



# FTF Templeton Global Emerging Markets Fund

Franklin Templeton Funds

W (acc)  
31 December 2025

## Product Commentary

### Performance Review<sup>1</sup>

**AS OF 4 MARCH 2022, THE RUSSIAN COMPANY SECURITIES THAT ARE HALTED ON ALL TRADEABLE EXCHANGES ARE BEING FAIR VALUED AT ZERO.**

- Emerging market (EM) equities rose in the final quarter of 2025. The US Federal Reserve slipped in its last interest-rate reduction for the year in December and created an opportune environment for equities globally.
- For the quarter, the fund's W (acc) shares returned 7.25%, and its benchmark, the MSCI Emerging Markets (Net Dividends) Index, returned 4.82%.

### QUARTERLY KEY PERFORMANCE DRIVERS

	Stocks	Sectors	Countries
HELPED	SK HYNIX INC	Information Technology (Stock Selection)	South Korea (Overweight)
	HYUNDAI MOTOR CO	Real Estate (Stock Selection)	China (Underweight)
	TENCENT HOLDINGS LTD	Health Care (Stock Selection)	Saudi Arabia (Lack of Exposure)
HURT	PROSUS NV	Materials (Underweight)	India (Stock Selection)
	WUXI BIOLOGICS CAYMAN INC	Financials (Stock Selection)	Mexico (Stock Selection)
	TECHTRONIC INDUSTRIES CO LTD	Utilities (Stock Selection)	Brazil (Stock Selection)

- SK Hynix is a South Korean semiconductor company and a maker of memory chips that are used globally across a wide range of solutions. Its share price rose after the company reported a record quarterly profit for the third quarter of 2025 and guided that their memory chip lineup for 2026 has been sold out. Management also followed up with positive commentary on artificial intelligence (AI)-related demand, with capacity tightness lingering into 2027. Expectations for higher memory prices and news of the company considering a US listing provided a late boost for the stock price towards the end of the period. We remain optimistic on the earnings prospects of the company, driven by strong demand for high bandwidth memory for AI chips.
- Hyundai Motor is a South Korea-based automobile company. It manufactures, sells and exports passenger cars, trucks and commercial vehicles. Its share price rose on multiple positive developments over the period. These included the South Korea-US tariff negotiations, which reduced tariffs from 25% to 15% on South Korean automobiles and parts, and a partnership with NVIDIA (not a portfolio holding) to accelerate innovation in autonomous vehicles. Its steady performance in the US market and optimism around its robotics initiative through its affiliate Boston Dynamics also led to share price gains.
- Prosus is a leading global investment company and the largest shareholder of Tencent Holdings, a Chinese technology company. The company also has ownership in multiple food-delivery platforms. Its share price dipped in tandem with Tencent's, as the latter moved downwards alongside broader Chinese equities despite a positive set of third-quarter results. Tencent showed solid execution in growing its core businesses and applying AI to more services.

### Outlook & Strategy

- We leave a strong year behind, with EM equities racing ahead of developed market equities in 2025. While a repeat of such exceptional performance may be too optimistic, the outlook for EM equities in 2026 remains constructive. This outlook is underpinned by several supportive themes that continue to drive earnings momentum across the asset class.
- Artificial Intelligence Supply Chain:** AI will remain a key driver within the broader information technology space, and the structural growth potential of AI continues to underpin the investment case across key EM markets. Importantly, the opportunity set extends beyond the direct semiconductor beneficiaries in Taiwan and South Korea. Attractive exposure is also emerging along the AI supply chain—such as electronic manufacturing services, power supply units and printed circuit-board companies. In parallel, select China-based internet companies are increasingly embedding AI into their ecosystems, potentially leading to cost efficiencies as well as incremental growth on top of traditional e-commerce and advertising models. Leading Chinese internet names are major cloud service providers and should benefit from rising demand for AI-related workloads. They are developing competitive AI models and developing semiconductor chips, positioning themselves to participate more directly in the AI stack.

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

- **China's industrial leadership:** The global demand for power continues to rise, a trend accelerated by the energy needs of data centres supporting the AI boom. This has created a surge in demand for related infrastructure, including energy storage batteries and related power equipment. Chinese industrial companies are at the forefront of this trend, delivering growth in both their domestic market and, increasingly, through exports. Similarly, Chinese electric vehicle manufacturers are leveraging their technological advantages to gain international market share, a trend that is anticipated to continue throughout 2026.
- **Policy shifts and domestic reforms:** Many EM central banks have continued to ease monetary policy to support domestic demand and balance broader policy objectives, and this trend is expected to persist into 2026. In China, the anti-involution campaign aims to curb excessive price competition and industrial overcapacity. While it is too early to gauge the success of this initiative, it may begin to shift incentives away from margin-destructive competition, particularly in sectors where policy scrutiny is rising. For well-managed companies, this could reduce the need for defensive spending to protect market share, improving earnings quality and enabling a more rational allocation of resources over time. In India, consumption-focused policy support has been seen in recent consumption trends. In 2026, the benefits of these reforms should become more evident in corporate earnings. In Latin America, Brazil is well-positioned to benefit from a more accommodative interest-rate environment in 2026, although upcoming elections could introduce some market volatility. Mexico, meanwhile, continues to be supported by nearshoring dynamics and its strategic proximity to the United States.
- **Trade, tariffs and resilience:** US tariffs have now largely been crystallised with trade agreements with most countries. At time of writing, some EM countries, including Brazil and India, remain in active trade talks with the United States. However, these economies are relatively less reliant on exports than some peers and are therefore somewhat more insulated from direct tariff shocks.
- EM equities have already demonstrated resilience by recovering from the initial tariff-related disruptions in 2025, and that adaptability—through supply-chain adjustments, trade rerouting and domestically anchored growth drivers—should continue to support the asset class.
- **Conclusion:** The investment landscape in EMs for 2026 is shaped by compelling long-term themes, including leadership in AI-related supply chains, technology, digitalisation, the premiumisation of consumption, and health care. These structural growth areas, combined with supportive valuations in select parts of the EMs, underpin a constructive outlook for 2026.

## Fund Details

Inception Date	15/03/2004
Benchmark	MSCI Emerging Markets (Net Dividends) Index
IA Sector Peer Group	

## Fund Description

The Fund aims to increase in value through investment growth by more than the MSCI Emerging Markets (Net Dividends) Index over periods of five years after all fees and costs are deducted. There is no guarantee that the Fund will achieve this return over this or any other time period. Capital invested is at risk and you may get back less than you paid in.

## Performance Data<sup>2,3,4</sup>

### 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)	35.51	8.34	7.61	-11.37	-3.85	15.38	21.18	-11.47	28.89	40.52
MSCI Emerging Markets (Net Dividends) Index GBP	24.37	9.43	3.63	-10.02	-1.64	14.65	13.86	-9.27	25.40	32.63
Peer Group Average	-	-	-	-	-	-	-	-	-	-

### Performance Net of Management Fees as at 31/12/2025 (Dividends Reinvested) (%)<sup>a,b</sup>

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (15/03/2004)
W (acc)	1.84	7.25	35.51	35.51	16.47	6.13	11.68	7.44
MSCI Emerging Markets (Net Dividends) Index	1.46	4.82	24.37	24.37	12.14	4.53	9.41	9.21

The W (acc) share class launched on 31/05/2012. Performance data prior to that date is for the A (acc) share class launched on 15/03/2010 which has higher annual charges.

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

## Investment Team

**Chetan Sehgal, CFA**  
Years with Firm 30  
Years Experience 33

**Andrew Ness**  
Years with Firm 7  
Years Experience 31

2. Net Dividends include income net of tax withholding when dividends are paid.

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

## 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 the equity and equity-related securities of emerging markets around the world that have historically been subject to significant price movements, frequently to a greater extent than equity markets globally. 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: **Emerging markets risk:** the risk related to investing in countries that have less developed political, economic, legal and regulatory systems, and that may be impacted by political/economic instability, lack of liquidity or transparency, or safekeeping issues. **Foreign Currency risk:** the risk of loss arising from exchange-rate fluctuations or due to exchange control regulations. **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 Funds.

## 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 MSCI Emerging Markets (Net Dividends) Index, as it is widely available and reflects investments in stock markets of emerging markets countries. The term 'Net Dividends' in the name of the Index means that the Index returns reflect the deduction of withholding taxes.
- The Fund's performance can also be compared against the Investment Association Emerging Markets sector average, which reflects the performance of the Fund's competitors.

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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](http://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.

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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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