Templeton Developing Markets Trust

Advisor Class: TDADX Class A: TEDMX — **Commentary | as of June 30, 2025**

Key Takeaways

- **Markets:** Emerging market (EM) equities rose in the second quarter of 2025. Geopolitical tensions were a mainstay during the quarter. Uncertainties persisted due to a lack of concrete tariff deals between the United States and most countries. The conflict between Israel and Iran escalated, this time involving the United States.
- **Contributors:** By country, allocations in South Korea (overweight), China (underweight) and Saudi Arabia (lack of exposure) pushed them to top contributor status relative to the benchmark. Stock selection in South Korea provided an additional source of relative strength.
- **Detractors:** An off-benchmark allocation in the United States was a notable cause of relative detraction at the country level. Other relative detractors at the country level included Hong Kong and Taiwan, due to stock selection.
- **Outlook:** EM equities are poised at a pivotal junction with geopolitical tensions hovering in the backdrop. However, equities globally are facing pressure from geopolitical events as well. Our bottom-up approach aims to potentially capitalize on the specific dynamics of the equity markets in which we are invested, rather than merely reacting to global uncertainties.

Performance Review

- Several South Korea-based holdings performed well and culminated in relative strength for the portfolio: Naver is a South Korean internet search and advertising company. It also has business interests in e-commerce, financial services and entertainment content. Most of Naver's gains happened in June. Naver's status as a possible beneficiary of the South Korean government's artificial intelligence (AI) push sent its stock price higher. SK Hynix is a South Korean semiconductor company and a maker of memory chips used globally across a wide range of solutions. Improvement in sentiment around US tariffs and continued optimism about growth in AI-related demand led its stock price higher. The conclusion of South Korea's presidential election, which lent hope of improved corporate governance and capital market reforms, provides a favorable backdrop for the broader South Korean equity market. We continue to maintain our conviction in SK Hynix as it has been able to take a leadership position in the latest generation of the high-bandwidth memory market.
- An off-benchmark allocation in the United States was a notable cause of relative detraction at the country level. The portfolio's exposure to the United States is through Cognizant Technology Solutions and Genpact, both US-listed technology services companies that derive much of their earnings from services provided from India. Genpact was one of the weakest performers at the security level, detracting from relative performance. The company's cautious guidance for the second quarter and a downward revision to its fiscal-year 2025 outlook overshadowed a solid set of first-quarter earnings and several contract wins.
- Other relative detractors at the country level included Hong Kong and Taiwan, due to stock selection.
- Across sectors, stock selection drove the financials and consumer discretionary sectors to contributor status, while sending the industrials, energy and consumer staples sectors lower relative to the benchmark. An overweight allocation in the information technology sector was also accretive to relative performance.

Outlook

- EM equities are poised at a pivotal junction with geopolitical tensions hovering in the backdrop. However, equities globally are facing pressure from geopolitical events as well. Our bottom-up approach aims to potentially capitalize on the specific dynamics of the equity markets in which we are invested, rather than merely reacting to global uncertainties.
- The notable easing of trade policy tensions in China does not completely erase the uncertainties. We believe that China is likely to continue its policy support to lift its domestic sector and bolster its equity market—the latter includes encouraging more domestic institutions to redirect their capital to equity markets. While these measures provide some encouragement to the investing backdrop in China, we prefer to focus our Chinese exposure on China's internet platforms, which we believe should be key beneficiaries of the consumption recovery in China. In India, inflation is showing signs of moderating, and the central bank has reduced its benchmark interest rate several times this year. Lower interest rates could be a catalyst for improved sentiment, in our view, especially in the realm of corporate investment and consumer spending. We believe the resulting improvements in liquidity and profit margins are supportive for Indian equities. In all, we believe that policy easing should help bolster the country's economic growth, providing some buffer against any slowdown in global growth or political uncertainties outside of India.
- The focus of the South Korean equity market has shifted to the new president's policies, which aim to bolster the country's economic growth. Companies in both South Korea and Taiwan are among the most sensitive to trade uncertainties; while many have already made strides to mitigate such risks, any form of policy support could provide additional levers for earnings growth.
- The outlook for Brazilian equity seems to be on the mend as well. The benchmark interest rate appears to be nearing its peak, and while it may remain at current levels for a while, the presidential election in 2026 could provide the central bank with a catalyst to reduce its benchmark rate.
- As experienced portfolio managers, we have seen many headwinds across EM regions. These have included COVID, geopolitical tensions and issues plaguing China's real estate sector. However, we believe that EM countries have learned from past lessons and are likely to come out stronger from this current uncertainty. There have been success stories, and in our view, the direction of changes in EM companies is positive.

Morningstar Rating™

Overall Rating as of June 30, 2025

★★★★ **(4-Star)** Advisor Class

★★★★ **(4-Star)** Class A

As of 06/30/2025 the fund's Class A and Advisor Class shares received a 4 star overall Morningstar rating™, measuring risk-adjusted returns against 711, 629 and 453 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	12.42
SK HYNIX INC	5.13
PROSUS NV	5.02
ICICI BANK LTD	4.24
ALIBABA GROUP HOLDING LTD	3.33
SAMSUNG ELECTRONICS CO LTD	3.24
GRUPO FINANCIERO BANORTE SAB DE CV	2.76
TENCENT HOLDINGS LTD	2.71
HDFC BANK LTD	2.43
MEDIATEK INC	2.34

Sector Allocation (% of Total)

Sector	Fund
Information Technology	29.96
Financials	24.44
Consumer Discretionary	14.05
Communication Services	7.79
Industrials	7.06
Health Care	3.52
Consumer Staples	2.61
Energy	1.94
Other	3.19
Cash & Cash Equivalents	5.45

Average annual total returns and fund expenses (%) - as of June 30, 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	14.08	21.01	22.05	13.67	7.39	6.44	6.47	14.08	21.01	22.05	13.67	7.39	6.44	6.47	1.26	1.14	—	—	10/16/1991
Class A	88018W104	TEDMX	14.02	20.88	21.73	13.40	7.11	6.18	6.22	7.74	14.25	15.05	11.29	5.91	5.58	6.04	1.52	1.39	5.50	—	10/16/1991
Benchmark	—	—	11.99	15.27	15.29	9.70	6.81	4.81	—	11.99	15.27	15.29	9.70	6.81	4.81	—	—	—	—	—	—

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.

The **MSCI Emerging Markets Index** is a market capitalization-weighted index that is designed to measure equity market performance in the global 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. **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. Net Returns (NR) include income net of tax withholding when dividends are paid.

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

Morningstar Rating™: Source: Morningstar®, 06/30/2025. 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 4, 3 and 4 and fund's Advisor Class shares received a Morningstar Rating of 4, 3 and 4 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.

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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.