FRANKLIN TEMPLETON

Templeton Emerging Markets Income Fund

TEI

Multi-Sector
March 31, 2025

Product Commentary

Performance Review

- Concerns about the effects of tariffs have taken on a prominent role in 2025, even as there remains considerable uncertainty as to what deals may be struck between the United States and its trading partners. The first quarter of 2025 saw some upticks in inflation numbers across a range of countries, though inflation broadly remains below peaks reached in recent years. A number of developed market central banks, which have been reducing interest rates, have expressed caution over the potential effects of tariffs on growth and inflation. The US Federal Reserve held rates steady during the first quarter, while the European Central Bank and other developed market central banks implemented cautious cuts. In contrast, the Bank of Japan continued its gradual rate increases as that economy reflates. While US Treasury yields fell over the quarter on growth concerns, sovereign bond yields in other developed countries generally rose, including in Europe where the “ReArm Europe” defense spending plan worsens the fiscal outlook. In Japan, the policy outlook saw bond yields reach their highest level since 2008. The US dollar (USD) weakened against most currencies over the quarter as growth and inflation concerns around tariffs weighed on the greenback.
- For the quarter, the fund returned 4.30% at NAV, while the benchmark, the JP Morgan EMBI Global Index, returned 2.35%.

QUARTERLY KEY PERFORMANCE DRIVERS

- The USD weakened somewhat during the quarter despite scaled-back expectations about the pace of US rate cuts. Positions in the Brazilian real, Colombian peso, Uruguayan peso, Kazakhstani tenge and South African rand contributed to absolute fund performance. We have constructed our currency portfolio to potentially capture upside in currencies we consider to be significantly undervalued against the USD, while also holding a net-negative position in another where we have identified specific weaknesses. We anticipate that the net-negative position should help dampen downside risk to the portfolio during phases of USD volatility.
- Sovereign bond yields were mixed in emerging markets. Duration exposures in Egypt and Uzbekistan contributed to absolute fund results, while duration exposure in Kazakhstan detracted. We hold positions in select countries where we see opportunity from the inflation and interest-rate outlooks, or where we see improving fundamentals in a range of factors, from fiscal progress and other economic reforms to reshoring.
- Emerging market debt indexes were generally stronger over the quarter. Select subinvestment-grade sovereign credits in Latin America detracted from absolute fund return.
- We continue to favor select countries in emerging markets where we see value in specific currencies and/or where we assess the fundamentals to be positive for sovereign bonds. In bonds, we aim at a relatively high overall portfolio yield by holding higher-yielding local-currency positions in specific emerging markets that we view as having resilient fundamentals and attractive risk-adjusted yields. We remain highly selective at the sovereign level, given significant variations in economic conditions and policy responses. We also consider individual country vulnerabilities to inflation, interest-rate cycles and fiscal positions, as well as economic headwinds associated with geopolitical developments. Taking all these factors into account, our top local-currency exposures include India, Colombia, Egypt, Brazil and South Africa. In credit markets, we see value in select sovereign credit exposures that have undervalued growth drivers and attractive risk-adjusted spreads. Given the current stage of the global rate cycle, as well as improving fundamentals and policy responses in some emerging and frontier markets, we have expanded our holdings in select hard-currency-denominated sovereign credit.

Outlook & Strategy

- The global disinflation cycle has underpinned global monetary policy easing, but policy cycles across the globe have been somewhat asynchronous. Japan remains a notable exception to the global inflation and interest-rate downtrend, as the Bank of Japan continues to normalize policy in response to reflationary conditions. Global risks around tariffs may influence the interest-rate outlook: A significant effect on growth could see rates fall below current expectations, while an unanticipated increase in inflation may see rate reductions lower than currently expected or, in some cases, even lead to hikes.
- We continue to expect the USD to enter a depreciating cycle against certain currencies. The greenback remains near historical highs against a range of currencies. We anticipate that both cyclical factors (principally related to interest-rate cycles) and structural factors (particularly the US’s twin current account and budget deficits) should lead to USD weakness, although we highlight both that currency paths tend to be uneven and that some currencies are still anticipated to remain weak or even weaken further against the USD. Policies set to be implemented by the new US administration may also generate more uncertainty and result in short-term USD volatility.
- Geopolitics impacted financial markets significantly at times over the past few years, and their continued potential to affect the world means we continue to closely monitor these developments, as well as those in the tariffs landscape.

Product Details

Inception Date	09/23/1993
Benchmark	JP Morgan EMBI Global Index

Ticker	TEI
CUSIP	880192109

Product Description

The fund seeks high, current income, with a secondary goal of capital appreciation, by investing under normal market conditions, at least 80% of its net assets in income-producing securities of sovereign or sovereign-related entities and private sector companies in emerging market countries.

Performance Data

Average Annual Total Returns[1] (%)

	1 Mth	3 Mths	1 Year	3 Year	5 Year	10 Year	Since Inception (09/23/1993)
Templeton Emerging Markets Income Fund (NAV Returns)[a]	0.48	4.30	3.60	2.07	0.66	0.47	6.08
Templeton Emerging Markets Income Fund (Market Price Return)[a]	1.25	7.64	9.96	2.97	3.61	1.89	6.77
JP Morgan EMBI Global Index	-0.54	2.35	6.72	3.24	3.37	3.11	-

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. The index is unmanaged and includes reinvestment of any income or distributions. It does not reflect any fees, expenses or sales charges. One cannot invest directly in an index, and an index is not representative of the fund's portfolio. Index data is provided for comparison purposes only. The fund is not managed against an index. Returns for periods of less than one year are not annualized. Please visit franklintempleton.com for the most recent month-end performance.*

The total annual operating expenses are as of the fund's annual report available at the time of publication. Actual expenses may be higher and may impact portfolio returns. **NAV** is total assets less total liabilities divided by the number of shares outstanding. **Market Price**, determined by supply and demand, is the price an investor purchases or sells the fund. The Market Price may differ from a fund's NAV. **Premium** / **Discount** reflects the difference between the NAV and the Market Price of the fund, and represents the amount that the fund is trading above or below its NAV, expressed as a percentage of the NAV.

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.

Investment Team

Michael Hasenstab, Ph.D.
Years with Firm 26
Years Experience 30

Calvin Ho, Ph.D.
Years with Firm 19
Years Experience 20

1. Periods shorter than one year are shown as cumulative total returns.

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 env**ironmental, 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.

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.

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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a. 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.