

Franklin Growth Allocation Fund

Advisor Class: FGTZX Class A: FGTIX

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 Growth 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.
- In contrast, 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.

Morningstar Rating™

Overall Rating as of December 31, 2025



(4-Star) Advisor Class

(3-Star) Class A

As of 12/31/2025 the fund's Advisor Class shares received a 4 star and Class A shares received a 3 star overall Morningstar rating™, measuring risk-adjusted returns against 124, 118 and 100 Moderately Aggressive Allocation funds over the 3-, 5- and 10- year periods, respectively. A fund's overall rating is derived from a weighted average of the performance figures associated with its 3-, 5- and 10-year (if applicable) rating metrics.

Top Securities (% of Total)

	Fund
Franklin U.S. Core Equity (IU) Fund	23.59
Franklin U.S. Equity Index ETF	10.29
Franklin Growth Fund, Class R6	9.79
Franklin International Core Equity (IU) Fund	8.64
Putnam Large Cap Value Fund	8.13
Franklin U.S. Large Cap Multifactor Index ETF	7.22
Franklin U.S. Core Bond ETF	5.72
Franklin Emerging Market Core Equity (IU) Fund	4.59
Putnam Large Cap Growth Fund	3.52
Templeton Developing Markets Trust, Class R6	3.01

Average annual total returns and fund expenses (%) - as of December 31, 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	35472P877	FGTZX	2.96	18.08	18.08	17.12	9.25	9.99	7.59	2.96	18.08	18.08	17.12	9.25	9.99	7.59	0.60	0.60	—	—	12/31/1996
Class A	35472P505	FGTIX	2.91	17.79	17.79	16.83	8.99	9.72	7.41	-2.76	11.33	11.33	14.65	7.77	9.10	7.20	0.85	0.85	5.50	—	12/31/1996
Benchmark 1	—	—	2.70	19.52	19.52	17.27	8.54	9.73	—	2.70	19.52	19.52	17.27	8.54	9.73	—	—	—	—	—	—
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 Growth 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. 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. **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. **Low-rated, high-yield bonds** are subject to greater price volatility, illiquidity and possibility of default. The **investment style** may become out of favor, which may have a negative impact on performance. **International investments** are subject to special risks, including currency fluctuations and social, economic and political uncertainties, which could increase volatility. These risks are magnified in **emerging markets**. 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

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 **Bloomberg Multiverse Index** provides a broad-based measure of the global fixed-income bond market. The **Linked Franklin Growth Allocation Fund Benchmark-NR** reflects the performance of 56% S&P 500 Index, 24% MSCI EAFE Index, 15% Bloomberg U.S. Aggregate Index and 5% Payden & Rygel 90 Day U.S. T-Bill Index from fund inception to 12/31/2000; 56% S&P 500 Index, 24% MSCI EAFE Index-NR, 15% Bloomberg U.S. Aggregate Index and 5% Payden & Rygel 90 Day U.S. T-Bill Index from 1/1/2001 to 12/31/2012; 56% S&P 500 Index, 24% MSCI EAFE Index-NR and 20% Bloomberg U.S. Aggregate Index from 1/1/2013 to 12/31/14; and 80% MSCI AC World Index-NR and 20% 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.

Important data provider notices and terms available at www.franklintempletondatasources.com. All data is subject to change.

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

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

Morningstar Rating™: Source: Morningstar®, 12/31/2025. For each mutual fund and ETF with at least a 3-year history, Morningstar calculates a Morningstar Rating™ based on how a fund ranks on a Morningstar Risk-Adjusted Return measure against other funds in the same category. This measure takes into account variations in a fund's monthly performance, and does not take into account the effects of sales charges and loads, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. The weights are: 100% 3-year rating for 36-59 months of total returns, 60% 5-year rating/40% 3-year rating for 60-119 months of total returns, and 50% 10-year rating/30% 5-year rating/20% 3-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent 3-year period actually has the greatest impact because it is included in all three rating periods. The fund's Advisor Class shares received a Morningstar Rating of 4, 4 and 4 and fund's Class A shares received a Morningstar Rating of 4, 3 and 3 star(s) for the 3-, 5- and 10-year periods, respectively. Franklin Templeton provides this fund's Morningstar Rating™ for Advisor Class and Class A shares only. Other share classes may have different Morningstar ratings. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Franklin Distributors, LLC. Member FINRA/SIPC.

© Franklin Templeton. All rights reserved.

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