FRANKLIN TEMPLETON

Templeton Dragon Fund Inc

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

Key Takeaways

- **Markets:** Chinese equities rose in the second quarter of 2026.
- **Contributors:** The fund outperformed its benchmark, the MSCI China All Shares Index, for the quarter, primarily due to stock selection and an overweight in Information Technology, an underweight in Financials and a lack of exposure to Utilities.
- **Detractors:** Stock selection and an overweight in Materials, stock selection in Industrials, and stock selection and an overweight in Health Care detracted from relative performance for the quarter.
- **Outlook:** Chinese equities are becoming more investable, and sentiment is improving. The investment story is now shifting to innovation and new ideas.

Performance Review

- Chinese equities rose for the second quarter of 2026, despite concerns about China's growth outlook and the weak performance of heavily-weighted internet and consumer firms.
- The fund outperformed its benchmark, the MSCI China All Shares Index, for the quarter, primarily due to stock selection and an overweight in Information Technology, an underweight in Financials and a lack of exposure to Utilities.
- GigaDevice Semiconductor is a fabless supplier. Its share price rallied alongside memory chip stocks as optimism over artificial intelligence (AI) persisted. The stock was also included in the world's most popular memory-focused exchange traded fund, leading to massive inflows.
- Stock selection and an overweight in Materials, stock selection in Industrials, and stock selection and an overweight in Health Care detracted from relative performance for the quarter.
- Zijin Gold conducts gold exploration, mining, processing and other related businesses. At the company level, Zijin ranks among the lowest-cost producers globally, and has a solid track record of volume growth and cost optimisation.

Outlook

- A new cycle may be forming in Chinese equities. After a weak period, policy support has stayed strong. This has not yet fully lifted markets, but valuations remain attractive. The property sector shows signs of stabilising, which may help support consumption. Still, it is early.
- The government has also made its intent towards AI clear. The country's biggest advantage is energy—with a focus on adding capacity to energy and a shift towards more business-friendly stances, Chinese equities are operating against a positive backdrop.
- Over the long term, Chinese stock prices look attractive. In recent years, selected stocks faced heavy pressure and were often ignored. Policy support has started to lift investor interest. This shift is clear among both local and global investors. We follow a bottom-up process supported by our local team. Our network includes companies, supply checks and independent research firms. We also track changes in the market to find new opportunities.

Top Equity Issuers (Equity as a % of Total)

	Fund
TENCENT HOLDINGS LTD	8.26
GIGADEVICE SEMICONDUCTOR INC	8.24
WUS PRINTED CIRCUIT KUNSHAN CO LTD	6.68
ZHONGJI INNOLIGHT CO LTD	6.26
ALIBABA GROUP HOLDING LTD	5.93
CONTEMPORARY AMPEREX TECHNOLOGY CO LTD	3.74
FRANKLIN INSTITUTIONAL U.S. GOVERNMENT MONEY MARKE	3.18
ZIJIN GOLD INTERNATIONAL CO LTD	3.06
CHINA CONSTRUCTION BANK CORP	2.95
ACM RESEARCH INC	2.81

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	TDF	NYSE	4.05	-1.03	-1.03	13.45	8.81	-9.05	4.81	7.91	9/20/1994
NAV Returns	—	—	4.80	-0.27	-0.27	13.53	8.47	-8.49	3.98	7.22	9/20/1994
Benchmark	—	—	1.57	-5.05	-5.05	9.54	10.02	-4.05	4.85	—	—

*Cumulative total returns

Benchmark(s)

Benchmark =MSCI China All Shares Index-NR

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, may include return of capital 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. 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.** There are special risks associated with investments in **China, Hong Kong and Taiwan**, including less liquidity, expropriation, confiscatory taxation, international trade tensions, nationalization, and exchange control regulations and rapid inflation, all of which can negatively impact the fund. Investments in Hong Kong and Taiwan could be adversely affected by its political and economic relationship with China. 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 portfolio is **non-diversified** and may invest in a relatively small number of issuers, which may negatively impact the fund's performance and result in greater fluctuation in the value of the fund's shares. The managers' **environmental social and governance (ESG) strategies** may limit the types and number of investments available and, as a result, may forgo favorable market opportunities or underperform strategies that are not subject to such criteria. There is no guarantee that the strategy's ESG directives will be successful or will result in better performance.

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 **MSCI China All Shares Index-NR** captures large- and mid-cap representation across China A-shares, B-shares, H-shares, Red-chips, P-chips and foreign listings (e.g., ADRs). The index aims to reflect the opportunity set of China share classes listed in Hong Kong, Shanghai, Shenzhen and outside of China.

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.

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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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