

Templeton Global ADR Equity SMA

Commentary | as of September 30, 2025

Key Takeaways

- Markets: Global equity markets collectively advanced through the third quarter of 2025 as tariff anxieties gradually
 eased, many central banks adopted a more accommodative policy stance, and leadership among technology-related
 stocks persisted.
- Detractors: Templeton Global ADR Equity SMA (pure gross of fees and net of fees) underperformed its benchmark, the MSCI All Country World Index-NR, due to an underweight and stock selection in the information technology (IT) sector, stock selection and an overweight in the industrials sector and stock selection in the consumer discretionary sector.
- Contributors: Stock selection in the communication services and energy sectors and a lack of exposure to the real
 estate sector contributed to relative performance.
- Outlook: In broad terms, global equity markets have continued to shrug off geopolitical risks and macroeconomic
 uncertainty, driving many equity indexes to new highs. We see no immediate reason for this positive trend to reverse,
 though we remain vigilant in monitoring global developments.

Performance Review

- Global equity markets collectively advanced through the third quarter of 2025 as tariff anxieties gradually eased, many central banks adopted a more accommodative policy stance, and leadership among technology-related stocks persisted. July's market tone improved amid clearer trade signals and generally resilient US corporate earnings; August saw equity gains despite episodic volatility around new tariff measures; and September capped the quarter with a US Federal Reserve (Fed) rate cut that steadied rate-sensitive assets and lifted risk appetite. The Fed lowered its target rate by 25 basis points, while the European Central Bank and the Bank of England held their policy rates steady; the Bank of Japan kept its key rate unchanged but continued its stance of edging toward policy normalization. Together, these dynamics, along with calmer rate volatility and encouraging corporate results, underpinned risk assets into quarter-end.
- Templeton Global ADR Equity SMA (pure gross of fees and net of fees) underperformed its benchmark, the MSCI All Country World Index-NR, due to an underweight and stock selection in the information technology sector, stock selection and an overweight in the industrials sector and stock selection and an underweight in the consumer discretionary sector.
- In IT, we remain focused on semiconductor companies that we believe should benefit from stronger global demand for
 artificial intelligence (AI), electric vehicles and green energy. Exposure is to industries we expect to potentially experience
 secular growth over our five-year investment horizon: automotive, foundry and memory chips.
- Stock selection in the communication services and energy sectors and a lack of exposure to the real estate sector contributed to relative performance.
- Within communication services, we favor telecommunications companies (telcos) with idiosyncratic catalysts operating in
 markets with fairly stable competitive dynamics and regulatory structures. We believe risk/reward in these select telcos looks
 favorable given their defensive characteristics and cash generation. We are also finding select opportunities in media and
 entertainment companies.
- Geographically, the combination of stock selection and an underweight in the United States was the largest detractor from relative performance for the quarter. Stock selection in Japan contributed to relative results.

Outlook

- In broad terms, global equity markets have continued to shrug off geopolitical risks and macroeconomic uncertainty, driving many equity indexes to new highs. We see no immediate reason for this positive trend to reverse, though we remain vigilant in monitoring global developments. The key question for US and global equities is whether the market broadens beyond the current Al-focused leadership. Our view is that it is possible, and the portfolio should be reasonably well positioned for such a rotation. We remain selective in the IT sector, with financials and health care among our preferred sectors.
- In the Asia Pacific (APAC) region, we similarly maintain a bottom-up selective approach even as our outlook on APAC
 potentially improves. While not yet expensive, we believe regional valuations have increased and risk/reward adjustments
 remain key. Potential venues where we see mispricing opportunities include underappreciated non-Al technology companies
 in Taiwan, along with South Korean stocks.
- In Europe, we believe the combination of policy support, structural investment and attractive valuations underpin a
 constructive outlook. Market breadth is another key feature, in our view, offering a more diversified potential opportunity set
 across industries and sectors such as luxury, health care, industrials and electrification technologies.

Top Equity Issuers (% of Total)

Holding	Portfolio
Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR	4.72
Alphabet Inc. Class A	3.93
BP PLC Sponsored ADR	2.96
AstraZeneca PLC Sponsored ADR	2.94
AT&T Inc	2.87
CRH public limited company	2.71
Ferguson Enterprises Inc.	2.44
BNP Paribas S.A. Sponsored ADR	2.32
ING Groep N.V. Sponsored ADR	2.31
Allstate Corporation	2.26

Average annual total returns (%) - as of September 30, 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	4.34	12.10	13.53	8.69	18.08	10.20	6.62	6.21	4.60	4.03	4.07	11/30/1999
Pure Gross of Fees	5.11	13.74	16.04	11.93	21.58	13.48	9.23	8.60	6.86	6.16	6.18	11/30/1999
Benchmark 1	7.62	20.03	18.44	17.27	23.12	13.54	11.91	10.19	8.19	6.69	6.46	_
Benchmark 2	7.27	19.58	17.43	17.25	23.72	14.41	12.43	11.03	8.51	6.81	6.59	_

^{*}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

A basis point (bp, or bps) is one one-hundredth of one percent (1/100% or 0.01%).

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