

Franklin DynaTech Fund

Advisor Class: FDYZX Class A: FKDNX

Commentary | as of September 30, 2025

Key Takeaways

- Markets: Global equities delivered solid gains in the third quarter of 2025 (3Q25), buoyed in part by easing trade
 tensions and optimism surrounding artificial intelligence (AI) advancements. Central bank actions—notably the US
 Federal Reserve's policy interest-rate cut and its signaling of potential further monetary easing—supported market
 sentiment, while generally robust corporate earnings further bolstered investor confidence. In particular, global
 information technology (IT) stocks were volatile but ultimately topped all 10 other major equity sectors, supported by
 robust earnings and forward guidance from many IT and tech-adjacent firms—especially those tied to AI, cloud, data
 infrastructure, semiconductors and software.
- **Detractors:** Unfavorable security selection versus the Russell 1000 Growth Index in the consumer discretionary, health care, IT, communication services and financials sectors.
- Contributors: Relative strength in several industry allocations (including pharmaceuticals, electronic equipment/instruments/components, IT services and semiconductors) and the fund's lack of investments in underperforming consumer staples, real estate, utilities and materials sector companies.
- Outlook: While the excitement around the progress in both agentic Al and Generative Al (GenAl) as well as data-driven experimentation is merited as a widening array of industries test Al's novel business applications, other parts of the economy are also exciting—including aerospace and defense, cryptocurrency, robotics, genomics and green energy.

Top Equity Issuers (% of Total)

Holding	Fun
NVIDIA CORP	12.0
MICROSOFT CORP	7.9
AMAZON.COM INC	7.4
META PLATFORMS INC	5.6
BROADCOM INC	5.3
ALPHABET INC	4.9
MASTERCARD INC	3.2
APPLOVIN CORP	2.9
SHOPIFY INC	2.5
TESLA INC	2.2

Performance Review

- The fund (Advisor Class without sales charges) had broad-based 3Q25 gains yet underperformed the Russell 1000 Growth Index based on stock selection, partially offset by the positive influence of sector and industry allocation choices. Results in the financials sector were negative in both relative and absolute terms, while overall gains among consumer discretionary, health care, IT and communication services companies were smaller than those tracked by the index.
- Underweightings in select mega-capitalization tech-focused companies such as Apple and Tesla proved detrimental in relative terms (only) as they more than doubled the index's return, but they were still significant contributors in absolute terms
- Relative returns were further pressured by selloffs or subpar gains for off-benchmark or overweighted stakes in e-commerce
 companies such as off-index MercadoLibre and Amazon.com; health care equipment and supplies stocks such as Intuitive
 Surgical (significant overweight); software names such as Constellation Software and ServiceNow; and aerospace and
 defense industry holdings such as Axon Enterprise.
- Among key contributors, four out of six IT industry allocations topped the index's corresponding industries in relative terms, including electronic equipment, instruments and components, boosted by a gain of more than 50% for off-benchmark Celestica; IT services (notably, off-benchmark Shopify); and semiconductors and semiconductors equipment (including offindex Taiwan Semiconductor Manufacturing and overweight Broadcom)—supported mainly by beneficial stock selection.
- NVIDIA and many of the fund's other semiconductor holdings (averaging 21.4% of total net assets) continue to benefit from high demand in AI and data center applications. Rapid AI-related growth boosted their revenues, particularly in areas such as graphics processing units and high-bandwidth memory. We're seeing continued expansion in the foundry and memory markets, underpinned by AI and cloud infrastructure needs, as well as demand for device miniaturization. Semis and the broader IT sector also received US government support through tax incentives and a campaign to boost the country's AI initiatives and tech manufacturing. The United States eased export restrictions on certain AI chips to China, reviving investor confidence in sustained demand and supply continuity. Broader policy support, including America's AI Action Plan (announced in July), reinforced perceptions of the semiconductor industry's strategic importance.
- The software industry also contained some meaningful 3Q25 contributors—especially overweight AppLovin as its equity
 valued more than doubled, along with underweighting in Microsoft as its gains trailed the index.

Outlook

- We are enthusiastic about the potential and current productivity gains from AI, as its use cases continue to develop. Large language models (LLMs) and GenAl continue to advance at a fast pace, with the first returns on investment starting to coalesce, notably in digital advertising, where companies have demonstrated an ability to target their ads more effectively. Exciting use cases are also being proven elsewhere, including in e-commerce, finance and health care. We're also seeing progress in manufacturing, where predictive maintenance using "digital twins" (virtual replicas of physical assets or systems that simulate real-world performance) is gaining traction. Additionally, AI developers are focused on achieving agentic AI, which we would argue is already present in at least one instance in the language capability of the models. Other 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 space, defense, cryptocurrency, robotics, genomics and green energy. Space is undergoing a renaissance, with private-public partnerships beginning to dominate. Some longer-term goals include increased satellite efficacy and interplanetary travel. Regarding the aerospace and defense industry, a new class of companies, including Anduril (not held by the fund) and Palantir Technologies (held by the fund) are challenging the primacy of large, established defense contractors. These nimble companies are developing innovative new technologies, including autonomous drones and sophisticated military software. The cryptocurrency space is 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.

Average annual total returns and fund expenses (%) - as of September 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	9.50	19.56	25.95	31.29	12.04	18.05	10.40	9.50	19.56	25.95	31.29	12.04	18.05	10.40	0.54	0.54	_	_	1/1/1968
Class A	353496201	FKDNX	9.43	19.34	25.63	30.96	11.76	17.76	10.31	3.41	12.78	18.72	28.51	10.50	17.09	10.21	0.79	0.79	5.50	_	1/1/1968
Benchmark 1	_	_	10.51	17.24	25.53	31.60	17.58	18.83	_	10.51	17.24	25.53	31.60	17.58	18.83	_	_	_	_	_	_
Benchmark 2	_	_	8.12	14.83	17.60	24.93	16.47	15.30	_	8.12	14.83	17.60	24.93	16.47	15.30	_	_	_	_	_	_

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 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.

