

Franklin Growth Opportunities Fund

Advisor Class: FRAAX Class A: FGRAX

Commentary | as of December 31, 2025

Key Takeaways

- **Markets:** US equities delivered solid gains over the fourth quarter of 2025, maintaining their upward trajectory against a backdrop of generally robust corporate earnings, despite some mixed economic signals and investor concerns about stretched valuations in technology-related stocks. Continued monetary easing by the US Federal Reserve, along with a constructive shift in US-China relations, also underpinned investor sentiment. The outperformance of the Magnificent Seven mega-capitalization technology stocks during the quarter boosted returns for the S&P 500 Index and the Nasdaq Composite Index, while the relatively strong performance of the Dow Jones Industrial Average reflected the enduring strength of blue-chip companies. By investment style, value investing surpassed growth in the large-, mid- and small-capitalization tiers, with large-cap stocks performing better than their mid- and small-cap counterparts.
- **Detractors:** Stock selection and allocation effects dragged on the fund's relative returns. Relative underperformance was pressured by stock selection in the communication services sector. Stock selection in the consumer staples, information technology (IT) and financials sectors also had an adverse impact on relative results.
- **Contributors:** Stock selection in the industrials sector helped relative performance the most, with strength coming from the aerospace and defense industry. Other contributors were at the individual stock level.
- **Outlook:** While headline risks continue to influence market sentiment, we think the bigger story for investors is technological innovations, particularly in artificial intelligence (AI). Advances in AI and related technologies are transforming industries and, in our view, are creating growth potential for long-term investors. Innovative companies in sectors across the economy are harnessing AI in their efforts to expand profit margins and drive revenue growth. We are seeing this in industries that deliver health care, manage logistics and more.

Performance Review

- The fund (Advisor Class without sales charges) underperformed the Russell 3000 Growth Index benchmark in the fourth quarter of 2025. In the communication services sector, Roblox stock underperformed as management indicated higher spending on developer payouts, which could weigh on near-term profit growth. We continue to have high conviction in the long-term growth prospects of Roblox and believe the company is investing from a position of strength as it continues to take market share in the global gaming space.
- Also in the communication services sector, an underweight in Google parent company Alphabet limited our gains relative to the benchmark. The company has been benefiting from the positive impacts of AI on its business.
- In contrast, privately held Space Exploration Technologies, also known as SpaceX, was a top contributor in the industrials sector. The firm's Starlink internet business and Starship launch operations performed well in 2025, and it is planning an initial public offering in mid-2026.

Outlook

- As we enter 2026, our view on US equities remains positive but selective. In an environment where growth is available but not abundant, our focus is on owning high-quality franchises with durable competitive advantages, often supported by secular tailwinds.
- In recent years, a small group of mega-capitalization innovators—dominated by the Magnificent Seven—has driven the majority of index returns, benefiting from scale and AI leadership. The Growth Opportunities strategy has an active, fundamentally driven quality bias and employs a multi-cap approach designed to maintain a diversified portfolio. While we own many mega-cap leaders, we remain broadly underweight relative to the highly concentrated benchmarks. We view this positioning as balanced and complimentary to many of the concentrated passive indexes.
- Looking toward 2026, we believe conditions should favor a broadening of equity market leadership, with opportunities emerging across sectors beyond IT and in companies below the mega-cap threshold, which can offer an advantage for small- and mid-cap companies.
- In 2026, we are focused on structural themes shaped by AI and automation, which are now producing measurable productivity gains not only in the IT sector but in the health care, financials, industrials and energy sectors. We are also monitoring potential risks for the US economy, including inflation, regulatory pressures, geopolitical friction, infrastructure bottlenecks and unfavorable policy shifts.
- Fiscal and economic conditions appear to be aligning to support growth. We expect continued innovation-led expansion underpinned by quality fundamentals in an environment where we think disciplined, active management has an advantage.

Top Equity Issuers (% of Total)

Holding	Fund
NVIDIA CORP	9.84
MICROSOFT CORP	6.03
BROADCOM INC	5.97
APPLE INC	5.56
AMAZON.COM INC	5.00
META PLATFORMS INC	4.78
ALPHABET INC	3.99
TESLA INC	3.11
ELI LILLY & CO	2.69
AMPHENOL CORP	2.30

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	354713729	FRAAX	-1.56	8.24	8.24	24.05	7.25	13.20	10.50	-1.56	8.24	8.24	24.05	7.25	13.20	10.50	0.64	0.64	—	—	6/23/1999
Class A	354713687	FGRAX	-1.62	7.98	7.98	23.74	6.98	12.92	10.19	-7.03	2.03	2.03	21.43	5.78	12.29	9.96	0.89	0.89	5.50	—	6/23/1999
Benchmark 1	—	—	1.14	18.15	18.15	30.25	14.59	17.59	—	1.14	18.15	18.15	30.25	14.59	17.59	—	—	—	—	—	—
Benchmark 2	—	—	2.66	17.88	17.88	23.00	14.43	14.82	—	2.66	17.88	17.88	23.00	14.43	14.82	—	—	—	—	—	—

Benchmark(s)

Benchmark 1=Russell 3000 Growth Index

Benchmark 2=S&P 500 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.

The fund began offering Advisor Class shares on 6/23/1999. Performance quotations have been calculated as follows: (a) for Advisor Class periods prior to 6/23/1999, a restated figure is used based on the fund's Class A performance. The performance was adjusted to take into account differences in class-specific operating expenses and maximum sales charges. (b) For periods after share class offering, performance for the specific share class is used, reflecting the expenses and maximum sales charges applicable to that class.

The total annual operating expenses are as of the fund's prospectus available at the time of publication. Actual expenses may be higher and may impact portfolio returns.

What are the Risks?

All investments involve risks, including possible loss of principal. The **investment style** may become out of favor, which may have a negative impact on performance. To the extent the portfolio invests in a **concentration of certain securities, regions or industries**, it is subject to increased volatility. **Small- and mid-cap stocks** involve greater risks and volatility than large-cap stocks. The manager may consider **environmental, social and governance (ESG) criteria** in the research or investment process; however, ESG considerations may not be a determinative factor in security selection. In addition, the manager may not assess every investment for ESG criteria, and not every ESG factor may be identified or evaluated. These and other risks are discussed in the fund's prospectus.

Glossary

Dow Jones Industrial Average (DJIA) is an unmanaged index composed of 30 blue-chip stocks, each with annual sales exceeding \$7 billion. The DJIA is price-weighted, reflects large-cap companies representative of U.S. industry, and historically has moved in tandem with other major market indexes such as the S&P 500. Source: © S&P Dow Jones Indices LLC.

An **initial public offering (IPO)** is the process of offering shares in a private corporation to the public for the first time.

The **Magnificent Seven** stocks are Apple, Amazon, Alphabet, Meta Platforms, Microsoft, Nvidia, and Tesla.

Nasdaq Composite Index is a market-capitalization-weighted index that is designed to represent the performance of Nasdaq securities and includes over 3,000 stocks. Source: Nasdaq OMX.

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 **S&P 500 Index** features 500 leading U.S. publicly traded companies, with a primary emphasis on market capitalization. The **Russell 3000 Growth Index** measures the performance of those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values.

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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