

Performance Review

- International equities struggled during the fourth quarter due to concerns that the re-election of US President Donald Trump could spark tariff wars, political instability in Europe and a stronger US dollar following a hawkish rate cut from the US Federal Reserve (Fed)¹. However, a market broadening following a post-election rally in the US offered a measure of resilience to value equities, which outperformed growth, with the MSCI EAFE Value Index² returning -7.12% versus -9.10% for the MSCI EAFE Growth Index³ and -8.11% for the MSCI EAFE Index.

QUARTERLY KEY PERFORMANCE DRIVERS⁴

	Stocks	Sectors	Region
HELPED	Siemens Energy	Materials (Selection)	Europe Ex UK (Selection)
	Mitsubishi UFJ Financial	Industrials (Selection)	Emerging Markets (Overweight)
	SAP	Health Care (Underweight)	North America (Overweight)
HURT	Nexans	Financials (Selection)	Emerging Markets (Selection)
	Murata Manufacturing	Information Technology (Selection)	North America (Selection)
	Sanofi	Communication Services (Selection)	Japan (Selection)

- Our high-quality industrials companies with exposure to the long-term trends of electrification, the energy transition and infrastructure continue to see strong demand. This included Siemens Energy, whose strong, growing backlog of projects related to these trends, along with its attractive margins, has helped boost its projected earnings growth and share price.
- Alongside a broad sector rally on the prospects of a more friendly regulatory backdrop under the Trump administration, Japanese banks benefited from anticipation of higher interest rates as Japan continues to see beneficial signs of inflation in wages and prices after decades of deflation. Combined with this supportive macro backdrop, Mitsubishi UJF's strong earnings led both stocks to re-rate higher during the quarter.
- Japanese electronic components manufacturer Murata Manufacturing continues to see slack demand in their core end markets of smart phones and personal computers.
- French pharmaceutical company Sanofi saw its stock come under pressure after the US presidential election as the incoming Trump administration, as well as the controversial nomination of Robert F. Kennedy Junior as secretary of health and human services, is seen to be potentially negative for vaccine producers.

Outlook & Strategy

- International equity markets have faced significant headwinds as capital has flowed into the US from around the world. However, this shift has led to attractive valuations, lower market concentration and less momentum-driven speculation in international markets—factors that create a more normalized environment and offer abundant opportunities.
- Europe exhibits many attractive attributes to value investors, particularly given the reduced expectations stemming from growth challenges driven by declining Chinese demand for European goods, under-indexed exposure to generative AI and elevated energy costs. We believe this leaves room for upside potential broadly if these headwinds weaken or dissipate.
- We continue to identify attractive opportunities in Japan, following substantial increases in our Japan weighting in 2024. After decades of deflation, Japan's economy is normalizing, marked by sustained wage growth, price inflation and positive nominal GDP growth, while corporate governance reforms further bolster the case for Japanese equities. With the Bank of Japan planning to raise interest rates, it could unlock trillions of yen currently tied up in zero-yield government bonds for the equity market, aided by increasing domestic consumption driven by real wage growth.
- While opportunities abound, significant risks—including political uncertainties in the US, Europe and Asia—could impede economic expansion and equity market gains. In this environment, stocks such as UK water utility United Utilities and French health care company Sanofi that combine high cash yields with strong pricing power, enabling earnings growth even in a high-interest-rate and inflationary setting, enhance the defensibility and resilience of our portfolio, especially those trading at significant discounts to their intrinsic value.

1. The Federal Reserve ("Fed") is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.

2. **MSCI EAFE Value Index** captures large- and mid-cap securities exhibiting overall value style characteristics across Developed Markets countries around the world, excluding the U.S. and Canada. . Source: MSCI makes no warranties

3. **MSCI EAFE Growth Index** captures large- and mid-cap securities exhibiting overall growth style characteristics across Developed Markets countries around the world, excluding the U.S. and Canada.

4. The portfolio characteristics and sector attribution are based on a model portfolio, not an actual client account. The model portfolio is a hypothetical portfolio whereby the portfolio characteristics and sector attribution are based on simulated trading and account activity of a client account invested in this strategy and assumes no withdrawals, contributions or client-imposed restrictions. Characteristics and sector attributions of individual client accounts may differ from those of the model portfolio as a result of account size, client-imposed restrictions, the timing of client investments, market conditions, contributions, withdrawals and other factors. This information does not constitute, and should not be construed as, investment advice or recommendations with respect to the sectors and securities listed, and it should not be used as the sole basis for any investment decision.

Product Details⁵

Inception Date	09/30/1994
Benchmark	MSCI EAFE Index-NR

Performance Data

Average Annual Total Returns (USD %)

	3 Mths	YTD	1 Year	3 Year	5 Year	10 Year	20 Year	Since Inception (09/30/1994)
ClearBridge International Value ADR Portfolios - Pure GROSS	-8.40	2.95	2.95	4.53	6.16	5.20	5.22	6.53
ClearBridge International Value ADR Portfolios - NET	-9.10	-0.05	-0.05	1.48	3.07	2.13	2.16	3.43
MSCI EAFE Index-NR	-8.11	3.82	3.82	1.65	4.73	5.20	4.81	5.00

Calendar Year Returns (USD %)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
ClearBridge International Value ADR Portfolios - Pure GROSS	2.95	14.68	-3.27	16.75	1.11	16.19	-20.79	24.95	5.72	1.25
ClearBridge International Value ADR Portfolios - NET	-0.05	11.37	-6.11	13.38	-1.85	12.83	-23.15	21.37	2.64	-1.70
MSCI EAFE Index-NR	3.82	18.24	-14.45	11.26	7.82	22.01	-13.79	25.03	1.00	-0.81

The strategy returns shown are preliminary composite returns, subject to future revision (downward or upward). Please visit www.franklintempleton.com for the latest performance figures. Past performance is not a guarantee of future results. An investment in this strategy can lose value.

Performance data represents past performance, which does not guarantee future results. Current performance may be lower or higher than the performance data quoted. Investment return and principal value will fluctuate with market conditions, and you may have a gain or loss when you sell your shares. 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.

Net Returns (NR) include income net of tax withholding when dividends are paid. The **MSCI EAFE Index** is a free float-adjusted market capitalization-weighted index designed to measure developed market equity performance, excluding the U.S. and Canada. 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.

Investment Team

Sean Bogda, CFA
Years with Firm 31
Years Experience 32

Grace Su
Years with Firm 19
Years Experience 24

Jean Yu, CFA, Ph.D.
Years with Firm 22
Years Experience 23

5. Information is based on ClearBridge International Value ADR Portfolios. A composite is an aggregation of one or more portfolios into a single group that represents a particular investment objective or strategy.

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**FRANKLIN
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One Franklin Parkway
San Mateo, CA 94403-1906
(800) DIAL BEN/342-5236
franklintempleton.com