FRANKLIN TEMPLETON

Franklin Moderate Allocation Fund

Advisor Class: FMTZX Class A: FMTIX | **Commentary | as of December 31, 2025**

Key Takeaways

- Global equities finished the fourth quarter of 2025 modestly higher as investors weighed easing inflation trends and expectations for lower policy rates in 2026 against slowing growth and persistent geopolitical risks. US stocks advanced into year-end, while other regions were more mixed—benefiting from pockets of technology- and artificial intelligence (AI)-led strength but constrained by currency moves, uneven domestic demand and sector-specific headwinds.
- The US Federal Reserve (Fed) cut interest rates in October and December, in line with softening labor market data and falling inflation. The US Treasury (UST) yield curve steepened in the fourth quarter, as Fed easing helped yields fall at the short end, while remaining anchored at the long end of the curve. Global fixed income markets generally delivered gains in the fourth quarter of 2025, even with higher yields for many benchmark bonds.

Performance Review

- Franklin Moderate Allocation Fund (Advisor Class without sales charges) delivered a solid gain and outperformed its benchmark in the fourth quarter.
- The fund was overweight equities and meaningfully underweight bonds in the quarter, which supported relative returns. Our preference for equities reflects strong corporate fundamentals, as evidenced by positive forward earnings revisions and guidance.
- An overweight allocation to US bonds and underweight allocation to international bonds also lifted relative results. We prefer US exposure due to macroeconomic headwinds for global bonds. Global bonds may be adversely impacted by above-trend growth, persistent inflation and more hawkish monetary policy.
- Fund selection in US equity was supportive, including a value fund and a US core equity fund.
- Conversely, although underlying international equity funds provided gains on an absolute return basis, the fund's underweight to the region and fund selection within international markets detracted.
- An overweight allocation to US stocks curbed relative returns, as international equities outperformed their US peers for the quarter. Our preference for US over international equities reflects robust earnings and a supportive macro backdrop in the United States.
- Although underlying US bonds funds had positive performance on an absolute return basis, fund selection within the bond sector modestly detracted, resulting from investment-grade bonds and US Treasuries. These bond sectors trailed their peers in the asset class.

Outlook

- We retain measured conviction toward equities into 2026 as influential pillars of support for risk assets—such as inflation, policy and corporate fundamentals—remain healthy. These dynamics are fueling our belief that equities will likely continue to deliver positive returns for investors, despite somewhat stretched valuations. In addition, forward earnings expectations for growth equities remain strong and support our favorable view of core US equities.
- Equally important, corporate fundamentals show little sign of weakening as trailing earnings growth remains strong. In addition, global forward earnings expectations are being revised higher, alongside earnings guidance breadth. Our fair value model forecasts forward earnings growth for US companies of 7.5% over the next 12 months. These dynamics are fueling our belief that US equities will likely continue to deliver positive returns for investors.
- In fixed income, we believe market expectations for Fed policy easing across the next 12 months are too optimistic. Although the US labor market continues to gradually cool, potential inflation and tariff pressures limit the likelihood of an extended rate cutting cycle by the Fed. For example, services inflation moderated toward the end of 2025, but goods inflation could remain sticky for some time.

Top Securities (% of Total)

	Fund
Franklin U.S. Core Equity (IU) Fund	23.42
Franklin U.S. Core Bond ETF	14.04
Franklin Growth Fund, Class R6	7.48
Franklin U.S. Treasury Bond ETF	7.10
Franklin Investment Grade Corporate ETF	6.85
Franklin International Core Equity (IU) Fund	6.60
Putnam Large Cap Value Fund	6.22
Franklin U.S. Large Cap Multifactor Index ETF	5.52
Franklin Emerging Market Core Equity (IU) Fund	3.51
Putnam Large Cap Growth Fund	2.69

Average annual total returns and fund expenses (%) - as of December 31, 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	35472P869	FMTZX	2.51	15.29	15.29	14.02	7.01	7.97	6.82	2.51	15.29	15.29	14.02	7.01	7.97	6.82	0.60	0.60	—	—	12/31/1996
Class A	35472P307	FMTIX	2.44	15.03	15.03	13.73	6.75	7.70	6.63	-3.19	8.68	8.68	11.61	5.55	7.10	6.42	0.85	0.85	5.50	—	12/31/1996
Benchmark 1	—	—	2.11	16.71	16.71	13.94	5.91	7.72	—	2.11	16.71	16.71	13.94	5.91	7.72	—	—	—	—	—	—
Benchmark 2	—	—	3.29	22.34	22.34	20.65	11.19	11.72	—	3.29	22.34	22.34	20.65	11.19	11.72	—	—	—	—	—	—
Benchmark 3	—	—	0.35	8.42	8.42	4.29	-1.87	1.50	—	0.35	8.42	8.42	4.29	-1.87	1.50	—	—	—	—	—	—

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.

Glossary

Forward earnings are an estimate of a next period's earnings of a company.

The **yield curve** shows the relationship between yields and maturity dates for a similar class of bonds.

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.

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. Source: Bloomberg Indices. Net Returns (NR) include income net of tax withholding when dividends are paid.

Holdings are provided for informational purposes only and should not be construed as a recommendation to purchase or sell any security.

Franklin Distributors, LLC. Member FINRA/SIPC.

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.

FRANKLIN TEMPLETON