FRANKLIN TEMPLETON

Franklin International Growth Fund

Advisor Class: FNGZX Class A: FNGAX | **Commentary | as of December 31, 2025**

Key Takeaways

- **Markets:** International equities made further solid gains overall in the fourth quarter of 2025, rounding off a year of strong returns for the asset class. Despite some mixed economic signals and concerns about stretched technology valuations during the quarter, investors remained broadly optimistic about artificial intelligence (AI) advancements and the potential for a continued easing of monetary policy.
- **Contributors:** Select holdings in the industrials sector bolstered relative returns.
- **Detractors:** Stock selection in the financials and consumer discretionary sectors hindered relative returns.
- **Outlook:** Looking ahead, structural trends and innovation themes are shaping global growth opportunities. As markets transition from liquidity-driven rallies to fundamentals-led regimes, active management and disciplined investing will be critical.

Performance Review

- Australian investment bank Macquarie detracted as investors digested mixed performance across its cyclical divisions. Although its profits grew modestly, macro-sensitive businesses such as commodities and investment banking faced cyclical headwinds, weakening sentiment.
- MercadoLibre, one of Latin America's leading e-commerce and fintech firms, detracted due to investor concerns about the potential impact of increased competition on the company's margins. However, its third-quarter results appeared solid, with strong performances in Brazil and Mexico, partly offset by a transitory increase in funding costs in Argentina. Promotions and shipping subsidies helped to accelerate sales growth, but importantly core profitability remained robust.
- In contrast, DSV, a Denmark-based logistics provider, contributed to relative performance as its shares rose on progress integrating a previous major acquisition and resilient results in a soft freight market. Upgraded synergy targets and supportive analyst growth forecasts reinforced confidence in execution, while strong cash generation underpinned balance-sheet flexibility.

Outlook

- After years of narrow market leadership dominated by mega-cap technology stocks, market breadth appears set to expand. Elevated valuations among the largest companies have prompted investors to revisit mid- and small-cap equities, which now trade at multi-decade valuation discounts. These firms, often earlier in their growth cycles and more agile, combine innovation potential with operational stability. Improving fundamentals and lower capital costs position mid caps for earnings acceleration and multiple expansion, creating opportunities for active investors seeking differentiated businesses. Easing inflation and anticipated rate cuts further support quality growth, reversing the headwinds from prior tightening cycles that pressured valuations and financing conditions.
- Looking ahead, structural trends and innovation themes are shaping global growth opportunities. Europe, often overlooked, is undergoing renewal, with healthcare leaders in biologics and rare-disease therapies and industrial firms benefiting from defense and infrastructure commitments. Meanwhile, AI adoption continues to broaden beyond infrastructure providers to companies embedding AI into products and services, unlocking new profit pools despite near-term volatility. As markets transition from liquidity-driven rallies to fundamentals-led regimes, active management and disciplined investing will be critical. We believe the coming years will reward those who can distinguish durable innovation from cyclical enthusiasm, reinforcing the case for patient, quality-focused growth strategies.

Top Equity Issuers (% of Total)

Holding	Fund
DSV A/S	4.57
ASTRAZENECA PLC	3.99
CTS EVENTIM AG & CO KGAA	3.90
MTU AERO ENGINES AG	3.87
ALCON AG	3.81
ICG PLC	3.79
ARGENX SE	3.76
LONZA GROUP AG	3.68
MERCADOLIBRE INC	3.35
SONY GROUP CORP	3.35

Average annual total returns and fund expenses (%) - as of December 31, 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	353533698	FNGZX	-2.02	10.52	10.52	8.63	-2.39	6.77	4.64	-2.02	10.52	10.52	8.63	-2.39	6.77	4.64	0.96	0.87	—	—	6/3/2008
Class A	353533730	FNGAX	-2.11	10.24	10.24	8.36	-2.64	6.51	4.36	-7.50	4.18	4.18	6.33	-3.73	5.91	4.02	1.21	1.12	5.50	—	6/3/2008
Benchmark	—	—	4.86	31.22	31.22	17.22	8.93	8.18	—	4.86	31.22	31.22	17.22	8.93	8.18	—	—	—	—	—	—

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 11/30/2026 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. 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.

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.

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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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