

Franklin Templeton Alternative Completion Portfolios

Commentary | as of December 31, 2025

Key Takeaways

- **Markets:** Global equities advanced in the fourth quarter, led higher by emerging markets (EM) and European stocks. Markets were characterized by a rotation toward value, based on investor concerns about elevated technology stock valuations amid fears of an artificial intelligence (AI) bubble. The US Federal Reserve (Fed) cut interest rates in October and December, in line with softening labor market data and falling inflation. The Bank of Canada (BoC) maintained its policy rate at 2.25% on December 10, citing stable inflation and resilient gross domestic product (GDP) growth despite ongoing US trade policy uncertainty. The BoC cut rates in both September and October. Within the global commodities complex, metals advanced during a period defined by record highs, heightened speculative swings and dominant industrial demand narratives. Oil and many agricultural markets lagged.
- **Contributors:** Positioning in the alternatives sleeve contributed to absolute returns.
- **Detractors:** Allocation to the equity sleeve detracted from results.
- **Outlook:** We retain measured conviction toward equities into 2026, as influential pillars of support for risk assets—such as inflation, policy and corporate fundamentals—remain healthy. These dynamics are fueling our belief that equities will likely continue to deliver positive returns for investors, despite stretched valuations.

Performance Review

- For the period ended December 31, 2025, Franklin Templeton Alternative Completion Portfolio (net of fees) underperformed its benchmark, the HFRX Global Hedge Fund Index.
- Alternatives holdings K2 Alternative Strategies Fund (Advisor Class) and John Hancock Diversified Macro Fund (Class I) as well as US equity holding Franklin US Low Volatility High Dividend Index ETF were the largest detractors from absolute performance in the period.
- Conversely, alternatives holdings Franklin Systematic Style Premia ETF, Virtus AlphaSimplex Managed Futures Strategy Fund (Class I) and BlackRock Event Driven Equity Fund contributed to absolute performance.

Outlook

- Current activity indicators show growth above six-month averages in the United States, EMs and Europe. In addition, continued disinflation trends have provided some room for central banks to bolster accommodative fiscal policy by cutting interest rates.
- Discounting some noise in the data, we are encouraged by US annual Consumer Price Index (CPI) inflation, which fell to 2.7% in November, while annual core inflation (less food and energy) also moved closer to target, at 2.6%. A combination of lower inflation pressures and softening employment data provides a good background for stimulative Fed policy, although we only expect to see one more rate cut in the first half of 2026.
- Equally importantly, corporate fundamentals show little sign of weakening, in our opinion, as trailing earnings growth remains strong. In addition, global forward earnings expectations are being revised higher, alongside earnings guidance breadth.

Average annual total returns (%) - as of December 31, 2025

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	0.61	3.82	4.10	4.10	1.54	-1.86	—	—	—	—	-1.45	3/31/2018
Pure Gross of Fees	1.36	5.36	7.22	7.22	4.58	1.09	—	—	—	—	1.51	3/31/2018
Benchmark	1.41	4.64	7.14	7.14	5.16	2.87	—	—	—	—	3.02	—

*Cumulative total returns

Benchmark(s)

Benchmark =HFRX GLOBAL HEDGE FUND INDEX

Past performance is not a guarantee of future results. An investment in this strategy can lose value. Please visit www.franklinton.com for the latest performance figures. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Fees: Periods less than one year are not annualized. Performance results are for the composite which includes all actual, fully discretionary accounts with substantially similar investment policies and objectives managed to the composite's investment strategy. Composite returns are stated in U.S. dollars and assume reinvestment of any dividends, interest income, capital gains, or other earnings. The composite may include account(s) that are gross of fees and pure gross of fees. "Pure" gross-of-fee returns do not reflect the deduction of any expenses, including transaction costs. A traditional (or "true") gross-of-fee return reflects performance after the reduction of transaction costs but before the reduction of the investment advisory fee. The gross-of-fee return may include a blend of "true" gross-of-fee returns for non-wrap accounts and "pure" gross-of-fee returns for wrap accounts. Net-of-fee returns is reduced by a model "wrap fee" (3.0% is the maximum anticipated wrap fee for equity and balanced portfolios) which includes trading expenses as well as investment management, administrative and custodial fees. The model wrap fee used represents the highest anticipated wrap fee applicable to the strategy. Actual fees and account minimums may vary.

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The performance shown for the Franklin Templeton Alternative Completion strategy reflects the performance of an account that is invested in the Class IS shares of the Franklin Templeton affiliated mutual funds that are included in the portfolios. Sponsor firms offering the Franklin Templeton Alternative Completion strategy on their platform may request that Franklin Templeton Investment Solutions (FTIS) provide a model portfolio for the Franklin Templeton Alternative Completion strategy utilizing the Class I share of the Franklin Templeton affiliated mutual funds. Because Class IS shares have a lower expense ratio than Class I shares, the performance shown for the strategy is higher than it would have been had Class I shares been utilized.

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Glossary

The **Consumer Price Index (CPI)** is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care.

Forward earnings are an estimate of a next period's earnings of a company.

Gross domestic product (GDP) is the market value of all final goods and services produced within a country in a given period of time.

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