FRANKLIN TEMPLETON

ClearBridge

ClearBridge Large Cap Value Portfolios

Commentary | as of December 31, 2025

Key Takeaways

- **Markets:** U.S. equites finished a strong 2025 albeit with more subdued gains in the fourth quarter, with the S&P 500 Index rising 2.7% during the period to end the year up 17.9%. Value stocks outpaced growth in the quarter across all market caps as the market pivoted from recent high-momentum AI winners and leadership broadened. The benchmark Russell 1000 Value Index gained 3.8% for the quarter, capping off a 15.9% return for 2025.
- **Contributors:** Stock selection in financials, underweights to real estate and consumer staples and a health care overweight were beneficial.
- **Detractors:** Stock selection in the IT, materials and consumer discretionary sectors detracted.
- **Outlook:** Thanks to our long duration, we see the recent selloff in high-quality businesses as a significant opportunity, and we have recently initiated or added to positions in several at attractive valuations.

Top Equity Issuers (% of Total)

Holding	Portfolio
JPMorgan Chase & Co	5.16
Johnson & Johnson	2.97
Parker-Hannifin Corp	2.79
Alphabet Inc	2.71
Thermo Fisher Scientific Inc	2.64
Charles Schwab Corp/The	2.50
Bank of America Corp	2.50
Air Products and Chemicals Inc	2.47
Broadcom Inc	2.36
Williams Cos Inc/The	2.30

Performance Review

- During the fourth quarter, quality stocks across the market cap spectrum underperformed the broader market by the widest margin since the late 1990s. This was a headwind to the Strategy, which trailed the Russell 1000 Value (net of fees) in the quarter as several high-quality long-term holdings sold off.
- Within information technology (IT), long-term portfolio holding Motorola Solutions sold off as its revenue growth rate continued to normalize in its core land mobile radio (LMR) devices business; the company is working off an unusually high backlog created by COVID-era government funding programs. While its LMR devices business is slowing, we think the company has augmented its core franchise with faster-growing adjacencies and increased its mix of software and services. We think Motorola Solutions is a core holding for our strategy that offers attractive risk-reward at current valuation given a sustainable mid-single-digit top-line growth rate with continuously improving profit margins.
- Our high-quality bias applies across the portfolio, including areas of AI. We are more exposed to higher-quality AI exposed stocks such as Broadcom, Taiwan Semiconductor Manufacturing and Microsoft, which lagged this year (although the first two were both up more than 40%) relative to lower-quality more commodity-exposed AI stocks like Micron, Sandisk and Lumentum. While these lower-quality companies are likely to benefit more from supply chain constraints in the near term, we believe that businesses with more sustainable moats are likely to deliver superior returns through the cycle for investors.
- Strength in consumer spending from the third quarter looked to carry over into the holiday season, helping Capital One and American Express. Capital One reported a large earnings beat driven by lower credit costs and a large reserve release helped by lower charge-offs. The quarter showed very strong operating results from Capital One in its first full quarter following its acquisition of Discovery. The icing on the cake was the announcement of a $16 billion buyback authorization (11%–12% of the market cap) following management's review of post-acquisition capital requirements. American Express also topped earnings estimates and raised the lower end of its guidance helped by strong spending and a bounce back in travel. Its refresh on its Platinum cards is also being well-received.
- A fourth-quarter rotation to health care driven by a decline in policy uncertainty, improved earnings, attractive valuations and a pickup in M&A activity helped our holdings in the sector.
- Thermo Fisher Scientific, a supplier of life science tools and diagnostics, delivered strong earnings driven by its analytical instruments segment and strong operating margins. The company has also benefited from improving results in its growing bioprocessing business and raised revenue and EPS guidance.
- Strength in its oncology segment helped AstraZeneca deliver stronger-than-expected third-quarter results in November and reaffirm its guidance.

Outlook

- Our core tenet is to invest in high-quality businesses with underappreciated, sustainable, durable edges, and we remain convinced that this is the path to superior returns through the cycle. In the current frothy market, however, this style has been under pressure. Thanks to our long duration, we see the recent selloff in high-quality businesses as a significant opportunity, and we have recently initiated or added to positions in several — such as Linde, Parker-Hannifin and WEC Energy — at attractive valuations. We believe the shifting market regime offers significant value opportunities, especially as overall market breadth improves and capital flows shift away from high-flying growth stocks toward overlooked, high-quality businesses.

Average annual total returns (%) - as of December 31, 2025-PRELIMINARY

Composite	3-Mo*	6-Mo*	YTD*	1-Yr	3-Yr	5-Yr	10-Yr	15-Yr	20-Yr	25-Yr	Inception	Inception Date
Net of Fees	1.41	6.82	8.89	8.89	9.93	8.61	8.42	8.93	6.60	—	6.68	6/30/2002
Pure Gross of Fees	1.92	7.88	11.07	11.07	12.13	10.79	10.60	11.12	8.74	—	8.83	6/30/2002
Benchmark	3.81	9.34	15.91	15.91	13.90	11.33	10.53	10.78	8.32	—	8.71	—

*Cumulative total returns

Benchmark(s)

Benchmark =Russell 1000 Value Index

The strategy returns shown are preliminary composite returns, subject to future revision (downward or upward).
Past performance is not a guarantee of future results. An investment in this strategy can lose value. Please visit www.franklintempleton.com for the latest performance figures.
Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Fees: Returns for periods less than one year are not annualized. Pure gross of fee returns do not reflect the deduction of any expenses, including transaction costs. Net Composite Returns referenced above represent Pure Gross Composite performance of the portfolio reduced by an annual fee of 2.02%, the maximum fee charged by Primerica Advisors to clients invested in the strategy through the Primerica Advisors Lifetime Investment Program wrap fee program. The Net of fee composite returns presented in the attached strategy GIPS Report 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. Returns reflect the reinvestment of dividends and other earnings. All performance is reported in US dollars. 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.
The composite is comprised of accounts that are separately managed accounts (SMAs) managed in accordance with the strategy.
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What are the Risks?

All investments involve risks, including possible loss of principal. Small- and mid-cap stocks involve greater risks and volatility than large-cap stocks. **International investments** are subject to special risks, including currency fluctuations and social, economic and political uncertainties, which could increase volatility. These risks are magnified in **emerging markets**.

Glossary

A **buyback** is the repurchase of outstanding shares (repurchase) by a company in order to reduce the number of shares on the market.

Duration is a measure of the sensitivity of a bond's price to changes in interest rates.

Earnings per share (EPS) is defined as a company's net income divided by the number of outstanding shares of its common stock.

Moat is an advantage a company has which allows it to protect its market share and profitability.

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.

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

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Source: FTSE.

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