FRANKLIN TEMPLETON

Franklin Global Allocation Fund

Advisor Class: FFAAX Class A: FFALX | **Commentary | as of June 30, 2026**

Key Takeaways

- **Markets:** Global equities rebounded strongly in the second quarter of 2026 as markets recovered from the March energy shock. US equities were among the stronger regional performers in the quarter. Performance was led decisively by growth, as investors rotated back toward large-cap technology and the artificial intelligence (AI) complex. Fixed income markets were shaped by competing forces: Sticky inflation and intermittent energy-price concerns pushed yields higher at times, while strong corporate earnings, resilient risk appetite and the late-quarter de-escalation of the Middle East conflict supported spread sectors.
- **Contributors:** Cross-asset allocation strengthened relative results, including an equity overweight and fixed income underweight. Regional/country allocations all supported relative performance in equity, led by an Asia overweight.
- **Detractors:** Security selection in equity weakened relative results, although underlying stock positions generally delivered solid gains in terms of absolute returns. Bond sector allocations were fairly muted but detractive overall.
- **Outlook:** Inflation dynamics have prompted a hawkish tilt to monetary policy in the United States and most other developed economies, even those with weaker macro backdrops such as the eurozone. This is creating a headwind to risk assets but is largely outweighed by strong corporate fundamentals, in our view.

Performance Review

- Over the quarter, the Franklin Global Allocation Fund (Advisor Class without sales charge) performed slightly better than its blended benchmark.
- Stock selection dampened relative performance. Despite favorable security selection in Asia, selection in the United States weighed on relative results. Note that US/North American equity positions collectively posted double digit gains in terms of absolute returns.
- In fixed income, positive contributions from security selection in UK Gilts were more than offset by detractive selection in corporate high-yield and investment-grade bonds.
- The Fund holds four underlying funds in the alternatives investment space. Each fund posted positive returns on absolute performance basis and provided diversification benefits, but trailed the overall Fund benchmark.
- During the second quarter, we increased exposure to Asian equities.

Outlook

- We have raised our view of equities into July, despite signs of exuberance in some markets, as strong corporate fundamentals and healthy growth justify valuations.
- Investor appetite for the AI trade has concentrated equity index composition and caused some frothiness in technology stocks, but this appears to be contained, in our view. The US equity market is supported by strong earnings and a resilient macro backdrop, while beneficiaries of AI capital expenditure (capex) continue to justify ambitious earnings growth expectations.
- Persistent inflation and hawkish policy rhetoric could challenge our view, though fiscal stimulus across many regions is providing some offset.
- The growth environment remains positive for risk assets, particularly in North America. The US economy is growing at a rate close to 3%, according to several regional federal bank forecasts, driven by personal consumption and business fixed investment. June Purchasing Managers' Index (PMI) readings also point to solid activity across US manufacturing and services, although elevated prices and weak consumer confidence have been limiting growth.
- Conditions are softer in Europe. The services sector contracted in June as input costs rose, even though eurozone cost inflation eased to its lowest level since the outbreak of war in the Middle East.
- Persistent core inflation is a key concern for the United States, given its relative insulation from energy-price volatility. This makes the Fed less likely than other central banks to respond to falling energy prices. Instead, supply-chain pressures, labor-market resilience and wage growth remain important drivers of US monetary policy.
- These inflation dynamics have prompted a hawkish tilt to monetary policy in the United States and most other developed economies, even those with weaker macro backdrops such as the eurozone. This is creating a headwind to risk assets but is largely outweighed by strong corporate fundamentals, in our view.

Morningstar Rating™

Overall Rating as of June 30, 2026

★★★★ **(4-Star)** Advisor Class

★★★★ **(4-Star)** Class A

As of 06/30/2026 the fund's Class A and Advisor Class shares received a 4 star overall Morningstar rating™, measuring risk-adjusted returns against 402, 389 and 323 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. The number of funds in the category for the Overall Rating are listed under the 3-year period.

Top Holdings (% of Total)

Issuer	Fund
UNITED STATES TREASURY BOND	7.62
APPLE INC	3.07
NVIDIA CORP	2.99
FRANKLIN BSP LENDING FUND	2.41
ALPHABET INC	2.41
BUNDESREPUBLIK DEUTSCHLAND BUNDESANLEIHE	2.19
FRANKLIN SYSTEMATIC STYLE PREMIA ETF	2.09
TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD	1.68
UNITED KINGDOM GILT	1.60
CANADIAN GOVERNMENT BOND	1.54

Not FDIC Insured | No Bank Guarantee | May Lose Value

Average annual total returns and fund expenses (%) - as of June 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	35472P794	FFAAX	9.48	8.10	16.79	14.54	8.28	7.89	6.96	9.48	8.10	16.79	14.54	8.28	7.89	6.96	0.77	0.75	—	—	8/15/2003
Class A	35472P844	FFALX	9.46	8.00	16.57	14.29	8.02	7.63	6.67	3.44	2.08	10.13	12.15	6.80	7.02	6.41	1.02	1.00	5.50	—	8/15/2003
Benchmark 1	—	—	9.56	7.53	15.57	13.69	7.40	8.68	—	9.56	7.53	15.57	13.69	7.40	8.68	—	—	—	—	—	—
Benchmark 2	—	—	14.93	11.25	23.67	19.69	10.98	12.79	—	14.93	11.25	23.67	19.69	10.98	12.79	—	—	—	—	—	—

Benchmark(s)

Benchmark 1=Linked Franklin Global Allocation Fund Benchmark-NR

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 04/30/2027 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**. **Trading models** used by the manager for securities selection may become outdated, and the historical patterns upon which the models are based may weaken or disappear. 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

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

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

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. Prior to May 1, 2026 the benchmark was named Blended Benchmark.

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 **Linked Franklin Global Allocation Fund Benchmark-NR** reflects the performance of 60% MSCI All Country World Index-NR, 30% Bloomberg Multiverse (100% hedged to USD) Index and 10% cash and cash equivalents from fund inception to 4/30/2026; and 39% Russell 3000 Index, 21% MSCI ACWI ex-US Index NR, 21% Bloomberg U.S. Aggregate Bond Index, 3% Bloomberg U.S. Corporate High Yield Index, 16% Bloomberg Global Aggregate ex-US (USD Hedged) thereafter. The **Bloomberg Multiverse (100% hedged to USD) Index** provides a broad-based measure of the global fixed income bond market.

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.

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®, 06/30/2026. 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, 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.

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Not FDIC Insured | No Bank Guarantee | May Lose Value

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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