FRANKLIN TEMPLETON

Franklin International Growth Equity ADR SMA

Commentary | as of March 31, 2026

Key Takeaways

- **Markets:** International equities collectively moved lower over the first quarter of 2026, as geopolitical tensions and shifting macroeconomic dynamics weighed on investor sentiment. The conflict in the Middle East emerging as a key destabilizing factor, disrupting energy markets and amplifying inflationary pressures globally.
- **Contributors:** Select holdings in the information technology sector bolstered returns relative to the MSCI EAFE Index-NR.
- **Detractors:** Stock selection in the communication services and industrials sectors held back relative returns.
- **Outlook:** Looking forward to first-quarter earnings which kick off in April, we would expect companies to proceed with caution, regardless of headlines. We are early in the year, with much of 2026 ahead, so we do not expect very bullish commentary relative to January guidance.

Top Equity Issuers (% of Total)

Holding	Portfolio
Lonza Group AG Unsponsored ADR	4.87
MTU Aero Engines AG Unsponsored ADR	4.40
AstraZeneca PLC	4.38
DSV A/S Unsponsored ADR	4.18
Alcon AG	4.03
argenx SE Sponsored ADR	3.95
DBS Group Holdings Ltd Sponsored ADR	3.71
FAST RETAILING CO., LTD. Unsponsored ADR	3.70
FinecoBank SpA Unsponsored ADR	3.67
Sony Group Corporation Sponsored ADR	3.49

Performance Review

- Germany-based live entertainment and ticketing services provider CTS Eventim weakened after the company issued conservative guidance for 2026 alongside full-year results that met expectations. Uncertainty surrounding a structural income change due to the expiration of a long-term ticketing contract overshadowed strong end-markets and a stable competitive environment.
- Swiss industrial-equipment firm Interroll weighed on returns after its full-year sales came in below consensus estimates. Although the report highlighted some positive developments, these were largely outweighed by difficulties caused by excess capacity and changes in management, as well as tough market conditions and unfavorable currency shifts.
- In contrast, Japan-based chip equipment manufacturer Disco outperformed as third-quarter earnings beat expectations, driven by strong advanced packaging demand, record margins and early power semiconductor recovery. The company's conservative guidance signaled potential upside, given growing investor confidence in an improving semiconductor cycle.

Outlook

- Looking forward to first-quarter earnings which kick off in April, we would expect companies to proceed with caution, regardless of headlines. We are early in the year, with much of 2026 ahead, so we do not expect very bullish commentary relative to January guidance. Markets are hopeful the Straight of Hormuz will reopen in a timely manner, but it may take some time to return to normal volumes and repair damage to infrastructure in the region. We continue to believe a diversified approach with companies exposed to secular growth stories will generate long-term alpha.
- Our investment philosophy and research process remain robust and consistent despite the unfavorable macro bias towards value and hard assets. Our analyst team remains focused on identifying unique opportunities that align with the long-term goals of the growth strategy. We believe portfolio holdings are positioned to innovate alongside AI, use the productivity gains to their benefit, and be positively received as winners in the next chapter of technological innovation. Over recent years, there have been many layers driving market volatility, including a post-Covid long tail of deceleration, interest rate increases, tariff uncertainty and geopolitical tensions. Some are finally moving in more positive directions, and others have stabilized. We believe productivity gains and innovation from AI are broadly helpful for growth-style securities overall, as evidenced by resilient consumer demand and solid business investment.
- The portfolio continues to evolve in response to secular growth drivers and meaningful structural tailwinds, rather than in response to hype cycles or exaggerated concerns. Our analysts have accelerated idea generation while maintaining extensive primary research capabilities. We remain engaged with industry experts, incumbents and disruptors, and will continue adding new ideas to the portfolio that fit our investment criteria. We remain active in our risk management approach and will continue to implement ongoing process enhancements while staying true to the underlying philosophy.

Average annual total returns (%) - as of March 31, 2026

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	-8.34	-10.42	-8.34	0.68	-0.68	-5.62	—	—	—	—	-1.01	12/31/2019
Pure Gross of Fees	-7.63	-9.06	-7.63	3.71	2.31	-2.77	—	—	—	—	1.97	12/31/2019
Benchmark	-1.24	3.56	-1.24	21.27	13.62	7.91	—	—	—	—	8.16	—

*Cumulative total returns

Benchmark(s)

Benchmark =MSCI EAFE Index-NR

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.
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What are the Risks?

All investments involve risks, including possible loss of principal. To the extent the portfolio invests in a **concentration of certain securities, regions or industries,** it is subject to increased volatility. **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. Equity securities** are subject to price fluctuation and possible loss of principal. The **investment style** may become out of favor, which may have a negative impact on performance. **Active management** does not ensure gains or protect against market declines. **Small- and mid-cap stocks** involve greater risks and volatility than large-cap stocks.

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The **MSCI EAFE Index** is a free float-adjusted market capitalization-weighted index designed to measure developed market equity performance, excluding the U.S. and Canada.

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