FRANKLIN TEMPLETON

Franklin Growth Fund

Advisor Class: FCGAX Class A: FKGRX | **Commentary | as of June 30, 2026**

Key Takeaways

- **Markets:** US equities rebounded strongly during the second quarter of 2026, 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. At its two meetings during the quarter, the US Federal Reserve left interest rates on hold. The easing of Middle East tensions and a decline in oil prices helped alleviate inflation concerns, encouraging a broad recovery in risk assets. The Nasdaq Composite Index outperformed the S&P 500 Index and Dow Jones Industrial Average. By investment style, growth investing surpassed value in each cap segment, while across the overall market, small-cap stocks performed better than their large- and mid-cap counterparts.
- **Detractors:** Stock selection in the information technology (IT) sector was the largest drag on relative returns, though an overweight to the sector helped. Stock selection and an overweight in the industrials sector held back returns, as did stock selection in the financials sector.
- **Contributors:** Not holding any companies in the energy sector boosted relative results. Stock selection and underweights in the consumer staples and consumer discretionary sectors also proved beneficial, as did stock selection in the communication services sector.
- **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.

Top Equity Issuers (% of Total)

Holding	Fund
NVIDIA CORP	8.53
ALPHABET INC	6.80
MICROSOFT CORP	5.27
AMAZON.COM INC	4.91
APPLE INC	3.60
AMPHENOL CORP	3.30
BROADCOM INC	3.30
ELI LILLY & CO	2.01
ASML HOLDING NV	2.00
LAM RESEARCH CORP	1.97

Performance Review

- The fund (Advisor Class without sales charges) underperformed the S&P 500 Index benchmark. In the industrials sector, aerospace and defense contractor Northrop Grumman shares continued to decline from early March highs amid profit taking and valuation concerns, as well as challenges with its space systems program.
- In the financials sector, shares of Intercontinental Exchange held back relative returns. Shares of the US-based exchange and data operator fell during the period as investors showed concerns about the potential for long-term disruption from AI on exchange operators.
- Conversely, an out-of-benchmark position in Arm Holdings in the IT sector lifted relative returns. The chip designer is a primary beneficiary of the AI boom, and its revenues from both licensing and royalties, along with their entry into CPU development for data centers, have driven sharp gains in share prices.
- Also in IT, electronics parts manufacturer Amphenol helped relative returns. The company is also benefitting from the AI boom, as AI data centers rely on Amphenol's connectors, cables and sensors in their architecture. The company posted record first quarter results that beat forecasts.

Outlook

- While the recent conflict in the Middle East has driven inflationary expectations higher, introducing volatility in the equity markets, we still believe the US economy is well positioned. Economic growth should be supported by large tech capital expenditures, as well as increased productivity gains from AI. We also continue to see resiliency in the US consumer and labor markets. We are closely tracking the fast-changing situation in the Middle East and the geopolitical dynamics as a result. The duration of the conflict continues to remains a key question, but we believe we are well-positioned to weather the storm.
- 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 company archetypes where growth, scale or durability are underappreciated. We seek companies with durable competitive advantages, often supported by secular tailwinds.
- While the market 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 technology, where robust AI infrastructure investment continues and adoption is gaining traction throughout various industries. Industrials also appear attractive, as manufacturing recovers after years of slow activity; while ongoing geopolitical issues have been boosting defense spending, with the aerospace 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 a shift back to more stable conditions, with improved regulatory clarity and strengthening fundamentals in many of our overweight holdings. Risks we are watching include inflation, labor dynamics and geopolitical tensions.

Not FDIC Insured | No Bank Guarantee | May Lose Value

Average annual total returns and fund expenses (%) - as of June 30, 2026

			Without Sales Charge							With Maximum Sales Charge							Expenses		Sales Charges		Inception
Class	CUSIP	Ticker	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	Date
Advisor Class	353496839	FCGAX	11.76	5.60	13.86	15.92	8.67	14.50	10.73	11.76	5.60	13.86	15.92	8.67	14.50	10.73	0.52	0.52	—	—	3/31/1948
Class A	353496508	FKGRX	11.70	5.47	13.58	15.64	8.39	14.22	10.61	5.55	-0.33	7.33	13.48	7.17	13.57	10.53	0.78	0.78	5.50	—	3/31/1948
Benchmark 1	—	—	15.20	10.21	22.32	20.61	13.41	15.51	—	15.20	10.21	22.32	20.61	13.41	15.51	—	—	—	—	—	—
Benchmark 2	—	—	16.74	5.33	17.71	22.57	13.72	18.58	—	16.74	5.33	17.71	22.57	13.72	18.58	—	—	—	—	—	—

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.
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.

Duration is a measure of the sensitivity of a bond's price to changes in interest rates.

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.

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

Holdings are provided for informational purposes only and should not be construed as a recommendation to purchase or sell any security.

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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.

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