FRANKLIN TEMPLETON

Franklin Growth Allocation Fund

Advisor Class: FGTZX Class A: FGTIX | **Commentary | as of September 30, 2026**

Key Takeaways

- Global equities were mixed over the third quarter of 2026 as the powerful second-quarter rebound lost momentum. US large-cap equities advanced modestly, but gains became fairly concentrated in large-cap technology and artificial-intelligence (AI) beneficiaries. Europe slipped, while Asia and emerging markets were divergent as earlier semiconductor strength reversed. Rising oil prices, a renewed global bond selloff and higher policy rates became increasingly important headwinds later in the quarter.
- Global bond markets experienced one of their weakest quarters in many years. Resilient growth, persistent inflation and the renewed energy shock prompted investors to abandon expectations of monetary easing in favor of further tightening. Longer-dated bonds bore the brunt of the selloff. The benchmark 10-year US Treasury (UST) yield rose to its highest level since 2002.

Performance Review

- Franklin Growth Allocation Fund (Advisor Class without sales charges) delivered a modest gain in the third quarter and outperformed the fund's primary benchmark.
- Cross-asset allocation strengthened relative results, as the fund was overweight equity and underweight fixed income during a period in which bonds sold off sharply while stocks posted modest gains. US Treasury yields climbed to multi-decade highs as higher oil prices revived inflation concerns, government borrowing remained heavy and the US Federal Reserve (Fed) raised rates.
- A modest off-benchmark allocation to alternatives also aided relative results, as the exposure posted positive returns and provided diversification benefits during a difficult quarter for bonds.
- Overall fund selection in equities also aided relative performance, led by the United States. Contributors included underlying funds investing in core US equities, US large-cap growth stocks and US large-cap value stocks.
- In contrast, fund selection in fixed income slightly detracted, including an investment-grade corporate bond fund, as corporate bonds were pressured by rising Treasury yields and heavy new issuance, including debt raised to fund AI infrastructure.
- Fund selection in emerging market (EM) equities weighed on relative performance, as both underlying EM equity funds trailed the MSCI EM Index.
- Among underlying stock funds, a US small-cap equity fund weakened relative returns, as small-cap stocks fell sharply amid rising interest rates and a rotation back into large cap, AI-related companies. A US large-cap growth fund and a US large-cap multifactor fund also hindered results.

Outlook

- We improved our view of US duration in September and increased exposure by adding to a US Treasury bond ETF and reducing other bond positions pro rata.
- We also raised our view on commodities in September and added a diversified commodity ETF. Energy commodities within a broader index may offer a hedge against duration and equity risk amid inflation uncertainty.
- At the time of writing, we see heightened volatility in fixed income markets, as higher energy prices and resilient growth push up bond yields. This has pressured equity valuations and resulted in an increasingly positive correlation between stocks and bonds, while also highlighting the importance of additional diversifiers within investment portfolios.
- From our perspective, consistently strong economic growth and corporate earnings support a positive attitude toward equities, even in the face of uncertainties such as geopolitics, persistent inflation and monetary policy tightening.
- The energy shock caused by the US-Iran War has captured the attention of markets and policymakers. This event is dovetailing with other factors such as tariffs and AI capital expenditure to push up headline inflation. This is making it difficult to assess how that shock will be passed on in the cost of everyday items. We believe this "passthrough effect" will be limited and should not result in persistently higher core inflation readings.
- Corporate earnings have impressed since the start of 2026, driven largely by sustained levels of "hyperscaler" capital expenditures. Global earnings growth estimates for the 2026 calendar year exceed 35% and remain close to 20% for the next 12 months. However, earnings growth revisions have started to slow, notably in emerging markets, amid uncertainty about how the AI story will unfold. This deceleration has raised fears of an earnings peak.
- We prefer to see it as a natural progression in the earnings story, backed by revisions breadth, which has improved significantly during the last three months. Increasing adoption of AI among individuals and businesses has begun to divert the flow of capital away from semiconductors toward infrastructure and energy. In addition, businesses in diverse industries are beginning to see AI-related productivity improvements that translate to healthier profit margins and improved earnings.

Morningstar Rating™

Overall Rating as of September 30, 2026

★★★★ **(4-Star)** Advisor Class

★★★★ **(4-Star)** Class A

As of 09/30/2026 the fund's Class A and Advisor Class shares received a 4 star overall Morningstar rating™, measuring risk-adjusted returns against 116, 111 and 97 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. The number of funds in the category for the Overall Rating are listed under the 3-year period.

Top Securities (% of Total)

	Fund
Franklin U.S. Core Equity (IU) Fund	24.00
Franklin U.S. Equity Index ETF	12.11
Putnam Large Cap Value Fund	8.36
Franklin U.S. Large Cap Multifactor Index ETF	8.09
Putnam Large Cap Growth Fund	6.28
Franklin Growth Fund, Class R6	5.61
Franklin International Core Equity (IU) Fund	5.55
Franklin Emerging Market Core Equity (IU) Fund	4.75
Franklin U.S. Core Bond ETF	4.73
Templeton Emerging Markets Equity Fund, Class R6	2.83

Not FDIC Insured | No Bank Guarantee | May Lose Value

Average annual total returns and fund expenses (%) - as of September 30, 2026

			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	35472P877	FGTZX	0.78	10.44	13.71	18.37	9.42	10.49	7.76	0.78	10.44	13.71	18.37	9.42	10.49	7.76	0.58	0.58	—	—	12/31/1996
Class A	35472P505	FGTIX	0.77	10.24	13.45	18.09	9.15	10.21	7.57	-4.79	4.19	7.20	15.88	7.92	9.59	7.36	0.83	0.83	5.50	—	12/31/1996
Benchmark 1	—	—	0.34	9.88	12.84	18.08	8.91	9.99	—	0.34	9.88	12.84	18.08	8.91	9.99	—	—	—	—	—	—
Benchmark 2	—	—	1.60	13.03	16.75	21.73	11.57	12.38	—	1.60	13.03	16.75	21.73	11.57	12.38	—	—	—	—	—	—
Benchmark 3	—	—	-2.41	-2.48	-2.15	4.09	-1.60	0.27	—	-2.41	-2.48	-2.15	4.09	-1.60	0.27	—	—	—	—	—	—

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 04/30/2027 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

Capital Expenditure (capex) are funds used by a company to acquire or upgrade physical assets such as property, industrial buildings or equipment.

Duration is a measure of the sensitivity of a bond's price to changes in interest rates.

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; 80% MSCI AC World Index-NR and 20% Bloomberg Multiverse Index from 1/1/2015 to 4/30/2026; and 64% Russell 3000, 16% MSCI ACWI ex-US index NR, 16% Bloomberg U.S. Aggregate Bond index, 1% Bloomberg U.S. Corporate High Yield Bond index, 3% Bloomberg Global Aggregate ex-USD (Hedged to USD) thereafter. 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.

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. Source: FTSE.

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

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®, 09/30/2026. 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 Class A shares received a Morningstar Rating of 4, 3 and 4 and fund's Advisor Class shares received a Morningstar Rating of 4, 4 and 4 star(s) for the 3-, 5- and 10-year periods, respectively. Franklin Templeton provides this fund's Morningstar Rating™ for Class A and Advisor Class 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