FRANKLIN TEMPLETON | ClearBridge

ClearBridge International Growth ADR Portfolios

Commentary | as of March 31, 2026

Key Takeaways

- **Markets:** International equities declined in March as the U.S.-Israel conflict with Iran escalated, resulting in mixed quarterly performance. The MSCI EAFE Index fell 1.2% but still outperformed the S&P 500 Index (4.3%). Value stocks continued to lead amid rising energy prices and higher interest rates.
- **Contributors:** Agnico Eagle Mines, Siemens Energy, ASML. Exposure to materials, utilities and select industrials.
- **Detractors:** Sea Limited, Tencent, SAP. Underweight to energy; holdings in financials and software.
- **Outlook:** After an extended period of value leadership, we believe growth stocks have materially compressed their valuation premium. We see improving opportunities, particularly in markets with rising earnings, supportive fiscal policy and attractive valuations.

Performance Review

- Relative performance was most impacted by the Portfolio's limited exposure to traditional energy during a quarter in which the energy sector surged roughly 40% (net of fees).
- The closure of the Strait of Hormuz heightened inflation concerns through commodity price spikes and drove a reassessment of European Central Bank policy expectations. These forces, coupled with profit taking after strong 2025 performance, pressured financials, which declined 3.7% for the quarter. Holdings including Adyen, Intesa Sanpaolo and NatWest Group detracted as a result.
- Technology also weighed on results, particularly software. The launch of advanced generative AI tools intensified concerns that AI native solutions could weaken pricing power, extend sales cycles and compress long term growth. This resulted in broad based multiple contraction across the software sector, including companies with strong fundamentals. We reduced overall software exposure, including cutting Germany's SAP by roughly two thirds.
- Among individual detractors, Sea Limited was hurt by rising competition in its e-commerce business as well as earnings forecasts that missed expectations while Tencent was lower as incremental risks have emerged around rising AI competition within China, contributing to multiple pressure.
- Relative performance was supported by AI "picks & shovels" stocks including Dutch semiconductor equipment maker ASML, German high-voltage cable supplier Siemens Energy as well as Agnico Eagle Mines, which benefited from a rise in metals prices.
- Despite the short term weakness, we remain constructive on international growth stocks and believe recent portfolio adjustments have improved positioning.
- We increased exposure to companies aligned with European energy security and fiscal expansion. New positions included French utility Engie, reflecting our view that grid investment and energy transition spending will accelerate. We also added Rio Tinto to benefit from rising demand for copper, aluminum and other industrial metals critical to electrification and infrastructure spending.
- We continued to build exposure in Japan, adding new positions that reflect improving fundamentals. Japan stands out among developed markets due to rising interest rates, governance reforms supporting higher returns on equity, and expansionary fiscal policy that should boost domestic demand, defense spending and technology investment.
- Within semiconductor capital equipment, we added ASM International and Lasertec to broaden exposure to AI related manufacturing and inspection technologies.

Outlook

- Geopolitical conflict has reshaped global cost dynamics, particularly for energy dependent Europe, increasing uncertainty around inflation, interest rates and consumer demand. We are closely assessing the impact of higher commodity prices on both household spending and industrial input costs.
- In response, we have aligned the portfolio more closely with the current risk environment by reducing our IT overweight and increasing exposure to utilities, materials and select industrials — areas we view as structural growth beneficiaries amid rising infrastructure and power demand. We continue to emphasize regions such as Japan, and to a lesser extent Australia, where valuations remain attractive and earnings momentum is improving.
- While limited direct oil and gas exposure detracted during the quarter, we view utilities, infrastructure investments and select energy exposure — including the addition of Woodside Energy — as effective ways to participate defensively in a period of rising global power demand. We remain confident the portfolio is well positioned for improved outcomes as growth leadership ultimately reasserts itself.

Top Equity Issuers (% of Total)

Holding	Portfolio
ASML Holding NV	4.45
AstraZeneca PLC	3.43
Siemens Energy AG	3.25
Agnico Eagle Mines Ltd	3.16
Taiwan Semiconductor Manufacturing Co Ltd	3.05
HSBC Holdings PLC	3.04
E.ON SE	2.79
Hoya Corp	2.70
BAE Systems PLC	2.69
Mitsubishi UFJ Financial Group Inc	2.67

Average annual total returns (%) - as of March 31, 2026

Composite	3-Mo*	6-Mo*	YTD*	1-Yr	3-Yr	5-Yr	10-Yr	15-Yr	20-Yr	25-Yr	Inception	Inception Date
Net of Fees	-5.95	-6.46	-5.95	7.73	5.61	1.15	6.60	4.93	3.96	4.15	4.34	9/30/1996
Pure Gross of Fees	-5.23	-5.05	-5.23	10.94	8.77	4.18	9.79	8.07	7.07	7.27	7.47	9/30/1996
Benchmark 1	-1.24	3.56	-1.24	21.27	13.62	7.91	8.38	6.31	5.04	5.94	5.56	—
Benchmark 2	-4.71	-2.93	-4.71	12.67	7.51	3.55	7.13	5.98	5.00	5.50	4.72	—

*Cumulative total returns

Benchmark(s)

Benchmark 1=MSCI EAFE Index-NR

Benchmark 2=MSCI EAFE Growth Index-NR

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Glossary

The **S&P 500 Index** features 500 leading U.S. publicly traded companies, with a primary emphasis on market capitalization. Source: © S&P Dow Jones Indices LLC. All rights reserved.

Important Information

Effective March 1, 2026, the MSCI EAFE Growth Index was added as an additional benchmark for the portfolio.

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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. The **MSCI EAFE Growth Index** captures large- and mid-cap securities exhibiting overall growth style characteristics across Developed Markets countries around the world, excluding the U.S. and Canada.

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