Franklin Growth Fund

Advisor Class: FCGAX Class A: FKGRX | **Commentary | as of March 31, 2025**

Key Takeaways

- **Markets:** US equities experienced heightened volatility during the first quarter of 2025 amid concerns about President Donald Trump's tariff policies and their impact on economic growth, inflation and the US Federal Reserve's interest-rate path, with some investors fearing a potential recession or stagflation (economic stagnation and high inflation). Underwhelming earnings reports and guidance from some companies and significantly lower consumer confidence also hindered sentiment. US stocks collectively declined in the first quarter, with the S&P 500 Index, Dow Jones Industrial Average and NASDAQ Composite Index ending with losses. Small-capitalization stocks struggled over the quarter, followed by large- and mid-cap equities. In all three market-cap tiers, value stocks performed better than growth, with large-cap value stocks ending modestly positive.
- **Contributors:** The combination of an overweight and stock selection in the industrials sector was a leading contributor to relative returns. Our overweight in the aerospace and defense industry proved positive for performance. Stock selection and an underweight in the consumer discretionary sector also added to relative results. A lack of exposure to the automobiles industry, which faces tariff constraints, limited our losses relative to the benchmark. Stock selection and an overweight in the materials sector also benefited relative performance.
- **Detractors:** Stock selection and allocation decisions worked against us, resulting in the fund's underperformance versus the benchmark. An overweight in the information technology (IT) sector, which is our largest area of investment, was a significant relative detractor, as the sector was pressured by investor pessimism about valuations and the potential impact of tariffs. A lack of exposure to the energy sector, which benefited from defensive moves by many investors, proved adverse. Stock selection in the health care and communication services sectors also produced negative relative returns.
- **Outlook:** We expect the equity market to remain volatile as tariffs and policy information unfold. For longer-term, patient investors, we think there are reasons for optimism. We believe that no matter what comes, innovators can find new ways to create value in a changing world. We are finding what we consider to be high-quality companies on sale today that we believe are resilient to tariff and recessionary environments and have excellent long-term prospects.

Performance Review

- The fund underperformed its S&P 500 Index benchmark in the first quarter of 2025. Investor concerns about tariffs and their potential impact on inflation weighed on many technology stocks during period. In the IT sector, software industry holding ServiceNow declined amid worsening market conditions. The shares of the automation software provider were also pressured by the company's announcement to acquire a privately held artificial intelligence (AI) developer.
- In contrast, a favorable underweight in Broadcom in the IT sector helped relative performance as tariff worries weighed on the shares of the semiconductor company.
- In the health care sector, the shares of drug delivery company West Pharmaceutical Services have declined thus far in 2025, primarily due to disappointing future guidance and weak performance in key business segments.

Outlook

- Recent equity market volatility is not surprising given the uncertainty about tariffs and their potential impact on the economy. As clarity emerges, we are likely to learn more about the new presidential administration's investor-friendly policies, such as deregulation and tax cuts, which should help improve investor sentiment, in our view.
- In broad terms, consumers continue to spend, employment is still stable, corporate earnings remain fairly steady, and we are on the cusp of an innovation-led business cycle driven by AI and factory reshoring (i.e., moving production back to the company's home country). While the Magnificent Seven group of US mega-capitalization technology-related stocks played a key role in 2024's equity market rally, we see growing opportunities beyond these market leaders.
- As bottom-up fundamental investors, our focus is on analyzing individual companies rather than broader market trends or economic cycles. We invest in sectors that, in our analysis, deliver consistent, sustainable earnings growth and are backed by potentially sustainable secular growth tailwinds, such as IT with its advancements in AI. We believe the health care sector can be one of the biggest beneficiaries of innovation, whether it is AI applications or new drug discoveries. We are also paying attention to the industrials sector as the United States undergoes an industrial renaissance with companies reshoring their production and new technology making factories more competitive on a world-class basis.
- Our strategy is designed to address both upward and downward market cycles, which are historically not unusual in equity markets. A diversified approach helps us participate in both ongoing market strength and anticipated rotation in market leadership. We invest in what we regard as great businesses positioned to potentially benefit from secular growth over a long-term horizon.

Top Equity Issuers (% of Total)

Holding	Fund
MICROSOFT CORP	6.09
NVIDIA CORP	5.80
AMAZON.COM INC	4.46
ALPHABET INC	3.84
APPLE INC	3.12
MASTERCARD INC	3.12
INTUITIVE SURGICAL INC	2.10
SERVICENOW INC	2.09
AMPHENOL CORP	1.98
UNION PACIFIC CORP	1.93

Sector Allocation (% of Total)

Sector	Fund
Information Technology	34.90
Industrials	17.45
Health Care	15.18
Financials	10.87
Consumer Discretionary	6.85
Communication Services	5.24
Materials	4.48
Consumer Staples	2.98
Other	1.62
Cash & Cash Equivalents	0.43

Average annual total returns and fund expenses (%)

			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	353496839	FCGAX	-5.74	-5.74	0.43	5.92	15.33	11.62	10.54	-5.74	-5.74	0.43	5.92	15.33	11.62	10.54	0.54	0.54	—	—	3/31/1948
Class A	353496508	FKGRX	-5.80	-5.80	0.19	5.66	15.04	11.34	10.43	-10.98	-10.98	-5.32	3.69	13.75	10.71	10.34	0.79	0.79	5.50	—	3/31/1948
Benchmark 1	—	—	-4.27	-4.27	8.25	9.06	18.59	12.50	—	-4.27	-4.27	8.25	9.06	18.59	12.50	—	—	—	—	—	—
Benchmark 2	—	—	-9.97	-9.97	7.76	10.10	20.09	15.12	—	-9.97	-9.97	7.76	10.10	20.09	15.12	—	—	—	—	—	—

Benchmark(s)

Benchmark 1=S&P 500 Index

Benchmark 2=Russell 1000 Growth Index

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.*
The fund began offering Advisor Class shares on 12/31/1996. Performance quotations have been calculated as follows: (a) for Advisor Class periods prior to 12/31/1996, a restated figure is used based on the fund's Class A performance. The performance was adjusted to take into account differences in class-specific operating expenses and maximum sales charges. (b) For periods after share class offering, performance for the specific share class is used, reflecting the expenses and maximum sales charges applicable to that class.
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 01/31/2026 without Board consent. Actual expenses may be higher and may impact portfolio returns.

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. **Small- and mid-cap stocks** involve greater risks and volatility than large-cap stocks. 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**. 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

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.

The **Magnificent Seven** stocks are Apple, Amazon, Alphabet, Meta Platforms, Microsoft, Nvidia, and Tesla.

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.

Stagflation is a seemingly contradictory condition described by slow economic growth and relatively high unemployment, or economic stagnation, which is at the same time accompanied by rising prices (i.e. inflation).

Stagnation is a prolonged period of little or no growth in an economy.

Important Information

Effective February 1, 2023, the Russell 1000 Growth Index was added as an additional benchmark for the fund.

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

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

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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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