FRANKLIN TEMPLETON

Templeton Global ADR Equity SMA

Commentary | as of March 31, 2026

Key Takeaways

- **Markets**: Global equities collectively declined over the first quarter of 2026 as a sharp drawdown in March more than offset gains earlier in the period.
- **Contributors**: Stock selection and an underweight in the information technology sector, an overweight and stock selection in the energy sector and stock selection and an overweight in the industrials sector contributed to relative performance for the quarter.
- **Detractors**: Stock selection and an underweight in the consumer staples sector, an overweight and stock selection in the financials sector and stock selection in the health care sector detracted from relative performance for the quarter.
- **Outlook:** Our focus remains on selectively deploying capital into high-quality businesses that we believe have been indiscriminately sold off but retain strong long-term fundamentals.

Performance Review

- Global equities collectively declined over the first quarter of 2026, with the MSCI All Country World Index falling for the period, as a sharp drawdown in March more than offset gains earlier in the period. Market performance was influenced by a significant rotation in leadership, with value outperforming growth and smaller-capitalization stocks holding up better than large caps. As measured by MSCI indexes in US-dollar terms, global value stocks generally rose, materially outperforming global growth stocks, which fell significantly, while global small caps delivered positive returns despite the broader market decline. This shift reflected a sustained move away from US mega-cap concentration and long-duration growth assets. The quarter unfolded in three distinct phases: an initial rotation-driven rally in January, followed by heightened dispersion and AI-related uncertainty during February, and culminating in a sharp risk-off environment in March driven by geopolitical escalation and an energy price shock.
- Stock selection and an underweight in the information technology sector, an overweight and stock selection in the energy sector and stock selection and an overweight in the industrials sector contributed to relative performance for the quarter.
- UK-based integrated oil and gas conglomerate BP performed strongly in primarily due to a sharp rise in oil prices, driven by geopolitical disruption linked to the Iran war. As a company highly exposed to hydrocarbons, BP benefited directly from this commodity strength, which supported investor sentiment and lifted its share price. In addition, its strategic pivot back toward oil and gas reinforced the positive momentum, with many investors viewing the shift as better aligned with the current energy environment. This combination of higher oil prices and a more conventional energy focus underpinned the stock's strong performance during the quarter.
- Stock selection and an underweight in the consumer staples sector, an overweight and stock selection in the financials sector and stock selection in the health care sector detracted from relative performance.
- ICON, one of the world's largest contract research organizations, declined sharply in February after disclosing that an internal accounting investigation found preliminary evidence that revenue for fiscal years 2023 and 2024 may have been overstated by up to two percent annually. The announcement led to a delay in fourth-quarter and full-year 2025 results and raised the prospect of financial restatements. Given ICON's scale, even a two percent overstatement represents a material dollar amount, with implications for earnings quality, profit margins and reported growth. While clearly disappointing, such accounting issues are inherently difficult to foresee, and our sell discipline was applied promptly.
- Geographically, stock selection and an overweight in the United Kingdom contributed significantly to relative performance for the quarter. Stock selection in Canada detracted from relative results.

Outlook

- The market environment shifted materially over the quarter, with the combination of accelerating AI disruption and the escalation of the conflict in Iran introducing both structural and macro uncertainty. In early April, oil prices began to retrace following the announcement of a temporary ceasefire and the reopening of key shipping routes. However, we believe oil prices could stabilize above pre-conflict levels, reflecting ongoing geopolitical risk and structurally tighter supply. At the same time, emerging concerns around credit conditions, particularly within banking, suggest that parts of the market may be underestimating downside risks should financial conditions tighten further.
- At a portfolio level, our focus remains on selectively deploying capital into high-quality businesses that we believe have been indiscriminately sold off but retain strong long-term fundamentals. We are also orienting the portfolio toward businesses that we believe have greater exposure to tangible assets and lower risk of structural obsolescence. This reflects a shift away from the post-Global Financial Crisis (GFC) preference for asset-light, intangible-driven models, as we believe higher inflation, geopolitical instability and accelerating technological disruption could be beneficial for companies with pricing power, asset backing and more durable competitive positions.

Top Equity Issuers (% of Total)

Holding	Portfolio
Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR	4.76
Alphabet Inc. Class A	4.06
BP PLC Sponsored ADR	3.67
AstraZeneca PLC	3.58
SSE plc Sponsored ADR	2.42
Ferguson Enterprises Inc.	2.37
ING Groep N.V. Sponsored ADR	2.36
Charles Schwab Corp	2.35
Dell Technologies, Inc. Class C	2.23
Royal Bank of Canada	2.14

Average annual total returns (%) - as of March 31, 2026-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	-1.14	5.61	-1.14	18.47	11.57	6.68	7.22	5.77	4.50	4.77	4.21	11/30/1999
Pure Gross of Fees	-0.40	7.17	-0.40	21.98	14.89	9.87	9.90	8.18	6.78	6.94	6.34	11/30/1999
Benchmark 1	-3.20	-0.01	-3.20	20.01	16.58	9.49	11.33	9.26	7.64	7.55	6.33	—
Benchmark 2	-3.57	-0.57	-3.57	18.90	16.77	10.27	11.80	10.01	7.97	7.65	6.44	—

*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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Fees: Periods less than one year are not annualized. Performance results are for the composite which includes all actual, fully discretionary accounts with substantially similar investment policies and objectives managed to the composite's investment strategy. Composite returns are stated in U.S. dollars and assume reinvestment of any dividends, interest income, capital gains, or other earnings. The composite may include account(s) that are gross of fees and pure gross of fees. "Pure" gross-of-fee returns do not reflect the deduction of any expenses, including transaction costs. A traditional (or "true") gross-of-fee return reflects performance after the reduction of transaction costs but before the reduction of the investment advisory fee. The gross-of-fee return may include a blend of "true" gross-of-fee returns for non-wrap accounts and "pure" gross-of-fee returns for wrap accounts. Net-of-fee returns is reduced by a model "wrap fee" (3.0% is the maximum anticipated wrap fee for equity and balanced portfolios) which includes trading expenses as well as investment management, administrative and custodial fees. The model wrap fee used represents the highest anticipated wrap fee applicable to the strategy. Actual fees and account minimums may vary.
For fee schedules, contact your financial professional, or if you enter into an agreement directly with Franklin Templeton Private Portfolio Group, LLC ("FTPPG"), refer to FTPPG's Form ADV Part 2A disclosure document. Management and performance of individual accounts may vary for reasons that include the existence of different implementation practices and model requirements in different investment programs.

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Glossary

Duration is a measure of the sensitivity of a bond's price to changes in interest rates.

The **global financial crisis (GFC)** refers to the period of extreme stress in global financial markets and banking systems between mid 2007 and early 2009.

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The **MSCI World Index** is a free float-adjusted market-capitalization index that is designed to measure global developed market equity performance. The **MSCI All Country World Index** is a market capitalization-weighted index that is designed to measure equity market performance of developed and emerging markets.

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