

# Franklin Growth Fund

Advisor Class: FCGAX Class A: FKGRX

Commentary | as of March 31, 2026

## Key Takeaways

- **Markets:** US equities endured a difficult first quarter of 2026 as investors reassessed the durability of the AI trade and geopolitical risk intensified. Technology-focused shares came under pressure as rising AI-related capital expenditure spurred a rotation away from mega-capitalization growth toward value stocks. At its two meetings during the quarter, the US Federal Reserve left its benchmark interest rate on hold. March brought further strain as the Middle East conflict disrupted energy markets, lifting oil prices and adding to inflation risk. The Nasdaq Composite Index underperformed the S&P 500 Index, while the Dow Jones Industrial Average proved more resilient. By investment style, value investing surpassed growth across market-cap tiers, with small- and mid-cap stocks performing better than their large-cap counterparts.
- **Detractors:** Stock selection and allocation decisions factored into the fund's relative underperformance. Lack of exposure to the energy sector was the biggest drag on relative returns as oil prices surged over the period. Stock selection in the health care sector was also a meaningful detractor from relative returns.
- **Contributors:** Stock selection and overweight in the industrials sector contributed most to relative returns. Positioning in the aerospace and defense industry was a key contributor to relative results, driven by strong defense spending and improving commercial aviation trends.
- **Outlook:** We are closely monitoring the geopolitical instability driven by the conflict in the Middle East and the potential disruption to commodity flow and overall global logistics. While headline risks continue to influence market sentiment and create uncertainty, we continue to stay true to our process. We look for indiscriminate selling on quality stocks to add to our portfolio, and we trim positions when market expectations become too exuberant.

## Performance Review

- The fund (Advisor Class without sales charges) underperformed the S&P 500 Index benchmark. In the health care sector, Intuitive Surgical weighed most on relative returns as investors reacted negatively to the company's slower 2026 procedure-growth outlook and cooling sales momentum despite strong fourth-quarter 2025 financial results. The medical technology company is known for its robotic-assisted surgery systems.
- In the information technology sector, Intuit's stock fell amid valuation concerns, artificial intelligence (AI) disruption fears and a slowing full-year growth outlook. In our view, Intuit encourages a culture of rapid experimentation and can adjust quickly during periods of technological change, which can help strengthen the company's resilience. Intuit provides digital financial tools that help individuals and small businesses manage money.
- In contrast, Northrop Grumman was a top contributor in the industrials sector. Ongoing defense spending, critical national security programs and strong execution on long-duration contracts have been driving business for the aerospace and defense contractor.

## Outlook

- While the recent conflict in the Middle East has driven energy prices higher, introducing volatility in the equity markets, we still believe the US economy is well positioned. Economic growth should be supported by large tech companies' capital expenditures, as well as increased productivity gains from AI. We also continue to see resiliency in the US consumer and labor markets, with higher tax refunds acting as a providing some cushion to the shorter-term impact of oil prices. We are closely tracking the fast-changing situation in Iran and the geopolitical dynamics as a result. The duration of the conflict remains a key question, but we believe we are well-positioned to navigate the current challenges weather the storm. We have limited direct exposure to the energy sector and continue to evaluate what sustained higher oil prices could mean for the economy and our portfolio.
- Our view on US equities remains positive but selective given increased volatility. In an environment where growth is available but not abundant, our focus is on owning high-quality market leaders, focusing on specific companies archetypes where growth, scale or durability are underappreciated. We seek companies with durable competitive advantages, often supported by secular tailwinds.
- While the market participants continues to debate whether AI investment will generate adequate returns, we believe usage is broadening and the infrastructure build-out remains robust. Periodic volatility around return-on-investment concerns or funding conditions are not unexpected, and we would look to use such dislocations opportunistically.
- From a sector perspective, we continue to favor information technology, where robust AI infrastructure investment continues and adoption is gaining traction throughout various industries. The industrials sector also appears attractive to us, as manufacturing recovers after years of slow activity; while ongoing geopolitical issues have been boosting defense spending, with the aerospace and defense industry seeing renewed demand. Of course, some of this is dependent on the duration of the conflict in the Middle East and potential long-term impacts. Within health care, we anticipate believe there could be a shift back to more stable conditions, with improved regulatory clarity and strengthening fundamentals in many of our overweight holdings. Risks we are watching monitoring include inflation, labor dynamics and geopolitical tensions.

## Top Equity Issuers (% of Total)

Holding	Fund
NVIDIA CORP	8.84
ALPHABET INC	5.94
MICROSOFT CORP	5.92
AMAZON.COM INC	4.64
APPLE INC	3.41
AMPHENOL CORP	2.79
BROADCOM INC	2.72
MASTERCARD INC	2.15
ASML HOLDING NV	1.92
NORTHROP GRUMMAN CORP	1.88

## Average annual total returns and fund expenses (%) - as of March 31, 2026

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	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception	Gross	Net	Initial Charge		CDSC	
Advisor Class	353496839	FCGAX	-5.51	-5.51	15.82	14.75	8.22	13.37	10.60	-5.51	-5.51	15.82	14.75	8.22	13.37	10.60	0.54	0.54	—	—	3/31/1948
Class A	353496508	FKGRX	-5.57	-5.57	15.53	14.47	7.95	13.08	10.49	-10.77	-10.77	9.18	12.33	6.73	12.45	10.41	0.79	0.79	5.50	—	3/31/1948
Benchmark 1	—	—	-4.33	-4.33	17.80	18.31	12.07	14.16	—	-4.33	-4.33	17.80	18.31	12.07	14.16	—	—	—	—	—	
Benchmark 2	—	—	-9.78	-9.78	18.81	21.18	12.76	16.83	—	-9.78	-9.78	18.81	21.18	12.76	16.83	—	—	—	—	—	

## Benchmark(s)

Benchmark 1=S&amp;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](http://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.

The total annual operating expenses are as of the fund's prospectus available at the time of publication. 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

**Capital Expenditure (capex)** are funds used by a company to acquire or upgrade physical assets such as property, industrial buildings or equipment.

**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. The **Russell 1000 Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe.

Important data provider notices and terms available at [www.franklintempletondatasources.com](http://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](http://www.franklintempleton.com). Please read it carefully.**