FRANKLIN TEMPLETON

Franklin DynaTech Fund

Advisor Class: FDYZX Class A: FKDNX | **Commentary | as of June 30, 2025**

Key Takeaways

- **Markets:** Global equities collectively rose during 2025's second quarter (2Q25) after bouncing back from their April lows. Nine out of the 11 global equity sectors advanced; information technology (IT), communication services and industrials produced the highest returns, while energy and health care retreated. In terms of investment style, global growth stocks significantly outperformed their value counterparts, regardless of company size. US President Donald Trump's sweeping "reciprocal" tariffs sparked market volatility, but easing trade tensions and delayed tariff hikes reduced recession fears and supported consumer sentiment despite elevated inflation in some parts of the world, amid minimal market impacts from the Israel-Iran conflict and oil price fluctuations.
- **Contributors:** Favorable stock selection versus the benchmark index, especially in the IT and industrials sectors. To a much lesser extent, allocation choices across most sectors also boosted relative returns, including the fund's lack of exposure to consumer staples, materials and real estate.
- **Detractors:** Detrimental stock selection in the software and capital markets industries, underweightings in rallying tech giants such as Microsoft and NVIDIA and the roughly 1% of uninvested portfolio assets sidelined in cash.
- **Outlook:** We remain optimistic about the resilience of the US economy even in this environment of policy uncertainty. Technology, in general—and artificial intelligence (AI), robotics and hyperscale cloud computing, in particular—is inherently disinflationary and a large enough force to affect the entire economy through increased productivity.

Top Equity Issuers (% of Total)

Holding	Fund
NVIDIA CORP	10.91
MICROSOFT CORP	8.14
AMAZON.COM INC	7.98
META PLATFORMS INC	6.04
BROADCOM INC	4.51
ALPHABET INC	3.84
MASTERCARD INC	3.47
SERVICENOW INC	2.99
AXON ENTERPRISE INC	2.78
TESLA INC	2.31

Performance Review

- Despite some of the greatest portfolio volatility the fund has experienced since 2008, strong stock selection—particularly in the IT, industrials, consumer discretionary and health care sectors—helped it outperform its primary and secondary benchmarks, the Russell 1000 Growth Index and the S&P 500 Index, respectively, by wide margins in an up market.
- Our biggest sector exposure over the past decade has been IT, and 2Q25 was no different. This has served us well, as nothing has come close to the performance of IT companies over the past 10 years. Historically, the portfolio's allocation to IT has ranged between 50% and 60% of total assets and has often been up to 10 percentage points higher than the Russell 1000 Growth Index's exposure. During 2Q25, we maintained a 2.7 percentage-point overweighting in IT (on average). At June-end, however, IT represented 51.1% of the portfolio, compared with the benchmark's 51.2% exposure; this was one of our lowest IT weightings versus the index in recent memory because innovation is spreading beyond IT into the entire economy.
- Within IT, maintaining less than a quarter of the benchmark exposure to Apple gave us a major upside boost in relative terms, even though Apple was still the fund's largest detractor in absolute terms as it shed just over 7% of its equity value. We also saw exceptional three-month rallies in overweighted or off-index IT holdings in various industries, led by Celestica in electronic equipment, instruments and components; Broadcom and Taiwan Semiconductor Manufacturing in semiconductors and semiconductor equipment; Cloudflare in IT services; and ServiceNow and AppLovin in software.
- Outside the IT sector, notable contributors included Axon Enterprise (significant overweight) in industrials, off-benchmark Latin American e-commerce and fintech giant MercadoLibre in consumer discretionary, and commission-free trading platform Robinhood Markets in financials. In particular, the value of our overweighted stake in Robinhood more than doubled due to strong financial performance (including record net deposits and revenue growth), expansion into cryptocurrencies with tokenized trading and a new Layer 2 blockchain, and bullish analyst upgrades driven by increased trading volumes.
- Given the magnitude of the fund's 2Q25 results, the detractors were comparatively mild. Among the 11 major equity sectors tracked by the benchmark index, two slightly hindered the fund's relative results: utilities, due to the fund's lack of exposure, and financials, based on unfavorable stock selection. Within financials, the quarterly gain for an overweighted position in Mastercard fell significantly short of the benchmark average; a heavily overweighted position in Tradeweb Markets depreciated slightly; and we liquidated the fund's position in Coinbase Global ahead of a huge rally.
- Elsewhere in the portfolio, relative outperformance in the IT sector was trimmed by underweighted Microsoft and NVIDIA as their share prices rose significantly in 2Q25. Software industry results were further compromised by a lack of investment in Oracle (which rose substantially), a modest loss for HubSpot (significant overweight), and an underweighting in Palantir Technologies as its shares surged. In health care, off-benchmark Argenx sold off in the biotechnology industry, while gains for an overweighted stake in medical robotics specialist Intuitive Surgical lagged the index by a wide margin.

Outlook

- We are hopeful and enthusiastic about the potential and current productivity gains from AI, as its use cases continue to develop. Large language models (LLMs) are advancing at a fast pace, with the first returns on investment starting to coalesce, notably in the digital advertising space. Use cases are also being proven elsewhere, including in e-commerce, finance and health care. Additionally, AI developers are increasingly focused on achieving agentic AI. Areas where agentic AI is quickly taking shape include software development and deep research.
- We are tracking other bright spots for innovation in the economy beyond AI, including aerospace and defense, cryptocurrency, robotics, genomics and green energy. Regarding aerospace and defense, a new class of companies, including Palantir (held by the fund) and Anduril (not held) are challenging the primacy of large, established defense contractors. These nimble companies are developing new technologies, including autonomous drones and sophisticated military software. The crypto space is also maturing, with relevant applications in smart contracts and payment systems coming to the fore. The use cases for robotics are also accelerating as AI improves the software behind the hardware. Genomics is still early in its development, with scientists and managers addressing the complexities of the medicine to achieve regulatory approval. Finally, green energy initiatives continue to advance worldwide, with the cost curve—particularly for solar energy—coming down and with new ideas around nuclear and geothermal energy grabbing attention.

Not FDIC Insured | No Bank Guarantee | May Lose Value

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

			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	353496680	FDYZX	24.70	9.19	16.21	25.10	12.64	16.15	10.27	24.70	9.19	16.21	25.10	12.64	16.15	10.27	0.54	0.54	—	—	1/1/1968
Class A	353496201	FKDNX	24.62	9.05	15.92	24.79	12.36	15.86	10.19	17.77	3.06	9.54	22.46	11.09	15.20	10.08	0.79	0.79	5.50	—	1/1/1968
Benchmark 1	—	—	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 2	—	—	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(s)

Benchmark 1=Russell 1000 Growth Index

Benchmark 2=S&P 500 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 5/15/2008. Performance quotations have been calculated as follows: (a) for Advisor Class periods prior to 5/15/2008, 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. Equity securities are subject to price fluctuation and 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 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.

Important Information

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.