

Templeton Emerging Markets Income Fund

Commentary | as of September 30, 2025

Key Takeaways

- Markets: Tariffs and trade policy continued to dominate much of the news cycle during the third quarter of 2025. The United States announced trade deals with some major trading partners, but there were also moves toward a number of trade agreements that excluded the United States. The US dollar (USD) exhibited mixed performance during the period, edging higher on average but still ending the quarter below end-2024 levels. Inflation outcomes were mixed over the period, with trends in developed markets somewhat higher, while emerging markets saw sideways-to-lower moves. Global monetary policy remained in an easing cycle, with developed markets cautiously easing, while a number of emerging markets are further along in their cutting paths. The US Federal Reserve resumed its rate-cutting cycle, reducing the federal funds rate target range (for the first time this year) by 25 basis points (bps) to 4.00%-4.25%. Most developed market bond yields rose over the period, but the 10-year US Treasury note's yield fell by eight bps to end the quarter at 4.15%. Emerging markets bond yields delivered mixed results, with several regions showing improved performance.
- Contributors: Overall credit exposures contributed to absolute fund performance for the quarter, as did interest-rate strategies and currency positions.
- Detractors: Positions in the Indian rupee, Kazakhstani tenge and Ghanaian cedi detracted from absolute fund results during the period.
- Outlook: While we expect global growth to be weaker than we had anticipated prior to the imposition of tariffs, we believe a recession should largely be avoided.

Performance Review

- Credit: Emerging market debt indexes were stronger during the period. Select subinvestment-grade sovereign credits in Africa and Latin America contributed to absolute fund return.
- Interest-Rate Strategies: With the exceptions of Brazil, India and South Korea, many emerging market bond yields ended the quarter somewhat lower. Duration exposures in South Africa, Egypt, Ghana and Uzbekistan contributed to absolute fund performance. We hold positions in select countries where we have identified opportunities from the inflation and interest-rate outlooks, or where we see positive fundamentals in a range of factors, including fiscal progress, other economic reforms and reshoring.
- Currencies: Over the quarter, the USD showed mixed performance against various currencies. Positions in the Colombian
 peso, Brazilian real, Egyptian pound, South African rand and Uzbekistani som contributed to absolute fund results, while
 positions in the Indian rupee, Kazakhstani tenge and Ghanaian cedi detracted. We believe the USD remains overvalued
 against a number of currencies despite its year-to-date decline.
- Positioning: We continue to favor select countries in emerging markets. Our currency positions continue to center around our assessment of undervaluation against the USD. These countries also tend to have robust balances of payments and growth fundamentals. In bonds, we hold positions in select countries where we identify supportive fundamentals. We aim for a relatively high overall portfolio yield by holding higher-yielding local-currency positions in specific emerging and frontier markets that we view as having attractive risk-adjusted yields. Taking all of these factors into account, our top local-currency exposures include India, South Africa, Colombia, Egypt and Brazil. We hold a net-negative position against the Chinese yuan, which has been providing positive carry. We expect this position to also help hedge our portfolios against potential risks to other emerging market currencies. In hard-currency-denominated sovereign credit positions, we favor emerging and (some) frontier markets with improving fundamentals and policy responses. In all positions, we closely monitor idiosyncratic factors in different countries to identify relative valuation opportunities. We remain highly selective at the sovereign level, given significant variations in economic fundamentals and policy responses.

Outlook

- Global monetary policy remains in a broad easing cycle, but policymakers have highlighted the risks arising from tariffs and
 trade policy. Tariff impacts on inflation, growth or both have the potential to affect interest rates. Central banks have hinted
 that some easing has been delayed around inflation concerns; if tariff-related inflation effects prove short-lived, authorities
 may shift their focus to growth risks. While we expect global growth to be weaker than we had anticipated prior to the
 imposition of tariffs, we believe a recession should largely be avoided.
- We remain constructive on select emerging markets, despite rising risks of tariffs. Sounder policies and reforms across a
 range of countries have strengthened their fundamentals. We expect differentiated impacts among countries from tariff
 changes as well as shifts in US foreign policy. In general, we think the imposition of tariffs is likely to underpin the current
 global trend of reshoring, a trend which we expect to benefit select countries. In terms of the countries in our portfolio, we
 believe the trade deals struck or proposed with the United States are manageable, and we are comfortable with our positions,
 though we continue to monitor risks.
- Even with the depreciation so far this year, we believe the USD remains broadly overvalued, and we expect further
 depreciation over the medium term. This view factors in both cyclical and structural factors and is underpinned more
 recently by a pivot in financial asset flows away from the United States. Consequently, we see opportunities in non-USD
 assets in select countries within both developed and emerging markets.
- Fiscal positions in a number of countries, mainly among developed markets, remain a key concern. Already-high debt levels
 in major economies, such as the United States and the euro area, are set to rise further. Debt in Japan also remains at very
 high levels. In our view, such fiscal burdens raise risks for longer-dated maturities in the bond market.

Fund Characteristics	Fund
Distribution Frequency	Monthly
30-Day SEC Yield (Fund)—With Waiver	10.49%
30-Day SEC Yield (Fund)—Without Waiver	10.48%

Average annual total returns (%) - as of September 30, 2025

Product	Ticker	Listed Exchange	3-Mo*	6-Mo*	YTD*	1-Yr	3-Yr	5-Yr	10-Yr	Inception	Inception Date
Market Price Return	TEI	NYSE	5.77	20.92	30.17	17.64	24.30	7.09	4.55	7.29	9/23/1993
NAV Returns	_	_	6.88	21.01	26.20	17.08	20.46	3.89	2.68	6.61	9/23/1993
Benchmark	_	_	4.39	7.59	10.11	7.78	11.37	2.22	4.11	_	_

^{*}Cumulative total returns

Benchmark(s)

Benchmark = JP Morgan EMBI Global Index

Performance shown represents past performance and is no guarantee of future results. Current performance may be higher or lower than the performance shown. Investment return and principal value will fluctuate so shares, when sold, may be worth more or less than the original cost. Returns based on Market Price or NAV, and assume the reinvestment of all distributions at the Dividend Reinvestment Plan Price or NAV, respectively. All returns include the deduction of management fees, operating expenses and all other fund expenses, and do not reflect the deduction of brokerage commissions or taxes that investors may pay on distributions or the sale of shares. When applicable, performance would have been lower if fees had not been waived in various periods. An investor cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expense or sales charges. Returns for periods of less than one year are not annualized. Please visit franklintempleton.com for the most recent month-end performance.

Gross expenses are the fund's total annual operating expenses as of the fund's annual report available at the time of publication. Actual expenses may be higher and may impact portfolio returns. Net expenses reflect voluntary fee waivers, expense caps and/or reimbursements. Voluntary waivers may be modified or discontinued at any time without notice.

What are the Risks?

All investments involve risks, including 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. 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. Liquidity risk exists when securities or other investments become more difficult to sell, or are unable to be sold, at the price at which they have been valued. Derivative instruments can be illiquid, may disproportionately increase losses, and have a potentially large 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.

Glossary

A basis point (bp, or bps) is one one-hundredth of one percent (1/100% or 0.01%).

Duration is a measure of the sensitivity of a bond's price to changes in interest rates.

The **federal funds rate** is the interest rate at which a depository institution lends funds maintained at the Federal Reserve to another depository institution overnight. Also known as the "fed funds rate".

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.

Distributions are not guaranteed and are subject to change. The Closed-End Funds are not sold or distributed by Franklin Distributors, LLC, or any affiliate of Franklin Resources, Inc. Unlike open-end funds, shares are not continually offered. Like other public companies, closed-end funds have a one-time initial public offering, and once their shares are first issued, are generally bought and sold through non-affiliated broker/dealers and trade on nationally recognized stock exchanges. Share prices will fluctuate with market conditions and, at the time of sale, may be worth more or less than your original investment. Shares of exchange-traded closed-end funds may trade at a discount or premium to their original offering price, and often trade at a discount to their net asset value. Investment return, market price and net asset value will fluctuate with changes in market conditions. The Funds are subject to investment risks, including the possible loss of principal invested.

The JP Morgan EMBI Index tracks total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds and local market instruments. Source: JP Morgan.

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

The **30-day SEC yield** is calculated using the net income (interest and dividends) per share earned over a trailing 30-day period (annualized), divided by the fund's share price at the end of that period. It may not equal the fund's actual income distribution rate, which reflects the fund's past dividends paid to shareholders.

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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.

