



# FTF Templeton Japan Equity Fund

Franklin Templeton Funds

W (acc)  
28 February 2026

## Product Commentary

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

- The Japanese equities benchmark TOPIX gained 10.5% in February 2026, significantly outperforming the US and European markets in both local-currency and US-dollar (USD) terms. The “Takaichi trade” continued in February following the Liberal Democratic Party’s (LDP) landslide Lower House election victory. Markets were reassured by the strong mandate for the Takaichi administration’s fiscally-responsible pro-growth policies that are aimed at raising Japan’s economic resilience and long-term growth potential. The 10-year Japanese government bond (JGB) yield settled down from January’s high to around 2.1%, while the Japanese yen closed the month at around ¥156 against the USD. The Bank of Japan did not meet in February, but governor Kazuo Ueda continued to signal a data-dependent approach to upcoming rate decisions, leaving the door open for further policy normalisation.
- For the month, the fund’s W (acc) shares returned 11.27%, and its benchmark, the Tokyo Stock Price Index (TOPIX), returned 11.41%.

### ONE-MONTH KEY PERFORMANCE DRIVERS

	Stocks	Sectors
HELPED	ASICS CORP	Industrials (Stock Selection)
	MITSUBISHI ESTATE CO LTD	Consumer Discretionary (Stock Selection)
	KANDENKO CO LTD	Real Estate (Stock Selection, Overweight)
HURT	GMO PAYMENT GATEWAY INC	Financials (Stock Selection)
	SBI HOLDINGS INC	Consumer Staples (Stock Selection)
	SUGI HOLDINGS CO LTD	Materials (Lack of Exposure)

- The fund lagged the benchmark in February. Stock selection in the financials and consumer staples sectors hurt relative returns. Our cash holding was also a headwind. The top detracting stock was GMO Payment Gateway. The share price weakness was largely due to the market’s misplaced perception that it is an “AI loser”. GMO Payment Gateway is the leading independent payments processor in Japan. Our research indicates that its business is not at risk of AI disruption but has the potential to benefit from AI adoption. The stock appears oversold and the risk/reward is compelling for a leading beneficiary of the structural shift towards cashless payments in Japan.
- Other main detractors included SBI Holdings and Sugi Holdings. Our investment thesis for the respective company remains intact. SBI Holdings is a misunderstood disruptor in the domestic financial services industry with a mispriced investment portfolio that includes SBI Shinsei Bank and crypto-related businesses. Sugi’s defensive earnings growth remains underappreciated by the market. The company is a market-share gainer in the domestic drugstore sector and a leading consolidator in the fragmented dispensing pharmacy industry.
- In contrast, stock selection in the industrials and consumer discretionary sectors supported relative performance. ASICS and Mitsubishi Estate were the leading contributors. ASICS is a global sports shoe company that continues to gain market share with a strong brand appeal and high-quality product portfolio. The market continues to underappreciate its growth runway. The company beat market expectations in its most recent quarterly results and raised its guidance for 2026. Mitsubishi Estate is a leading real estate company and the dominant landlord in Marunouchi, the prime business district in Tokyo. The company is enjoying strong rent pricing power with the normalisation of the domestic economy and is making good progress with strategic measures that are aimed at unlocking shareholder value.

### Outlook & Strategy

- After a strong start to the year, global equity markets are confronting a rising wall of worry. Concerns around private credit continue to mount, while the Iran war which erupted on 28 February has introduced concerns around stagflationary risks from the disruption of oil and gas supply from the Middle East. The developments around the Iran war are fluid, but there are sufficient incentives in place for a deal that restores the flow of oil and gas from the region, in our view. Meanwhile, the market is in a period where it will be sensitive to news flow given the high level of uncertainty. We expect global equity markets to be volatile with a downside bias at least in the coming weeks.
- The Japanese equities market is also vulnerable to the weakness and elevated volatility in the current environment. As it stands, our long-term thesis for Japanese equities remains intact. Japanese equities stand out globally for the distinct drivers behind a multiyear earnings-per-share (EPS) growth and structural return on equity (ROE) story. The normalisation of the domestic economy after three decades of deflation is providing tailwinds for EPS growth, while corporate reforms are supporting ROE improvements. Global investors remain underweight Japanese equities and there is potential for structural price-earnings multiple re-rating as they gain confidence in corporate Japan’s structurally improving earnings growth and quality.
- In times like these, we stay focused on preserving capital in the near term while staying alert to opportunities to compound returns over the long term through stock selection. Our portfolio companies are well-positioned to deliver attractive returns for our investors. These companies have high-quality management teams, resources and market positioning to manage risks as well as capitalise on growth opportunities from shifts in the external environment. The fund remains overweight in businesses that benefit from the normalisation of the domestic economy. We maintain a

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

highly selective stance towards companies with significant earnings from overseas demand, given the elevated uncertainties around global growth and supply chain risks arising from geopolitical developments. The foreign income earners in our portfolio are generally exposed to end markets with structural growth, such as semiconductors, electricity infrastructure, and aerospace and defence. Many of these companies are also market share gainers and are undertaking corporate reforms.

## Fund Details

Inception Date	23/09/2022
Benchmark	Tokyo Stock Price Index (TOPIX)
IA Sector Peer Group	IA Japan

## Fund Description

The Fund aims to increase in value through investment growth over periods of five years or more 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<sup>2,3,4</sup>

### Discrete Annual Performance (%) as at 28/02/2026

	2/25 2/26	2/24 2/25	2/23 2/24	2/22 2/23	2/21 2/22	2/20 2/21	2/19 2/20	2/18 2/19	2/17 2/18	2/16 2/17
W (acc)	46.69	-5.29	-12.55	-9.90	-25.08	54.66	-1.52	-12.19	43.09	23.33
Tokyo Stock Price Index (TOPIX) GBP	36.04	2.37	19.89	1.69	-0.37	16.92	3.55	-7.71	11.36	36.63
Peer Group Average	34.79	2.51	16.31	-0.55	-2.83	23.97	2.20	-8.89	13.07	35.45

### Performance Net of Management Fees as at 28/02/2026 (Dividends Reinvested) (%)<sup>a,b</sup>

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (08/10/1996)
W (acc)	11.27	17.79	18.71	46.69	6.71	-3.89	6.83	7.30
Tokyo Stock Price Index (TOPIX)	11.41	15.02	16.09	36.04	18.63	11.09	11.14	4.22
Peer Group Average	11.49	14.30	15.26	34.79	17.13	9.20	10.63	4.38
Quartile Ranking	2	1	1	1	4	4	4	4

The W (acc) share class launched on 23/09/2022. Performance data prior to this date was for the X ACC share class launched on 08/10/1996, which had equal or higher annual charges.

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

## Investment Team

**Chen Hsung Khoo, CFA**  
Years with Firm 9  
Years Experience 27

**Ferdinand Cheuk, CFA**  
Years with Firm 9  
Years Experience 29

## 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 does not offer any capital guarantee or protection and you may not get back the amount invested. The Fund is in its risk/reward category because a concentrated investment (the fund holds fewer investments than many other funds) in shares of small cap Japanese companies from various sectors have historically been subject to large fluctuations in value. 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: **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 Japan, which means that it is more sensitive to local economic, market, political or regulatory events in Japan, 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. **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).

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

4. Effective 14 July 2025 the fund changed its benchmark to the Tokyo Stock Price Index (TOPIX).

- We measure performance against the Tokyo Stock Price Index (TOPIX) Index (the “Index”), as it is widely available and reflects investments in similar assets to those in which the Fund will invest. For hedged share classes that attempt to mitigate the impact of changes in foreign exchange rates (ending “H2”), we show performance of the hedged version of the comparable index.
- The Fund’s performance can also be compared against the Investment Association Japan sector average, which reflects the performance of the Fund’s competitors.

## Important Legal Information

**Effective 17 December 2024, the FTF Martin Currie Japan Equity Fund was renamed FTF Templeton Japan Equity Fund. The fund also changed its investment management team and modified its principal investment strategies.**

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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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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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