FRANKLIN TEMPLETON | ClearBridge

ClearBridge Emerging Markets Portfolios

Commentary | as of September 30, 2026

Key Takeaways

- **Markets:** Emerging markets delivered mixed results in the third quarter, with a late rally in semiconductor stocks not enough to offset a sharp, AI-driven July selloff. The MSCI Emerging Markets Index declined 0.4% with regional returns reflecting diverse technology, policy and investor-flow dynamics. Brazil (+8.2%) was the strongest major market on optimism over the approaching October election and interest-rate cuts. Taiwan (+4.8%) also advanced, led by steady results from its information technology (IT) sector.
- **Contributors:** Shinhan Financial Group, China Merchants Bank, MediaTek and not owning Yageo. Stock selection in consumer discretionary, communication services.
- **Detractors:** Taiwan Semiconductor, SK Hynix, Sieyuan Electric, Samsung Electronics and CATL. Stock selection in IT, industrials, financials.
- **Outlook:** Our AI-related portfolio holdings have come through the latest drawdown with fundamentals intact, and we believe continued delivery of strong operational and financial results can help allay fears about the steepness of the July selloff.

Performance Review

- The Portfolios underperformed their benchmark, hurt by weakness in IT and industrials as well as stock selection in China, Taiwan and South Korea. In China, our underweight to banks, lack of health care exposure and modest underweight to IT weighed on relative results, reflecting our continued caution toward businesses we view as more volatile.
- Taiwan Semiconductor was the primary detractor for the quarter, weighed down by the sharp July rotation out of AI amid concerns over the sustainability of AI capex despite delivering robust second quarter results and continuing to deliver consistent year-over-year revenue growth. South Korean memory companies SK Hynix and Samsung Electronics were also caught up in the AI selloff and additional pressure from leveraged exchange-traded funds in their domestic market. Both received earnings upgrades during the quarter, and subsequent results from Micron Technology helped reinforce the underlying memory outlook.
- CATL declined as investors weighed potential U.S. restrictions, an uncertain domestic outlook and increased competition. Sieyuan Electric underperformed on concerns about U.S. restrictions on imported grid equipment and volatile Chinese grid contracts, while HD Hyundai Electric weakened with the AI infrastructure trade even though its long-cycle business should benefit from U.S. demand over time.
- Shinhan Financial was a leading contributor as the South Korean market broadened and financials benefited from the country's technology-driven economic gains. China Merchants Bank benefited from domestic investors' search for yield, while PKO Bank Polski was supported by sustained profitability, resolution of legacy issues and growth in its mortgage business.
- MediaTek advanced after issuing a convertible bond taken up by Nvidia, which we view as a meaningful endorsement of the company's role in the AI buildout. Prio benefited from higher oil prices, an easing rate cycle and an improving political backdrop.
- The Portfolios initiated positions in China's Zhongji Innolight and NAURA Technology Group, meaningfully reducing its underweight to Chinese IT. We believe Innolight is well-placed to benefit from increasing optical content and growth in AI data centers. NAURA has established itself as a leading domestic semiconductor-equipment supplier and should benefit from the separation of U.S./EU and Chinese semiconductor supply chains.
- We exited Walmex after Mexican consumer weakness and tariff uncertainty held back the investment and hoped-for U.S.-Mexico-Canada Agreement-related investment failed to materialize.

Outlook

- Our AI-related portfolio holdings have come through the latest drawdown with fundamentals intact and we believe that continued delivery of strong operational and financial results can help allay any fears on the steepness of the July selloff. We had previously trimmed positions in these stocks as they gained in price throughout the first half of 2026, but more recently we have maintained our positions, seeing no reason to react to short-term price action. While we acknowledge that these stocks have endured periods of high volatility, we think our benchmark-relative weights in these stocks are reasonable given the high conviction we have in their fundamentals.
- We remain positive on the outlook for the IT hardware industry as we continue to see a supportive combination of growing global demand and constrained supply. The latest indications are for the supply-demand situation to tighten further heading into 2027, which should support to our AI-related IT and industrial holdings.
- While performance in EM had been relatively concentrated in recent months, we view the rotation into non-tech areas during the quarter, especially in South Korea, as healthy. That market, the third largest in the index and second largest in the portfolio, may continue to benefit from a solid economic foundation and robust growth attributes.

Top Equity Issuers (% of Total)

Holding	Portfolio
Taiwan Semiconductor Manufacturing Co Ltd	20.80
Samsung Electronics Co Ltd	10.04
SK hynix Inc	7.62
Tencent Holdings Ltd	5.16
MediaTek Inc	2.87
Alibaba Group Holding Ltd	2.72
Shinhan Financial Group Co Ltd	2.62
Delta Electronics Inc	2.36
ICICI Bank Ltd	2.18
Capitec Limited	2.07

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Average annual total returns (%) - as of September 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	-6.11	16.69	17.57	25.26	18.74	2.88	6.30	4.20	3.23	7.33	2.68	12/31/1993
Pure Gross of Fees	-5.39	18.48	20.29	29.13	22.41	6.06	9.59	7.42	6.42	10.65	5.86	12/31/1993
Benchmark	-0.37	23.59	23.38	29.22	24.09	8.94	9.13	7.18	6.68	10.79	6.16	—

*Cumulative total returns

Benchmark(s)

Benchmark =MSCI EM Index Mix

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

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Past performance is not a guarantee of future results. An investment in this strategy can lose value. Please visit www.franklintempleton.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.
For fee schedules, contact your financial professional, or if you enter into an agreement directly with Franklin Templeton Private Portfolio Group, LLC ("FTPPG"), refer to FTPPG's Form ADV Part 2A disclosure document. Management and performance of individual accounts may vary for reasons that include the existence of different implementation practices and model requirements in different investment programs.
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 fees 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).

What are the Risks?

All investments involve risks, including possible loss of principal. Equity securities are subject to price fluctuation and possible loss of principal. **Small- and mid-cap stocks** involve greater risks and volatility than large-cap stocks. **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**. The portfolio is **non-diversified** and may invest in a relatively small number of issuers, which may negatively impact the performance and result in greater fluctuation in value. The managers' **environmental, social and governance (ESG) strategies** may limit the types and number of investments available and, as a result, may forgo favorable market opportunities or underperform strategies that are not subject to such criteria. There is no guarantee that the strategy's ESG directives will be successful or will result in better performance. **Derivative instruments** can be illiquid, may disproportionately increase losses, and have a potentially large impact on performance.

Glossary

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.

Important Information

Effective September 30, 2025, the Martin Currie Emerging Markets Portfolios was renamed ClearBridge Emerging Markets Portfolios.

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The **MSCI Emerging Markets Index** is a market capitalization-weighted index that is designed to measure equity market performance in the global emerging markets.

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

Important data provider notices and terms available at www.franklintempletondatasources.com. All data is subject to change.

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