

Templeton Foreign Fund

Advisor Class: TFFAX Class A: TEMFX

Commentary | as of December 31, 2025

Key Takeaways

- **Markets:** Global equity markets collectively posted moderate gains in the fourth quarter of 2025, marking a period of consolidation after the stronger advance seen in the third quarter.
- **Detractors:** Stock selection in the industrials, materials and energy sectors detracted from relative performance for the quarter.
- **Contributors:** Stock selection in the consumer staples and utilities sectors and an underweight in the communication services sector contributed to relative performance.
- **Outlook:** We remain broadly constructive on the longer-term outlook for equity markets, but the strength of 2025's rally suggests that some caution is appropriate in the coming months.

Performance Review

- Global equity markets collectively posted moderate gains in the fourth quarter of 2025, marking a period of consolidation after the stronger advance seen in the third quarter. The fourth quarter unfolded against a backdrop of easing—but uneven—monetary policy expectations, greater stock-return dispersion across regions and sectors, and a rotation away from the most crowded growth investment themes. October experienced an extension of the post-summer stock rally as interest-rate cuts and generally resilient earnings supported risk appetite; November brought a pause as investors reassessed equity valuations and monetary policy timing; and December witnessed a stabilization of sentiment as central banks delivered broadly dovish outcomes while flagging increased data dependence into 2026.
- Stock selection in the industrials, materials and energy sectors detracted from relative performance for the quarter.
- France-based BNP Paribas (not held at period-end), one of Europe's most diversified banks, was a top relative detractor for the quarter. Its shares dropped after a US jury found the bank violated American sanctions, raising questions about whether the lender will be exposed to further legal claims.
- Stock selection in the consumer staples and utilities sectors and an underweight in the communication services sector contributed to relative returns.
- Shares of UK utility SSE rose after the company raised £2 billion of equity alongside the release of third-quarter 2025 results that reconfirmed its 2030 guidance and emphasized the sizable opportunity to build new transmission infrastructure over the next 10 years. Management's funding move and the confirmation of the 2030 plan materially reduced the financing overhang, and we believe the group's updated guidance implies that the dilution from the equity raise is likely to be more than offset by potentially higher earnings from an expanded transmission and distribution capex (capital expenditure) program.
- Geographically, stock selection in Europe, particularly France, Ireland and Portugal, detracted significantly from relative performance for the quarter. Stock selection in Japan was a significant contributor to relative returns.

Outlook

- We remain broadly constructive on the longer-term outlook for equity markets, but the strength of 2025's rally suggests that some caution is appropriate in the coming months.
- European equities' fourth-quarter outperformance reflected both structural sector advantages and a valuation buffer relative to US equities. Political and fiscal noise persisted, particularly in France, but the region's equity markets remained relatively insulated. Stocks were supported by a combination of defensive earnings profiles, sector composition, and improving policy clarity. Despite persistent skepticism, we believe the European economy looks poised for upside surprises in 2026.
- In Japan, the recent change in government has reinforced the policy backdrop for reform and long-term growth. Japan has begun to lift interest rates for the first time in decades, which signals the return of inflation and a normalization of economic conditions after a prolonged deflationary period. This environment is particularly constructive for Japanese banks, which we believe could benefit from steeper yield curves and improving profitability. In our view, a gradual recovery in the yen, following an extended period of weakness, could also support domestic sectors.
- Asia more broadly continues to benefit from a weaker US dollar and improving underlying momentum. We continue to find attractive bottom-up opportunities and expect to increase exposure as opportunities develop.

Top Equity Issuers (% of Total)

| Holding | Fund |
|-------------------------------------------|------|
| TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD | 4.48 |
| CARREFOUR SA | 3.97 |
| SSE PLC | 3.79 |
| UBS GROUP AG | 3.66 |
| ASTRAZENECA PLC | 3.56 |
| SAMSUNG ELECTRONICS CO LTD | 3.42 |
| ALIBABA GROUP HOLDING LTD | 3.31 |
| PRUDENTIAL PLC | 3.19 |
| BP PLC | 3.16 |
| SUMITOMO MITSUI FINANCIAL GROUP INC | 3.05 |

Average annual total returns and fund expenses (%) - as of December 31, 2025

| 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 | 4.15 | 28.77 | 28.77 | 14.79 | 9.04 | 6.86 | 9.50 | 4.15 | 28.77 | 28.77 | 14.79 | 9.04 | 6.86 | 9.50 | 0.88 | 0.85 | — | — | 10/5/1982 |
| Class A | 880196209 | TEMTX | 4.07 | 28.42 | 28.42 | 14.53 | 8.76 | 6.58 | 9.30 | -1.66 | 21.29 | 21.29 | 12.39 | 7.52 | 5.98 | 9.16 | 1.13 | 1.10 | 5.50 | — | 10/5/1982 |
| Benchmark | — | — | 5.05 | 32.39 | 32.39 | 17.33 | 7.91 | 8.41 | — | 5.05 | 32.39 | 32.39 | 17.33 | 7.91 | 8.41 | — | — | — | — | — | — |

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

Capital Expenditure (capex) are funds used by a company to acquire or upgrade physical assets such as property, industrial buildings or equipment.

The **yield curve** shows the relationship between yields and maturity dates for a similar class of bonds.

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.

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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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.

