FRANKLIN TEMPLETON | ClearBridge

ClearBridge Emerging Markets Portfolios

Commentary | as of June 30, 2026

Key Takeaways

- **Markets:** Emerging markets rallied strongly in the second quarter, with the MSCI Emerging Markets Index rising 24.1% as AI-driven earnings momentum fueled gains in technology-heavy markets. South Korea (+87.6%) and Taiwan (+48.9%) led performance, while India (+10.1%) also advanced. China (-6.6%) and Brazil (-8.2%) lagged due to weak domestic fundamentals and political uncertainty.
- **Contributors:** SK Hynix, Taiwan Semiconductor, Samsung Electronics, MediaTek, Delta Electronics.
- **Detractors:** Tencent, Sieyuan Electric, China Merchants Bank, Gold Fields, AIA Group.
- **Outlook:** We remain constructive on emerging markets, particularly China, India and AI-related technology, where strong earnings growth, attractive valuations and long-term structural demand continue to support our investment outlook.

Performance Review

- The Portfolios outperformed their benchmark on a gross basis. Relative performance benefited from an overweight to information technology (IT), underweights to energy and materials, and positive stock selection within IT. Stock selection in industrials, financials, consumer staples, communication services and consumer discretionary detracted.
- Regionally, positive stock selection and an overweight to South Korea supported results, while stock selection in China, Brazil and India detracted.
- South Korean memory producers SK Hynix and Samsung Electronics continued to benefit from strong pricing and demand for DRAM, NAND and high-bandwidth memory products amid AI-related supply constraints. SK Square also advanced as its significant ownership stake in SK Hynix benefited from the favorable memory cycle.
- Taiwan Semiconductor gained on continued pricing power and a strong production backlog as the dominant manufacturer of leading-edge semiconductor chips. MediaTek benefited from encouraging progress in AI accelerator chips for major customers, while Delta Electronics continued to see robust demand for power supply and thermal management solutions supporting AI data center expansion.
- Tencent detracted as investors reacted negatively to increased AI capital spending and uncertainty surrounding monetization timelines. Despite near-term concerns, we continue to believe Tencent remains well positioned to benefit from AI adoption through its WeChat ecosystem.
- Sieyuan Electric paused following strong prior performance as capacity expansion within its end markets takes time to materialize, although we remain constructive on long-term AI infrastructure and electrical grid upgrade opportunities.
- China Merchants Bank was pressured by a weaker Chinese retail consumer environment, while Hong Kong insurer AIA Group fell on restrictions to bank capital flows from mainland China that could spill over to insurance sales.
- South Africa's Gold Fields declined alongside lower gold prices and uncertainty surrounding the renewal of one of its Ghana mining licenses.
- We purchased Accton Technology and Elite Material in Taiwan to increase exposure to AI infrastructure. Accton is benefiting from growing demand for networking switches used in AI data centers, while Elite Material has become a key supplier of advanced copper-clad laminates used in high-performance AI circuit boards.
- We also initiated a position in Brazilian oil and gas producer Prio, believing continued geopolitical uncertainty support a favorable oil price environment.
- We added SK Square to further diversify South Korea exposure while increasing participation in the favorable memory cycle through its ownership of SK Hynix. We also see potential for SK to narrow its holding company discount over time.
- In China, we added semiconductor capital equipment maker NAURA Technology Group. NAURA has historically been a challenger to global large wafer fabrication equipment companies but now has established itself as a lead domestic supplier.
- We exited Tata Consultancy Services. Although recent operating results were solid, industry trends suggest future revenue growth could become more challenging. We believe other Indian franchises, particularly banks, currently offer more attractive risk-reward opportunities.

Outlook

- We remain constructive on emerging markets despite recent performance concentration, with our highest conviction opportunities continuing to be in China, India and technology. We believe improving macro conditions and attractive valuations support opportunities in China, while India continues to offer compelling long-term investments in high-quality domestic businesses.
- We also remain positive on AI-related semiconductor and IT hardware companies in South Korea and Taiwan, where strong earnings growth, healthy demand and constrained supply continue to support fundamentals while keeping valuations reasonable.
- We continue to manage concentration risk through a diversified portfolio across countries, sectors and investment styles, allowing us to participate in long-term AI-driven growth while balancing portfolio risk.

Top Equity Issuers (% of Total)

Holding	Portfolio
Taiwan Semiconductor Manufacturing Co Ltd	20.53
Samsung Electronics Co Ltd	10.41
SK hynix Inc	9.44
Tencent Holdings Ltd	4.96
MediaTek Inc	2.35
Delta Electronics Inc	2.31
Alibaba Group Holding Ltd	2.29
ICICI Bank Ltd	2.16
Capitec Bank Holdings Ltd	2.08
Shinhan Financial Group Co Ltd	1.97

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Average annual total returns (%) - as of June 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	24.28	25.22	25.22	47.91	17.70	2.05	7.86	3.02	3.76	6.57	2.90	12/31/1993
Pure Gross of Fees	25.23	27.14	27.14	52.49	21.34	5.21	11.20	6.20	6.97	9.86	6.08	12/31/1993
Benchmark	24.05	23.85	23.85	43.51	23.03	7.20	10.13	5.41	6.96	9.73	6.22	–

*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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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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