



Separately Managed Account

# Franklin Small Cap Growth SMA

4Q 2025

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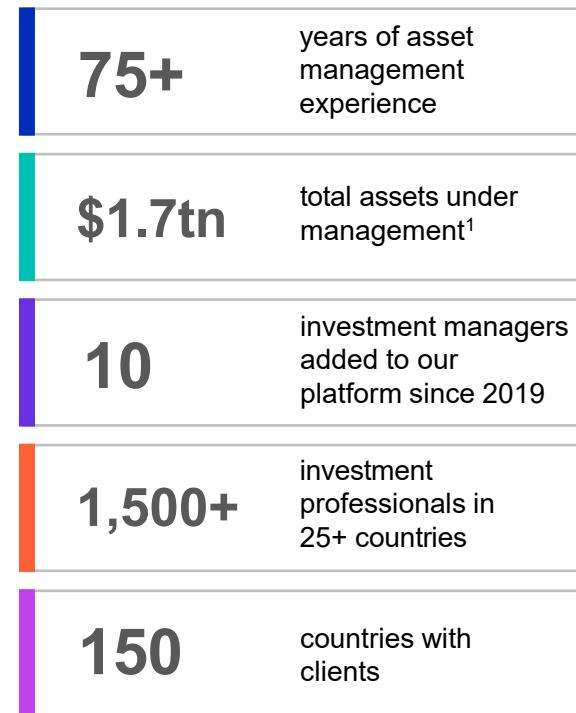
Your trusted partner for what's ahead™



## For our clients, we are:



## At-a-glance



1. AUM is in USD as of December 31, 2025. Total AUM of \$1.7tn includes \$76.5 Billion in cash management that is not represented here.

# Investment specialization across public and private markets



## Our Investment Capabilities (USD Billion)



## Complemented by innovations in

Sustainable and Impact investing, ETFs, Custom Indexing, Frontier Risk Alternatives, and others

## Our Investment Managers Asset Classes

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

# Franklin Small Cap Growth SMA



## Overview

The Franklin Small Cap Growth SMA seeks long-term capital growth by investing at least 80% of its net assets in the equity securities of companies with market capitalizations of generally less than \$1.5 billion, or the highest market capitalization in the Russell 2000® Index, whichever is greater, at the time of purchase.

## Philosophy

The Franklin Equity Group philosophy holds that companies with the potential for long-term sustainable growth can provide significant opportunities for investors. Market participants can have a short-term perspective and may underappreciate the potential for value created by sustainable growth. We believe that we have the potential to deliver attractive risk-adjusted returns by identifying companies with potential for sustainable growth which we believe is not reflected in current prices.

# Franklin Small Cap Growth SMA

## Investment process



### Investment Process

Within a collaborative environment, our team utilizes fundamental, bottom-up research to focus on companies that we believe have sustainable growth characteristics—meeting our criteria of growth potential, quality and valuation. Our analysis includes an assessment of any material environmental, social and governance (“ESG”) factors on the long-term risk and return profile of a company.

#### Growth

- Focus on companies with potential to produce sustainable earnings and cash flow growth.
- Evaluate the long-term market opportunity and competitive structure of the industry to target current and emerging leaders.

#### Quality

- Seek companies with strong and improving competitive positions in attractive markets.
- Identify experienced and talented management teams as well as financial strength reflected in the capital structure, gross and operating margins, free cash flow generation and returns on capital.

#### Valuation

- Consider a range of potential outcomes based on an assessment of multiple scenarios.
- Consider whether or not security prices fully reflect the balance of the sustainable growth opportunities relative to the business and financial risks.

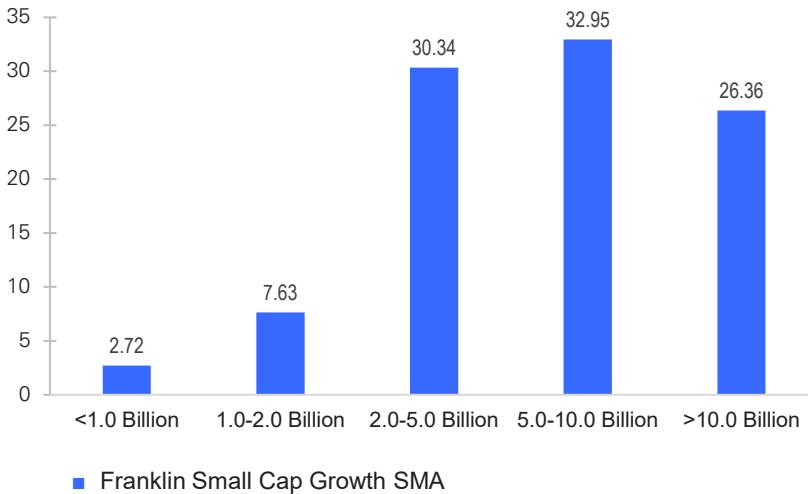
The investment process may change over time. The characteristics set forth above are intended as a general illustration of some of the criteria the strategy team considers in selecting securities for client portfolios. There is no guarantee that investment objectives will be achieved.

# Equity portfolio characteristics

## As of 12/31/2025



### Market capitalization breakdown in USD (%)



### Portfolio characteristics

### Franklin Small Cap Growth SMA

Historical 3 Years Sales Growth	16.88%
Number of Issuers	98
Price to Earnings (12-Month Forward)	25.79x
Weighted Average Market Capitalization (Millions USD)	\$7,279

Source: FactSet. Portfolio characteristics and market capitalization breakdown are based on a model portfolio, not an actual client account. The model portfolio is a hypothetical portfolio whereby the Portfolio characteristics and market capitalization breakdown are based on simulated trading and account activity of a client account invested in this strategy. The model portfolio assumes no withdrawals, contributions or client-imposed restrictions. Portfolio characteristics and market capitalization breakdown of individual client accounts may differ from those of the model portfolio as a result of account size, client-imposed restrictions, the timing of client investments, market conditions, contributions, withdrawals and other factors. **Please see appendix for term definitions.**

P/E ratio Year 1 and Long-term EPS growth are provided by I/B/E/S, are inherently limited and should not be used as an indication of future performance.

**Yields and dividends represent past performance and there is no guarantee they will continue to be paid.**

# Equity portfolio characteristics

## As of 12/31/2025



Sector weightings (%)	Franklin Small Cap Growth SMA	Russell 2000 Growth Index
Information Technology	27.25	21.17
Health Care	21.99	25.82
Industrials	19.50	21.74
Consumer Discretionary	9.56	8.03
Financials	7.63	9.84
Consumer Staples	3.87	2.05
Energy	3.23	2.83
Communication Services	2.04	2.35
Real Estate	0.48	2.16
Materials	0.25	3.50
Utilities	0.00	0.51
Cash & Other Net Assets	4.21	0.00

Top holdings (%)	Franklin Small Cap Growth SMA
BWX Technologies, Inc.	2.83
Arcosa, Inc.	2.66
AAR CORP.	2.27
Granite Construction Incorporated	2.16
Onto Innovation, Inc.	2.13
SiTime Corporation	2.04
New York Times Company Class A	2.04
Lattice Semiconductor Corporation	1.98
Lumentum Holdings, Inc.	1.95
ServiceTitan, Inc. Class A	1.90
<b>Total</b>	<b>21.96</b>

Source: FactSet. Weightings and holdings are based on a model portfolio, not an actual client account. The model portfolio is a hypothetical portfolio whereby the weightings and holdings are based on simulated trading and account activity of a client account invested in this strategy. The model portfolio assumes no withdrawals, contributions or client-imposed restrictions. Weightings and holdings of individual client accounts may differ from those of the model portfolio as a result of account size, client-imposed restrictions, the timing of client investments, market conditions, contributions, withdrawals and other factors. **Please see appendix for term definitions.**

# Performance



## Annualized rates of return – pure gross and net of fees (%) as of December 31, 2025

	YTD*	1 Mth*	3 Mths*	1 Year	3 Year	5 Year	10 Year	20 Year	Since Incept
<b>Franklin Small Cap Growth SMA–Pure Gross of Fees—(USD)</b>	<b>9.37</b>	<b>0.72</b>	<b>5.64</b>	<b>9.37</b>	<b>17.13</b>	<b>2.70</b>	<b>11.43</b>	<b>10.61</b>	<b>10.55</b>
<b>Franklin Small Cap Growth SMA–Net of Fees—(USD)</b>	<b>6.20</b>	<b>0.47</b>	<b>4.88</b>	<b>6.20</b>	<b>13.74</b>	<b>-0.30</b>	<b>8.89</b>	<b>8.59</b>	<b>8.55</b>
Russell 2000 Growth Index —(USD)	13.01	-1.28	1.22	13.01	15.59	3.18	9.57	8.76	7.05

## Calendar-year total returns – pure gross and net of fees (%) ending December 31

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Franklin Small Cap Growth SMA–Pure Gross of Fees—(USD)	9.37	13.27	29.70	-28.76	-0.21	43.66	33.53	0.82	22.71	8.87
Franklin Small Cap Growth SMA–Net of Fees—(USD)	6.20	9.99	25.98	-30.90	-3.12	39.57	31.84	-0.57	21.08	7.36
Russell 2000 Growth Index —(USD)	13.01	15.15	18.66	-26.36	2.83	34.63	28.48	-9.31	22.17	11.32

Since Inception Date: 12/31/1997

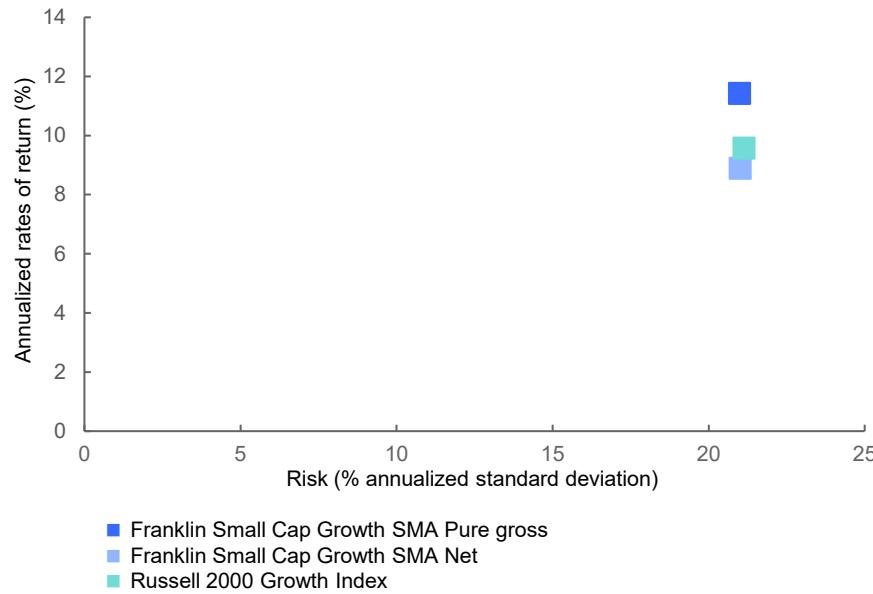
Periods less than one year are not annualized. Performance results are for the composite which includes all actual, fully discretionary accounts with substantially similar investment policies and objectives managed to the composite's investment strategy. Composite returns are stated in U.S. dollars and assume reinvestment of any dividends, interest income, capital gains, or other earnings. The composite may include account(s) that are gross of fees and pure gross of fees. "Pure" gross-of-fee returns do not reflect the deduction of any expenses, including transaction costs. A traditional (or "true") gross-of-fee return reflects performance after the reduction of transaction costs but before the reduction of the investment advisory fee. The gross-of-fee return may include a blend of "true" gross-of-fee returns for non-wrap accounts and "pure" gross-of-fee returns for wrap accounts. Net-of-fee returns are reduced by a model "wrap fee" (3.0% is the maximum anticipated wrap fee for equity and balanced portfolios) which includes trading expenses as well as investment management, administrative and custodial fees. The model wrap fee used represents the highest anticipated wrap fee applicable to the strategy. Actual fees and account minimums may vary.

For fee schedules, contact your financial professional, or if you enter into an agreement directly with Franklin Templeton Private Portfolio Group, LLC ("FTPPG"), refer to FTPPG's Form ADV Part 2A disclosure document. Management and performance of individual accounts may vary for reasons that include the existence of different implementation practices and model requirements in different investment programs. Past performance is not a guarantee of future results. Please see appendix for GIPS® Report and term definitions.

# Risk/return profile



**Pure gross and net of fees** (based on 10-year period ending December 31, 2025)



**Modern portfolio statistics** as of December 31, 2025

	Franklin Small Cap Growth SMA Pure gross	Franklin Small Cap Growth SMA Net	Russell 2000 Growth Index
Annualized Return (%)	11.43	8.89	9.57
Annualized Standard Deviation (%)	20.99	21.02	21.13
Sharpe Ratio	0.52	0.41	0.44
Beta	0.95	0.95	N/A
Alpha (%)	2.13	-0.22	N/A
R-Squared	0.92	0.92	N/A

Alpha, Beta, Sharpe Ratio, and R-Squared are shown versus the Index. Investors cannot invest directly in an index and unmanaged index returns do not reflect any fees, expenses or sales charges.

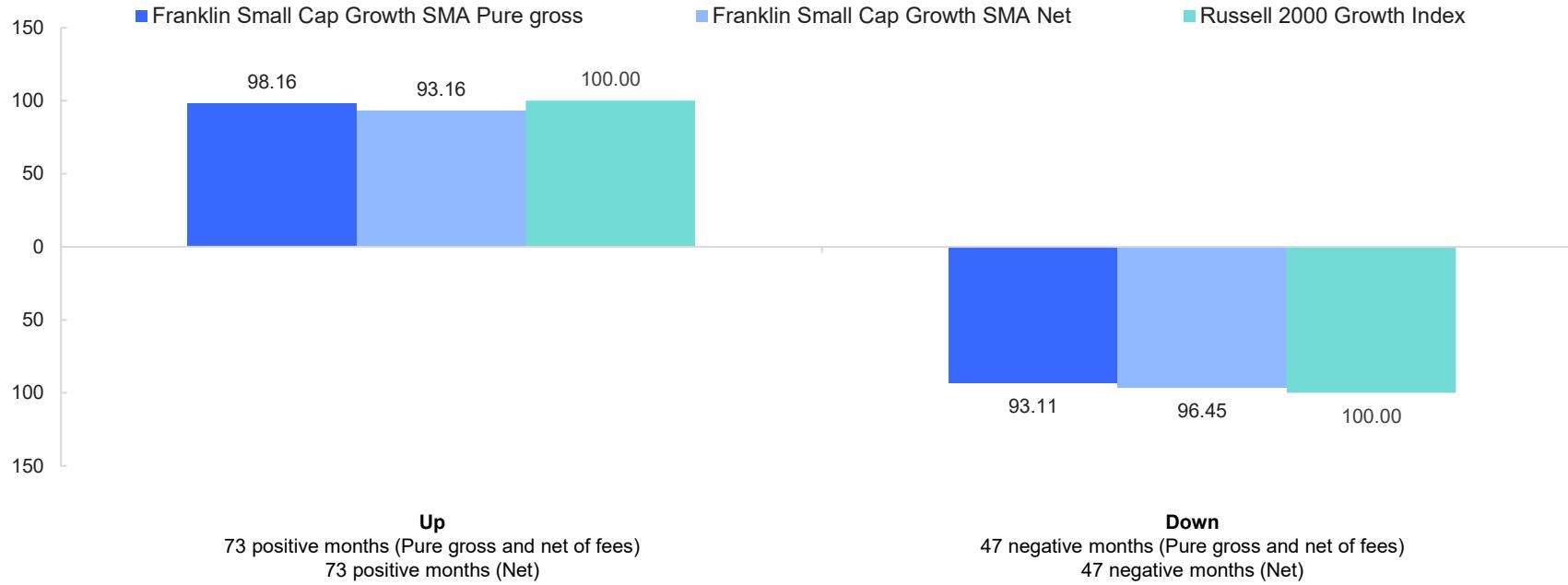
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# Up down market capture ratios (%)



Pure gross and net of fees (based on 10-year period ending December 31, 2025)



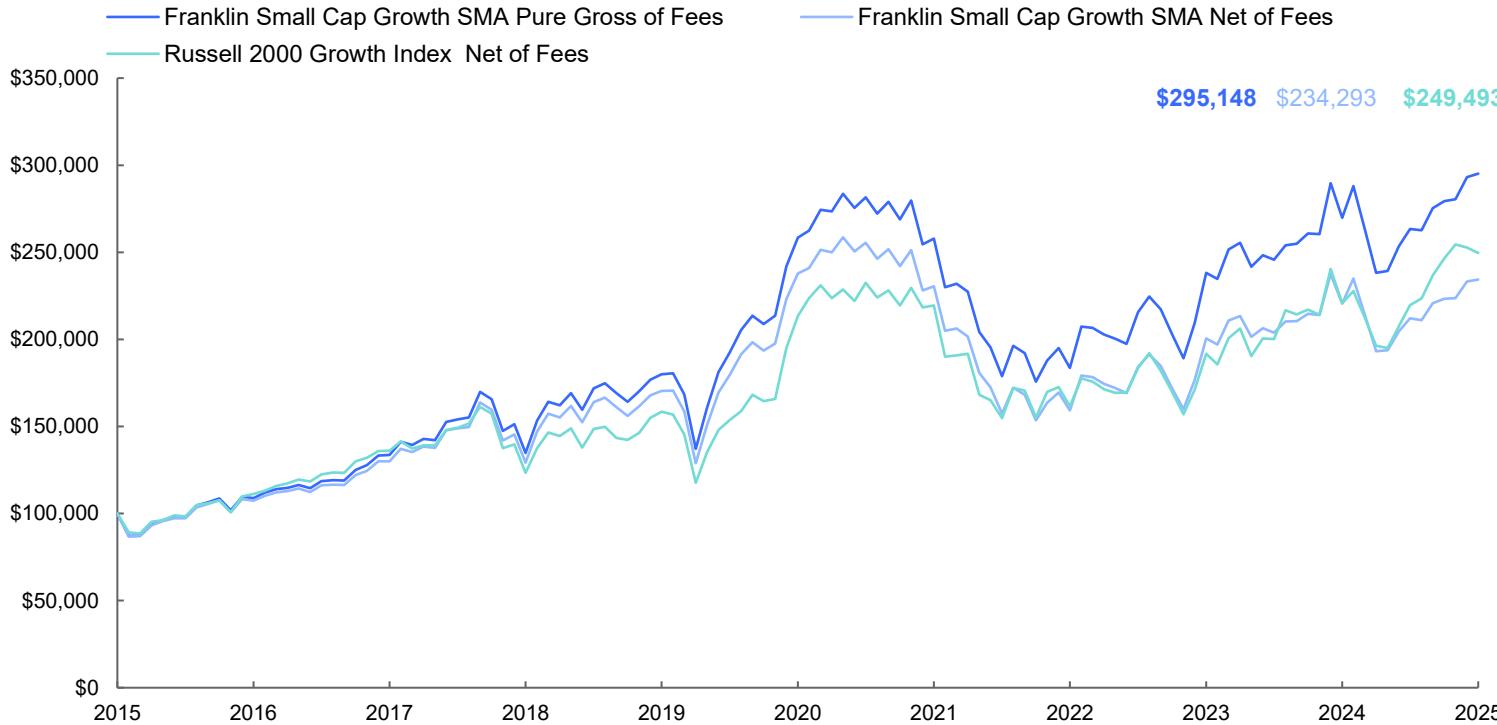
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# Growth of \$100,000



Pure gross and net of fees (based on 10-year period ending December 31, 2025)



For illustrative purposes only. Assumes no withdrawals or contributions. These statistics are based on gross and net-of-fees monthly composite returns, were calculated assuming reinvestment of dividends and income, and take into account both realized and unrealized capital gains and losses.

Periods less than one year are not annualized. Performance results are for the composite which includes all actual, fully discretionary accounts with substantially similar investment policies and objectives managed to the composite's investment strategy. Composite returns are stated in U.S. dollars and assume reinvestment of any dividends, interest income, capital gains, or other earnings. The composite may include account(s) that are gross of fees and pure gross of fees. "Pure" gross-of-fee returns do not reflect the deduction of any expenses, including transaction costs. A traditional (or "true") gross-of-fee return reflects performance after the reduction of transaction costs but before the reduction of the investment advisory fee. The gross-of-fee return may include a blend of "true" gross-of-fee returns for non-wrap accounts and "pure" gross-of-fee returns for wrap accounts. Net-of-fee returns are reduced by a model "wrap fee" (3.0% is the maximum anticipated wrap fee for equity and balanced portfolios) which includes trading expenses as well as investment management, administrative and custodial fees. The model wrap fee used represents the highest anticipated wrap fee applicable to the strategy. Actual fees and account minimums may vary.

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# Investment management team



## Rupert H. Johnson, Jr.

*Vice Chairman - Franklin Resources*

- Portfolio Manager
- Industry since 1966

## Matthew Moberg

*Senior Vice President*

- Portfolio Manager
- Industry since 1966

# What are the risks?



## Franklin Small Cap Growth SMA

All investments involve risks, including possible loss of principal. To the extent the portfolio invests in a concentration of certain securities, regions or industries, it is subject to increased volatility. **Equity securities** are subject to price fluctuation and possible loss of principal. The **investment style** may become out of favor, which may have a negative impact on performance. **Active management** does not ensure gains or protect against market declines. **Small- and mid-cap stocks** involve greater risks and volatility than large-cap stocks. The manager may consider **environmental, social and governance (ESG) criteria** in the research or investment process; however, ESG considerations may not be a determinative factor in security selection. In addition, the manager may not assess every investment for ESG criteria, and not every ESG factor may be identified or evaluated.

# GIPS Composite Report



## Franklin Small Cap Growth SMA Composite

Reporting Currency: USD

Strategy Inception Date: January 1998									Composite Creation Date: December 2006		
Period	Total Return (Net)	Total Return (*Pure Gross)	Benchmark Return	Number of Portfolios	% of Wrap Fee Portfolios in the Composite	Composite Dispersion	Composite 3 Yr. St. Dev.	Benchmark 3 Yr. St. Dev.	Total Composite Assets at End of Period (USD million)	Percentage of Firm Assets	Total Firm Assets at End of Period (USD million)
2024	9.99%	13.27%	15.15%	59	100	0.21%	22.95%	24.33%	68.7	0.01%	597,856.3
2023	25.98%	29.70%	18.66%	77	100	0.28%	22.20%	22.10%	65.9	0.01%	505,734.2
2022	-30.90%	-28.76%	-26.36%	88	100	0.28%	25.77%	26.57%	60.4	0.01%	409,287.8
2021	-3.12%	-0.21%	2.83%	109	100	0.24%	23.56%	23.40%	92.3	1.52%	6,090.5
2020	39.57%	43.66%	34.63%	58	100	3.40%	25.28%	25.46%	33.0	0.65%	5,048.0
2019	31.84%	33.53%	28.48%	53	100	0.94%	17.00%	16.60%	23.7	0.59%	4,029.0
2018	-0.57%	0.82%	-0.31%	56	100	0.57%	17.29%	16.69%	19.5	0.51%	3,855.0
2017	21.08%	22.71%	22.17%	60	100	0.51%	15.99%	14.80%	22.8	0.55%	4,188.0
2016	7.36%	8.87%	11.32%	81	100	0.74%	18.10%	16.91%	24.6	0.58%	4,256.0
2015	-5.00%	-3.76%	-1.38%	291	100	0.76%	16.16%	15.16%	103.4	2.33%	4,439.0

\*Pure gross of fee returns do not reflect the deduction of any expenses, including transaction costs, and are presented as supplemental to the net of fee returns.

### Compliance Statement:

Franklin Templeton claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Franklin Templeton has been independently verified for the periods January 1, 2003 through December 31, 2023. The verification report is available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

### Firm Information:

Franklin Templeton (the "Firm") is a global investment management group that manages equity, fixed income, balanced accounts, REIT funds, private funds, multi-asset strategies, fund-of-fund portfolios, risk premia strategies, ETFs, GCC fixed income and Sukuk strategies for institutional, retail, and sub-advised clients. For multi-asset strategies and fund-of-fund portfolios, the Firm may invest in various investment strategies advised by registered investment advisory entities within Franklin Resources, Inc. or unaffiliated investment managers. The Firm includes Templeton Global Investments "Templeton", Franklin Templeton Investment Solutions (FTIS) which consists of Franklin Templeton Multi-Asset Solutions, QS Investors, Putnam Multi-Asset investment team, and excludes K2 Advisors, which was recently integrated into FTIS. The Firm also includes Franklin Mutual Advisers, Franklin Templeton ETFs and Franklin Venture Partners in addition to Franklin Equity Group, Franklin Templeton Fixed Income Group which integrates Putnam Fixed Income investment team, Franklin Managed Options Strategies, LLC ("Franklin MOST"), Templeton Global Macro and Franklin Canada Fixed Income (Bissett Asset Management). The Firm is comprised of individuals representing various registered investment advisories of Franklin Resources, Inc., a global investment organization operating as Franklin Templeton. The GIPS firm name was updated from "Franklin" to "Franklin Templeton" as of January 1, 2024.

Recent changes to the Firm Definition: Effective January 1, 2024, the Putnam Multi-Asset and Putnam Fixed Income investment teams were integrated into the Franklin Templeton GIPS firm. Effective January 1, 2023, the GIPS firm of Templeton was integrated into the Franklin GIPS firm, creating the new name Franklin Templeton. Effective January 1, 2023, Franklin Canada Fixed Income (formerly Bissett Asset Management) are included in the Firm. Effective May 2, 2023, Franklin MOST was added to the Firm. Effective November 30, 2022, the wrap-fee accounts managed by Franklin Separately Managed Accounts and QS Investors institutional and retail accounts are included in the Firm. Effective November 30, 2021, the fixed income team from Aviva Investors Americas joined the Franklin Templeton Fixed Income Group. Effective November 30, 2020, fixed income accounts focused on global Sukuk- Shariah compliant and Gulf Cooperation Council (GCC) mandates are included in the Firm. Effective September 3, 2019, the funds with primarily REIT investments that were previously managed by Franklin Real Asset Advisors, transitioned to Franklin. Effective November 30, 2018, Franklin was redefined to include new entities claiming GIPS compliance - Franklin Templeton Multi-Asset Solutions (FTMAS), Franklin Mutual Advisers (FMA), Franklin Templeton ETFs and Franklin Venture Partners - in addition to the previously compliant entities Franklin Equity Group, Franklin Templeton Fixed Income Group, and Templeton Global Macro. Firm assets for periods prior to inclusion in the GIPS firm represent that of the prior entity. Firm assets will appear as "n/a" for historical periods if the investment team was not part of a previous GIPS compliant firm.

### Composite Information:

The Franklin Small Cap Growth SMA Composite consists of discretionary wrap accounts with an account minimum of US \$25,000. Accounts within the composite seek a small cap growth investment objective. Smaller-company stocks have historically exhibited greater price volatility than larger-company stocks, particularly over the short term.

### Input and Calculation Data:

The fee schedule currently in effect is 3.00% on all assets. Net of fee composite returns are calculated by reducing each monthly composite pure gross rate of return by the highest "bundled" fee charged (3.00%) annually, prorated to a monthly ratio. The "bundled" fee includes transaction costs, investment management, custodial, and other administrative fees. Prior to January 2020, net returns were net of actual total wrap fees and non-fee paying accounts used a model fee. As of January 2021, the internal dispersion of annual returns is measured by the asset-weighted standard deviation of portfolio returns included in the composite for the entire year. For prior years, the equal-weighted standard deviation was used. A list of composite and limited distribution pooled fund descriptions and a list of broad distribution pooled funds is available upon request. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. Past performance is not necessarily indicative of future results. Gross returns are used to calculate presented risk measures. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

### Primary Benchmark Information:

For comparison purposes, composite returns are shown against returns of the Russell 2000® Growth Index.

# Definitions



## Index Definitions

The **Alerian MLP Index** is a composite of the 50 most prominent energy master limited partnerships (MLPs) and is calculated using a float-adjusted, capitalization-weighted methodology. Source: Alerian.

The **MSCI All Country World ex-US Growth Index** measures the performance of growth stocks in developed and emerging markets, excluding the U.S. Source: MSCI makes no warranties and shall have no liability with respect to any MSCI data reproduced herein. No further redistribution or use is permitted. This report is not prepared or endorsed by MSCI.

The **MSCI All Country World Index** is a market capitalization-weighted index that is designed to measure equity market performance of developed and emerging markets. Net Returns (NR) include income net of tax withholding when dividends are paid. Source: MSCI makes no warranties and shall have no liability with respect to any MSCI data reproduced herein. No further redistribution or use is permitted. This report is not prepared or endorsed by MSCI.

The **MSCI EAFE Index** is a free float-adjusted market capitalization-weighted index designed to measure developed market equity performance, excluding the U.S. and Canada. Source: MSCI makes no warranties and shall have no liability with respect to any MSCI data reproduced herein. No further redistribution or use is permitted. This report is not prepared or endorsed by MSCI.

The **MSCI Emerging Markets Index** captures large and mid cap representation across emerging markets. Source: MSCI makes no warranties and shall have no liability with respect to any MSCI data reproduced herein. No further redistribution or use is permitted. This report is not prepared or endorsed by MSCI.

The **MSCI U.S.A. High Dividend Yield Index** is designed to reflect the performance of mid- and large-cap equities (excluding REITs) with higher dividend income, which is sustainable and persistent, than average dividend yields of securities in the MSCI USA Index. Source: MSCI makes no warranties and shall have no liability with respect to any MSCI data reproduced herein. No further redistribution or use is permitted. This report is not prepared or endorsed by MSCI.

The **MSCI US REIT Index** is a free float-adjusted market capitalization weighted index that is comprised of equity Real Estate Investment Trusts (REITs). Source: MSCI makes no warranties and shall have no liability with respect to any MSCI data reproduced herein. No further redistribution or use is permitted. This report is not prepared or endorsed by MSCI.

The **Russell 1000 Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. Source: FTSE.

The **Russell 1000 Index** measures the performance of the large-cap segment of the U.S. equity universe. Source: FTSE.

The **Russell 1000 Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. Source: FTSE.

The **Russell 2000 Growth Index** measures the performance of the small-cap growth segment of the U.S. equity universe. Source: FTSE.

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe. Source: FTSE.

The **Russell 2000 Value Index** measures the performance of the small-cap value segment of the U.S. equity universe. Source: FTSE.

The **Russell 2500 Growth Index** measures the performance of those companies in the small/mid-cap Russell 2500 Index chosen for their growth orientation. Source: FTSE.

The **Russell 2500 Index** measures the performance of the small to midcap segment of the U.S. equity universe, commonly referred to as "SMID" cap.

The **Russell 2500 Value Index** measures the performance of U.S. companies in the small/mid-cap Russell 2500 Index chosen for their value orientation. Source: FTSE.

The **Russell 3000 Growth Index** measures the performance of those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values. Source: FTSE.

The **Russell 3000 Index** measures the performance of the 3,000 largest U.S. companies based on total market capitalization. Source: FTSE.

The **Russell 3000 Value Index** measures the performance of the broad value segment of U.S. equity value universe. Source: FTSE.

The **Russell Microcap Index** measures the performance of the microcap segment of the U.S. equity market. Source: FTSE.

The **Russell Mid Cap Index** measures the performance of the mid-cap segment of the U.S. equity universe. Source: FTSE.

The **Russell Midcap Growth Index** measures the performance of the mid-cap growth segment of the U.S. equity universe. Source: FTSE.

The **S&P 500 Index** features 500 leading U.S. publicly traded companies, with a primary emphasis on market capitalization. Source: © S&P Dow Jones Indices LLC. All rights reserved.

The **S&P Global Infrastructure Index** includes listed infrastructure stocks from around the world across energy, transportation and utilities clusters. Source: © S&P Dow Jones Indices LLC. All rights reserved.

Investors cannot invest directly in an index and unmanaged index returns do not reflect any fees, expenses or sales charges.

# Definitions



## Term definitions

**Earnings before interest, taxes, depreciation and amortization (EBITDA)** approximates a firm's operating cash flow by considering its earnings before interest, taxes, depreciation and amortization.

**Free Cash Flow** measures the cash remaining after accounting for a firm's cash expenditures to support its operations and maintain its capital assets.

**Market Capitalization** measures the number of outstanding common shares of a given corporation multiplied by the latest price per share.

**Weighted Median Market Capitalization** represents the value at which half the portfolio's market capitalization weight falls above, and half falls below.

**Weighted Average Market Capitalization** represents the average value of the companies held in the portfolio. When that figure is weighted, the impact of each company's capitalization on the overall average is proportional to the total market value of its shares.

**Dividend Yield** is determined by dividing a stock's annual dividends per share by the current market price per share. Dividend yield is a financial ratio that shows how much a company pays out in dividends. **Dividend Yield is calculated without the deduction of fees and expenses.**

**P/E (Year 1)** is the previous day's closing price of the stock divided by the consensus earnings per share (EPS) of fiscal year 1 (FY1) provided by I/B/E/S. Forecasts are inherently limited and should not be relied upon as indicators of future performance.

The **Price-to-Book** ratio (P/B) is a stock's price divided by the stock's per share book value.

**Earnings Per Share (EPS)** is the portion of a company's profit allocated to each outstanding share of a common stock.

The **Sharpe Ratio** is a risk-adjusted measure, calculated using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe Ratio, the better the portfolio's historical adjusted performance.

**Alpha** is a measure of the difference between actual returns and expected performance, given the level of risk as measured by Beta, where **Beta** measures sensitivity to benchmark movements.

**R-Squared** measures the strength of the linear relationship between the portfolio and its benchmark. R-squared at 1.0 implies perfect linear relationship and zero implies no relationship exists.

**Standard Deviation** is based on quarterly data. Standard deviation is a measure of the variability of returns; the higher the standard deviation, the greater the range of performance (i.e., volatility).

The **Capture Ratios** measure a manager's composite performance relative to the benchmark, considering only those quarters that are either positive (Up) or negative (Down) for the benchmark.

An **Up Market Capture Ratio** greater than 1.0 indicates a manager who has outperformed the benchmark in the benchmark's positive quarters.

A **Down Market Capture Ratio** of less than 1.0 indicates a manager who has outperformed the relative benchmark in the benchmark's negative quarters.

# Definitions



## Index Definitions

The **Citi 3-Month T-Bill Index** is an unmanaged index of three-month Treasury bills. The index consists of an average of the last three-month U.S. Treasury bill issues.

The **Bloomberg Government Bond 1-3 Year Index** is an index that measures the performance of all public U.S. government obligations with remaining maturities of approximately 1-3 years. Bloomberg Indices.

The **Bloomberg 1-15 Year Blend (1-17) Municipal Bond Index** consists of a broad selection of investment-grade general obligation and revenue bonds of maturities from 1 to 17 years. Source: Bloomberg Indices.

The **Bloomberg Intermediate U.S. Government/Credit Index** is an unmanaged index that measures the performance of intermediate (one to ten years) government and corporate fixed-rate debt issues. Source: Bloomberg Indices.

The **Bloomberg Municipal 1 Year Index** is an unmanaged Index of municipal bonds with a remaining maturity of one to two years. Source: Bloomberg Indices.

The **Bloomberg Municipal 5 Year Index** is an unmanaged index that tracks USD-denominated long-term, tax-exempt bond market with maturities of 4-6 years, including state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds. Source: Bloomberg Indices.

The **Bloomberg Municipal Bond Index** is a broad measure of the municipal bond market with maturities of at least one year. Source: Bloomberg Indices.

The **Bloomberg Municipal Managed Money Short Intermediate Index** measures the performance of the publicly traded municipal bonds that cover the USD-denominated short/intermediate term tax-exempt bond market, including state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds. Source: Bloomberg Indices.

The **Bloomberg U.S. Aggregate Index** is comprised of investment-grade, U.S. dollar-denominated government, corporate, and mortgage- and asset-backed issues having at least one year to maturity. Source: Bloomberg Indices.

The **Bloomberg U.S. Government 1-5 Year Index** measures the performance of US dollar denominated, fixed-rate, nominal U.S. Treasuries and U.S. agency debentures with maturities greater or equal than 1 year but less than 5 years. Source: Bloomberg Indices.

The **Bloomberg U.S. Government/Credit Bond Index** is an index that tracks the performance of U.S. government and corporate bonds rated investment grade or better, with maturities of at least one year. Source: Bloomberg Indices.

The **Bloomberg U.S. High Yield Very Liquid Index (VLI)** is a component of the US Corporate High Yield Index designed to track a more liquid component of the U.S. dollar-denominated, high-yield, fixed-rate corporate bond market. Source: Bloomberg Indices.

The **Bloomberg U.S. Intermediate Corporate Index** measures the performance of investment grade, fixed-rate, US dollar-denominated taxable corporate securities with maturities of 1-10 years. Source: Bloomberg Indices.

The **Bloomberg U.S. Intermediate Treasury Index** measures the performance of the U.S. Treasury debentures with maturities of 1-10 years. Source: Bloomberg Indices.

The **ICE BofA 1-3 Year Treasury Index** is a market-capitalization-weighted index including all U.S. Treasury notes and bonds with maturities greater than or equal to one year and less than three years. Source: The index data referenced herein is the property of Intercontinental Exchange ("ICE") and/or its licensors and has been licensed for use by Franklin Templeton. ICE and its licensors accept no liability in connection with this use.

Investors cannot invest directly in an index and unmanaged index returns do not reflect any fees, expenses or sales charges.

# Definitions



## Term Definitions

**Maturity** is the date at which a debt instrument is due and payable. A bond due to mature on January 1, 2025, will return the bondholder's principal and final interest payment when it reaches maturity on that date. Bond yields are frequently calculated on a yield-to-maturity basis.

**Duration (Modified Duration)** is the measure of the price sensitivity of a fixed income security to an interest rate change of 100 basis points. Calculation is based on the weighted average of the present values for all cash flows.

**Yield to Worst (YTW)** is based on a portfolio's current holdings on one specific day, is gross of all portfolio expenses, and is calculated based on assumptions that prepayment occurs if the bond has called or put provisions, and the issuer can offer a lower coupon rate based on current market rates. If market rates are higher than the current yield of a bond, the YTW calculation will assume no prepayments are made, and YTW will equal the yield to maturity. The YTW will be the lowest of yield to maturity or yield to call (if the bond has prepayment provisions). The YTW of a bond portfolio is the market-weighted average of the YTWS of all the bonds in the portfolio. **Yield to Worst is calculated without the deduction of fees and expenses.**

**Insured** municipal bonds are ones where scheduled interest and principal payments are guaranteed by AAA-rated municipal bond insurers.

**General Obligation** municipal bonds are backed by the credit and taxing power of the issuing jurisdiction rather than the revenue of a given project.

**Revenue** bonds are municipal bonds supported by the revenue from a specific project.

**Pre-refunded** bonds are municipal bonds that are generally backed or secured by U.S. Treasury bonds.

**Effective Duration** is a duration calculation for bonds with embedded options. Effective duration takes into account that expected cash flows will fluctuate as interest rates change.

**Average Maturity** is the average length of maturity for all fixed-rate debt instruments held in a portfolio.

**Average Coupon** based on the portfolio's underlying holdings, which may differ and are subject to change. Coupon rate is the annual coupon payments paid by the issuer relative to a bond's face or par value. **Average Coupon is calculated without the deduction of fees and expenses.**

**Yield to Maturity** - The rate of return anticipated on a bond if it is held until the maturity date. The calculation of YTM takes into account the current market price, par value, coupon interest rate and time to maturity. **Yield to Maturity is calculated without the deduction of fees and expenses.**

**Weighted Average Life** - An estimate of the number of years to maturity, taking the possibility of early payments into account, for the underlying holdings.

The **Sharpe Ratio** is a risk-adjusted measure that is calculated using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe Ratio, the better the portfolio's historical adjusted performance.

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## Notes



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