

# Investing in innovation

Franklin DynaTech Fund



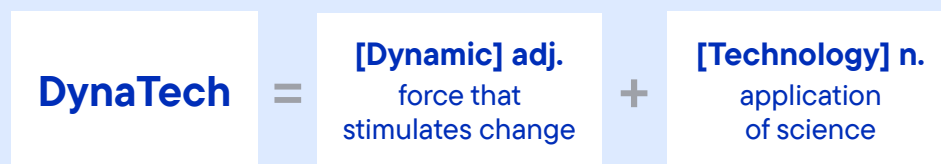
## Franklin DynaTech Fund has focused on investing in innovation since 1968.

**It started with fire.** The wheel. Roads. Bronze. Iron. The printing press. The steam engine. Railroads. Electricity. Flight. Space travel. The internet. Artificial intelligence.

Making things better—improving our lives through innovation—is one of the most basic human characteristics. We are born with it. This desire to discover, improve and question our surroundings is what makes us human. It is both what brought us here and what will drive us forward, empowering us to solve some of our greatest problems.

Since 1968, we have researched, investigated, explored, studied and scrutinized the greatest innovations of our time, looking for the best potential investments. We seek to identify those companies and industries with the best new products, new processes, management and technologies. We push forward with the constant optimism that the world is getting better and that we can continue to drive that improvement through innovation.

**We believe that to have the potential to outperform the market over the long term, we must focus our investments on innovation or, as we coined over 50 years ago, Dynamic Technologies.**





**“We strive to live at the intersection where new ideas can make great long-term investments.”**



**Matthew J. Moberg**  
Lead Portfolio Manager  
since 2004



**Rupert H. Johnson Jr.**  
Portfolio Manager  
since 1968

## **Investing in innovation since 1968**

*Advantageously located in Silicon Valley*

### **5 Reasons to choose Franklin DynaTech**

#### **1 | Innovation drives wealth creation over the long term**

Innovation, in the form of new products, new ideas and making things better, advances civilization. We focus on this progress. (Pages 2-3)

#### **2 | Innovation is accelerating**

The stacking of multiple general-purpose technologies is producing unprecedented economic change, which is in turn creating major new corporations, technologies and inventions. (Page 4)

#### **3 | Innovation demands active management**

Not all innovations become great investments. The analysis of pace and growth is critical to assessing investment potential, which is why active management is so important. (Page 5)

#### **4 | Innovation is everywhere**

A dynamic process allows for investing in the most promising innovations, no matter the business sector. (Page 6)

#### **5 | A time-tested strategy for investing in innovation**

Explore how this time-tested strategy seeks to outperform the market over the long term. (Pages 7-8)

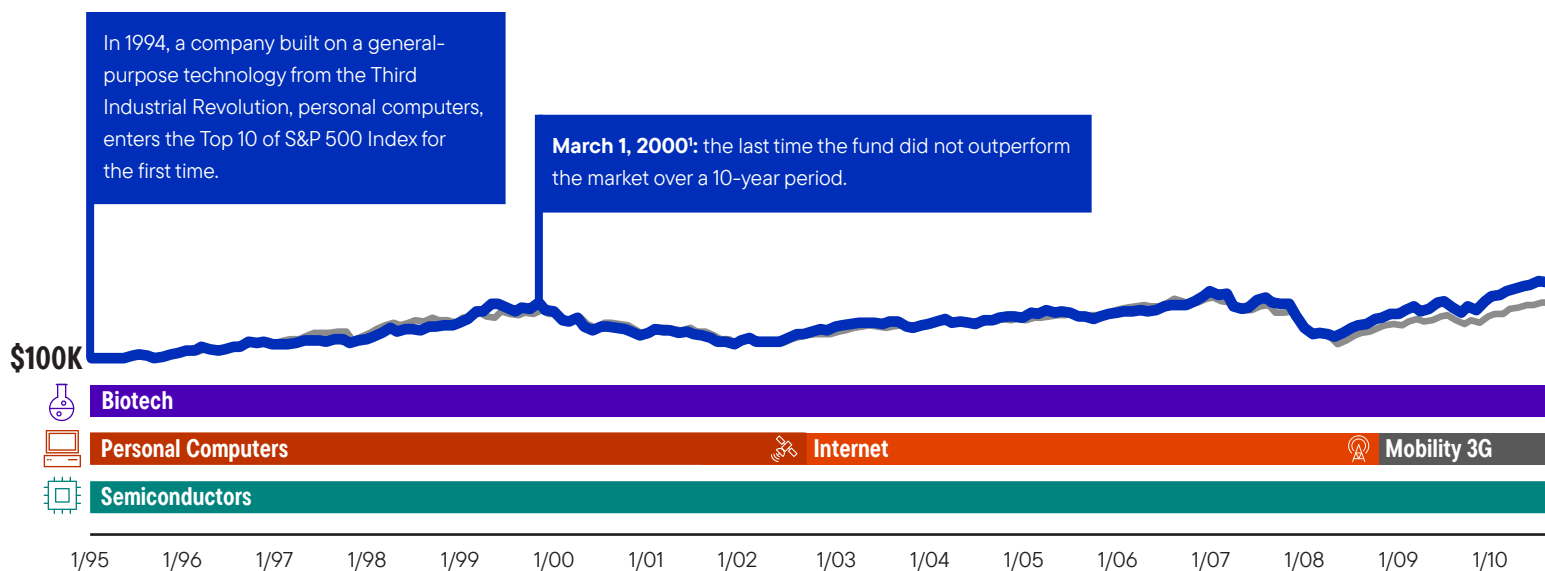
# 1

## Innovation drives wealth creation

Innovations across the economy are compounding progress

A general-purpose technology (GPT) is characterized by its disruptive nature, widespread economic impact and rapid improvement. When multiple GPTs emerge simultaneously, they drive an Industrial Revolution. Today, we are transitioning from the Third Industrial Revolution to the Fourth, and we are confident that the future will bring even more innovation.

These pages map various GPTs from the past 30 years and compare the returns of our fund with those of the S&P 500 Index. They also show how these GPTs have reshaped the composition of the top 10 companies, by market capitalization, in the S&P 500 Index over the same period. Visualized together, the accelerating number of GPTs and the corresponding fund returns demonstrate our view that innovation can consistently outperform over the long term.



### Top 10 holdings of the S&P 500 Index every decade for the last 30 years (1995, 2005, 2015, 2025)

#### Personal Computing Era (1995–2004)

**WINTEL:** Microsoft, Intel

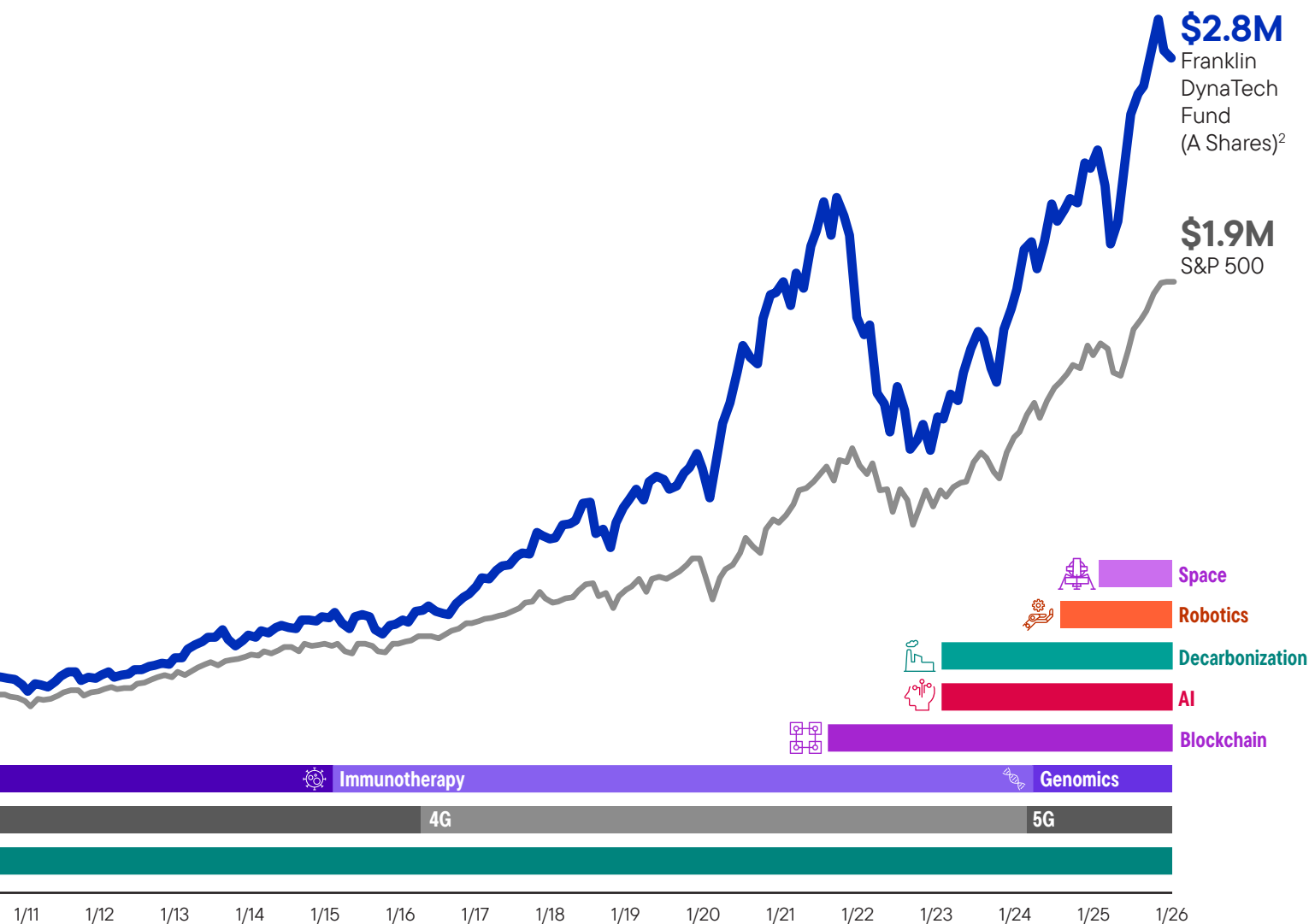
| Company                              | Founded | Age        |
|--------------------------------------|---------|------------|
| 1. General Electric                  | 1892    | 103        |
| 2. AT&T                              | 1885    | 110        |
| 3. Exxon Mobil                       | 1882    | 113        |
| 4. Coca-Cola Co.                     | 1892    | 103        |
| 5. Merck & Co.                       | 1891    | 104        |
| 6. Royal Dutch Shell                 | 1907    | 88         |
| 7. Philip Morris International, Inc. | 1847    | 148        |
| 8. Proctor & Gamble Co.              | 1837    | 158        |
| 9. Johnson & Johnson                 | 1886    | 109        |
| 10. <b>Microsoft</b>                 | 1975    | 20         |
| <b>Average Age</b>                   |         | <b>106</b> |

#### Internet Era (2005–2014)

**Four Horsemen:** Apple, Google, Research in Motion, Amazon

| Company                               | Founded | Age        |
|---------------------------------------|---------|------------|
| 1. General Electric                   | 1892    | 113        |
| 2. Exxon Mobil                        | 1882    | 123        |
| 3. <b>Microsoft</b>                   | 1975    | 30         |
| 4. Citigroup                          | 1812    | 193        |
| 5. Proctor & Gamble Co.               | 1837    | 168        |
| 6. Walmart                            | 1962    | 43         |
| 7. Bank of America Corp               | 1923    | 82         |
| 8. Johnson & Johnson                  | 1886    | 119        |
| 9. AIG (American International Group) | 1919    | 86         |
| 10. Pfizer                            | 1849    | 156        |
| <b>Average Age</b>                    |         | <b>111</b> |

**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. Please call Franklin Templeton at (800) DIAL BEN/342-5236 or visit [franklintempleton.com](http://franklintempleton.com) for the most recent month-end performance.



### Smartphone Era (2015–2024)

**FAANG:** Facebook, Apple, Amazon, Netflix, Google

| Company               | Founded | Age       |
|-----------------------|---------|-----------|
| 1. <b>Apple</b>       | 1976    | 39        |
| 2. <b>Google</b>      | 1998    | 17        |
| 3. <b>Microsoft</b>   | 1975    | 40        |
| 4. Berkshire Hathaway | 1839    | 176       |
| 5. Exxon Mobil        | 1882    | 133       |
| 6. <b>Amazon</b>      | 1994    | 21        |
| 7. <b>Meta</b>        | 2004    | 11        |
| 8. General Electric   | 1892    | 123       |
| 9. Johnson & Johnson  | 1886    | 129       |
| 10. Wells Fargo & Co. | 1852    | 163       |
| <b>Average Age</b>    |         | <b>85</b> |

### AI, Cloud Computing, and Electrification Era (2025)

**Magnificent 7:** Microsoft, Google, Nvidia, Tesla, Meta, Amazon, Apple

| Company                            | Founded | Age       |
|------------------------------------|---------|-----------|
| 1. <b>Apple</b>                    | 1976    | 49        |
| 2. <b>Nvidia Corp.</b>             | 1993    | 32        |
| 3. <b>Microsoft</b>                | 1975    | 50        |
| 4. <b>Amazon</b>                   | 1994    | 31        |
| 5. <b>Google</b>                   | 1998    | 27        |
| 6. <b>Meta Platforms, Inc.</b>     | 2004    | 21        |
| 7. <b>Broadcom Inc.</b>            | 1961    | 64        |
| 8. <b>Tesla</b>                    | 2003    | 22        |
| 9. Berkshire Hathaway <sup>3</sup> | 1839    | 186       |
| 10. JP Morgan Chase & Co.          | 1871    | 154       |
| <b>Average Age</b>                 |         | <b>51</b> |

1. Source: Franklin Templeton. Based on a review of monthly rolling 10-year returns of Franklin DynaTech A shares since inception; assumes purchase dates on the first of the month. The S&P 500 Index represents the market.

2. The scenario does not take into account federal or state taxes. If it had, the net results would have been lower.

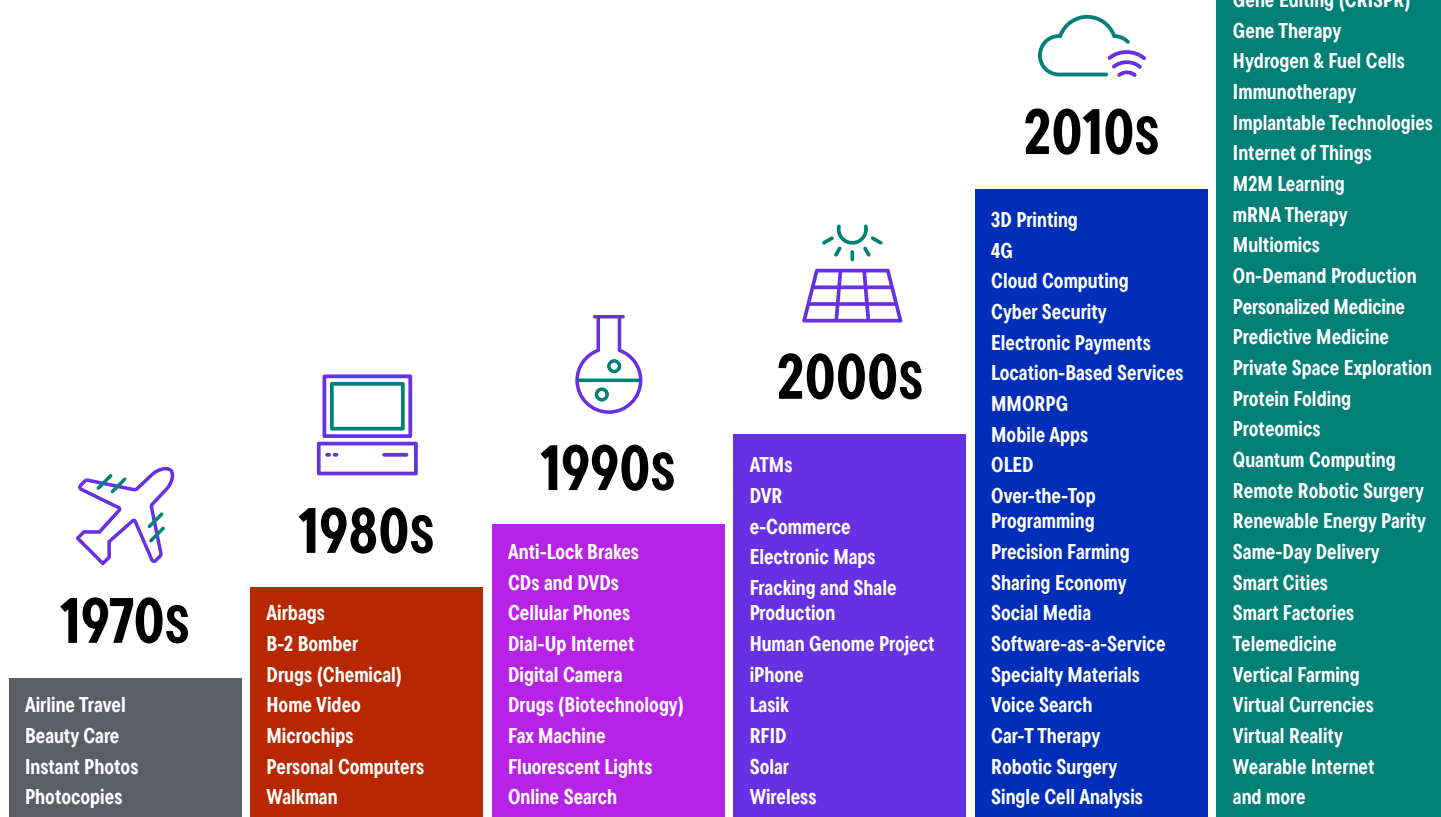
3. Age of Berkshire Hathaway calculated when Warren Buffet took it over in 1965.

## 2 Innovation is accelerating

Creating investment opportunities now.

Now more than ever, the market has provided a rich backdrop to invest in innovation. Investors are currently experiencing a period of unprecedented economic change, often referred to as the fourth Industrial Revolution.<sup>4</sup> This era is marked by rapid advancements in technology, which is reshaping industries and business models at an accelerated pace. The shifting landscape is evident in the dramatic changes in the longevity of companies listed in the S&P 500. In 1955, the average tenure of these companies was 61 years. However, by 2016, this average had plummeted to just 24 years, reflecting the increasing pace of innovation and disruption. Projections suggest that by 2030, the average tenure will further decline to a mere 15 years.<sup>5</sup>

### Innovation over time



This information is for illustrative purposes only and not necessarily representative of the past or future portfolio composition. There is no assurance that the Funds will invest in any or all of these innovation examples. This information is not intended as an investment recommendation nor does it constitute investment advice.

4. Source: Schwab, Klaus. "The Fourth Industrial Revolution." Currency, 2017. Print.

5. "S&P 500 Turnover Is Accelerating: Here's Why It Matters to Investors." Pivolt. [www.pivolt.global/academy/sp500-turnover-is-accelerating](http://www.pivolt.global/academy/sp500-turnover-is-accelerating) (accessed June 5, 2025).

# 3

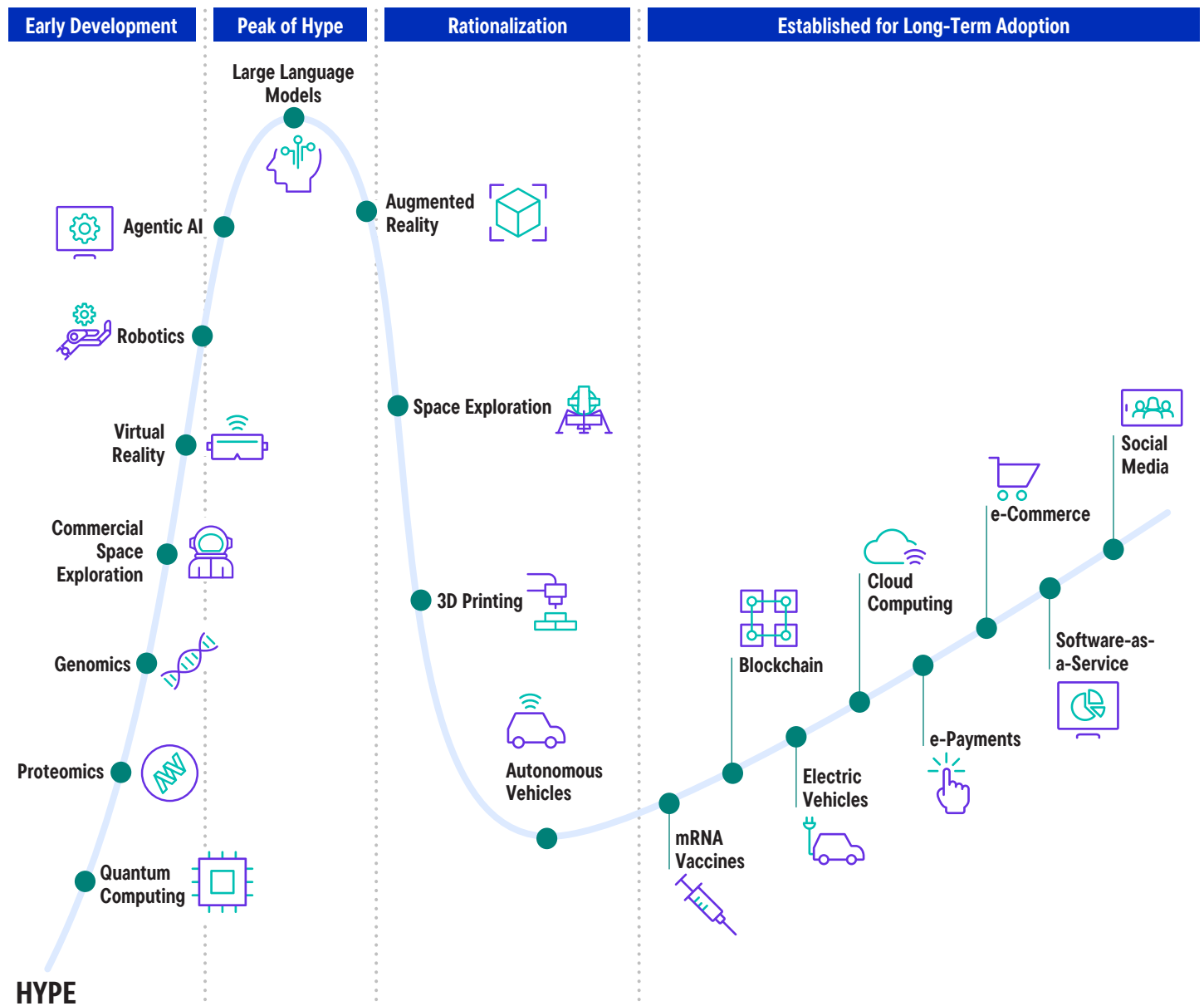
## Innovation demands active management

Duration and pace are often misunderstood.

The duration and pace of revenue growth are crucial indicators of an innovation's long-term investment potential, yet both are frequently misunderstood and mispriced by the market. Innovations are often overestimated in the short term, leading to initial hype and inflated expectations. However, over the long term, these same innovations are frequently underestimated, as the market fails to fully appreciate their sustained impact and potential. Active management plays

a vital role in correcting this imbalance; active managers can better anticipate the long-term value creation of innovations that are misunderstood in the short term.

### Innovation and hype cycle



Source: Franklin Templeton illustration of industry disruptors applied to the Gartner Hype Cycle.

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# 4






## Innovation is everywhere

Invest in innovation across all sectors of the economy

### Innovation today is pervasive








Innovation is everywhere, and the fund takes a broad and flexible approach by investing across various industries and sectors to provide comprehensive exposure. This approach ensures that the fund captures opportunities in technology, health care, consumer goods and beyond. By not limiting itself to a single sector, the fund remains agile and responsive to emerging trends and disruptive technologies, thereby maximizing potential returns and mitigating risks.

### Developing innovation platforms

|  <b>Disruptive Commerce</b>   |  <b>Genomic Advancements</b>  |  <b>Intelligent Machines</b>  |  <b>Energy Transformation</b>   |  <b>Exponential Data</b>   |
|---|--|--|---|---|
| <ul style="list-style-type: none"> <li>• General commerce</li> <li>• Media</li> <li>• Sharing economy</li> <li>• Verticals: travel, autos, real estate, etc.</li> <li>• Transport &amp; logistics</li> <li>• e-Payments</li> <li>• Distributed lending</li> </ul> | <ul style="list-style-type: none"> <li>• Sequencers &amp; equipment</li> <li>• Diagnostics</li> <li>• Gene silencing or muting</li> <li>• Gene editing</li> <li>• Agriculture</li> </ul> | <ul style="list-style-type: none"> <li>• Robotics</li> <li>• 3D printing</li> <li>• Internet of things</li> <li>• Automated driving</li> <li>• Drones</li> <li>• Health care implantables</li> </ul> | <ul style="list-style-type: none"> <li>• Solar, wind, nuclear, geothermal</li> <li>• Grid hardening, smart grid &amp; AI optimization</li> <li>• Distributed generation &amp; storage</li> <li>• Electric vehicles</li> </ul> | <ul style="list-style-type: none"> <li>• Artificial intelligence &amp; machine learning</li> <li>• Cloud computing</li> <li>• Edge computing</li> <li>• Data analysis</li> <li>• Augmented &amp; virtual reality</li> <li>• Blockchain</li> </ul> |

### Over half of the Magnificent 7 are NOT classified as technology companies

Innovation occurs throughout the economy. However, new innovative companies are often misunderstood initially. As a result, they get misclassified, by third-party index providers, usually into the technology industry. With time and greater understanding, these companies then migrate to their actual industries. You can see this in the updated classifications of the Magnificent 7, 50% of which have moved from technology to places as diverse as retail, autos and media.

| Not Classified as Technology  |   | Classified as Technology  |
|---|---|---|
| Communication Services Sector   | Consumer Discretionary Sector   | Technology Sector   |
|  <b>Google</b><br>Interactive Media & Services |  <b>Amazon</b><br>Retail |  <b>Microsoft</b><br>Software    |
|  <b>Meta</b><br>Interactive Media & Services   |  <b>Tesla</b><br>Autos   |  <b>Apple</b><br>Hardware        |
|   |   |  <b>Nvidia</b><br>Semiconductors |



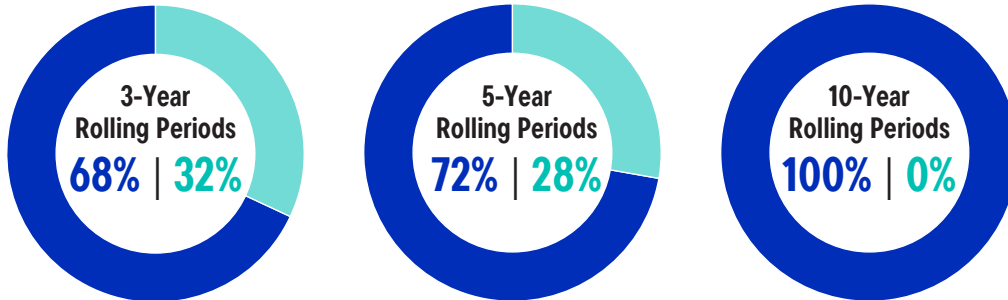
# 5

## A time-tested strategy for investing in innovation

Historical rolling returns vs. peer group and vs. benchmarks

### Rolling Returns: Franklin DynaTech Fund (Class A Shares)–Net of Fees (USD) vs. S&P 500 Index

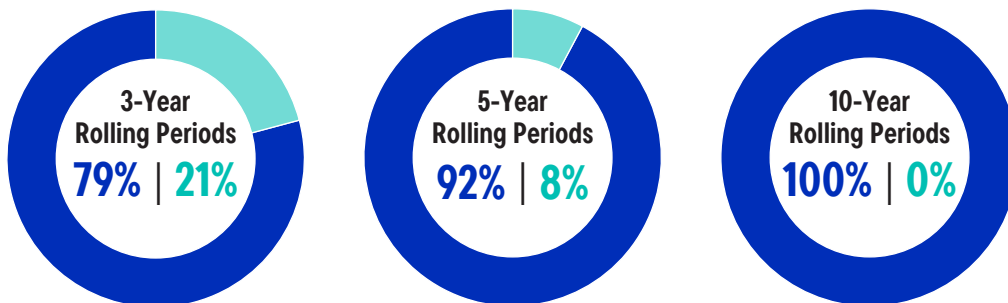
April 1, 2001 through period ended December 31, 2025



■ Outperformed ■ Underperformed

### Rolling Returns: Franklin DynaTech Fund (Class A Shares)–Net of Fees (USD) vs. Morningstar Peer Group<sup>6</sup>

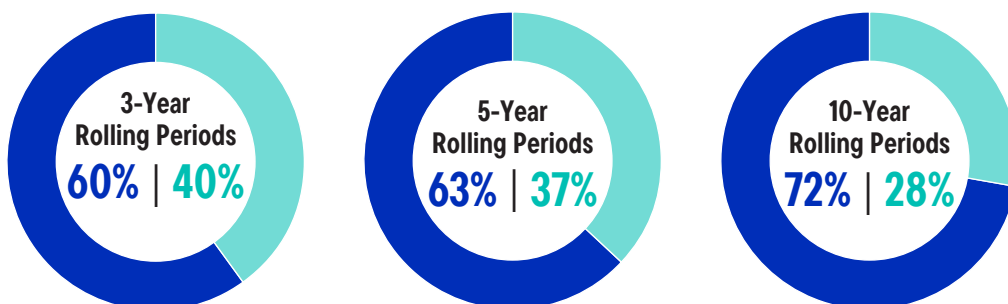
April 1, 2001 through period ended December 31, 2025



■ Outperformed ■ Underperformed

### Rolling Returns: Franklin DynaTech Fund (Class A Shares)–Net of Fees (USD) vs. Russell 1000<sup>®</sup> Growth Index

April 1, 2001 through period ended December 31, 2025



■ Outperformed ■ Underperformed

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6. Large Growth

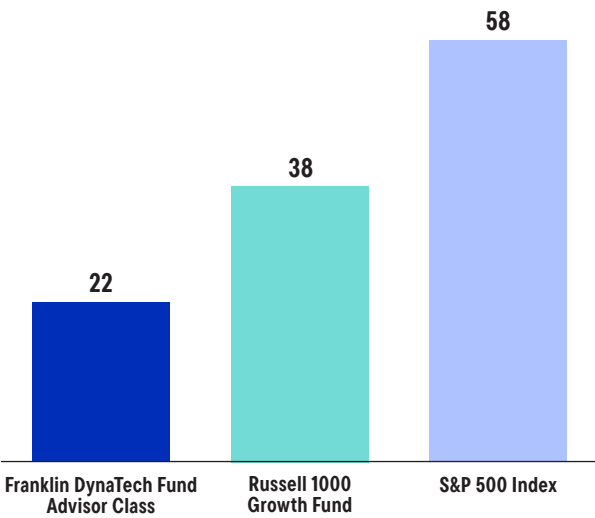
# Fund characteristics

Younger, faster growing and just as profitable

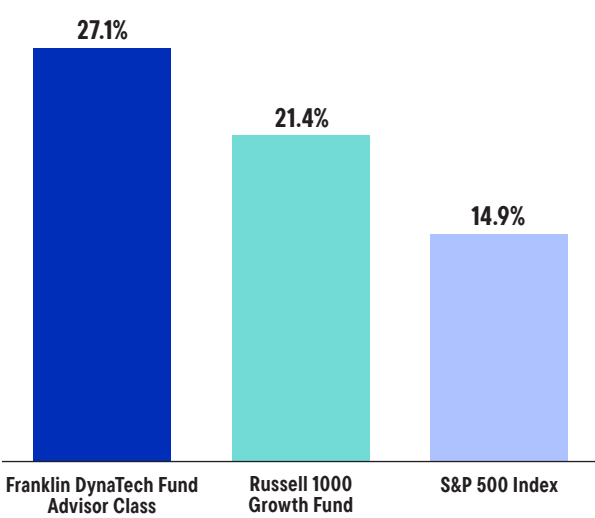
## The fund has strong historical performance relative to its peer group and to the market.

Our process seeks to identify innovative companies with durable growth. To ensure we adhere to this approach, we track three key metrics: the age of the company, the rate of revenue growth and profitability. Our investments typically favor younger, faster-growing companies that are as likely to be profitable as those in the broader market. Selecting for these characteristics helps us find highly innovative companies at the beginning of large S-curves that can make money today. These are the companies we think are most likely to outperform over the long term.

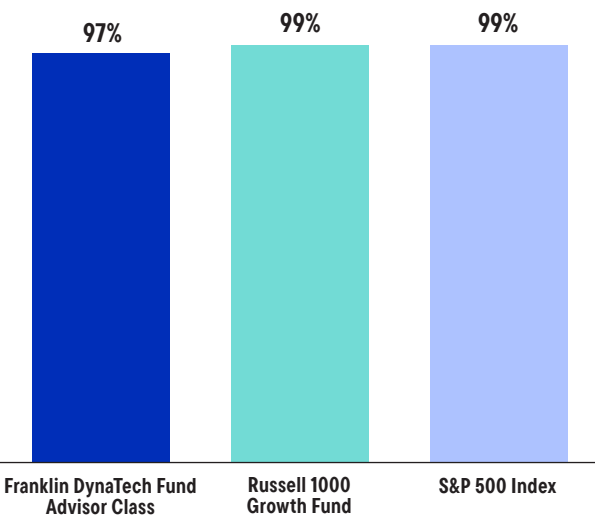
Young (median age)<sup>7</sup>



Fast-Growing (revenue growth)



Profitable<sup>8</sup>



7. Bloomberg.

8. FactSet. Profitability is defined by reporting either positive FCF or positive EPS over the trailing 12 months.



ALGORITHM

PLANNING

WEAK AI

CLOUDWARE

CLUSTER

MULTITENANCY

SECTION  
DECODE+CODE

TECHNOLOGY  
BLOCKCHA

“We don’t just think  
about the future,  
we invest in it.”

Matthew J. Moberg

Lead Portfolio Manager since 2004

Rupert H. Johnson Jr.

Portfolio Manager since 1968

SUMMARY:

Anonymous

MAIN SCREEN  
ROTATION-BALANCE-SPEED

HOSTED APPLICATION

INFRASTRUCTURE AS A SERVICE (IAAS)  
ROTATION-BALANCE-SPEED



CAMERA-

## Franklin DynaTech Fund

### Average Annual Total Returns %

For Periods Ended December 31, 2025

|                            | Without Sales Charge |       |       |       |           | With Sales Charge |       |       |       |           | Inception Date |
|----------------------------|----------------------|-------|-------|-------|-----------|-------------------|-------|-------|-------|-----------|----------------|
|                            | 1-Yr                 | 3-Yr  | 5-Yr  | 10-Yr | Inception | 1-Yr              | 3-Yr  | 5-Yr  | 10-Yr | Inception |                |
| <b>Advisor Class</b>       | 18.76                | 31.05 | 8.74  | 16.98 | 10.34     | 18.76             | 31.05 | 8.74  | 16.98 | 10.34     | 1/1/1968       |
| <b>Class A</b>             | 18.46                | 30.72 | 8.46  | 16.69 | 10.25     | 11.95             | 28.28 | 7.25  | 16.03 | 10.15     | 1/1/1968       |
| Russell 1000® Growth Index | 18.56                | 31.14 | 15.32 | 18.12 | —         | 18.56             | 31.14 | 15.32 | 18.12 | —         | —              |
| S&P 500 Index              | 17.88                | 23.00 | 14.43 | 14.82 | —         | 17.88             | 23.00 | 14.43 | 14.82 | —         | —              |

**Sales Charges:** Advisor Class: none; Class A: Maximum 5.50% initial sales charge.

**Total Annual Operating Expenses:** Advisor Class: 0.58%; Class A: 0.83%. Gross expenses are the fund's total annual operating expenses as of the fund's prospectus available at the time of publication. Net expenses are capped under a contractual agreement, which cannot be terminated prior to 1/31/2026 without Board consent. Actual expenses may be higher and may impact portfolio returns.

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The S&P 500 Index features 500 leading U.S. publicly traded companies, with a primary emphasis on market capitalization.

The Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe.

**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, which is available at [www.franklintempleton.com](http://www.franklintempleton.com). Please read it carefully.**

This analysis and opinions are those of the Franklin DynaTech Fund investment team as of March 31, 2025, and may differ from the opinions of other portfolio managers, investment teams or platforms at Franklin Templeton. Because market and economic conditions are subject to rapid change, the analysis and opinions provided may change without notice. The commentary does not provide a complete analysis of every material fact regarding any country, market, industry or security. An assessment of a particular country, market, security, investment or strategy is not intended as an investment recommendation nor does it constitute investment advice. Statements of fact are from sources considered reliable, but no representation or warranty is made as to their completeness or accuracy.

### 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. 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.



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