

ClearBridge Emerging Markets Portfolios

Commentary | as of September 30, 2025

Key Takeaways

- **Markets:** The MSCI Emerging Markets Index was up 10.6% in the third quarter, outpacing developed markets. One of the strongest regions was China, which rose 20.7% spurred by excitement around artificial intelligence (AI) opportunities and increasing investor interest due to the market's valuation. Taiwan advanced 14.3% and Korea climbed 12.7%. India was the weakest of the major EM markets, down 7.6% mainly due to a rotation into other regions as well as a subdued consumer backdrop.
- **Contributors:** Delta Electronics, Samsung, Contemporary (CATL) and Tencent.
- **Detractors:** HDFC Bank, ICICI Bank, Titan and China Merchants Bank.
- **Outlook:** Looking ahead, we are particularly excited by the powerful synergy of technology adoption, urbanization, and services sector growth prevalent in emerging markets.

Performance Review

- Several Chinese holdings were leading contributors in the quarter. Tencent delivered strong operating results and the positive sentiment towards China has benefited the company as the largest Chinese name in the index. CATL was also lifted by improving investor sentiment and its leadership role as a battery supplier, with electric vehicle and energy storage system demand strong. EV growth has reaccelerated in Europe and CATL has taken market share, whilst EV penetration continues to increase in China.
- Other leading contributors included Taiwan's Delta Electronics, a supplier of power and cooling systems boosted by its current and forecasted leading market share in data center buildouts; and memory supplier Samsung, which benefitted from strong demand for memory, given its critical role in AI applications.
- On the downside were several Indian holdings including HDFC and ICICI, which failed to keep pace due to weak Indian market performance. HDFC has broadly been delivering in line with expectations, with an expectation that growth can reaccelerate having improved its deposit base. ICICI has been delivering solid operational fundamentals but has suffered a valuation de-rating. Titan delivered strong growth in its quarterly results but a soft consumer backdrop in India and higher gold prices had some impact on demand. Titan continues to outperform other Indian consumer businesses in terms of growth.
- Outside of India, a primary detractor was China Merchants Bank, which suffered from a rotation out of financials as well as the still tepid Chinese economy.

Outlook

- 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 may 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 toward 2026, we think the key drivers of EM returns, and thus the biggest opportunities, could 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 potentially play a key role and we believe its recovery has only just begun.

Top Equity Issuers (% of Total)

Holding	Portfolio
Taiwan Semiconductor Manufacturing Co Ltd	15.26
Tencent Holdings Ltd	9.38
Alibaba Group Holding Ltd	5.37
Samsung Electronics Co Ltd	5.31
HDFC Bank Ltd	3.85
SK hynix Inc	3.32
ICICI Bank Ltd	2.97
Contemporary Amperex Technology Co Ltd	2.21
Reliance Industries Ltd	2.14
China Merchants Bank Co Ltd	2.03

Average annual total returns (%) - as of September 30, 2025

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	10.88	21.35	24.25	14.44	12.57	1.04	5.77	1.53	3.25	4.45	2.04	12/31/1993
Pure Gross of Fees	11.72	23.21	27.12	17.98	16.05	4.16	9.04	4.67	6.45	7.68	5.20	12/31/1993
Benchmark	10.64	23.91	27.53	17.32	18.21	7.02	8.07	4.16	6.32	7.90	5.51	—

*Cumulative total returns

Benchmark(s)

Benchmark =MSCI EM Index Mix

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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Important Information

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

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