

Franklin International Growth Fund

Advisor Class: FNGZX Class A: FNGAX

Commentary | as of March 31, 2025

Key Takeaways

- **Markets:** After starting 2025 on a strong note, global equities collectively declined during the rest of the first quarter due to investor concerns about US economic growth, President Donald Trump's trade policy and a broadening trade war.
- **Contributors:** Stock selection in the communication services sector bolstered relative returns.
- **Detractors:** Stock selection in the industrials and financials sectors hindered relative returns.
- **Outlook:** Regarding the recent announcement of tariffs by the United States and the subsequent pause on their imposition against most countries, it seems likely that uncertainty will remain elevated for at least the near future.

Performance Review

- In the consumer discretionary sector, German apparel and footwear manufacturer PUMA detracted from relative returns after issuing a profit warning, mainly due to the company's slowing growth in Latin America, where its profit margins are relatively high. A stronger US dollar also had a negative impact on its fourth-quarter 2024 earnings.
- In information technology (IT), Japan-based Disco, which manufactures precision tools for the semiconductor industry, hampered relative returns. Its stock price declined in line with the Japanese market and the wider IT sector, amid concerns about shifting US tariff policies and mixed updates on artificial intelligence-driven semiconductor demand. In addition, a leading investment bank downgraded the company's rating, lowering its shipment forecasts for power semiconductors on potentially weaker demand from automotive and industrial customers.
- In contrast, among communications services holdings, CTS Eventim, a Germany-based live entertainment and ticketing services provider, improved relative performance. Its fourth-quarter results exceeded consensus expectations, with strong revenues and profit margins across its ticketing and live entertainment divisions, implying that the previous quarter's profitability issues were likely temporary and timing-related.

Outlook

- Regarding the recent announcement of tariffs by the United States and the subsequent pause on their imposition against most countries, it seems likely that uncertainty will remain elevated for at least the near future. Though the Trump administration has suggested that this policy is a negotiating tactic, it is difficult to determine whether the aim is a relatively quick resolution or longer-term transformation of US government revenues, along with increased investment in US manufacturing.
- We are modelling various scenarios when assessing the impact of existing and potential future tariffs on portfolio holdings, similar to our approach during the global financial crisis and the pandemic. Of the possible outcomes, we think the key scenario is one where inflation hits consumers and corporations pause their spending in reaction to the prolonged uncertainty, leading to a consumer-driven recession. Our priority is to identify companies with significant consumer exposure that might be further constrained by balance sheet leverage or high fixed operational cost deleveraging, which could weigh on cash flows or even prompt additional capital raising during such a period. So far, changes to the portfolio have been limited but identifying and quantifying areas of outsized risk remains our main objective.
- We design our portfolio to capture a diversified range of growth drivers and economic exposures throughout the global economy that we believe helps reduce risk over the long term. We also focus on investing in companies that, in our analysis, have strong fundamentals, limited balance sheet risk and robust pricing power, which we believe should help these companies weather potential periods of turmoil or economic weakness.

Top Equity Issuers (% of Total)

Holding	Fund
ALCON AG	4.66
KINAXIS INC	4.58
DSV A/S	4.44
MTU AERO ENGINES AG	4.31
CYBERARK SOFTWARE LTD	4.27
MERCADOLIBRE INC	4.24
EXPERIAN PLC	4.02
INTERMEDIATE CAPITAL GROUP PLC	3.86
COCHLEAR LTD	3.84
AMADEUS IT GROUP SA	3.71

Sector Allocation (% of Total)

Sector	Fund
Information Technology	32.37
Industrials	21.50
Health Care	12.94
Consumer Discretionary	10.42
Materials	6.89
Financials	6.79
Communication Services	6.47
Cash & Cash Equivalents	2.62

Average annual total returns and fund expenses (%)

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	353533698	FNGZX	-2.14	-2.14	-4.51	-2.85	5.49	5.11	4.09	-2.14	-2.14	-4.51	-2.85	5.49	5.11	4.09	0.95	0.87	—	—	6/3/2008
Class A	353533730	FNGAX	-2.16	-2.16	-4.77	-3.10	5.22	4.85	3.82	-7.54	-7.54	-9.99	-4.91	4.04	4.26	3.47	1.20	1.12	5.50	—	6/3/2008
Benchmark	—	—	6.86	6.86	4.88	6.05	11.77	5.39	—	6.86	6.86	4.88	6.05	11.77	5.39	—	—	—	—	—	—

Benchmark(s)

Benchmark =MSCI EAFE 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. 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 11/30/2025 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. The **investment style** may become out of favor, which may have a negative impact on performance. **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 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

The **global financial crisis (GFC)** refers to the period of extreme stress in global financial markets and banking systems between mid 2007 and early 2009.

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 EAFE Index** is a free float-adjusted market capitalization-weighted index designed to measure developed market equity performance, excluding the U.S. and Canada. 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. Net Returns (NR) include income net of tax withholding when dividends are paid.

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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.