

## Product Commentary

### Performance Review

- International equities collectively delivered strong returns during the first quarter of 2025, with most of the gains occurring at the start of the year amid a generally solid economic backdrop. Amid increasing investor concerns about US economic growth and President Trump's tariff plans, which triggered a decline in US equities, international stock markets remained relatively resilient over the rest of the period.

### QUARTERLY KEY PERFORMANCE DRIVERS

|        | Stocks                   | Sectors  | Countries                          |
|--------|--------------------------|--|------------------------------------|
| HELPED | CTS EVENTIM AG & CO KGAA | Communication Services (Stock Selection)             | Argentina (Off-Benchmark Exposure) |
|        | MONDAY.COM LTD           | Real Estate (Lack of Exposure)                       | Hong Kong (Lack of Exposure)       |
|        | SCOUT24 SE               | —  | —                                  |
| HURT   | PUMA SE                  | Financials (Underweight, Stock Selection)            | Germany (Stock Selection)          |
|        | DISCO CORP               | Information Technology (Overweight, Stock Selection) | Switzerland (Stock Selection)      |
|        | SHOPIFY INC              | Industrials (Stock Selection)                        | United Kingdom (Stock Selection)   |

- In the consumer discretionary sector, German apparel and footwear manufacturer PUMA detracted from performance relative to the benchmark MSCI EAFE Index-NR after issuing a profit warning, mainly due to the company's slowing growth in Latin America, where its profit margins are relatively high. A stronger US dollar also had a negative impact on its fourth-quarter 2024 earnings.
- In information technology (IT), Japan-based Disco, which manufactures precision tools for the semiconductor industry, hampered relative returns. Its stock price declined in line with the Japanese market and the wider IT sector, amid concerns about shifting US tariff policies and mixed updates on artificial intelligence-driven semiconductor demand. In addition, a leading investment bank downgraded the company's rating, lowering its shipment forecasts for power semiconductors on potentially weaker demand from automotive and industrial customers.
- In contrast, among communications services holdings, CTS Eventim, a Germany-based live entertainment and ticketing services provider, improved relative performance. Its fourth-quarter results exceeded consensus expectations, with strong revenues and profit margins across its ticketing and live entertainment divisions, implying that the previous quarter's profitability issues were likely temporary and timing-related.

### Outlook & Strategy

- Regarding the recent announcement of tariffs by the United States and the subsequent pause on their imposition against most countries, it seems likely that uncertainty will remain elevated for at least the near future. Though the Trump administration has suggested that this policy is a negotiating tactic, it is difficult to determine whether the aim is a relatively quick resolution or a longer-term transformation of US government revenues, along with increased investment in US manufacturing. However, we believe company inventories could delay any resulting price rises for US consumers, thus slowing any immediate domestic political repercussions.
- We are modeling various scenarios when assessing the impact of existing and potential future tariffs on portfolio holdings, similar to our approach during the global financial crisis and the pandemic. Of the possible outcomes, we think the key scenario is one in which inflation hits consumers and corporations pause their spending in reaction to the prolonged uncertainty, leading to a consumer-driven recession. Our priority is to identify companies with significant consumer exposure that might be further constrained by balance sheet leverage or high fixed operational cost deleveraging, which could weigh on cash flows or even prompt additional capital raising during such a period. So far, changes to the portfolio have been limited but identifying and quantifying areas of outsized risk remains our main objective.
- We design our portfolio to capture a diversified range of growth drivers and economic exposures throughout the global economy that we believe helps reduce risk over the long term. We also focus on investing in companies that, in our analysis, have strong fundamentals, limited balance sheet risk and robust pricing power, which we believe should help these companies weather potential periods of turmoil or economic weakness.

### Product Details<sup>1</sup>

|                |                    |
|----------------|--------------------|
| Inception Date | 12/31/2019         |
| Benchmark      | MSCI EAFE Index-NR |

1. A composite is an aggregation of one or more portfolios into a single group that represents a particular investment objective or strategy. The composite return is the asset-weighted average of the performance results of all the fully discretionary portfolios in the composite. The composite return information provided herein includes the returns of Franklin Templeton, high-net-worth individual and institutional client portfolios and with respect to any periods prior to the inception of Franklin Templeton, reflects the performance of any such other portfolios.

**Performance Data<sup>2,3</sup>****Average Annual Total Returns (USD %)**

|   | 3 Mths | YTD   | 1 Year | 3 Year | 5 Year | Since Inception (12/31/2019) |
|---|--------|-------|--------|--------|--------|------------------------------|
| Franklin International Growth Equity ADR SMA - Pure GROSS | -0.84  | -0.84 | -2.75  | -1.88  | 6.05   | 1.64                         |
| Franklin International Growth Equity ADR SMA - NET        | -1.58  | -1.58 | -5.60  | -4.76  | 2.96   | -1.33                        |
| MSCI EAFE Index-NR  | 6.86   | 6.86  | 4.88   | 6.05   | 11.77  | 5.83                         |

**Calendar Year Returns (USD %)**

|   | 2024  | 2023  | 2022   | 2021  | 2020  |
|---|-------|-------|--------|-------|-------|
| Franklin International Growth Equity ADR SMA - Pure GROSS | 1.75  | 14.26 | -30.54 | 1.69  | 33.76 |
| Franklin International Growth Equity ADR SMA - NET        | -1.22 | 10.95 | -32.63 | -1.28 | 29.94 |
| MSCI EAFE Index-NR  | 3.82  | 18.24 | -14.45 | 11.26 | 7.82  |

**The strategy returns shown are preliminary composite returns, subject to future revision (downward or upward). Please visit [www.franklintempleton.com](http://www.franklintempleton.com) for the latest performance figures. Past performance is not a guarantee of future results. An investment in this strategy can lose value.**

Performance data represents past performance, which does not guarantee future results. Current performance may be lower or higher than the performance data quoted. Investment return and principal value will fluctuate with market conditions, and you may have a gain or loss when you sell your shares. 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.

**Investment Team**

**John Remmert**  
Years with Firm 23  
Years Experience 38

**Patrick McKeegan, CFA**  
Years with Firm 6  
Years Experience 16

**Don Huber, CFA**  
Years with Firm 23  
Years Experience 43

2. Source for Index: FactSet. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

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

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The primary benchmark is the MSCI EAFE Index-NR. The MSCI EAFE Index-NR is a free float-adjusted market capitalization weighted equity index comprised of securities in MSCI's developed market country-specific indexes, excluding the U.S. and Canada.

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**FRANKLIN  
TEMPLETON**

One Franklin Parkway  
San Mateo, CA 94403-1906  
(800) DIAL BEN/342-5236  
[franklintempleton.com](http://franklintempleton.com)