



Templeton International ADR Equity SMA

Value
Equity
September 30, 2020

Templeton Separately Managed Accounts

Product Profile

Product Details¹

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

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

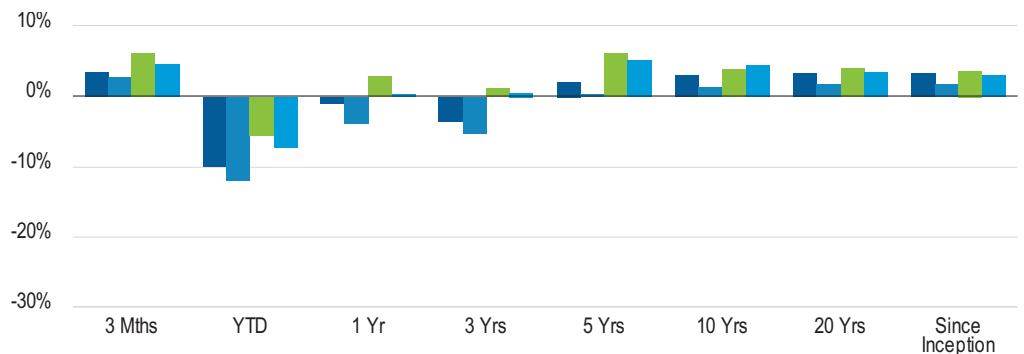
Overview

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	20 Yrs	Since Inception (11/30/1999)
Templeton International ADR Equity SMA Composite - Pure GROSS	3.63	-9.87	-1.02	-3.41	2.27	3.16	3.40	3.31
Templeton International ADR Equity SMA Composite - NET	2.87	-11.88	-3.62	-5.31	0.36	1.44	1.87	1.80
MSCI All Country World ex-US Index-NR	6.25	-5.44	3.00	1.16	6.23	4.00	4.16	3.85
MSCI EAFE Index-NR	4.80	-7.09	0.49	0.62	5.26	4.62	3.58	3.24



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

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. **Past performance is not an indicator or a guarantee of future performance.**

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 Templeton Separately Managed Accounts, high-net-worth individual and institutional client portfolios and with respect to any periods prior to the inception of Templeton Separately Managed Accounts, reflects the performance of any such other portfolios.

2. Total returns presented assume reinvestment of any dividends, interest income, capital gains, or other earnings. Net-of-fee returns are reduced by the total "wrap fee" which includes trading expenses as well as investment management, administrative and custodial fees. Gross returns are Pure gross and do not reflect the deduction of any transaction costs, including trading costs. Returns over one year are annualized.

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

Not FDIC Insured | May Lose Value | No Bank Guarantee

Calendar Year Returns (USD %)⁵

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Templeton International ADR Equity SMA Composite - Pure GROSS	16.59	-17.25	22.57	2.22	-2.74	-6.75	21.75	20.77	-11.32	6.04
Templeton International ADR Equity SMA Composite - NET	14.90	-18.67	20.07	0.57	-4.12	-8.14	20.02	18.95	-12.64	4.55
MSCI All Country World ex-US Index-NR	21.51	-14.20	27.19	4.50	-5.66	-3.87	15.29	16.83	-13.71	11.15
MSCI EAFE Index-NR	22.01	-13.79	25.03	1.00	-0.81	-4.90	22.78	17.32	-12.14	7.75

Past performance is not an indicator or a guarantee of future performance.

Portfolio Manager Insight⁶

Market Review

- International equities advanced during the third quarter as economies reopened and government officials continued pledging extraordinary measures to lessen the economic impact of the COVID-19 pandemic. Many investors were encouraged by economic data and corporate earnings reports from several countries, as well as by the ongoing accommodative stances of many central banks. At a speech in Jackson Hole in August, US Federal Reserve Board Chair Jerome Powell announced a major change to the central bank's policy framework by indicating it would allow inflation to run above its 2% target if needed to support labor markets. Investor optimism also rested on hopes for more government stimulus and a potential coronavirus vaccine. Gains were concentrated in the first two months of the quarter, when momentum trends dominated. Investors became more cautious in September and stocks reversed course, led lower by a sharp, brief selloff in high-flying US technology stocks. Sentiment late in the period was restrained by worries about rising COVID-19 infections, escalating US-China tensions, and an increasingly hostile domestic political climate in the United States.
- Elsewhere, Brexit negotiations suffered a setback following UK Prime Minister Boris Johnson's efforts to amend the Internal Market Bill, while in Japan, Shinzo Abe—the country's longest-serving prime minister—resigned for health reasons and was replaced by his Liberal Democratic Party (LDP) ally Yoshihide Suga. Trailing economic indicators released during the third quarter showed that many economies entered recession in the prior quarter, reflecting the main period of economic shutdowns due to COVID-19. Real-time economic data was generally better, with the JPMorgan global manufacturing purchasing managers' index expanding every month of the quarter and finishing September at a two-year high. In other asset classes, the US dollar fell to its lowest level in two years before partially recouping losses in September, while inversely gold rose to an all-time nominal high above US\$2,000 per ounce before giving back some gains late in the period. Benchmark sovereign bond yields continued their downward trend early in the period before ultimately finishing higher as economic data improved and stimulus hopes bolstered recently moribund inflation expectations.

Performance

- The Templeton International Equity SMA Composite gained 3.63% for the quarter, trailing the 6.36% gain of the benchmark MSCI All Country World ex US Index (USD terms) and outperforming the 2.43% gain of the MSCI All Country World ex US Value Index (USD terms).
- Momentum stocks led the market, with the MSCI All Country World ex U.S. Index (ACWI) Momentum Index gaining 10.83%, while the MSCI ACWI ex U.S. Growth Index trailed closely behind with a gain of 10.22%. Meanwhile, the MSCI ACWI ex U.S. Quality Index gained 10.27% in the third quarter and the MSCI ACWI ex U.S. Value Index gained 2.43%. Emerging markets advanced 9.70%, outperforming the 4.88% gain of the MSCI EAFE Index of developed markets ex U.S. (all returns expressed in USD terms).
- Client portfolio underperformance during the quarter was largely attributable to holdings in the health care, communication services and consumer discretionary sectors.
- German pharmaceuticals and chemicals firm Bayer detracted from relative results in the health care sector. The market has remained skeptical about the finality of Bayer's complex US\$12bn settlement to resolve litigation stemming from its acquisition of Monsanto, manufacturer of the controversial weed-killer Round-Up. Adding to the negative sentiment, management issued a profit warning for 2021 on the final day of the quarter. More generally, we have reduced overall exposure to health care given political and regulatory concerns in the lead-up to the US presidential election.
- KDDI, the second-largest telecom company in Japan, was the most significant detractor in the communication services sector. An unexpected political development in late August resulted in Yoshihide Suga becoming Japan's new prime minister. One of Mr. Suga's top priorities is to reduce the price of mobile services. The spike in regulatory risks has prompted a market sell-off in incumbent mobile operators, including KDDI. Although KDDI's valuation has priced in a material cut in mobile pricing, the risk/reward balance no longer appears compelling to us against a backdrop of high regulatory uncertainty and low long-term earnings visibility.
- Honda, a manufacturer of automobiles, motorcycles, and power equipment, was the top detractor in the consumer discretionary sector. The stock's performance has lagged due to the COVID-19 impact on the firm's emerging market motorcycle business, which accounts for about a third of profits. Autos in key areas such as China and the USA have recovered well, and we expect the same for the motorcycle business, albeit with a delay. We believe multiple catalysts are on the horizon: the restructuring of capacity to raise margins, and an electric vehicle and fuel cell venture with GM. We believe the company's net cash balance sheet and solid normalized cash flow provides it with resilience in uncertain markets.
- Holdings in the financials, information technology (IT) and materials sectors contributed to relative performance for the quarter.
- South Korea-based KB Financial Group was the top stock contributor in financials. The company has a strong retail bank franchise in a highly regulated banking market, although operating conditions will get tougher in the near term due to the macro fallout from coronavirus. A new chairman has overseen a successful restructuring and turnaround of the bank, from an error-riddled company where strategy at times appeared politically

5. Pure gross does not reflect the deduction of any expenses, including trading costs.

influenced to a shareholder-focused bank that has successfully executed its strategy by improving profitability, capital levels and risk management. We believe the strong capital position of the group, the strength of the retail bank franchise and the quality of management is underestimated by the market.

- The shares of Taiwan Semiconductor (TSMC) were aided by a rebound in economically sensitive sectors and by Intel's announcement that it is considering outsourcing leading-edge manufacturing. If Intel continues to experience manufacturing difficulties and is forced to outsource, TSMC is a leading candidate to pick up most of the business. In a bullish scenario, we believe Intel outsourcing could add up to 30% to TSMC's revenue base by 2025. Ignoring Intel, we believe the long-term outlook for the company is intact; as "everybody's foundry," TSMC manufactures chips for a broad range of companies across multiple sectors. Key long-term "mega trends" include artificial intelligence, cloud computing, automotive and IoT (Internet of Things).
- Germany-based Covestro, a market-leading producer of polyurethane, polycarbonate and a range of specialty chemicals, detracted from returns in the materials sector. Covestro's stock came under pressure over the course of 2018 and 2019 due to oversupply and weakening demand trends. The shares rebounded strongly in the last two quarters on better sentiment on the economic recovery and its depressed valuation. We believe the company, a low-cost producer, should see strong operating leverage and an improvement in earnings when the economic cycle improves.
- Regionally, stock selection and an overweight in Europe detracted from relative performance for the quarter. Stock selection in Canada, Taiwan (also helped by an overweight) and Singapore contributed, as did an overweight in South Korea.

Strategy

- Our macro view is largely unchanged. Central banks have been working overtime to try to offset the damage done by COVID lockdowns. The global economy will eventually recover, but certain segments of it have been structurally impaired and that does not appear to be adequately discounted in asset prices. We have continued to reposition the portfolio toward what we view as resilient companies with interesting long-term growth opportunities trading at discounted valuations in this environment. Admittedly, it has been challenging to find compelling new investments at reasonable prices recently. Markets have risen strongly from their March lows. Stocks that continue to look outright "cheap" on a historical basis tend to have structural headwinds or debt issues, which makes them vulnerable over time. Our focus has been on ensuring portfolios are broadly diversified across a range of exposures because a balanced portfolio seems best suited for an expensive and uncertain market. This won't always be the case. There will be times when equity valuations aren't as rich and it makes sense to have a more concentrated directional view. But our analysis suggests that now is not one of those times. Valuation excess and investor euphoria raise the market's risk profile, and for us diversification is as much about managing risks as it is enhancing returns. We will continue to seek sensible diversification among uncorrelated value exposures in this environment and are prepared to pounce should further market volatility provide opportunities to invest in what we consider genuine bargains.

6. 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 strategy's portfolio selection process. Holdings are subject to change.

Portfolio Characteristics⁷

	Portfolio	MSCI All Country World ex-US Index-NR
Price to Earnings (12-Month Trailing)	18.10x	19.79x
Price to Book	1.34x	1.63x
Price to Cash Flow	6.16x	10.29x
Market Capitalization (Millions in USD)	79,004	68,539
Number of Issuers	56	2375

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

Portfolio Diversification

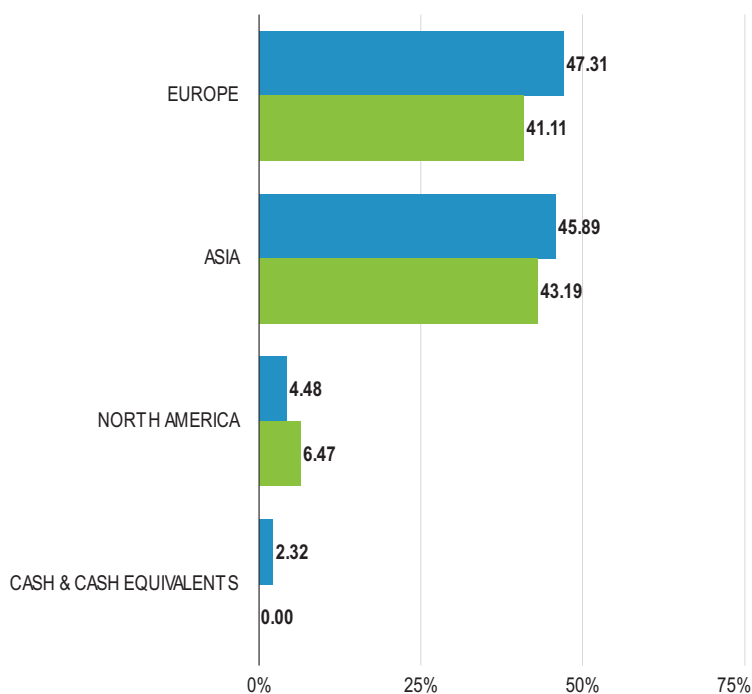
Top Ten Holdings⁸

Percent of Total

Top Holdings	Sector	Country	%
TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD	Semiconductors & Semiconductor Equipment	Taiwan	4.58
DEUTSCHE TELEKOM AG	Telecommunication Services	Germany	3.78
E.ON SE	Utilities	Germany	3.25
HITACHI LTD	Technology Hardware & Equipment	Japan	3.14
AIA GROUP LTD	Insurance	Hong Kong	2.61
FRESENIUS MEDICAL CARE AG & CO KGAA	Health Care Equipment & Services	Germany	2.61
BAE SYSTEMS PLC	Capital Goods	United Kingdom	2.59
BAYER AG	Pharmaceuticals, Biotechnology & Life Sciences	Germany	2.57
WHEATON PRECIOUS METALS CORP	Materials	Canada	2.56
KYOCERA CORP	Technology Hardware & Equipment	Japan	2.51

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

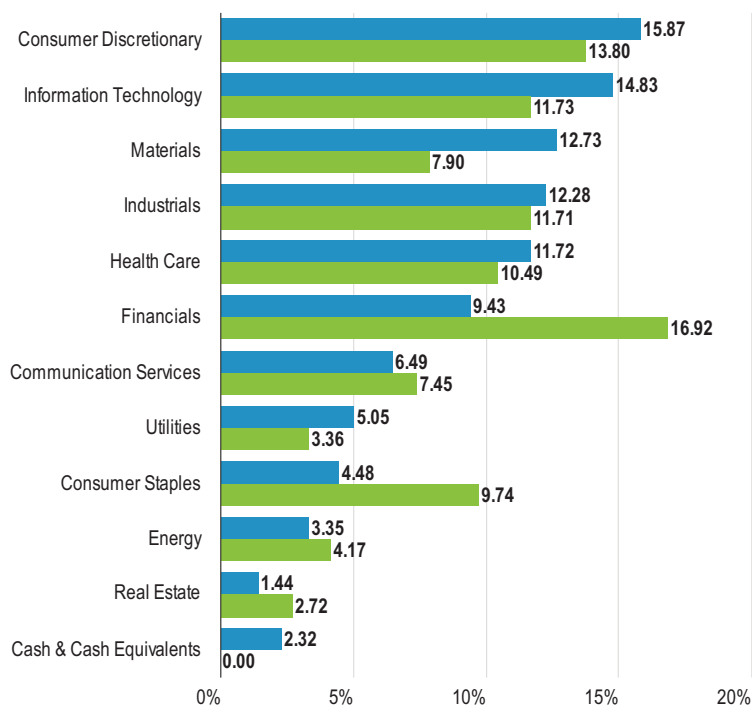
Percent of Total



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

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

Percent of Total



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

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 reserves the right to withhold release of information with respect to holdings that would otherwise be included.

9,11. 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.

Largest Sector Contributors vs. MSCI All Country World ex-US Index-NR¹³

Sector	Total Effect (%)
Financials	1.12
Information Technology	0.70
Materials	0.23
Real Estate	0.00

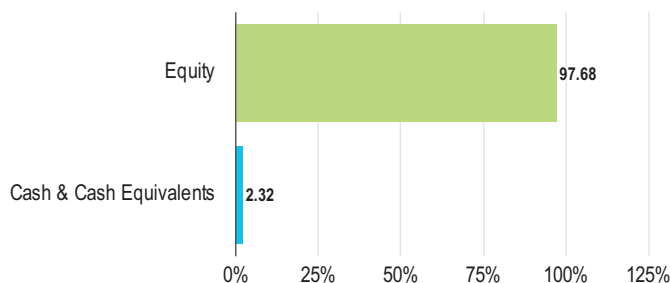
Contributors/detractors data shown is for the period from 07/01/2020 to 09/30/2020.

Largest Sector Detractors vs. MSCI All Country World ex-US Index-NR¹⁴

Sector	Total Effect (%)
Health Care	-1.33
Communication Services	-0.96
Consumer Discretionary	-0.84
Industrials	-0.83
Consumer Staples	-0.63

Asset Allocation¹⁵

Percent of Total



Performance Statistics

Risk Statistics^{16,17,18}

	3 Yrs	5 Yrs	10 Yrs	Since Inception
Standard Deviation (%)	17.30	15.28	15.46	16.94
Tracking Error (%)	3.11	3.56	3.77	4.79
Information Ratio ¹⁹	-1.47	-1.11	-0.22	-0.11
Beta	1.07	1.03	1.02	0.95
Sharpe Ratio	-0.29	0.08	0.17	0.10

Past performance is not an indicator or a guarantee of future performance.

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.

13,14. Past performance is not an indicator or a guarantee of future performance. 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 composite.

15. Percentage may not equal 100% due to rounding. All holdings are subject to change.

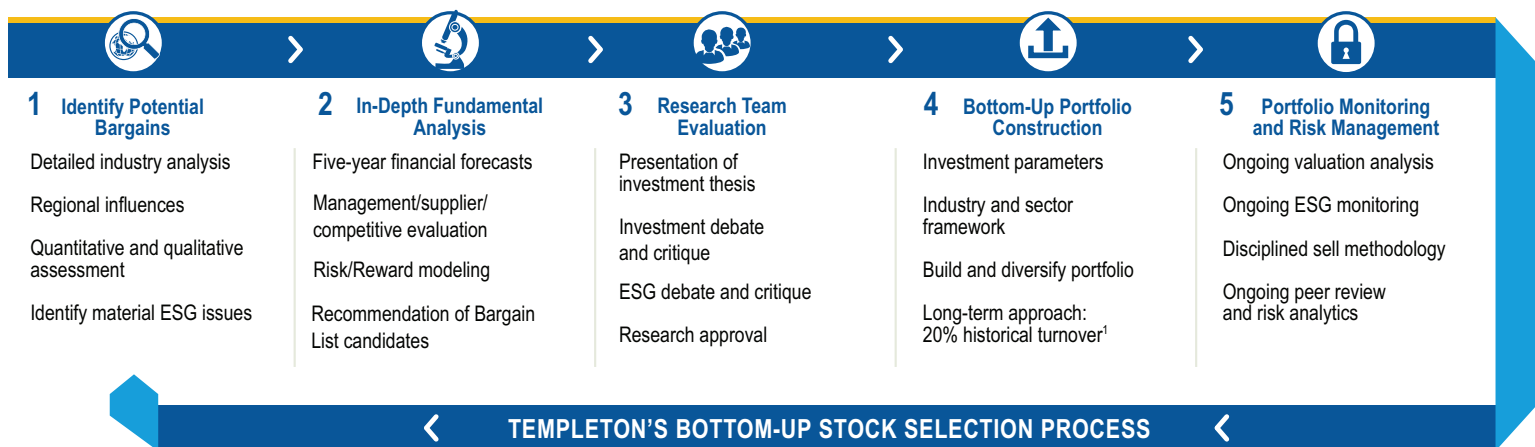
16. Beta, Information Ratio and Tracking Error information are measured against the MSCI All Country World ex-US Index-NR.

17. Risk statistics are calculated using pure gross-of-fees. Pure gross does not reflect the deduction of any transaction costs, including trading costs. Returns over one year are annualized.

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

19. 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).

Investment Process²⁰



20. Historical turnover is based on Templeton Global Equity Group's overall experience, 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.

Investment Team

Portfolio Manager	Years with Firm	Years Experience
Heather Waddell, CFA	23	25
Matthew Nagle, CFA	17	22
Peter Nori, CFA	33	33
	Number of Members	Average Years Experience
Portfolio Managers/Analysts	21	24
Research Analysts	11	13
Additional Resources	Global Research Library	Investment Risk Management Group
Global Portfolio Compliance		
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

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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-advisor to Templeton Separately Managed Accounts. Retail and Institutional separate accounts managed by affiliated Templeton entities are not included in the firm definition.

Templeton International ADR Equity SMA Composite consists of all 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 portfolios’ assets (known as a comprehensive fee, wrap-fee or bundled fee). The criterion for inclusion in this composite is that 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. No account(s) in the composite use leverage or derivatives.

The primary benchmark for this composite is the MSCI AC World ex-U.S. Index-NR, 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. Returns are also included for MSCI EAFE Index-NR, which 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.

All investments involve risks, including the loss of principal. Generally, investments offering the potential for higher returns are accompanied by a higher degree of risk. Stocks and other equities representing an ownership interest in a corporation have historically outperformed other asset classes over the long term but tend to fluctuate more dramatically over the shorter term. Special risks are associated with foreign investing, including currency fluctuations, economic instability and political developments. Investments in emerging markets involve heightened risks related to the same factors and are less liquid. Small or relatively new companies can be particularly sensitive to changing conditions due to factors such as relatively small revenues, limited product lines, and small market share. Smaller-company stocks have historically exhibited greater price volatility than larger-company stocks, particularly over the short term. Investors should review their investment objectives, risk tolerance and liquidity needs before choosing a manager. Securities markets can fluctuate significantly in response to industry, financial or economic developments, and unexpected events, such as the spread of deadly diseases or disasters, can cause investor fear and panic, which can adversely affect companies, sectors and the market in general. There is no guarantee that investment strategies will work under all market conditions and investors should evaluate their ability to invest for the long term, especially during periods of market downturns.

The composite performance results are presented in U.S. Dollars and have been calculated using time-weighted total rates of return. For wrap fee composites, net of fee returns are net of actual total wrap fees. The total wrap fee includes brokerage fees (i.e. trading expenses), investment management, administrative and custodial fees. For portfolios where the actual total wrap fee is unknown, the highest model fee applicable for the strategy is used to calculate the net return. Any administrative or custodial fees charged to accounts over and above the wrap fee that are specifically identified as such fees are treated as cash withdrawals and do not negatively impact performance. Gross of fee returns for wrap fee composites are pure gross before wrap fees, including brokerage fees related to trading expenses for transactions executed through the sponsor. All returns assume the reinvestment of dividends, interest, and realized and unrealized capital gains and losses. Returns for periods of less than one year are not annualized. Periods greater than one year are shown as average annual total returns. Performance data is shown rounded to the nearest hundredth. **Past performance is not an indicator or a guarantee of future performance.**

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