FRANKLIN TEMPLETON

Franklin Growth Opportunities SMA

Commentary | as of June 30, 2026

Key Takeaways

- **Markets:** US equities rebounded strongly during the second quarter of 2026, recovering from a weak start to the year as investor confidence improved despite ongoing geopolitical uncertainty. Sentiment was supported by robust corporate earnings, particularly from companies exposed to AI infrastructure, with continued increases in capital expenditure reinforcing confidence that the AI investment cycle remained intact. At its two meetings during the quarter, the US Federal Reserve left interest rates on hold. The easing of Middle East tensions and a decline in oil prices helped alleviate inflation concerns, encouraging a broad recovery in risk assets. The Nasdaq Composite Index outperformed the S&P 500 Index and Dow Jones Industrial Average. By investment style, growth investing surpassed value in each cap segment, while across the overall market, small-cap stocks performed better than their large- and mid-cap counterparts.
- **Contributors:** The fund fared better than its benchmark in the second quarter, with stock selection in the information technology (IT) sector being the overwhelming leading contributor to relative returns. Selection in the consumer staples sector was also additive.
- **Detractors:** Conversely, stock selection in the communication services and industrials sectors, as well as stock selection and an overweight in the health care sector, held back relative performance.
- **Outlook:** Our view on US equities and the US economy remains positive despite heightened geopolitical risks. The US economy is relatively insulated from rising energy prices, but we are monitoring its potential impact on inflation and consumer spending. In an environment where investors should be selective, our focus is on owning high-quality franchises with durable competitive advantages, often supported by secular tailwinds. We expect corporate earnings growth to remain robust into 2027, providing support to valuations and our overall positive market outlook.

Top Equity Issuers (% of Total)

Holding	Portfolio
NVIDIA Corporation	8.72
Apple Inc.	6.83
Alphabet Inc. Class A	6.49
Amazon.com, Inc.	4.27
Broadcom Inc.	3.53
Eli Lilly and Company	3.11
Microsoft Corporation	3.00
Lam Research Corporation	2.81
Amphenol Corporation Class A	2.52
Advanced Micro Devices, Inc.	2.41

Performance Review

- The strategy fared better than the Russell 3000 Growth Index benchmark in the first quarter of 2026 based on pure gross of fees. In the IT sector, Micron Technology was a leading contributor to outperformance. Shares of the memory chipmaker continued to rise sharply during the period as their products are in high demand to support AI applications. The company passed $1 trillion in market capitalization during the quarter, supported by long-term chip supply agreements with their customers.
- Also in IT, Dell Technologies helped lift relative returns. Dell's AI-optimized server business is up over 300% year-over-year, and new AI-related products unveiled at Dell Technologies World 2026 kept investor sentiment high.
- In contrast, in health care, shares of McKesson, a pharmaceutical distributor, declined following a robust run. Analysts softened estimates early in the period amid concerns around drug pricing and potential margin pressures.

Outlook

- Overall, our view on US equities remains positive despite heightened geopolitical risks. The US economy is relatively insulated from rising energy prices, but we are monitoring its potential impact on inflation and consumer spending. In an environment where investors should be selective, our focus is on owning high-quality franchises with durable competitive advantages, often supported by secular tailwinds.
- US economic growth and year-to-date market performance has been supported by strong profit margins and corporate earnings growth. We expect earnings growth to remain robust through year-end providing support to valuations and the overall market.
- We are closely monitoring the evolving conflict in Iran. While hostilities appear to have settled, the Strait of Hormuz remains a key variable, with any significant disruption to energy supplies potentially impacting the global growth and inflation outlook. We have limited direct exposure to the energy sector but are monitoring how a sustained rise in energy prices could impact the portfolio and impact the broader US economy.
- The US 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 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.

Not FDIC Insured | No Bank Guarantee | May Lose Value

Average annual total returns (%) - as of June 30, 2026-PRELIMINARY

Composite	3-Mo*	6-Mo*	YTD*	1-Yr	3-Yr	5-Yr	10-Yr	15-Yr	20-Yr	25-Yr	Inception	Inception Date
Net of Fees	19.65	8.01	8.01	7.45	14.89	4.06	11.88	—	—	—	9.69	6/30/2015
Pure Gross of Fees	20.48	9.61	9.61	10.66	18.30	7.17	15.20	—	—	—	12.96	6/30/2015
Benchmark	17.05	5.88	5.88	18.24	22.26	13.17	18.13	—	—	—	16.55	—

*Cumulative total returns

Benchmark(s)

Benchmark =Russell 3000 Growth Index

The strategy returns shown are preliminary composite returns, subject to future revision (downward or upward).

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To obtain specific information on available products and services or a GIPS Report, contact your Franklin Templeton separately managed account sales team at (800) DIAL BEN/342-5236.
Past performance is not a guarantee of future results. An investment in this strategy can lose value. Please visit www.franklintempleton.com for the latest performance figures. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Fees: Periods less than one year are not annualized. Performance results are for the composite which includes all actual, fully discretionary accounts with substantially similar investment policies and objectives managed to the composite's investment strategy. Composite returns are stated in U.S. dollars and assume reinvestment of any dividends, interest income, capital gains, or other earnings. The composite may include account(s) that are gross of fees and pure gross of fees. "Pure" gross-of-fee returns do not reflect the deduction of any expenses, including transaction costs. A traditional (or "true") gross-of-fee return reflects performance after the reduction of transaction costs but before the reduction of the investment advisory fee. The gross-of-fee return may include a blend of "true" gross-of-fee returns for non-wrap accounts and "pure" gross-of-fee returns for wrap accounts. Net-of-fee returns is reduced by a model "wrap fee" (3.0% is the maximum anticipated wrap fee for equity and balanced portfolios) which includes trading expenses as well as investment management, administrative and custodial fees. The model wrap fee used represents the highest anticipated wrap fee applicable to the strategy. Actual fees and account minimums may vary.
For fee schedules, contact your financial professional, or if you enter into an agreement directly with Franklin Templeton Private Portfolio Group, LLC ("FTPPG"), refer to FTPPG's Form ADV Part 2A disclosure document. Management and performance of individual accounts may vary for reasons that include the existence of different implementation practices and model requirements in different investment programs.

What are the Risks?

All investments involve risks, including 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. **Equity securities** are subject to price fluctuation and possible loss of principal. The **investment style** may become out of favor, which may have a negative impact on performance. **Active management** does not ensure gains or protect against market declines. **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.

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.

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.

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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.

Source: FTSE.

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