FRANKLIN TEMPLETON

Franklin Growth Opportunities SMA

Commentary | as of September 30, 2026

Key Takeaways

- **Markets:** US equities rose in the third quarter, with market leadership shifting from large-cap growth and semiconductor stocks towards value shares before reversing in September. Strong corporate earnings supported sentiment, although market breadth narrowed and small-cap stocks weakened late in the period.
- **Detractors:** Allocation decisions weighed on relative returns during the quarter, particularly an overweight allocation to the industrials sector. Stock selection in the information technology (IT) sector was a leading detractor.
- **Contributors:** Stock selection was beneficial during the quarter. Selection in the health care and consumer discretionary sectors contributed to performance.
- **Outlook:** Our view on US equities and the US economy remains positive despite rising rates and 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. The current environment remains attractive for active managers with market dispersion increasing, but as investors we remain selective, staying disciplined in our focus on owning high-quality franchises with durable competitive advantages, often supported by secular tailwinds and strong balance sheets. We expect corporate earnings growth along with broader economic 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	10.33
Alphabet Inc. Class A	6.53
Apple Inc.	6.15
Microsoft Corporation	5.07
Amazon.com, Inc.	4.47
Advanced Micro Devices, Inc.	3.66
Meta Platforms Inc Class A	3.58
Broadcom Inc.	3.10
Eli Lilly and Company	2.71
Micron Technology, Inc.	2.49

Performance Review

- The strategy (pure gross of fees) underperformed the Russell 3000 Growth Index benchmark in the third quarter of 2026. An underweight in US-based semiconductor firm NVIDIA detracted from relative performance. Its stock outperformed as demand for AI infrastructure remained exceptionally strong. Investors responded positively to continued hyperscaler spending, robust data-center growth, strong profitability and confidence that the company's Blackwell platform and evolving AI product roadmap would support continued earnings growth. NVIDIA remains our top position in the strategy but underweight the highly concentrated benchmark indexes.
- An underweight in software and cloud services provider Microsoft held back relative returns. Its stock outperformed as accelerating Azure cloud growth, rising AI adoption and strong Copilot uptake demonstrated increasing monetization of its AI investments. Better-than-expected earnings, expanding cloud demand and growing confidence in the profitability of its AI strategy led investors to reassess the company's growth prospects favorably.
- Natera, a genetic testing and molecular diagnostics company, aided relative returns as the company reported strong second-quarter earnings. Higher revenues were driven by increased testing volumes and improved pricing. The company raised its full-year revenue forecast, reflecting continued momentum across its genetic testing business.

Outlook

- Overall, our view on US equities remains positive despite heightened geopolitical risks and rising rates. The US economy is relatively insulated from rising energy and commodity 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 in the technology sector. 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 artificial intelligence, and automation, which are now producing measurable productivity gains not only in the information technology 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 September 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	-0.93	18.53	7.01	3.21	16.04	3.80	11.11	—	—	—	9.37	6/30/2015
Pure Gross of Fees	-0.19	20.25	9.39	6.30	19.49	6.91	14.42	—	—	—	12.64	6/30/2015
Benchmark	0.45	17.58	6.36	7.58	23.84	13.11	17.62	—	—	—	16.20	—

*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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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.
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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.

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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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