

Franklin Growth Opportunities Fund

Advisor Class: FRAAX Class A: FGRAX

Commentary | as of June 30, 2025

Key Takeaways

- **Markets:** US stocks advanced during the second quarter of 2025. After rebounding from April's lows, equity markets continued to rally through June despite bouts of volatility. The S&P 500 Index and Nasdaq Composite Index closed the period with solid gains after hitting new record highs at the end of June, while the Dow Jones Industrial Average hovered near its all-time high. Temporary delays in tariff hikes, reduced fears of a recession, growing expectations of interest-rate cuts later in the year and easing geopolitical tensions helped drive US stocks higher. Large-capitalization equities gained the most, followed by mid- and small-cap stocks, and growth stocks outperformed value by a wide margin in all three market-cap tiers.
- **Detractors:** Allocation decisions worked against us relative to the Russell 3000 Growth Index benchmark. Stock selection and an underweight in the strong-performing information technology (IT) sector detracted from relative results but offered a strong standalone contribution. Within the sector, the semiconductor and semiconductor equipment industry and the software industry were leading relative detractors. Stock selection and an overweight in the health care sector was a drag on relative returns, due to an outsized negative impact in the health care providers and services industry.
- **Contributors:** Overall stock selection benefited the fund's relative performance. Stock selection in the industrials sector, particularly in the aerospace and defense industry, was a leading contributor to relative returns. Stock selection and an overweight in the communication services sector, especially in the entertainment industry, also delivered strong positive relative results.
- **Outlook:** We are hopeful as we enter the second half of the year that financial markets can focus on the potential long-term structural benefits of a Trump 2.0 policy agenda that might include initiatives to rebalance global trade and stimulate growth through tax reform and deregulation.

Performance Review

- The fund modestly lagged the Russell 3000 Growth Index benchmark in the second quarter of 2025 but outperformed the broader S&P 500 Index as the equity market rallied strongly over the period. Detracting from relative returns in the health care sector was UnitedHealth Group, whose stock declined in the face of several negative headlines about the health insurer. Among them were the resignation of the company's chief executive officer, the company's decision to withdraw its 2025 outlook and the ongoing investigation by the US Department of Justice into its billing practices. We eliminated our exposure to the company and focused on higher-conviction opportunities in health care that, in our analysis, have clear drivers of growth and less regulatory risk.
- Within the information technology (IT) sector, a lower allocation to high-performing NVIDIA shares limited our participation in the stock's appreciation and hindered relative returns. NVIDIA reported robust earnings and provided optimistic forward guidance, driven by sustained demand for artificial intelligence (AI). Our strategy maintains broad exposure to AI-related capital expenditures, data center infrastructure, semiconductors and other beneficiaries within the AI ecosystem.
- In contrast, the communication services sector benefited from a position in Roblox. The online gaming platform operator reported increased user engagement and revenue growth in the first quarter of 2025. Stronger bookings, sustained cost management and the integration of AI into its platform contributed to market-share gains for the company.

Outlook

- While we expect tariff policy to return to the headlines in the coming months and potentially cause near-term disruptions, we expect that the ultimate outcome on the tariff front is likely to be much less severe than feared. We are hopeful that during the second half of the year, financial markets can focus on the potential long-term structural benefits of a Trump 2.0 policy agenda as the recently passed One Big Beautiful Bill is enacted, which we believe should stimulate economic growth through tax reform and deregulation.
- While the current environment remains dynamic, active management allows us to pursue alpha by taking advantage of market volatility as a chance to initiate or increase positions in what we believe are high-quality businesses. These businesses have strong balance sheets and market-leading competitive positions, and they are levered to durable secular growth themes.
- We continue to have a positive outlook on the IT sector, seeing innovation and growth accelerating. As companies adopt AI in their efforts to lower costs and increase productivity, we believe the growth and profit opportunity is likely to expand. We see significant opportunity for industrials sector companies, fueled by trends that include the reshoring of US manufacturing, electrification and meaningful infrastructure investment. Our outlook for health care remains bullish, even as the sector has struggled in recent years. Wide-ranging innovations (e.g., genomics, robotics, personalized medicine) and meaningful demographic shifts support our conviction that health care offers a distinct combination of growth and stability.
- The composite is a high-conviction strategy focused on investing in leading US growth companies across the market-cap spectrum. We apply a disciplined bottom-up fundamental approach—supported by over 30 analysts—that emphasizes high-quality franchise businesses with competitive advantages and the ability to generate sustainable above-market earnings and cash flow growth over a three-to-five-year horizon.

Top Equity Issuers (% of Total)

Holding	Fund
META PLATFORMS INC	7.53
NVIDIA CORP	6.99
AMAZON.COM INC	6.13
MICROSOFT CORP	5.30
APPLE INC	4.32
MASTERCARD INC	3.30
AXON ENTERPRISE INC	3.28
NETFLIX INC	3.14
BROADCOM INC	3.06
ALPHABET INC	2.39

Sector Allocation (% of Total)

Sector	Fund
Information Technology	36.89
Communication Services	18.04
Consumer Discretionary	12.89
Industrials	11.72
Health Care	7.88
Financials	6.58
Consumer Staples	2.99
Materials	2.24
Real Estate	0.59
Cash & Cash Equivalents	0.17

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	354713729	FRAAX	16.93	5.72	11.72	21.60	11.69	12.71	10.62	16.93	5.72	11.72	21.60	11.69	12.71	10.62	0.66	0.66	—	—	6/23/1999
Class A	354713687	FGRAX	16.83	5.58	11.44	21.29	11.41	12.43	10.30	10.40	-0.23	5.31	19.02	10.15	11.79	10.06	0.91	0.91	5.50	—	6/23/1999
Benchmark 1	—	—	17.55	5.80	16.89	25.07	17.55	16.38	—	17.55	5.80	16.89	25.07	17.55	16.38	—	—	—	—	—	—
Benchmark 2	—	—	10.94	6.20	15.16	19.70	16.64	13.64	—	10.94	6.20	15.16	19.70	16.64	13.64	—	—	—	—	—	—

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

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

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.

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 **Russell 3000 Growth Index** measures the performance of those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values. Source: FTSE. 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 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.