



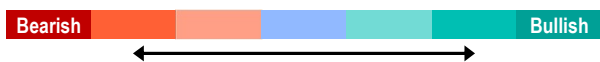
Timely investment positioning (TIP)

Views reflect a 6-12 month time horizon for dynamic positioning

April 1, 2026

Franklin Templeton Investment Solutions translates a wide variety of investor goals into portfolios powered by Franklin Templeton’s best thinking around the globe. We calibrate firmwide views with original analysis from our dedicated teams, which include both fundamental and quantitative research professionals.

Our dynamic view (legend)



Asset Class	View	Description
Asset Class	Equities	We remain highly tactical moving into April, as conflict in the Middle East continues to drive markets. A complete resolution of hostilities is unlikely, in our view. The macro backdrop has been challenged by weakening growth indicators. Also, inflation limits expectations for stimulative monetary policy. Sentiment and positioning have retreated to more attractive levels, supporting risk assets.
	Fixed Income	We expect demand destruction to play a greater role in monetary policy decisions than inflation. The recent inflationary-fueled uptick in yields may present an opportunity to add selectively to duration. However, rising inflation makes it harder for central banks to stimulate sluggish economies, feeding the stagflation narrative and supporting a defensive approach to asset allocation.
	Cash	We believe cash offers attractive risk-free returns. However, our preference to lower our portfolios' interest-rate sensitivity has moderated as yields have risen month-on-month. Additionally, our outlook reflects our broad approach to cross-asset allocation during elevated uncertainty.
Equities	United States	We remain concerned about the sustainability of AI capex, along with macro risks, including higher inflation and the energy price shock. Growth is slowing and labor data has softened somewhat, while core inflation has begun to rise, complicating any response from the Federal Reserve (Fed).
	International Developed	Europe ex UK: Manufacturing activity continues to soften due to structural weaknesses in Germany. We are seeing thinner profit margins and narrower market leadership. The magnitude and breadth of forward earnings-growth revisions for the next 12 months are negative and falling. Though these concerns exist, we seek to capitalize on the recent drawdown by slightly upgrading our view. Japan: We hold a constructive view. Japan is particularly vulnerable to an energy price shock but it holds healthy reserves that should suffice for the next few months. The new Japanese government coalition is pushing ahead with fiscal stimulus, while earnings growth and revisions remain strong.
	Emerging Markets	Emerging markets ex China: Influential countries, including Taiwan and South Korea, are vulnerable to energy price shocks linked to the closure of the Strait of Hormuz. Taiwan’s semiconductor industry is highly reliant on natural gas and has dwindling inventories at its disposal. Having said that, we remain positive, given earnings expectations are rising rapidly across the region amid healthy earnings revisions. China: While we still anticipate positive AI developments, there will likely be continued price competition across both manufacturing and consumption due to the deflationary environment. Macro and corporate fundamentals in China remain under pressure, and fiscal and monetary stimulus measures implemented to date have not materially helped. Domestic demand continues to stagnate.
	US Treasuries	Markets are no longer pricing in interest-rate cuts from the Fed, despite a slight deterioration in labor markets and signs of slowing growth. Sticky core inflation and energy price concerns will make it difficult for the Fed to ease policy. Rising fiscal deficits and tax cuts add to upward pressure on yields.
Fixed Income	US Investment Grade	A modest deterioration in macro forecasts is a concern. Credit spreads have widened but remain relatively narrow. We hold a neutral viewpoint on higher-quality credit, preferring the potential defensive features of government bonds.
	US High Yield	Spreads have widened but remain relatively tight. In our view, they do not fully reflect the risks and tightening in financial conditions stemming from the conflict in Iran. Moreover, spreads have not widened in line with the equity sell-off. Investors are not benefiting from the usual cushion of falling rates in this scenario.
	International Developed	Higher prices have the potential to add further pressure to an already weakened economy. However, German fiscal expansion could result in increased sovereign issuance, adding upward pressure to eurozone yields.
	Emerging Markets	Local-currency debt still offers a compelling long-term opportunity, as fiscal and monetary policy stability, in tandem with corporate governance improvements, should help to boost inflows of foreign capital. However, we are cautious due to risks related to conflict in the Middle East and a strengthening US dollar.

Arrows, if included, denote a month-over-month change in a given view.

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US equity and fixed income factors

Equities	<p>Small → Large</p> <p>Market Cap</p>	Cost shocks are relatively bad for small caps given their generally lower pricing power, higher operating leverage, and greater domestic cost exposure. From a sector standpoint, we believe small caps would be hurt more by a potential energy shock than large caps.
	<p>Value → Growth</p> <p>Style</p>	Going forward, should the economic and earnings growth outlook falter (most likely as a fallout from the conflict in Iran), markets historically reward growth when growth is hard to find. Higher-quality companies (which dovetails with large-cap growth) tend to outperform in environments of slowing growth.
Fixed Income	<p>Short → Long</p> <p>Duration</p>	Central banks are facing two-sided risks from higher inflation due to the Iran conflict and possible demand driven slowdown due to higher oil prices.

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Periodic* insights on alternative asset classes

Alternatives	Private Equity	Private equity conditions have improved modestly from last quarter, supported by better exit activity and somewhat lower dry powder, but the backdrop is still selective rather than broad-based. We continue to favor the middle market and still see secondaries—especially general partner-led/single-asset continuation vehicles—as attractive.
	Private Credit	We remain broadly constructive on US private credit while remaining slightly cautious on corporate direct lending. Though absolute spreads are tight and competition remains elevated, forward deployment still looks attractive relative to public credit on a relative spread basis. Negative headlines and fundraising pressure have the potential to increase spreads—improving attractiveness—but we may see multiple quarters of redemption pressures first.
	Real Assets	Private Real Estate: The outlook is broadly unchanged from last quarter, but with a firmer underpinning. Fundamentals remain strongest in sectors such as multifamily and industrial, while office remains the clearest laggard. The medium-term opportunity is attractive, though returns will depend heavily on interest rates and policy, and transaction evidence still suggests some gap between appraisal values and clearing prices. Real estate credit also remains attractive given elevated yields and a large refinancing pipeline over the next two years. Commodities: We remain neutral on commodities overall. Energy markets already reflect a significant geopolitical risk premium. Gold has become more attractive after the recent pullback, with positioning likely cleaner and prior pressure from higher real rates already absorbed. At the same time, the AI capex buildout should continue to support demand for select industrial metals and energy markets.
	Hedge Strategies	We are neutral but more constructive on long/short equity managers as catalysts across regions support an attractive environment for stock selection. We have a neutral but modestly declining outlook on event-driven strategies, as elevated market volatility can tamper confidence, leading to less deal activity. The global macro environment remains broadly supportive, with elevated market volatility expanding the opportunity set. Commodity managers face an opportunity set that is rich but challenging, as renewed volatility increases tail risks for directional and relative value strategies.

* Commentary as of March 2026.

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An investment in **private securities (such as private equity or private credit)** or vehicles which invest in them, should be viewed as illiquid and may require a long-term commitment with no certainty of return. The value of and return on such investments will vary due to, among other things, changes in market rates of interest, general economic conditions, economic conditions in particular industries, the condition of financial markets and the financial condition of the issuers of the investments. There also can be no assurance that companies will list their securities on a securities exchange, as such, the lack of an established, liquid secondary market for some investments may have an adverse effect on the market value of those investments and on an investor's ability to dispose of them at a favorable time or price.

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