FRANKLIN TEMPLETON

# Templeton Emerging Markets Income Fund

**TEI** | **Commentary | as of June 30, 2026**

## Key Takeaways

- **Markets:** Global growth data released during the second quarter of 2026 painted a generally resilient picture despite the ongoing war in the Middle East, although the euro area remained a pocket of weakness. Inflation rates were mostly higher, partly as the effects of higher energy prices related to the war fed into the data. The US dollar (USD) rose modestly over the quarter, supported by a more hawkish view of US policy rates. The US Federal Reserve kept the fed funds rate unchanged over the quarter, although its tone turned more hawkish at its June meeting, while a number of other developed market central banks raised policy rates, including the European Central Bank. Emerging market (EM) sovereign bond yields fell across most regions during the period. Developed market sovereign bond yields showed mixed performance. Yields in the United States rose, while most other developed market sovereign bond yields were lower. The US 10-year Treasury note's yield rose by 15 basis points to 4.47% over the period.
- **Contributors:** Overall credit exposures contributed to absolute fund performance, as did interest-rate strategies and currency positions.
- **Detractors:** Duration exposure in Uzbekistan detracted from absolute fund results.
- **Outlook:** We maintain our thesis that global rewiring is underway and expect global relations to continue shifting and realigning for some time yet.

## Performance Review

- **Credit:** EM debt indexes rose overall during the period. Select subinvestment-grade sovereign credits in Africa and Latin America contributed to absolute fund return.
- **Interest-Rate Strategies:** EM bond yields largely fell during the quarter. Duration exposures in South Africa, Egypt, Colombia, Kazakhstan and Hungary contributed to absolute fund performance, while duration exposure in Uzbekistan detracted. We aim at a relatively high overall portfolio yield by holding higher-yielding local-currency positions in specific EMs.
- **Currencies:** The USD saw modest gains over the quarter. Positions in the Egyptian pound, South African rand, Colombian peso, Brazilian real and Mexican peso contributed to absolute fund results. We believe the USD remains overvalued against a number of currencies.
- **Positioning:** In local-currency positions, we hold select countries in EMs. Our currency positions focus on potential upside based on our assessment of long-term undervaluation against the USD. These countries historically have had robust balances of payments and growth fundamentals. In bonds, we hold positions in countries where we identify supportive fundamentals. These might cover a range of factors, such as inflation and interest-rate outlooks, fiscal progress and other economic reforms, and/or anticipated economic benefits from reshoring or other deeper integration into the global economy. Our main local currency exposures at present include South Africa, India, Brazil, Egypt and Kazakhstan. We hold a net-negative position against the Thai baht, which we see as particularly vulnerable to current conditions.

## Outlook

- Uncertainty about growth and inflation stemming from the US-Iran conflict has dominated the conversation about the global economic outlook and we are closely monitoring the latest developments. The International Monetary Fund's (IMF) April World Economic Outlook notched a modest downgrade to global growth on the assumption that the conflict remains limited in duration and scope and once again predicts that EMs will outperform advanced economies. (There is no assurance that any projection, estimate or forecast will be realized.)
- As energy effects from the Middle East conflict spill over into inflation and growth, we see central banks responding, but different countries emphasize different parts of the growth/inflation trade-off on policy. Some countries may yet ease further due to idiosyncratic factors, but it appears most are set to pause or tighten. A number of countries have already raised rates this year.
- The global fiscal outlook remains a structural concern, particularly among core developed markets, though some EMs' debt metrics have worsened as well. Consequently, we remain wary of longer-term bonds, which we would expect to bear the brunt of the implications of fiscal loosening.
- We maintain the view that the USD is broadly overvalued. We expect further depreciation over the medium term, though we concede that there may still be some shorter-term USD strength around the current Middle East conflict.
- At present, our core regional views remain unchanged, though we are monitoring the effects of the war and individual country sensitivities. We see value in specific countries within the Asia-Pacific region and Latin America. In Asia, we generally focus on countries with positive fundamentals and undervalued currencies, as well as those we expect to be more insulated from tariff effects. We are cognizant of potential energy shock effects and are monitoring these. In Latin America, we favor countries with prudent macroeconomic policies, including those where central banks have proved to be independent and proactive, relatively high yields and undervalued currencies.

| Fund Characteristics | Fund |
|---|---|
| Distribution Frequency | Monthly |
| 30-Day SEC Yield (Fund)—With Waiver | 10.21% |
| 30-Day SEC Yield (Fund)—Without Waiver | 10.20% |



Not FDIC Insured | No Bank Guarantee | May Lose Value

## Average annual total returns (%) - as of June 30, 2026

| 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 | 14.61 | 9.13 | 9.13 | 28.44 | 22.78 | 8.35 | 5.15 | 7.76 | 9/23/1993 |
| NAV Returns | — | — | 9.86 | 8.50 | 8.50 | 25.93 | 19.23 | 7.19 | 3.57 | 6.99 | 9/23/1993 |
| Benchmark | — | — | 4.03 | 2.85 | 2.85 | 10.62 | 9.49 | 2.52 | 3.48 | — | — |

*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.

**Distribution Rate** is calculated by annualizing the most recent distribution amount paid, divided by the closing market price or NAV as of the date indicated. The Distribution Rate calculation includes income and excludes special distributions. The Distribution Rate is subject to change and is not guaranteed nor a quotation of fund performance.

## 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.

## 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.

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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.***



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