

Templeton Foreign Fund

Advisor Class: TFFAX Class A: TEMFX

Commentary | as of March 31, 2026

Key Takeaways

- **Markets:** Global equities collectively declined over the first quarter of 2026, with the MSCI All Country World Index falling for the period, as a sharp drawdown in March more than offset gains earlier in the period.
- **Contributors:** The fund (Advisor Class without sales charges) outperformed its benchmark, the MSCI All Country World ex US Index-NR, for the quarter, primarily due to holdings in the information technology, energy and industrials sectors.
- **Detractors:** Holdings in the financials, health care and consumer discretionary sectors detracted from relative performance for the quarter.
- **Outlook:** Our focus remains on selectively deploying capital into high-quality businesses that we believe have been indiscriminately sold off but retain strong long-term fundamentals.

Performance Review

- Global equities collectively declined over the first quarter of 2026, with the MSCI All Country World Index falling for the period, as a sharp drawdown in March more than offset gains earlier in the period. Market performance was influenced by a significant rotation in leadership, with value outperforming growth and smaller-capitalization stocks holding up better than large caps. As measured by MSCI indexes in US-dollar terms, global value stocks generally rose, materially outperforming global growth stocks, which fell significantly, while global small caps delivered positive returns despite the broader market decline. This shift reflected a sustained move away from US mega-cap concentration and long-duration growth assets. The quarter unfolded in three distinct phases: an initial rotation-driven rally in January, followed by heightened dispersion and AI-related uncertainty during February, and culminating in a sharp risk-off environment in March driven by geopolitical escalation and an energy price shock.
- The fund (Advisor Class without sales charges) outperformed its benchmark, the MSCI All Country World ex US Index-NR, for the quarter, primarily due to holdings in the information technology, energy and industrials sectors.
- On the back of its significant stock-price strength in January and February, the largest contributor for the first quarter was South Korean memory chips producer Samsung Electronics. During the first two months of the quarter, strong memory demand drove a rally in the stock. In March, some of these gains were reversed as the South Korean equity market retraced part of its recent strength, reflecting its sensitivity to Middle East energy imports. Our conviction remains grounded in Samsung's leadership within a highly consolidated memory industry and its critical role in high-bandwidth memory used in AI workloads.
- Holdings in the financials, health care and consumer discretionary sectors detracted from relative performance for the quarter.
- ICON, one of the world's largest contract research organizations providing outsourced clinical development and trial management services to pharmaceutical and biotechnology companies, declined sharply in February after disclosing that an internal accounting investigation found preliminary evidence that revenue for fiscal years 2023 and 2024 may have been overstated by up to two percent annually. The announcement led to a delay in fourth-quarter and full-year 2025 results and raised the prospect of financial restatements. Given ICON's scale, even a two percent overstatement represents a material dollar amount, with implications for earnings quality, profit margins and reported growth. While clearly disappointing, such accounting issues are inherently difficult to foresee, and our sell discipline was applied promptly, resulting in a full exit from the position.
- Geographically, stock selection in the eurozone was the largest contributor to relative performance for the quarter. An overweight in Japan detracted from relative results.

Outlook

- The market environment shifted materially over the quarter, with the combination of accelerating AI disruption and the escalation of the conflict in Iran introducing both structural and macro uncertainty. In early April, oil prices began to retrace following the announcement of a temporary ceasefire and the reopening of key shipping routes. However, we believe oil prices could stabilize above pre-conflict levels, reflecting ongoing geopolitical risk and structurally tighter supply. At the same time, emerging concerns around credit conditions, particularly within banking, suggest that parts of the market may be underestimating downside risks should financial conditions tighten further.
- At a portfolio level, our focus remains on selectively deploying capital into high-quality businesses that we believe have been indiscriminately sold off but retain strong long-term fundamentals. We are also orienting the portfolio toward businesses with that we believe have greater exposure to tangible assets and lower risk of structural obsolescence. This reflects a shift away from the post-Global Financial Crisis (GFC) preference for asset-light, intangible-driven models, as we believe higher inflation, geopolitical instability and accelerating technological disruption could be beneficial for companies with pricing power, asset backing and more durable competitive positions.

Top Equity Issuers (% of Total)

Holding	Fund
TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD	5.41
CARREFOUR SA	4.13
BP PLC	3.79
ASTRAZENECA PLC	3.75
SSE PLC	3.33
CNH INDUSTRIAL NV	3.30
UBS GROUP AG	3.24
SMURFIT WESTROCK PLC	3.06
SHELL PLC	2.98
SUMITOMO MITSUI FINANCIAL GROUP INC	2.95

Average annual total returns and fund expenses (%) - as of March 31, 2026

Class	CUSIP	Ticker	Without Sales Charge							With Maximum Sales Charge							Expenses		Sales Charges		Inception Date
			3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception	Gross	Net	Initial Charge	CDSC	
Advisor Class	880196506	TFFAX	0.43	0.43	19.00	11.38	7.35	6.87	9.46	0.43	0.43	19.00	11.38	7.35	6.87	9.46	0.88	0.85	—	—	10/5/1982
Class A	880196209	TEAFX	0.32	0.32	18.60	11.09	7.06	6.60	9.26	-5.19	-5.19	12.12	9.01	5.86	6.00	9.11	1.13	1.10	5.50	—	10/5/1982
Benchmark	—	—	-0.71	-0.71	24.91	14.49	7.02	8.38	—	-0.71	-0.71	24.91	14.49	7.02	8.38	—	—	—	—	—	

Benchmark(s)

Benchmark = MSCI All Country World ex US 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.

The fund began offering Advisor Class shares on 1/2/1997. Performance quotations have been calculated as follows: (a) for Advisor Class periods prior to 1/2/1997, a restated figure is used based on the fund's Class A performance. The performance was adjusted to take into account differences in class-specific operating expenses and maximum sales charges. (b) For periods after share class offering, performance for the specific share class is used, reflecting the expenses and maximum sales charges applicable to that class.

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 12/31/2026 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 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

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

The **global financial crisis (GFC)** refers to the period of extreme stress in global financial markets and banking systems between mid 2007 and early 2009.

The **MSCI All Country World Index** is a market capitalization-weighted index that is designed to measure equity market performance of developed and emerging markets. 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 Information

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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.

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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.

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