

Performance Review

- Emerging markets (EM) gained nearly 3% during the first quarter. The asset class saw a broad-based recovery across most countries, with only a few lagging in the period (namely countries in Southeast Asia and Taiwan). Key outperformers were China, led by strong returns from large-cap technology leaders. Names forming part of the 'Terrific Ten' were particularly strong, as the market rewarded the idiosyncratic defensive growth coming out of China and positive momentum resulting from potential incremental policy stimulus. There were also positive returns from countries in Central and Eastern Europe following news surrounding moves towards a possible Russia-Ukraine ceasefire. During the quarter, India continued to see weakness, which was a result of foreign investor selling, muted earnings momentum, and domestic growth concerns. The small- and mid-cap space in the country underperformed due to further profit-taking.
- For the quarter, the Portfolio returned 2.39% (net of fees), and its benchmark, the MSCI Emerging Markets Index-NR, returned 2.93%.
- During the quarter, we initiated a position in Eastroc Beverage and Mahindra. As the domestic leader in the Chinese energy drinks sector, Eastroc brings exposure to a high-growth, high-return domestic business. Additionally, from a portfolio perspective, the company offers an opportunity to diversify our Chinese exposure and the domestic nature of the business should help to minimise geopolitical risk.
- We also initiated a position in Mahindra. Mahindra is the best positioned for long-term growth in the Indian automotive market. Its car division is 100% exposed to SUVs, which continues to see stronger demand than other vehicle types. Mahindra also has exposure to tractors, where demand looks to have entered a new upcycle. The combination of SUV + tractors will likely result in Mahindra delivering attractive growth from a reasonable valuation starting point.
- We eliminated our position in Maruti. Although the company has shown resilient market share, we believe that the over-reliance on the low-end passenger vehicle market means that the company will likely underperform Mahindra and the structural growth we are seeing in middle-class market/SUVs. As such, we have sold Maruti to fund our purchase of Mahindra.

QUARTERLY KEY PERFORMANCE DRIVERS¹

	Stock Selection	Sector Allocation
HELPED	Alibaba	Consumer Discretionary
	Tencent	Communication Services
	BYD	Financials
HURT	Globant	Industrials
	Taiwan Semiconductor Manufacturing Company	Materials
	Quanta	Information Technology

- Single stocks that performed well during included Alibaba, Tencent and BYD. Alibaba is starting to see very strong business traction in its cloud business and further positive developments in the company's leadership in artificial intelligence (AI). Broadly speaking, Chinese internet companies are strategically implementing AI in their business capital expenditures (capex)² and expectations are that AI capex could drive strong internet business models as well as promote a broad-based economic recovery. Tencent continues to deliver on its strong domestic growth engines (gaming and advertising) and has recently given more clarity on its AI ambitions and strategy. Tencent will utilize its own internal AI model and partner with third party models. The company's traction in AI to its consumer business has been recently growing. BYD maintained its leadership in both its domestic and its international electric vehicle (EV) businesses with strong monthly sales traction. The innovation pipeline in BYD is robust and the company is delivering EV vehicles with significant cost advantages, which is resulting in strong market share gains in overseas markets.
- Notable detractors included Globant, Taiwan Semiconductor Manufacturing Company (TSMC) and Quanta. Globant's 2025 outlook is lower than expected, with revenue growth being impacted by softer growth at its key client (which has decelerated from the previous year's strength). Furthermore, the company is seeing slower growth out of its Latin America business, which is reflected in its new guidance/outlook for 2025. TSMC has followed the weakness across most global semiconductor names during this period. Although key client Nvidia delivered a strong set of results, the market has been concerned about the potential impact of DeepSeek and the deflationary forces in play with AI hardware pricing. Semiconductor names have largely been impacted by slower consumer growth coming out of the U.S. market. Quanta was negatively impacted by shipment delays of GB200. However, the company continues to experience very strong market share gains in traditional servers, as well as strong potential from the GB300 rollout.

1. The portfolio characteristics and sector attribution are based on a model portfolio, not an actual client account. The model portfolio is a hypothetical portfolio whereby the portfolio characteristics and sector attribution are based on simulated trading and account activity of a client account invested in this strategy and assumes no withdrawals, contributions or client-imposed restrictions. Characteristics and sector attributions of individual client accounts may differ from those of the model portfolio as a result of account size, client-imposed restrictions, the timing of client investments, market conditions, contributions, withdrawals and other factors. This information does not constitute, and should not be construed as, investment advice or recommendations with respect to the sectors and securities listed, and it should not be used as the sole basis for any investment decision.

2. **Capital Expenditure (capex)** are funds used by a company to acquire or upgrade physical assets such as property, industrial buildings or equipment.

Outlook & Strategy

- There were two new buys and one sell during the quarter.
- We firmly believe that the long-term investment outlook for EM remains robust and we maintain strong confidence in our portfolio holdings. The market persistently undervalues high-quality, sustainable growth companies and we are convinced that despite the recent, prolonged style rotation, investing in these companies will yield positive results in the long term.
- Looking ahead, we are particularly excited by the powerful synergy of technology adoption, urbanization, and services sector growth prevalent in EM. We anticipate that our highly selective, stock-focused strategy will thrive by identifying companies with high returns on equity, operating in structurally growing sectors. Furthermore, the current environment—with its regulatory pressures, human conflicts, and ever-evolving macroeconomic landscape—highlights the importance of focusing on strong sustainability and governance characteristics, and sustainable growth as critical factors in determining companies that will remain relevant and lead the way in the long run.
- As we progress further into 2025, we think the key drivers of EM returns, and thus the biggest opportunities, will be technology, India, and China. Technology companies in EM are core to the global adoption of AI, and the longer-term structural growth opportunity of EM information technology is broader across the whole ecosystem. This should place them well to succeed in the next 12 months and beyond. Similarly, India has had an interesting 2024 and we think that as the market returns to recognizing fundamentals in share prices, there may be a market correction that benefits high-quality, sustainable growth companies. Finally, as the largest country in the asset class, China will continue to play a key role and we believe its recovery has only just begun.

Product Details³

Inception Date	12/31/1993
Benchmark	MSCI EM Index Mix

Performance Data

Average Annual Total Returns (USD %)

	3 Mths	YTD	1 Year	3 Year	5 Year	10 Year	20 Year	Since Inception (12/31/1993)
Martin Currie Emerging Markets Portfolios - Pure GROSS	3.18	3.18	5.56	-0.76	6.01	4.74	6.45	4.58
Martin Currie Emerging Markets Portfolios - NET	2.39	2.39	2.40	-3.74	2.83	1.59	3.26	1.44
MSCI EM Index Mix	2.93	2.93	8.09	1.44	7.94	3.82	6.29	4.88

3. Information is based on Martin Currie Emerging Markets Portfolios. A composite is an aggregation of one or more portfolios into a single group that represents a particular investment objective or strategy.

Calendar Year Returns (USD %)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Martin Currie Emerging Markets Portfolios - Pure GROSS	3.85	6.35	-25.37	-3.65	27.84	27.96	-17.56	49.15	12.56	-12.64
Martin Currie Emerging Markets Portfolios - NET	0.74	3.16	-27.61	-6.54	24.00	24.12	-20.04	44.68	9.18	-15.26
MSCI EM Index Mix	7.50	9.83	-20.09	-2.54	18.31	18.44	-14.57	37.75	11.60	-14.60

The strategy returns shown are preliminary composite returns, subject to future revision (downward or upward). Please visit www.franklintempleton.com for the latest performance figures. Past performance is not a guarantee of future results. An investment in this strategy can lose value.

Performance data represents past performance, which does not guarantee future results. Current performance may be lower or higher than the performance data quoted. Investment return and principal value will fluctuate with market conditions, and you may have a gain or loss when you sell your shares. 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.

IMPORTANT PERFORMANCE CALCULATION: Beginning February 1, 2018, the composite includes only SMA portfolios that are managed in accordance with the Martin Currie Global Emerging Markets strategy. Prior to February 2018, performance results were calculated using the Martin Currie Global Emerging Markets Composite, which was comprised of institutional accounts. Net total returns were calculated by reducing the institutional gross-of-fee performance by the highest bundle fee of 3.0%. Martin Currie follows substantially the same investment philosophy, strategies and processes in managing SMA portfolios that it does in managing institutional portfolios. The performance of the Martin Currie Global Emerging Markets SMA Composite may vary from the performance of the institutional composite, especially over shorter time periods and during periods of extraordinary market conditions. The SMA portfolios are implemented through a combination of individual holdings along with an allocation to a no-load mutual fund share created to allow the portfolio managers to replicate the same themes and characteristics of the managed institutional and mutual fund strategy. Members in the institutional composite typically hold individual securities.

The MSCI EM Index Mix: Prior to January 31, 2018, the index used was the MSCI EM (Emerging Markets) Index (gross income). After January 31, 2018, the index used was the MSCI EM (Emerging Markets) Index (net income).

Net Returns (NR) include income net of tax withholding when dividends are paid. The **MSCI Emerging Markets Index** is a market capitalization-weighted index that is designed to measure equity market performance in the global emerging markets. Source: MSCI makes no warranties and shall have no liability with respect to any MSCI data reproduced herein. No further redistribution or use is permitted. This report is not prepared or endorsed by MSCI.

Investment Team

Martin Currie is an active equity specialist that builds global, stock-driven portfolios based on fundamental research, devoting all its resources to delivering optimum investment outcomes and superior client relationships. The Emerging Markets team is one of the most experienced in the industry. They conduct fundamental research within an industry sector framework, with each member of the team allocated specific sector-research responsibilities.

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