

Templeton Global ADR Equity SMA

Commentary | as of December 31, 2025

Key Takeaways

- **Markets:** Global equity markets collectively posted moderate gains in the fourth quarter of 2025, marking a period of consolidation after the stronger advance seen in the third quarter.
- **Contributors:** Stock selection and underweights in the information technology and consumer discretionary sectors and stock selection and an overweight in financials contributed to relative performance for the quarter.
- **Detractors:** Stock selection and in the health care and energy sectors detracted from relative performance for the quarter.
- **Outlook:** We remain broadly constructive on the longer-term outlook for equity markets, but the strength of 2025's rally suggests that some caution is appropriate in the coming months.

Performance Review

- Global equity markets collectively posted moderate gains in the fourth quarter of 2025, marking a period of consolidation after the stronger advance seen in the third quarter. The fourth quarter unfolded against a backdrop of easing—but uneven—monetary policy expectations, greater stock-return dispersion across regions and sectors, and a rotation away from the most crowded growth investment themes. October experienced an extension of the post-summer stock rally as interest-rate cuts and generally resilient earnings supported risk appetite; November brought a pause as investors reassessed equity valuations and monetary policy timing; and December witnessed a stabilization of sentiment as central banks delivered broadly dovish outcomes while flagging increased data dependence into 2026.
- Stock selection and underweights in the information technology and consumer discretionary sectors and stock selection and an overweight in financials contributed to relative performance for the quarter.
- UK-based AstraZeneca, a global leader in the pharmaceuticals industry, was a key relative contributor. We believe many investors have underappreciated AstraZeneca's mid- and late-stage product pipeline, which currently comprises well over 100 projects. Our rough estimates point to potentially significant revenue contribution from these projects, indicating a diversified base for future growth that we believe is not fully reflected in AstraZeneca's current share price.
- Stock selection in the health care and energy sectors detracted from relative performance for the quarter.
- France-based BNP Paribas (not held at period-end), one of Europe's most diversified banks, was a top relative detractor. Its shares dropped after a US jury found the bank violated American sanctions, raising questions about whether the lender will be exposed to further legal claims.
- Regionally, stock selection and an underweight in the United States significantly contributed to relative performance for the quarter. Stock selection in the eurozone detracted from relative results.

Outlook

- We remain broadly constructive on the longer-term outlook for equity markets, but the strength of 2025's rally suggests that some caution is appropriate in the coming months.
- European equities' fourth-quarter outperformance reflected both structural sector advantages and a valuation buffer relative to US equities. Political and fiscal noise persisted, particularly in France, but the region's equity markets remained relatively insulated. Stocks were supported by a combination of defensive earnings profiles, sector composition, and improving policy clarity. Despite persistent skepticism, we believe the European economy looks poised for upside surprises in 2026.
- In Japan, the recent change in government has reinforced the policy backdrop for reform and long-term growth. Japan has begun to lift interest rates for the first time in decades, which signals the return of inflation and a normalization of economic conditions after a prolonged deflationary period. This environment is particularly constructive for Japanese banks, which we believe could benefit from steeper yield curves and improving profitability. In our view, a gradual recovery in the yen, following an extended period of weakness, could also support domestic sectors.
- Asia more broadly continues to benefit from a weaker US dollar and improving underlying momentum. We continue to find attractive bottom-up opportunities and expect to increase exposure as opportunities develop.

Top Equity Issuers (% of Total)

Holding	Portfolio
Alphabet Inc. Class A	4.70
Taiwan Semiconductor Manufacturing Co., Ltd.	4.51
Sponsored ADR	
AstraZeneca PLC Sponsored ADR	3.27
BP PLC Sponsored ADR	2.77
Charles Schwab Corp	2.49
LVMH Moet Hennessy Louis Vuitton SE	2.32
Unsponsored ADR	
Medtronic Plc	2.31
ING Groep N.V. Sponsored ADR	2.31
CRH public limited company	2.26
Manulife Financial Corporation	2.26

Average annual total returns (%) - as of December 31, 2025-PRELIMINARY

Composite	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	6.82	11.55	21.37	21.37	14.65	8.33	7.00	6.22	4.87	4.41	4.30	11/30/1999
Pure Gross of Fees	7.60	13.18	24.95	24.95	18.05	11.56	9.65	8.62	7.14	6.55	6.42	11/30/1999
Benchmark 1	3.29	11.17	22.34	22.34	20.65	11.19	11.72	9.81	8.18	7.12	6.53	—
Benchmark 2	3.12	10.61	21.09	21.09	21.17	12.15	12.17	10.62	8.51	7.22	6.65	—

*Cumulative total returns

Benchmark(s)

Benchmark 1=MSCI All Country World Index-NR

Benchmark 2=MSCI World Index-NR

The strategy returns shown are preliminary composite returns, subject to future revision (downward or upward).

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Glossary

The **yield curve** shows the relationship between yields and maturity dates for a similar class of bonds.

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