



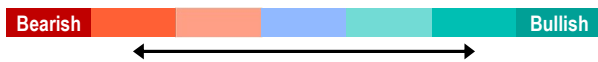
Timely investment positioning (TIP)

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

June 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	Corporate fundamentals remain strong; we see a high likelihood of double-digit earnings growth over the next 12 months. Tensions are likely to remain for some time, while energy supplies may also be restricted, but we would expect markets to look through any temporary setbacks. Sentiment and positioning have strengthened, but are not yet exuberant, remaining broadly supportive of risk assets.
	Fixed Income	Inflation remains persistent, and any setbacks in resolving the Middle East conflict could keep it elevated. Central banks—particularly those with a sole inflation mandate—are likely to remain constrained, while resilient US growth further reduces the case for easing.
	Cash	We believe cash offers attractive risk-free returns and have reduced portfolio interest-rate sensitivity. Our preference reflects a cautious stance on interest rates amid elevated uncertainty.
Equities	United States	Corporate fundamentals look strong. We have seen earnings revisions broadly trend upward among value and small-cap stocks. We see a high likelihood of double-digit earnings growth over the next 12 months.
	International Developed	Europe ex UK: Growth indicators remain weak, pressured by rising input costs and structural challenges in Germany, including high energy costs, labor shortages and regulatory burdens. A subdued macro backdrop, elevated energy prices, and soft domestic demand are weighing on eurozone equities, in our view, reflected in thinner profit margins. Greater exposure to Middle East energy adds further risk. We remain pessimistic. Japan: Optimism has weakened with the continuation of the US-Iran war, given sensitivity to oil imports. Earnings estimates have stagnated due to faltering confidence in the economy and concerns about reflationary fiscal policy.
	Emerging Markets	Emerging markets ex China: The risk of an extreme energy shock from a Strait of Hormuz closure has eased. Earnings expectations continue to rise, driven by AI-related spending from hyperscalers supporting Asian hardware demand. While revisions remain positive, breadth has narrowed alongside semiconductor outperformance. Recent earnings have been strong, with robust demand and pricing power driving margin expansion. China: China’s economy remains K-shaped, with subdued domestic demand offset by strong export performance, reducing the urgency for stimulus. For equities, the outlook hinges on domestic conditions, in our view, with challenges in the property sector and ongoing deflationary pressures weighing on sentiment. While new e-commerce regulations may help stabilize valuations at the margin, the broader backdrop of limited stimulus and uneven growth keeps us neutral.
	US Treasuries	Markets are now pricing interest-rate hikes from the Federal Reserve (Fed), as inflation becomes more of a concern and growth and labor markets remain resilient. However, continued fiscal deficits and uncertainty around a new Fed regime can add to upward pressure on yields.
Fixed Income	US Investment Grade	We remain neutral on investment grade credit, as strong corporate fundamentals and a supportive growth backdrop are largely reflected in tight credit spreads. While fundamentals remain constructive, elevated inflation and the risk of potential policy tightening limit the scope for additional spread compression.
	US High Yield	Investors are not benefiting from the usual cushion of falling rates in the current environment. Moreover, excess returns on equities appear more attractive than credit, amid strong earnings and tight spreads. We believe the balance of risk and rewards favors neutrality.
	International Developed	Inflation and energy risks are currently enough to keep yields elevated, in our view. But weak demand, credit and wage momentum may curtail inflationary pressures, pushing yields lower over the medium term.
	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>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 an increasingly “K-shaped” economy fueled by higher energy prices.
	<p>Style</p>	If economic and earnings growth were to falter—potentially due to the US-Iran war—markets have historically favored scarce growth, with higher-quality, large-cap companies tending to outperform. However, we remain cautious on the sustainability of AI capex and the profitability of hyperscalers.
Fixed Income	<p>Duration</p>	Market expectations for further Fed rate increases suggest that inflation has re-emerged as the dominant concern, outweighing fears of weakening demand. We are cautious on duration, as persistent inflation and resilient US corporate growth expectations are likely to keep upward pressure on yields.

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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: Our 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 robust 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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