Franklin Global Allocation Fund

Advisor Class: FFAAX Class A: FFALX | **Commentary | as of December 31, 2025**

Key Takeaways

- **Markets:** 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) made two reductions over the fourth quarter, though in December they emphasized caution and signaled potentially limited further easing.
- **Contributors:** Security selection supported relative performance across every asset class in the fourth quarter. Stock selection in the consumer discretionary, materials and financials sectors led equity contributors to relative results. Security selection also boosted relative returns in fixed income, with UK Gilts and Canadian government bonds strengthening performance. From an asset class perspective, the fund's equity overweight and modest underweight to fixed income lifted relative returns.
- **Detractors:** Stock selection in the health care and consumer staples sectors curbed relative results. In fixed income, selection in mortgage-backed securities weighed on relative returns. Hedging some investments back to the US dollar (through currency forwards) modestly dampened relative performance.
- **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 stretched valuations.

Performance Review

- Over the quarter, Franklin Global Allocation Fund outperformed its benchmark.
- Among underlying equity positions, overweight allocations to Australian mining company Fortescue, South Korean automobile manufacturer Kia Corporation and Irish financial services provider AIB Group benefited relative returns.
- Conversely, stock-level detractors included tobacco products producer Altria Group (an overweight), UK venture capital company 3I Group (an overweight) and multinational pharmaceutical developer Eli Lilly (an underweight).
- In fixed income, global bonds contributed to relative performance, led by UK Gilts and Canadian government bonds. Gilts were supported by weaker UK inflation data and muted economic momentum. In Canada, government bond performance was lifted by an October interest-rate cut by the Bank of Canada, along with expectations for a more accommodative stance going forward amid slowing economic indicators.
- In contrast, underweight allocations to emerging market bonds and agency bonds dampened relative returns. On a security level, a Freddie Mac mortgage-backed bond detracted.
- The fund held a systematic style premia ETF, and this ETF supported relative results.
- During the fourth quarter, we added equity positions in Sun Communities, a real estate investment trust that specializes in manufactured housing communities and recreational vehicle resorts, and Advantest, a Japanese manufacturer of test equipment for the semiconductor industry. We closed equity positions in Netflix and Canadian financial services company iA Financial. We also continued to add exposure to Franklin BSP Private Credit Fund.

Outlook

- Strong corporate fundamentals, as evidenced by positive forward earnings revisions and guidance, support equity market momentum and our favorable view of the asset class. Current activity indicators at year-end showed growth above six-month averages in the United States. In addition, continued disinflation trends have provided some room for central banks to bolster accommodative fiscal policy by cutting interest rates. Discounting some noise in the data, we are encouraged by US annual Consumer Price Index (CPI) inflation, which fell to 2.7% in November, while annual core inflation (less food and energy) also moved closer to target, at 2.6%. A combination of lower inflation pressures and softening employment data provides a good background for stimulative Fed policy, although we only expect to see one more rate cut in the first half of 2026.
- 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.
- We recognize that recent developments around sentiment, positioning and momentum are valid arguments for a note of caution, as is a marginally less supportive macro backdrop. More optimistic sentiment among investors is also a potential headwind for future equity returns.
- With that said, a stronger-than-expected jobs market, alongside falling inflation, strengthens the "goldilocks" environment for US stocks. We find this backdrop provides a persuasive argument for a "risk-on" approach, when combined with our conclusion that tariff-induced inflation pressures are now past their peak.
- 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.

Morningstar Rating™

Overall Rating as of December 31, 2025

★★★★ **(4-Star)** Advisor Class

★★★★ **(4-Star)** Class A

As of 12/31/2025 the fund's Class A and Advisor Class shares received a 4 star overall Morningstar rating™, measuring risk-adjusted returns against 407, 394 and 320 Global Moderate 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 Holdings (% of Total)

Issuer	Fund
UNITED STATES TREASURY BOND	3.84
UNITED KINGDOM GILT	3.69
NVIDIA CORP	3.12
BUNDESREPUBLIK DEUTSCHLAND BUNDESANLEIHE	2.85
APPLE INC	2.77
ALPHABET INC	2.48
CANADIAN GOVERNMENT BOND	2.38
FRANKLIN BSP LENDING FUND	2.35
JOHNSON & JOHNSON	2.11
FRANKLIN SYSTEMATIC STYLE PREMIA ETF	2.10

Average annual total returns and fund expenses (%) - as of December 31, 2025

			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	35472P794	FFAAX	2.48	16.21	16.21	14.18	8.06	7.35	6.75	2.48	16.21	16.21	14.18	8.06	7.35	6.75	0.77	0.74	—	—	8/15/2003
Class A	35472P844	FFALX	2.44	15.89	15.89	13.89	7.79	7.08	6.46	-3.21	9.52	9.52	11.77	6.57	6.47	6.19	1.02	0.99	5.50	—	8/15/2003
Benchmark 1	—	—	2.33	15.15	15.15	14.36	7.26	8.17	—	2.33	15.15	15.15	14.36	7.26	8.17	—	—	—	—	—	—
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(s)

Benchmark 1=Blended Benchmark

Benchmark 2=MSCI All Country World Index-NR

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. Actual expenses may be higher and may impact portfolio returns. Net expenses reflect contractual fee waivers, expense caps and/or reimbursements, which cannot be terminated prior to 04/30/2026 without Board consent. Additional amounts may be voluntarily waived and/or reimbursed and may be modified or discontinued at any time without notice.

What are the Risks?

All investments involve risks, including possible loss of principal. 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.** To the extent the portfolio invests in a concentration of **certain securities, regions or industries**, it is subject to increased volatility. To the extent the fund invests in **alternative strategies,** it may be exposed to potentially significant fluctuations in value. 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

The **Consumer Price Index (CPI)** is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care.

Forward earnings are an estimate of a next period's earnings of a company.

Gilts are bonds that are issued by the British government, and they are generally considered low-risk investments.

A **Goldilocks** economy has steady economic growth, preventing a recession, but not so much growth that inflation rises by a great deal.

Important Information

Effective May 1, 2024, the fund changed the fixed income component of its Blended Benchmark to the Bloomberg Multiverse (100% hedged to USD) Index. Effective February 1, 2021, the fund modified its principal investment goal and strategies.

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 **MSCI All Country World Index** is a market capitalization-weighted index that is designed to measure equity market performance of developed and emerging markets. The **Blended Benchmark** consists of 60% MSCI All Country World Index-NR, 30% Bloomberg Multiverse (100% hedged to USD) Index and 10% cash and cash equivalents. MSCI All Country World Index is a market capitalization-weighted index designed to measure the equity market performance of developed and emerging markets. The **Bloomberg Multiverse (100% hedged to USD) Index** provides a broad-based measure of the global fixed income bond market.

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

Source: Bloomberg Indices. 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.

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 Class A shares received a Morningstar Rating of 4, 4 and 3 and fund's Advisor Class shares received a Morningstar Rating of 4, 4 and 3 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.

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.