FRANKLIN TEMPLETON

Franklin DynaTech Fund

Advisor Class: FDYZX Class A: FKDNX | **Commentary | as of September 30, 2026**

Key Takeaways

- **Markets:** Robust corporate earnings helped global equities edged higher in the third quarter of 2026 (3Q26) and set several records despite a volatile backdrop: war-related trade risks sent Brent crude oil back above US$100 per barrel, more than 80% of developed market central banks raised interest rates, and Washington announced a new round of US tariffs, while US Treasury yields climbed to multidecade highs. Stock market gains were modest and narrowly driven among the 11 major equity sectors, with only energy, information technology (IT), health care and communication services finishing positive as rallying AI- and energy-related names masked declines across most industries.
- **Contributors:** Relative outperformance in nine out of 11 equity sectors, with consumer discretionary, health care, industrials and communication services providing most of the excess return, mostly due to strong stock selection.
- **Detractors:** Security selection drags in IT, especially for tech hardware, memory and semiconductor holdings, though a lighter-than-index stake in rallying software stocks also had a negative impact.
- **Outlook:** We remain optimistic about the global buildout of AI infrastructure. From semiconductors and memory to networking, power architecture and advanced cooling, companies are investing heavily to support the growing demand for AI compute. We believe these investments are laying the groundwork for a new era of productivity growth, much as railroads, electricity and the internet enabled prior waves of economic transformation. As AI capabilities continue to improve and adoption broadens, we expect the infrastructure supporting this ecosystem to remain an important area of innovation and investment opportunity.

Top Equity Issuers (% of Total)

Holding	Fund
NVIDIA CORP	12.25
AMAZON.COM INC	8.35
ALPHABET INC	6.92
META PLATFORMS INC	4.86
APPLE INC	4.47
BROADCOM INC	3.53
MICROSOFT CORP	3.44
TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD	3.06
SANDISK CORP	2.92
CELESTICA INC	2.42

Performance Review

- Security selection was the primary driver of DynaTech's (Advisor Class without sales charges) outperformance of the Russell 1000 Growth Index. The fund benefited from overweighted exposures to rallying IT (averaging 56.2% of total net assets) and health care (9.5% of the portfolio) companies, with notable strength in the IT services, communications equipment, biotechnology, and health care providers industries. The consumer discretionary sector was another important source of stock selection alpha as our holdings returned -1%, versus the benchmark's steep decline of more than 11%.
- Some of the most significant individual contributions came from concentrated positions in Amazon.com, Natera and Cloudflare—each benefiting from distinct catalysts including cloud computing acceleration, genetic testing and diagnostics expansion, and AI-driven network security demand. Natera, offering noninvasive prenatal, oncology and transplant diagnostics, showed regulatory momentum and solid business execution. Natera was joined by several other rallying positions in biotech, health care technology and life sciences tools/services, plus an overweighting in Guardant Health, a precision oncology specialist that develops liquid biopsy tests for cancer screening and therapy selection. Biotech holdings were supported by a combination of positive clinical-trial and regulatory developments, accelerating merger-and-acquisition (M&A) activity, improved biotech funding and a broader investor rotation toward health care.
- Aside from its active holdings, the portfolio's lack of exposure to consumer staples, real estate and materials sector stocks also had a positive impact as they declined on the index.
- Conversely, idiosyncratic weakness in overweighted or off-index semiconductor equipment and memory storage names—KLA, SK Hynix, Lam Research and SanDisk—were primary headwinds in IT, as elevated investor expectations, competitive pressures from Chinese entrants and sector-specific volatility weighed on returns despite broadly constructive fundamental backdrops. And while our underweightings in Micron Technology and Broadcom boosted relative returns as they sold off, other semi holdings beat the benchmark by wide margins, including key underweight detractor NVIDIA (+14%). Notably, semi companies came into July at the tail end of an extended rally. While the group was supported by ongoing vigorous AI-driven demand for advanced chips, memory and manufacturing equipment, some were contending with elevated valuations, uneven earnings and concerns about the sustainability of AI capital spending.
- In the industrials sector, the downside was anchored by losses for all six overweighted or off-index positions in electrical and energy equipment specialists, including key detractor Bloom Energy. Sentiment around Bloom, a US-based fuel cell and distributed power solutions provider, deteriorated following a short-seller report questioning its scandium supply chain and disclosure practices (Bloom uses scandium oxide in the ceramic electrolyte of its solid-oxide fuel cells). In our view, data centers are still driving a surge in new orders, and Bloom's backlog is growing faster than its accelerating revenue (suggesting demand is extending well beyond the current delivery period). Its systems have now been validated/approved by all major US hyperscalers plus more than a dozen neoclouds, AI labs and colocation operators.
- Software industry results were pressured by relatively light exposures to Palantir Technologies and Microsoft, which posted respective gains of 60% and 38%. Palantir, a data analytics and AI software company that builds platforms for governments and enterprises, delivered above-consensus 2Q26 financial results and raised its full-year guidance as booming demand for its AI platform fueled 149% annualized growth in US commercial revenue and 90% growth in US government revenue.

Outlook

- Many of the most important innovations across the economy continue to depend on advances in computing power, semiconductors, networking and digital infrastructure. Periods of volatility in these areas can create valuation dislocations, even as demand for advanced computing, automation and intelligent systems keeps growing. The fund continues to invest in businesses that sit at the foundation of this ecosystem and help enable innovation across industries, from AI workloads and data center expansion to industrial modernization and connected devices. And while technology remains an important area of exposure, the fund's strategy is broader and seeks to invest across areas of innovation where we believe the duration and pace of growth may be underestimated. This includes opportunities within the IT sector, but also across health care, industrials, power infrastructure, space, defense, robotics and other areas tied to long-term technological transformation.

Not FDIC Insured | No Bank Guarantee | May Lose Value

Average annual total returns and fund expenses (%) - as of September 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	353496680	FDYZX	1.10	12.52	11.77	26.21	8.70	17.61	10.42	1.10	12.52	11.77	26.21	8.70	17.61	10.42	0.52	0.52	—	—	1/1/1968
Class A	353496201	FKDNX	1.04	12.32	11.49	25.90	8.43	17.32	10.33	-4.52	6.14	5.35	23.55	7.21	16.66	10.23	0.77	0.77	5.50	—	1/1/1968
Benchmark 1	—	—	0.92	6.30	7.50	24.26	13.66	18.16	—	0.92	6.30	7.50	24.26	13.66	18.16	—	—	—	—	—	—
Benchmark 2	—	—	2.30	12.75	15.74	22.88	13.79	15.33	—	2.30	12.75	15.74	22.88	13.79	15.33	—	—	—	—	—	—

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.
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.

Glossary

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

Earnings per share (EPS) is defined as a company's net income divided by the number of outstanding shares of its common stock.

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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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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