

Martin Currie Emerging Markets Fund

Class I: MCEIX Class A: MACEX

Commentary | as of March 31, 2025

Key Takeaways

- **Markets:** Emerging markets (EM) gained nearly 3% during the first quarter. The asset class saw a broad-based recovery across most countries, with only a few lagging in the period (namely countries in Southeast Asia and Taiwan). Key outperformers were China, led by strong returns from large-cap technology leaders. There were also positive returns from countries in Central and Eastern Europe following news surrounding moves towards a possible Russia-Ukraine ceasefire. During the quarter, India continued to see weakness, which was a result of foreign investor selling, muted earnings momentum, and domestic growth concerns. The small- and mid-cap space in the country underperformed due to further profit-taking.
- **Contributors:** Single stocks that performed well during included Alibaba, Tencent and BYD.
- **Detractors:** Notable detractors included Globant, Taiwan Semiconductor Manufacturing Company and Quanta.
- **Outlook:** We firmly believe that the long-term investment outlook for EM remains robust and we maintain strong confidence in our portfolio holdings.

Performance Review

- Single stocks that performed well during included Alibaba, Tencent and BYD. Alibaba is starting to see very strong business traction in its cloud business and further positive developments in the company's leadership in artificial intelligence (AI). Broadly speaking, Chinese internet companies are strategically implementing AI in their business capital expenditures (capex) and expectations are that AI capex could drive strong internet business models as well as promote a broad-based economic recovery. Tencent continues to deliver on its strong domestic growth engines (gaming and advertising) and has recently given more clarity on its AI ambitions and strategy. Tencent will utilize its own internal AI model and partner with third party models. The company's traction in AI to its consumer business has been recently growing. BYD maintained its leadership in both its domestic and its international electric vehicle (EV) businesses with strong monthly sales traction. The innovation pipeline in BYD is robust and the company is delivering EV vehicles with significant cost advantages, which is resulting in strong market share gains in overseas markets.
- Notable detractors included Globant, Taiwan Semiconductor Manufacturing Company (TSMC) and Quanta. Globant's 2025 outlook is lower than expected, with revenue growth being impacted by softer growth at its key client (which has decelerated from the previous year's strength). Furthermore, the company is seeing slower growth out of its Latin America business, which is reflected in its new guidance/outlook for 2025. TSMC has followed the weakness across most global semiconductor names during this period. Although key client Nvidia delivered a strong set of results, the market has been concerned about the potential impact of DeepSeek and the deflationary forces in play with AI hardware pricing. Semiconductor names have largely been impacted by slower consumer growth coming out of the U.S. market. Quanta was negatively impacted by shipment delays of GB200. However, the company continues to experience very strong market share gains in traditional servers, as well as strong potential from the GB300 rollout.

Outlook

- We firmly believe that the long-term investment outlook for EM remains robust and we maintain strong confidence in our portfolio holdings. The market persistently undervalues high-quality, sustainable growth companies and we are convinced that despite the recent, prolonged style rotation, investing in these companies will yield positive results in the long term.
- Looking ahead, we are particularly excited by the powerful synergy of technology adoption, urbanization, and services sector growth prevalent in EM. We anticipate that our highly selective, stock-focused strategy will thrive by seeking companies with high returns on equity, operating in structurally growing sectors. Furthermore, the current environment—with its regulatory pressures, human conflicts, and ever-evolving macroeconomic landscape—highlights the importance of focusing on strong sustainability and governance characteristics, and sustainable growth as critical factors in determining companies that will remain relevant and lead the way in the long run.
- As we progress further into 2025, we think the key drivers of EM returns, and thus the biggest opportunities, will be technology, India, and China. Technology companies in EM are core to the global adoption of AI, and the longer-term structural growth opportunity of EM information technology is broader across the whole ecosystem. This should place them well to succeed in the next 12 months and beyond. Similarly, India has had an interesting 2024 and we think that as the market returns to recognizing fundamentals in share prices, there may be a market correction that benefits high-quality, sustainable growth companies. Finally, as the largest country in the asset class, China will continue to play a key role and we believe its recovery has only just begun.

Top Equity Issuers (% of Total)

Holding	Fund
Tencent Holdings Ltd	8.59
Taiwan Semiconductor Manufacturing Co Ltd	7.14
Samsung Electronics Co Ltd	5.65
Taiwan Semiconductor Manufacturing Co Ltd	4.65
HDFC Bank Ltd	4.55
ICICI Bank Ltd	3.78
SK Hynix Inc	3.62
Alibaba Group Holding Ltd	3.53
Reliance Industries Ltd	2.64
Meituan	2.54

Sector Allocation (Equity as a % of Total)

Sector	Fund
Information Technology	28.41
Financials	27.41
Consumer Discretionary	18.74
Communication Services	8.59
Industrials	4.80
Materials	3.79
Energy	3.03
Health Care	2.89
Consumer Staples	2.14

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	
Class I	52471E621	MCEIX	3.27	3.27	4.80	-1.75	5.14	—	3.59	3.27	3.27	4.80	-1.75	5.14	—	3.59	0.94	0.94	—	—	5/29/2015
Class A	52471E282	MACEX	3.22	3.22	4.44	-2.06	4.80	—	1.10	-2.44	-2.44	-1.27	-3.96	3.57	—	0.21	1.36	1.30	5.50	—	7/16/2018
Benchmark	—	—	2.93	2.93	8.09	1.44	7.94	—	—	2.93	2.93	8.09	1.44	7.94	—	—	—	—	—	—	—

Benchmark(s)

Benchmark = MSCI Emerging Markets 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.

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 12/31/2026 without Board consent. Additional amounts may be voluntarily waived and/or reimbursed and may be modified or discontinued at any time without notice.

Maximum sales charges have been updated as of August 15, 2022, please refer the Fund's prospectus for more information.

What are the Risks?

All investments involve risks, including possible loss of principal. Equity securities are subject to price fluctuation and possible loss of principal. Small- and mid-cap stocks involve greater risks and volatility than large-cap stocks. 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. 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. The managers' environmental, social and governance (ESG) strategies may limit the types and number of investments available and, as a result, may forgo favorable market opportunities or underperform strategies that are not subject to such criteria. There is no guarantee that the strategy's ESG directives will be successful or will result in better performance. Derivative instruments can be illiquid, may disproportionately increase losses, and have a potentially large impact on performance. These and other risks are discussed in the fund's prospectus.

Glossary

Capital Expenditure (capex) are funds used by a company to acquire or upgrade physical assets such as property, industrial buildings or equipment.

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 Emerging Markets Index is a market capitalization-weighted index that is designed to measure equity market performance in the global emerging markets. 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.

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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.