

Franklin Global Allocation Fund

Advisor Class: FFAAX Class A: FFALX

Commentary | as of June 30, 2025

Key Takeaways

- **Markets:** Global equity markets collectively rose during the second quarter after bouncing back from their April lows. The quarter began with US President Donald Trump's announcement of reciprocal tariffs that were more sweeping and severe than many had expected, leading to significant financial market volatility. However, global trade tensions eased during the rest of the quarter as the United States delayed planned tariff hikes, reducing investor fears of a global recession. In fixed income, pan-European bonds were the quarter's best performers, while US bonds trailed the broader market.
- **Contributors:** The fund was meaningfully underweight cash relative to its benchmark, and this strengthened performance during a solid quarter for risk assets, notably equities. Stock selection in certain equity sectors also benefited relative results, led by selection in the communication services, health care and consumer discretionary sectors. In fixed income, an overweight allocation to, and security selection in sovereign developed market bonds boosted relative returns.
- **Detractors:** Off-benchmark exposure to alternatives weighed on relative performance. Overall security selection in equity was a detractor, notably in the information technology and materials sectors. A health care sector overweight also dampened relative results. Hedging some investments back to the US dollar (through currency forwards) also weighed on relative performance as the dollar weakened relative to most currencies, including the euro.
- **Outlook:** The level of the S&P 500 Index at June-end was above short-term moving averages, indicating favorable momentum for stocks, but headwinds include elevated bond yields, inflation expectations and some negative seasonality effects. We believe fiscal and monetary stimulus are likely to play an increasingly influential role in supporting global growth as we move into 2026, but not until the inflationary impact of tariffs is fully understood.

Performance Review

- Over the quarter, Franklin Global Allocation Fund modestly outperformed its benchmark.
- Within communication services, Netflix was the largest relative contributor. The final season of its most popular show, Squid Game, was scheduled to debut in late June and is expected to increase subscriber signups. In addition, the company has prioritized growth in its gaming division, which helps to diversify Netflix's revenue streams.
- Within health care, a lack of exposure to UnitedHealth Group was a key driver of relative performance. The 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 and the ongoing investigation by the US Department of Justice into its billing practices.
- Within consumer discretionary, travel technology company Booking Holdings strengthened relative returns as several investors anticipated a favorable second-quarter earnings report. The company has consistently posted positive earnings surprises.
- Within information technology, MediaTek weighed on relative results amid weaker demand for its non-smartphone semiconductor chips and potential increases in operating expenses related to new projects.
- The fund held a systematic style premia ETF, and this ETF detracted from performance.

Outlook

- Leading indicators of economic growth appear to have strengthened during the second quarter, suggesting that the global economy may avoid a recession. However, significant trade and geopolitical uncertainty remains, and has yet to be fully reflected in asset prices, in our view.
- We have seen a strong rally in global equities since tariff-induced volatility in early April. Stocks have consistently navigated pockets of volatility to move higher, fueled by resilient macro data and positive news flow around trade negotiations. But, as equity markets climb back toward highs last seen in February, it leaves us asking whether valuations and sentiment have once again become stretched.
- Macroeconomic data, including indicators of inflation, growth and employment, remain relatively robust in the United States. Even soft data, which weakened sharply amid the onset of trade uncertainty, has improved in the past month. Leading growth indicators have strengthened, while confidence among consumers and corporate chief executive officers has stabilized following the shock of Liberation Day tariffs that have largely been rolled back. In our view, this upturn in data supports the market's rally thus far but is offset by current valuations and elevated sentiment.
- Quantitative indicators validate our decision to neutralize risk until tariff and geopolitical developments unfold. The level of the S&P 500 Index at June-end was above short-term moving averages, indicating favorable momentum for stocks, but headwinds include elevated bond yields, inflation expectations and some negative seasonality effects. We believe fiscal and monetary stimulus are likely to play an increasingly influential role in supporting global growth as we move into 2026, but not until the inflationary impact of tariffs is fully understood.
- Equity markets are likely to become choppy in the near term, in our view, as factors such as energy price volatility and tariff deadlines increase the possibility of corrections. However, a recession-led drawdown appears more remote to us than it did last month. As a result, we retain our neutral positioning in equities at a cross-asset level, preferring to add risk within our regional allocations.
- We hold a more balanced view of fixed income, as monetary policy expectations across many economies have become more dovish and have reduced the attractiveness of current yields. US fiscal deficit concerns also influence our decision, along with tight credit spreads. Still, higher overall carry and lower probability of recession are a counterbalance.

Morningstar Rating™

Overall Rating as of June 30, 2025



(4-Star) Advisor Class



(3-Star) Class A

As of 06/30/2025 the fund's Advisor Class shares received a 4 star and Class A shares received a 3 star overall Morningstar rating™, measuring risk-adjusted returns against 454, 431 and 324 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	4.47
BUNDESREPUBLIK DEUTSCHLAND BUNDESANLEIHE	4.05
NVIDIA CORP	2.72
UNITED KINGDOM GILT	2.56
APPLE INC	2.50
MICROSOFT CORP	2.25
BOOKING HOLDINGS INC	1.97
FRANKLIN SYSTEMATIC STYLE PREMIA ETF	1.94
CANADIAN GOVERNMENT BOND	1.75
FREDDIE MAC POOL	1.69

Sector Allocation (Equity as a % of Total)

Sector	Fund
Information Technology	16.93
Financials	12.33
Consumer Discretionary	7.63
Health Care	6.93
Communication Services	5.88
Industrials	4.83
Consumer Staples	3.86
Energy	2.68
Materials	2.06
Other	1.11

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	35472P794	FFAAX	7.50	7.57	11.44	11.62	10.22	5.77	6.53	7.50	7.57	11.44	11.62	10.22	5.77	6.53	0.77	0.74	—	—	8/15/2003
Class A	35472P844	FFALX	7.37	7.37	11.18	11.35	9.95	5.50	6.24	1.47	1.47	5.08	9.27	8.71	4.91	5.97	1.02	0.99	5.50	—	8/15/2003
Benchmark 1	—	—	7.48	7.14	12.09	12.04	8.67	7.12	—	7.48	7.14	12.09	12.04	8.67	7.12	—	—	—	—	—	—
Benchmark 2	—	—	11.53	10.05	16.17	17.34	13.65	9.99	—	11.53	10.05	16.17	17.34	13.65	9.99	—	—	—	—	—	—

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 **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 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 **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. 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. Bloomberg Indices. 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. 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. 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. Net Returns (NR) include income net of tax withholding when dividends are paid.

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

Morningstar Rating™: Source: Morningstar®, 06/30/2025. 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 Advisor Class shares received a Morningstar Rating of 4, 4 and 3 and fund's Class A shares received a Morningstar Rating of 4, 4 and 2 star(s) for the 3-, 5- and 10-year periods, respectively. Franklin Templeton provides this fund's Morningstar Rating™ for Advisor Class and Class A shares only. Other share classes may have different Morningstar ratings.

Franklin Distributors, LLC. Member FINRA/SIPC.
© Franklin Templeton. All rights reserved.

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.