



# FRANKLIN TEMPLETON INVESTMENTS

## Franklin DynaTech Fund—Advisor Class

Growth Equity  
December 31, 2018

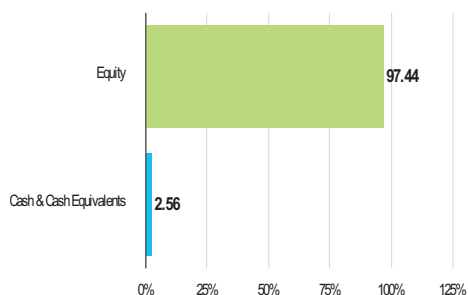
### Product Profile

#### Product Details<sup>1</sup>

Fund Assets	\$5,931,085,617.95
Fund Inception Date	01/01/1968
Number of Issuers	129
NASDAQ Symbol	FDYZX
Maximum Sales Charge	0.00
Investment Style	Growth
Benchmark	Russell 1000 Growth Index S&P 500 Index
Lipper Classification	Multi-Cap Growth Funds
Morningstar Category™	Large Growth
Dividend Frequency	Annually in December

#### Asset Allocation<sup>2</sup>

Percent of Total



#### Third-Party Fund Data

##### Overall Morningstar Rating™<sup>3</sup>



As of 12/31/2018 the fund's Advisor Class shares received a 5 star overall Morningstar Rating™, measuring risk-adjusted returns against 1246, 1106 and 798 U.S.-domiciled Large Growth mutual funds and exchange traded funds over the 3-, 5- and 10- year periods, respectively. A fund's overall rating is derived from a weighted average of the performance figures associated with its 3-, 5- and 10-year (if applicable) rating metrics.

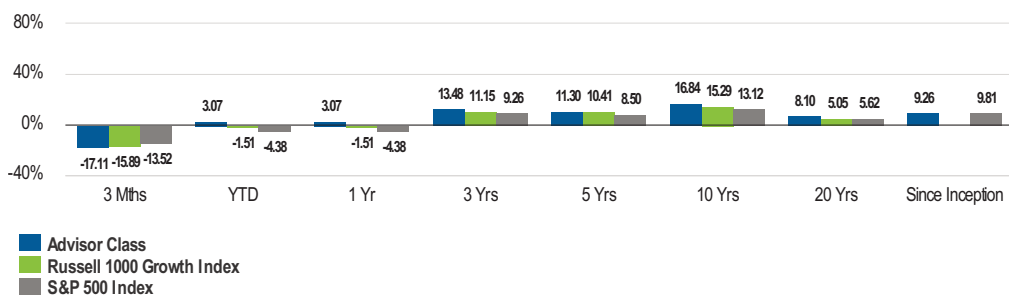
#### Fund Description

The fund seeks capital appreciation by investing primarily in companies which management believes are leaders in innovation, take advantage of new technologies, have superior management, and benefit from new industry conditions in the dynamically changing global economy.

#### Performance Data<sup>4,5</sup>

##### Average Annual Total Returns<sup>6</sup> (%)

	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	20 Yrs	Since Inception (01/01/1968)
Advisor Class	-17.11	3.07	3.07	13.48	11.30	16.84	8.10	9.26
Russell 1000 Growth Index	-15.89	-1.51	-1.51	11.15	10.41	15.29	5.05	-
S&P 500 Index	-13.52	-4.38	-4.38	9.26	8.50	13.12	5.62	9.81



##### Total Annual Operating Expenses—With Waiver:0.64% Without Waiver: 0.65%

Performance data represents past performance, which does not guarantee future results. Current performance may differ from figures shown. The fund's investment return and principal value will change with market conditions, and you may have a gain or a loss when you sell your shares. Please call Franklin Templeton Investments at (800) DIAL BEN/342-5236 or visit franklintempleton.com for the most recent month-end performance.

Advisor Class shares are offered only to certain eligible investors as stated in the prospectus. They are offered without sales charges or Rule 12b-1 fees. The fund offers other share classes subject to different fees and expenses, which will affect their performance. Please see the prospectus for details.

The fund has a fee waiver associated with any investment it makes in a Franklin Templeton money fund and/or other Franklin Templeton fund, contractually guaranteed through 01/31/2019. Fund investment results reflect the fee waiver; without this waiver, the results would have been lower.

##### Calendar Year Returns (%)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Advisor Class	3.07	39.68	1.51	8.74	7.47	40.01	15.73	-2.25	18.82	47.49
Russell 1000 Growth Index	-1.51	30.21	7.08	5.67	13.05	33.48	15.26	2.64	16.71	37.21
S&P 500 Index	-4.38	21.83	11.96	1.38	13.69	32.39	16.00	2.11	15.06	26.46

1. All holdings are subject to change. Holdings of the same issuers have been combined.

2. Information is historical and may not reflect current or future portfolio characteristics. Percentage may not equal 100% due to rounding. All holdings are subject to change.

5. Source for Index: FactSet. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

6. Periods shorter than one year are shown as cumulative total returns.

Portfolio Manager Insight<sup>7</sup>

## Performance Review

## QUARTERLY KEY PERFORMANCE DRIVERS

	Stocks	Sectors
HELPED	Apple (Significant Underweight)	Information Technology, or IT (Stock Selection)
	Workday (Significant Overweight)	Energy (Lack of Exposure)
	Xilinx (Significant Overweight)	—
HURT	NVIDIA (Overweight)	Consumer Discretionary (Stock Selection)
	Square (Significant Overweight)	Health Care (Stock Selection)
	Neurocrine Biosciences (Significant Overweight)	Consumer Staples (Lack of Exposure)

- In absolute terms, all seven of the fund's equity sector allocations shed value during the quarter, with the bulk of the decline focused on IT stocks, which averaged roughly 42% of the overall portfolio. In relative terms, our decision to hold a fraction of the Russell 1000 Growth Index's weighting in technology hardware, storage and peripherals companies such as Apple was helpful, but Apple was still one of the fund's biggest absolute detractors. Its stock sank into bear market territory and the firm's valuation dropped below US\$1 trillion as the iPhone maker downwardly revised its fourth-quarter revenue forecast, causing analysts to lower their longer-term growth projections.
- The fund's biotechnology stocks underwent a severe and broad-based selloff; these holdings collectively shed nearly a third of their share value, led lower by Neurocrine Biosciences. The mid-capitalization biotech firm, which develops drugs to treat conditions of the central nervous system and endocrine system, sold off as certain investors appeared unable to justify its valuation versus industry peers following a near-doubling of Neurocrine's share value over the previous 18 months. However, the company has already won regulatory approval for two drugs, and we believe it is moving toward profitability after investing heavily in R&D and building out its pipeline; the firm projects faster revenue growth over the next two years.
- Although the vast majority of semiconductor and semiconductor equipment stocks fell out of favor (including standout industry detractor NVIDIA), Xilinx's shares bucked the overall downtrend with a modest three-month rally. Xilinx posted a strong fiscal second-quarter earnings that surpassed consensus expectations, and offered a bright view: Sales rose 19% year over year to US\$746 million, while adjusted earnings were 34% above the year-ago result. Management expects fiscal third-quarter revenue to grow roughly 22% year on year, to approximately US\$770 million (analysts had expected US\$720 million, on average).

## Outlook &amp; Strategy

- The fund continues to focus on the broad theme of innovation as we pursue promising investment opportunities. We apply our disciplined, bottom-up research process to identify companies that show compelling growth potential based on innovation, whether in technology or market approach.
- Even as the United States weathers a global slowdown, tech companies that depend on international sales found themselves at risk in the fourth quarter, as did semiconductor companies with direct business ties to China. Despite an increase in demand concerns and lingering doubts about US-China trade relations, some investors saw the recent slide in chip stocks as a buying opportunity, pointing to expectations of strong revenue growth in the coming years driven in part by artificial intelligence (AI) and autonomous driving.
- As it pertains to the fund's active, growth-oriented management strategy, we are apt to see any short-term volatility in the coming months not as an obstacle, but as an occasion to potentially add quality names to the DynaTech portfolio. As always, our focus remains on companies that we believe will benefit from multi-year secular tailwinds and unprecedented innovation, and can generate solid risk-adjusted investment performance over the long term regardless of shifts in the markets. We have always recognized that the influence of technology stretches across sectors and industries, and we see innovation as the main driving force behind value creation in the global economy.
- Ongoing market volatility aside, we believe the coming months will be good for IT sector fundamentals (growing revenue, growing earnings per share, increased dividends) based on the "digital transformation" (DT) theme, lower taxes, and the need for increased productivity in a tightening labor market. Some investors have begun to voice their concerns about the risks associated with rising interest rates and technology stocks. While periods of rising interest rates typically create new places to get yield, we continue to believe such environments are indicative of strengthening economic fundamentals, and which will also help to sustain technology spending growth, especially after many years of subdued investment and the need for investment in DT initiatives.
- It is our firm belief that a widening array of industries that were previously quite distant from pure technology are responding to an opportunity for—and a threat to—their core businesses brought about by hyper-connected consumers who are able to engage with companies and each other. Today's progressively sophisticated technology and software also allow companies to provide products and services that seemed impossible even 10 years ago. In particular, we believe the transition to technology-on-demand will be integrated into day-to-day life in the years ahead.
- In the near future, all software applications and smart devices across all industries are likely to feature some form of embedded AI in them. Without a doubt, the rapid advancement in AI—supported by a large base of always-connected consumers, high-speed internet access and expanding global cloud-computing infrastructure—is ushering in a radical technological transformation that is permeating all areas of the global economy. Companies will likely have to keep up or be left behind as machine- and deep-learning take hold and become more prevalent.

7. 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.

**Portfolio Characteristics**<sup>8,9</sup>

	Portfolio	Russell 1000 Growth Index
Market Capitalization (Millions in USD)	190,739	247,363
Return on Equity	14.67%	24.48%
Historical 3-Year EPS Growth	27.71%	22.10%
Estimated 3-5 Yr EPS Growth	21.87%	16.25%
Operating Margin	16.84%	22.65%
Net Margin	9.76%	14.58%
Price to Earnings (12 Month Forward)	30.33x	18.92x

**Portfolio Diversification****Top Ten Holdings**<sup>10</sup>

Percent of Total

Top Holdings	Sector	%
AMAZON.COM INC	Retailing	6.71
ALPHABET INC	Media & Entertainment	4.61
MICROSOFT CORP	Software & Services	4.28
MASTERCARD INC	Software & Services	3.18
VISA INC	Software & Services	2.67
SALESFORCE.COM INC	Software & Services	2.31
SERVICENOW INC	Software & Services	1.95
ADOBE INC	Software & Services	1.91
BOEING CO	Capital Goods	1.63
ABBOTT LABORATORIES	Health Care Equipment & Services	1.52

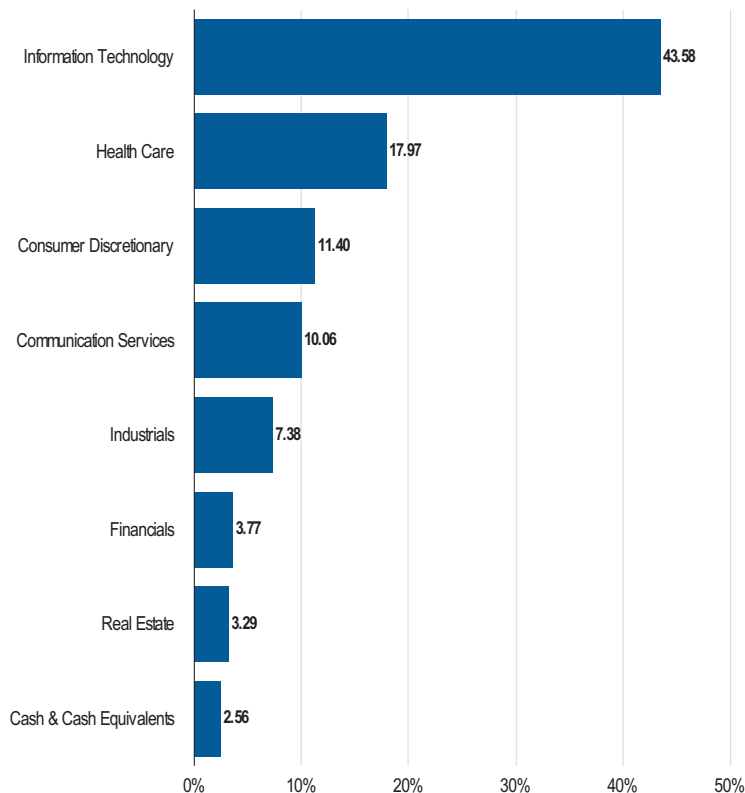
8. The portfolio characteristics listed are based on the fund's underlying holdings, and do not necessarily reflect the fund's characteristics. Due to data limitations all equity holdings are assumed to be the primary equity issue (usually the ordinary or common shares) of each security's issuing company. This methodology may cause small differences between the portfolio's reported characteristics and the portfolio's actual characteristics. In practice, Franklin Templeton's portfolio managers invest in the class or type of security which they believe is most appropriate at the time of purchase. The market capitalization figures for both the portfolio and the benchmark are at the security level, not aggregated up to the main issuer. Source: Factset. Price ratio calculations for weighted average use harmonic means. Any exceptions to this are noted. The Return on Equity calculation uses simple weighted average means. The Estimated 3-5 Year EPS Growth uses simple weighted average means. There can be no assurance that the Estimated 3-5 Year EPS Growth will be realized. Information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change.

9. Source for Index: FactSet. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

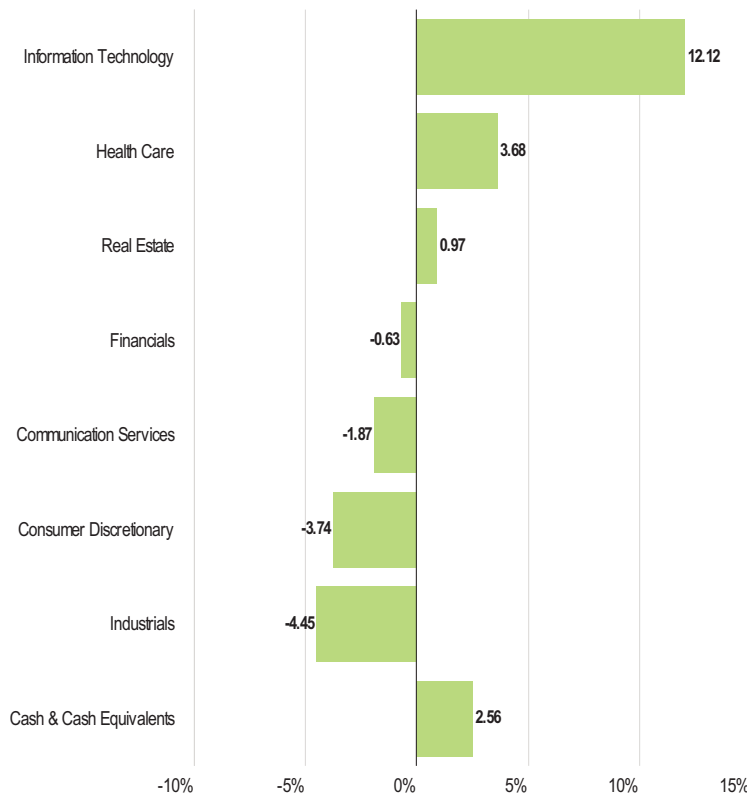
10. Holdings of the same issuers have been combined. Top ten holdings information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change. The information provided is not a recommendation to purchase, sell, or hold any particular security. The portfolio manager for the fund reserves the right to withhold release of information with respect to holdings that would otherwise be included.

**Sector Allocation<sup>11</sup>**

Percent of Total

**Sector Weightings vs. Russell 1000 Growth Index<sup>12,13</sup>**

Percent of Total

**Supplemental Performance Statistics****Supplemental Risk Statistics<sup>14,15</sup>**

	3 Yrs	5 Yrs	10 Yrs
<b>Standard Deviation (%)</b>	15.42	14.86	15.51
<b>Tracking Error (%)</b>	6.03	6.39	5.29
<b>Information Ratio</b>	0.39	0.14	0.29
<b>Beta</b>	1.18	1.14	1.07
<b>Sharpe Ratio</b>	0.81	0.72	1.06

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11,12. Information is historical and may not reflect current or future portfolio characteristics. Percentage may not equal 100% due to rounding. All holdings are subject to change.

13. Source for Index: FactSet. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

14. Beta, Information Ratio and Tracking Error information are measured against the Russell 1000 Growth Index.

15. Information Ratio is a way to evaluate a manager's ability to outperform a benchmark in relation to the risk that manager is assuming, with risk defined as deviation from the benchmark. This measure is calculated by dividing the portfolio's excess return (portfolio return less the benchmark return) by the tracking error (derived by taking the standard deviation of the monthly differences between the portfolio return and the benchmark return over time).

## Investment Philosophy

Franklin DynaTech Fund is a growth fund that focuses its investments on innovation. The portfolio managers believe innovation can drive long-term wealth creation in the economy and therefore should be the focus of the portfolio construction process for the fund while it seeks to outperform the market.

### Three Key Tenets:

- Discovering innovation requires extensive research. We believe investing in innovation requires active management.
- In our view, innovation is often mispriced, as duration and pace of growth are often misunderstood.
- We believe innovation can occur in various parts of the economy across industries.

## Investment Process

### Idea Generation Adapted to Innovation Focus

- Evaluate any company employing dynamic technology and innovation
- Leverage portfolio manager market intelligence and analyst input to discover dynamic innovation

### Innovation-Oriented Research

- Seek positive inflections, such as earnings and/or revenue acceleration, positive price momentum
- Employ bottom-up, fundamental research to identify compelling opportunities that meet our innovation/sustainable growth profile
- Investment team located near the heart of Silicon Valley
- Environmental, Social and Governance assessment integrated into our research process

### Flexible and Opportunistic Portfolio Construction

- Build a diverse portfolio according to end-markets, not third party sector classifications
- Conviction-weighted portfolio with a buy and hold approach

### Sell Discipline Tailored to Innovation Universe

- Regular formal discussions with our Investment Risk Management Group
- Well-defined sell criteria for securities that seeks to manage risk and reduce downside

## Investment Team

Portfolio Manager	Years with Firm	Years Experience
Matthew Moberg, Portfolio Manager	19	21
Rupert Johnson Jr.	53	53
<b>Additional Resources</b>		
Franklin US Equity Team		

**Beta:** A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of the overall market (or appropriate market index). The market (or index) is assigned a beta of 1.00, so a portfolio with a beta of 1.20 would have seen its share price rise or fall by 12% when the overall market rose or fell by 10%.

**Estimated 3-5 Year EPS Growth:** An estimated measure of the growth of earnings per share over a forward-looking period. For a portfolio, the value represents a weighted average of the stocks it holds.

**Historical 3 Yr Sales Growth:** The rate at which sales have increased for the fund's underlying holdings over the last three years.

**Information Ratio:** In investing terminology, the ratio of expected return to risk. Usually, this statistical technique is used to measure a manager's performance against a benchmark. This measure explicitly relates the degree by which an investment has beaten the benchmark to the consistency by which the investment has beaten the benchmark.

**Market Capitalization:** A determination of a company's value, calculated by multiplying the total number of company stock shares outstanding by the price per share. Market capitalization is expressed in millions of USD.

**Net Margin:** The ratio of net profits to revenues for a company or business segment that shows how much of each dollar earned by the company is translated into profits.

**Operating Margin:** A measurement of what proportion of a company's revenue is left over after paying for variable costs of production such as wages, raw materials, etc.

**Price to Earnings (12-mo Forward):** A measure of the price to earnings ratio (P/E) using the forecasted earnings for the next 12 months.

**Return on Equity:** A measure of a corporation's profitability that reveals how much profit a company generates with the money shareholders have invested. For a portfolio, the value represents a weighted average of the stocks it holds.

**Sharpe Ratio:** To calculate a Sharpe ratio, an asset's excess returns (its return in excess of the return generated by risk-free assets such as Treasury bills) are divided by the asset's standard deviation.

**Standard Deviation:** A measure of the degree to which returns vary from the average of its previous returns. The larger the standard deviation, the greater the likelihood (and risk) that performance will fluctuate from the average return.

**Tracking Error:** Measure of the deviation of the return of a product compared to the return of a benchmark over a fixed period of time. Expressed as a percentage. The more passively the investment is managed, the smaller the tracking error.

**What Are The Risks?**

All investments involve risks, including possible loss of principal. Stocks historically have outperformed other asset classes over the long term, but tend to fluctuate more dramatically over the short term. Investments in fast-growing industries like the technology and healthcare sectors (which have historically been volatile) could result in increased price fluctuation, especially over the short term, due to the rapid pace of product change and development and changes in government regulation of companies emphasizing scientific or technological advancement or regulatory approval for new drugs and medical instruments. The fund may also invest in small- and mid-capitalization companies, which can be particularly sensitive to changing economic conditions, and their prospects for growth are less certain than those of larger, more established companies. These and other risks are described more fully in the fund's prospectus.

**Important Legal Information**

*Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. To obtain a summary prospectus and/or prospectus, which contains this and other information, talk to your financial advisor, call us at (800) DIAL BEN/342-5236 or visit [franklintempleton.com](http://franklintempleton.com). Please carefully read a prospectus before you invest or send money.*

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Source: FTSE. Important data provider notices and terms available at [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com).

3. Source: Morningstar®, 12/31/2018. For each mutual fund and exchange traded fund with at least a 3-year history, Morningstar calculates a Morningstar Rating™ based on how a fund ranks on a Morningstar Risk-Adjusted Return measure against other funds in the same category. This measure takes into account variations in a fund's monthly performance, and does not take into account the effects of sales charges and loads, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. The weights are: 100% 3-year rating for 36-59 months of total returns, 60% 5-year rating/40% 3-year rating for 60-119 months of total returns, and 50% 10-year rating/30% 5-year rating/20% 3-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent 3-year period actually has the greatest impact because it is included in all three rating periods. The Fund's Advisor Class shares received a Morningstar Rating of 5, 4 and 5 star(s) for the 3-, 5- and 10-year periods, respectively. Morningstar Rating™ is for the named share class only; other classes may have different performance characteristics. **Past performance is not an indicator or a guarantee of future performance.**

4. Effective 05/15/2008, the fund began offering Advisor Class Shares. For periods prior to the fund's Advisor Class inception date, a restated figure is used based on the fund's oldest share class, Class A performance, excluding the effect of Class A's maximum initial sales charge but reflecting the effect of the Class A Rule 12b-1 fees; and b) for periods after the fund's Advisor Class inception date, actual Advisor Class performance is used, reflecting all charges and fees applicable to that class.



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