

Franklin Global Allocation Fund

Advisor Class: FFAAX Class A: FFALX

Commentary | as of March 31, 2025

Key Takeaways

- **Markets:** After starting 2025 on a strong note, global equities collectively declined during the first quarter due to investor concerns about US economic growth, US President Donald Trump's trade policy and a broadening trade war. On the economic front, global manufacturing activity expanded in March for the third consecutive month, and flash reports for March showed that global services activity continued to grow in several regions during the quarter. Global aggregate bond indexes gained in US-dollar terms in the first quarter. US bonds fared better than the broader market, although pan-European bonds were the quarter's best performers.
- **Contributors:** Sector allocation and stock selection added relative value, with the largest contribution from the healthcare and financials sectors. An overweight and stock selection in consumer staples also contributed on a relative basis.
- **Detractors:** An underweight position and selection in industrials held back relative results, as did an overweight position and selection in materials. An underweight to utilities also detracted.
- **Outlook:** While we preserve our appetite for equities, the way we have chosen to express this from a regional perspective has changed. The new US administration's "America First" narrative has prompted economies in other global regions, most notably Europe, to stimulate their own economies with wide-ranging fiscal spending initiatives. This proactive approach has shifted the narrative away from US exceptionalism and fueled rising share prices and improved earnings estimates elsewhere.

Performance Review

- Over the quarter, Franklin Global Allocation Fund proved more resilient than its benchmark.
- Within healthcare, research-based biopharmaceutical company Abbvie was the largest relative contributor. The company reported stronger than expected fourth-quarter and full-year 2024 results. In addition, the company anticipates earnings per share growth in 2025, and markets anticipate that sales of its newer immunology drugs, Skyrizi and Rinvoq, could help deliver better-than-expected earnings growth.
- Within financials, Italian multinational banking group UniCredit was a leading contributor to relative results. Italy's second largest lender outperformed expectations in the fourth quarter. The bank anticipated that full-year 2025 fees will increase by a mid-single digit percentage point from the previous year.
- Within consumer staples, U.S. tobacco company, Altria, was a key contributor. Altria dominates the cigarette market, and its profits are solid. In January, the company became the dividend leader in the S&P 500 Index.

Outlook

- March was a volatile month for equity markets, as US policy announcements took a toll on investor sentiment. Optimism around growth gave way to concerns about the inflationary impact of tariffs, particularly in the United States, where extended valuations increased uncertainty.
- Leading indicators (LEIs) of global growth appear to be resilient, although we have seen a slight convergence, as US indicators deteriorate, and non-US LEIs remain buoyant. The geographic breadth of positivity in this analysis can be healthy for international risk assets, particularly when taken together with broader macro considerations such as, European fiscal stimulus.
- There is enough uncertainty in markets at present for us to make a good case for a neutral approach to risk until the outlook becomes clearer. The macro backdrop has weakened but, so far, remains resilient. Sentiment and positioning indicators have started to approach negative territory, but it is possible more bad news still needs to be priced in if the tariff war escalates. For now, we retain a slight "risk-on" tilt to our cross-asset positioning.
- While we preserve our appetite for equities, the way we have chosen to express this from a regional perspective has changed. The new US administration's "America First" narrative has prompted economies in other global regions, most notably Europe, to stimulate their own economies with wide-ranging fiscal spending initiatives. This proactive approach has shifted the narrative away from US exceptionalism and fueled rising share prices and improved earnings estimates elsewhere.
- Turning to fixed income, we remain slightly underweight duration in the portfolio. Diversification opportunities exist in government bond holdings in the eurozone, Canada and the United Kingdom given weaker economic outlooks and lower potential inflationary impact from tariffs. US duration is being pushed and pulled by less supportive rhetoric from the Fed amid growing concerns about the inflationary impact of tariffs and the possibility of slower growth.
- Credit has remained resilient in the face of heightened uncertainty, drawing strength from solid US growth, employment and inflation data. However, spreads have widened in March in response to elevated market volatility and policy uncertainty. Corporate fundamentals appear robust, amid stable profit margins and acceptable earnings growth, but financial conditions have deteriorated, as demonstrated by higher debt-to-enterprise levels and greater price dispersion.
- Despite increased uncertainty, our broadly positive view of credit risk encourages us to retain our preference for high-yield debt, where the excess return over US Treasuries is enough, in our view, to offset the risk of further spread widening over the medium-term. US high-yield issues are generally more domestically oriented, providing some shielding from volatility tied to Trump's "America First" agenda. We remain underweight emerging markets debt, given spreads look tight against a background of weak growth and tariff threats. Slowing disinflation foreshadows shallower easing cycles, contributing to slower growth in some emerging regions, but a weaker US dollar should provide support to local-currency issues.

Morningstar Rating™

Overall Rating as of March 31, 2025



(4-Star) Advisor Class



(4-Star) Class A

As of 03/31/2025 the fund's Advisor Class and Class A shares received a 4 star overall Morningstar rating™, measuring risk-adjusted returns against 336, 320 and 243 Global Allocation funds over the 3-, 5- and 10- year periods, respectively. A fund's overall rating is derived from a weighted average of the performance figures associated with its 3-, 5- and 10-year (if applicable) rating metrics.

Top Holdings (% of Total)

Issuer	Fund
UNITED STATES TREASURY NOTE/BOND	6.93
BUNDESREPUBLIK DEUTSCHLAND BUNDESANLEIHE	4.46
APPLE INC	3.22
UNITED KINGDOM GILT	2.49
NVIDIA CORP	2.33
FRANKLIN SYSTEMATIC STYLE PREMIA ETF	2.07
ABBVIE INC	1.99
MICROSOFT CORP	1.87
JOHNSON & JOHNSON	1.82
CANADIAN GOVERNMENT BOND	1.76

Sector Allocation (Equity as a % of Total)

Sector	Fund
Information Technology	14.90
Financials	12.94
Consumer Discretionary	8.09
Health Care	7.55
Industrials	5.32
Communication Services	5.28
Consumer Staples	4.60
Energy	3.11
Materials	2.24
Other	1.25

Average annual total returns and fund expenses (%)

Class	CUSIP	Ticker	Without Sales Charge							With Maximum Sales Charge							Expenses		Sales Charges		Inception Date
			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	
Advisor Class	35472P794	FFAAX	0.06	0.06	5.85	5.13	10.74	4.94	6.25	0.06	0.06	5.85	5.13	10.74	4.94	6.25	0.75	0.72	—	—	8/15/2003
Class A	35472P844	FFALX	0.00	0.00	5.63	4.89	10.46	4.69	5.97	-5.50	-5.50	-0.17	2.92	9.22	4.09	5.69	1.00	0.97	5.50	—	8/15/2003
Benchmark 1	—	—	-0.32	-0.32	6.29	5.28	9.61	6.31	—	-0.32	-0.32	6.29	5.28	9.61	6.31	—	—	—	—	—	
Benchmark 2	—	—	-1.32	-1.32	7.15	6.91	15.18	8.84	—	-1.32	-1.32	7.15	6.91	15.18	8.84	—	—	—	—	—	

Benchmark(s)

Benchmark 1=Blended Benchmark

Benchmark 2=MSCI All Country World Index-NR

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.

Gross expenses are the fund's total annual operating expenses as of the fund's prospectus available at the time of publication. Actual expenses may be higher and may impact portfolio returns. Net expenses reflect contractual fee waivers, expense caps and/or reimbursements, which cannot be terminated prior to 04/30/2025 without Board consent. Additional amounts may be voluntarily waived and/or reimbursed and may be modified or discontinued at any time without notice.

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. **Fixed income securities** involve interest rate, credit, inflation and reinvestment risks, and possible loss of principal. As interest rates rise, the value of fixed income securities falls. **Low-rated, high-yield bonds** are subject to greater price volatility, illiquidity and possibility of default. 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**. To the extent the portfolio invests in a concentration of **certain securities, regions or industries**, it is subject to increased volatility. To the extent the fund invests in **alternative strategies**, it may be exposed to potentially significant fluctuations in value. 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

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 Information

Effective May 1, 2024, the fund changed the fixed income component of its Blended Benchmark to the Bloomberg Multiverse (100% hedged to USD) Index. Effective February 1, 2021, the fund modified its principal investment goal and strategies.

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 **Blended Benchmark** consists of 60% MSCI All Country World Index-NR, 30% Bloomberg Multiverse (100% hedged to USD) Index and 10% cash and cash equivalents. MSCI All Country World Index is a market capitalization-weighted index designed to measure the equity market performance of developed and emerging markets. The **Bloomberg Multiverse (100% hedged to USD) Index** provides a broad-based measure of the global fixed income bond market. Source: MSCI makes no warranties and shall have no liability with respect to any MSCI data reproduced herein. No further redistribution or use is permitted. This report is not prepared or endorsed by MSCI. Bloomberg Indices. The **MSCI All Country World Index** is a market capitalization-weighted index that is designed to measure equity market performance of developed and emerging markets. Source: MSCI makes no warranties and shall have no liability with respect to any MSCI data reproduced herein. No further redistribution or use is permitted. This report is not prepared or endorsed by MSCI. Net Returns (NR) include income net of tax withholding when dividends are paid.

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

Morningstar Rating™. Source: Morningstar®, 03/31/2025. For each mutual fund and ETF with at least a 3-year history, Morningstar calculates a Morningstar Rating™ based on how a fund ranks on a Morningstar Risk-Adjusted Return measure against other funds in the same category. This measure takes into account variations in a fund's monthly performance, and does not take into account the effects of sales charges and loads, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. The weights are: 100% 3-year rating for 36-59 months of total returns, 60% 5-year rating/40% 3-year rating for 60-119 months of total returns, and 50% 10-year rating/30% 5-year rating/20% 3-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent 3-year period actually has the greatest impact because it is included in all three rating periods. The fund's Class A shares received a Morningstar Rating of 4, 4 and 3 and fund's Advisor Class shares received a Morningstar Rating of 4, 4 and 3 star(s) for the 3-, 5- and 10-year periods, respectively. Franklin Templeton provides this fund's Morningstar Rating™ for Class A and Advisor Class shares only. Other share classes may have different Morningstar ratings.

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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.