

# **Templeton International 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 International ADR Equity SMA Composite (pure gross of fees and net of fees) underperformed
  its benchmark, the MSCI All Country World ex-US Index-NR, primarily due to stock selection in the information
  technology (IT), communication services, industrials and utilities sectors.
- Contributors: Stock selection in the consumer discretionary and financials sectors and an overweight in the materials sector contributed to relative performance for the quarter.
- 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 International ADR Equity SMA Composite (pure gross of fees and net of fees) underperformed its benchmark, the MSCI All Country World ex-US Index-NR, primarily due to stock selection in the information technology (IT), communication services, industrials and utilities sectors.
- In IT, we remain focused on semiconductor companies that we believe should benefit from stronger global demand for
  artificial intelligence (Al), 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 consumer discretionary and financials sectors and an overweight in the materials sector contributed to relative performance for the quarter.
- Trends in the materials sector include an interesting mix of economic, trade and geopolitical factors, some of which present
  an unusual and difficult-to-navigate interplay of price drivers. We continue to favor companies that, in our analysis, have
  sound balance sheets, good cost positions and upside exposure to structural demand drivers such as electrification and the
  green energy transition.
- Geographically, stock selection and an overweight in Europe detracted significantly from relative performance for the
  quarter. This was primarily due to holdings in Germany, France, Denmark and the United Kingdom. Stock selection in Japan
  contributed substantially to relative performance for the quarter.

#### 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	4.73
CRH public limited company	3.73
AstraZeneca PLC Sponsored ADR	3.43
Mizuho Financial Group Inc Sponsored ADR	3.36
Deutsche Telekom AG Sponsored ADR	3.34
ING Groep N.V. Sponsored ADR	3.19
BP PLC Sponsored ADR	3.01
Mitsubishi Electric Corp. Unsponsored ADR	2.98
Alibaba Group Holding Limited Sponsored ADR	2.98
Royal Bank of Canada	2.88

## 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	3.39	12.16	18.84	11.99	22.63	10.24	5.18	4.29	3.43	3.49	3.38	11/30/1999
Pure Gross of Fees	4.15	13.80	21.45	15.32	26.25	13.52	7.75	6.51	5.43	5.35	5.21	11/30/1999
Benchmark 1	6.89	19.75	26.02	16.45	20.67	10.26	8.23	6.05	5.60	5.36	5.06	_
Benchmark 2	4.77	17.10	25.14	14.99	21.70	11.15	8.17	6.75	5.54	5.06	4.73	_

<sup>\*</sup>Cumulative total returns

#### Benchmark(s)

Benchmark 1=MSCI All Country World ex-US Index-NR

Benchmark 2=MSCI EAFE 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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