

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. Sponsored ADR	4.51
AstraZeneca PLC Sponsored ADR	3.27
BP PLC Sponsored ADR	2.77
Charles Schwab Corp	2.49
LVMH Moët Hennessy Louis Vuitton SE Un-sponsored ADR	2.32
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). Past performance is not a guarantee of future results. An investment in this strategy can lose value. Please visit www.franklintempleton.com for the latest performance figures. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

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.

Franklin Templeton claims compliance with the Global Investment Performance Standards (GIPS®). GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

To obtain specific information on available products and services or a GIPS Report, contact your Franklin Templeton separately managed account sales team at (800) DIAL BEN/342-5236.

What are the Risks?

All investments involve risks, including possible loss of principal. Depositary receipts are subject to international investment risk and potentially negative effects from currency exchange rates, foreign taxation and differences in auditing and other financial standards. International investments are subject to special risks, including currency fluctuations and social, economic and political uncertainties, which could increase volatility. These risks are magnified in emerging markets. Equity securities are subject to price fluctuation and possible loss of principal. To the extent the portfolio invests in a concentration of certain securities, regions or industries, it is subject to increased volatility. Liquidity risk exists when securities or other investments become more difficult to sell, or are unable to be sold, at the price at which they have been valued. Active management does not ensure gains or protect against market declines. The portfolio is non-diversified and may invest in a relatively small number of issuers, which may negatively impact the performance and result in greater fluctuation in value. Small- and mid-cap stocks involve greater risks and volatility than large-cap stocks. The investment style may become out of favor, which may have a negative impact on performance. The manager may consider environmental, social and governance (ESG) criteria in the research or investment process; however, ESG considerations may not be a determinative factor in security selection. In addition, the manager may not assess every investment for ESG criteria, and not every ESG factor may be identified or evaluated.

Glossary

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

Important Information

The information provided is not a complete analysis of every material fact regarding any country, market, industry, security or portfolio. Because market and economic conditions are subject to change, comments, opinions and analyses are rendered as of the date of this material and may change without notice. A portfolio manager's assessment of a particular security, investment or strategy is not intended as individual investment advice or a recommendation or solicitation to buy, sell or hold any security or to adopt any investment strategy; it is intended only to provide insight into the portfolio's selection process. Holdings are subject to change.

These materials are being provided for illustrative and informational purposes only. The information contained herein is obtained from multiple sources that are believed to be reliable. However, such information has not been verified, and may be different from the information included in documents and materials created by the sponsor firm in whose investment program a client participates. Some sponsor firms may require that these materials be preceded or accompanied by investment profiles or other documents or materials prepared by such sponsor firms, which will be provided upon a client's request. For additional information, documents and/or materials, please speak to your Financial Professional or contact your sponsor firm.

Franklin Templeton (FT) is not undertaking to provide impartial advice. Nothing herein is intended to provide fiduciary advice. FT has a financial interest.

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. The MSCI World Index is a free float-adjusted market-capitalization index that is designed to measure global developed market equity performance.

Important data provider notices and terms available at www.franklintempletondatasources.com. All data is subject to change.

Source: MSCI makes no warranties and shall have no liability with respect to any MSCI data reproduced herein. No further redistribution or use is permitted. This report is not prepared or endorsed by MSCI. Net Returns (NR) include income net of tax withholding when dividends are paid.

Holdings are provided for informational purposes only and should not be construed as a recommendation to purchase or sell any security.

Separately Managed Accounts (SMAs) are investment services provided by Franklin Templeton Private Portfolio Group, LLC (FTPPG), a federally registered investment advisor. Client portfolios are managed based on investment instructions or advice provided by affiliated subadvisors of Franklin Templeton. Management is implemented by FTPPG, the designated subadvisor or, in the case of certain programs, the program sponsor or its designee.

© Franklin Templeton. All rights reserved.

