

Global Macroeconomic Trends and Their Impact on Pensions

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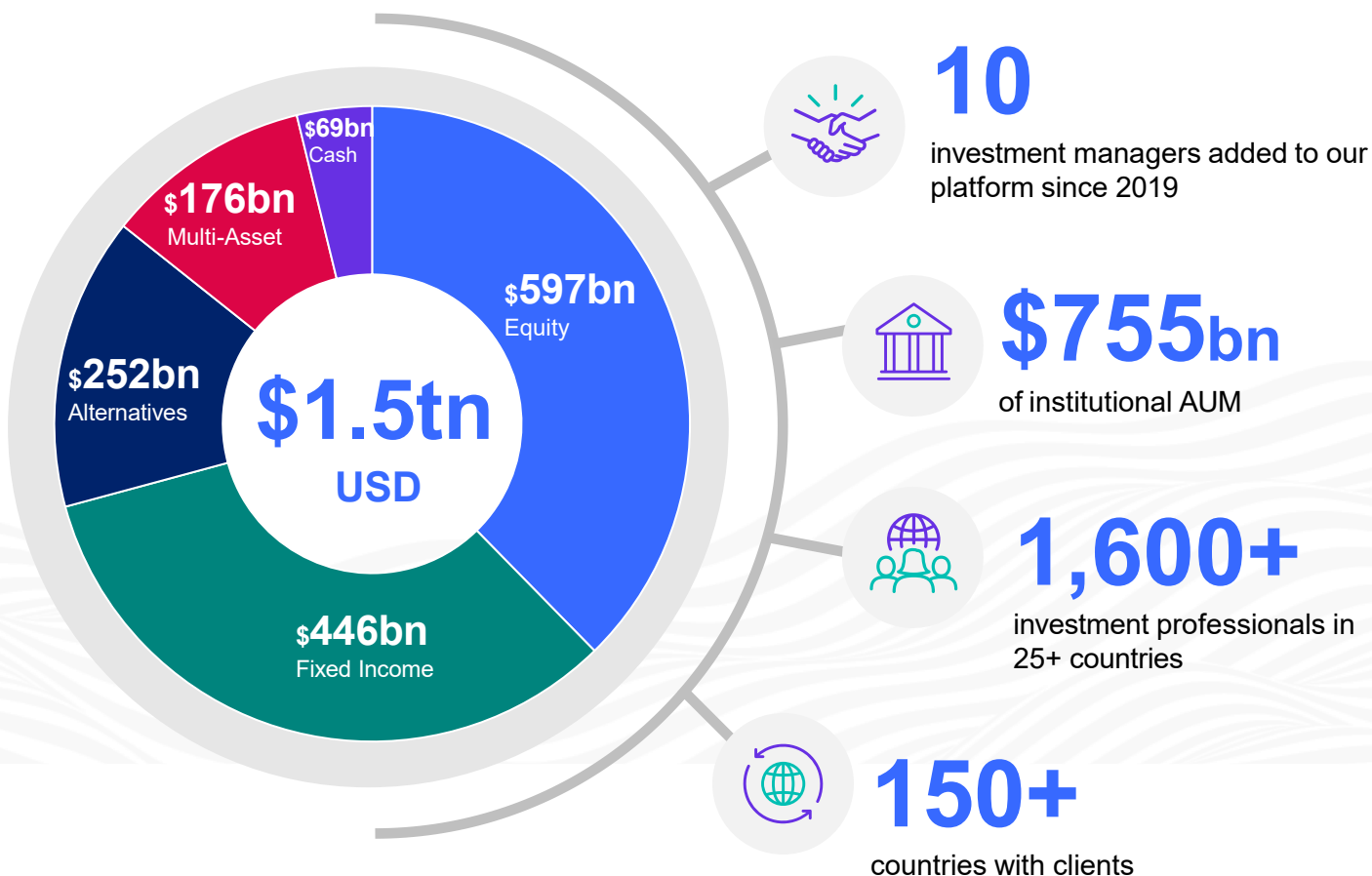
Business Development Manager

This is a marketing communication.



Extensive Range of Specialized Capabilities

\$1.5 trillion in assets under management¹



¹ All data is in USD as of March 31, 2025.

Preserving Investment Process, Philosophy & Style

The Franklin Templeton Companies



FRANKLIN TEMPLETON®

Features among the world's largest asset managers, serving clients in more than 150 countries.



European alternative credit lender.



Alternative credit primarily in direct lending.



Specializes in long-term value investing across global fixed income and equity markets.



Offers private real estate strategies across the risk/return spectrum.



Equity manager known for high active share strategies.



Secondary private equity and co-investments.



Builds concentrated, best idea, developed and emerging market equity portfolios.



Pursues stock-driven alpha across equity styles¹.



Pioneering small-cap investing since 1972.



Leading active manager of global fixed-income solutions.

1. On January 1, 2024, Franklin Templeton closed its acquisition of Putnam Investments and launched a strategic partnership with Power Corporation of Canada and Great-West Lifeco.

Investment specialization across public and private markets



Our Investment Capabilities

Equity ● \$597bn **Fixed Income** ● \$446bn



Emerging / Frontier
Global
Preferred / Convertibles
Sector
Shariah
Single Country Equity
Thematic
US Equity



Loans
Credit
Emerging Markets
Government
Green / Social Bonds
Multi-Sector
Securitised
Sukuk

Alternatives ● \$252bn **Multi-Asset** ● \$176bn



Alternative Credit
Digital Assets
Hedged Strategies
Private Equity
Real Estate
Secondaries
Venture Capital



Balanced
Income
Managed Volatility
Model Portfolios
Target Date
Target Risk
Target Volatility

Complemented by innovations in

Sustainable and Impact investing, Smart Beta, Custom Indexing, Frontier Risk Alternatives, and others

Our Investment Managers Asset Classes

Franklin Templeton (1947)	●	●	●	●
Alcentra (2002)			●	
Benefit Street Partners (2008)			●	
Brandywine Global (1986)	●	●		
Clarion Partners (1982)			●	
ClearBridge Investments (2005)	●			
Lexington Partners (1994)			●	
Martin Currie (1881)	●			
Putnam Investments (1937)	●			
Royce Investment Partners (1972)	●			
Western Asset (1971)		●		

As of 31 March, 2025. Total AUM of \$1.5tn includes \$69bn in cash management not represented here.

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Agenda

- Trump Policies 2.0
- Global Markets Outlook
- Implications for Pension Funds

TRUMP POLICIES 2.0

Top Five Policies to Watch Under Trump

Immigration Reform

Trade & Tariffs

Increased Spending

Deregulation

Taxes

GLOBAL MARKETS OUTLOOK



GDP Growth

- Global growth is projected to slow down to 2.7% in 2025 and 2026. Still below the historical average of 3.7%¹.



Trade Tariffs

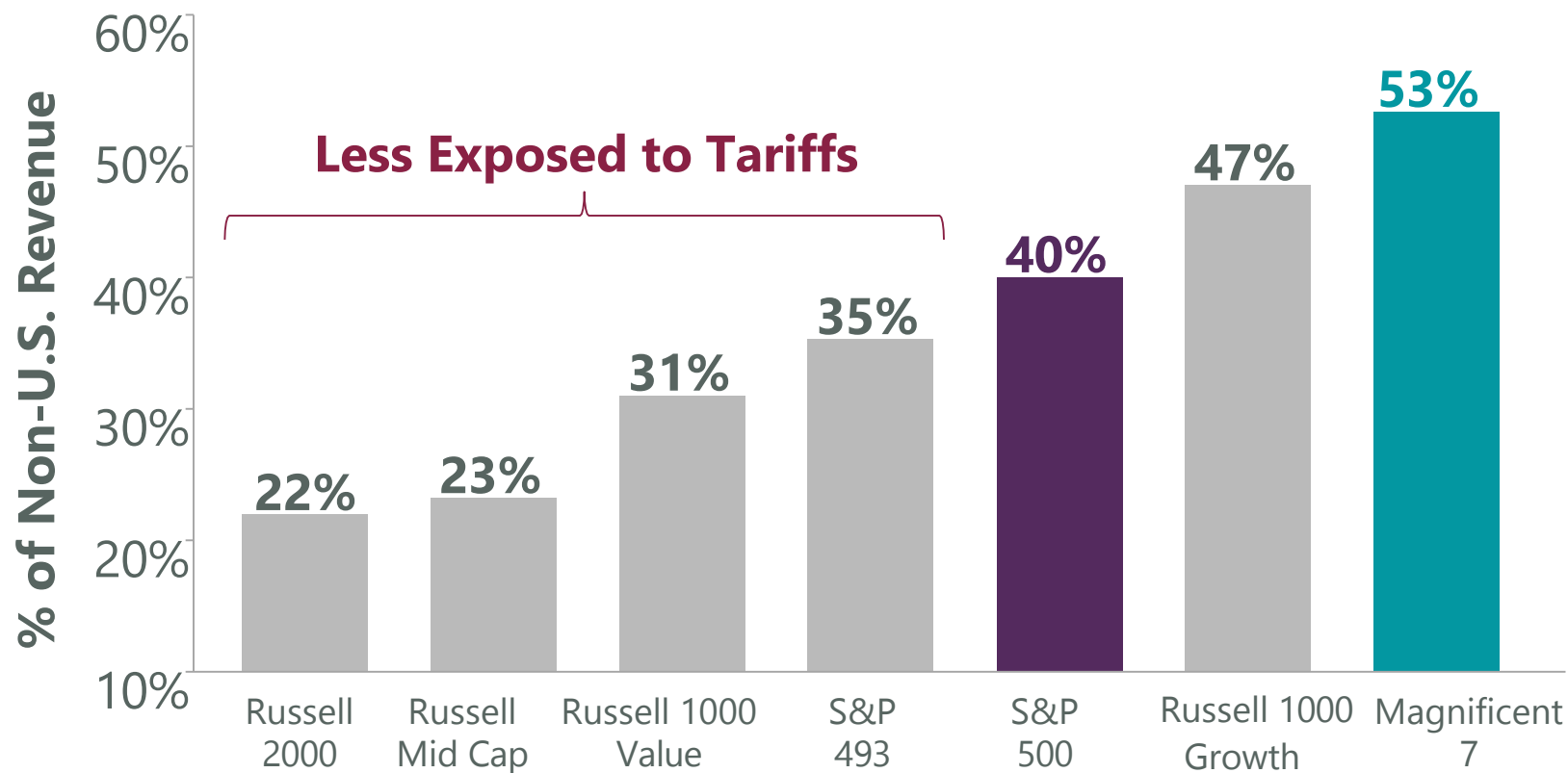
- Markets eased when Trump announced willingness to negotiate with trade partners.



Equities

- Earnings estimates are being revised downward amid uncertainties. Quality stocks with steady cash flow are favoured.

Mag 7 Soft Spot

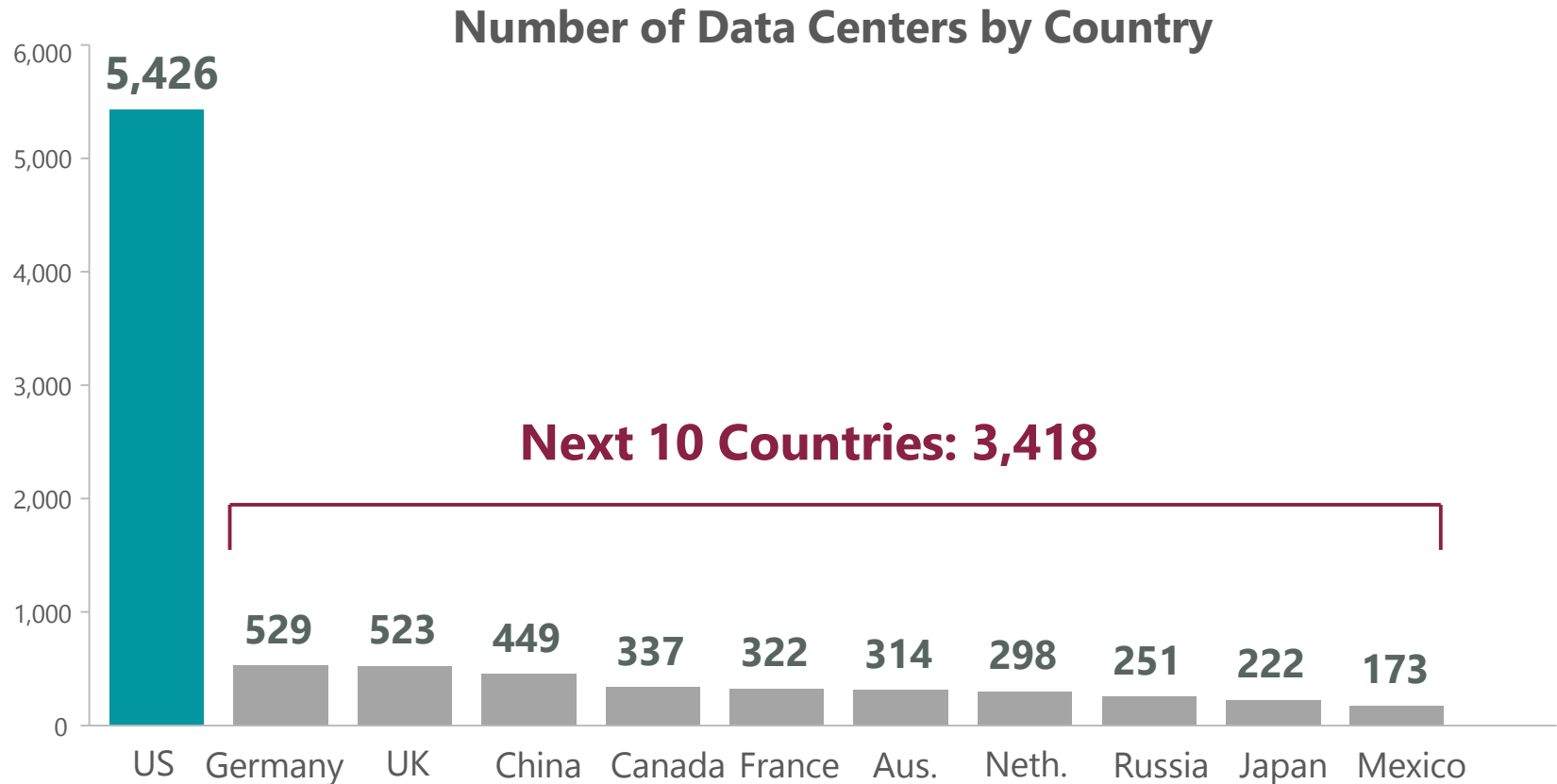


- **The Magnificent 7 stocks derive a substantially larger portion of their revenues from outside of the United States, making them more exposed to the risks from a trade war.**

Magnificent 7 data refers to the following set of stocks: Microsoft (MSFT), Amazon (AMZN), Meta (META), Apple (AAPL), Google parent Alphabet (6008L), Nvidia (NVDA), and Tesla (TSLA). Data as of March 31, 2025. Sources: FactSet, Russell, S&P. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Indexes are unmanaged and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

The AI Investment Boom



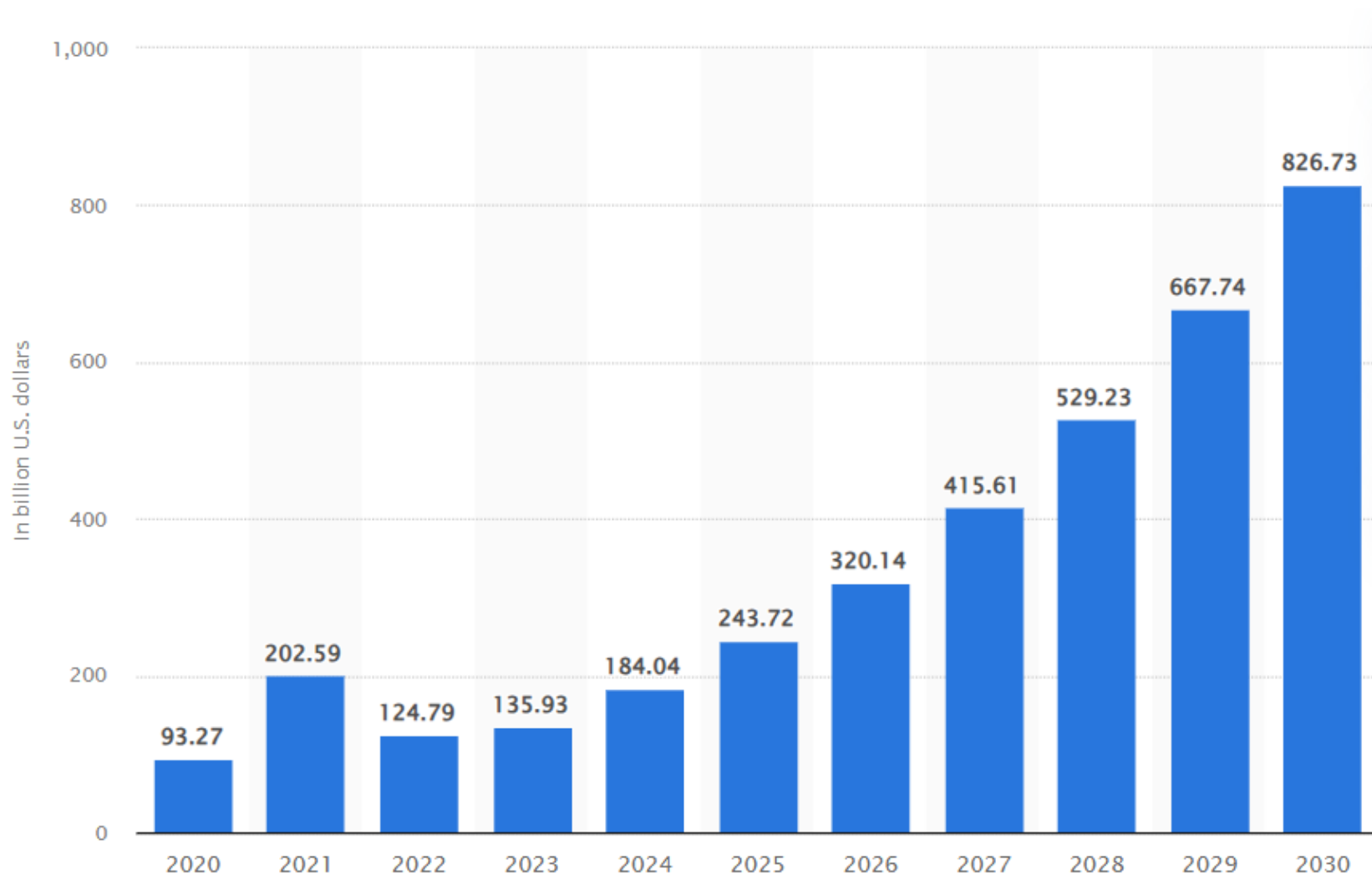
- ▶ **The U.S. is the leading global destination for AI investment, outpacing the next 10 countries combined by ~2,000 data centers.**

Data as of March 31, 2025. Source: Statista.

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AI market size worldwide from 2020 to 2030

(in billion U.S. dollars)



Source: Global AI market size 2030 | Statista

There is no assurance that any projection, estimate or forecast will be realized.

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Key Themes We Believe In

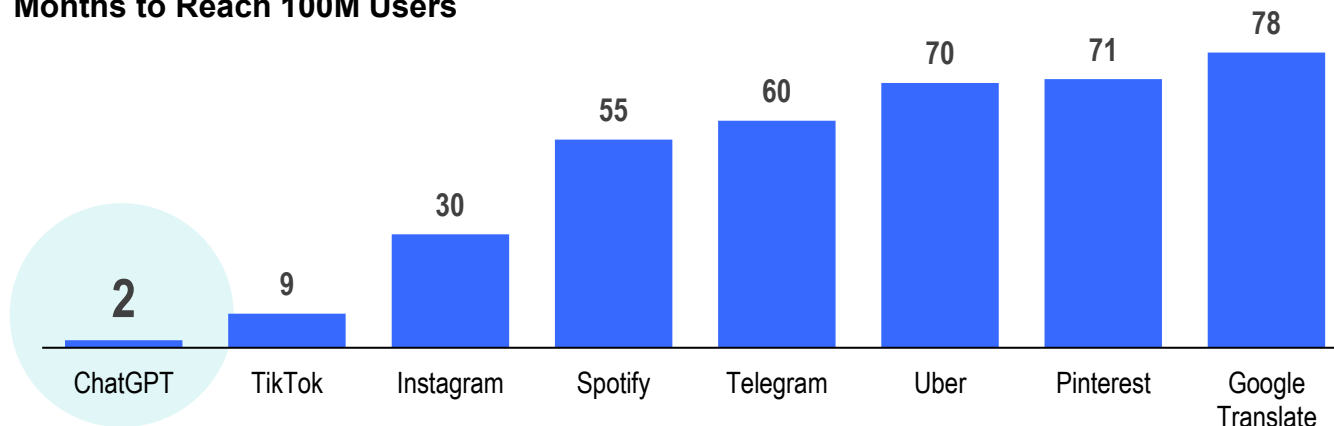
Artificial intelligence (AI) and machine learning (ML)

Advances in generative AI are creating an “iPhone” moment for the industry



OpenAI’s ChatGPT chatbot has reached **100M** monthly active users just two months after its launch

Months to Reach 100M Users

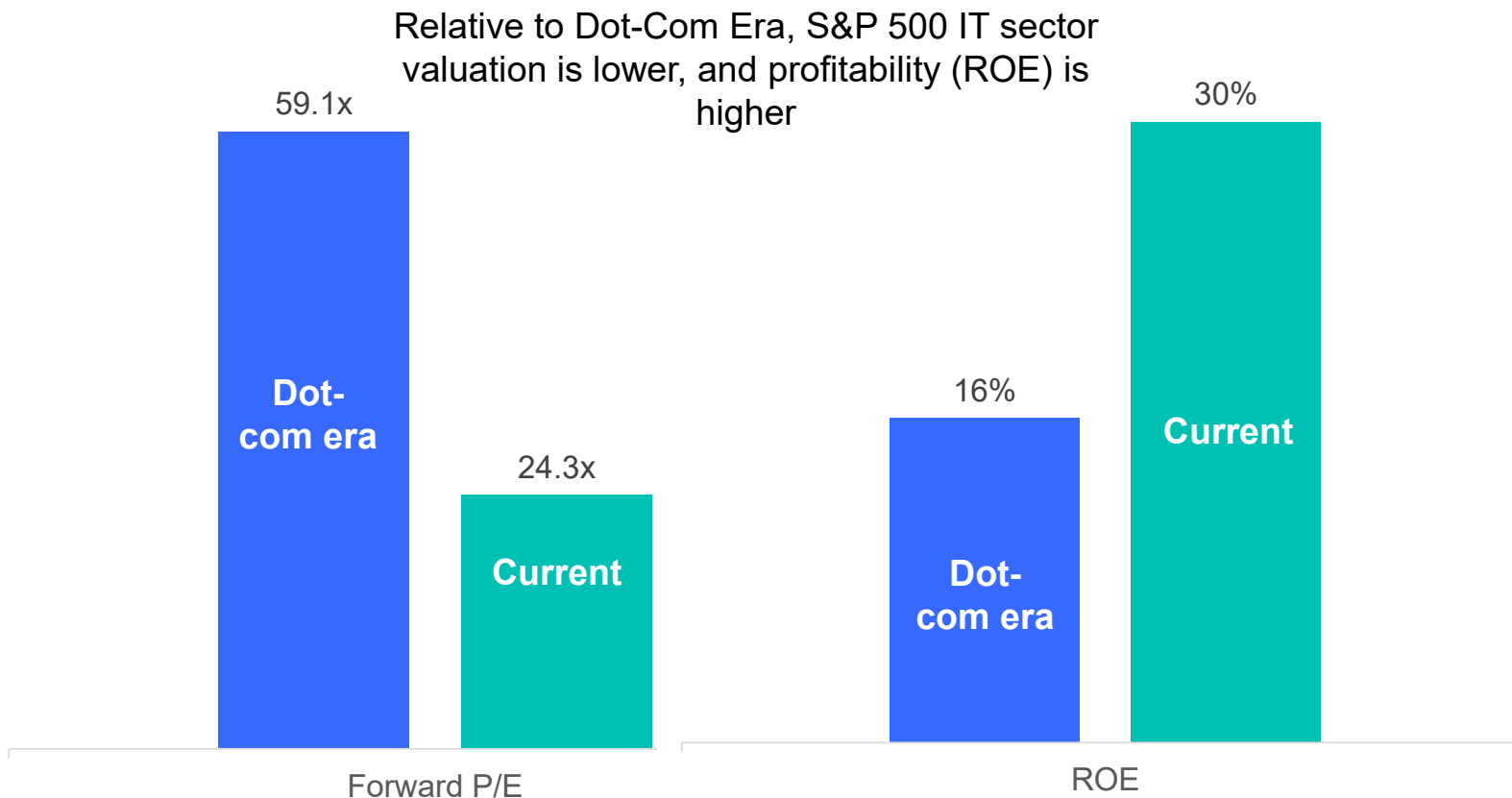


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Despite AI enthusiasm, this doesn't look like the dot-com era



Source: Franklin Templeton, Bloomberg; As of 31 March 2025. Dot-com era data based on 27 March 2000. S&P 500 Information Technology Index data.

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Fixed Income

- Fixed income in 2025 offers attractive income opportunities from higher yields but requires selective approach.

HY Spreads NOT Pricing Recession

United States High Yield Spread

Bloomberg US Corporate High Yield Index
25-year Period Ending 4/7/2025



Option Adjusted Spread is used.

Source: Bloomberg, Macrobond.

Important data provider notices and terms available at www.franklintempletondatasources.com.



Inflation

- Trump's policies, including significant tariffs on imports and reduced immigration, could potentially drive-up inflation.



US Dollar

- Pressure on the dollar is partly due to a stronger euro, driven by Germany's fiscal expansion.



Geopolitical Tensions

- Geopolitical tensions remain elevated, driver by US/China rivalry and ongoing wars.



Oil

- Downward pressure on oil prices. Investors' fears of a recession, increased supply from major producers, and concerns over low demand



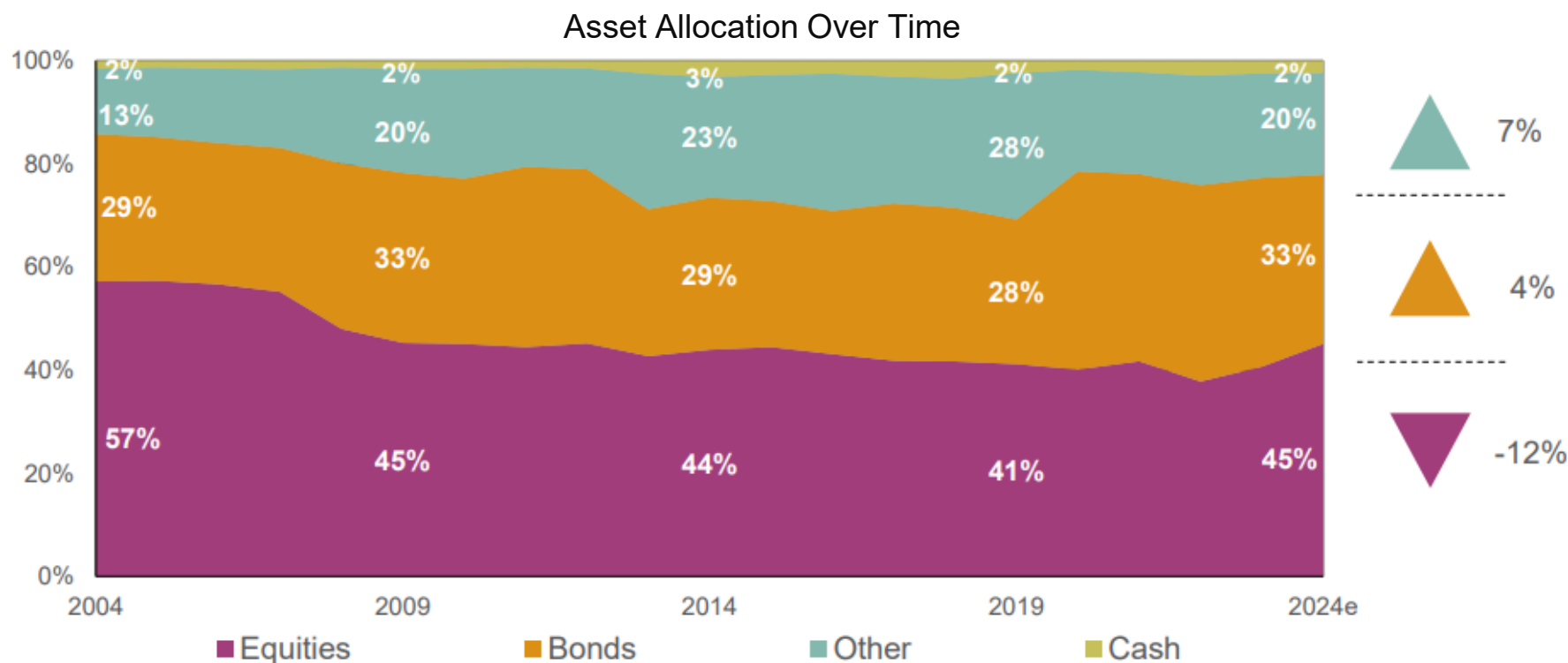
Gold

- Cautiously optimistic, with gold acting as a hedge against market volatility and geopolitical risks.

IMPLICATIONS FOR PENSION FUNDS

Global Pension Assets Overview

Total Pension Assets:
USD 58.511 trillion at the end of 2024¹.



Source: Thinking Ahead Institute – Global Pension Assets Study | 2025

¹The study covers 22 pension markets in the world: Australia, Brazil, Canada, Chile, China, Finland, France, Germany, Hong Kong, India, Ireland, Italy, Japan, Malaysia, Mexico, Netherlands, South Africa, South Korea, Spain, Switzerland, UK, US

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Navigating Uncertainty:

Key Risks for Kenyan Pension Trustees



Currency volatility

KES depreciating
against the USD and
EUR.



Inflation & Tariffs

Vulnerable to shocks
in food and fuel.
AGOA set to expire
in Sep. 2025



Concentration Risk

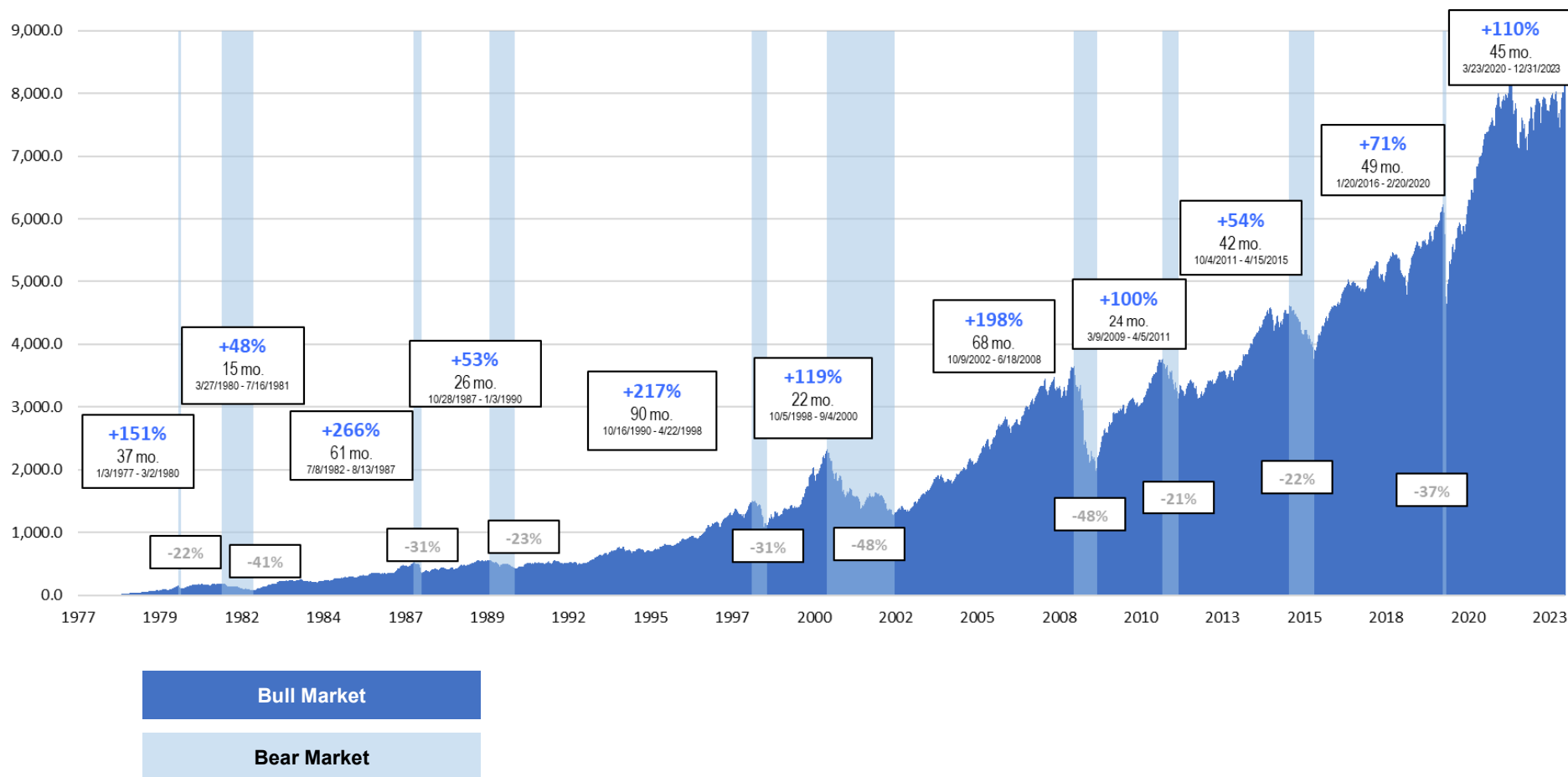
Significant % of
assets remain
onshore, heavily
tilted towards
government bonds.

Turning Risk into Opportunity

Strategic Priorities for Trustees

- ✓ **Diversify globally to manage currency & inflation risk.**
Partial offshore allocation can protect against shilling volatility and local inflation, while enhancing long-term return potential.
- ✓ **Focus on real returns, not just nominal gains.**
Target strategies that outpace inflation, including global equities, infrastructure, and income generating assets.
- ✓ **Think globally, act locally.**
Invest strategically abroad, but align with Kenyans' needs: liquidity, regulation, and liability profiles.
- ✓ **Stress test the portfolios and revisit SAA annually.**

Long-term Investing is Key



Past performance does not guarantee future results.

Source: Toronto Stock Exchange, Morningstar Direct. Analysis by Franklin Templeton Capital Markets Insight Group. Calculations based on daily returns.

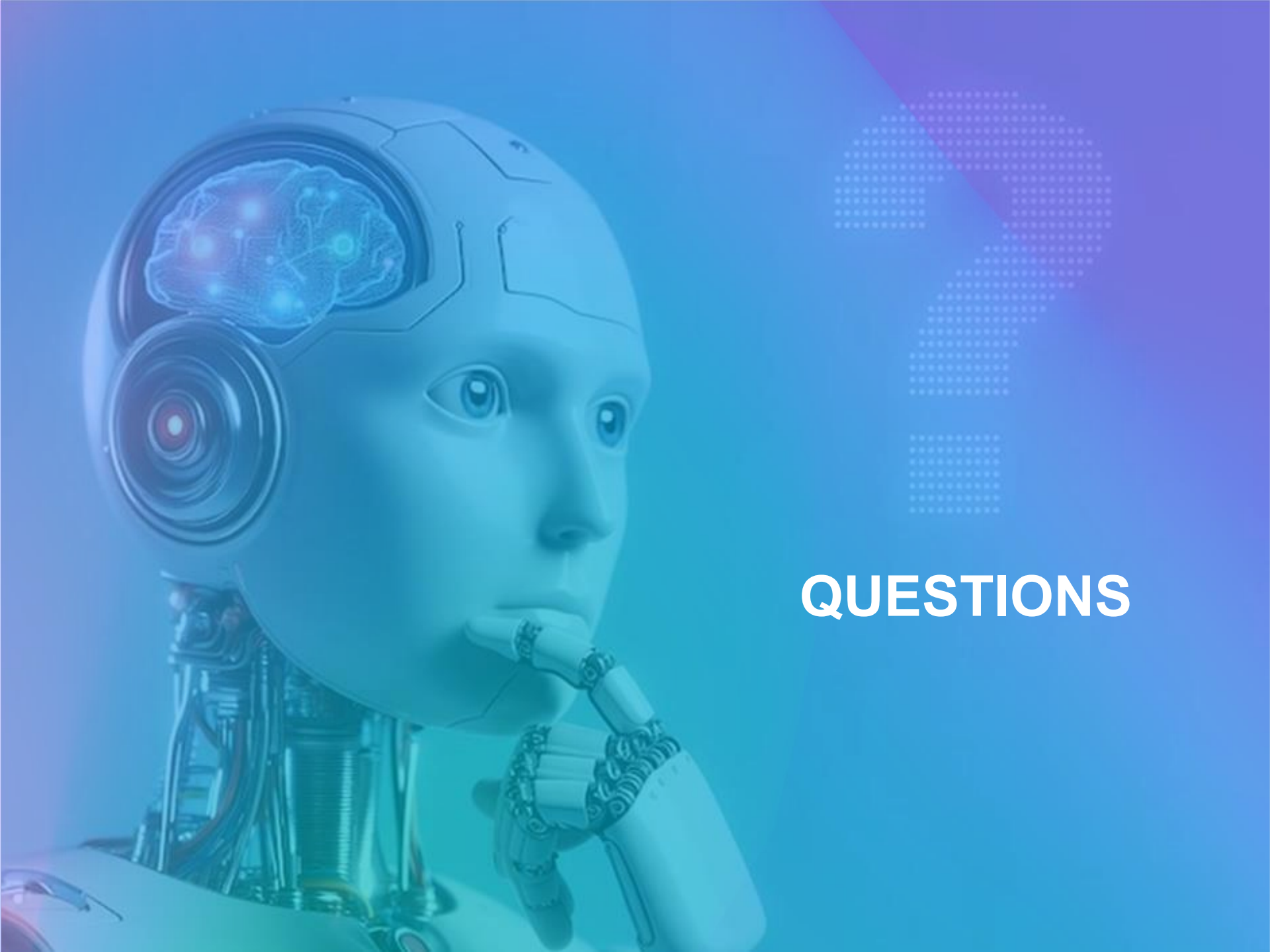
This chart is for illustrative purposes only and does not reflect the performance of any Franklin Templeton fund.

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Key Takeaways



1. The macroeconomic environment is complex but navigable.
2. Trustees must stay informed, agile, and strategic.
3. Long-term focus and diversification are essential.



QUESTIONS

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