



Templeton International Equity SMA

Portfolio Profile

INVESTMENT MANAGEMENT TEAM

Heather Waddell, CFA

Senior Vice President
Portfolio Manager
Years with Firm: 18
Years Industry Experience: 19

Matthew R. Nagle, CFA, CPA

Senior Vice President
Portfolio Manager
Years with Firm: 11
Years Industry Experience: 16

Cindy L. Sweeting, CFA

Director of Portfolio Management
Years with Firm: 17
Years Industry Experience: 31

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

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INVESTMENT PHILOSOPHY

We utilize a disciplined, consistent approach based on three timeless principles of investing.

Value – we seek companies trading at large discounts to their business value, based on future earnings, cash flow or asset value potential.

Patience – our long-term focus gives us a framework to take advantage of short-term volatility, and patience allows time for value recognition.

Bottom-Up Stock Picking – the portfolio structure reflects where our research is finding value¹.

WHAT SETS US APART

Team-Oriented Approach – collaborative process leverages analytical expertise of our broadly experienced research team.

Long-Term Perspective – five-year horizon takes advantage of short-term price volatility to reveal long-term investment opportunities.

Fortitude to Be Different – in-depth research gives us conviction to purchase out-of-favor securities and patience to wait for value recognition.

Disciplined, Repeatable Process – proven valuation-driven philosophy and consistently applied bottom-up stock selection process that have navigated every market cycle over seven decades.

UNIVERSE

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.

COMPOSITE PORTFOLIO CHARACTERISTICS³

	International Equity SMA	MSCI AC World ex-U.S. Index	MSCI EAFE Index
Number of Stock Holdings	92 ²	1,839	910
Median Market Cap (US\$m)	41,257	6,994	8,717
Weighted Average Dividend Yield	2.95%	3.02%	3.07%
Weighted Average Price to Earnings	16.04	15.72	16.40
Weighted Average Price to Book	1.43	1.64	1.65
Weighted Average Price to Cash Flow	6.91	8.63	8.79
Weighted Average Market Cap (US\$m)	58,525	55,448	60,677
Expected Annual Turnover Range	20%–25%	—	—

COMPOSITE PERFORMANCE SUMMARY (USD) Period Ending December 31, 2014

Total Returns (USD %)⁴

	DECEMBER 31, 2014					
	1-Quarter	1-Year	3-Year	5-Year	10-Year	Inception ⁵
International Equity SMA Composite—"Pure" Gross	-4.40	-6.80	11.09	5.21	4.77	7.18
International Equity SMA Composite—Net	-4.78	-8.20	9.45	3.68	3.31	5.62
MSCI AC World ex-U.S. Index	-3.81	-3.44	9.48	4.89	5.60	6.42
MSCI EAFE Index	-3.53	-4.48	11.56	5.81	4.91	6.09

Historical Performance (USD %)

	YEAR ENDING DECEMBER 31,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
International Equity SMA Composite—"Pure" Gross	13.02	25.74	14.83	-39.13	24.37	6.08	-11.35	20.75	21.83	-6.80
International Equity SMA Composite—Net	11.66	24.18	13.35	-40.02	22.64	4.58	-12.66	18.93	20.10	-8.20
MSCI AC World ex-U.S. Index	17.11	27.15	17.12	-45.24	42.14	11.60	-13.33	17.39	15.78	-3.44
MSCI EAFE Index	14.01	26.85	11.63	-43.05	32.46	8.20	-11.73	17.89	23.29	-4.48

Risk Statistics⁶

	1-YEAR		3-YEAR		5-YEAR		10-YEAR	
	Int'l Equity SMA	MSCI ACW ex-U.S. Index	Int'l Equity SMA	MSCI ACW ex-U.S. Index	Int'l Equity SMA	MSCI ACW ex-U.S. Index	Int'l Equity SMA	MSCI ACW ex-U.S. Index
Annualized Standard Deviation	9.60	9.65	13.54	12.78	17.18	16.34	17.71	18.76
Beta	0.94	—	1.01	—	1.02	—	0.91	—
R-Squared	88.46	—	91.50	—	95.06	—	93.84	—
Annualized Tracking Error	3.32	—	3.95	—	3.84	—	4.68	—
Annualized Alpha	-3.68	—	1.44	—	0.30	—	-0.50	—
Annualized Sharpe Ratio	-0.71	-0.36	0.82	0.74	0.30	0.29	0.19	0.22
Correlation	0.94	—	0.96	—	0.97	—	0.97	—
Annualized Information Ratio	-1.01	—	0.41	—	0.08	—	-0.18	—

EXPLANATORY NOTES

The information and opinions stated are as of December 31, 2014, and are based on the Templeton International Equity SMA Composite which contains both ADR and foreign ordinary (ORD) share eligible portfolios, unless otherwise indicated, and do not represent a complete analysis of every material fact concerning any industry, security or investment. Separate performance track records for the ADR and ORD portfolios are available upon request. 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 a recommendation of any particular security, strategy or investment product.

1. Templeton Separately Managed Accounts and Templeton, both part of the broader Templeton organization within Franklin Templeton Investments, share the same bottom-up, value-oriented global investment style. Templeton Separately Managed Accounts and Templeton portfolio managers utilize the same research, have equivalent access to Templeton's bargain and source of funds lists, and are subject to the same peer review process. For purposes of complying with the Global Investment Performance Standards (GIPS®), Franklin Templeton Investments defines Templeton Separately Managed Accounts and Templeton as separate firms.

2. ADR and ORD Composites hold approximately 100 stocks.

3. Information is supplemental to the historical performance of the Templeton International Equity SMA Composite.

4. Returns over one year are annualized. Templeton Separately Managed Accounts claims compliance with GIPS® for the periods January 1, 2000, to the present. Any performance presented prior to that date is not in compliance. "Pure" gross does not reflect the deduction of any expenses, including trading costs, and is provided as supplemental information. Data shown is rounded to the nearest tenth.

5. Inception: 2/29/92.

6. Information is supplemental to the historical performance of the Templeton International 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.

7. Figures may not total 100% due to rounding. Composite Top 10 holdings, sector breakdown, geographic weightings are rounded to the nearest tenth.

Past performance does not guarantee future results and results may differ over future time periods.

Information is supplemental to the historical performance.

COMPOSITE TOP 10 HOLDINGS (% of Total)⁷

	Weight	Sector	Country
Bayer AG, ADR	2.24	Health Care	Germany
China Life Insurance Co. Ltd., ADR	2.23	Financials	China
Merck KGaA., ADR	2.19	Health Care	Germany
BNP Paribas SA, ADR	2.10	Financials	France
Roche Holding AG, ADR	2.05	Health Care	Switzerland
Teva Pharmaceutical Industries Ltd., ADR	2.05	Health Care	Israel
Nissan Motor Co Ltd., ADR	2.00	Consumer Discretionary	Japan
Kingfisher PLC, ADR	1.97	Consumer Discretionary	U.K.
Akzo Nobel NV, ADR	1.87	Materials	Netherlands
China Telecom Corp Ltd, ADR	1.85	Telecommunications	China

COMPOSITE MARKET CAP DISTRIBUTION (USD % of Total)⁷



Below \$1 billion	0.01%
\$1–5 billion	6.53%
\$5–10 billion	13.43%
\$10–30 billion	27.35%
\$30–50 billion	19.56%
\$50–100 billion	15.08%
Over \$100 billion	15.29%
Cash	2.74%

COMPOSITE SECTOR BREAKDOWN (% of Total)⁷

	International Equity SMA	MSCI AC World ex-U.S. Index	MSCI EAFE Index
Financials	27.25	27.62	25.93
Health Care	15.04	8.61	11.01
Consumer Discretionary	10.29	11.23	12.43
Energy	9.95	7.50	5.69
Industrials	9.88	10.97	12.58
Telecommunication Services	9.20	5.37	5.01
Materials	6.35	7.69	7.57
Information Technology	5.81	7.46	4.81
Consumer Staples	3.42	9.94	11.10
Cash and Equivalents	2.80	0.00	0.00
Utilities	0.00	3.61	3.88

COMPOSITE GEOGRAPHIC WEIGHTINGS (% of Total)⁷

	International Equity SMA	MSCI AC World ex-U.S. Index	MSCI EAFE Index
Europe	65.89	48.28	65.87
Asia	26.51	32.71	25.89
Cash and Equivalents	2.80	0.00	0.00
Mid-East/Africa	2.05	2.50	0.58
North America	1.84	7.50	0.00
Latin America/Caribbean	0.91	3.57	0.00
Australia/NZ	0.00	5.43	7.66
Emerging Markets Total	14.67	21.65	0.00

Please refer to back page for important compliance information.

Gain from Our Perspective®

Franklin Templeton offers true diversification through the specialized expertise of three world-class investment management groups—Franklin, Templeton and Fiduciary Trust International.

Franklin. Founded in 1947, Franklin is a leader in tax-free investing and a driving force in fixed income investing around the globe. They also bring expertise in growth- and value-style U.S. equity investing.

Templeton. Founded in 1940, Templeton pioneered international investing and, today, manages portfolios for individual and institutional investors based on a global perspective.

Fiduciary Trust. Since 1931, Fiduciary Trust International has been helping individuals achieve their investment goals through an investment process that combines fundamental research and individual issue selection with macroeconomic and sector strategy.

COMPLIANCE STATEMENT***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). 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. Effective July 1, 2014, Templeton Investment Counsel, LLC, assumed responsibility for Templeton Separately Managed Accounts’ global and international equity SMA accounts, including those in the Templeton International Equity SMA Composite. Templeton Investment Counsel, LLC is a sub-adviser to Templeton Separately Managed Accounts. Templeton International Equity SMA Composite consists of all of the fully discretionary wrap-fee portfolios which have a non-U.S. equity investment objective 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 Equity SMA Comprehensive Fee Composite. Prior to June 30, 2012, the composite name was TPA International Equity Composite—Comprehensive Fee.

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 does not guarantee future results and results may differ over future time periods.**

The primary benchmarks for this composite are the MSCI All Country World ex-U.S. IndexSM and the MSCI EAFE Index. The MSCI All Country World ex-U.S. Index 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.

All MSCI data is provided “as is.” The composite described herein is not sponsored or endorsed by MSCI. In no event shall MSCI, its affiliates or any MSCI data provider have any liability of any kind in connection with the MSCI data or the composite described herein. Copying or redistributing MSCI data is strictly prohibited. An index is not managed and is unavailable for direct investment. Special risks are inherent to international investing, including those related to currency fluctuations, foreign political and economic events.

Information provided is not a recommendation to purchase, sell or hold any particular security. 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.

Risk Statistic Definitions:

Annualized Standard Deviation: A statistical measure of the degree to which an individual value in a probability distribution tends to vary from the mean of the distribution.

Beta: Beta is a measure of volatility; it measures the systematic risk of a security or a portfolio. It describes the sensitivity of a portfolio to the market, the tendency of a portfolio or a security to move relative to the market.

R-Squared: R-Squared is the correlation squared. It is used in style analysis to determine how much information about a return series the style benchmark has been able to capture.

Annualized Tracking Error: The active risk of the portfolio that measures the dispersion of the portfolio’s return minus the benchmark’s annualized return.

Annualized Alpha: Alpha is a risk (beta-adjusted) return measurement. If two managers had the same return, but one had a lower beta, that manager would have a higher alpha.

Annualized Sharpe Ratio: The difference between the annual average portfolio return and the annual average risk-free return, where risk is defined as the standard deviation of portfolio returns.

Correlation: The linear relationship between two return series. Correlation shows the strength of the relationship between two return series.

Annualized Information Ratio: A measure of consistency in excess return. The annualized excess return over a benchmark divided by the annualized standard deviation of excess return.

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.



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