustainability of the growth it creates. Our view may be very different from that of the market, as selecting securities for an innovation-based portfolio requires an unorthodox approach. For example, the team is likely to conduct additional research on companies that are trading above historical multiples rather than below, as the strategy seeks positive inflections, such as acceleration in earnings or price momentum.

*The information provided is not a complete analysis of every material fact regarding any country, market, industry, security or fund. Because market and economic conditions are subject to change, comments, opinions and analyses are rendered as of the date of this material and may change without notice. A portfolio manager's assessment of a particular security, investment or strategy is not intended as individual investment advice or a recommendation or solicitation to buy, sell or hold any security or to adopt any investment strategy; it is intended only to provide insight into the fund's portfolio selection process. Holdings are subject to change.

Portfolio Characteristics[6,7]

	Portfolio	Russell Midcap Growth Index
Market Capitalization (Millions in USD)	25,715	27,646
Return on Equity	2.81%	6.43%
Historical 3-Year EPS Growth	10.39%	17.12%
Estimated 3-5 Yr EPS Growth	14.45%	17.68%
Price to Earnings (12 Month Forward)	37.55x	31.67x

Portfolio Diversification

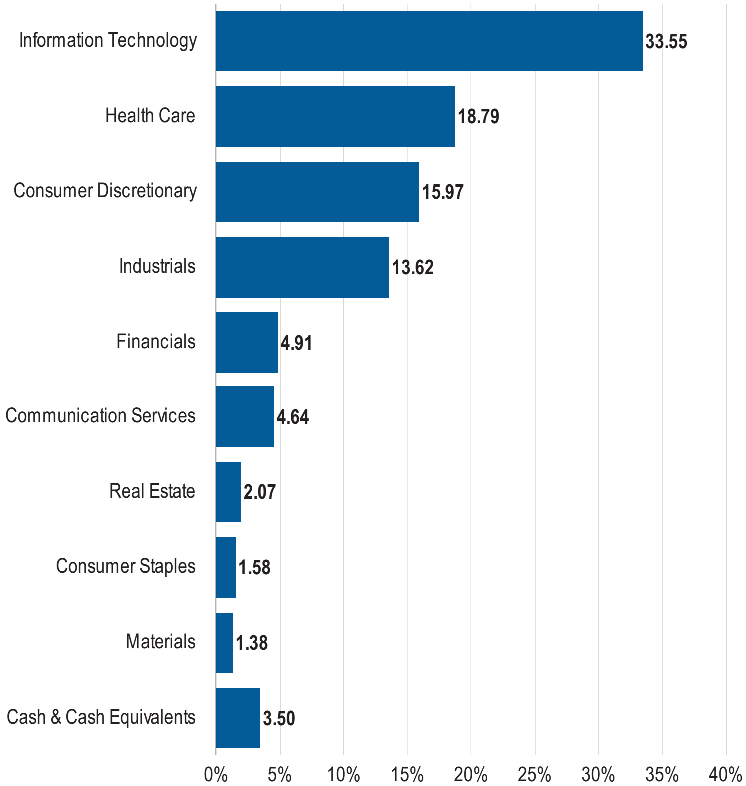
Top Ten Holdings[8]

Percent of Total

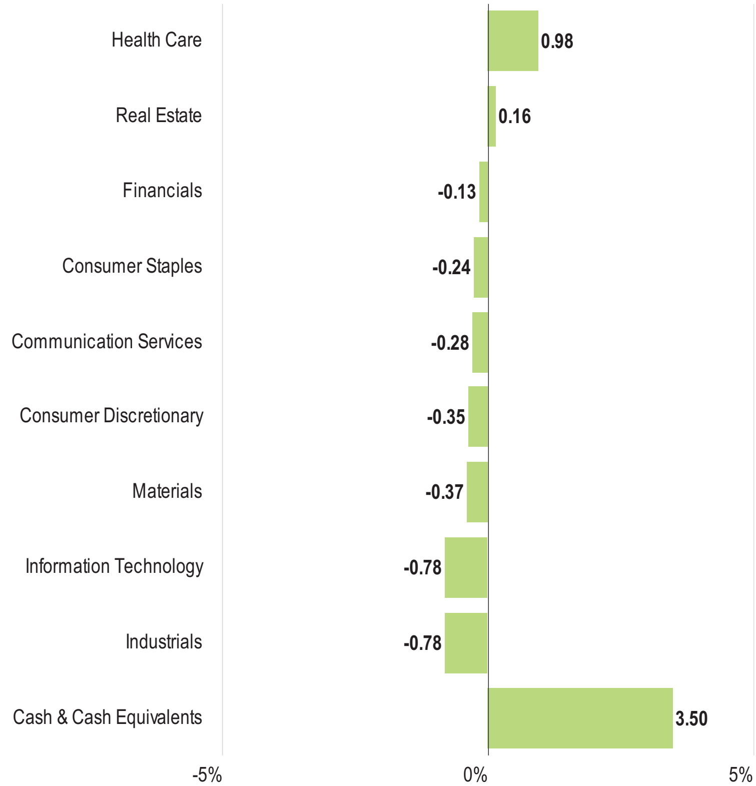
Top Holdings	Sector	%
SYNOPSYS INC	Software & Services	2.40
IDEXX LABORATORIES INC	Health Care Equipment & Services	2.14
DOCUSIGN INC	Software & Services	1.92
PAYLOCITY HOLDING CORP	Software & Services	1.87
COSTAR GROUP INC	Commercial & Professional Services	1.82
MSCI INC	Diversified Financials	1.81
SITIME CORP	Semiconductors & Semiconductor Equipment	1.77
CHIPOTLE MEXICAN GRILL INC	Consumer Services	1.73
VEEVA SYSTEMS INC	Health Care Equipment & Services	1.56
OKTA INC	Software & Services	1.55

6. The portfolio characteristics listed are based on the fund's underlying holdings, and do not necessarily reflect the fund's characteristics. Due to data limitations all equity holdings are assumed to be the primary equity issue (usually the ordinary or common shares) of each security's issuing company. This methodology may cause small differences between the portfolio's reported characteristics and the portfolio's actual characteristics. In practice, Franklin Templeton's portfolio managers invest in the class or type of security which they believe is most appropriate at the time of purchase. The market capitalization figures for both the portfolio and the benchmark are at the security level, not aggregated up to the main issuer. The Return on Equity calculation uses simple weighted average means. Source: FactSet, Refinitiv. There can be no assurance that the Estimated 3-5 Year EPS Growth figure, based on Institutional Brokers Estimate System (IBES) consensus estimates, will be realized. All holdings are subject to change.
7. Source for Index: FactSet. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.
8. Holdings of the same issuers have been combined. Top ten holdings information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change. The information provided is not a recommendation to purchase, sell, or hold any particular security. The portfolio manager reserves the right to withhold release of information with respect to holdings that would otherwise be included.

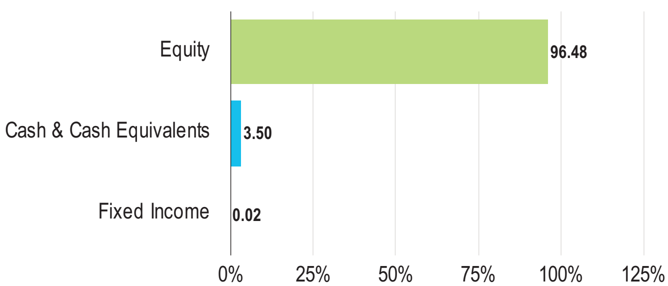
Sector Allocation[9,10]
Percent of Total



Sector Weightings vs. Russell Midcap Growth Index[11,12]
Percent of Total



Asset Allocation[13]
Percent of Total



Performance Statistics

Risk Statistics[14,15]
Class A

	3 Yrs	5 Yrs	10 Yrs
Standard Deviation (%)	22.94	18.46	16.44
Tracking Error (%)	4.35	3.75	3.57
Information Ratio	1.07	0.40	-0.04
Beta	1.04	1.03	1.04
Sharpe Ratio	0.99	1.07	1.02

Past performance is not an indicator or a guarantee of future performance.

9,11,13. Percentage may not equal 100% due to rounding. All holdings are subject to change.
10,12. Source for Index: FactSet. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.
14. Beta, Information Ratio and Tracking Error information are measured against the Russell Midcap Growth Index.
15. Information Ratio is a way to evaluate a manager's ability to outperform a benchmark in relation to the risk that manager is assuming, with risk defined as deviation from the benchmark. This measure is calculated by dividing the portfolio's excess return (portfolio return less the benchmark return) by the tracking error (derived by taking the standard deviation of the monthly differences between the portfolio return and the benchmark return over time).

Investment Strategy

- We target investments in historically successful companies, with sustainable business models, good corporate governance and low debt, that we believe are temporarily trading at depressed levels relative to future earnings power, book value, industry peers or other factors
- We seek to balance risk and reward in the portfolio with a focus on delivering compelling risk-adjusted results
- We consider ourselves buy-and-hold investors who generally seek to hold an investment for three to five or more years on average

Investment Process

Within a collaborative environment, our team utilizes fundamental, bottom-up research to focus on companies that we believe have sustainable growth characteristics—meeting our criteria of Growth, Quality and Valuation.

Our analysis includes an assessment of any material Environmental, Social and Governance (ESG) factors on the long-term risk and return profile of a company.

Growth	Quality	Valuation
• Focus on companies with potential to produce sustainable earnings and cash flow growth • Evaluate the long-term market opportunity and competitive structure of the industry seeking to identify target leaders and emerging leaders	• Seek companies with strong and improving competitive positions in attractive markets • Identify experienced and talented management teams as well as financial strength reflected in the capital structure, gross and operating margins, free cash flow generation, and returns on capital	• Consider a range of potential outcomes based on an assessment of multiple scenarios • Evaluate whether, in our view, security prices fully reflect the balance of the sustainable growth opportunities relative to the business and financial risks

Investment Team

Portfolio Manager	Years with Firm	Years Experience
John Scandalios, CFA	25	31
Michael McCarthy, CFA	29	29

Beta: A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of the overall market (or appropriate market index). The market (or index) is assigned a beta of 1.00, so a portfolio with a beta of 1.20 would have seen its share price rise or fall by 12% when the overall market rose or fell by 10%.

Estimated 3-5 Year EPS Growth: An estimated measure of the growth of earnings per share over a forward-looking period. For a portfolio, the value represents a weighted average of the stocks it holds.

Historical 3-Year EPS Growth: A measure of the growth of earnings per share over a trailing 3 year period. For a portfolio, the value represents a weighted average of the stocks it holds.

Information Ratio: In investing terminology, the ratio of expected return to risk. Usually, this statistical technique is used to measure a manager's performance against a benchmark. This measure explicitly relates the degree by which an investment has beaten the benchmark to the consistency by which the investment has beaten the benchmark.

Market Capitalization: A determination of a company's value, calculated by multiplying the total number of company stock shares outstanding by the price per share. Market capitalization is expressed in millions of USD.

Price to Earnings (12-mo Forward): A measure of the price to earnings ratio for a stock using the forecasted earnings for the next 12 months. For a portfolio, the value represents a weighted average of the stocks it holds.

Return on Equity: A measure of a corporation's profitability that reveals how much profit a company generates with the money shareholders have invested. For a portfolio, the value represents a weighted average of the stocks it holds.

Sharpe Ratio: To calculate a Sharpe ratio, an asset's excess returns (its return in excess of the return generated by risk-free assets such as Treasury bills) are divided by the asset's standard deviation.

Standard Deviation: A measure of the degree to which returns vary from the average of its previous returns. The larger the standard deviation, the greater the likelihood (and risk) that performance will fluctuate from the average return.

Tracking Error: Measure of the deviation of the return of a product compared to the return of a benchmark over a fixed period of time. Expressed as a percentage. The more passively the investment is managed, the smaller the tracking error.

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.

Important Information

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 professional, call us at (800) DIAL BEN/342-5236 or visit franklintempleton.com. Please carefully read a prospectus before you invest or send money.

Franklin Distributors, LLC. Member FINRA/SIPC.

CFA® and Chartered Financial Analyst® are trademarks owned by CFA Institute.

Standard & Poor's®, S&P® and S&P 500® are registered trademarks of Standard & Poor's Financial Services LLC. S&P does not sponsor, endorse, sell or promote and S&P index-based product.

Source: FactSet, FTSE. Source: FactSet. Important data provider notices and terms available at www.franklintempletondatasources.com.

a. Source: Morningstar®, 09/30/2021. For each mutual fund and exchange traded fund with at least a 3-year history, Morningstar calculates a Morningstar Rating™ based on how a fund ranks on a Morningstar Risk-Adjusted Return measure against other funds in the same category. This measure takes into account variations in a fund's monthly performance, and does not take into account the effects of sales charges and loads, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. The weights are: 100% 3-year rating for 36-59 months of total returns, 60% 5-year rating/40% 3-year rating for 60-119 months of total returns, and 50% 10-year rating/30% 5-year rating/20% 3-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent 3-year period actually has the greatest impact because it is included in all three rating periods. The Fund's Class A shares received a Morningstar Rating of 5, 4 and 3 star(s) for the 3-, 5- and 10-year periods, respectively. Morningstar Rating™ is for the named share class only; other classes may have different performance characteristics. **Past performance is not an indicator or a guarantee of future performance.**

FRANKLIN TEMPLETON

One Franklin Parkway
San Mateo, CA 94403-1906
(800) DIAL BEN/342-5236
franklintempleton.com