

Templeton Global ADR Equity SMA

Commentary | as of June 30, 2025

Key Takeaways

- **Markets:** The MSCI All Country World Index of stocks generated positive returns in US-dollar terms for the second quarter of 2025. Emerging market equities outperformed developed market equities, while global growth stocks outperformed global value stocks.
- **Detractors:** Templeton Global ADR Equity SMA Composite underperformed its benchmark, the MSCI All Country World Index-NR, primarily due to an overweight and stock selection in the health care sector, an underweight in the information technology (IT) sector and stock selection in the communication services sector.
- **Contributors:** Stock selection in the industrials and consumer discretionary sectors and a lack of exposure to the real estate sector contributed to relative performance.
- **Outlook:** Our approach prioritizes long-term quality, consistency and compounding, even when it occasionally results in short-term underperformance relative to the fund's benchmark. As always, our primary focus remains on constructing resilient portfolios that we believe can deliver compelling returns through full market cycles.

Performance Review

- The second quarter of 2025 began with US President Donald Trump's early April announcement of "reciprocal" tariffs that were more severe than expected, leading to significant financial market volatility. However, global trade tensions subsequently eased as the United States delayed planned tariff hikes, reducing investor fears of a global recession. The onset of the Israel-Iran conflict in mid-June had minimal impact on global equity markets, although oil price volatility briefly rose due to concerns of a broadening conflict. Against this backdrop, the MSCI All Country World Index of stocks generated positive returns in US-dollar terms as nine out of the 11 global equity sectors advanced, led by the IT, communication services and industrials sectors. Emerging market equities outperformed developed market equities, while global growth stocks outperformed global value stocks.
- Templeton Global ADR Equity SMA Composite underperformed its benchmark, the MSCI All Country World Index-NR, primarily due to an overweight and stock selection in the health care sector, an underweight in the IT sector and stock selection in the communication services sector.
- Health care stocks have struggled for some time, and the decline has intensified since Trump's election victory in November 2024, which brought concerns of policy headwinds. Despite current challenges, we maintain our focus on companies with defensive growth characteristics that we believe can strengthen portfolio resilience over the long term.
- In IT, we remain focused on semiconductor companies that we believe should benefit from a stronger demand for artificial intelligence, electric vehicles and green energy.
- Stock selection in the industrials and consumer discretionary sectors and a lack of exposure to the real estate sector contributed to relative performance.
- Industrials is a diverse sector, and several industrials sector holdings in Europe and Japan performed well during the quarter.
- Our holdings in the consumer discretionary sector are diversified across various industries. Strong performance in the sector was due to stock-specific events rather than any larger sector trends.
- Geographically, stock selection in the United States was the largest detractor from relative performance for the quarter. Stock selection in Asia ex Japan was the largest relative contributor.

Outlook

- The strong performance of global equities in the second quarter was largely unexpected, particularly given the turbulent start following Trump's April 2 tariff announcements. Like many investors, we could not have predicted such an outcome. However, we believe we effectively leveraged sharp shifts in market sentiment and our analysis of company valuations as a result of our long-term investment approach and focus on resilient businesses.
- Looking ahead, we maintain a positive outlook on the earnings trajectories of our holdings. Solid near- and long-term earnings growth expectations are supported by secular themes such as artificial intelligence adoption and bank deregulation, strong pricing power, favorable shifts in business mix, and cyclical recoveries in selected markets. We believe this anticipated growth is tangible and increasingly evident through expanding order books, profit-margin enhancements and reinvestment strategies.
- Importantly, our aim is not solely to participate in equity market uptrends but also to mitigate downside risks. In our view, many lower-quality businesses appearing "inexpensive" carry hidden vulnerabilities, including poor capital allocation, structural inefficiencies, or sensitivity to market sentiment and execution missteps. Our approach prioritizes long-term quality, consistency and compounding, even when it occasionally results in short-term underperformance relative to the fund's benchmark.
- As always, our primary focus remains on constructing resilient portfolios that we believe can deliver compelling returns through full market cycles.

Top Equity Issuers (% of Total)

Holding	Portfolio
Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR	4.04
AT&T Inc	3.65
Alphabet Inc. Class A	3.50
BP PLC Sponsored ADR	2.71
Shell Plc Sponsored ADR	2.64
Wells Fargo & Company	2.47
Aramark	2.33
Standard Chartered PLC Un-sponsored ADR	2.26
Manulife Financial Corporation	2.26
Allstate Corporation	2.23

Sector Allocation (% of Total)

Sector	Portfolio
Financials	29.35
Industrials	13.88
Information Technology	9.76
Health Care	9.07
Materials	8.39
Communication Services	7.15
Energy	6.84
Consumer Discretionary	4.97
Other	6.35
Cash & Other Net Assets	4.23

Average annual total returns (%) - as of June 30, 2025-PRELIMINARY

Product	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	7.43	8.80	8.80	10.84	12.27	10.49	4.89	6.78	4.72	3.82	3.94	11/30/1999
Pure Gross of Fees	8.21	10.40	10.40	14.14	15.61	13.78	7.43	9.15	6.96	5.92	6.03	11/30/1999
Benchmark 1	11.53	10.05	10.05	16.17	17.35	13.65	9.99	10.63	8.19	6.14	6.22	—
Benchmark 2	11.47	9.47	9.47	16.26	18.31	14.55	10.66	11.47	8.50	6.29	6.36	—

*Cumulative total returns

Benchmark(s)

Benchmark 1=MSCI All Country World Index-NR

Benchmark 2=MSCI World Index-NR

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