FRANKLIN TEMPLETON

Franklin DynaTech Fund

Advisor Class: FDYZX Class A: FKDNX — **Commentary | as of December 31, 2025**

Key Takeaways

- **Markets:** Global equities made further gains in the fourth quarter of 2025 (4Q25), rounding off a year of strong returns. Despite some mixed economic signals and investor concerns about the stretched valuations of many technology-related stocks, investors remained broadly optimistic about artificial intelligence (AI) advancements and the potential for a continued easing of US monetary policy. A backdrop of generally robust corporate earnings and a constructive shift in US-China relations underpinned sentiment, as did two interest-rate reductions by the US Federal Reserve.
- **Detractors:** Unfavorable stock selection in communication services, consumer discretionary and industrials.
- **Contributors:** Industry-level outperformance in biotechnology (due to stock selection); specialty retail (stock selection); electronic equipment, instruments and components (aided foremost by overweighting); and semiconductors and semiconductor equipment (overweighting and stock selection).
- **Outlook:** We expect continued technological transformation driven by core development themes around the byte, the atom and the gene. Gains across the economy from generative and agentic AI, robotics and genomics may even accelerate this rate of change. Our fundamental research gives us an edge in predicting when new technologies are likely to be adopted and monetized as the economic paradigm shifts.

Top Equity Issuers (% of Total)

Holding	Fund
NVIDIA CORP	12.47
AMAZON.COM INC	8.12
MICROSOFT CORP	7.66
ALPHABET INC	6.61
BROADCOM INC	5.79
META PLATFORMS INC	4.99
APPLE INC	3.83
SHOPIFY INC	2.83
TESLA INC	2.77
APPLOVIN CORP	2.61

Performance Review

- The fund (Advisor Class without sales charges) underperformed the Russell 1000 Growth Index as five out of 11 sectors detracted, mainly due to adverse security selection. At period-end, we kept strategic overweight positions in key growth sectors such as information technology (IT), consumer discretionary and communication services; combined, they covered more than 80% of the portfolio, and they all declined in value. IT stocks underperformed the major equity indexes and the benchmark. Within the fund's core IT sector allocation, relative returns were essentially flat as both the portfolio and index posted similar sub-1% losses. Keeping roughly a quarter of the benchmark exposure to Apple was a hindrance as Apple shares bucked the IT sector's downtrend and rose nearly 7%. Most software holdings sold off, including an overweight in AppLovin, though underweighting Oracle (sold) and Microsoft provided some support as their share prices dropped.
- Individual stock performance varied with AI infrastructure plays like Oracle facing execution challenges and established leaders like Apple navigating leadership transitions. Portfolio concentration in growth-oriented tech names created both opportunities and risks, with successful picks in emerging AI beneficiaries like Celestica and Shopify offset by disappointments in established players facing operational headwinds, including key overweight detractor Meta Platforms.
- For IT and many tech-adjacent companies, 4Q25 may have marked a "strategic inflection" with a move away from speculative AI-driven growth narratives toward greater scrutiny of profitability, balance sheets and sustainable growth models. That shift means companies that cannot convincingly show near-term earnings or realistic growth trajectories risk being rerated or punished disproportionately—and many in the IT sector fall into that "at risk" category. We continue to invest selectively, favoring tech and tech-adjacent companies offering clear paths to profitability rather than pure growth/AI hype.
- In communication services, overweighting and stock selection worked against us in the entertainment industry, where Roblox, a popular online platform for user-created games and virtual experiences, and other holdings sold off.
- Consumer discretionary detractors were concentrated among off-index, non-US e-commerce companies such as Sea (Asia) and MercadoLibre (Latin America), partially offset by a share-price gain of more than 5% for US-based Amazon.com (overweight). All three holdings in the hotels, restaurants and leisure industry traded lower, including DoorDash (overweight).
- Industrials sector investments collectively declined by about 10%, with the downside anchored by the aerospace and defense (A&D) industry, where Axon Enterprise, a high-conviction holding for the longer-term that we kept heavily overweighted, declined. A&D stocks faced "risk-off" headwinds following strong rallies earlier in 2025. For Axon—which straddles defense, law enforcement technology and public-safety software—and many other firms in the A&D space, there was growing investor unease over tighter government budgets and changing spending patterns.
- On the upside, overall allocation choices had a mildly positive impact on the fund's relative returns. Our lack of exposure to the consumer staples, utilities, real estate and materials sectors proved beneficial as all four traded lower on the index.
- Biotechnology holdings benefited from stock selection and collectively rose more than 20%, led by key overweight contributor Natera. Genetic testing company Guardant Health also rallied.
- Semiconductor holdings benefited from effective stock selection and benchmark-topping gains for off-index Taiwan Semiconductor Manufacturing and others.

Outlook

- **We are hopeful and enthusiastic about current and potential productivity gains from AI, as its use cases continue to develop.** Large language models and Generative AI continue to advance rapidly, with returns on investment increasingly visible as deployments scale beyond experimentation. Early monetization has been most evident in digital advertising, while adoption is accelerating across e-commerce, financial services, health care and manufacturing, where AI is improving decision-making, automating knowledge work, and enabling predictive maintenance through digital twins (virtual replicas of physical assets, systems or processes that mirror their real-world behavior using real-time data, simulations and analytics). A key evolution is the shift from assistive tools toward agentic AI (systems capable of planning, reasoning and acting autonomously). This is already taking shape in software development, enterprise workflows and deep research. In medicine, multimodal AI models are enabling earlier and more accurate diagnoses, including the analysis of patient sounds. In 2026, we expect business attention to shift further toward application-layer software and vertically integrated solutions, as maturing agentic systems begin to drive durable productivity gains across the broader economy.

Average annual total returns and fund expenses (%) - as of December 31, 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	-0.68	18.76	18.76	31.05	8.74	16.98	10.34	-0.68	18.76	18.76	31.05	8.74	16.98	10.34	0.54	0.54	—	—	1/1/1968
Class A	353496201	FKDNX	-0.74	18.46	18.46	30.72	8.46	16.69	10.25	-6.20	11.95	11.95	28.28	7.25	16.03	10.15	0.79	0.79	5.50	—	1/1/1968
Benchmark 1	—	—	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 2	—	—	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(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. 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. 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.