

Templeton Global Bond Fund

Advisor Class: TGBAX Class A: TPINX

Commentary | as of December 31, 2025

Key Takeaways

- **Markets:** Global growth data was largely mixed during the fourth quarter of 2025; third-quarter growth outcomes were strong in the United States, modest but stable in the euro area and negative in Japan, as the effects of earlier front-loading ahead of tariffs unwound. There was also some uncertainty over economic momentum in the United States as the government shutdown that lasted through October and continued into November affected data collection. Inflation outcomes remained mixed, with trends in developed markets somewhat higher, while emerging markets (EMs) saw sideways to lower moves. Global monetary policy largely seemed to be in the late stages of an easing cycle, with pauses and a slower rate-cutting pace becoming more common. The US Federal Reserve (Fed) delivered two 25 basis-point (bp) rate cuts over the quarter, bringing the fed funds target range to 3.50%–3.75%, though dissent over the moves among Fed members highlighted uncertainty over the outlook. Most developed market sovereign bond yields rose, while EM bonds showed mixed performance. The 10-year US Treasury note's yield rose two bps to 4.17% over the quarter. The US dollar (USD) edged higher on average during the period, even as most developed market currencies, with the notable exception of the Japanese yen, appreciated against it.
- **Overall Contributors:** Interest-rate strategies contributed to absolute fund performance during the quarter, as did sovereign credit exposures.
- **Overall Detractors:** Currency positions detracted from absolute fund results during the period.
- **Outlook:** We expect global growth to be weaker than we had expected prior to tariff imposition, but we anticipate a recession is likely to be avoided.

Fund Characteristics

Distribution Frequency

Fund

Monthly

Performance Review

- **Interest-Rate Strategies:** Developed market sovereign bond yields generally rose over the quarter, while EM sovereign bond yields were mixed. Duration exposures in South Africa and Brazil contributed to absolute fund performance, while duration exposure in Colombia detracted. We hold positions in select countries where we have identified opportunities from inflation and interest-rate outlooks, or where we see positive fundamentals in a range of factors, including fiscal progress, other economic reforms and reshoring.
- **Credit:** EM debt indexes largely rose during the period. USD-denominated sovereign credits contributed to absolute fund return.
- **Currencies:** The USD strengthened early in the quarter, but weakened in November and December. Positions in the Japanese yen and Brazilian real detracted from absolute results, as did the fund's net-negative exposure to the Chinese yuan. However, positions in the South African rand, Ghanaian cedi, Malaysian ringgit and Colombian peso contributed to absolute fund performance. We believe the USD remains overvalued against a number of currencies.
- **Positioning:** We continue to hold select exposures in both developed markets and EMs. Our currency positions focus on potential upside based on our assessment of undervaluation against the USD. These countries tend to have robust balances of payments and growth fundamentals. In bonds, we hold positions in countries where we identify supportive fundamentals. We aim for a relatively high overall portfolio yield by holding higher-yielding local-currency positions in specific EMs that we view as having attractive risk-adjusted yields. Taking all of these factors into account, our top local-currency exposures include Japan, Brazil, Mexico, Australia, India, Malaysia and South Africa. We hold a net-negative position against the Chinese yuan, which has been providing positive carry. We expect this position to also help hedge our portfolios against potential risks to other EM currencies. In hard-currency-denominated sovereign credit positions, we favor EMs with improving fundamentals and policy responses. In all positions, we closely monitor idiosyncratic factors in different countries to identify relative valuation opportunities. We remain highly selective at the sovereign level, given significant variations in economic fundamentals and policy responses.

Outlook

- We expect global growth to be weaker than we had expected prior to tariff imposition, but we anticipate a recession is likely to be avoided. We are cognizant that some of the higher growth recorded in some countries earlier in 2025 was likely front-loading ahead of tariffs, and we are watchful for further signs of possible payback through lower growth in coming quarters.
- Inflation remains of some concern for now, particularly in developed markets. We continue to monitor outcomes to discern whether, and where, tariff increases might become more permanently embedded in inflation, especially as surveys across a range of countries still show higher inflation expectations compared to before tariff announcements.
- We maintain the view that the USD is broadly overvalued, and we expect further depreciation over the medium term for both cyclical and structural reasons, though we note that the magnitude of further weakness may not be as great as was seen during 2025.
- The fiscal outlook in a number of countries remains concerning. Already-high debt levels in major economies are set to rise further, while some political developments also complicate efforts to consolidate fiscal expenditures. In our view, such fiscal burdens raise risks for longer-dated maturities in the bond market.

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	880208400	TGBAX	0.51	17.14	17.14	2.00	-1.00	0.20	5.77	0.51	17.14	17.14	2.00	-1.00	0.20	5.77	0.77	0.74	—	—	9/18/1986
Class A	880208103	TPINX	0.45	16.73	16.73	1.73	-1.27	-0.07	5.56	-3.30	12.40	12.40	0.43	-2.02	-0.45	5.46	1.02	0.99	3.75	—	9/18/1986
Benchmark	—	—	0.11	7.55	7.55	3.19	-3.53	0.54	—	0.11	7.55	7.55	3.19	-3.53	0.54	—	—	—	—	—	—

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

Duration is a measure of the sensitivity of a bond's price to changes in interest rates.

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.

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

Source: FTSE.

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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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