

Franklin Moderate Allocation Fund

Advisor Class: FMTZX Class A: FMTIX

Commentary | as of March 31, 2025

Key Takeaways

- After starting 2025 on a strong note, global equities collectively declined in local-currency terms during the rest of the first quarter due to investor concerns about US economic growth, President Donald Trump's trade policy and a broadening trade war. On the economic front, global manufacturing activity expanded in March for the third consecutive month, and flash reports for March showed that global services activity continued to grow in several regions during the quarter.
- US stocks experienced heightened volatility during the first quarter amid concerns about Trump's tariff policies and their impact on economic growth, inflation and the US Federal Reserve's interest-rate path, with some investors fearing a potential recession or stagflation (stagnant economy and high inflation). Underwhelming earnings reports and guidance from some companies and significantly lower consumer confidence also hindered sentiment.
- Global aggregate bond indexes were mixed in the first quarter in US dollar terms as sovereign bond yields rose in many countries outside of the United States. The yield on the benchmark 10-year US Treasury (UST) note moved 33 bps lower to 4.24% in the first quarter

Performance Review

- Fund selection in equity strengthened relative performance, including beneficial selection in US, international and emerging markets.
- Within US equity, an underlying value oriented fund contributed during a strong quarter for value stocks relative to growth stocks.
- Regional allocations in fixed income, notably a substantial US overweight and non-US underweight, lifted relative results.
- In contrast, an overweight to equity over fixed income detracted, reflecting a cross asset tactical preference.
- Regional allocations in equity weighed on returns, including a US overweight, along with underweight exposure to international and emerging markets.
- Fund selection in US fixed income hindered performance, due in part to an underlying high-yield bond fund.

Outlook

- The overhang of US policy uncertainty and introduction of disruptive tariffs is having a major impact on global trade and business confidence. From an economic standpoint, this sets up a stagflationary environment in the United States, with tariffs causing a slowdown in growth while stoking inflation expectations. Despite a relatively resilient labor market and corporate sector thus far, we believe the risks of an outright recession are rising.
- With inflation risks rising again, central banks are likely to proceed with caution in easing monetary policy further, in our opinion. This restraint would leave less leeway to support the economy in the early stages of a downturn. We believe equity markets may exhibit further weakness in the medium term as earnings estimates and valuations do not adequately reflect these risks. However, we are prepared to take a longer-term view and are paying close attention to identify compelling buying opportunities.
- As we entered April, a tariff announcement from the United States was front and center in the news. While the events are still unfolding at the time of this writing, we can share a few thoughts. Typically, our investment strategy is to avoid selling into fear. This is especially prudent given the potential for rapid changes to policy—a hallmark of Trump's approach thus far.
- However, given the rapid and sizeable changes, our conviction has been lowered. Some of the economic and corporate signposts we are watching include: 1) growth data and corporate guidance, 2) demand elasticity as a reaction to potential price increases, 3) measures of sentiment and market volatility, and 4) positioning data and flows of systematic sellers. We continue to closely monitor developments.

Asset Allocation (% of Total)

	Fund
U.S. Equity	46.59
U.S. Fixed Income	28.94
Global ex-U.S. Equity	16.17
Global ex-U.S. Fixed Income	6.29
Alternatives	1.01
Cash & Cash Equivalents	1.00

Top Securities (% of Total)

	Fund
Franklin U.S. Core Equity (IU) Fund	23.09
Franklin U.S. Core Bond ETF	14.94
Franklin Growth Fund, Class R6	10.37
Franklin U.S. Treasury Bond ETF	7.52
Franklin Liberty Investment Grade Corporate ETF	7.16
Franklin International Core Equity (IU) Fund	6.86
Putnam Large Cap Value Fund	6.36
Franklin U.S. Large Cap Multifactor Index ETF	5.47
Franklin High Yield Corporate ETF	2.80
BrandywineGLOBAL - Global Opportunities Bond Fund	2.51

Average annual total returns and fund expenses (%)

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	-0.13	-0.13	5.27	4.75	9.37	6.01	6.46	-0.13	-0.13	5.27	4.75	9.37	6.01	6.46	0.59	0.59	—	—	12/31/1996
Class A	35472P307	FMTIX	-0.19	-0.19	5.02	4.49	9.09	5.74	6.28	-5.70	-5.70	-0.79	2.54	7.86	5.15	6.07	0.84	0.84	5.50	—	12/31/1996
Benchmark 1	—	—	0.28	0.28	5.67	3.67	8.59	5.75	—	0.28	0.28	5.67	3.67	8.59	5.75	—	—	—	—	—	—
Benchmark 2	—	—	-1.32	-1.32	7.15	6.91	15.18	8.84	—	-1.32	-1.32	7.15	6.91	15.18	8.84	—	—	—	—	—	—
Benchmark 3	—	—	2.63	2.63	3.26	-1.35	-1.03	0.80	—	2.63	2.63	3.26	-1.35	-1.03	0.80	—	—	—	—	—	—

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 04/30/2025 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.

Glossary

Stagflation is a seemingly contradictory condition described by slow economic growth and relatively high unemployment, or economic stagnation, which is at the same time accompanied by rising prices (i.e. inflation).

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 **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. The **Bloomberg Multiverse Index** provides a broad-based measure of the global fixed-income bond market. Source: Bloomberg Indices. 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. Source: MSCI makes no warranties and shall have no liability with respect to any MSCI data reproduced herein. No further redistribution or use is permitted. This report is not prepared or endorsed by MSCI. Net Returns (NR) include income net of tax withholding when dividends are paid.

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.



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