



FTF Templeton Japan Equity Fund

Franklin Templeton Funds

W (acc)
31 December 2025

Product Commentary

Performance Review¹

- The Japanese equities benchmark TOPIX gained 8.8% in the fourth quarter of 2025 and outperformed its developed market peers in local-currency terms. For December, the TOPIX was up by 1% but lagged the MSCI World Index. Sentiment for global equities, including the TOPIX, was supported by a more constructive view on the global economic cycle and market expectations for further US Federal Reserve rate cuts over the next 12 months. Risk appetite in Japan continued to find support from the Takaichi administration's pro-growth policy stance. The currency and Japanese Government Bond (JGB) markets remain unconvinced by the administration's efforts to address concerns around fiscal discipline. The Japanese yen slid 5.9% over the quarter to around ¥157 against the US dollar, while the 10-year JGB yield ended the year at 2.07%, near its highest since 1999. Against this backdrop, the Bank of Japan stayed on track for gradual tightening, hiking its policy rate in December and signalling for further increases if inflation holds.
- For the quarter, the fund's W (acc) shares returned 2.80%, and its benchmark, the Tokyo Stock Price Index (TOPIX), returned 2.62%.

QUARTERLY KEY PERFORMANCE DRIVERS

Stocks		Sectors
HELPED	KINDEN CORP	Financials (Stock Selection)
	KANDENKO CO LTD	Communication Services (Stock Selection, Underweight)
	SBI SHINSEI BANK LTD	Industrials (Stock Selection, Overweight)
HURT	ASICS CORP	Information Technology (Stock Selection)
	MATSUKIYOCOCOKARA & CO	Consumer Staples (Stock Selection)
	RYOHIN KEIKAKU CO LTD	Health Care (Lack of Exposure)

- The fund outperformed its benchmark in December and over the fourth quarter of 2025. This contributed to the fund's outperformance over the benchmark and strong first-quartile ranking for the full year. For the fourth quarter, stock selection in the financials and communication services sectors contributed to relative returns, offsetting the drag caused by stock selection in the information technology sector.
- Kinden, Kandenko and SBI Shinsei Bank led the contributors in the fourth quarter. Kinden and Kandenko are the top two electrical engineering companies in Japan. Both companies benefit from a multiyear domestic capital expenditure cycle and structurally improving pricing power. SBI Shinsei Bank is the newly listed banking subsidiary of SBI Holding. The market is underappreciating the bank's growth potential and scope for return on equity (ROE) improvements from its ongoing business transformation.
- The main detracting stocks in the fourth quarter were ASICS Corp, MatsukiyoCocokara and Ryohin Keikaku. We have exited the position in Ryohin Keikaku and reduced the position in MatsukiyoCocokara. The investment thesis for ASICS remains intact. ASICS is a market share gainer in the high-performance sports shoe market with an underappreciated earnings growth runway.

Outlook & Strategy

- Global equity markets are likely to be range-bound and volatile. However, the risk/reward appears skewed to the upside, driven primarily by earnings-per-share growth. The scope for further price-to-earnings multiple rerating seems limited following the global equities market rally since April 2025. The downside risk is likely to be contained by prospects of further US Federal Reserve rate cuts in 2026 and a muddle-through global economy that avoids a recession. Market volatility should be expected with the elevated uncertainties around global economic growth, fiscal discipline and how the artificial intelligence theme will play out. Spikes in geopolitical uncertainty should also be expected.
- Against this backdrop, Japanese equities offer superior risk/reward relative to global equities. The domestic economy outlook remains constructive as it continues to normalise after three decades of deflation. The corporate reform movement is entrenched, underpinning a structural ROE improvement story. The pro-growth policies of the Sanae Takaichi administration have the potential to boost Japan's longer-term growth outlook. There are market concerns around fiscal discipline with these policies, and this deserves close monitoring. We are also monitoring the recent geopolitical tension between China and Japan that appears contained for now. We remain alert to opportunities to compound superior long-term returns for our investors during the current environment of elevated market uncertainty. Importantly, our portfolio companies are well-positioned to deliver strong 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 the unfolding regime shifts.
- The fund remains overweight in businesses that benefit from the normalisation of the domestic economy. We maintain a highly selective stance towards companies that depend on overseas demand, given the elevated uncertainties around global growth and supply chain risks arising from geopolitical developments. The foreign income earners and exporters 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.

1. Please go to <https://www.franklintonet.com/glossary> for key terms and definitions.

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^{2,3,4}**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)	28.03	-11.07	-10.91	-25.00	-16.33	40.50	24.88	-10.56	36.07	29.19
Tokyo Stock Price Index (TOPIX) GBP	17.13	9.99	13.27	-4.14	2.02	9.55	14.64	-8.37	15.60	23.41
Peer Group Average	17.47	8.54	11.01	-8.37	1.56	13.94	17.08	-11.32	17.81	23.52

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 (08/10/1996)
W (acc)	-0.78	2.80	28.03	28.03	0.47	-8.64	5.79	6.72
Tokyo Stock Price Index (TOPIX)	-0.91	2.62	17.13	17.13	13.42	7.37	8.88	3.72
Peer Group Average	-0.84	2.99	17.47	17.47	12.28	5.66	8.53	3.90
Quartile Ranking	2	3	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).

- 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.

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3. Please go to <https://www.frankltempleton.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).

- 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) 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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Source: JPX Market Innovation & Research, Inc.

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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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