

Franklin Moderate Allocation Fund

Advisor Class: FMTZX Class A: FMTIX

Commentary | as of June 30, 2025

Key Takeaways

- Global equities posted strong gains in the second quarter of 2025. The quarter began with US President Donald Trump's announcement of reciprocal tariffs that were more sweeping and severe than many had expected, leading to significant financial market volatility. However, global trade tensions eased during the rest of the quarter as the United States delayed planned tariff hikes, reducing investor fears of a global recession.
- Investors remained concerned about elevated inflation levels in certain regions over the period, but reduced recession fears helped in improving consumer sentiment. A key driver of US equity gains was renewed enthusiasm for artificial intelligence, and the information technology sector led sector performers.
- Global aggregate bond indexes posted gains in the second quarter as yields fell for most government benchmark bonds. In the United States, the US Federal Reserve chose not to decrease the policy rate, waiting for more clarity around the inflationary impacts of announced trade policies. The European Central Bank continued its move to loosen monetary policy amid challenging trade negotiations—alongside subdued growth and inflation.

Performance Review

- An underweight allocation to fixed income strengthened relative performance.
- Fund selection in emerging markets equity lifted relative returns.
- An allocation to a US equity growth fund supported relative results.
- In contrast, an overweight allocation to US fixed income detracted.
- Fund selection in US equity weighed on relative returns.
- Fund selection in international equity hindered relative performance.

Outlook

- Leading indicators of economic growth appear to have strengthened during the second quarter, suggesting that the global economy may avoid a recession. However, significant trade and geopolitical uncertainty remains, and has yet to be fully reflected in asset prices, in our view.
- We have seen a strong rally in global equities since tariff-induced volatility in early April. Stocks have consistently navigated pockets of volatility to move higher, fueled by resilient macro data and positive news flow around trade negotiations. But, as equity markets climb back toward highs last seen in February, it leaves us asking whether valuations and sentiment have once again become stretched.
- Quantitative indicators validate our decision to neutralize risk until tariff and geopolitical developments unfold. The level of the S&P 500 Index at June-end was above short-term moving averages, indicating favorable momentum for stocks, but headwinds include elevated bond yields, inflation expectations and some negative seasonality effects. We believe fiscal and monetary stimulus are likely to play an increasingly influential role in supporting global growth as we move into 2026, but not until the inflationary impact of tariffs is fully understood.

Asset Allocation (% of Total)

	Fund
U.S. Equity	43.27
U.S. Fixed Income	30.60
Global ex-U.S. Equity	16.78
Global ex-U.S. Fixed Income	6.42
Cash & Cash Equivalents	1.95
Alternatives	0.97

Top Securities (% of Total)

	Fund
Franklin U.S. Core Equity (IU) Fund	21.49
Franklin U.S. Core Bond ETF	15.20
Franklin Growth Fund, Class R6	9.54
Franklin International Core Equity (IU) Fund	8.09
Franklin U.S. Treasury Bond ETF	7.72
Franklin Liberty Investment Grade Corporate ETF	7.46
Putnam Large Cap Value Fund	5.58
Franklin U.S. Large Cap Multifactor Index ETF	5.22
Franklin Emerging Market Core Equity (IU) Fund	2.73
Franklin High Yield Corporate ETF	2.70

Average annual total returns and fund expenses (%) - as of June 30, 2025

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	7.06	6.92	10.84	11.50	8.15	6.77	6.66	7.06	6.92	10.84	11.50	8.15	6.77	6.66	0.60	0.60	—	—	12/31/1996
Class A	35472P307	FMTIX	7.01	6.81	10.58	11.24	7.88	6.51	6.47	1.12	0.91	4.46	9.17	6.67	5.91	6.26	0.85	0.85	5.50	—	12/31/1996
Benchmark 1	—	—	8.74	9.05	13.42	11.58	7.78	6.66	—	8.74	9.05	13.42	11.58	7.78	6.66	—	—	—	—	—	—
Benchmark 2	—	—	11.53	10.05	16.17	17.34	13.65	9.99	—	11.53	10.05	16.17	17.34	13.65	9.99	—	—	—	—	—	—
Benchmark 3	—	—	4.55	7.30	9.08	3.10	-0.87	1.36	—	4.55	7.30	9.08	3.10	-0.87	1.36	—	—	—	—	—	—

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

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.

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 **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. The **Bloomberg Multiverse Index** provides a broad-based measure of the global fixed-income bond market. Source: Bloomberg Indices. 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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