

Franklin Growth Fund

Advisor Class: FCGAX Class A: FKGRX

Commentary | as of June 30, 2025

Key Takeaways

- **Markets:** US stocks advanced during the second quarter of 2025. After rebounding from April's lows, equity markets continued to rally through June despite bouts of volatility. The S&P 500 Index and NASDAQ Composite Index closed the period with solid gains after hitting new record highs at the end of June, while the Dow Jones Industrial Average hovered near its all-time high. Temporary delays in tariff hikes, reduced fears of a recession, growing expectations of interest-rate cuts later in the year and easing geopolitical tensions helped drive US stocks higher. Large-capitalization equities gained the most, followed by mid- and small-cap stocks, and growth stocks outperformed value by a wide margin in all three market-cap tiers.
- **Contributors:** The fund's performance relative to the S&P 500 Index benchmark was strongest in the information technology (IT) sector, helped by stock selection and an overweighting. A lack of exposure to the energy sector helped relative returns as oil markets and related stocks were pressured by geopolitical uncertainty in the Middle East. Stock selection and an underweight in the consumer staples sector added to relative results as many investors favored growth and cyclical sectors amid optimism about easing trade tensions. The consumer discretionary, financials and real estate sectors also contributed to relative performance.
- **Detractors:** An overweight in the health care sector, specifically in the life sciences tools and services industry, detracted significantly from the fund's relative performance. An underweight in the communication services sector and an overweight in the materials sector also pressured relative returns.
- **Outlook:** We are hopeful as we enter the second half of the year that financial markets can focus on the potential long-term structural benefits of a Trump 2.0 policy agenda that might include initiatives to rebalance global trade and stimulate growth through tax reform and deregulation.

Performance Review

- The fund outperformed its S&P 500 Index benchmark in the second quarter of 2025. The IT sector had the biggest positive impact on both absolute and relative returns. A leading contributor was electronic components manufacturer Amphenol. Demand trends for the company appear to be healthy across the board, particularly in its IT datacom business. The company is also actively leveraging artificial intelligence (AI)-related opportunities.
- Automation software provider ServiceNow also bolstered performance in the IT sector. The company delivered strong first-quarter 2025 financial results that boosted its stock.
- In contrast, a relative underweight in Broadcom worked against us as shares of the chipmaker moved higher following strong fiscal second-quarter 2025 financial results and the announcement of a \$10-billion share repurchase program. However, its stock's strong double-digit percentage return contributed to the fund's absolute performance.

Outlook

- Our outlook for financial markets remains cautious, reflecting the magnitude and complexity of the current political and economic climate. While challenging, active management allows us to pursue alpha by taking advantage of market volatility as a chance to initiate or build up positions in what we believe are high-quality businesses. These businesses have strong balance sheets and market-leading competitive positions, and they are levered to durable secular growth themes.
- One theme is technology, which continues to be a large area of opportunity as more companies adopt AI in their efforts to lower costs and increase productivity. We see significant growth potential for the industrials sector, fueled by trends that include the reshoring of US manufacturing, electrification and meaningful infrastructure investment. Our outlook for health care is also bullish. Wide-ranging innovations (e.g., genomics, robotics, personalized medicine) and meaningful demographic shifts support our convictions.
- Deregulation could positively impact the energy sector by increasing fossil fuel production and streamlining the permitting process. In our view, deregulation and lower taxes could serve many companies in the financial sector as it could help boost profits. With a potentially stronger economy and lower regulatory burden, we think banks may see an increase in lending activity, and fintech innovation could surge.
- The fund has always been a conservatively managed portfolio. Our conservative growth strategy manages risk on the downside and participates on the upside. Investing in this environment is challenging due to numerous unknowns. Therefore, we are focused on finding the best companies with defensible competitive advantages, robust pricing power, strong balance sheets and the ability to grow sustainably within this environment. As stock volatility increases, we look to take advantage of market dislocations with a long-term perspective over the next 10 years.

Top Equity Issuers (% of Total)

Holding	Fund
NVIDIA CORP	7.46
MICROSOFT CORP	7.33
AMAZON.COM INC	4.50
ALPHABET INC	3.32
MASTERCARD INC	2.81
AMPHENOL CORP	2.71
APPLE INC	2.61
SERVICENOW INC	2.37
BROADCOM INC	1.95
INTUIT INC	1.83

Sector Allocation (% of Total)

Sector	Fund
Information Technology	39.17
Industrials	17.48
Health Care	12.35
Financials	10.22
Consumer Discretionary	6.53
Communication Services	5.54
Materials	4.22
Consumer Staples	2.42
Other	1.42
Cash & Cash Equivalents	0.66

Average annual total returns and fund expenses (%) - as of June 30, 2025

Class	CUSIP	Ticker	Without Sales Charge							With Maximum Sales Charge							Expenses		Sales Charges		Inception Date
			3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception	Gross	Net	Initial Charge	CDSC	
Advisor Class	353496839	FCGAX	13.69	7.16	10.39	18.32	13.36	13.07	10.69	13.69	7.16	10.39	18.32	13.36	13.07	10.69	0.54	0.54	—	—	3/31/1948
Class A	353496508	FKGRX	13.62	7.03	10.12	18.02	13.07	12.79	10.57	7.37	1.15	4.06	15.81	11.80	12.15	10.49	0.79	0.79	5.50	—	3/31/1948
Benchmark 1	—	—	10.94	6.20	15.16	19.70	16.64	13.64	—	10.94	6.20	15.16	19.70	16.64	13.64	—	—	—	—	—	—
Benchmark 2	—	—	17.84	6.09	17.22	25.75	18.15	17.01	—	17.84	6.09	17.22	25.75	18.15	17.01	—	—	—	—	—	—

Benchmark(s)

Benchmark 1=S&P 500 Index

Benchmark 2=Russell 1000 Growth Index

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. Returns for periods of less than one year are not annualized. 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.

The fund began offering Advisor Class shares on 12/31/1996. Performance quotations have been calculated as follows: (a) for Advisor Class periods prior to 12/31/1996, a restated figure is used based on the fund's Class A performance. The performance was adjusted to take into account differences in class-specific operating expenses and maximum sales charges. (b) For periods after share class offering, performance for the specific share class is used, reflecting the expenses and maximum sales charges applicable to that class.

Gross expenses are the fund's total annual operating expenses as of the fund's prospectus available at the time of publication. Net expenses are capped under a contractual agreement, which cannot be terminated prior to 01/31/2026 without Board consent. Actual expenses may be higher and may impact portfolio returns.

What are the Risks?

All investments involve risks, including possible loss of principal. To the extent the portfolio invests in a **concentration of certain securities, regions or industries**, it is subject to increased volatility. **Small- and mid-cap stocks** involve greater risks and volatility than large-cap stocks. The **investment style** may become out of favor, which may have a negative impact on performance. **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**. The manager may consider **environmental, social and governance (ESG) criteria** in the research or investment process; however, ESG considerations may not be a determinative factor in security selection. In addition, the manager may not assess every investment for ESG criteria, and not every ESG factor may be identified or evaluated. These and other risks are discussed in the fund's prospectus.

Glossary

Dow Jones Industrial Average (DJIA) is an unmanaged index composed of 30 blue-chip stocks, each with annual sales exceeding \$7 billion. The DJIA is price-weighted, reflects large-cap companies representative of U.S. industry, and historically has moved in tandem with other major market indexes such as the S&P 500. Source: © S&P Dow Jones Indices LLC.

Nasdaq Composite Index is a market-capitalization-weighted index that is designed to represent the performance of NASDAQ securities and includes over 3,000 stocks. Source: Nasdaq OMX.

Important Information

Effective February 1, 2023, the Russell 1000 Growth Index was added as an additional benchmark for the fund.

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.

The **S&P 500 Index** features 500 leading U.S. publicly traded companies, with a primary emphasis on market capitalization. Source: © S&P Dow Jones Indices LLC. All rights reserved. The **Russell 1000 Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. Source: FTSE.

Important data provider notices and terms available at www.franklintempletondatasources.com. All data is subject to change.

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Before investing, carefully consider a fund's investment objectives, risks, charges and expenses. You can find this and other information in each prospectus, or summary prospectus, if available, at www.franklintempleton.com. Please read it carefully.