All LifeSmart Retirement Funds Place in the Top Half of their Morningstar Peer Universe and Post Solid Gains in the Second Quarter

FRANKLIN TEMPLETON

Franklin LifeSmart Funds Q&A

Q2 2026

Asset allocation supported relative returns, as nearly all funds were overweight equities and underweight fixed income during a solid quarter for stock markets.

Underlying fund selection in equities dampened relative results.

The funds' favorable performance relative to their Morningstar peers in the quarter continued a long-term trend, as results for most vintages landed in the top quartile of their peer universe over the trailing five-year period.

How were market conditions in the second quarter of calendar 2026?

Global equities rebounded strongly in the second quarter of 2026 as markets recovered from the March energy shock. The quarter was shaped initially by the partial unwinding of energy concerns, with periods of ceasefire optimism and then the signing of a memorandum of understanding between the United States and Iran helping to ease fears around the Strait of Hormuz, lower oil prices and restore risk appetite. Growth reasserted itself after the first quarter's defensive rotation, driven by renewed enthusiasm for semiconductors and the broader artificial intelligence (AI) complex.

Small cap stocks participated in the rebound as well, although leadership remained concentrated for much of April and May. By June, however, the rally had become more selective as investors began to question the scale, financing and return profile of the next phase of AI-related capital expenditure.

US equities, as measured by the S&P 500 Index, rebounded strongly during the second quarter, recovering from a weak start to the year as investor confidence improved despite ongoing geopolitical uncertainty. Sentiment was supported by robust corporate earnings, particularly from companies exposed to AI infrastructure, with continued increases in capital expenditure reinforcing confidence that the AI investment cycle remained intact. The easing of Middle East tensions and a decline in oil prices also helped alleviate inflation concerns.

The US Federal Reserve (Fed) kept interest rates on hold during the second quarter, but policy language took on a more hawkish tilt amid robust growth and a stable labor market. Consumer price inflation reaccelerated, driven by higher gasoline and shelter costs, while core inflation remained comparatively contained. The labor market stayed healthy, with May's figures marking three consecutive months of stronger-than-expected gains in non-farm payrolls and the unemployment rate remaining steady.

European equities advanced strongly over the second quarter, with the Stoxx Europe 600 recording its best quarterly gain in more than five years. Manufacturing indicators remained resilient, consumer confidence recovered from April lows and continental European equities were supported by improving sentiment toward cyclical sectors.

For the three-month reporting period, US stocks returned 15.20%, as measured by the S&P 500 Index [TR]. International stocks returned 10.82%, as measured by the MSCI EAFE Index [NR], while emerging market (EM) stocks, as measured by the MSCI EM Index [NR], returned

24.05%. Global equities, as measured by the MSCI World Index [NR], returned 13.76%.

Global aggregate bond indexes generally posted modest gains in the second quarter. Sovereign bond yields rose in the United States and Japan over the period, but fell in most other countries. The US Treasury yield curve flattened over the quarter, with the shorter end influenced by the market turning more hawkish on Fed policy rate expectations. The US investment-grade corporate sub-index of the Bloomberg US Aggregate Bond Index returned 1.40% for the quarter. High-yield bonds returned 2.61%, as measured by the JPMorgan Developed High Yield Index, while global bonds, as measured by the FTSE World Government Bond Index, returned 0.68%.

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How did the glide path—or starting point for each portfolio—impact performance during the three months ended June 30, 2026?

LifeSmart Retirement Fund portfolios delivered gains during the second quarter but trailed their respective benchmarks. At the vintage level, returns for Advisor Class ranged from 4.81% to 23.55%.

Asset allocation was a meaningful contributor to relative performance in most portfolios, resulting from an equity overweight and a fixed income underweight. With respect to our equities overweight, we note that global trailing earnings growth continues to rise, driven by the United States and emerging markets (EMs). Forward earnings expectations remain robust, with global earnings expected to increase meaningfully over the next 12 months.

Our glide path favors US equities relative to international stocks, and this preference strengthened relative performance. US equities were among the stronger country performers in the second quarter, with the market recovering sharply from the March drawdown and continuing to make fresh highs through much of April and May.

Regional allocations in equity were broadly beneficial across the LifeSmart vintages, including an EM overweight in most portfolios. We are seeing earnings expectations continue to rise across many EMs, supported by significant hyperscaler capital expenditure on hardware components made in Asia.

An off-benchmark allocation to alternatives in most portfolios, through the Franklin Systematic Style Premia ETF, weighed on relative returns. The fund is an actively managed, systematic, multi-asset long/short strategy that seeks absolute returns with low correlation to traditional asset classes.

Within fixed income, the portfolios were overweight US bonds, with minor and underweight exposure to international bonds. The regional tilt dampened relative returns, as US Treasury yields generally rose while fixed income markets outside the United States benefited from falling bond yields and easier monetary policy expectations.

In the Retirement Income fund, asset allocation weakened relative returns, as the fund was underweight equity. However, the fund held an equity-linked note, and this stock market exposure boosted relative performance. On a regional basis, an overweight allocation to US fixed income relative to international bonds detracted.

In terms of positioning, we increased our allocation to existing, lower tracking-error US, international and emerging market equity funds that the research team views as better positioned for the current market structure. We funded these purchases by selling or reducing exposure to funds in each equity region.

What strategies contributed to or detracted from benchmark-relative performance?

Fund selection dampened relative performance in the second quarter, a reversal from its meaningful contribution in the first quarter of 2026.

Overall, underlying US equity funds delivered positive results but generally trailed the US stock benchmark index. One of the performance headwinds was underweight exposure to the strongly performing information technology sector in several funds, as well as a rotation into growth stocks from value. Putnam Large Cap Value Fund and Franklin U.S. Core Equity Fund were the main detractors. In contrast, Putnam Large Cap Growth Fund and the Franklin U.S. Large Cap Multifactor Index ETF both outperformed and helped relative results.

Most portfolios hold meaningful exposure to EM equities, with the exception of the shortest-dated funds. Fund selection supported relative returns in the region. Templeton Emerging Markets Equity Fund was a top contributor to relative returns, while Franklin Emerging Market Core Equity Fund dampened relative results.

In fixed income, BrandywineGLOBAL Opportunities Bond Fund modestly supported relative returns in most portfolios, supported by interest rate and currency positioning. Conversely, Franklin U.S. Treasury Bond ETF was a small detractor in the asset class.

The Franklin LifeSmart Retirement Income Fund places an increased focus on income and defensive investments, and underlying funds reflect this conservative approach. Underlying bond funds were net-positive contributors to relative performance, led by BrandywineGLOBAL High Yield Fund, Franklin High Yield Fund and BrandywineGLOBAL Opportunities Bond Fund. The Franklin U.S. Treasury Bond ETF was a modest detractor. The Retirement Income fund also held an equity-linked note that benefited relative results.

In total, how did the glide path, tactical allocation, and security selection impact performance?

Each LifeSmart Retirement Fund invests in a mix of stocks and bonds, creating a diversified target-date portfolio designed for a retirement saver expecting to retire around the date in each trust's name. We use an important tool called a glide path to adjust allocations among asset classes over time, helping reduce risk approaching the target date. With the glide path as a reference point, our portfolio managers make tactical decisions and invest in actively managed strategies, seeking to outperform their index-based benchmarks.

In near-retirement vintages, we increase allocations to more defensive assets and integrate flexibility to retreat from equity during turbulent markets, especially during the retirement savings home stretch.

Our glide path generally includes larger equity allocations relative to our peers for most portfolios, particularly those with the longest time horizons. This allocation preference was a contributor to peer-relative performance in the second quarter. Similarly, our glide path favors US equities over non-US equities, and this also provided a tailwind for performance relative to peers in the second quarter.

In the second quarter, all LifeSmart vintages finished in the top half of their Morningstar peer universe. On average, LifeSmart funds finished in the 31st percentile of their peer universe.

What is your near-term outlook for the markets?

We have raised our view of equities into July, despite signs of exuberance in some markets, as strong corporate fundamentals and healthy growth justify valuations.

Investor appetite for the AI trade has concentrated equity index composition and caused some frothiness in technology stocks, but this appears to be contained, in our view. The US equity market is supported by strong earnings and a resilient macro backdrop, while beneficiaries of AI capital expenditure continue to justify earnings growth expectations.

Persistent inflation and hawkish policy rhetoric could challenge our view, though fiscal stimulus across many regions is providing some offset.

The growth environment remains positive for equities, particularly in North America. The US economy is growing at a rate close to 3%, according to several regional federal bank forecasts, driven by personal consumption and business fixed investment. June Purchasing Managers' Index (PMI) readings also point to solid activity across US manufacturing and services, although elevated prices and weak consumer confidence have been limiting growth.

Conditions are softer in Europe. The services sector contracted in June as input costs rose, even though eurozone cost inflation eased to its lowest level since the outbreak of war in the Middle East.

Falling energy prices are good news for inflation expectations, but core inflation remains persistently high in many regions. The Fed's preferred measure of core Personal Consumption Expenditure inflation was well above target in May, accentuated by a recent uptick in services inflation. Similarly, euro area annual inflation rose in May, driven by services and energy, while food prices were also higher.

Persistent core inflation is a key concern for the United States, given its relative insulation from energy-price volatility. This makes the Fed less likely than other central banks to respond to falling energy prices. Instead, supply-chain pressures, labor-market resilience and wage growth remain important drivers of US monetary policy.

These inflation dynamics prompted a hawkish tilt to monetary policy in the United States and most developed market economies, even those with weaker macro backdrops such as the eurozone. This is creating a headwind to risk assets but is largely outweighed by strong corporate fundamentals, in our view.

Morningstar Category Rank—As of June 30, 2026

Advisor Class	1 Year	3 Year	5 Year	10 Years	Since Inception	Inception Date
Franklin LifeSmart 2060 Retirement Target Fund	40% (69/185)	22% (42/184)	28% (37/174)	—	30% (39/169)	1/29/2021
Franklin LifeSmart 2055 Retirement Target Fund	27% (54/185)	18% (34/184)	13% (19/174)	45% (58/140)	56% (76/139)	5/1/2015
Franklin LifeSmart 2050 Retirement Target Fund	31% (60/188)	14% (30/185)	9% (15/175)	44% (58/142)	62% (71/123)	7/1/2013
Franklin LifeSmart 2045 Retirement Target Fund	28% (59/185)	24% (55/184)	23% (40/174)	51% (68/141)	48% (14/38)	8/1/2006
Franklin LifeSmart 2040 Retirement Target Fund	33% (64/188)	27% (61/185)	22% (42/175)	46% (70/142)	73% (87/123)	7/1/2013
Franklin LifeSmart 2035 Retirement Target Fund	23% (48/185)	13% (21/184)	8% (9/174)	41% (60/141)	45% (15/42)	8/1/2006
Franklin LifeSmart 2030 Retirement Target Fund	16% (35/190)	8% (13/187)	1% (2/177)	42% (59/142)	61% (69/123)	7/1/2013
Franklin LifeSmart 2025 Retirement Target Fund	19% (30/124)	14% (17/122)	3% (6/122)	57% (53/90)	73% (16/24)	8/1/2006
Franklin LifeSmart 2020 Retirement Target Fund	40% (45/102)	30% (32/102)	26% (23/92)	84% (62/73)	93% (54/59)	7/1/2013
Franklin LifeSmart Retirement Income Fund	36% (45/140)	23% (32/139)	3% (5/131)	42% (40/99)	30% (16/61)	8/1/2006

Morningstar percentile ranks are based on a fund's total returns for the specified time periods relative to all funds in the same category. Calculations assume the reinvestment of distributions and exclude sales charges, if any. The highest (most favorable) percentile rank is 1 and the lowest percentile rank is 100. Note that lower percentile ranks are generally more favorable for returns (high returns), while higher percentile ranks are generally more favorable for risk measures (low risk).

A high ranking does not necessarily imply that a fund achieved positive results for the period. **Past performance is no guarantee of future results.**

Funds were ranked within the appropriate Morningstar category, specifically: US SA Target-Date 2060, US SA Target-Date 2055, US SA Target-Date 2050, US SA Target-Date 2045, US SA Target-Date 2040, US SA Target-Date 2035, US SA Target-Date 2030, US SA Target-Date 2025, US SA Target-Date 2020, and US SA Target-Date Retirement.

Franklin LifeSmart Retirement Target Funds

Performance returns (%) as of 06/30/2026

Advisor Class	Q2	1 Year	5 Year	10 Years	Since Inception	Inception Date	Expense ratio (%) Gross	Net
Franklin LifeSmart 2060 Retirement Target Fund	13.58	23.31	10.16	—	11.74	1/29/2021	2.51	0.45
2060 Blended Benchmark	14.22	22.46	10.37	—	11.86			
Franklin LifeSmart 2055 Retirement Target Fund	13.78	23.55	10.40	11.66	9.77	5/1/2015	1.08	0.45
2055 Blended Benchmark	14.21	22.46	10.37	11.68	9.98			
Franklin LifeSmart 2050 Retirement Target Fund	13.36	23.00	10.27	11.56	10.19	7/1/2013	0.93	0.45
2050 Blended Benchmark	13.81	21.86	10.18	11.57	10.44			
Franklin LifeSmart 2045 Retirement Target Fund	12.46	21.63	9.57	11.15	8.28	8/1/2006	0.75	0.45
2045 Blended Benchmark	12.89	20.37	9.51	11.14	8.09			
Franklin LifeSmart 2040 Retirement Target Fund	11.25	19.79	8.79	10.53	9.33	7/1/2013	0.83	0.45
2040 Blended Benchmark	11.64	18.25	8.48	10.38	9.53			
Franklin LifeSmart 2035 Retirement Target Fund	10.24	18.04	7.92	9.68	7.51	8/1/2006	0.70	0.45
2035 Blended Benchmark	10.49	16.34	7.46	9.50	7.29			
Franklin LifeSmart 2030 Retirement Target Fund	9.03	16.19	6.98	8.70	7.88	7/1/2013	0.80	0.45
2030 Blended Benchmark	9.25	14.31	6.40	8.51	8.07			
Franklin LifeSmart 2025 Retirement Target Fund	7.85	14.32	6.04	7.70	6.50	8/1/2006	0.72	0.45
2025 Blended Benchmark	8.03	12.30	5.31	7.42	6.30			
Franklin LifeSmart 2020 Retirement Target Fund	6.67	12.43	5.13	6.50	6.10	7/1/2013	1.16	0.45
2020 Blended Benchmark	6.80	10.29	4.24	6.12	6.14			
Franklin LifeSmart Retirement Income Fund	5.02	10.63	4.81	5.43	5.29	8/1/2006	1.11	0.42
Income Blended Benchmark	6.48	9.66	3.59	5.07	4.92			
MSCI All Country World Index	14.93	23.67	10.98	12.79	8.48			
Bloomberg Multiverse Index	1.04	0.97	-1.30	0.62	2.51			

Performance data quoted represents past performance, which does not guarantee future results. *Current performance may be lower or higher than the figures shown. Principal value and investment returns will fluctuate, and investors' shares, when redeemed, may be worth more or less than the original cost. Performance would have been lower if fees had not been waived in various periods. Total returns assume the reinvestment of all distributions and the deduction of all fund expenses. Returns with sales charge reflect a deduction of the stated maximum sales charge. An investor cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges. All classes of shares may not be available to all investors or through all distribution channels. For current month-end performance, please visit franklintempleton.com.*

Gross expenses are the fund's total annual operating expenses as of the fund's prospectus available at the time of publication. Actual expenses may be higher and may impact portfolio returns. Net expenses reflect contractual fee waivers, expense caps and/or reimbursements, which cannot be terminated prior to 04/30/2026 without Board consent. Additional amounts may be voluntarily waived and/or reimbursed and may be modified or discontinued at any time without notice.

Consider these risks before investing: All investments involve risks, including possible loss of principal. Principal invested is not guaranteed at any time, including at or after the fund's retirement target date; nor is there any guarantee that the fund will provide sufficient income at or through the investor's retirement. The investment risk of the retirement target fund changes over time as its asset allocation changes. Investments in underlying funds are subject to the same risks as, and indirectly bear the fees and expenses of, the **underlying funds**. **Equity securities** are subject to price fluctuation and possible loss of principal. **Fixed income securities** involve interest rate, credit, inflation and reinvestment risks, and possible loss of principal. As interest rates rise, the value of fixed income securities falls. **International investments** are subject to special risks, including currency fluctuations and social, economic and political uncertainties, which could increase volatility. These risks are magnified in **emerging markets**. **Investments in equity-linked notes** often have risks similar to their underlying securities, which could include management risk, market risk and, as applicable, foreign securities and currency risks. **Derivative instruments** can be illiquid, may disproportionately increase losses, and have a potentially large impact on performance. **Managed Distribution Policy Risks** - The fund is not guaranteed to achieve its investment goal nor is there any guarantee that the fund will provide sufficient income at or through the investor's retirement. In addition, some of its distributions may be treated in part as a return of capital, which will decrease shareholders' cost basis in the fund and affect the amount of any capital gain or loss that they realize when selling or exchanging fund shares. The annual payout rate may be adjusted higher or lower from year to year and could vary substantially over time. It is possible for the fund to suffer substantial investment losses and simultaneously experience additional asset reductions as a result of its distributions to shareholders under the managed distribution policy. Investors who hold the fund within a tax-advantaged retirement account should consult their tax professionals to discuss tax consequences of receiving cash distributions. In addition, use of the fund or election of the option to receive distribution payments in cash may be restricted in certain retirement plans by the terms of the governing plan documents and/or the discretion of the plan administrator. Investors are strongly advised to consult with their financial professionals for assistance before selecting the appropriate fund, based on their goals and personal situations, including time horizon, retirement income needs, risk tolerance, and tax bracket. These and other risks are discussed in the funds' prospectuses.

The Blended Benchmark for LifeSmart Retirement Income is an allocation of 40% MSCI AC World Index-NR and 60% Bloomberg Multiverse Index. The Blended Benchmark for LifeSmart 2020 is an allocation of 51% MSCI AC World Index-NR and 49% Bloomberg Multiverse Index. The Blended Benchmark for LifeSmart 2025 is an allocation of 60% MSCI AC World Index-NR and 40% Bloomberg Multiverse Index. The Blended Benchmark for LifeSmart 2030 is an allocation of 69% MSCI AC World Index-NR and 31% Bloomberg Multiverse Index. The Blended Benchmark for LifeSmart 2035 is an allocation of 77% MSCI AC World Index-NR and 23% Bloomberg Multiverse Index. The Blended Benchmark for LifeSmart 2040 is an allocation of 86% MSCI AC World Index-NR and 14% Bloomberg Multiverse Index. The Blended Benchmark for LifeSmart 2045 is an allocation of 93% MSCI AC World Index-NR and 7% Bloomberg Multiverse Index. The Blended Benchmark for LifeSmart 2050 is an allocation of 95% MSCI AC World Index-NR and 5% Bloomberg Multiverse Index. The Blended Benchmark for LifeSmart 2055 is an allocation of 95% MSCI AC World Index-NR and 5% Bloomberg Multiverse Index. The Blended Benchmark for LifeSmart 2060 is an allocation of 95% MSCI AC World Index-NR and 5% Bloomberg Multiverse Index. Allocations for the funds' Blended Benchmark reflect or map the fund's current target asset class allocations and may not be representative of the funds' historical asset class allocations. Prior to May 1, 2019, the Blended Benchmarks had an allocation to FTSE 3 Month U.S. T-Bill Index.

Indexes are unmanaged and do not incur expenses. You cannot invest directly in an index.

Morningstar rankings are based on total return without sales charge relative to all share classes of funds with similar objectives as determined by Morningstar. Morningstar rankings may differ significantly from Morningstar's risk-adjusted star ratings. Past performance is not indicative of future results.

The **S&P 500 Index** features 500 leading U.S. publicly traded companies, with a primary emphasis on market capitalization.

The **MSCI EAFE Index** is a free float-adjusted market capitalization-weighted index designed to measure developed market equity performance, excluding the U.S. and Canada.

The **MSCI World Index** is a free float-adjusted market-capitalization index that is designed to measure global developed market equity performance.

The **JPMorgan Developed High Yield Index** is an unmanaged index of high-yield fixed income securities issued in developed countries.

The **FTSE World Government Bond Index** ("WGBI") measures the performance of fixed-rate, local-currency, investment-grade sovereign bonds. The WGBI currently comprises sovereign debt from multiple countries, denominated in a variety of currencies. The WGBI provides a broad benchmark for the global sovereign fixed income market.

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