This is a marketing communication.
For the purposes of the UK Sustainability Disclosure Requirements, a sustainable investment label helps investors find funds that have a specific sustainability objective. This Fund does not have a UK sustainable investment label because it does not have a specific sustainability objective.

FRANKLIN TEMPLETON

FTF ClearBridge UK Equity Income Fund

Franklin Templeton Funds

W (acc)
31 December 2025

Product Commentary

Performance Review[1]

- The BoE provided an early Christmas present for the country as it cut the base rate to 3.75% in mid-December, marking four cuts totalling 1% over the course of 2025.
- As 2025 came to a close, it proved to be a bumper year for UK equities with the FTSE All-Share Index returning 24%, driven by large-capitalisation stocks as the FTSE 100 Index returned 26%.
- For the quarter, the fund's W (acc) shares returned 7.07%, and its benchmark, the FTSE All-Share Index, returned 6.38%.

QUARTERLY KEY PERFORMANCE DRIVERS

	Stocks	Sectors
HELPED	Barclays	Financial Services (Stock Selection)
	NatWest Group	Consumer Products and Services (Stock Selection)
	Rio Tinto	Utilities (Stock Selection)
HURT	BAE Systems	Health Care (Stock Selection)
	AstraZeneca	Travel and Leisure (Stock Selection)
	Whitbread	Personal Care, Drug and Grocery Stores (Stock Selection)

- At a sector level, stock selection in financial services, consumer products and services and utilities contributed to relative returns.
- Conversely, stock selection in health care, travel and leisure, and personal care, drug and grocery stores detracted from relative returns.
- Barclays was a key contributor in the final quarter of the year as its shares returned 25%. The banks continue to perform well as bond yields remain elevated even as rates continue to fall. However, the sector was volatile in November, with ongoing speculation if the banks would be targeted in the Autumn Budget with Chancellor Rachel Reeves ultimately deciding to maintain current taxation levels, prioritising financial services competitiveness and economic growth.
- Conversely, defence company BAE Systems was a key detractor over the quarter as its shares fell 16%. The backdrop of a potential ceasefire in Ukraine and Russia after a strong run for the sector weighed on returns. However, the medium-term outlook for defence spending remains unprecedented, underpinned by NATO's 5% gross domestic product spending target by 2035.

ONE-MONTH KEY PERFORMANCE DRIVERS

	Stocks	Sectors
HELPED	Magnum Ice Cream Co.	Financial Services (Stock Selection)
	IG Group Holdings	Health Care (Stock Selection)
	Barclays	Insurance (Stock Selection)
HURT	HSBC Holdings	Industrial Goods and Services (Stock Selection)
	Unilever	Personal Care, Drug and Grocery Stores (Stock Selection)
	BP	Banks (Underweight)

- At a sector level, stock selection in financial services, health care and insurance contributed to relative returns.
- Conversely, stock selection in industrial goods and services and personal care, drug and grocery stores and an underweight to banks detracted from relative returns.
- Spread betting company IG Group was a key contributor in December as its shares returned 16%. The latest trading update released during the month showed further progress as chief executive officer (CEO)-led initiatives continue to drive broad-based growth across major product categories and geographies. The shares were propelled higher still after it emerged that spread betting companies would avoid a wider tax increase on betting companies announced in the Chancellor's Autumn Budget.
- Conversely, BP was a key detractor over the month as its shares fell 4.7%. This reflected continued oil price weakness. However, the market did react well to the announcement of its new CEO, Meg O'Neil, who is expected to continue its current strategy of refocusing on its core oil and gas business, with less emphasis on renewables. Additionally, the company announced the sale of a majority stake in its motor oil division Castrol for US$10 billion.

1. Please go to https://www.franklintempleton.co.uk/glossary for key terms and definitions.

Outlook & Strategy

- **October:**
  - In October, we took a new position in Croda, a structurally advantaged specialist chemicals business with diversified end-markets across consumer, pharmaceutical and agricultural sectors. The company is emerging from an industry through sequential demand improvement, a healthy innovation pipeline, and multi-year cost programs. We expect margins to build from financial year 2026, supported by pricing discipline and improved volume utilisation meaning the shares are attractively valued.
- **November:**
  - In November, the portfolio took a position in Grafton, the diversified building materials business and "do-it-yourself" retailer operating across several European markets. Grafton offers exposure to recovery in new-build construction and property repair, maintenance and improvement. The company has an impressive track record of capital allocation, a strong balance sheet and good cash flow management, which enables it to return cash to shareholders via an attractive 4% dividend yield and share buyback programme. Its capital position also means it can pursue acquisitions, which could provide further upside to the investment case.
  - Over the month, the portfolio exited its position in specialist chemicals business Victrex. The company has been underperforming due to continued de-stocking, low-cost Chinese competitors and a delayed recovery in its higher-margin medical business. We believe Victrex's competitive position is weaker than it was, and with a change in CEO and lack of earnings recovery, we also believe the dividend is looking more at risk. We therefore exited the position.
- **December:**
  - In December we started a position in specialist lender Paragon Banking Group. There is some near-term uncertainty around the company's core buy-to-let mortgage business; however, we believe that lower rates and further consolidation across Paragon's end-markets will prove to be further tailwinds for the business. We view the current valuation as attractive and therefore decided to take an initial position in the stock.
  - We also took a new position in financial advice business Quilter. We view this as a well-run business in the structurally growing mass affluent segment which could see itself as a takeover target given consolidation in the sector. The valuation is undemanding given the level of growth the business has been able to achieve and shareholder distributions look well supported from here.
  - Over the month, we exited our holding in distributor DCC, the natural gas distributor. We decided there was more upside elsewhere in the portfolio and therefore, due to a lack of conviction, decided to exit the position.
  - We also exited our holding in alternative asset manager ICG. This is a well-run business that has been a profitable investment for the portfolio, but we now believe much of the upside is now included in its price and there are more compelling opportunities across the financials space in the United Kingdom.
- UK equities have been one of the top performers across global equity markets over 2025, with the All-Share index providing a total return of 24%. Importantly, this year has not been a one-off with annual compounded returns now standing at 12% for the last five years for a cumulative total return of 73%. Yet, it's a market that continues to look like good value by any international comparison.
- The exciting part of the UK's recent performance is that many of the same past drivers of returns remain true looking forward. Although UK equity markets have had a strong year, we believe we are only in the foothills of a market recovery. Sentiment towards the United Kingdom has been on the verge of a recovery for a couple of years with high levels of household savings, reducing interest rates and continued economic growth. However, stuttering confidence and an uncertain political backdrop have been roadblocks to a full-fledged UK resurgence.
- At a company level, resilient corporate earnings have resulted in healthy cash generation levels and strong balance sheets. We think UK corporates remain well-placed as we move into the new year with aggregate earnings-per-share growth forecast to grow at 10% in 2026, which we believe to be a realistic assessment of what companies can achieve.
- Given that many UK companies are not overleveraged, while continuing to be profitable, management teams have been looking at the best ways to return excess capital to shareholders. The UK market is famous for its reliable dividend culture, and UK equities have provided a yield of almost double the global average over 2025. Management teams are also increasingly utilising share buybacks as a good use of excess cash as, while valuations remain appealing, share buybacks are a sensible way to buoy shareholder returns.
- With attractive valuations, resilient corporate fundamentals, robust shareholder returns and a supportive policy backdrop, we believe UK equities are poised to offer compelling opportunities for investors in 2026 and beyond—making this an exciting time to consider allocating to this dynamic and undervalued market.

Fund Details

Inception Date	17/10/2011
Benchmark	FTSE All-Share Index
IA Sector Peer Group	IA UK Equity Income

Fund Description

The Fund aims to generate an income that is higher than that of the FTSE All-Share Index and increase in value through investment growth, over periods of five years, after all fees and costs are deducted. There is no guarantee that the Fund will achieve its objective over this or any other time period. Capital invested is at risk and you may get back less than you paid in.

Performance Data[2,3]

Discrete Annual Performance (%) as at 31/12/2025

	12/24 12/25	12/23 12/24	12/22 12/23	12/21 12/22	12/20 12/21	12/19 12/20	12/18 12/19	12/17 12/18	12/16 12/17	12/15 12/16
W (acc)	21.76	6.50	6.39	2.32	17.88	-11.42	23.67	-8.87	12.04	15.34
FTSE All-Share Index GBP	24.02	9.47	7.92	0.34	18.32	-9.82	19.17	-9.47	13.10	16.75
Peer Group Average	18.37	8.66	7.08	-2.18	18.35	-10.91	20.12	-10.53	11.50	8.89

Performance Net of Management Fees as at 31/12/2025 (Dividends Reinvested) (%)[a,b]

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (29/04/1988)
W (acc)	1.38	7.07	21.76	21.76	11.32	10.72	7.94	8.68
FTSE All-Share Index	2.19	6.38	24.02	24.02	13.57	11.71	8.37	8.63
Peer Group Average	1.82	5.56	18.37	18.37	11.26	9.78	6.36	7.75
Quartile Ranking	3	2	2	2	3	2	2	1

Performance data is based on Rensburg UK Equity Income Trust mid price from its launch 29/04/1988 to 17/10/2011 and the net asset value of the FTF Franklin UK Equity Income Fund A (inc) shares thereafter. The fund charges all or part of its management fees to capital. This could lead to a higher level of income but may constrain capital growth. The W (acc) share class launched on 31/05/2012. Performance data prior to that date is for the A (inc) GBP share class launched on 29/04/1988 which has higher annual charges.

Please refer to the “How We Measure Performance” section for more details about the benchmark.

Investment Team

Ben Russon, CFA
Years with Firm 12
Years Experience 26

Will Bradwell, CFA
Years with Firm 7
Years Experience 15

Joanne Rands
Years with Firm 4
Years Experience 26

What Are the Key Risks?

The value of shares in the Fund and income received from it can go down as well as up and investors may not get back the full amount invested. Performance may also be affected by currency fluctuations. Currency fluctuations may affect the value of overseas investments. There is no guarantee that the Fund will meet its objective. The Fund invests mainly in equity securities listed on the London Stock Exchange, but may to a lesser extent also invest in debt securities or convertible securities of UK issuers. Such securities have historically been subject to price movements due to company-specific factors and movements in the equity and fixed income markets of the UK generally. As a result, the performance of the Fund can fluctuate significantly over relatively short time periods. Risks materially relevant not adequately captured by the indicator: **Charges from capital:** the fund’s fees and expenses may be taken from its capital (rather than income). This will result in an increase in income available for distribution to investors. However, this will forego some of the capital that the share class has available for future investment and potential growth. **Concentration risk:** the risk that arises when a fund invests in relatively few holdings, few sectors or a restricted geographic area. Performance may be more volatile than a fund with a greater number of securities. **Single Country/Region Risk:** This fund invests primarily in UK, which means that it is more sensitive to local economic, market, political or regulatory events in UK, and will be more affected by these events than other funds that invest in a broader range of regions. **Equity risk:** prices of equities may be affected by factors such as economic, political, market, and issuer-specific changes. Such changes may adversely affect the value of the equities regardless of company-specific performance**. Liquidity risk:** the risk that arises when adverse market conditions affect the ability to sell assets when necessary. Such risk may be triggered by (but not limited to) unexpected events such as environmental disasters or pandemics. Reduced liquidity may have a negative impact on the price of the assets. For a full discussion of all the risks applicable to this Fund, please refer to the “Risk Factors” section of the current prospectus of Franklin Templeton.

How We Measure Performance

We measure performance and price shares in the Fund in British pounds (GBP).

- We measure performance against the Fund’s performance target, the FTSE All-Share Index, as it is widely available and reflects investments in the UK stock market.
- The Fund’s performance can also be compared against the Investment Association UK Equity Income sector average, which reflects the performance of the Fund’s competitors.

3. Please go to https://www.franklintempleton.co.uk/glossary for key terms and definitions.

Important Legal Information

This material is intended to be of general interest only and does not constitute legal or tax advice nor is it an offer for shares or invitation to apply for shares of the sub funds of Franklin Templeton Funds ("FTF"), a UK-domiciled OEIC ("the Fund"). Nothing in this document should be construed as investment advice.

Subscriptions to shares of the Fund can only be made on the basis of the current prospectus, the relevant Key Investor Information Document ("KIID") or Supplementary Information Document (SID) accompanied by the latest available audited annual report and the latest semi-annual report if published thereafter, which can be found on our website (www.franklintempleton.co.uk) or from the address below. US Persons (as more fully defined in the latest Fund prospectus) are not eligible to invest in the Fund. Shares of the Fund are available for sale and distribution in the UK.

An investment in the Fund entails risks which are described in the Fund's prospectus and the relevant KIID. The value of shares in the Fund and any income received from them can go down as well as up, and investors may not get back the full amount invested. Past performance is not an indicator, not a guarantee, of future performance. Where a fund invests in a specific sector or geographical area, the returns may be more volatile than a more diversified fund.

Opinions expressed are the author's at the publication date and they are subject to change without prior notice. Given the rapidly changing market environment, Franklin Templeton disclaim responsibility for updating this material. References to particular industries, sectors or companies are for general information and are not necessarily indicative of a fund's holding at any one time. Any research and analysis contained in this document has been procured by Franklin Templeton for its own purposes and is provided to you only incidentally. Franklin Templeton shall not be liable to any user of this document or to any other person or entity for the inaccuracy of information or any errors or omissions in its contents, regardless of the cause of such inaccuracy, error or omission.

There is no guarantee that the Fund will achieve its objective. For a free copy of the latest Prospectus, the SID, the relevant KIID, the annual report and semi-annual report, if published thereafter or for more information about any Franklin Templeton fund, UK investors should contact: Franklin Templeton, Telephone: 0800 305 306, Email: franklintempletonuk@fisglobal.com or write to us at the address below. Alternatively, the information can be downloaded from our website www.franklintempleton.co.uk.

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Source: FTSE.

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a. Source for all information is Franklin Templeton. Benchmark related data provided by FactSet. Past performance is not an indicator or a guarantee of future performance. Portfolio holdings are subject to change. Periods greater than one year are shown as average annual total returns. Sales charges and other commissions, taxes and other relevant costs paid by investor are not included.
b. When performance for either the portfolio or its benchmark has been converted, different foreign exchange closing rates may be used between the portfolio and its benchmark.

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