



Templeton International ADR Equity SMA Composite

Value
Equity
June 30, 2019

Templeton Separately Managed Accounts

Product Profile

Product Details¹

Inception Date	11/30/1999
Benchmark	MSCI All Country World ex-US Index, MSCI EAFE Index

For more information, please contact your Franklin Templeton separately managed account sales team at (800) 822-8464.

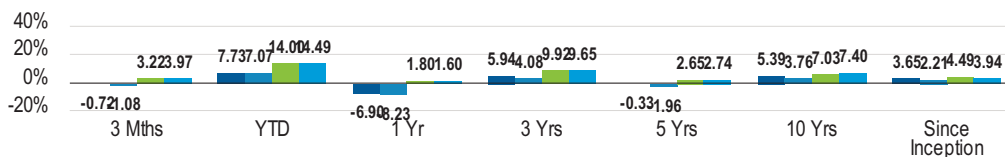
Overview

Portfolios invest in non-U.S. stocks with a market capitalization generally of \$1 billion or greater at time of purchase. Industry weights are limited to approximately 20% of the total portfolio, and emerging markets typically range from 10 to 20%, with approximately 30% maximum. Accounts may invest in foreign securities only through American Depositary Receipts (ADRs).

Performance Data^{2,3,4}

Average Annual Total Returns (USD %)

	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (11/30/1999)
Templeton International ADR Equity SMA Composite - Pure GROSS	-0.72	7.73	-6.90	5.94	-0.33	5.39	3.65
Templeton International ADR Equity SMA Composite - NET	-1.08	7.07	-8.23	4.08	-1.96	3.76	2.21
MSCI All Country World ex-US Index	3.22	14.00	1.80	9.92	2.65	7.03	4.49
MSCI EAFE Index	3.97	14.49	1.60	9.65	2.74	7.40	3.94



- Templeton International ADR Equity SMA Composite - Pure GROSS
- Templeton International ADR Equity SMA Composite - NET
- MSCI All Country World ex-US Index
- MSCI EAFE Index

Performance data represents past performance, which does not guarantee future results. Templeton Separately Managed Accounts claims compliance for the periods January 1, 2000 to the present. Any performance presented prior to that date is not in compliance.

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 represents the returns of **Templeton Separately Managed Accounts** high-net-worth individual and institutional client portfolios.

2. "Pure" gross does not reflect the deduction of any expenses, including trading costs, and is provided as supplemental information.

3. 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.

4. Periods shorter than one year are shown as cumulative total returns.

Calendar Year Returns (USD %)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Templeton International ADR Equity SMA Composite - Pure GROSS	-17.25	22.57	2.22	-2.74	-6.75	21.75	20.77	-11.32	6.04	24.42
Templeton International ADR Equity SMA Composite - NET	-18.67	20.07	0.57	-4.12	-8.14	20.02	18.95	-12.64	4.55	22.70
MSCI All Country World ex-US Index	-13.78	27.77	5.01	-5.25	-3.44	15.78	17.39	-13.33	11.60	42.14
MSCI EAFE Index	-13.36	25.62	1.51	-0.39	-4.48	23.29	17.90	-11.73	8.21	32.46

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Portfolio Manager Insight⁵

Market Review

- Global equities advanced modestly during the second quarter of 2019 as optimism over renewed central bank easing ultimately overcame concerns about softening economic growth and ongoing international trade disputes. Trade drama dominated the headlines during the period, with the US alternatively reporting progress and setbacks in negotiations with China, Mexico, India and the European Union.
- Value stocks underperformed growth stocks for the ninth quarter out of the past 10, extending what by some measures has become the longest and deepest period of value underperformance on record.
- Traditional safe havens like gold, Treasuries and the Japanese yen all performed well during the quarter.

Sectors

- After a period of review and assessment under new Templeton Chairman, Dr. Sandy Nairn, we began implementing a number of enhancements to our core fundamental value process to optimize portfolio positioning in a challenging environment. Many of these changes began at the end of last year in a volatile market, negatively impacting short-term performance.
- In this environment, the Templeton International ADR Equity SMA composite trailed its respective benchmark, the MSCI All Country World ex-US Index.
- We can think of the portfolios now in terms of a barbell, with one group of securities characterized by resilient businesses and the other by high-conviction bargains. The former is comprised of cheap companies with sound balance sheets, good competitive positions, high dividend yields, healthy profit margins and counter-cyclical demand profiles. The latter group is characterized by low valuations, negative sentiment and cyclically depressed economic fundamentals.
- One example of where we've achieved our primary restructuring objectives is in financials. Within the sector, we've sold out of a handful of lower-quality holdings with high political risk and significant macroeconomic and interest rate sensitivity. In the current environment, we favor well-capitalized, well-managed companies with sound balance sheets and healthy dividends operating in stable markets, but trading at unwarranted discounts to tangible book value.

Regions

- US stocks outperformed international equities for the sixth out of the past seven quarters, putting the US on track for the eighth year of outperformance in the past 10.
- Our overweight to Europe and underweight to the US have put us at odds with predominant market trends. Yet, we were encouraged during the second quarter by the continued divergence of improving European lead indicators versus deteriorating US lead indicators, and anticipate significant catch-up potential for European equities once prices begin to reflect fundamentals.

Outlook & Strategy

- We believe we are taking the necessary steps to improve investment outcomes in a difficult environment. These steps include upgrading the quality of the portfolio to own more defensive, dividend-paying holdings in a late-cycle, low-rate environment, as well as allocating resources to uncover the best long-term investment opportunities in overlooked market segments. We've also enhanced our research database, developed a new system to quantify economic exposures at the portfolio level, made targeted changes to research coverage and investment personnel and begun to manage more focused portfolios with fewer stocks to ensure that only the highest-conviction names are represented.
- Templeton portfolios would also benefit from a turn in the market cycle following the worst stretch of performance for value stocks on record. While some investors have given up on value, concluding that "this time it's different," we continue to expect value to eventually recover. In short, we believe the forces negatively impacting value—the macro/policy environment, technological innovation, and a changing market structure—are all either overstated or temporary in nature.

- Recent challenges mark the third significant episode of underperformance in our firm's seven-decade history, joining the Japan Bubble of the late '80s and the Technology Bubble of the late '90s. Through each of these events we have always emerged stronger, eventually reaping the rewards of prudence and discipline once the cycle turns. We have every reason to believe this will again be the case as conditions evolve, and we are working hard to position our portfolios to maximize long-term benefits.

5. The information provided is not a complete analysis of every material fact regarding any country, market, industry, security or fund. 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 fund's portfolio selection process. Holdings are subject to change.

Portfolio Characteristics⁶

	Portfolio	MSCI All Country World ex-US Index
Price to Earnings (12-Month Trailing)	14.68x	14.65x
Price to Book	1.26x	1.61x
Price to Cash Flow	6.32x	8.86x
Market Capitalization (Millions in USD)	69,187	63,474
Number of Issuers ⁷	52	-

7. Based on a representative portfolio in the composite. Securities will vary among individual accounts in the composite.

Portfolio Diversification

Top Ten Holdings⁸

Percent of Total

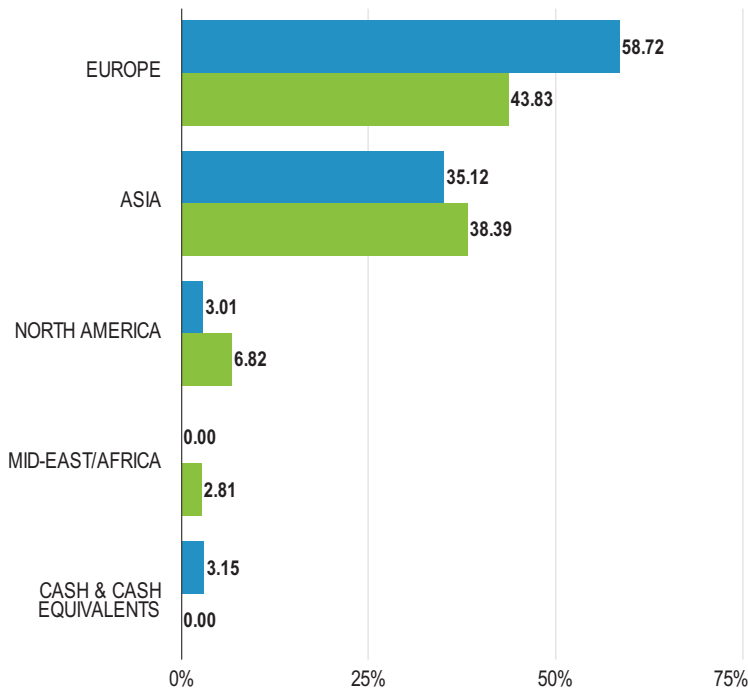
Top Holdings	Sector	Country	%
ISHARES MSCI SOUTH KOREA ETF			4.31
WHEATON PRECIOUS METALS CORP	Materials	Canada	3.01
BNP PARIBAS SA	Banks	France	2.96
BP PLC	Energy	United Kingdom	2.86
ING GROEP NV	Banks	Netherlands	2.84
ROCHE HOLDING AG	Pharmaceuticals, Biotechnology & Life Sciences	Switzerland	2.65
ROYAL DUTCH SHELL PLC	Energy	United Kingdom	2.63
TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD	Semiconductors & Semiconductor Equipment	Taiwan	2.59
TOTAL SA	Energy	France	2.58
ENI SPA	Energy	Italy	2.57

6. Source: FactSet. Price ratio calculations for weighted average use harmonic means. Any exceptions to this are noted.

8. Holdings of the same issuers have been combined. Top ten holdings information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change. The information provided is not a recommendation to purchase, sell, or hold any particular security. The portfolio manager for the fund reserves the right to withhold release of information with respect to holdings that would otherwise be included.

Geographic Weightings vs. MSCI All Country World ex-US Index^{9,10}

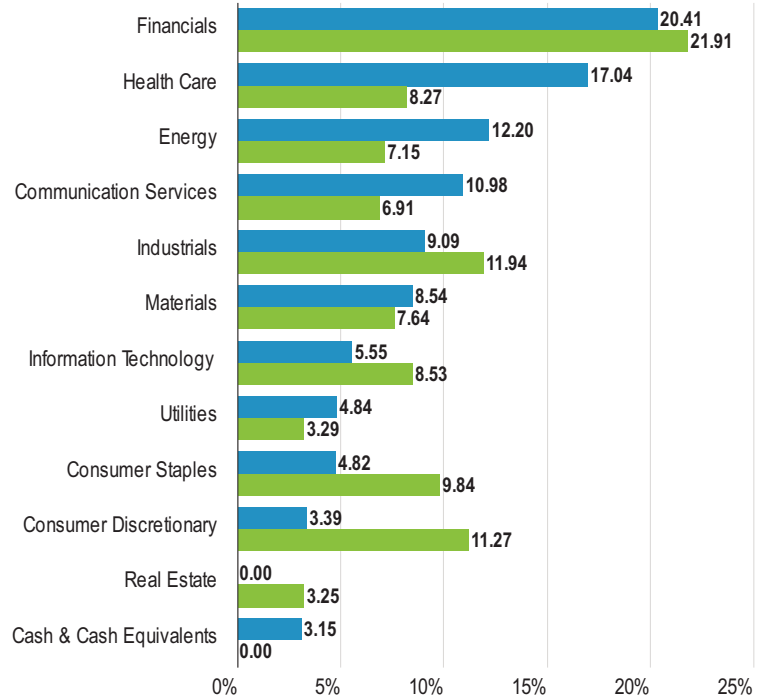
Percent of Total



● Templeton International ADR Equity SMA Composite
● MSCI All Country World ex-US Index

Sector Weightings vs. MSCI All Country World ex-US Index^{11,12}

Percent of Total



● Templeton International ADR Equity SMA Composite
● MSCI All Country World ex-US Index

Largest Sector Contributors vs. MSCI All Country World ex-US Index¹³

	(%)
Materials	0.28
Real Estate	0.15
Utilities	0.14

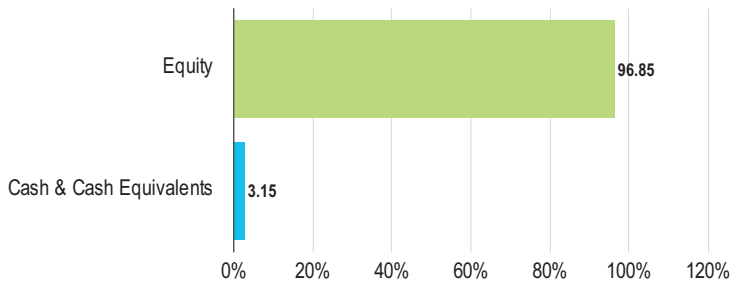
Contributors/detractors data shown is for the period from 04/01/2019 to 06/30/2019.

Largest Sector Detractors vs. MSCI All Country World ex-US Index¹⁴

	(%)
Health Care	-1.33
Communication Services	-0.84
Consumer Staples	-0.63
Information Technology	-0.51
Energy	-0.34

Asset Allocation¹⁵

Percent of Total



9,11,15. Information is historical and may not reflect current or future portfolio characteristics. Percentage may not equal 100% due to rounding. All holdings are subject to change.

10,12. 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.

13,14. **Past performance is not an indicator or a guarantee of future performance.** Information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change. Source: FactSet. Important data provider notices and terms available at www.franklintempletondatasources.com. Total Effect represents the excess return by sector as compared to the index. Performance attribution is calculated in the base currency of the fund.

Supplemental Performance Statistics

Supplemental Risk Statistics^{16,17}

	3 Yrs	5 Yrs	10 Yrs	Since Inception
Standard Deviation (%)	12.65	13.00	15.55	16.73
Tracking Error (%)	3.70	3.65	3.76	4.90
Information Ratio¹⁸	-1.07	-0.81	-0.44	-0.17
Beta	1.08	1.00	1.02	0.94
Sharpe Ratio	0.36	-0.09	0.32	0.12

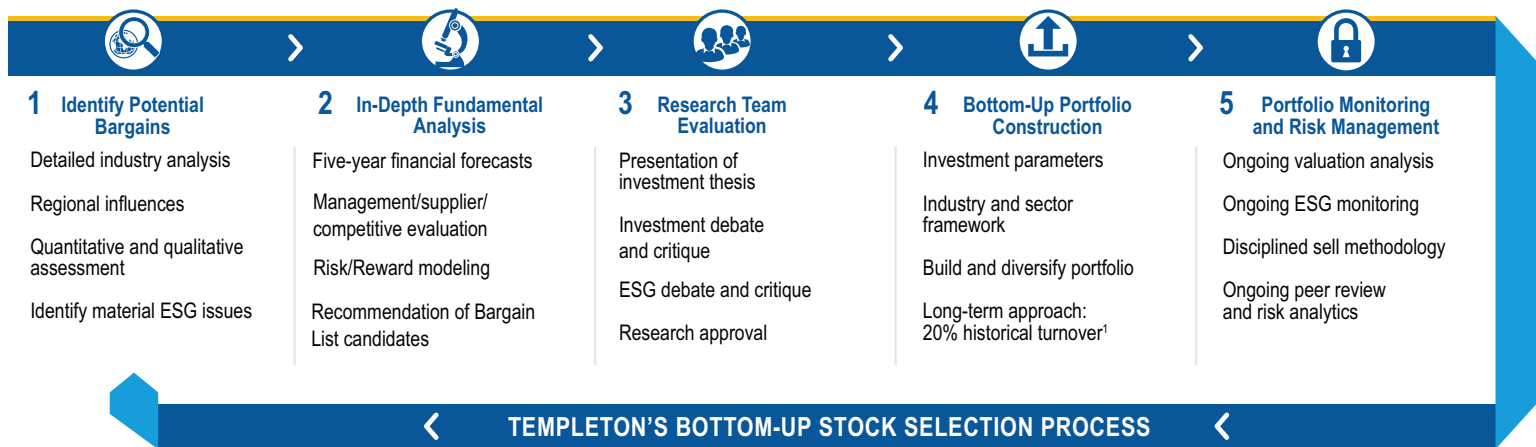
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Investment Philosophy

Templeton utilizes a disciplined, consistent approach based on three timeless principles of investing:

Value	Patience	Bottom-up stock picking
Our flexible approach is applied within a disciplined framework and seeks to identify companies trading at large discounts to their business value.	Our long-term focus gives us a framework to take advantage of price volatility to reveal potential long-term investment opportunities. Patience allows for potential long-term value recognition.	Our portfolio management process seeks to buy pessimism and sell optimism. We build portfolios spanning regions and sectors made up of securities identified through this process.

Investment Process¹⁹



19. Historical turnover is based on Templeton's experience as a Firm, over a five-year period as of most recent quarter end. The turnover is a byproduct of Templeton's long-term approach to managing portfolios, but various factors, such as a portfolio's specific investment guidelines and market or economic conditions may cause actual portfolio turnover to vary. For more information regarding an individual strategy's historical turnover ratio please contact your Franklin Templeton marketing representative.

16. Beta, Information Ratio and Tracking Error information are measured against the MSCI All Country World ex-US Index.

17. Information is supplemental to the historical performance of the Templeton International ADR Equity SMA Composite, comprising the portfolios of all the sponsors following that mandate, and is based on "pure" gross-of-fees. "Pure" gross does not reflect the deduction of any expenses, including trading costs, and is provided as supplemental information. Returns over one year are annualized.

Investment Team

Portfolio Manager	Years with Firm	Years Experience
Heather Waddell, CFA	22	24
Matthew Nagle, CFA	15	20
Peter Nori, CFA	32	32
	Number of Members	Average Years Experience
Portfolio Managers/Analysts	23	24
Research Analysts	10	12
Additional Resources		
Global Portfolio Compliance	Global Research Library	Investment Risk Management Group
Junior Research Analysts		

Glossary

Beta: A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of the overall market (or appropriate market index). The market (or index) is assigned a beta of 1.00, so a portfolio with a beta of 1.20 would have seen its share price rise or fall by 12% when the overall market rose or fell by 10%.

Information Ratio: In investing terminology, the ratio of expected return to risk. Usually, this statistical technique is used to measure a manager's performance against a benchmark. This measure explicitly relates the degree by which an investment has beaten the benchmark to the consistency by which the investment has beaten the benchmark.

Market Capitalization: A determination of a company's value, calculated by multiplying the total number of company stock shares outstanding by the price per share. Market capitalization is expressed in millions of USD.

Price to Book Value: The price per share of a stock divided by its book value (i.e., net worth) per share. For a portfolio, the value represents a weighted average of the stocks it holds.

Price to Cash Flow: Supplements price/earnings ratio as a measure of relative value for a stock. For a portfolio, the value represents a weighted average of the stocks it holds.

Price to Earnings (12-mo Trailing): The share price of a stock, divided by its per-share earnings over the past year. For a portfolio, the value represents a weighted average of the stocks it holds.

Sharpe Ratio: To calculate a Sharpe ratio, an asset's excess returns (its return in excess of the return generated by risk-free assets such as Treasury bills) are divided by the asset's standard deviation.

Standard Deviation: A measure of the degree to which returns vary from the average of its previous returns. The larger the standard deviation, the greater the likelihood (and risk) that performance will fluctuate from the average return.

Tracking Error: Measure of the deviation of the return of a product compared to the return of a benchmark over a fixed period of time. Expressed as a percentage. The more passively the investment is managed, the smaller the tracking error.

Important Legal Information**Templeton Separately Managed Accounts claims compliance with the Global Investment Performance Standards (GIPS®).**

Templeton Separately Managed Accounts (the “firm”) manages portfolios for high net worth individuals and institutional clients, applying a bottom-up, value oriented, long-term investment style, focusing on global and non-U.S. markets. Templeton Separately Managed Accounts is a division of Franklin Templeton Portfolio Advisors, Inc. (“FTPA”), a subsidiary of Franklin Resources, Inc. (“FRI”) and is a unit of the broader Templeton organization. At Templeton Separately Managed Accounts, brokerage, administrative, custodial and investment management fees may be charged together as a percentage of the portfolios’ assets (comprehensive fee or wrap-fee) or may in some instances be charged separately (unbundled fee). Effective July 1, 2014, Templeton Investment Counsel, LLC. (TICLLC) assumed responsibility for Templeton Separately Managed Accounts’ global and international equity SMA accounts. TICLLC is a sub-adviser to Templeton Separately Managed Accounts. Retail and Institutional separate accounts managed by affiliated Templeton entities are not included in the firm definition. Templeton Separately Managed Accounts was previously known as Templeton Portfolio Advisors prior to June 30, 2012. Templeton Portfolio Advisors was previously known as the Templeton Private Client Group prior to October 1, 2004.

The information and opinions stated are as of 06/30/2019, and are based on the Templeton International ADR Equity SMA Composite, unless otherwise indicated, and do not represent a complete analysis of every material fact concerning any industry, security or investment. Statements of fact have been obtained from sources deemed reliable, but no representation is made as to their completeness or accuracy. The opinions expressed are not intended as individual investment advice or as recommendation of any particular security, strategy or investment product. The securities identified do not represent an account’s entire holdings and in the aggregate may represent only a small percentage of such holdings. There is no assurance that securities purchased will remain in an account’s portfolio, or that securities sold will not be repurchased. In addition, it should not be assumed that any securities transactions discussed were or will prove to be profitable.

Templeton International ADR Equity SMA Composite consists of all of the fully discretionary wrap-fee portfolios which have a non-U.S. equity investment objective with a restriction that accounts may invest in foreign securities only through American Depositary Receipts (ADRs) and for which the brokerage (including trading expenses), administrative, custodial, and investment management fees are charged together as a percentage of the portfolio’s assets (known as a comprehensive fee, wrap-fee or bundled fee). As the criterion for inclusion in this composite is that the portfolios have bundled fees (i.e. where commission costs are not charged separately), 100% of the accounts in the composite have bundled fees for all time periods presented. Foreign investing, especially in developing countries, has additional risks such as currency and market volatility and political or social instability. Between June 30, 2012, and December 31, 2012, the composite name was Templeton International ADR Equity SMA Comprehensive Fee Composite. Prior to June 30, 2012, the composite name was TPA International ADR Equity Composite—Comprehensive Fee. Special risks are inherent to international investing, including those related to currency fluctuations, foreign political and economic events.

All returns are presented in U.S. dollars and have been calculated using time-weighted total rates of return. Net-of-fees returns have been reduced by the total “wrap-fee” which includes brokerage fees (including trading expenses), administrative, custodial and investment management fees. Gross performance returns presented are “pure” gross-of-fees returns, which are before wrap fees, including brokerage fees related to trading expenses for transactions executed through the sponsor. “Pure” gross-of-fees returns are presented as supplemental information only. Both net- and “pure” gross-of-fees returns assume the reinvestment of dividends, interest, and realized and unrealized capital gains and losses. **Past performance is not an indicator or a guarantee of future performance.**

The primary benchmark for this composite is the MSCI All Country World ex-U.S. IndexSM, which is a free float-adjusted market capitalization weighted equity index comprised of securities in MSCI’s developed and emerging market country-specific indexes, excluding the U.S. The MSCI EAFE Index 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.

Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

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18. Information Ratio is a way to evaluate a manager’s ability to outperform a benchmark in relation to the risk that manager is assuming, with risk defined as deviation from the benchmark. This measure is calculated by dividing the portfolio’s excess return (portfolio return less the benchmark return) by the tracking error (derived by taking the standard deviation of the monthly differences between the portfolio return and the benchmark return over time).

Additional information regarding the firm’s policies and procedures for calculating and reporting performance results is available upon request. To receive a complete list of composite descriptions and/or a presentation that adheres to the GIPS® standards for any composite, contact your Franklin Templeton separately managed account sales team at (800) 822-8464 or visit www.franklintempleton.com.

Franklin Templeton Investments (FTI) is not undertaking to provide impartial advice. Nothing herein is intended to provide fiduciary advice. FTI has a financial interest.



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