FRANKLIN TEMPLETON

TIF International Equity Series

Primary Shares: TFEQX Service Shares: TFESX | **Commentary | as of June 30, 2026**

Key Takeaways

- **Markets:** Global equities rebounded strongly in the second quarter of 2026, reversing the weakness seen at the end of the first quarter as markets recovered from the March energy shock.
- **Detractors:** The fund underperformed its benchmark, the MSCI All Country World ex-US Index-NR, for the quarter, primarily due to stock selection in the consumer discretionary and energy sectors and an underweight in the information technology sector.
- **Contributors:** Holdings in the materials, communication services and financials sectors contributed to relative performance in the second quarter of 2026.
- **Outlook:** We continue to see opportunities in health care, financials, particularly non-bank financials, defense, utilities and high-quality companies that have been overlooked during the AI-led rally.

Performance Review

- Global equities rebounded strongly in the second quarter of 2026, reversing the weakness seen at the end of the first quarter as markets recovered from the March energy shock. The quarter was shaped initially by the partial unwinding of that shock, with periods of ceasefire optimism and then the signing of a memorandum of understanding between the United States and Iran helping to ease fears around the Strait of Hormuz, lower oil prices and restore risk appetite. Regional performance still diverged, with Asia Pacific emerging as the strongest major region, the United States also delivering a powerful recovery, and Europe lagging as its greater sensitivity to energy prices and weaker macro data continued to weigh on sentiment.
- The fund underperformed its benchmark, the MSCI All Country World ex-US Index-NR, for the quarter, primarily due to stock selection in the consumer discretionary and energy sectors and an underweight in the information technology sector.
- BP, the UK-based integrated oil and gas major, was the top stock detractor for the quarter as shares were pressured by weaker oil prices and renewed governance concerns. The stock was volatile in April as partial de-escalation in the Middle East reduced the geopolitical risk premium in crude, before falling more sharply in May following the abrupt removal of chairman Albert Manifold amid conduct and governance-related allegations. We view this as a negative development for a company that has already faced governance scrutiny, although it does not change the longer-term investment case. The stock continues to offer shareholder value potential as strategic initiatives, cost discipline and solid free cash flow support long-term earnings delivery.
- Holdings in the consumer staples, materials and industrials sectors contributed to relative performance for the quarter.
- German power semiconductor manufacturer Infineon was a top contributor as earnings expectations rose further on its potential role in AI data-center power infrastructure. The company's results were broadly in line with expectations, but investors responded positively to management's confident guidance around several emerging growth areas that should benefit the business. A key focus remains distributed power for artificial intelligence data centers. As AI workloads increase the power intensity of servers and supporting infrastructure, data centers require more sophisticated chips to convert, control and distribute electricity efficiently across the facility. This plays directly to Infineon's strength in power semiconductors. The shares had already performed strongly in April, helped by similar optimism and supportive results from peers, but the May update gave investors further confidence that AI-related demand can become a meaningful medium-term earnings driver. We continue to view Infineon as well positioned to benefit from structural electrification and power-efficiency trends.
- Regionally, stock selection in the United Kingdom was the largest detractor. Stock selection and an underweight in Canada contributed to relative results.

Outlook

- We believe the portfolio is well positioned if market leadership continues to broaden beyond AI. Further progress on Iran would be particularly helpful for aerospace but should also support rate-sensitive and cyclical holdings that would benefit from improved macro conditions and lower inflation pressure. We continue to see opportunities in health care, financials, particularly non-bank financials, defense, utilities and high-quality companies that have been overlooked during the AI-led rally. While we remain believers in the long-term AI growth story, we think parts of the trade need time to digest recent gains, and that better returns may increasingly be available elsewhere. We retain full confidence in our investment process and believe the portfolio is well placed for an improved second half.

Top Equity Issuers (% of Total)

Holding	Fund
SAMSUNG ELECTRONICS CO LTD	6.39
TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD	4.58
ASTRAZENECA PLC	3.99
ING GROEP NV	2.87
SSE PLC	2.87
INFINEON TECHNOLOGIES AG	2.87
ADIDAS AG	2.72
BP PLC	2.62
ROYAL BANK OF CANADA	2.55
STANDARD CHARTERED PLC	2.53

Not FDIC Insured | No Bank Guarantee | May Lose Value

Average annual total returns and fund expenses (%) - as of June 30, 2026

Class	CUSIP	Ticker	3-Mo*	6-Mo*	YTD*	1-Yr	3-Yr	5-Yr	10-Yr	Inception	Gross Expenses	Net Expenses	Inception Date
Primary Shares	880210505	TFEQX	9.35	15.20	15.20	24.97	21.34	12.19	9.91	8.11	1.21	1.17	10/18/1990
Service Shares	880210869	TFESX	9.22	14.91	14.91	24.70	21.12	12.02	9.74	5.64	1.45	1.41	9/18/2006
Benchmark 1	—	—	14.49	13.68	13.68	27.66	18.81	8.79	9.93	—	—	—	—
Benchmark 2	—	—	10.82	9.44	9.44	20.23	16.44	9.05	9.66	—	—	—	—

*Cumulative total returns

Benchmark(s)

Benchmark 1=MSCI All Country World ex US Index-NR

Benchmark 2=MSCI EAFE 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 04/30/2027 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. 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 fund invests in companies in a specific **country or region**, the fund may experience greater volatility than a fund that is more broadly diversified geographically. The **investment style** may become out of favor, which may have a negative impact on performance. 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

Free cash flow (FCF) is a measure of financial performance calculated as operating cash flow minus capital expenditures.

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 **MSCI All Country World Index ex US (MSCI ACWI Index ex US)** is a market capitalization-weighted index designed to measure equity market performance of developed and emerging markets, excluding the U.S. The **MSCI EAFE Index** is a free float-adjusted market capitalization-weighted index designed to measure developed market equity performance, excluding the U.S. and Canada.

Net Returns (NR) include income net of tax withholding when dividends are paid. 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.

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

Holdings are provided for informational purposes only and should not be construed as a recommendation to purchase or sell any security.

Franklin Distributors, LLC. Member FINRA/SIPC.

© Franklin Templeton. All rights reserved.

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.

FRANKLIN TEMPLETON