FRANKLIN TEMPLETON

Franklin Growth Opportunities Fund

Advisor Class: FRAAX Class A: FGRAX | **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:** Allocation decisions factored intohelped the fund's perform better than the Russell 3000 Growth Index outperformance relative to the benchmark. Stock selection in the communication services sector was a leading driver of positive relative returns. The fund also benefited from stock selection and an underweight in the consumer discretionary sector, an overweight in the industrials sector and stock selection and an overweighting in the materials sector.
- **Detractors:** The fund's relative performance was hurt most by stock selection and an underweight in the consumer staples sector followed by stock selection in the health care and financials sectors.
- **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 in tariff and recessionary environments and have excellent long-term prospects.

Performance Review

- The fund fared better than the Russell 3000 Growth Index benchmark in the first quarter of 2025. In the consumer discretionary sector, an underweight in electric carmaker Tesla proved beneficial as the company's sales and brand have been under pressure, weighing on its stock.
- In the industrials sector, an off-benchmark exposure to Republic Services delivered solid relative performance. The waste management provider is part of a rapidly expanding industry and continues to see consistent demand for its services. We believe the company's resilient business model and investments in green initiatives, such as landfill gas-to-energy projects and fleet electrification, should add to long-term revenue growth.
- In contrast, in the consumer staples sector, pet food company Freshpet issued fourth-quarter 2024 financial results that missed consensus estimates, causing its stock to decline. We believe Freshpet has a superior product portfolio, offers a great consumer value proposition and enjoys several distinct competitive advantages. While the company reported a modest top-line growth deceleration, the quarter included strong volume trends and a significant profit-margin upside following continued operational and cost management improvements.

Outlook

- While markets were under pressure during the quarter, the sharp increase in equity market volatility in April has surprised many investors. Market volatility is not surprising given the absolute levels of announced US tariffs, ongoing uncertainty about potential trade negotiations, and the potential impact on the US and global economiesy. We expect to see continued market volatility in the coming months as clarity emerges from the Trump administration and financial markets settle into a new baseline for global trade. Looking forward, we are expecting to learn more about the administration's investor-friendly policies, such as increased domestic investment, deregulation and tax cuts, which should help improve investor sentiment, in our view.
- In broad terms, consumers continue to spend, employment is still stable and corporate earnings expectations remain moderately positive for 2025. Lost in much of the tariff and trade noise is the view that we are on the cusp of an innovation-led business cycle driven by artificial intelligence (AI) and factory reshoring (i.e., moving production back to the company's home country).
- As bottom-up fundamental investors, our focus remains on industries and companies that, in our analysis, can deliver consistent, sustainable earnings growth throughout the economic cycle and are backed by sustainable secular growth tailwinds, such as information technologyIT 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 anticipate 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
META PLATFORMS INC	6.85
AMAZON.COM INC	6.30
NVIDIA CORP	5.96
APPLE INC	5.70
MICROSOFT CORP	4.56
MASTERCARD INC	3.74
ELI LILLY & CO	3.51
BROADCOM INC	2.67
NETFLIX INC	2.49
AXON ENTERPRISE INC	2.40

Sector Allocation (% of Total)

Sector	Fund
Information Technology	35.47
Communication Services	14.32
Consumer Discretionary	12.69
Health Care	12.09
Industrials	11.31
Financials	7.30
Consumer Staples	2.55
Materials	2.44
Real Estate	0.66
Cash & Cash Equivalents	1.17

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	354713729	FRAAX	-9.59	-9.59	0.28	5.19	14.66	11.08	10.05	-9.59	-9.59	0.28	5.19	14.66	11.08	10.05	0.66	0.66	—	—	6/23/1999
Class A	354713687	FGRAX	-9.63	-9.63	0.02	4.92	14.38	10.80	9.74	-14.61	-14.61	-5.47	2.96	13.09	10.18	9.50	0.91	0.91	5.50	—	6/23/1999
Benchmark 1	—	—	-10.00	-10.00	7.18	9.63	19.57	14.55	—	-10.00	-10.00	7.18	9.63	19.57	14.55	—	—	—	—	—	—
Benchmark 2	—	—	-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(s)

Benchmark 1=Russell 3000 Growth Index

Benchmark 2=S&P 500 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 6/23/1999. Performance quotations have been calculated as follows: (a) for Advisor Class periods prior to 6/23/1999, 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.
The total annual operating expenses are as of the fund's prospectus available at the time of publication. Actual expenses may be higher and may impact portfolio returns.

What are the Risks?

All investments involve risks, including possible loss of principal. The **investment style** may become out of favor, which may have a negative impact on performance. 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.

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.

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

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 **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. 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 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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