Templeton Global Bond Fund

Advisor Class: TGBAX Class A: TPINX | **Commentary | as of June 30, 2025**

Key Takeaways

- **Markets:** Tariffs dominated much of the news cycle during 2025's second quarter, which began with US President Donald Trump denoting April 2 as "Liberation Day" and announcing wide-ranging tariff measures. Negotiations around final tariff levels for a number of countries were still taking place by the end of the quarter. The US dollar (USD) continued to weaken during the period. Actual inflation outcomes have largely been benign, but there has been some halt in progress, and higher inflation expectations (related to tariffs) engender caution about future paths. Global monetary policy remains in an easing cycle, though officials have voiced concern about the effects of tariffs on growth and inflation. The US Federal Reserve kept the federal funds target rate unchanged at 4.25%–4.50% during the quarter. Geopolitical conflicts flared up again during the period, including a brief conflict between India and Pakistan and a slightly longer one between Israel and Iran, though there has been no lasting impact on financial and commodity markets.
- **Contributors:** Currency positions contributed to absolute fund performance for the quarter, as did interest-rate strategies and sovereign credit exposures.
- **Detractors:** The fund's net-negative position in the euro detracted from absolute results.
- **Outlook:** We continue to closely monitor the evolution of tariffs and their potential impacts on US and global growth, inflation and monetary policy across countries.

Performance Review

- **Currencies:** The USD weakened further during the quarter, with most currencies stronger against it. Positions in the Mexican peso, Brazilian real, Japanese yen, South Korean won, Malaysian ringgit, Ghanaian cedi, Australian dollar and Serbian dinar contributed to absolute performance, while the fund's net-negative position in the euro detracted. Despite its pullback this year, we believe the USD remains at stretched valuation levels against a number of currencies.
- **Interest-Rate Strategies:** Most developed market sovereign bond yields fell over the period, as did those in most emerging markets. Duration exposures in Brazil, South Africa and Australia contributed to absolute fund results. We aim at a relatively high overall portfolio yield by holding higher-yielding local-currency positions in specific emerging markets.
- **Credit:** Emerging market debt indexes generally were stronger over the quarter. USD-denominated sovereign credits contributed to absolute fund return.
- **Positioning:** We continue to favor select countries in both developed and emerging markets where we see value in their currencies, bonds or both. Our portfolio is constructed to capture potential upside in currencies we consider to be undervalued against the USD, and which also have robust balances of payments and growth fundamentals. In bonds, we hold positions in select countries where we identified opportunities from various factors, including inflation and interest-rate outlooks, fiscal progress and other economic reforms, and/or reshoring. Taking all of these factors into account, our top local-currency exposures include Japan, Brazil, Australia, Mexico, India, Malaysia and South Korea. We hold a net-negative position against the Chinese yuan, as we expect various factors (including but not limited to tariffs) to undermine the currency over the medium term. We expect this position to also help hedge our portfolios against potential risks to other emerging market currencies. In hard-currency-denominated sovereign credit positions, we favor emerging markets with improving fundamentals and policy responses. In all positions, we remain highly selective at the sovereign level, given significant variations in economic fundamentals and policy responses.

Outlook

- We continue to monitor the evolution of tariffs to assess their ultimate impact on US and global growth. Regardless of where tariffs eventually settle, it is likely growth will be negatively affected as the prevailing uncertainty is likely to be detrimental to investment spending, as well as some types of consumer spending. Inflation risks are higher too. While global inflation remains quite contained to date, shorter-term setbacks in some countries may become more permanent if tariff-related increases become embedded in inflation. The current heightened uncertainty also adds to forecast risk around global monetary policy. Many countries are still somewhere in an easing cycle, with some relatively late starters and others near the end of their cycles. One main exception is the Bank of Japan normalizing policy in response to structural reflationary conditions.
- Even with the depreciation so far this year, the USD remains broadly overvalued, in our assessment. While some currencies are still vulnerable against the USD, we expect a number to gain against the greenback. This view factors in cyclical factors and structural ones, as well as a pivot in financial asset flows away from the United States as investors react to the new US administration's policies. Consequent to this view, we see opportunity in non-USD assets in select countries within both developed and emerging markets.
- Geopolitics and politics: We continue to closely monitor developments, including the latest developments in the Middle East. Upper House elections in Japan are due to be held on July 20.

Fund Characteristics

Fund Characteristics	Fund
Distribution Frequency	Monthly
Effective Duration	5.15 Years
30-Day SEC Yield (Advisor Class)—With Waiver	6.30%
30-Day SEC Yield (Advisor Class)—Without Waiver	6.25%

Geographic Allocation (% of Total)

Country	Fund
Brazil	11.00
Australia	10.67
India	9.13
Malaysia	8.83
Colombia	6.90
South Africa	6.54
Mexico	4.68
Panama	4.56
Other	22.72
Cash & Cash Equivalents	14.96

Currency Exposure (% of Total)

Currency	Fund
Japanese Yen	29.80
Brazilian Real	11.00
Australian Dollar	10.67
Mexican Peso	10.41
Indian Rupee	9.44
Malaysian Ringgit	8.83
South Korean Won	7.86
US Dollar	7.17
Chinese Renminbi	-20.05
Other	24.87

Credit Quality Allocation (% of Total)

Rating	Fund
AAA	8.12
AA	10.48
A	13.31
BBB	23.87
BB	24.32
B	3.33
CCC	1.09
Not Applicable	0.55
Cash & Cash Equivalents	14.96

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	880208400	TGBAX	8.06	14.17	10.70	1.46	-1.48	-0.47	5.78	8.06	14.17	10.70	1.46	-1.48	-0.47	5.78	0.77	0.74	—	—	9/18/1986
Class A	880208103	TPINX	7.95	13.94	10.35	1.19	-1.74	-0.72	5.57	3.94	9.71	6.19	-0.08	-2.49	-1.10	5.47	1.02	0.99	3.75	—	9/18/1986
Benchmark	—	—	4.58	7.27	8.49	1.68	-2.49	0.56	—	4.58	7.27	8.49	1.68	-2.49	0.56	—	—	—	—	—	—

Benchmark(s)

Benchmark =FTSE World Government Bond Index

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. Derivative instruments can be illiquid, may disproportionately increase losses, and have a potentially large impact on performance. **Liquidity risk** exists when securities or other investments become more difficult to sell, or are unable to be sold, at the price at which they have been valued. **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. Fixed income securities** involve interest rate, credit, inflation and reinvestment risks, and possible loss of principal. As interest rates rise, the value of fixed income securities falls. **Low-rated, high-yield bonds** are subject to greater price volatility, illiquidity and possibility of default. Changes in the **credit rating** of a bond, or in the credit rating or financial strength of a bond's issuer, insurer or guarantor, may affect the bond's value. **Active and frequent trading** may increase a shareholder's tax liability and transaction costs. 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

Reflation is a fiscal or monetary policy designed to expand a country's output and curb the effects of deflation.

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 **FTSE World Government Bond Index** ("WGBI") measures the performance of fixed-rate, local-currency, investment-grade sovereign bonds. The WGBI currently comprises sovereign debt from multiple countries, denominated in a variety of currencies. The WGBI provides a broad benchmark for the global sovereign fixed income market. Source: FTSE.

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

Effective Duration is a duration calculation for bonds with embedded options. Effective duration takes into account that expected cash flows will fluctuate as interest rates change. Duration measures the sensitivity of price (the value of principal) of a fixed-income investment to a change in interest rates. The higher the duration number, the more sensitive a fixed-income investment will be to interest rate changes. The **30-day SEC yield** is calculated using the net income (interest and dividends) per share earned over a trailing 30-day period (annualized), divided by the fund's share price at the end of that period. It may not equal the fund's actual income distribution rate, which reflects the fund's past dividends paid to shareholders.

Credit Quality is a measure of a bond issuer's ability to repay interest and principal in a timely manner. The credit ratings shown are based on each portfolio security's rating as provided by Standard and Poor's, Moody's Investors Service and/or Fitch Ratings, Ltd. and typically range from AAA (highest) to D (lowest), or an equivalent and/or similar rating. For this purpose, the manager assigns each security the middle rating from these three agencies. When only two agencies provide ratings, the lower of the two ratings will be assigned. When only one agency assigns a rating, that rating will be used. Foreign government bonds without a specific rating are assigned a country rating, if available. Securities that are unrated by all three agencies are reflected as such. The credit quality of the investments in the Fund's portfolio does not apply to the stability or safety of the Fund. These ratings are updated monthly and may change over time. **Please note, the Fund itself has not been rated by an independent rating agency.**

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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.

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