

Franklin Moderate Allocation Fund

Advisor Class: FMTZX Class A: FMTIX

Commentary | as of March 31, 2026

Key Takeaways

- Global equity markets fell in the first quarter of 2026, as geopolitical tensions drove volatility. Non-US stock markets began the year strongly, helped by a weaker US dollar and continued enthusiasm for semiconductor and artificial intelligence (AI) supply chains. In contrast, US equities were hampered by a trend for investors to shift from expensive mega-cap growth stocks to markets with lower valuations. The quarter became more challenging in March, as conflict in Iran drove a sharp rise in oil and gas prices, reigniting inflation concerns.
- Fixed income markets in the first quarter were defined by a tug of war between carry and rising macro uncertainty. Over the period, US Treasury yields moved higher across the curve.

Performance Review

- Franklin Moderate Allocation Fund (Advisor Class without sales charges) experienced a decline amid a challenging environment, but performed better than its benchmark in the first quarter.
- The fund's favorable fund selection across all equity regions and in US fixed income supported relative performance for the period. Off-benchmark exposure to alternatives also strengthened relative results by delivering positive performance and diversification benefits during a tough quarter for financial markets.
- Relative outperformance was supported by regional allocations in fixed income, including a US overweight and a global underweight.
- On an underlying fund basis, contributors to relative results included a US value stock fund (supported investors rotating into value from growth) and a US large cap multifactor fund, along with a US core bond exchange-traded fund.
- Another driver of relative outperformance were the underlying Franklin Core Equity funds. The Core US, International and Emerging Market funds are research-driven portfolios that combine systematic factors with a conviction factor. Each of these funds strengthened relative performance, with the systematic value and sentiment factors leading the way.
- In addition, the Core international and emerging market stock funds delivered positive absolute returns, in contrast to negative performance for their respective regional benchmarks.
- Turning to detractors, the fund was underweight fixed income and overweight equity during the first quarter, and this positioning weakened relative results.
- In terms of regional allocations, an international equity underweight and a US equity overweight dampened relative performance. Our preference for US stocks for much of the quarter reflected resilient economic growth, solid earnings results and easing financial conditions at the time.
- Conversely, two growth equity funds modestly detracted, as did an investment-grade corporate bond fund.

Outlook

- Our approach to markets remains cautious moving into April, as conflict in the Middle East continues to drive markets. Headlines and developments continue to change often.
- Disruption of energy supplies is a main reason for tensions in financial markets at the time of writing. A complete resolution of hostilities is unlikely, in our view, meaning some challenges will likely remain, albeit reduced from current levels. As a result, we believe energy prices will remain elevated, feeding into inflation expectations, eroding private sector confidence and slowing economic growth.
- With geopolitical events, outcomes are much more difficult to predict than events tied to traditional factors such as growth, inflation and policy. Although macro indicators remain resilient, we have seen some weakening recently that supports our neutral view for equities. Softer leading economic indicators and purchasing managers' index (PMI) data point to slowing growth, and sticky core inflation remains a concern. With that said, from a macro perspective, we favor core US equities as a defensive measure.
- Market expectations for monetary policy have pivoted around the energy price adjustment, as expectations for rate cuts have been priced out in most major economies.
- Conflict in the Middle East has not affected the positive outlook for corporate earnings as of early April, given elevated energy prices have yet to influence margins or spending. Earnings expectations are predicated on a transitory energy price shock, which remains our base case. At the same time, we are mindful that earnings expectations tend to lag equity prices by roughly three to four months. An analysis of fast-moving economic indicators bears close-watching.

Top Securities (% of Total)

	Fund
Franklin U.S. Core Equity (IU) Fund	24.15
Franklin U.S. Core Bond ETF	15.09
Franklin Investment Grade Corporate ETF	7.07
Putnam Large Cap Value Fund	6.57
Franklin U.S. Treasury Bond ETF	6.32
Franklin Growth Fund, Class R6	6.20
Franklin U.S. Large Cap Multifactor Index ETF	5.03
Franklin International Core Equity (IU) Fund	4.42
Putnam Large Cap Growth Fund	3.58
Franklin Emerging Market Core Equity (IU) Fund	3.16

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	Inception	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception	Gross	Net		Initial Charge	CDSC
Advisor Class	35472P869	FMTZX	-1.64	-1.64	13.55	11.52	6.19	7.79	6.70	-1.64	-1.64	13.55	11.52	6.19	7.79	6.70	0.60	0.60	—	—	12/31/1996
Class A	35472P307	FMTIX	-1.70	-1.70	13.29	11.26	5.92	7.52	6.51	-7.08	-7.08	7.06	9.17	4.73	6.92	6.30	0.85	0.85	5.50	—	12/31/1996
Benchmark 1	—	—	-2.34	-2.34	13.66	11.01	5.21	7.19	—	-2.34	-2.34	13.66	11.01	5.21	7.19	—	—	—	—	—	
Benchmark 2	—	—	-3.20	-3.20	20.01	16.58	9.49	11.34	—	-3.20	-3.20	20.01	16.58	9.49	11.34	—	—	—	—	—	
Benchmark 3	—	—	-1.10	-1.10	4.47	2.88	-1.22	0.81	—	-1.10	-1.10	4.47	2.88	-1.22	0.81	—	—	—	—	—	

Benchmark(s)

Benchmark 1=Linked Franklin Moderate Allocation Fund Benchmark-NR

Benchmark 2=MSCI All Country World Index-NR

Benchmark 3=Bloomberg Multiverse 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.

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 04/30/2026 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. The **allocation** of assets among different strategies, asset classes and investments may not prove beneficial or produce the desired results. Investments in **underlying funds** are subject to the same risks as, and indirectly bear the fees and expenses of, the underlying funds. **Equity securities** are subject to price fluctuation and possible loss of principal. **Small- and mid-cap stocks** involve greater risks and volatility than large-cap stocks. **Fixed income securities** involve interest rate, credit, inflation and reinvestment risks, and possible loss of principal. As interest rates rise, the value of fixed income securities falls. These and other risks are discussed in the fund's prospectus.

Important Information

Effective January 1, 2015, Franklin Moderate Allocation Fund increased target allocation to equity funds by 5% (from 55% to 60%) and correspondingly decreased the target allocation to fixed income funds (from 45% to 40%). The fund's investment goal remains the same. On January 1, 2013, the fund changed its target allocation, with short-term investments (formerly a targeted allocation of 10%) combined into the fixed income allocations; such a change can impact performance. The fund's investment goal remained the same. The risk/reward potential is based on the fund's goal and level of risk. It is not indicative of the fund's actual or implied performance or portfolio composition, which may change on a continuous basis.

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 **MSCI All Country World Index** is a market capitalization-weighted index that is designed to measure equity market performance of developed and emerging markets. The **Bloomberg Multiverse Index** provides a broad-based measure of the global fixed-income bond market. The **Linked Franklin Moderate Allocation Fund Benchmark-NR** reflects the performance of 38.5% S&P 500 Index, 16.5% MSCI EAFE Index, 35% Bloomberg U.S. Aggregate Index and 10% Payden & Rygel 90 Day U.S. T-Bill Index from fund inception to 12/31/2000; 38.5% S&P 500 Index, 16.5% MSCI EAFE Index-NR, 35% Bloomberg U.S. Aggregate Index and 10% Payden & Rygel 90 Day U.S. T-Bill Index from 1/1/2001 to 12/31/2012; 38.5% S&P 500 Index, 16.5% MSCI EAFE Index-NR and 45% Bloomberg U.S. Aggregate Index from 1/1/2013 to 12/31/14; and 60% MSCI AC World Index-NR and 40% Bloomberg Multiverse Index thereafter. Such a change can impact performance.

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.