FRANKLIN TEMPLETON

Templeton Developing Markets Trust

Advisor Class: TDADX Class A: TEDMX | **Commentary | as of December 31, 2025**

Key Takeaways

- **Markets:** Emerging market (EM) equities collectively rose in the final quarter of 2025. The US Federal Reserve implemented its final interest-rate reduction for the year in December, after an October rate cut, creating a favorable environment for equities globally.
- **Contributors:** By country, stock selection and allocations in South Korea (overweight) and China (underweight) contributed relatively alongside a lack of exposure to Saudi Arabia. Across sectors, stock selection in information technology, health care and consumer discretionary, together with an overweight allocation in information technology, sent these sectors to top contributor status against the benchmark MSCI EM Index-NR.
- **Detractors:** Stock selection in India, Taiwan and Mexico sent these countries to top detractor status against the benchmark. Stock selection in the financials and utilities sectors pressured relative returns, with an underweight allocation to materials adding to this relative weakness.
- **Outlook:** We leave a strong year behind, with EM equities collectively racing ahead of developed market equities in 2025. While a repeat of such remarkable performance may be too optimistic, we believe the outlook for EM equities in 2026 remains constructive. This outlook is underpinned by several supportive themes that continue to drive earnings momentum across the asset class.

Performance Review

- SK Hynix is a South Korean semiconductor company and a maker of memory chips that are used globally across a wide range of solutions. Its share price rose after the company reported a record quarterly profit for the third quarter of 2025 and guided that its memory chip lineup for 2026 has been sold out. Management also followed up with positive commentary on artificial intelligence (AI)-related demand, with capacity tightness anticipated to linger into 2027. Expectations for higher memory prices and news of the company considering a US listing provided a late boost for its stock price toward the end of the period. We remain optimistic on the earnings prospects of the company, driven by strong demand for high bandwidth memory for AI chips.
- Hyundai Motor is a South Korea–based automobile company. It manufactures, sells and exports passenger cars, trucks and commercial vehicles. Its share price rose on multiple positive developments over the period. These included the South Korea-US tariff negotiations, which reduced tariffs from 25% to 15% on South Korean automobiles and parts, and a partnership with NVIDIA (not a portfolio holding) to accelerate innovation in autonomous vehicles. Its fairly steady performance in the US market and optimism around its robotics initiative through its affiliate Boston Dynamics also led to share price gains.
- Prosus is a leading global investment company and the largest shareholder of Tencent Holdings (also a fund holding), a Chinese technology company. Prosus also has ownership in multiple food-delivery platforms. Its share price dipped in tandem with Tencent's, as the latter moved downwards alongside broader Chinese equities despite a positive set of third-quarter results. Tencent showed solid execution in growing its core businesses and applying AI to more services.

Outlook

- We leave a strong year behind, with EM equities collectively racing ahead of developed market equities in 2025. While a repeat of such remarkable performance may be too optimistic, we believe the outlook for EM equities in 2026 remains constructive. This outlook is underpinned by several supportive themes that continue to drive earnings momentum across the asset class.
- **AI supply chain:** AI should remain a key driver within the broader information technology space, and we believe the structural growth potential of AI continues to underpin the investment case across key EM markets. Importantly, the opportunity set extends beyond the direct semiconductor beneficiaries in Taiwan and South Korea. Attractive exposure is also emerging along the AI supply chain—such as electronic manufacturing services, power supply units and printed circuit-board companies. In parallel, select China-based internet companies are increasingly embedding AI into their ecosystems, potentially leading to cost efficiencies as well as incremental growth on top of traditional e-commerce and advertising models. Leading Chinese internet companies are major cloud service providers, and we believe they should benefit from rising demand for AI-related workloads. They are developing competitive AI models and developing semiconductor chips, which we think helps position themselves to participate more directly in the AI stack.
- **China's industrial leadership:** The global demand for power continues to rise, a trend accelerated by the energy needs of data centers supporting the AI boom. This has created a surge in demand for related infrastructure, including energy storage batteries and related power equipment. Chinese industrial companies are at the forefront of this trend, delivering growth in both their domestic market and, increasingly, in the international market through exports. Similarly, Chinese electric vehicle manufacturers are leveraging their technological advantages to potentially gain international market share, a trend that is anticipated to continue throughout 2026.
- **Policy shifts and domestic reforms:** Many EM central banks have continued to ease monetary policy to support domestic demand and balance broader policy objectives, and this trend is generally expected to persist into 2026. In China, the anti-involution campaign aims to curb excessive price competition and industrial overcapacity. While it is too early to gauge the success of this initiative, we think it may begin to shift incentives away from profit-margin-destructive competition, particularly in sectors where policy scrutiny is rising. For well-managed companies, this could reduce the need for defensive spending to protect market share, thus improving earnings quality and enabling a more rational allocation of resources over time. In India, the government's consumption-focused policy support has been seen in recent consumption trends. In 2026, we believe the benefits of these reforms should become more evident in corporate earnings. In Latin America, we think Brazil is well-positioned to benefit from a more accommodative interest-rate environment in 2026, although upcoming elections

Morningstar Rating™

Overall Rating as of December 31, 2025

★★★★ **(4-Star)** Advisor Class

★★★★ **(4-Star)** Class A

As of 12/31/2025 the fund's Class A and Advisor Class shares received a 4 star overall Morningstar rating™, measuring risk-adjusted returns against 704, 620 and 460 Diversified Emerging Markets funds over the 3-, 5- and 10- year periods, respectively. A fund's overall rating is derived from a weighted average of the performance figures associated with its 3-, 5- and 10-year (if applicable) rating metrics.

Top Equity Issuers (% of Total)

Holding	Fund
TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD	13.11
SK HYNIX INC	7.08
SAMSUNG ELECTRONICS CO LTD	4.88
PROSUS NV	4.51
ICICI BANK LTD	2.90
ALIBABA GROUP HOLDING LTD	2.68
TENCENT HOLDINGS LTD	2.65
MEDIATEK INC	2.60
GRUPO FINANCIERO BANORTE SAB DE CV	2.30
HON HAI PRECISION INDUSTRY CO LTD	2.21

could introduce some equity market volatility. Mexico, meanwhile, continues to be supported by nearshoring (i.e., transferring company operations to a nearby country in favor of a distant offshore location) dynamics and its strategic proximity to the United States.

- **Trade, tariffs and resilience:** US tariffs have now largely been crystallized with trade agreements with most countries. At time of writing, some EM countries, including Brazil and India, remain in active trade talks with the United States. However, these economies are relatively less reliant on exports than some peers and are therefore somewhat more insulated from direct tariff shocks. EM equities have already demonstrated resilience by recovering from the initial tariff-related disruptions in 2025, and we believe that adaptability—through supply-chain adjustments, trade rerouting and domestically anchored growth drivers—should continue to support the asset class.
- **Conclusion:** The investment landscape in EMs for 2026 is shaped by compelling long-term themes, including leadership in AI-related supply chains, technology, digitalization, the premiumization of consumption, and health care. We believe these structural growth areas, combined with supportive valuations in select parts of the EMs, underpin a constructive outlook for 2026.

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

			Without Sales Charge							With Maximum Sales Charge							Expenses		Sales Charges		Inception
Class	CUSIP	Ticker	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	Date
Advisor Class	88018W302	TDADX	7.18	44.96	44.96	20.67	5.30	10.53	6.93	7.18	44.96	44.96	20.67	5.30	10.53	6.93	1.26	1.14	—	—	10/16/1991
Class A	88018W104	TEDMX	7.12	44.68	44.68	20.40	5.04	10.26	6.68	1.21	36.74	36.74	18.15	3.86	9.64	6.51	1.52	1.39	5.50	—	10/16/1991
Benchmark	—	—	4.73	33.57	33.57	16.39	4.20	8.42	—	4.73	33.57	33.57	16.39	4.20	8.42	—	—	—	—	—	—

Benchmark(s)

Benchmark =MSCI Emerging Markets 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 04/30/2026 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 portfolio invests in a **concentration of certain securities, regions or industries**, it is subject to increased volatility. 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. These and other risks are discussed in the fund's prospectus.

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.

MSCI Emerging Markets Index-NR reflects the performance of MSCI Emerging Markets Index (gross returns) from fund inception through 12/31/2000 and the MSCI Emerging Markets Index-NR thereafter. The **MSCI Emerging Markets Index** is a market capitalization-weighted index that is designed to measure equity market performance in the global emerging markets.

Important data provider notices and terms available at www.franklintempletondatasources.com. All data is subject to change.

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Holdings are provided for informational purposes only and should not be construed as a recommendation to purchase or sell any security.

Morningstar Rating™: Source: Morningstar®, 12/31/2025. For each mutual fund and ETF with at least a 3-year history, Morningstar calculates a Morningstar Rating™ based on how a fund ranks on a Morningstar Risk-Adjusted Return measure against other funds in the same category. This measure takes into account variations in a fund's monthly performance, and does not take into account the effects of sales charges and loads, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. The weights are: 100% 3-year rating for 36-59 months of total returns, 60% 5-year rating/40% 3-year rating for 60-119 months of total returns, and 50% 10-year rating/30% 5-year rating/20% 3-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent 3-year period actually has the greatest impact because it is included in all three rating periods. The fund's Class A shares received a Morningstar Rating of 5, 3 and 4 and fund's Advisor Class shares received a Morningstar Rating of 5, 3 and 5 star(s) for the 3-, 5- and 10-year periods, respectively. Franklin Templeton provides this fund's Morningstar Rating™ for Class A and Advisor Class shares only. Other share classes may have different Morningstar ratings. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

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