

# Franklin Growth Opportunities Fund

Advisor Class: FRAAX Class A; FGRAX

Commentary | as of March 31, 2026

## Key Takeaways

- **Markets:** US equities endured a difficult first quarter of 2026 as investors reassessed the durability of the AI trade and geopolitical risk intensified. Technology-focused shares came under pressure as rising AI-related capital expenditure spurred a rotation away from mega-capitalization growth toward value stocks. At its two meetings during the quarter, the US Federal Reserve left its benchmark interest rate on hold. March brought further strain as the Middle East conflict disrupted energy markets, lifting oil prices and adding to inflation risk. The Nasdaq Composite Index underperformed the S&P 500 Index, while the Dow Jones Industrial Average proved more resilient. By investment style, value investing surpassed growth across market-cap tiers, with small- and mid-cap stocks performing better than their large-cap counterparts.
- **Contributors:** Stock selection and allocation effects benefited the fund's relative returns. Relative returns were helped most by stock selection and an underweight in the information technology (IT) sector and stock selection and an overweight in the industrials sector.
- **Detractors:** Stock selection in the consumer discretionary and communication services sectors weighed most on relative performance.
- **Outlook:** While headline risks continue to influence market sentiment, we think the bigger story for investors is technological innovations, particularly in 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) fared better than the Russell 3000 Growth Index benchmark in the first quarter of 2026. In the IT sector, an underweight position in Microsoft contributed positively to relative performance. Microsoft's stock declined as investors shifted away from mega-cap tech companies due to concerns about valuations, significant AI-related capital expenditures and uncertainty regarding the software giant's relationship with OpenAI (not a portfolio holding).
- Conversely, in the IT sector, AppLovin saw its shares decline as investors worried that slower ad sales, elevated valuations and market volatility might hinder the mobile marketing platform's growth.
- A leading individual contributor was Casey's General Stores in the consumer staples sector. The convenience store and fuel retailer benefited from strong fiscal third-quarter 2026 financial results that highlighted robust fuel margins, solid prepared food sales and continued loyalty program growth.

## Outlook

- We are closely monitoring the rapidly evolving conflict in Iran. The Strait of Hormuz remains a key variable, and the length of any disruption could likely determine whether this proves to be a temporary volatility event or a catalyst for more sustained repricing across oil, liquefied natural gas and related infrastructure assets. We have limited direct exposure to the energy sector but are monitoring how a sustained rise in energy prices could impact the portfolio.
- Overall, our view on US equities remains positive despite heightened risks. The US economy is relatively resilient to rising energy prices, but we are monitoring its potential impact on inflation and consumer spending. 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.
- The Growth Opportunities strategy has an active, fundamentally driven quality bias and employs a multi-cap approach to maintain a diversified portfolio. While we own many mega-cap leaders, we remain underweight relative to highly concentrated benchmarks. We view this positioning as balanced and complimentary to many of the concentrated passive indexes.
- 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 consumer-facing sectors. We are also monitoring potential risks for the US economy, including inflation, regulatory pressures, geopolitical friction, infrastructure bottlenecks and unfavorable policy shifts. We expect to see an innovation-led expansion underpinned by quality fundamentals in an environment where we believe disciplined, active management has an advantage.

## Top Equity Issuers (% of Total)

Holding	Fund
NVIDIA CORP	9.71
APPLE INC	7.63
ALPHABET INC	6.27
MICROSOFT CORP	4.62
AMAZON.COM INC	4.60
BROADCOM INC	4.30
META PLATFORMS INC	4.01
TESLA INC	2.85
ELI LILLY & CO	2.50
AMPHENOL CORP	2.41

## Average annual total returns and fund expenses (%) - as of March 31, 2026

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	-8.23	-8.23	9.87	16.32	5.93	12.86	10.05	-8.23	-8.23	9.87	16.32	5.93	12.86	10.05	0.64	0.64	—	—	6/23/1999
Class A	354713687	FGRAX	-8.27	-8.27	9.60	16.04	5.67	12.58	9.74	-13.31	-13.31	3.56	13.87	4.48	11.94	9.51	0.89	0.89	5.50	—	6/23/1999
Benchmark 1	—	—	-9.54	-9.54	18.75	20.64	12.05	16.38	—	-9.54	-9.54	18.75	20.64	12.05	16.38	—	—	—	—	—	
Benchmark 2	—	—	-4.33	-4.33	17.80	18.31	12.07	14.16	—	-4.33	-4.33	17.80	18.31	12.07	14.16	—	—	—	—	—	

## Benchmark(s)

Benchmark 1= Russell 3000 Growth Index

Benchmark 2= S&amp;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](http://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. The **S&P 500 Index** features 500 leading U.S. publicly traded companies, with a primary emphasis on market capitalization.

Important data provider notices and terms available at [www.franklintempletondatasources.com](http://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](http://www.franklintempleton.com). Please read it carefully.**