Franklin Moderate Allocation Fund

Advisor Class: FMTZX Class A: FMTIX | **Commentary | as of September 30, 2025**

Key Takeaways

- Financial market sentiment improved across the third quarter of 2025. Within the United States, stock markets gained due to increased clarity into US tariff policies, a resilient economy and a more dovish US Federal Reserve (Fed). Early in the quarter, the United States reached trade deals with a number of countries—including the United Kingdom, European Union and Japan—relieving some of the associated uncertainties. Although deals were not reached with other large trading partners, there was an additional 90-day extension in tariff increases with China.
- Global equity markets also advanced through the third quarter of 2025 as tariff anxieties gradually eased, central banks tilted more accommodative and technology leadership persisted. July's tone improved on clearer trade signals and resilient US earnings; August added gains despite episodic volatility around new tariff measures; and September capped the quarter with a US Fed rate cut that steadied rate-sensitive assets and lifted risk appetite.
- The US Treasury (UST) yield curve steepened slightly, as yields fell more sharply at the short end of the curve, in response to elevated expectations for Fed easing. Global aggregate bond indexes posted modest gains in the third quarter as yield changes varied across countries.

Top Securities (% of Total)

	Fund
Franklin U.S. Core Equity (IU) Fund	22.97
Franklin U.S. Core Bond ETF	14.94
Franklin Growth Fund, Class R6	8.68
Franklin U.S. Treasury Bond ETF	7.56
Franklin Investment Grade Corporate ETF	7.32
Franklin International Core Equity (IU) Fund	6.77
Putnam Large Cap Value Fund	5.91
Franklin U.S. Large Cap Multifactor Index ETF	5.51
Franklin Emerging Market Core Equity (IU) Fund	2.82
Franklin U.S. Equity Index ETF	2.51

Performance Review

- Over the third quarter, Franklin Moderate Allocation Fund (Advisor Class without sales charges) posted a solid gain and outperformed its benchmark.
- The fund was slightly underweight bonds for the quarter, which was supportive as equities led performance among asset classes. Within fixed income, a US overweight and an international underweight benefited relative returns.
- A modest equity overweight strengthened relative performance. From our perspective, the macroeconomic backdrop continues to provide support for stock markets, with the Fed's easing bias and rate cuts occurring alongside resilient growth. Within equity, a US overweight and an international underweight also lifted relative results.
- Off-benchmark exposure to alternatives contributed to performance as an exchange-traded fund delivered a robust gain.
- In contrast, fund selection in equity detracted from relative returns, although underlying equity positions collectively delivered gains on an absolute return basis.
- An underweight allocation to emerging market (EM) equities dampened relative returns as a strong rally in large-cap technology names led Chinese markets higher. EM risk assets were also supported by a weakening US dollar trend and expectations for further Fed rate cuts.

Outlook

- The strength of the current global equity rally has surprised many market participants, considering stocks have brushed off tariff uncertainty, inflation concerns and labor market weakness to post gains close to 30% since a post-Liberation Day nadir in early April. US technology stocks have done even better, with the Nasdaq rising almost 50% in the same period. Such a powerful advance naturally brings some caution.
- However, we prefer to take a more measured approach, examining the underlying macro and corporate environment. Our analysis finds a broadly positive setup for equities, where improving business activity and solid economic growth have provided the platform for a strong second-quarter earnings season. Forward earnings-per-share growth forecasts for global stocks have risen into double digits, led by US companies, while there is also a clear improvement in the magnitude and breadth of earnings revisions.
- From a cross-asset perspective, we have balanced our upgraded view of equities by strengthening our pessimism toward fixed income. We believe market expectations for Fed easing are too lofty, given resilient growth and persistent inflation pressures, while fiscal instability could put further upward pressure on long-term yields.

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	35472P869	FMTZX	5.20	12.48	10.93	15.40	8.09	7.99	6.79	5.20	12.48	10.93	15.40	8.09	7.99	6.79	0.60	0.60	—	—	12/31/1996
Class A	35472P307	FMTIX	5.14	12.30	10.67	15.11	7.81	7.72	6.60	-0.66	6.09	4.57	12.96	6.60	7.11	6.39	0.85	0.85	5.50	—	12/31/1996
Benchmark 1	—	—	4.82	14.30	11.36	16.02	7.54	7.78	—	4.82	14.30	11.36	16.02	7.54	7.78	—	—	—	—	—	—
Benchmark 2	—	—	7.62	18.44	17.27	23.12	13.55	11.91	—	7.62	18.44	17.27	23.12	13.55	11.91	—	—	—	—	—	—
Benchmark 3	—	—	0.70	8.04	2.68	5.78	-1.26	1.38	—	0.70	8.04	2.68	5.78	-1.26	1.38	—	—	—	—	—	—

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 **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.