

ClearBridge Emerging Markets Portfolios

Commentary | as of December 31, 2025

Key Takeaways

- Markets:** Emerging markets advanced 4.7% in the fourth quarter to finish the year as one of the best performing global equity asset classes. The benchmark MSCI Emerging Markets Index rose 33.6% for 2025, outpacing the developed market MSCI EAFE Index (+31.2%) and handily outperforming the U.S. S&P 500 Index. (+17.9%). Within the benchmark, performance in the fourth quarter was led by Korea and Taiwan, which offset weakness in China. Korean equities soared 27.3% in the quarter, led by a 50% gain for its information technology (IT) sector, while AI-related momentum helped Taiwanese stocks climb 10.4%.
- Contributors:** SK Hynix, Samsung Electronics, Sieyuan Electric, Capitec Bank and not holding Xiaomi.
- Detractors:** MercadoLibre, Al Rajhi Bank, CATL, Apollo Hospitals, ICICI Bank.
- Outlook:** We believe the EM market recovery is at an early stage. Valuations are appealing, global macroeconomic drivers are supportive and local structural and company-level opportunities all point toward significant upside potential for the asset class.

Performance Review

- Korean semiconductor maker SK Hynix soared more than 80% in the fourth quarter and nearly tripled in price for the year on accelerating demand for its DRAM and NAND memory, particularly high bandwidth memory products used for AI workloads. Shares of Korean memory competitor Samsung Electronics were also up strongly over both periods as memory shortages enabled stronger pricing power.
- Other significant contributors included China's Sieyuan Electric, an industrial holding supporting AI data center buildouts and power requirements and Capitec Bank, a retail banking and insurance provider, delivered strong financial results amid a supportive environment in South Africa.
- Not owning Chinese smartphone maker Xiaomi benefited relative results as the company's margins were hurt by higher memory prices and the outlook for its newer EV business came under pressure.
- Latin America e-commerce platform MercadoLibre remained weak due to concerns over the investment level needed to fend off increasing competition in Brazil. Apollo Hospitals and ICICI Bank also detracted as due to their large active portfolio weights in an Indian market still trailing the broader strength across emerging markets.
- Chinese battery supplier Contemporary Amperex Technology (CATL) was down, with its high active weight in the portfolio weighing on relative performance. However, we believe that CATL and other large Chinese companies in the Portfolios remain fundamentally sound and well positioned as the world's second largest economy works through a growth slowdown.

Outlook

- Following a protracted period of relative underperformance versus developed markets, we believe the EM market recovery is at an early stage. Valuations are appealing, global macroeconomic drivers are supportive and local structural and company-level opportunities all point toward significant upside potential for the asset class.
- International asset flows are also critical in driving prices for EM markets. The opportunity offered by lower valuations, combined with stronger economic growth and improving investor sentiment, creates a virtuous cycle attracting increased foreign capital flows. This, in turn, further enhances potential investment performance. We are still at an early stage in this process and anticipate increased foreign investments into EM equities over the coming years.
- The Chinese economy has begun to demonstrate increased stability, with trade tensions easing, exports remaining strong and a generally more optimistic outlook emerging. Our earlier belief that China wouldn't separate much from the global economy has proven true, as relationships have improved and investors have regained confidence. 2025 has been a challenging year for Indian equities after a sharp valuation pullback following the 2024 election, negative economic growth revisions and consumer softness. However, India offers great upside potential as it benefits from a large and young population, and it remains the fastest-growing major global economy.

Top Equity Issuers (% of Total)

Holding	Portfolio
Taiwan Semiconductor Manufacturing Co Ltd	15.25
Tencent Holdings Ltd	7.84
Samsung Electronics Co Ltd	6.77
SK hynix Inc	5.54
Alibaba Group Holding Ltd	4.10
HDFC Bank Ltd	3.83
ICICI Bank Ltd	2.73
Reliance Industries Ltd	2.24
China Merchants Bank Co Ltd	2.13
Capitec Bank Holdings Ltd	2.10

Average annual total returns (%) - as of December 31, 2025-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	6.53	18.12	32.37	32.37	11.22	-1.43	6.11	1.51	3.08	5.53	2.23	12/31/1993
Pure Gross of Fees	7.35	19.93	36.46	36.46	14.66	1.62	9.39	4.65	6.27	8.80	5.39	12/31/1993
Benchmark	4.73	15.88	33.57	33.57	16.40	4.20	8.50	3.99	6.20	8.72	5.61	—

*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).

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).

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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

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The **S&P 500 Index** features 500 leading U.S. publicly traded companies, with a primary emphasis on market capitalization. Source: © S&P Dow Jones Indices LLC. All rights reserved.

Important Information

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

The information provided is not a complete analysis of every material fact regarding any country, market, industry, security or portfolio. Because market and economic conditions are subject to change, comments, opinions and analyses are rendered as of the date of this material and may change without notice. A portfolio manager's assessment of a particular security, investment or strategy is not intended as individual investment advice or a recommendation or solicitation to buy, sell or hold any security or to adopt any investment strategy; it is intended only to provide insight into the portfolio's selection process. Holdings are subject to change.

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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.

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

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