FRANKLIN TEMPLETON | ClearBridge

ClearBridge International Value ADR Portfolios

Commentary | as of June 30, 2026

Key Takeaways

- **Markets:** Global equities recovered strongly in the second quarter as investors looked through volatility following March's escalation of the U.S.-Iran conflict and refocused on resilient corporate earnings, improving growth expectations and the durability of the AI capital spending cycle. The MSCI EAFE Index returned 10.8% in the period. Growth's strong quarter helped it recover from first-quarter weakness; however, value stocks continued to outperform year to date.
- **Contributors:** Holdings in Murata Manufacturing, Infineon Technologies and Taiwan Semiconductor. Stock selection in IT and consumer staples, underweight to health care.
- **Detractors:** Holdings in Marubeni and Alstom, not owning ASML. Stock selection in industrials, underweight to IT and overweight to energy.
- **Outlook:** As always, during periods of heightened uncertainty, we remain focused on identifying high-quality businesses with improving fundamentals that are aligned with a diversified set of long-term secular themes. We believe this approach positions the Portfolios well to navigate volatility while capturing opportunities created by ongoing market dislocations.

Top Equity Issuers (% of Total)

Holding	Portfolio
Taiwan Semiconductor Manufacturing Co Ltd	3.49
Siemens AG	3.36
Mitsubishi UFJ Financial Group Inc	3.05
BNP Paribas SA	2.96
Lloyds Banking Group PLC	2.93
Murata Manufacturing Co Ltd	2.78
Siemens Energy AG	2.72
Infineon Technologies AG	2.70
KBC Group NV	2.35
Marubeni Corp	2.24

Performance Review

- The Portfolios underperformed their MSCI EAFE benchmark in the second quarter, as stock selection in industrials and an overweight to energy more than offset positive stock selection in health care and information technology (IT).
- Several of our industrial holdings came under pressure during the quarter. Japan-headquartered Marubeni, a trading and industrials company, pulled back after strong first-quarter performance as investors reassessed commodity-sensitive and cyclical exposures. France-headquartered rail transport systems manufacturer Alstom also fell as revised margin expectations, rolling-stock execution issues and cash flow concerns pressured the shares.
- The sharpest sector-level detractor came from energy. Shell, TotalEnergies and Cenovus Energy came under pressure as easing geopolitical tensions in the Middle East and the announcement of negotiations between the U.S. and Iran resulted in a pullback in oil and natural gas prices, reducing near-term cash flow support for commodity-sensitive producers and integrated energy companies.
- IT was the strongest contributor and a positive source of stock selection. Murata Manufacturing, a Japan-based electronic components manufacturer and leading supplier of multilayer ceramic capacitors, was the Strategy's top individual contributor, benefiting from tightening supply and stronger demand tied to AI servers, smartphones and automotive applications. Germany's Infineon Technologies contributed as the company raised full-year guidance, supported by stronger demand for power solutions for AI data centers and improved automotive order intake. Taiwan Semiconductor Manufacturing also advanced as demand for advanced chips used in AI and high-performance computing remained strong. These positive contributions were partially offset by not owning some of the large index weights in semiconductor equipment and memory where market returns were concentrated.
- Health care also contributed, largely driven by Germany-headquartered pharmaceutical and life sciences company Merck KGaA. The stock benefited from positive earnings results, as its life sciences division continued to recover from several years of destocking and its electronics division saw stronger semiconductor-related demand.
- Regionally, stock selection in Europe Ex U.K. was the largest contributor to relative performance, where Anheuser-Busch InBev benefited from better-than-expected earnings and improving beer volume trends. North America exposure was the largest regional detractor, driven by weakness in Brookfield Renewable following a mixed earnings report and Willis Towers Watson as investors grew more cautious on the company's near-term growth outlook.

Outlook

- The initial fog of war has shaken investor confidence toward international markets, particularly as higher energy prices and elevated inflation may keep central banks restrictive, tightening financial conditions, while a stronger U.S. dollar pressures global liquidity and emerging markets.
- However, we believe it is important not to lose sight of the broader set of growth drivers underpinning the case for international value stocks. Structural trends, including investment in energy security, defense and infrastructure, should support demand across industrial and real asset–oriented sectors, which are much larger components of non-U.S. markets.
- Additionally, the AI boom remains in early innings and is driving an investment cycle orders of magnitude beyond that of the prior few decades. As AI transitions from being a deflationary, margin-preserving tool to a productivity-enhancing growth driver, investors may also begin to reconsider which profit pools and business moats are truly defensible and seek broadening of exposure beyond U.S. mega cap technology. While uncertainty persists, we remain focused on these important secular themes and look for opportunities to deploy capital into leading beneficiaries as they become attractively valued.

Not FDIC Insured | No Bank Guarantee | May Lose Value

Average annual total returns (%) - as of June 30, 2026-PRELIMINARY

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	9.94	5.71	5.71	16.26	11.83	7.40	6.39	4.26	2.88	3.80	4.30	9/30/1994
Pure Gross of Fees	10.73	7.27	7.27	19.71	15.16	10.61	9.57	7.39	5.96	6.91	7.43	9/30/1994
Benchmark 1	10.82	9.44	9.44	20.23	16.44	9.05	9.66	6.93	5.54	6.42	5.96	–
Benchmark 2	7.49	9.63	9.63	26.95	21.51	13.15	10.45	6.87	5.20	6.50	6.50	–

*Cumulative total returns

Benchmark(s)

Benchmark 1=MSCI EAFE Index-NR

Benchmark 2=MSCI EAFE Value Index-NR

The strategy returns shown are preliminary composite returns, subject to future revision (downward or upward).

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What are the Risks?

All investments involve risks, including possible loss of principal. 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. Small- and mid-cap stocks** involve greater risks and volatility than large-cap stocks.

Glossary

Moat is an advantage a company has which allows it to protect its market share and profitability.

Important Information

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The **MSCI EAFE Value Index** is designed to measure performance of stocks exhibiting overall value style characteristics in developed markets, excluding the U.S. and Canada. 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.

Net Returns (NR) include income net of tax withholding when dividends are paid.

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