

Franklin Growth Fund

Advisor Class: FCGAX Class A: FKGRX

Commentary | as of December 31, 2025

Key Takeaways

- Markets:** US equities delivered solid gains over the fourth quarter of 2025, maintaining their upward trajectory against a backdrop of generally robust corporate earnings, despite some mixed economic signals and investor concerns about stretched valuations in technology-related stocks. Continued monetary easing by the US Federal Reserve, along with a constructive shift in US-China relations, also underpinned investor sentiment. The outperformance of the Magnificent Seven mega-capitalization technology stocks during the quarter boosted returns for the S&P 500 Index and the Nasdaq Composite Index, while the relatively strong performance of the Dow Jones Industrial Average reflected the enduring strength of blue-chip companies. By investment style, value investing surpassed growth in the large-, mid- and small-capitalization tiers, with large-cap stocks performing better than their mid- and small-cap counterparts.
- Detractors:** The fund's relative returns (Advisor Class without sales charges) lagged the benchmark as stock selection decisions worked against us, while allocation effects were mildly supportive. Stock selection in the information technology (IT) sector weighed most on relative performance, followed by stock selection and an overweight in the industrials sector and stock selection in the materials sector.
- Contributors:** Stock selection and an overweight in the health care sector contributed most to relative performance, followed by stock selection and an underweight in the consumer discretionary sector and stock selection in the communication services sector.
- Outlook:** Looking forward, we continue to have a balanced, yet constructive outlook as we closely monitor downside risks stemming from sticky inflation, policy uncertainty, divergent consumer behavior and high equity valuation multiples. We are equally, if not more, excited about the prospect for an innovation and capital expenditure boom throughout the economy in the coming years.

Performance Review

- The fund (Advisor Class without sales charges) lagged the S&P 500 Index benchmark in the fourth quarter. In the IT sector, automation software provider ServiceNow's stock experienced a decline as concerns over valuation and sluggish artificial intelligence (AI) growth weighed on investor sentiment. We continue to see steady demand across the platform and strong adoption of the company's AI offerings.
- Disappointing third-quarter earnings and valuation concerns weighed on shares of industrial and construction supplies distributor Fastenal. We believe the company's vending and onsite solutions continue to provide a meaningful runway for growth in the large maintenance, repair and overhaul markets.
- In contrast, in the health care sector, Intuitive Surgical's stock saw a significant rise following strong third-quarter financial results. Over the quarter, the robotic surgery company reported record placements of its da Vinci surgical systems.

Outlook

- As we enter 2026, our view on US equities remains positive but selective. In an environment where growth is available but not abundant, our focus is on owning high-quality franchises with durable competitive advantages, often supported by secular tailwinds.
- In recent years, a small group of mega-capitalization innovators—dominated by the Magnificent Seven—has driven the majority of index returns, benefiting from scale and AI leadership. Looking toward 2026, we believe conditions should favor a broadening of equity market leadership, with opportunities emerging across sectors beyond IT and companies below the mega-cap threshold, which can offer an advantage for small- and mid-cap companies.
- In 2026, we are focused on structural themes shaped by AI and automation, which are now producing measurable productivity gains not only in the IT sector but in the health care, financials, industrials and energy sectors. We are also monitoring potential risks for the US economy, including inflation, regulatory pressures, geopolitical friction, infrastructure bottlenecks and unfavorable policy shifts.
- Fiscal and economic conditions appear to be aligning to support growth. We expect continued innovation-led expansion underpinned by quality fundamentals in an environment where we think disciplined, active management has an advantage.

Top Equity Issuers (% of Total)

Holding	Fund
NVIDIA CORP	8.63
MICROSOFT CORP	7.05
ALPHABET INC	5.35
AMAZON.COM INC	4.69
AMPHENOL CORP	3.70
APPLE INC	3.33
MASTERCARD INC	2.78
BROADCOM INC	2.77
ASML HOLDING NV	1.96
ELI LILLY & CO	1.78

Average annual total returns and fund expenses (%) - as of December 31, 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	Inception Date
Advisor Class	353496839	FCGAX	1.63	15.54	15.54	20.44	9.88	14.04	10.72	1.63	15.54	15.54	20.44	9.88	14.04	10.72	0.54	0.54	—	—	3/31/1948
Class A	353496508	FKGRX	1.57	15.26	15.26	20.14	9.61	13.76	10.61	-4.01	8.92	8.92	17.89	8.38	13.11	10.52	0.79	0.79	5.50	—	3/31/1948
Benchmark 1	—	—	2.66	17.88	17.88	23.00	14.43	14.82	—	2.66	17.88	17.88	23.00	14.43	14.82	—	—	—	—	—	—
Benchmark 2	—	—	1.12	18.56	18.56	31.14	15.32	18.12	—	1.12	18.56	18.56	31.14	15.32	18.12	—	—	—	—	—	—

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 franklintonlepton.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

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.

The **Magnificent Seven** stocks are Apple, Amazon, Alphabet, Meta Platforms, Microsoft, Nvidia, and Tesla.

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.franklintonleptondatasources.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.franklintonlepton.com. Please read it carefully.