

# Franklin DynaTech Fund

Advisor Class: FDYZX Class A: FKDNX

Commentary | as of March 31, 2026

## Key Takeaways

- **Markets:** Global equity markets generally declined during the first quarter of 2026 (1Q26) amid heightened volatility, as geopolitical tensions and shifting macroeconomic dynamics weighed on investor sentiment. The conflict in the Middle East emerged as a key destabilizing factor, disrupting energy markets and amplifying inflationary pressures globally. Value stocks outperformed their growth-oriented peers, reflecting a rotation away from high-valuation-multiple sectors amid rising inflation concerns. Large-capitalization equities generally underperformed those in the mid- and small-cap tiers, as investors sought opportunities in more cyclically sensitive areas of the market. Sector rotation saw commodity-linked industries benefit from higher energy prices, while the information technology (IT) and consumer discretionary sectors faced pressure amid concerns over AI-driven disruptions to established business models.
- **Detractors:** Unfavorable stock selection in the consumer discretionary, health care and financials sectors, plus a lack of exposure to consumer staples, materials, real estate and utilities companies.
- **Contributors:** Effective security selection in the semiconductors and semi equipment industry; an underweighted exposure to poor-performing software stocks; and beneficial stock selection among pharmaceuticals companies.
- **Outlook:** We are enthusiastic about current and potential productivity gains from AI as its use cases evolve. Generative and agentic AI continue to advance rapidly, with returns on investment increasingly visible as deployments scale beyond experimentation.

## Top Equity Issuers (% of Total)

Holding	Fund
NVIDIA CORP	12.67
AMAZON.COM INC	8.41
ALPHABET INC	6.96
MICROSOFT CORP	6.72
BROADCOM INC	5.93
META PLATFORMS INC	4.62
APPLE INC	4.30
TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD	2.73
TESLA INC	2.70
CELESTICA INC	2.27

## Performance Review

- Although Franklin DynaTech Fund (Advisor Class without sales charges) fared better than the Russell 1000 Growth Index with its core IT sector holdings, it underperformed most of the 10 other major equity sectors.
- Consumer discretionary holdings were weak in both absolute and relative terms. All sector holdings traded lower, with the key detractors focused on e-commerce companies such as Amazon.com (overweight) and off-index Sea (sold by period-end), though positions in app-based delivery platform providers such as DoorDash (overweight), an online travel services provider and a used vehicle sales company also sustained substantial losses. In the absence of any serious company-specific setbacks, these stocks were broadly impacted by investors rotating away from high-multiple consumer internet names into those perceived as safer, more predictable earnings plays—particularly after a long run of growth stocks outperforming. A surprise announcement of new US tariffs on imported goods further drove broad selling in consumer-facing stocks that rely on global supply chains, as investors began modeling higher costs and lower profit margins. That overall shift from momentum/optimism to fundamental valuation discipline impacted e-commerce and online services disproportionately in the selloff. We're still generally positive on these holdings for the longer term, and Amazon in particular.
- Despite solid 1Q26 rallies for Ascendis Pharma and other off-index biotechnology holdings, the fund's health care sector stocks declined overall, with results versus the index hindered primarily by adverse security selection in the health care providers and services; and biotech industries, with several holdings coming down from multiyear highs.
- Industrials holdings (averaging about 6% of the portfolio) offered a mix of contributors and detractors that combined for a smaller gain than the index's sector components. Declines in Axon Enterprise (overweight) and other aerospace and defense names were partially offset by robust returns for specialty construction/engineering and electrical equipment companies that saw heightened demand from data center, energy grid and power generation projects, including off-index contributor Bloom Energy, which makes solid oxide fuel cells that produce independent, scalable onsite electricity.
- Other major detractors reduced our measure of outperformance in the IT sector, including an underweighted stake in Apple as its share price fell less than the index; substantial losses for Shopify (not an index component) and other IT services industry holdings; and double-digit percentage declines for AppLovin and other overweighted or off-index software stocks.
- Semiconductor and semiconductor equipment holdings (averaging 26.8% of total net assets) were a source of strength in relative terms, as the fund's 1.5% decline compared well to the index's 4.8% drop in the same industry. Some off-benchmark or overweight semi stocks posted robust gains, including key contributors Taiwan Semiconductor Manufacturing, Monolithic Power Systems and several others. The semi space was still seeing vigorous structural demand tied to AI infrastructure and advanced computing. Chipmakers with visible 4Q25 earnings "beats," strong 2026 guidance, or clear demand paths linked to AI or data center build-outs tended to separate themselves from selective weakness across the broader IT sector. We also maintained a large yet underweight exposure to Microsoft, which aided results in the software industry as it fell much further than the index. There were a few other, smaller offsetting tech-related contributors, including Cloudflare (overweight) in IT services.
- In the energy sector (averaging 0.4% of the portfolio), TechnipFMC and both of our other off-index holdings in the oilfield services industry rallied solidly with a combined gain of more than 50%.

## Outlook

- **We believe the increasing focus on generative and agentic AI is warranted, as adoption continues to broaden across industries and the productivity benefits are becoming more visible.** At the same time, innovation remains diverse, with advances occurring across areas such as space and defense, robotics, health care, genomics and energy. We view technology, including AI, robotics and hyperscale cloud computing, as inherently disinflationary, with the potential to drive productivity gains across the broader economy.
- **We expect continued technological transformation driven by advances in data, automation and life sciences.** While short-term market movements may reflect valuation shifts or changing sentiment, these do not alter our long-term perspective. As long-term investors, we remain focused on identifying innovative companies whose growth potential and pace of adoption may be underappreciated, consistent with the portfolio's objective of long-term capital growth.

## Average annual total returns and fund expenses (%) - as of March 31, 2026

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	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception	Gross	Net	Initial Charge		CDSC	
Advisor Class	353496680	FDYZX	-10.90	-10.90	20.84	19.44	6.72	16.36	10.07	-10.90	-10.90	20.84	19.44	6.72	16.36	10.07	0.52	0.52	—	—	1/1/1968
Class A	353496201	FKDNX	-10.96	-10.96	20.54	19.14	6.45	16.06	9.99	-15.85	-15.85	13.91	16.92	5.26	15.41	9.88	0.77	0.77	5.50	—	1/1/1968
Benchmark 1	—	—	-9.78	-9.78	18.81	21.18	12.76	16.83	—	-9.78	-9.78	18.81	21.18	12.76	16.83	—	—	—	—	—	—
Benchmark 2	—	—	-4.33	-4.33	17.80	18.31	12.07	14.16	—	-4.33	-4.33	17.80	18.31	12.07	14.16	—	—	—	—	—	—

## Benchmark(s)

Benchmark 1=Russell 1000 Growth Index

Benchmark 2=S&amp;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](http://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.

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.** Equity securities are subject to price fluctuation and possible loss of principal. The investment style may become out of favor, which may have a negative impact on performance. 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.

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