

Templeton Developing Markets Trust

Advisor Class: TDADX Class A: TEDMX

Commentary | as of March 31, 2025

Key Takeaways

- **Markets:** Emerging market (EM) equities rose over the first quarter of 2025. Investor sentiment seesawed as fears of broad US tariffs gave way to temporary relief and optimism about delays and the possibility of a more targeted approach. Still, there was a hint of wariness over the impact of a trade war on global economic growth.
- **Contributors:** Stock selection in China, India and Brazil contributed to relative performance alongside allocations in India (underweight) and Brazil (overweight). By sector, stock selection in information technology, consumer discretionary and health care added to relative strength.
- **Detractors:** Stock selection in Hong Kong and South Africa detracted from relative results, as did a lack of exposure to Poland. In sector terms, stock selection in utilities and an underweight in materials detracted from relative returns.
- **Outlook:** A key difference we are experiencing as we move forward in 2025 is the certainty of more volatility in the times to come. Geopolitics and tariffs have dominated headlines, and EM equities have whipsawed in reaction to these developments. In our view as long-term investors, we balance this uncertainty with optimism in pockets of our investable universe.

Performance Review

- The fund outperformed its benchmark, the MSCI EM Index-NR for the first quarter of 2025.
- Alibaba Group Holding is a Chinese e-commerce company that provides brands and merchants with the infrastructure to acquire and sell to customers online. Its share price rose following its earnings results announcement for the December quarter and its optimism and commitment to invest in artificial intelligence (AI). Its earnings increased, resulting from a rebound in its core online retail business and rapid expansion in AI-driven cloud services. The company continues to generate strong cash flows, in our assessment, and we expect a potential share-price appreciation to be supported by corporate actions, including share buybacks.
- 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 rallied alongside Tencent's, which performed well amid investor optimism. Enthusiasm for China's technology companies has deepened after breakthroughs in the country's AI capabilities. However, Prosus gave up some gains following the announcement that it has agreed to acquire Just Eat Takeaway.com (not a fund holding) at a premium to the pre-announcement stock price.
- Zomato is the operator of India's largest online food delivery platform connecting users, restaurants and delivery partners. Its share price slid after the company's release of its fiscal third-quarter 2025 results. Investor concerns about slower growth in food delivery and increasing competition impacted the company's shares, which performed quite well in 2024. We remain positive on Zomato given its continued market-share gains in food delivery and upside potential in quick commerce. Food delivery remains a large growth opportunity in India given the scale achieved in other markets globally, with Zomato being a dominant player. In our view, this should support the company's decent unit economics and profitability.

Outlook

- A key difference we are experiencing as we move forward in 2025 is the certainty of more volatility in the times to come. Geopolitics and tariffs have dominated headlines, and EM equities have whipsawed in reaction to these developments. In our view as long-term investors, we balance this uncertainty with optimism in pockets of our investable universe.
- In light of US President Donald Trump's "Liberation Day" announcement shortly after quarter-end, in which he declared sweeping new tariffs on the goods of more than 180 countries and territories, global equities experienced significant volatility and may continue to face considerable turbulence. Global supply chains are now disrupted, and economies will take time to recover following this shock. In our view, across EMs, with the notable exception of the electronic manufacturing industry, many listed companies should not be significantly impacted.
- An apparent objective of US tariffs is to encourage the return of production to the United States. However, we think the differential in wages between the United States and EMs is too large to be sustainable in the long run. The US government, in our view, could soon realize that tariffs alone will not be able to achieve its objective; it will need other solutions to turn around its manufacturing sector.
- The outlook for Brazilian equity appears to us to be on the mend. While our hopes for an interest-rate cut have now been delayed, we are also bracing for interest-rate hikes in the near term. Taking a longer-term view—as is our investment approach—this may lead to a reduction in the country's high inflation rate.
- With the correction of the Indian equity market, we have been able to seize opportunities both ways. While we have trimmed our positions on companies that have exhibited strong share-price performance—for instance, in our Indian bank holdings—we have also been able to relook at some companies. We do, however, still maintain a highly selective approach in Indian equities.
- While investor concerns about AI monetization linger, AI remains a strong growth area. We believe AI growth should be beneficial for South Korea and Taiwan, which are home to several large semiconductor companies that are key to driving AI development. This has flowed through to Chinese internet companies, which have benefited as they progress with AI.
- As such, we continue to abide by our investment approach and seek opportunities across equity markets, focusing on companies that, in our assessment, have long-term earnings power. We find that this strategy is especially crucial as the investment environment evolves.

Morningstar Rating™

Overall Rating as of March 31, 2025



(4-Star) Advisor Class



(3-Star) Class A

As of 03/31/2025 the fund's Advisor Class shares received a 4 star and Class A shares received a 3 star overall Morningstar rating™, measuring risk-adjusted returns against 714, 636 and 435 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	10.88
ICICI BANK LTD	5.16
PROSUS NV	5.00
ALIBABA GROUP HOLDING LTD	4.60
SAMSUNG ELECTRONICS CO LTD	3.79
SK HYNIX INC	3.37
TENCENT HOLDINGS LTD	3.14
MEDIATEC INC	2.68
HDFC BANK LTD	2.63
PETROLEO BRASILEIRO SA	2.29

Sector Allocation (% of Total)

Sector	Fund
Information Technology	26.57
Financials	24.53
Consumer Discretionary	15.15
Communication Services	8.15
Industrials	7.73
Health Care	3.66
Consumer Staples	2.98
Energy	2.47
Other	3.30
Cash & Cash Equivalents	5.47

Average annual total returns and fund expenses (%)

Class	CUSIP	Ticker	Without Sales Charge							With Maximum Sales Charge							Expenses		Sales Charges		Inception
			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	6.07	6.07	11.02	4.63	8.38	4.67	6.10	6.07	6.07	11.02	4.63	8.38	4.67	6.10	1.31	1.14	—	—	10/16/1991
Class A	88018W104	TEDMX	6.02	6.02	10.70	4.37	8.11	4.41	5.85	0.20	0.20	4.63	2.42	6.89	3.82	5.67	1.56	1.39	5.50	—	10/16/1991
Benchmark	—	—	2.93	2.93	8.09	1.44	7.95	3.71	—	2.93	2.93	8.09	1.44	7.95	3.71	—	—	—	—	—	—

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 04/30/2025 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**. 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.

Glossary

A **buyback** is the repurchase of outstanding shares (repurchase) by a company in order to reduce the number of shares on the market.

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®, 03/31/2025. 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 Advisor Class shares received a Morningstar Rating of 4, 3 and 4 and fund's Class A shares received a Morningstar Rating of 4, 3 and 3 star(s) for the 3-, 5- and 10-year periods, respectively. Franklin Templeton provides this fund's Morningstar Rating™ for Advisor Class and Class A 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.