

Templeton Foreign Fund

Advisor Class: TFFAX Class A: TEMFX

Commentary | as of March 31, 2025

Key Takeaways

- **Markets:** International equities collectively advanced during the first quarter of 2025 despite investor concerns about US economic growth, President Donald Trump's trade policy and a broadening trade war.
- **Contributors:** Stock selection in the industrials and financials sectors and stock selection and an overweight in the energy sector contributed to relative performance for the quarter.
- **Detractors:** Stock selection in the materials and utilities sectors and a lack of exposure to the communication services sector detracted from relative performance for the quarter.
- **Outlook:** We believe the rest of 2025 will likely present a challenging but opportunity-rich environment. The core of our investment process relies on performing a thorough fundamental stock research, taking a long-term view and focusing strongly on valuation. We believe this approach should hold us in good stead as we navigate the continued equity market volatility.

Performance Review

- International equities collectively advanced during the first quarter of 2025 despite investor concerns about US economic growth, President Donald Trump's trade policy and a broadening trade war. In this environment, the fund outperformed its benchmark, the MSCI All Country World ex-US Index-NR, driven by stock selection in the industrials and financials sectors and stock selection and an overweight in the energy sector.
- China-Based Alibaba Group Holding, a multinational company specializing in e-commerce, retail, internet and technology, was the top relative stock contributor for the quarter. We view the stock as a proxy for China's consumption. We believe Alibaba should benefit from improved management execution in regrowing both its domestic e-commerce and cloud businesses. Additionally, management has committed to significantly growing shareholder returns over the company's fiscal years 2025–2027. Its shares rose in February after the company reported quarterly results that exceeded consensus estimates.
- Stock selection in the materials and utilities sectors and a lack of exposure to the communication services sector detracted from relative performance for the quarter.
- JD Sports Fashion was the top relative stock detractor for the quarter. The company is a leading athletic retailer with a dominant UK business and a growing US and European presence. Its valuation continues to look appealing to us compared to our expectation of earnings growth as the company expands in the United States and Europe.
- Geographically, the combination of stock selection and an overweight in Asia ex Japan was the largest contributor to relative performance for the quarter. Stock selection in the eurozone was the largest detractor from relative performance for the quarter.

Outlook

- The investment environment has changed dramatically over the past few months. Developments since the start of the year lead us to believe that it is reasonably likely that the extraordinary outperformance of US stocks versus the rest of the world since the global financial crisis could be over. This does not mean US stocks are unable to perform well going forward, but it suggests that other regions' equity markets may begin to match or even exceed US stock returns.
- European equities have surged year-to-date, and we believe the rally has room to run as our analysis shows that European stocks remain relatively cheap, and many global investors are only beginning to unwind their long-held underweight positions. Much will depend on how Europe responds to its economic, political and security challenges in the wake of Trump's shift away from long-standing US allies. In our view, there is much room to boost the region's economic competitiveness.
- Emerging market countries (excluding India) have struggled in recent years but now look more attractive to us, as they are supported by the weaker US dollar. Avoiding China has been a straightforward call for us in recent years given the country's long-run structural issues (deflation and real estate). However, we think recent developments could continue to build upon Chinese stocks' strong start to the year. The wild card will be the outcome of any trade deal negotiated with the United States, which could significantly impact market sentiment towards China, in either direction (at the writing of this note, we think the outcome looks bearish).
- We believe the rest of 2025 will likely present a challenging but opportunity-rich environment. The core of our investment process relies on performing a thorough fundamental stock research, taking a long-term view and focusing strongly on valuation. We believe this approach should hold us in good stead as we navigate the continued equity market volatility.

Top Equity Issuers (% of Total)

Holding	Fund
CARREFOUR SA	4.39
BP PLC	4.24
SHELL PLC	4.10
CNH INDUSTRIAL NV	3.92
SAMSUNG ELECTRONICS CO LTD	3.74
SUMITOMO MITSUI FINANCIAL GROUP INC	3.60
ASTRAZENECA PLC	3.47
PROSUS NV	3.38
STANDARD CHARTERED PLC	3.28
ALIBABA GROUP HOLDING LTD	3.12

Sector Allocation (% of Total)

Sector	Fund
Financials	23.78
Consumer Discretionary	19.51
Industrials	11.69
Energy	11.24
Information Technology	10.88
Materials	10.05
Consumer Staples	4.39
Health Care	3.47
Utilities	2.84
Cash & Cash Equivalents	2.15

Average annual total returns and fund expenses (%)

Class	CUSIP	Ticker	Without Sales Charge							With Maximum Sales Charge							Expenses		Sales Charges		Inception Date
			3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception	Gross	Net	Initial Charge	CDSC	
Advisor Class	880196506	TFFAX	8.68	8.68	4.49	7.39	12.34	3.84	9.24	8.68	8.68	4.49	7.39	12.34	3.84	9.24	0.88	0.85	—	—	10/5/1982
Class A	880196209	TEMFx	8.63	8.63	4.25	7.15	12.06	3.58	9.04	2.59	2.59	-1.43	5.14	10.79	3.00	8.90	1.13	1.10	5.50	—	10/5/1982
Benchmark	—	—	5.23	5.23	6.09	4.48	10.92	4.98	—	5.23	5.23	6.09	4.48	10.92	4.98	—	—	—	—	—	

Benchmark(s)

Benchmark = MSCI All Country World ex US Index-NR

Performance data quoted represents past performance, which does not guarantee future results. Current performance may be lower or higher than the figures shown. Principal value and investment returns will fluctuate, and investors' shares, when redeemed, may be worth more or less than the original cost. Performance would have been lower if fees had not been waived in various periods. Total returns assume the reinvestment of all distributions and the deduction of all fund expenses. Returns with sales charge reflect a deduction of the stated maximum sales charge. An investor cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges. Returns for periods of less than one year are not annualized. All classes of shares may not be available to all investors or through all distribution channels. For current month-end performance, please visit franklintempleton.com.

The fund began offering Advisor Class shares on 1/2/1997. Performance quotations have been calculated as follows: (a) for Advisor Class periods prior to 1/2/1997, a restated figure is used based on the fund's Class A performance. The performance was adjusted to take into account differences in class-specific operating expenses and maximum sales charges. (b) For periods after share class offering, performance for the specific share class is used, reflecting the expenses and maximum sales charges applicable to that class.

Gross expenses are the fund's total annual operating expenses as of the fund's prospectus available at the time of publication. Actual expenses may be higher and may impact portfolio returns. Net expenses reflect contractual fee waivers, expense caps and/or reimbursements, which cannot be terminated prior to 12/31/2025 without Board consent. Additional amounts may be voluntarily waived and/or reimbursed and may be modified or discontinued at any time without notice.

What are the Risks?

All investments involve risks, including possible loss of principal. 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**. To the extent the fund invests in companies in a specific **country or region**, the fund may experience greater volatility than a fund that is more broadly diversified geographically. **Derivative instruments** can be illiquid, may disproportionately increase losses, and have a potentially large 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. These and other risks are discussed in the fund's prospectus.

Glossary

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.

Important Information

The information provided is not a complete analysis of every material fact regarding any country, market, industry, security or fund. 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 fund's portfolio selection process. Holdings are subject to change.

The **MSCI All Country World Index ex US (MSCI ACWI Index ex US)** is a market capitalization-weighted index designed to measure equity market performance of developed and emerging markets, excluding the U.S. 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.

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

Franklin Distributors, LLC. Member FINRA/SIPC.

© Franklin Templeton. All rights reserved.

Before investing, carefully consider a fund's investment objectives, risks, charges and expenses. You can find this and other information in each prospectus, or summary prospectus, if available, at www.franklintempleton.com. Please read it carefully.