



The Anatomy of a Recession

Third Quarter 2025

ClearBridge



**FRANKLIN
TEMPLETON**

Past performance is no guarantee of future results. Financial term and index definitions are available in the appendix.

Table of Contents

Economic Outlook	1
Market Outlook	10
Fixed Income	26
Fundamentals	35
Market Leadership	42
Non-U.S.	49
Investor Pitfalls	60

Economic Outlook

U.S. Recession Dashboard

- 12 variables have historically foreshadowed a looming recession
- The overall dashboard is currently signaling expansion

	August 31, 2025	June 30	March 31	December 31
Consumer	Housing Permits	↑	↑	↑
	Job Sentiment	×	×	×
	Jobless Claims	↑	↑	↑
	Retail Sales	↑	↑	↑
	Wage Growth	↑	↑	↑
Business Activity	Commodities	↑	↑	↑
	ISM New Orders	×	×	●
	Profit Margins	●	↑	↑
	Truck Shipments	↑	●	●
Financial	Credit Spreads	↑	↑	↑
	Money Supply	↑	↑	●
	Yield Curve	●	×	●
Overall Signal		↑	↑	↑

↑ Expansion ● Caution × Recession

U.S. Recession Dashboard: Historical Lookbacks

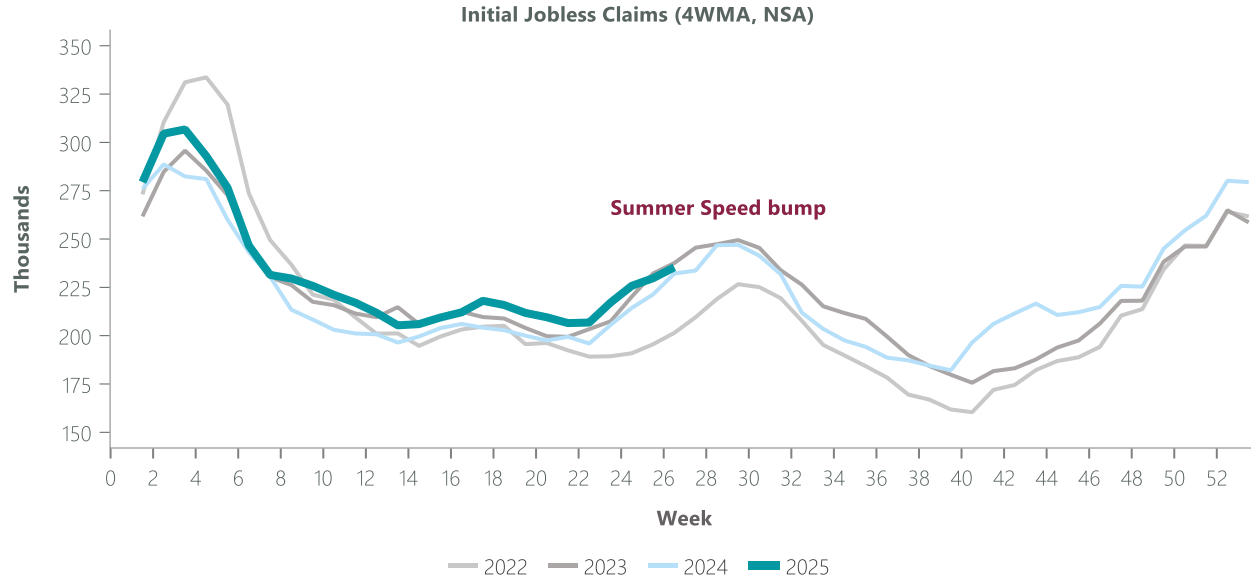
- 12 variables have historically foreshadowed a looming recession
- The overall dashboard is currently signaling expansion

	Current	2020	2007-2009	2001	1990-1991	1981-1982	1980	1973-1975	1969-1970
Consumer	Housing Permits	↑	↑	×	●	×	×	×	×
	Job Sentiment	×	●	×	×	×	●	●	●
	Jobless Claims	↑	↑	●	×	×	×	↑	×
	Retail Sales	↑	↑	×	×	×	×	●	×
	Wage Growth	↑	×	×	×	×	×	×	×
Business Activity	Commodities	↑	↑	×	×	×	●	●	●
	ISM New Orders	×	●	×	×	×	×	×	×
	Profit Margins	●	×	×	×	×	×	●	×
	Truck Shipments	↑	↑	●	×	×	×	n/a	n/a
Financial	Credit Spreads	↑	↑	×	×	×	×	↑	●
	Money Supply	↑	↑	×	×	×	×	×	×
	Yield Curve	●	×	×	×	×	×	×	×
Overall Signal		↑	●	×	×	×	×	●	×

↑ Expansion ● Caution × Recession

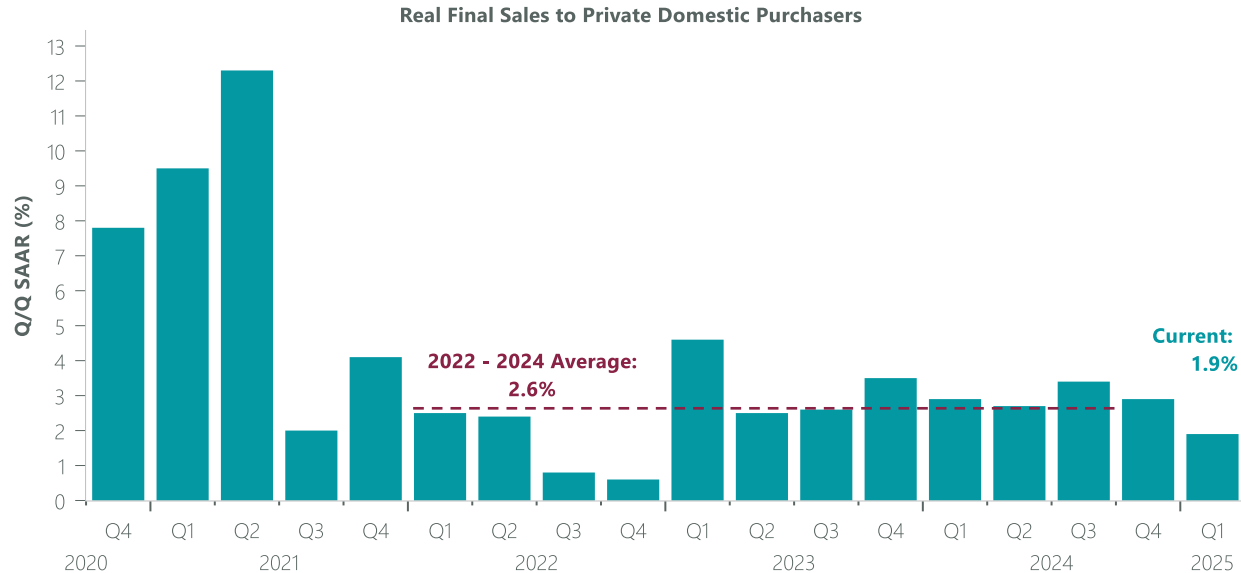
Data as of August 31, 2025. Sources: BLS, Federal Reserve, Census Bureau, ISM, BEA, American Chemistry Council, American Trucking Association, Conference Board, Bloomberg, CME, FactSet and Macrobond. The ClearBridge Recession Risk Dashboard was created in January 2016. References to the signals it would have sent in the years prior to January 2016 are based on how the underlying data was reflected in the component indicators at the time.

Dashboard Indicator: Initial Jobless Claims



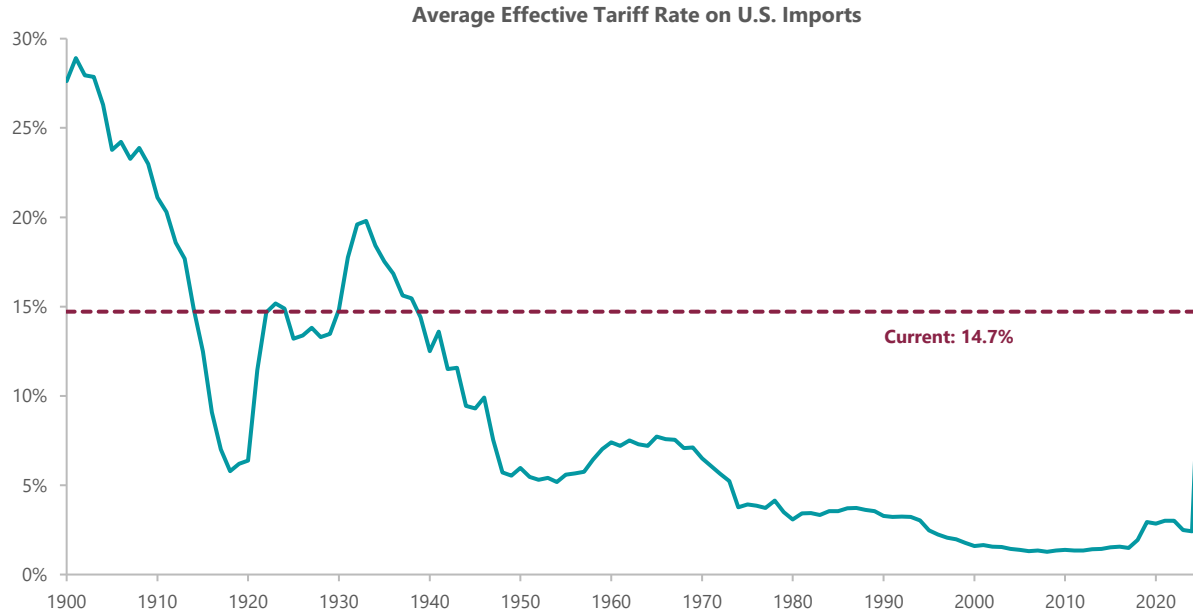
- ▶ **Initial jobless claims follow a seasonal pattern with an early summer pickup in layoffs followed by back-to-school rehiring.**
- ▶ **While this dynamic has spooked equity markets in recent years, we believe investors should look through noise emanating from this typical summer swoon.**

Core GDP Guides the Way



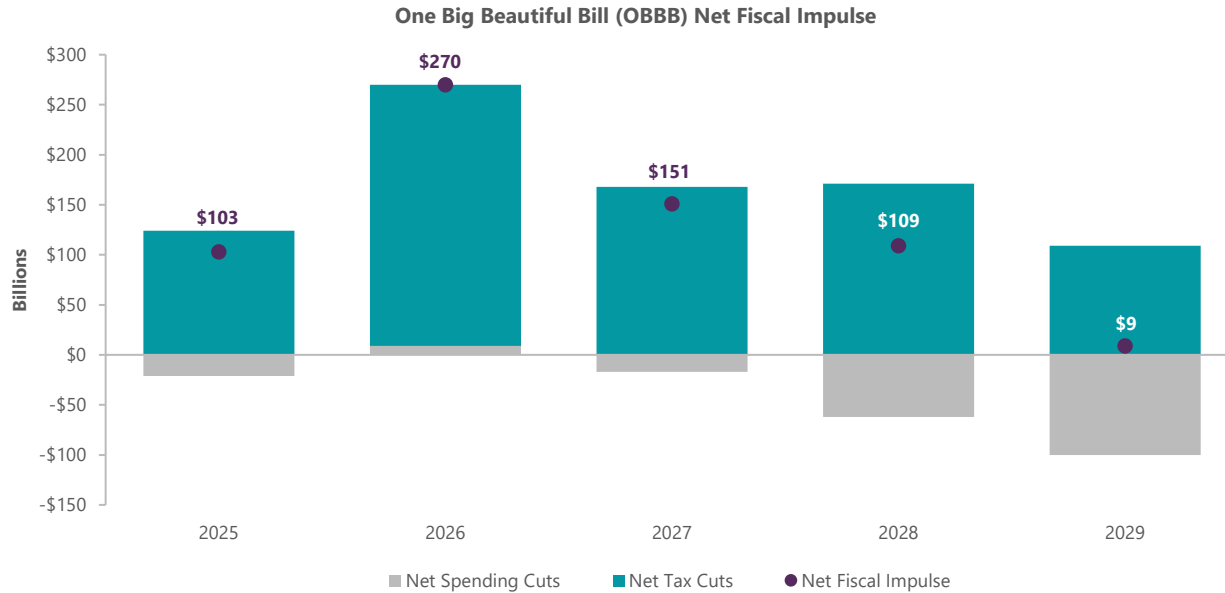
- ▶ **Real Final Sales to Private Domestic Purchasers strips out volatile components from GDP such as inventories and trade, along with government spending which is less relevant to equity markets.**
- ▶ **Core GDP concepts such as this are likely to provide a better read on the underlying economic trajectory given tariff-related distortions.**

Tariff Headwind



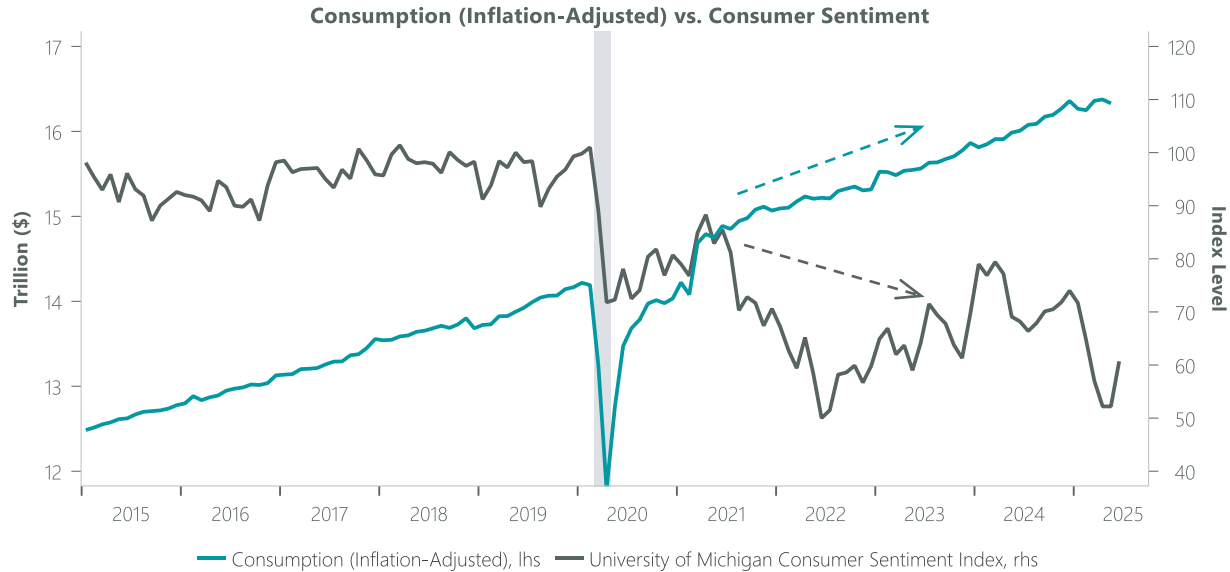
- ▶ The average effective tariff rate has risen to levels last seen in the 1930s which will likely be a headwind to economic growth in the coming quarters.

Tax Tailwind



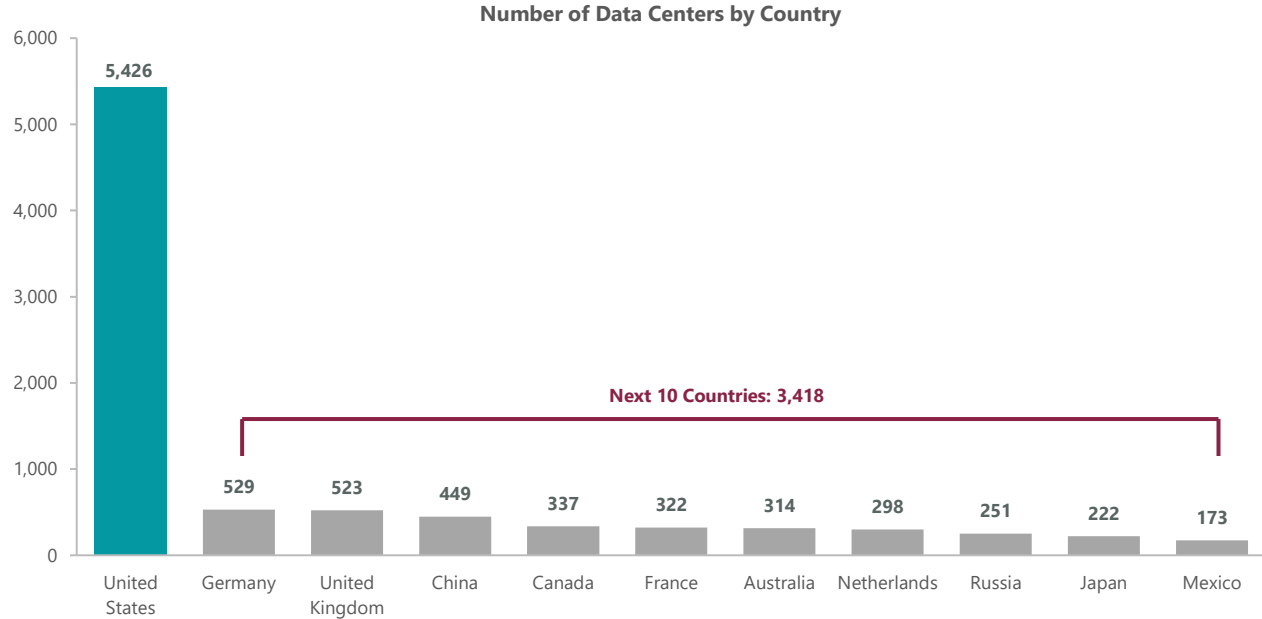
- ▶ **The OBBB is expected to deliver a positive fiscal boost above and beyond the extension of the 2017 TCJA tax cuts.**
- ▶ **The peak impulse of approximately 1% of GDP is estimated to be felt in 2026 before gradually fading over the following three years.**

Actions Speak Louder Than Words



- ▶ **While consumer sentiment has remained in the doldrums since the COVID-19 pandemic, this has not led to changes in overall spending patterns.**
- ▶ **The recent drop in sentiment has been largely fueled by tariff-related uncertainty, but a healthy labor market and strong household balance sheets provide solid footing for 2025 spending.**

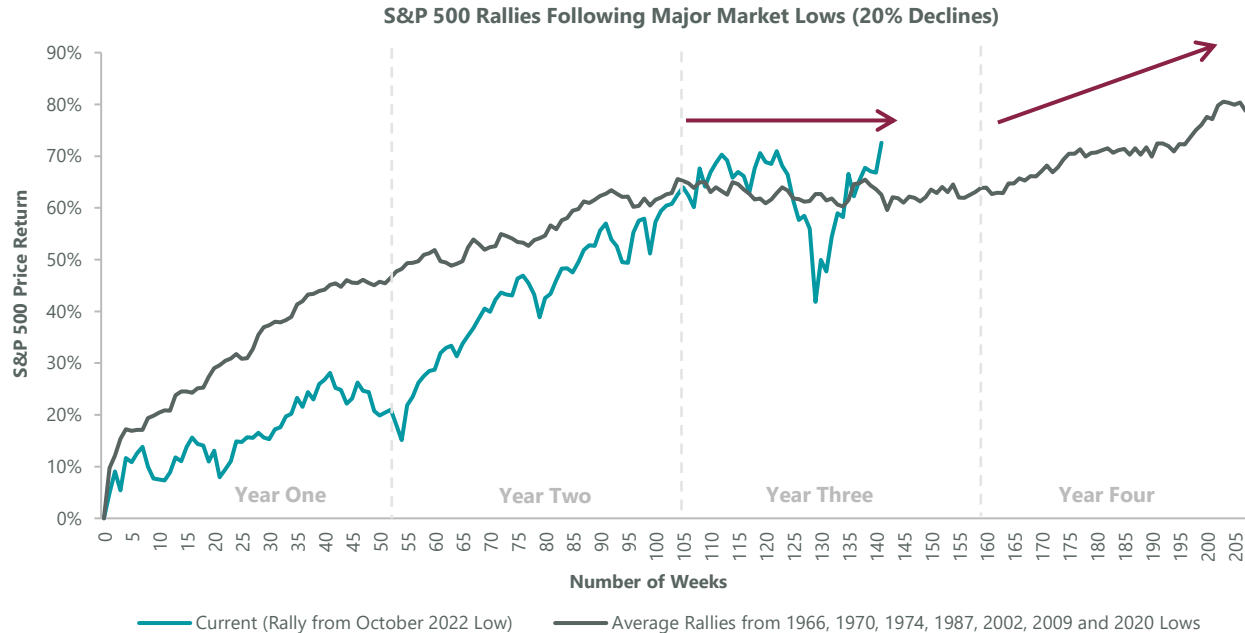
The AI Investment Boom



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

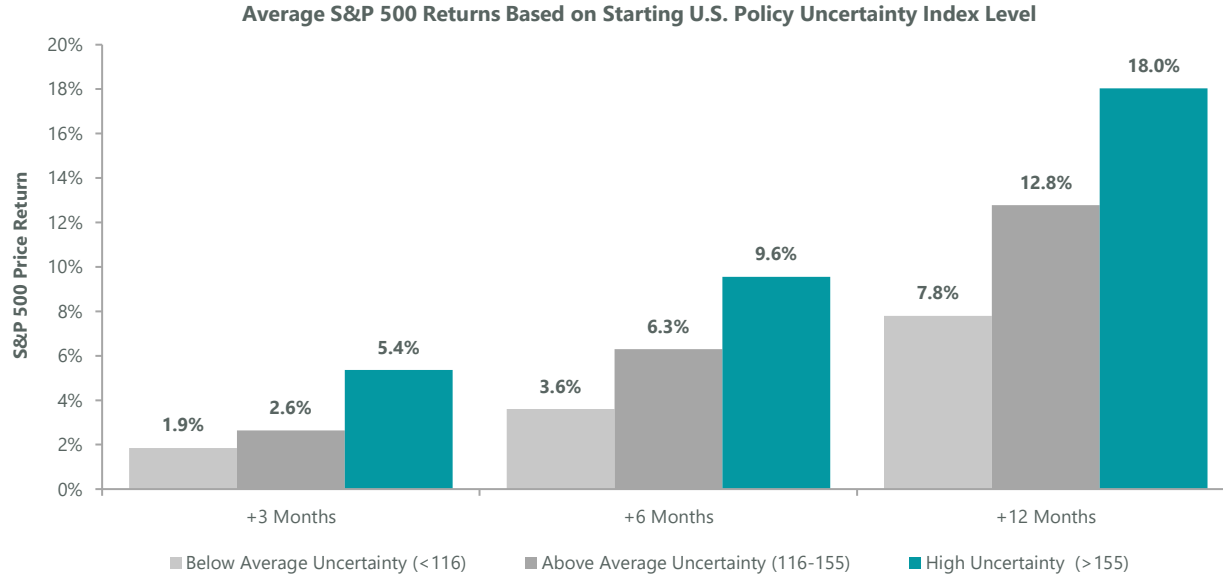
Market Outlook

The Year-Three Digestion



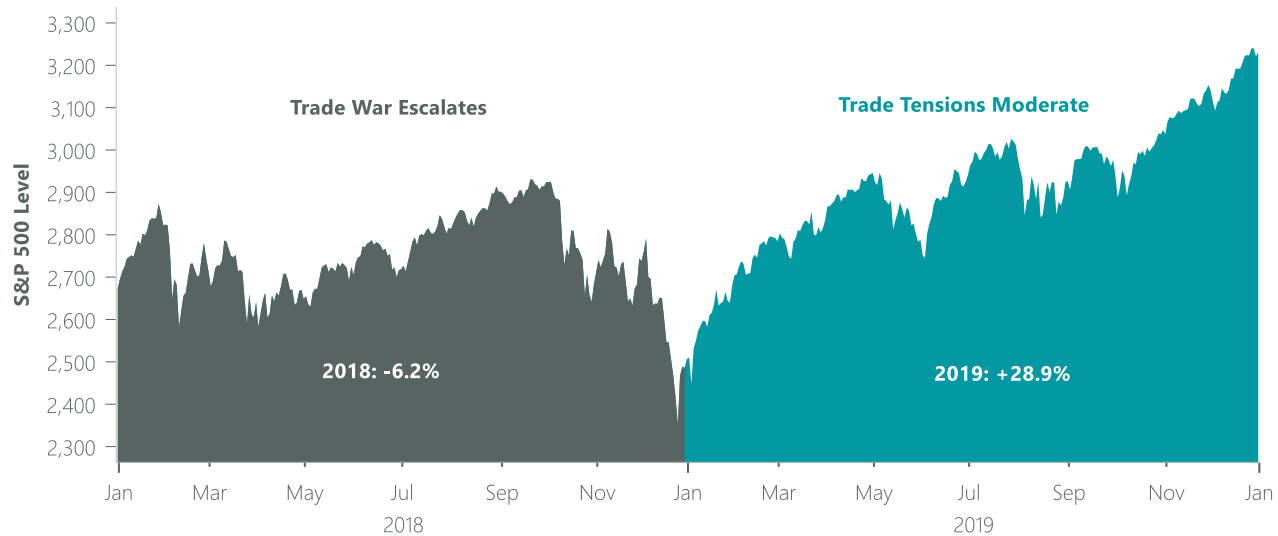
- **Historically, the third year of a new bull market has experienced a period of digestion before giving way to further upside in year four.**

Certainty in Uncertainty



- **Over the past 40 years, periods of elevated U.S. policy uncertainty (such as today) have historically given way to superior forward equity market returns as clarity is restored.**

Turn The Page



- ▶ **The S&P 500 saw a robust recovery following 2018's tariff turmoil during the first Trump administration.**
- ▶ **With tax cuts and deregulation moving to the forefront, investors may be positively surprised in the year ahead if history is a guide.**

Buy the Geopolitical Dip?

Geopolitical Event	Date	S&P 500 Price Return (%)		
		1 Month	3 Months	6 Months
Korean War	June 1950	-10.0%	1.5%	4.9%
Vietnam War starts	Nov. 1955	7.3%	4.1%	13.9%
Suez Crisis	Oct. 1956	-4.4%	-3.6%	-1.4%
1958 Lebanon Crisis	July 1958	5.3%	12.1%	23.8%
Cuban Missile Crisis	Oct. 1962	5.4%	13.3%	21.1%
Indo-Pakistani War	Aug. 1965	2.6%	7.7%	8.7%
Six-Day War	June 1967	3.3%	6.5%	7.7%
Arab-Israeli War	Oct. 1973	-4.5%	-10.0%	-15.3%
Fall/Liberation of Saigon	April 1975	4.4%	1.8%	2.3%
Iran Hostage Crisis	Nov. 1979	4.2%	11.6%	3.0%
Soviet-Afghan War	Dec. 1979	5.4%	-8.0%	6.7%
Iran-Iraq War	Sept. 1980	1.2%	4.1%	2.8%
Multinational Force in Lebanon	Aug. 1982	4.9%	13.9%	27.4%
1986 U.S. Bombing of Libya	April 1986	-1.4%	-1.7%	0.5%
U.S. Invasion of Panama	Dec. 1989	-1.1%	-0.4%	4.7%
Gulf War	Aug. 1990	-8.2%	-11.3%	-2.4%
Croatian War	March 1991	1.4%	0.7%	3.7%
Bosnian War	April 1992	2.8%	2.0%	0.4%
Kosovo War	Feb. 1998	4.4%	4.6%	-2.1%
War in Afghanistan	Oct. 2001	4.1%	8.7%	4.8%
Iraq War	March 2003	2.0%	13.7%	18.3%
Russian Invasion of Ukraine	Feb. 2022	2.6%	-10.3%	-2.8%
Average		1.4%	2.8%	5.9%

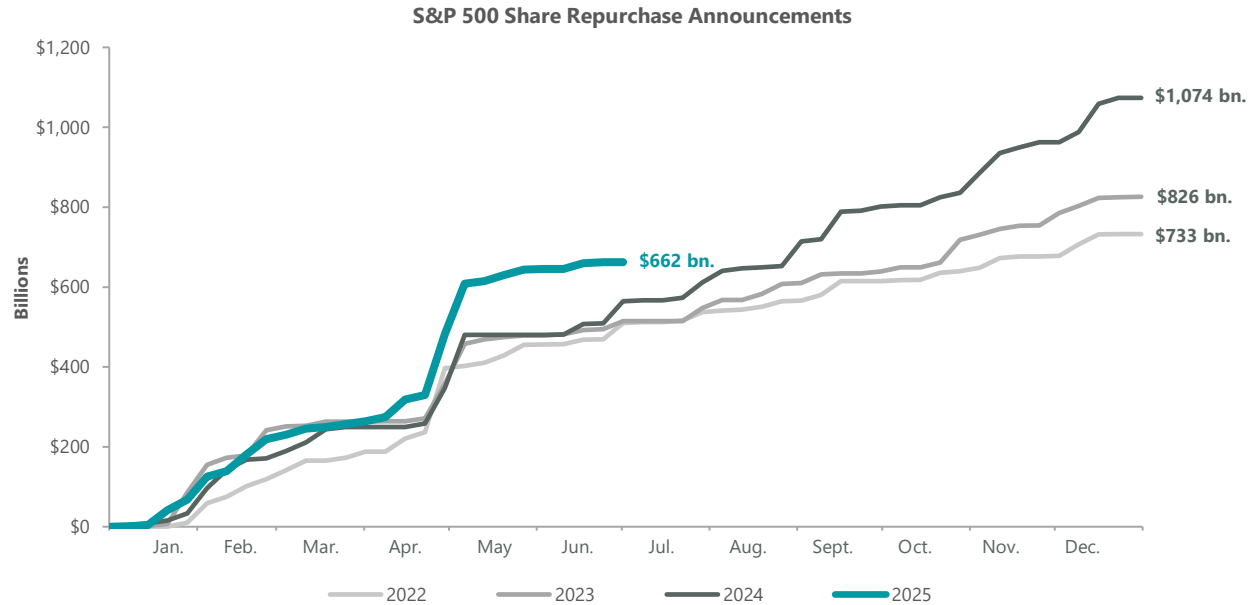
Strongest 50-Day Rallies in History

Ten Largest 50-Day Rallies Since 1950: S&P 500 Index Return

End of 50-Day Rally	50-Day % Change	3 Months	6 Months	12 Months
June 3, 2020	39.6%	10.6%	17.4%	34.3%
Oct. 22, 1982	35.5%	3.6%	15.6%	19.5%
May 19, 2009	34.2%	9.7%	20.6%	22.8%
March 6, 1975	26.9%	10.5%	2.4%	18.4%
Dec. 18, 1998	23.8%	10.8%	13.0%	19.6%
Sept. 16, 2009	21.3%	3.8%	8.5%	5.2%
June 24, 1997	20.5%	5.4%	4.1%	26.4%
March 26, 1991	20.4%	-1.3%	2.7%	8.4%
Jan. 7, 1963	19.9%	6.5%	9.5%	18.0%
March 13, 1987	19.7%	4.0%	11.1%	-8.6%
Average		6.4%	10.5%	16.4%
June 20, 2025	19.8%	?	?	?

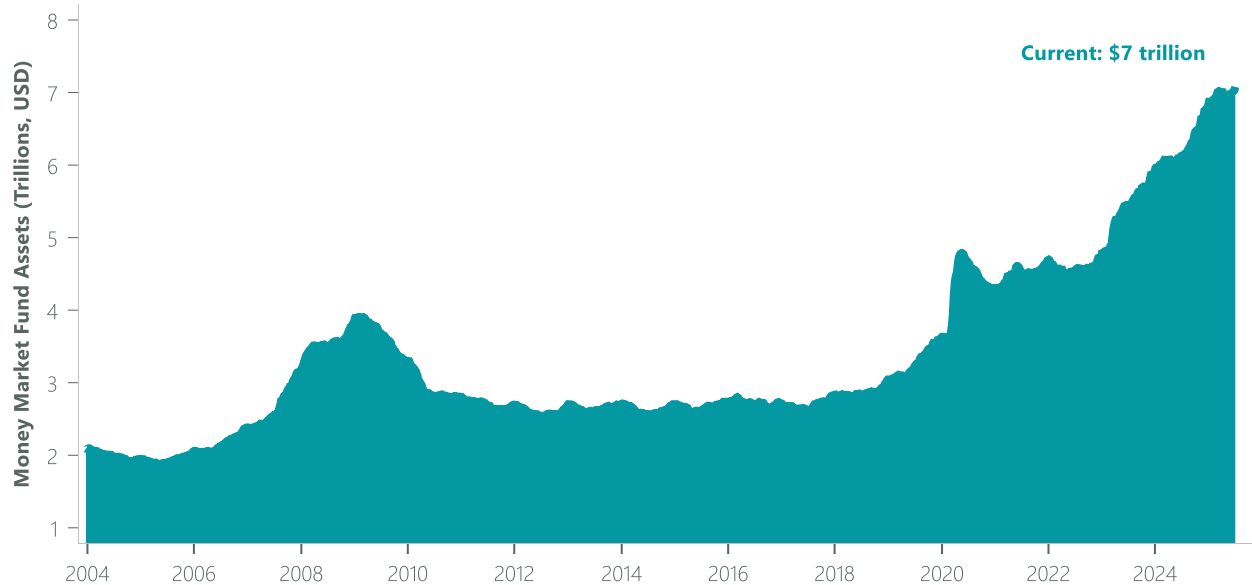
► **Equities have historically continued to do well following the strongest market runs.**

Valuation Agnostic: Corporations



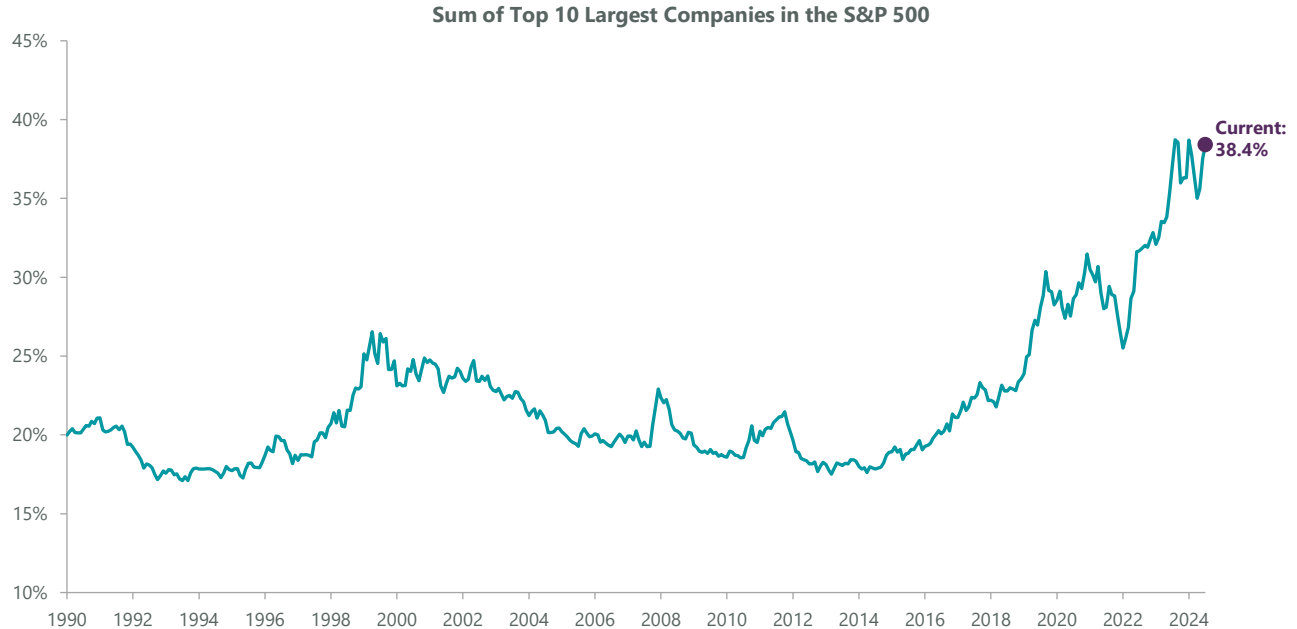
- ▶ **Share repurchase announcements are running well above the pace seen in each of the past three years.**
- ▶ **Corporations tend to be less valuation-sensitive when executing buyback programs.**

Cash on the Sidelines



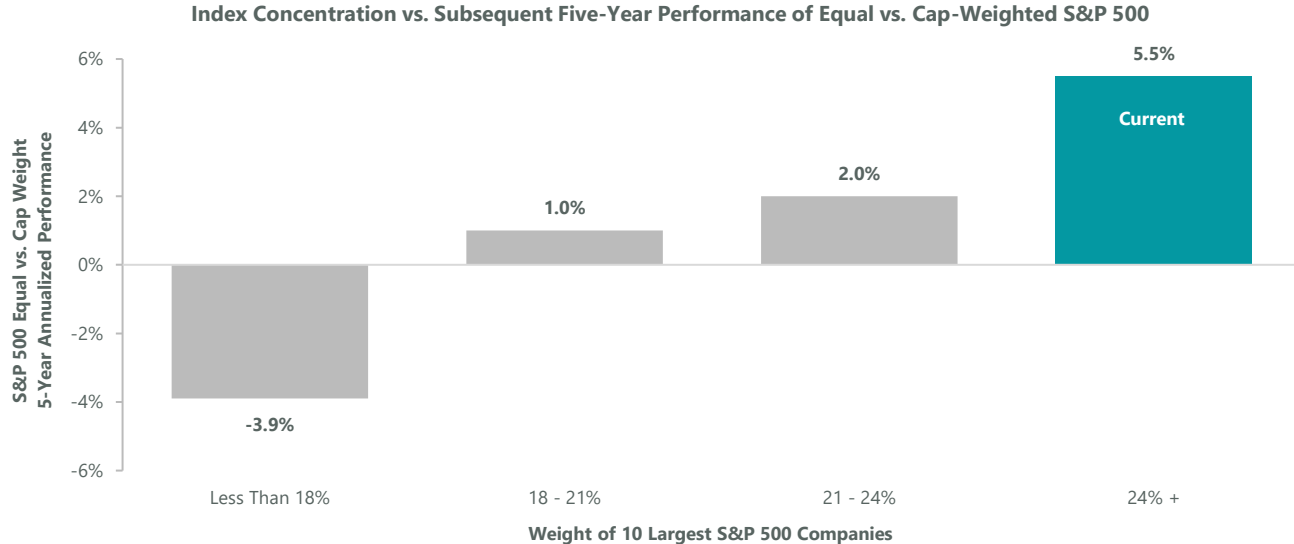
- ▶ Cash holdings in money market funds have increased dramatically over the past five years.
- ▶ Investors may reconsider their asset allocations should the Fed decide to further lower interest rates.

Trouble Concentrating?



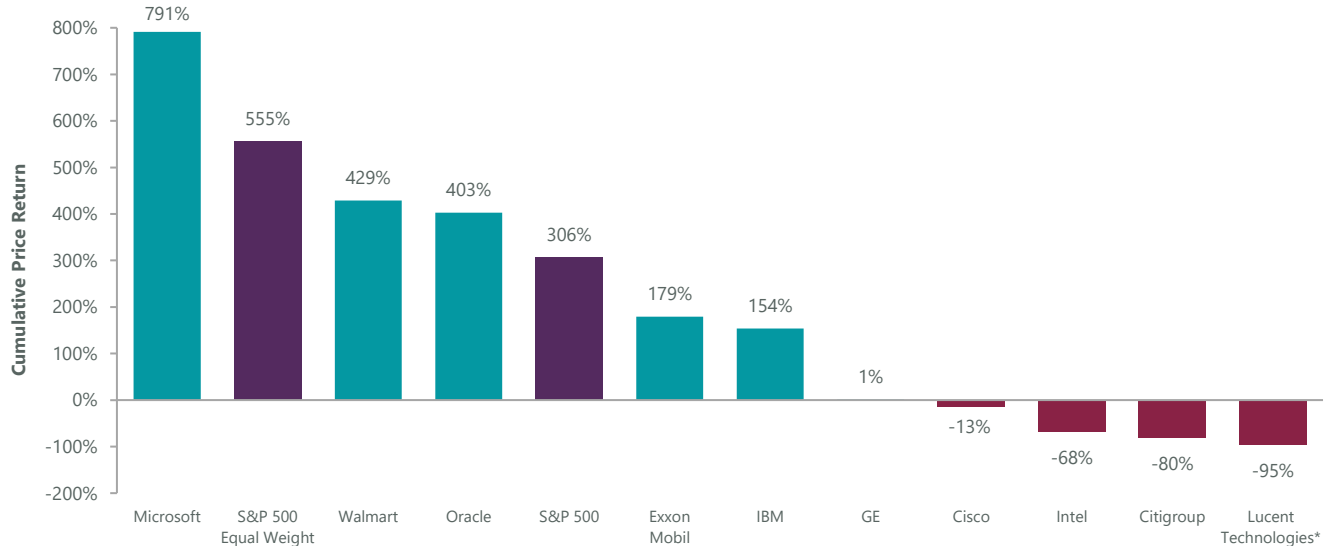
► **The weight of the largest stocks in the benchmark remains near record highs.**

Concentration Leads to Broadening



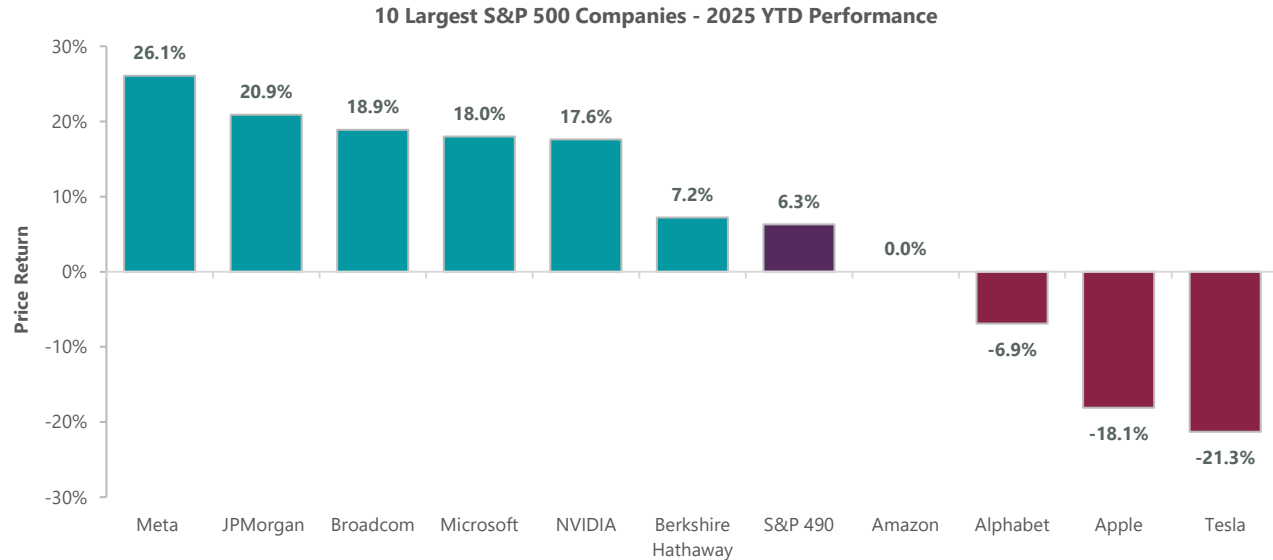
- ▶ **When the top 10 weights in the S&P 500 have historically accounted for over 24% of the benchmark, the equal-weight S&P 500 has outperformed its cap-weighted counterpart by an average of 5.5% (annualized) over the next five years.**
- ▶ **The top 10 weights in the S&P 500 currently make up 38% of the benchmark.**

Where Are They Now: Dot-Com Darlings



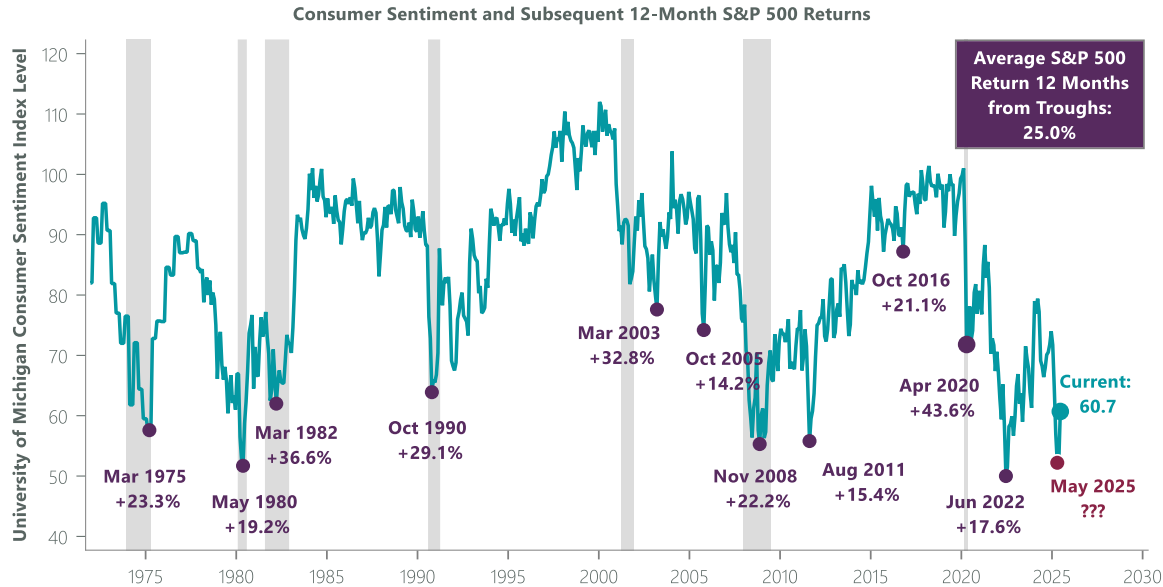
- ▶ Following the peak of the “dot-com” mania, the prospects of the 10 largest S&P 500 constituents have varied widely.
- ▶ We believe that a similar dynamic may play out in the coming years, presenting a potential opportunity for active managers.

Stock Picker's Market



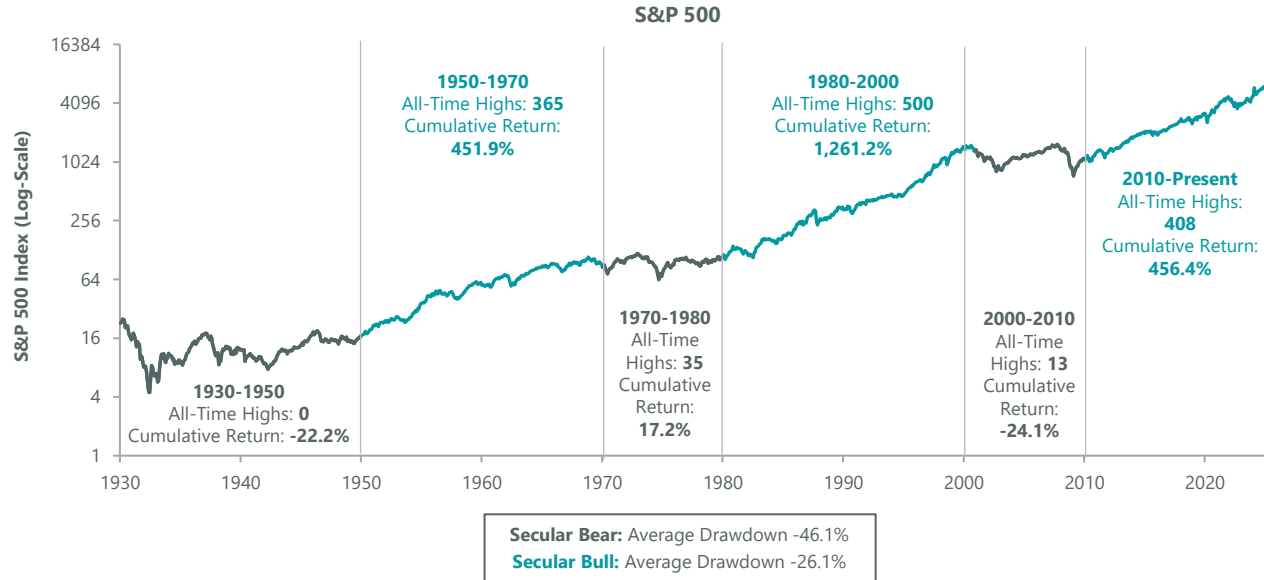
- ▶ **The largest names in the benchmark have taken divergent paths to start 2025, a shift from recent years when they tended to trade monolithically.**
- ▶ **We believe that this dispersion will continue, which presents an opportunity for active managers.**

Consumer Confidence: The Contra-Indicator



- ▶ Consumer sentiment has historically been a contra-indicator for equity investors when hitting extreme levels.
- ▶ If this historical relationship holds, the May lows may be consistent with an attractive entry point for long-term equity investors.

New Secular Bull Market?



- **In the 12 months following an all-time high, stocks have historically been up 8.4% on average with positive returns 71% of the time.**

Economic and Market Summary

Third Quarter 2025

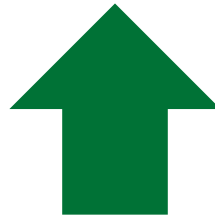
U.S. Economic Outlook

- Tariff uncertainty has created timing distortions in economic data that increase the risk of an “air pocket” in economic activity in 2H25.
- Fiscal and monetary support along with better visibility on trade should provide the foundation for the economy to re-accelerate into 2026.
- The overall signal from the ClearBridge Recession Risk Dashboard remains in green “expansion” territory.

U.S. Market Outlook

- The S&P 500 has returned to all-time highs after narrowly avoiding bear market territory in 1H25 as the risks from tariffs became better understood.
- Although U.S. equities may need a period of digestion following a robust rally off the April lows, historical rallies of similar magnitude and duration have given way to continued upside over the subsequent 12 months.
- Market leadership has been a tug-of-war in 2025 from a regional and style perspective. We believe this dynamic may continue in 2H25 before giving way to a period of international and value outperformance.

Recession Dashboard Overall Signal



Expansion

One-Year Outlook

Themes That May Drive the Market Over the Next 12 Months



Fixed Income



Fundamentals



Market Leadership



Non-U.S.



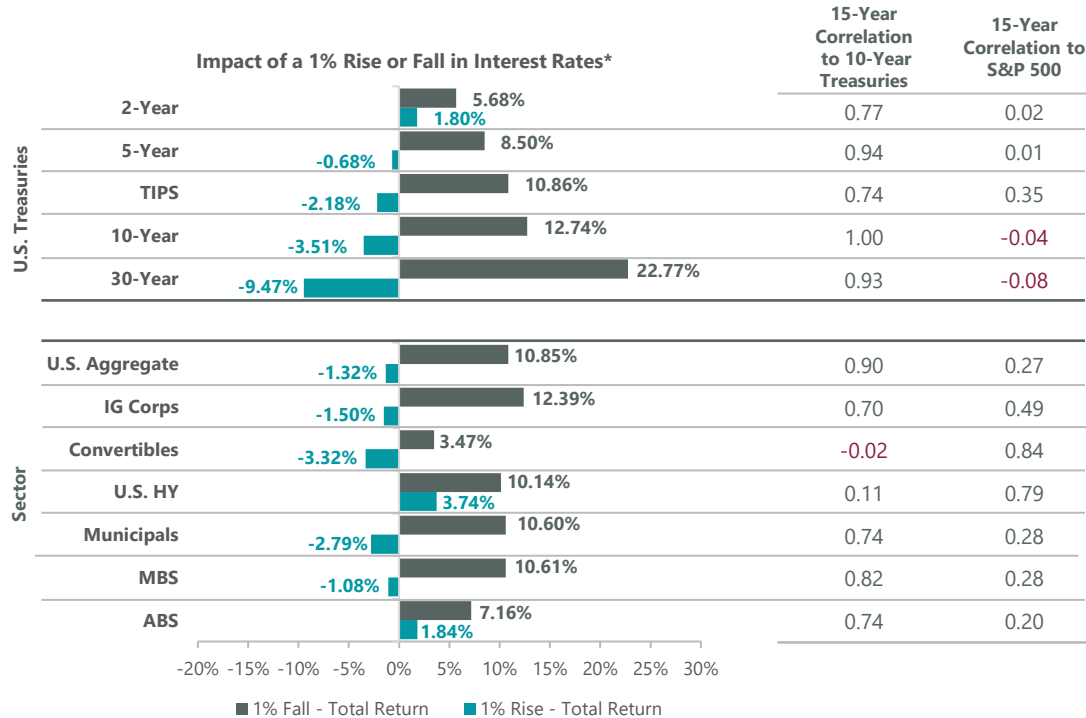
Investor Pitfalls

Fixed Income



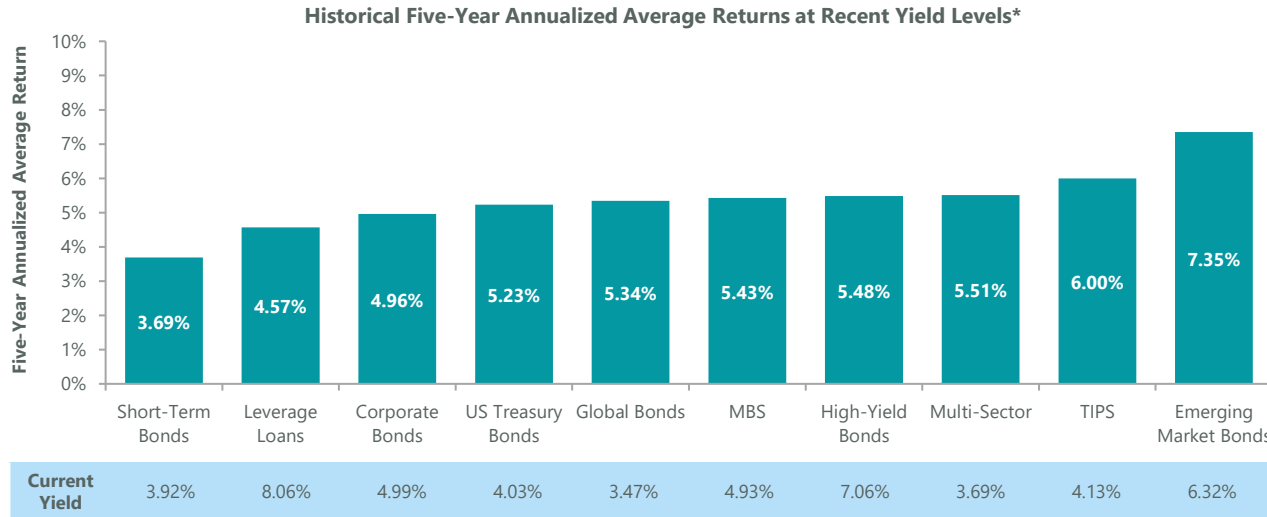
Fixed income securities involve interest rate, credit, inflation and reinvestment risks, and possible loss of principal. As interest rates rise, the value of fixed income securities falls. Low-rated, high-yield bonds are subject to greater price volatility, illiquidity and possibility of default. **Floating-rate loans** and debt securities are typically rated below investment grade and are subject to greater risk of default, which could result in loss of principal. **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**.

Interest Rate Impact by Asset Class



*Total return, assumes a parallel shift in the yield curve. Data as of June 30, 2025. Sources: Bloomberg, ICE, Credit Suisse, S&P, Morningstar Direct. **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.

Recent Yields Offer Attractive Return Potential

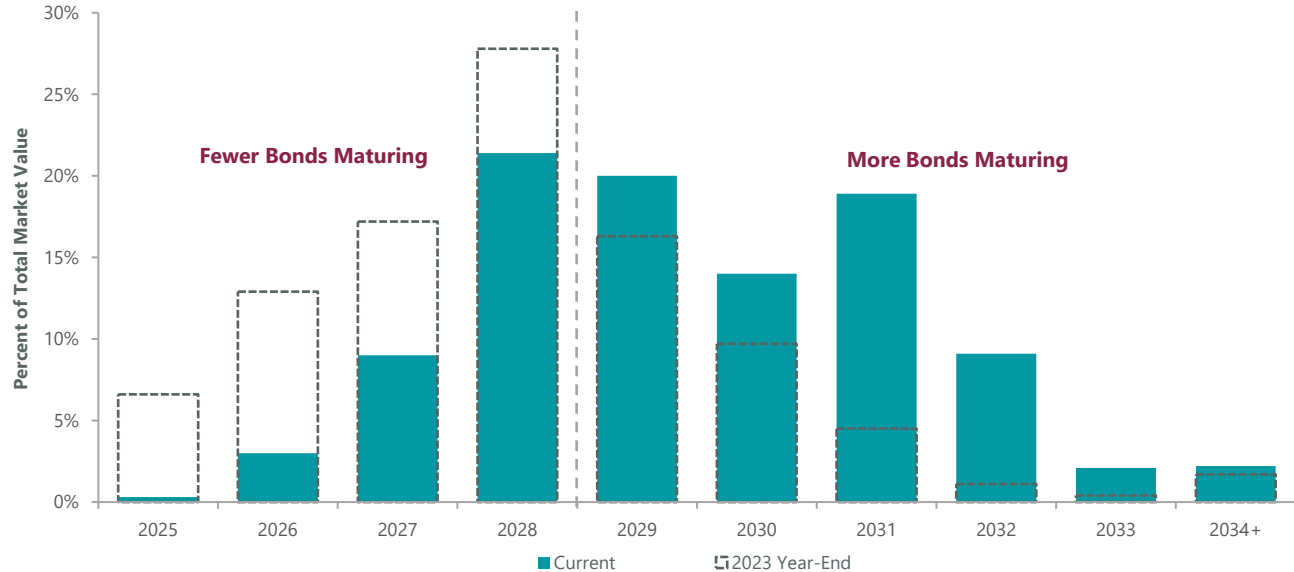


- **Following the strongest tightening cycle in 40 years, bond yields have risen to levels that have historically offered attractive five-year returns.**

*Returns represent the average five-year annualized return between Jan. 29, 1999 and June 30, 2025 when the current yield was within 50 bps on June 30, 2025 for each fixed income sector. Short-Term Bonds: Bloomberg 1-3 Yr US Gov/Credit Total Return Index, Corporate Bonds: US Corporate Total Return Value Unhedged Index, MBS: Bloomberg US MBS Index Total Return Value Unhedged USD, Leverage Loans: Credit Suisse Leveraged Loan Total Return, Global Bonds: Bloomberg Global-Aggregate Total Return Index Value Unhedged USD, U.S. Treasury Bonds: Bloomberg US Treasury Total Return Unhedged USD, Multi-Sector Bonds: Bloomberg Multiverse Total Return Index Value Unhedged USD Index, High Yield Bonds: Bloomberg US Corporate High-Yield Total Return Index Value Unhedged USD Index, TIPS: Bloomberg US Treasury Inflation Notes TR Index Value Unhedged USD, Emerging Market Bonds: Bloomberg EM USD Aggregate Total Return Index Value Unhedged. As of June 30, 2025. Sources: Bloomberg, Credit Suisse. **Past performance does not guarantee future results.** Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges. For illustrative purposes only and not reflective of the performance or portfolio composition of any Franklin Templeton fund.

One Less Brick In The Wall

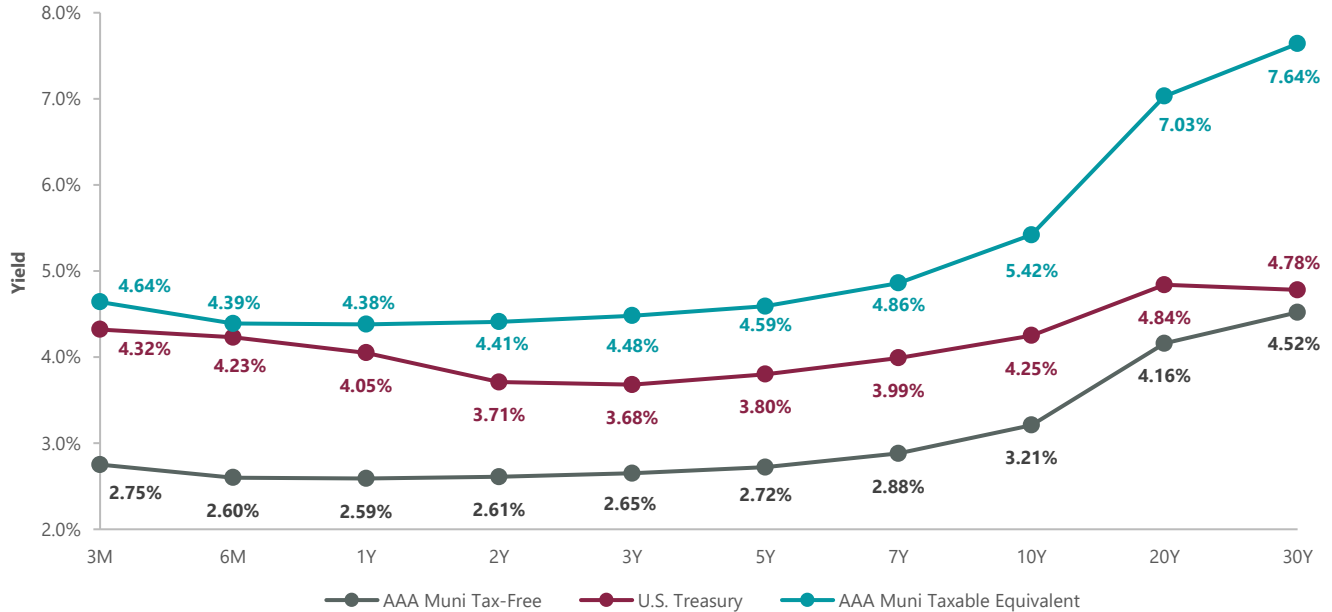
High Yield Debt Maturity Schedule*



- **Companies with sub-investment-grade ratings have taken advantage of ample liquidity in recent years and termed out their debt, meaningfully reducing rollover risk.**

*The chart represents the amount of high-yield debt maturing as a percent of total outstanding high-yield debt by calendar year for the ICE BofA ML U.S. High Yield Index. Maturities shown are from 2024 through 2034+. As of May 31, 2025, latest available as of June 30, 2025. Sources: ICE, Bank of America Merrill Lynch Global Research. Due to rounding, figures may not total 100%. **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.

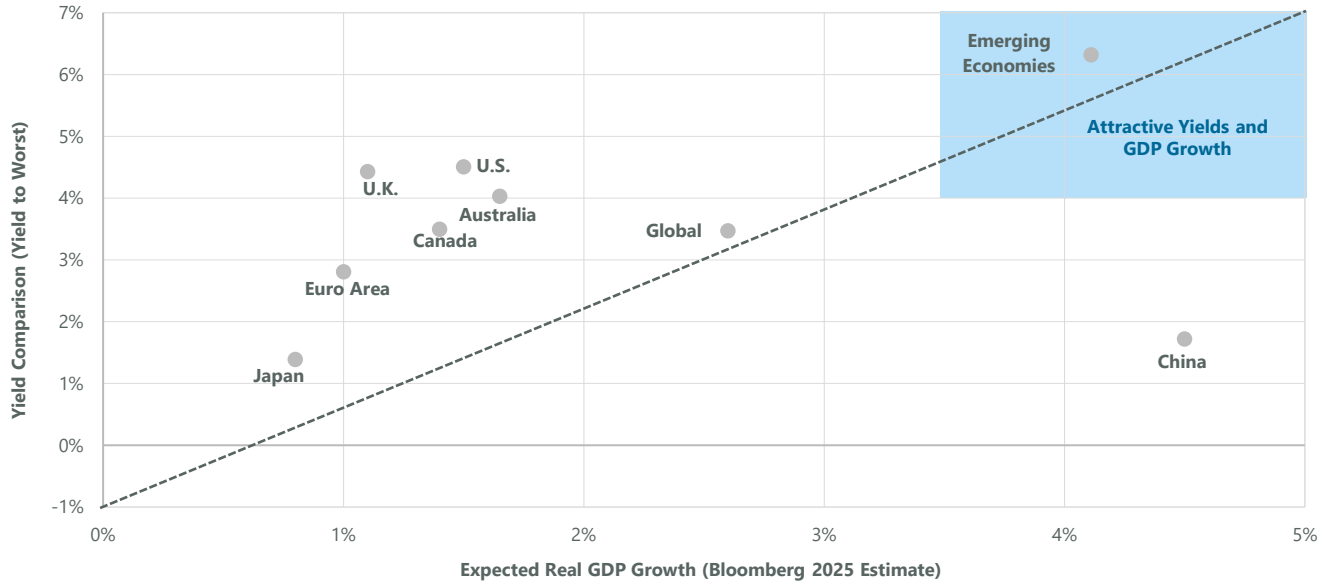
Munis Attractive After Tax



- **With the recent rise in interest rates, high-quality municipal bonds now offer attractive yields on an after-tax basis compared with U.S. Treasuries.**

As of June 30, 2025. Source: Bloomberg. **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.

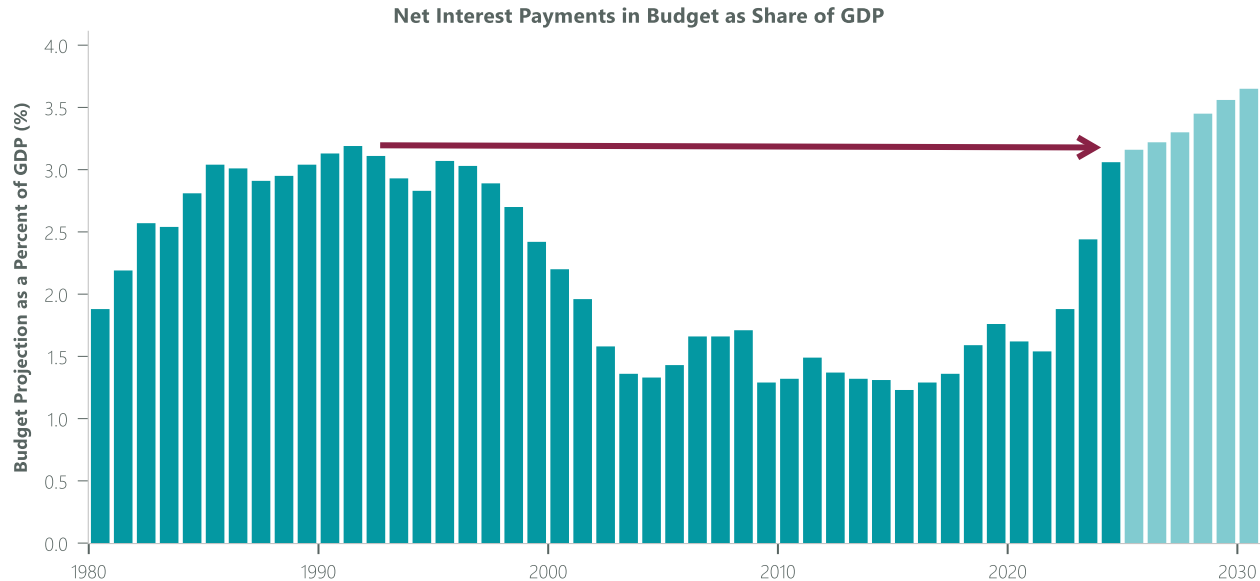
Emerging Markets: A Dual Threat



- ▶ **Consensus estimates call for emerging markets to see strong GDP growth in 2025.**
- ▶ **Emerging markets also currently boast the highest yields globally, a potentially attractive combination for long-term investors.**

As of June 30, 2025. Source: Bloomberg. The Bloomberg 2025 estimate represents the consensus average year-over-year GDP growth. There is no assurance that any estimate, forecast or projection will be realized. **Past performance is not a guarantee of future results.**

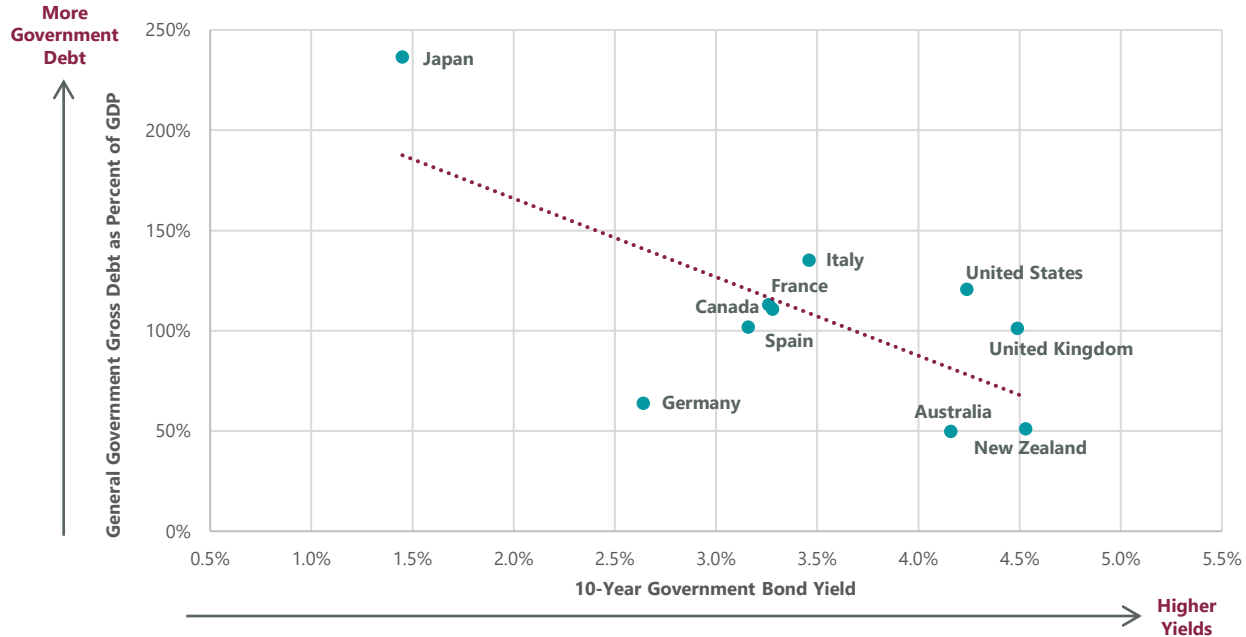
When Will U.S. Debt Be An Issue?



- ▶ **Despite a dramatic increase in government debt outstanding since the Global Financial Crisis (GFC), total debt servicing costs as a percent of GDP declined due to falling rates.**
- ▶ **Current CBO projections show the interest burden returning to early 1990s levels over the next couple of years.**

Data as of Jan. 17, 2025, latest available as of June 30, 2025. Sources: U.S. Congressional Budget Office (CBO), Macrobond. There is no assurance that any estimate, forecast or projection will be realized.

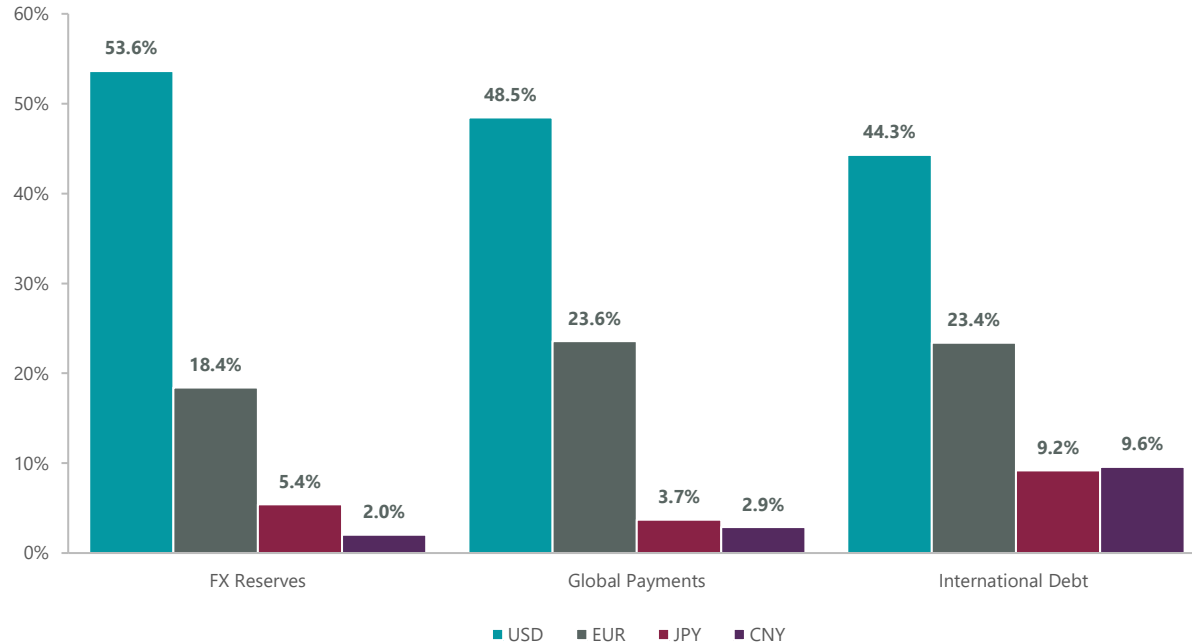
Debt Doesn't Determine Yield



- **Contrary to popular belief, higher government debt loads do not translate to higher yields on long-term government debt.**

Data as of June 30, 2025. Sources: IMF World Economic Outlook Database October 2024, Federal Reserve, Reserve Bank of New Zealand, Macrobond. **Past performance is not a guarantee of future results.**

U.S. Dollar (Still) Dominates



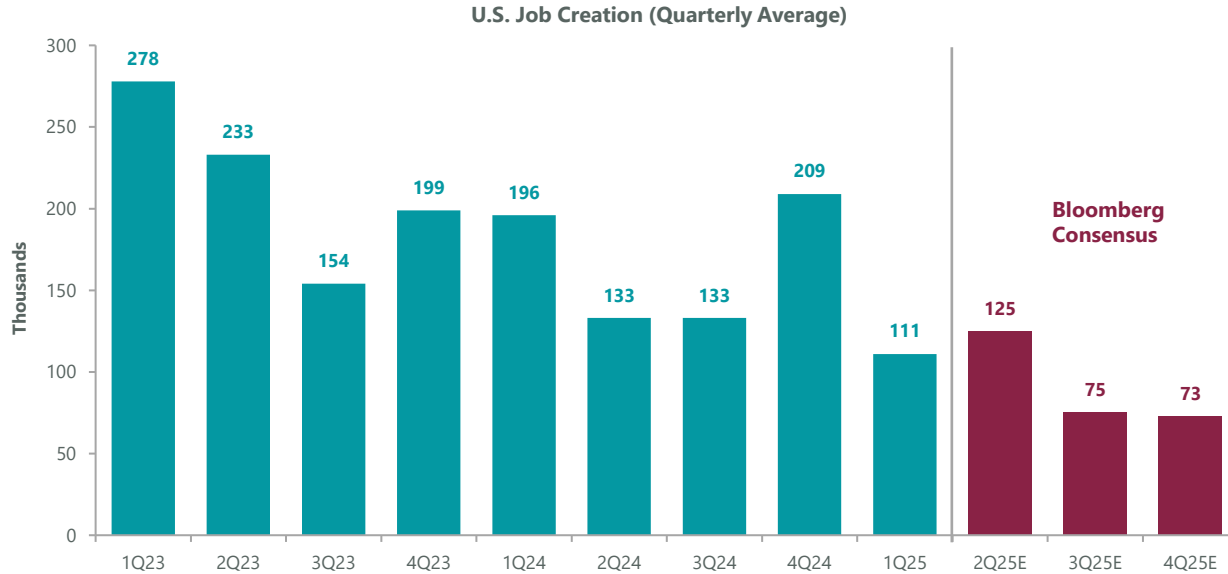
► **The greenback remains firmly entrenched as the world's reserve currency despite recent concerns.**

Fundamentals



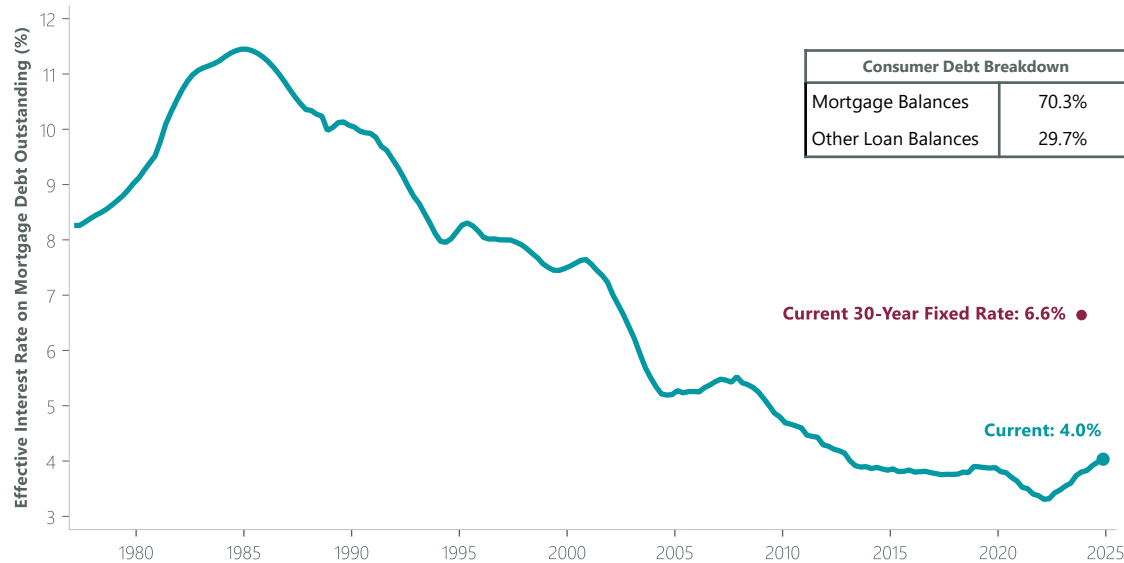
Equity securities are subject to price fluctuation and possible loss of principal. **Small- and mid-cap stocks** involve greater risks and volatility than large-cap stocks. **Large-capitalization** companies may fall out of favor with investors based on market and economic conditions. **Active management** does not ensure gains or protect against market declines. **Diversification** does not guarantee a profit or protect against a loss.

Labor Slowdown Ongoing



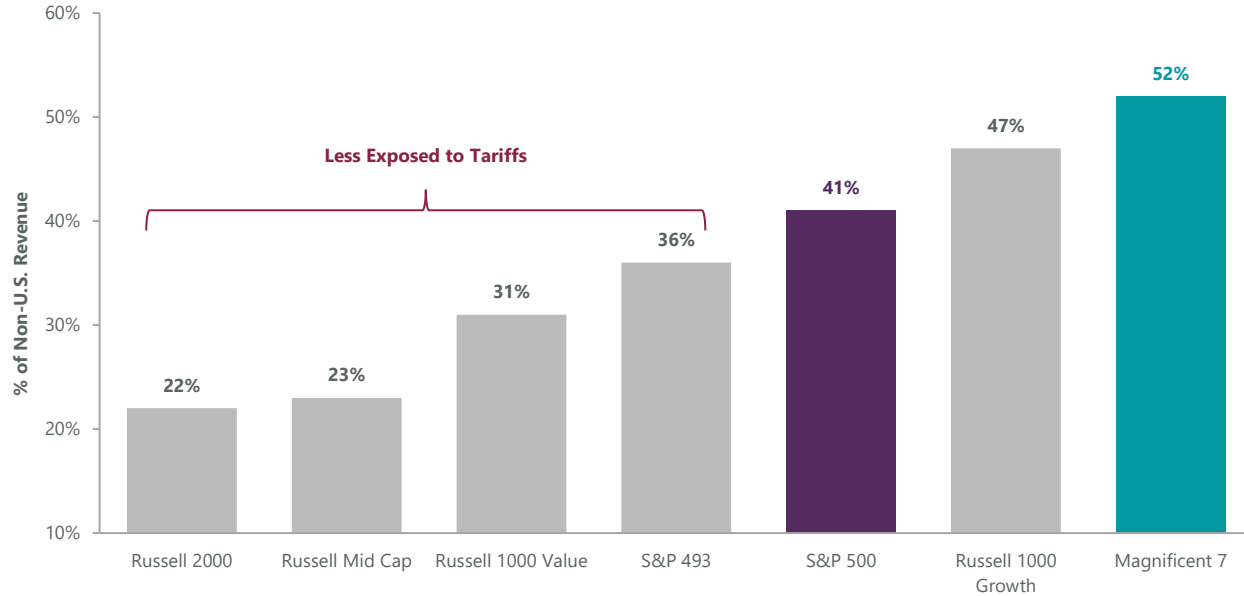
- ▶ **Job creation has steadily slowed over the past few years, a trend that economists expect to continue in 2H25.**
- ▶ **Although the labor market has shifted into a lower gear, this is typically witnessed as the economic cycle matures.**

Consumers Are Locked In



- ▶ **The U.S. consumer has become less interest rate sensitive since the GFC when ultra low rates encouraged greater utilization of fixed rate mortgages over floating. Mortgage debt accounts for over two-thirds of U.S. consumer borrowing.**
- ▶ **While the current 30-year fixed rate mortgage is nearly 7%, the average rate Americans are paying is just 4.0%.**

Mag7 Soft Spot?



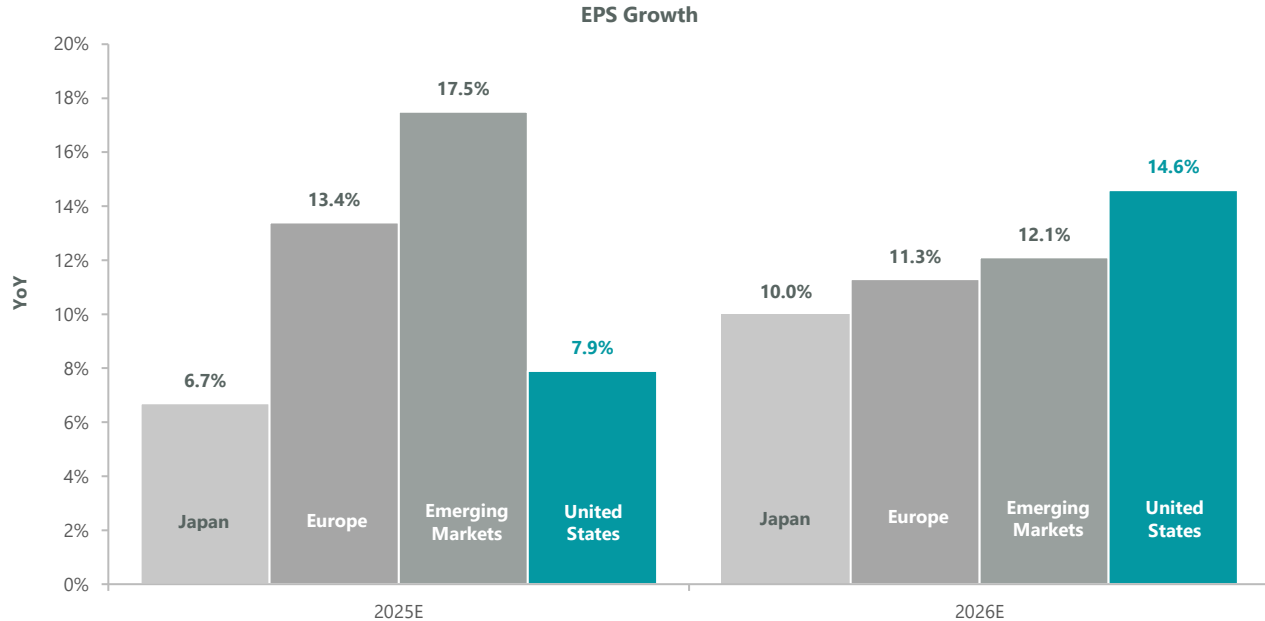
- ▶ **The Magnificent 7 stocks derive a substantially larger portion of their revenues from outside of the United States, making them more exposed to the risks from a trade war**

Largest Stocks Distorting Valuations



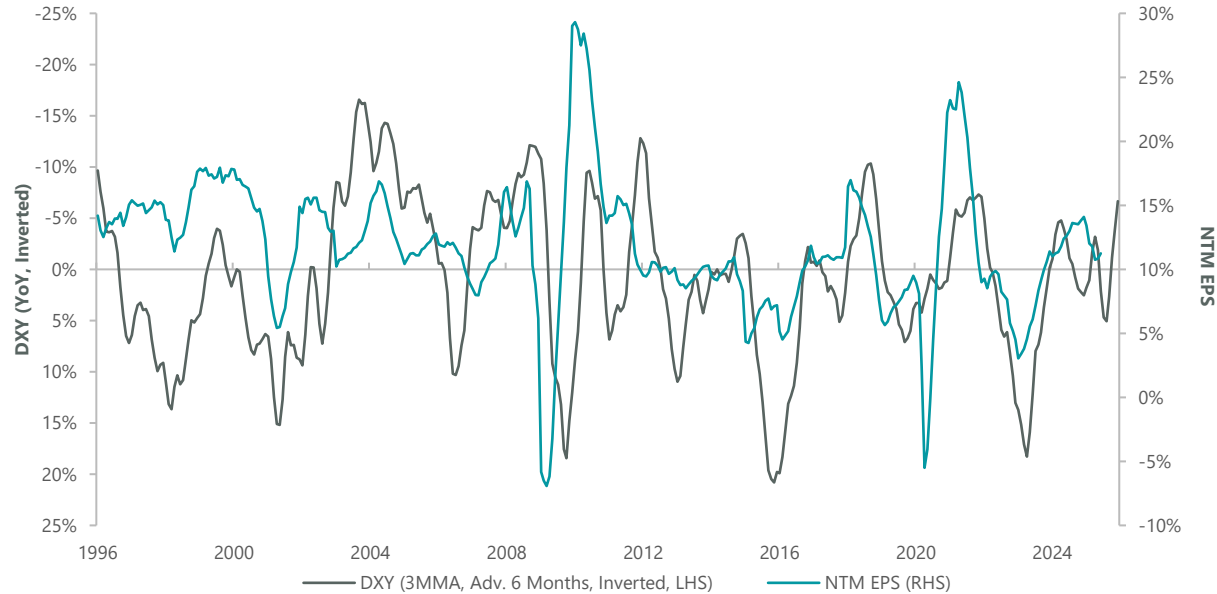
- ▶ **The largest stocks in the S&P 500 trade at a significant premium to the rest of the benchmark (other 490).**

The EPS Advantage



- ▶ **Although the U.S. has stumbled from its leading earnings growth position in 2025, consensus expects the U.S. to retake the lead again next year.**

Weaker Dollar, Stronger EPS



- ▶ **The U.S. dollar has historically foreshadowed earnings trends (in the opposite direction) by six months.**
- ▶ **Recent dollar weakness should help support solid EPS growth in 2H25.**

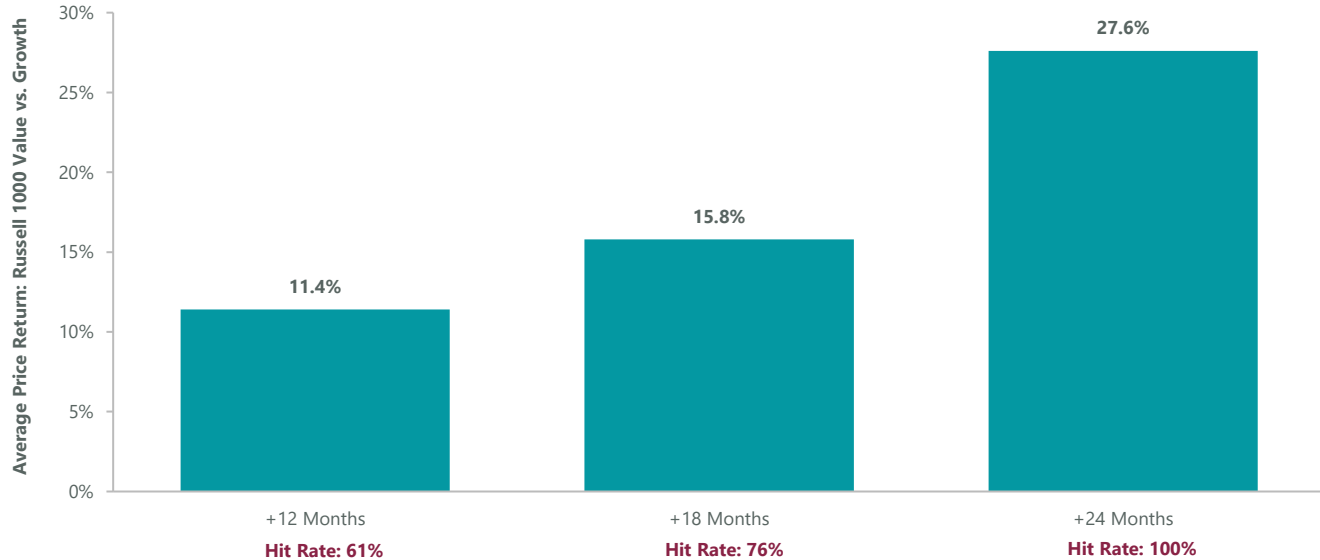
Market Leadership



Equity securities are subject to price fluctuation and possible loss of principal. **Small- and mid-cap stocks** involve greater risks and volatility than large-cap stocks. **Large-capitalization** companies may fall out of favor with investors based on market and economic conditions. **Active management** does not ensure gains or protect against market declines. **Diversification** does not guarantee a profit or protect against a loss.

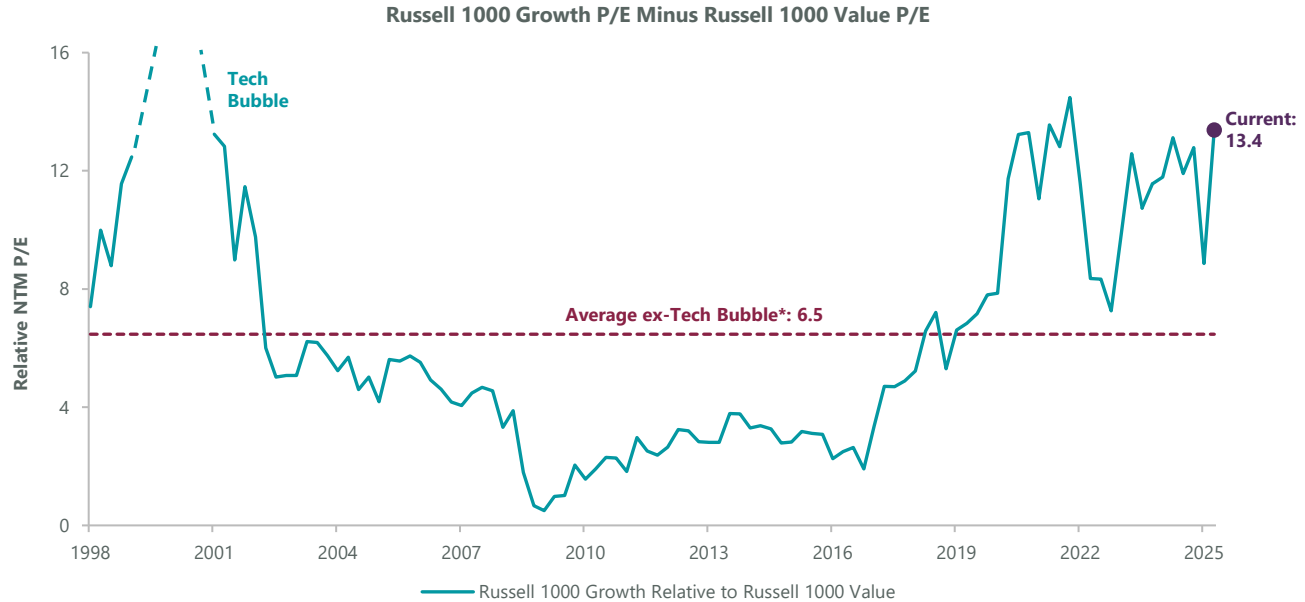
Value, Down But Not Out

Relative Return of Value vs. Growth Following -25% 12-Month Value Underperformance



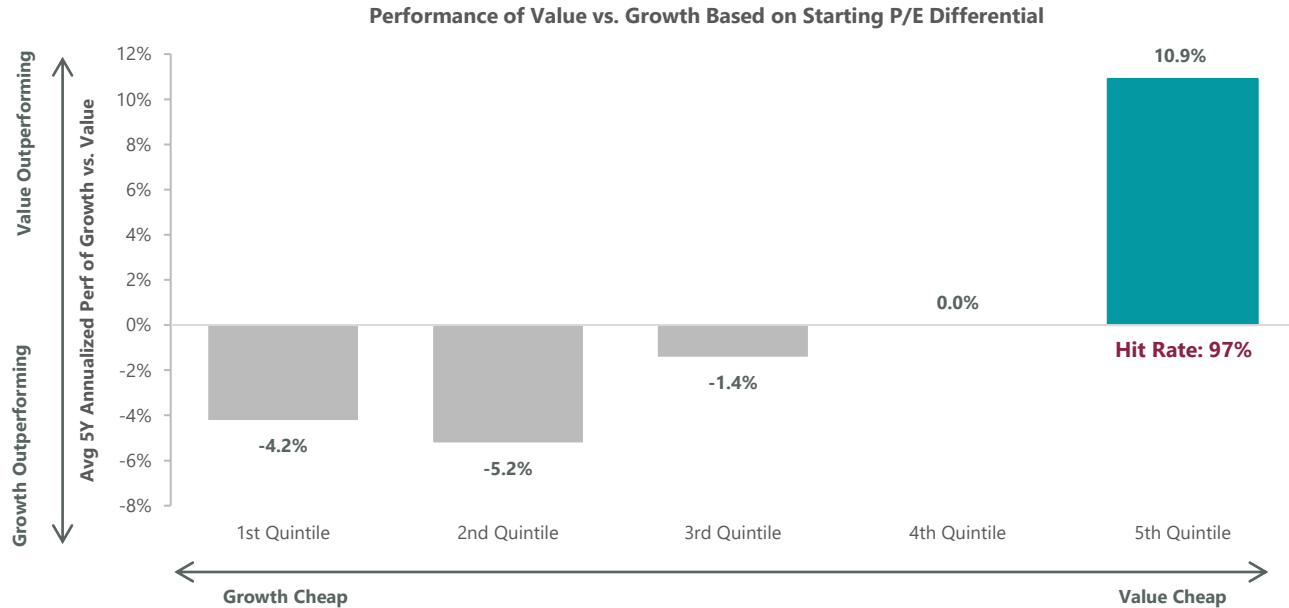
- **Value has historically recovered following periods of sizeable (-25%) underperformance vs. Growth. This threshold was triggered during 1Q25.**

Value Not Yet Expensive



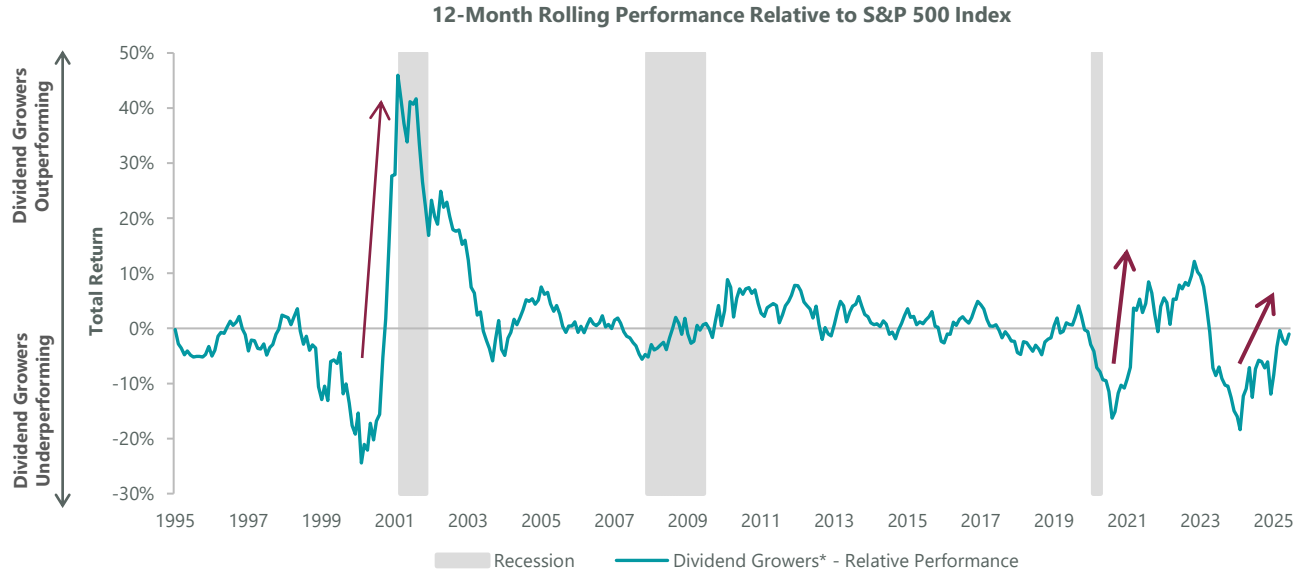
- **Value vs. Growth leadership and valuation have been in a tug-of-war over the past several years, with Value regaining the upper hand in 2Q25.**

The Value Proposition



- **Value has historically outperformed Growth by a healthy margin when the valuation gap (P/E differential) has reached the 5th quintile, as was the case in 2Q25.**

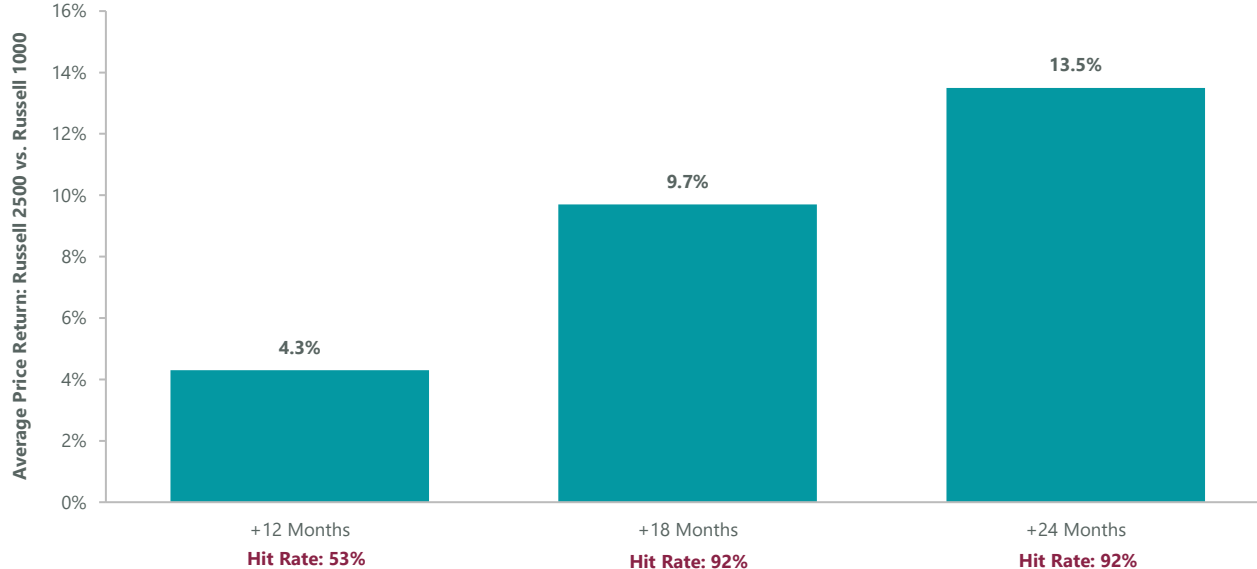
Dividend Growers Gaining



- ▶ **Over the past year, dividend growers have largely closed the gap following a period of historically large underperformance relative to the S&P 500.**
- ▶ **Following similar periods such as the late 1990s and early 2020s, dividend growers went on to outperform the S&P 500 in subsequent year(s).**

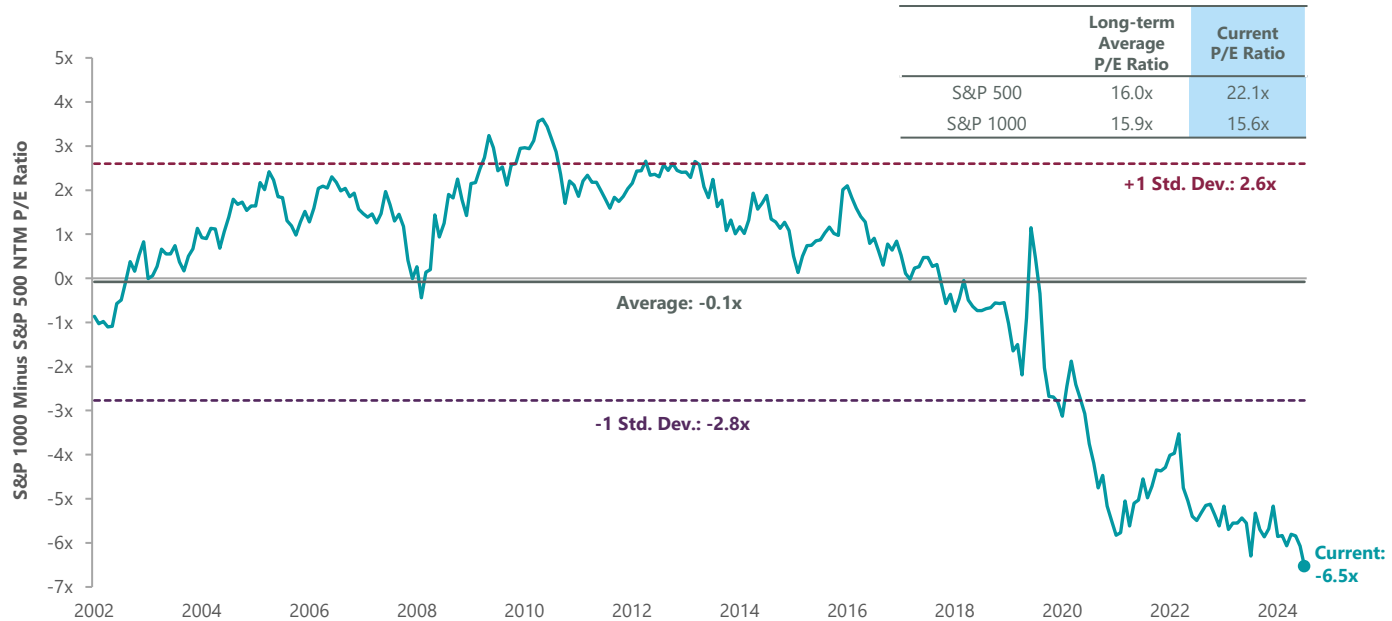
SMID-Cap Snapback

Relative Return of SMID vs. Large Following -15% 12-Month Underperformance



- **Small- and mid-cap (SMID) stocks have historically recovered following periods of sizeable (~15%) underperformance vs. large-cap stocks. This threshold was triggered during 2H24.**

SMID Caps on Sale



- ▶ **Small- and mid-cap stocks have historically traded at similar multiples to large.**
- ▶ **With large caps leading since the pandemic, the valuation discount for small and mid is near the widest in over two decades.**

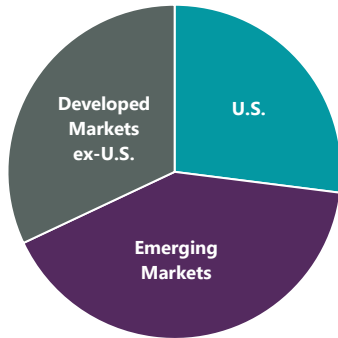
Non-U.S.



Home-Country Bias

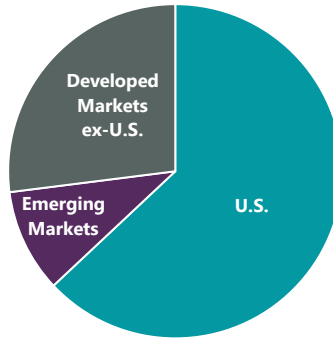
Investors Tend to Over-Allocate to Their Home Country

% GDP



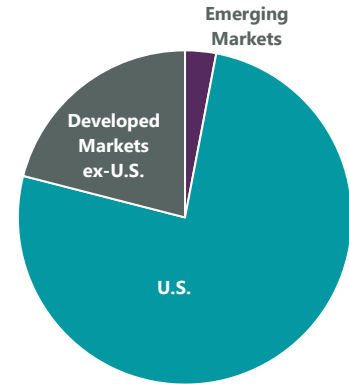
The U.S. represents 26% of global GDP

% Market Cap



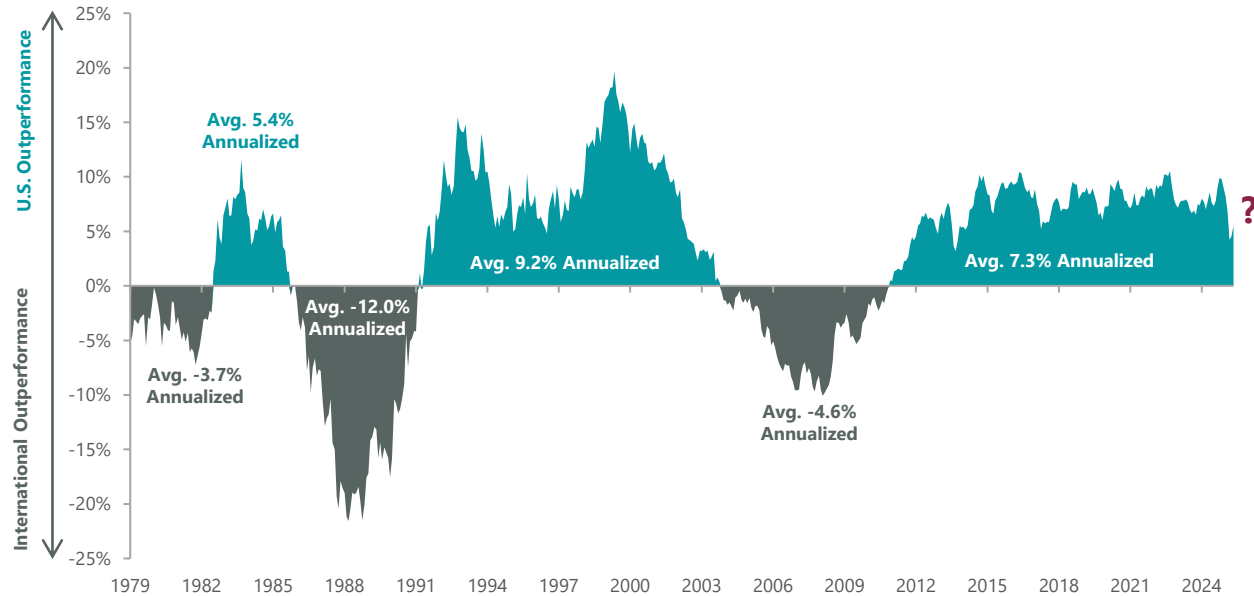
The U.S. represents 63% of global market cap

% Assets



The U.S. represents 76% of U.S. investor portfolios



















































Global Leadership Cycles



- ▶ History shows the geographic leadership tends to persist for longer than investors appreciate.
- ▶ The United States has been in the driver's seat since the Global Financial Crisis, although a turning point may be near.

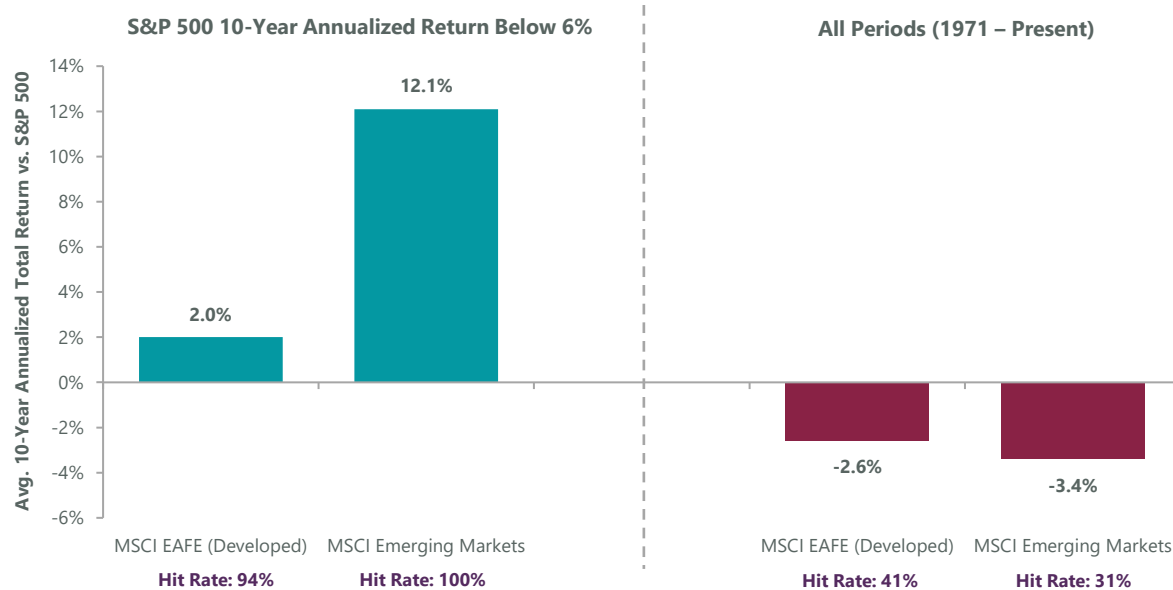
Leadership Rarely Persists

Top 10 Companies by Market Value at Decade End

1980	1990	2000	2010	2020
 IBM	 NTT	 Microsoft	 Exxon	 Apple
 AT&T	 Bank of Tokyo	 GE	 PetroChina	 Microsoft
 Exxon	 Industrial Bank of Japan	 NTT Docomo	 Apple	 Alphabet
 Standard Oil	 Sumitomi Mitsui	 Cisco	 BHP Billiton	 Amazon
 Schlumberger	 Toyota	 Walmart	 Microsoft	 Facebook
 Shell Oil	 Fuji Bank	 Intel	 ICBC	 Alibaba
 Mobil	 Dai-Ichi Kangyo Bank	 NTT	 Petrobras	 Berkshire Hathaway
 Eastman Kodak	 IBM	 Exxon	 China Construct. Bank	 Tencent
 Atlantic Richfield	 UFJ Bank	 Lucent	 Royal Dutch Shell	 JPMorgan
 GE	 Exxon	 Deutsche Telecom	 Nestle	 Visa

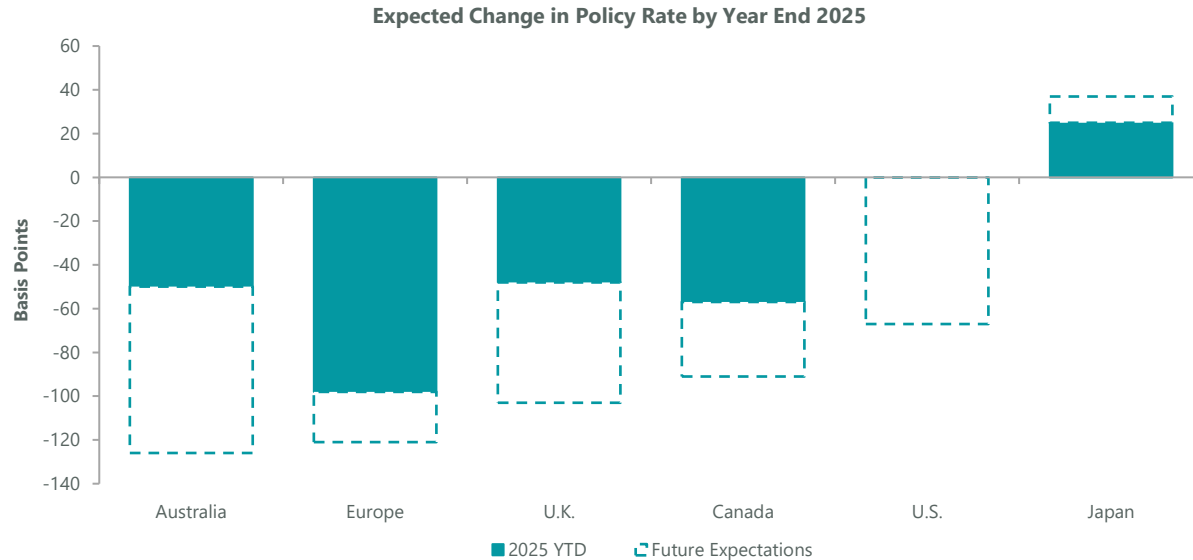
- ▶ **The largest companies in the world have rarely held onto their leadership position for prolonged periods in the past.**
- ▶ **With U.S. companies currently dominating the list, history suggests the potential for a stronger international showing in the coming decade.**

Diversification Matters



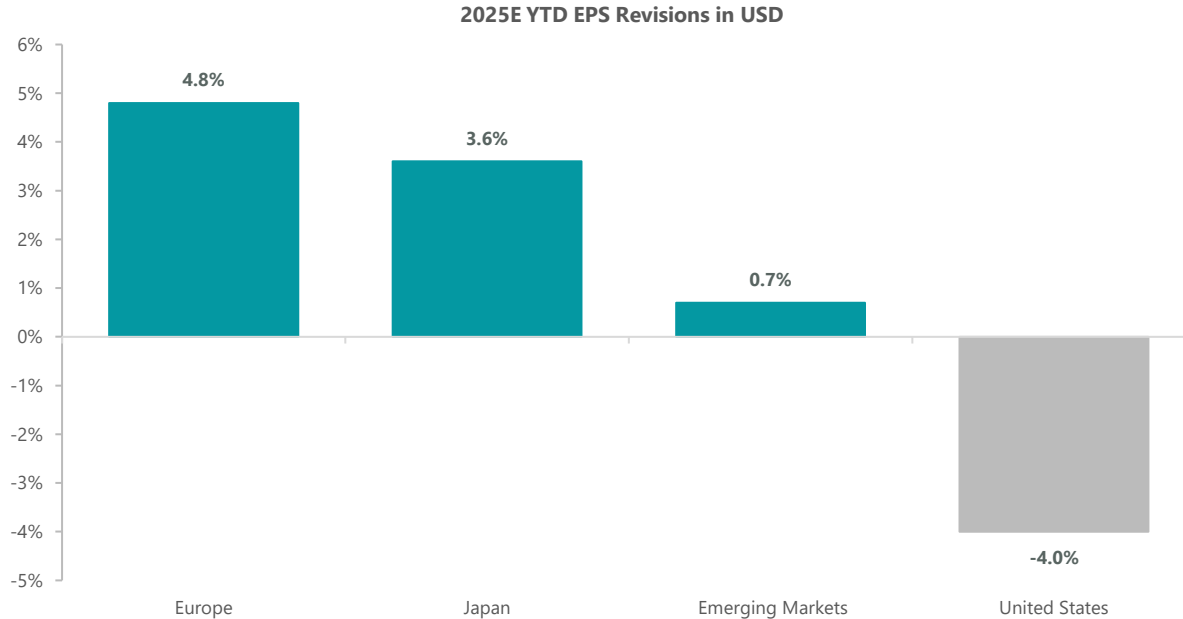
- ▶ Although the U.S. has outperformed international equities historically, investors have been rewarded for holding non-U.S. stocks during periods of softer U.S. performance.

Will the Fed Catch Up?



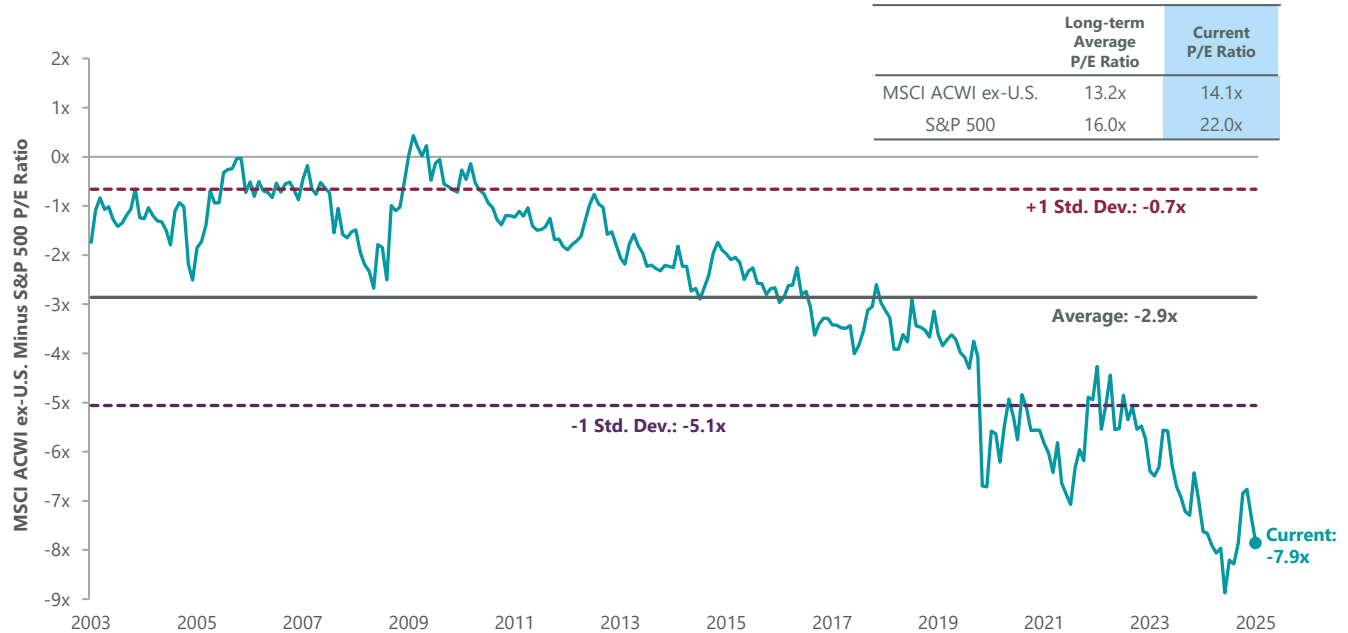
- ▶ **Most major central banks have continued to cut rates in 2025, while the Federal Reserve has paused.**
- ▶ **Central banks globally, including the Fed, are expected to cut rates meaningfully in 2H25, although Japan remains an exception.**

EPS Revisions Favor Non-U.S. Equities



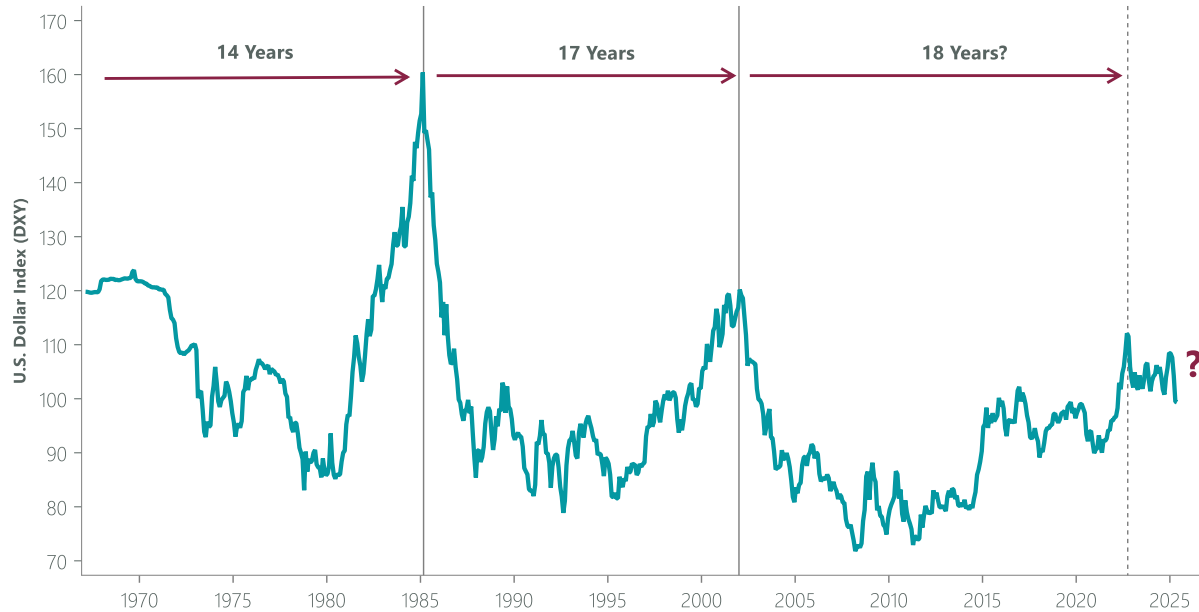
► **Earnings expectations for non-U.S. equities have materially improved in the first half of 2025 while expectations for the U.S. have slipped.**

Global Valuations Attractive



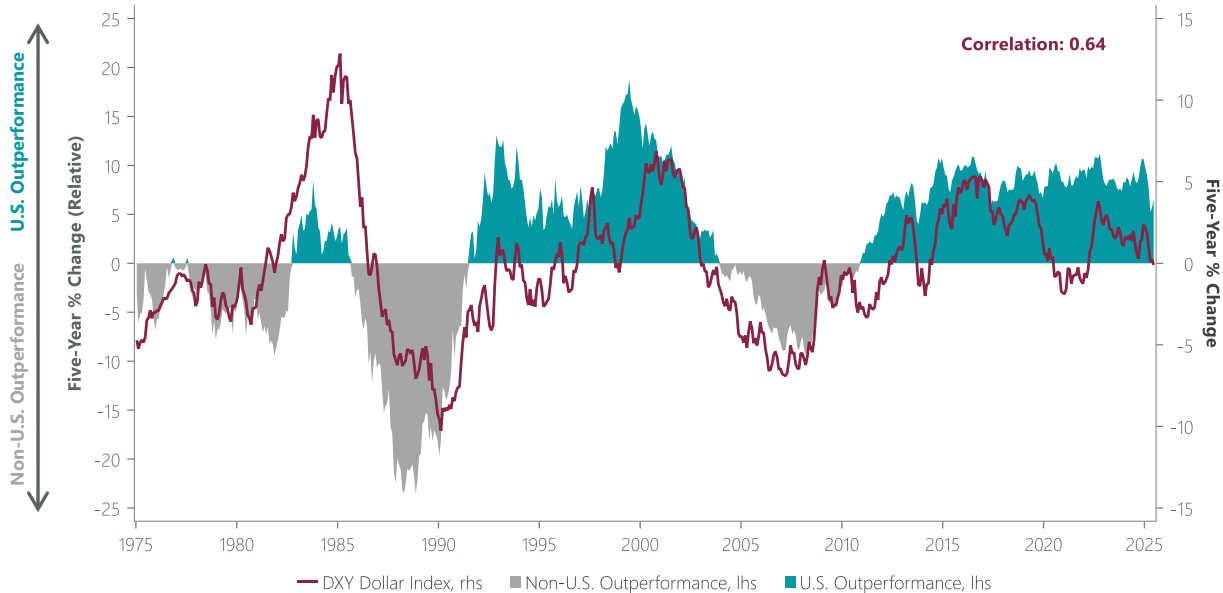
► International equities remain cheap relative to U.S. stocks even after outperforming in 1H25.

U.S. Dollar Cycle



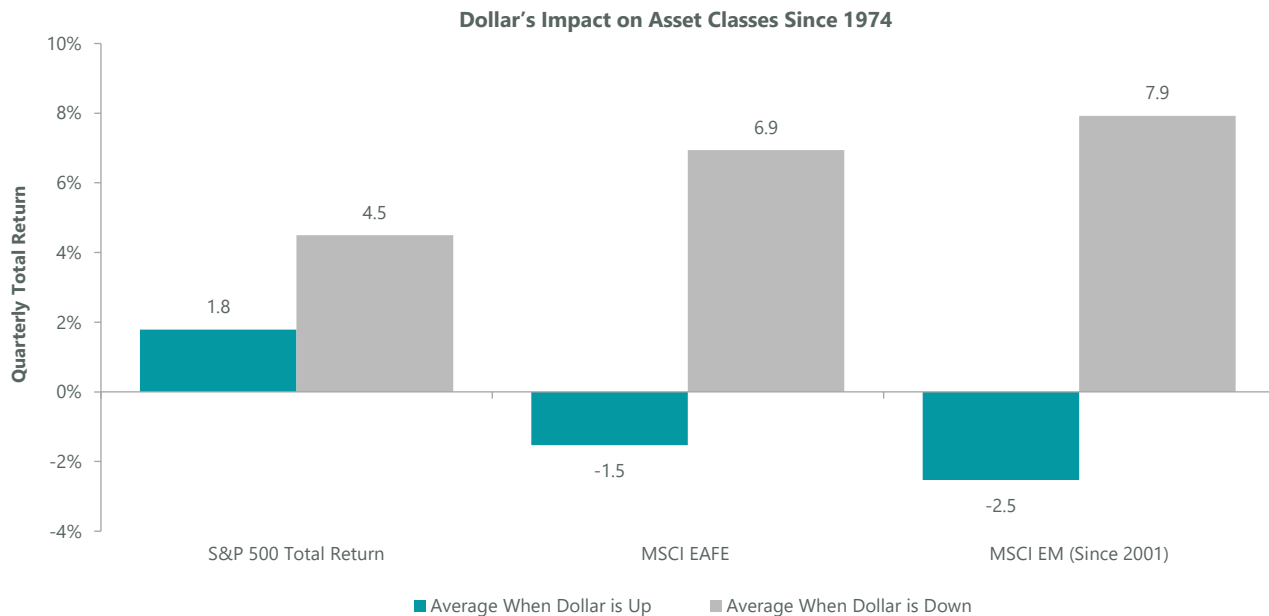
- **U.S. dollar cycles have historically lasted ~16 years with a potential inflection point having been reached in 2022.**

Regional Leadership Tethered To The Dollar



- ▶ History shows that geographic leadership is more closely tied to currency moves than investors appreciate.
- ▶ Recent dollar weakness suggests a turning point may be near.

Weaker Dollar Supercharges Non-U.S. Stocks



► **International equities have tended to outperform during periods of dollar weakness.**

Investor Pitfalls



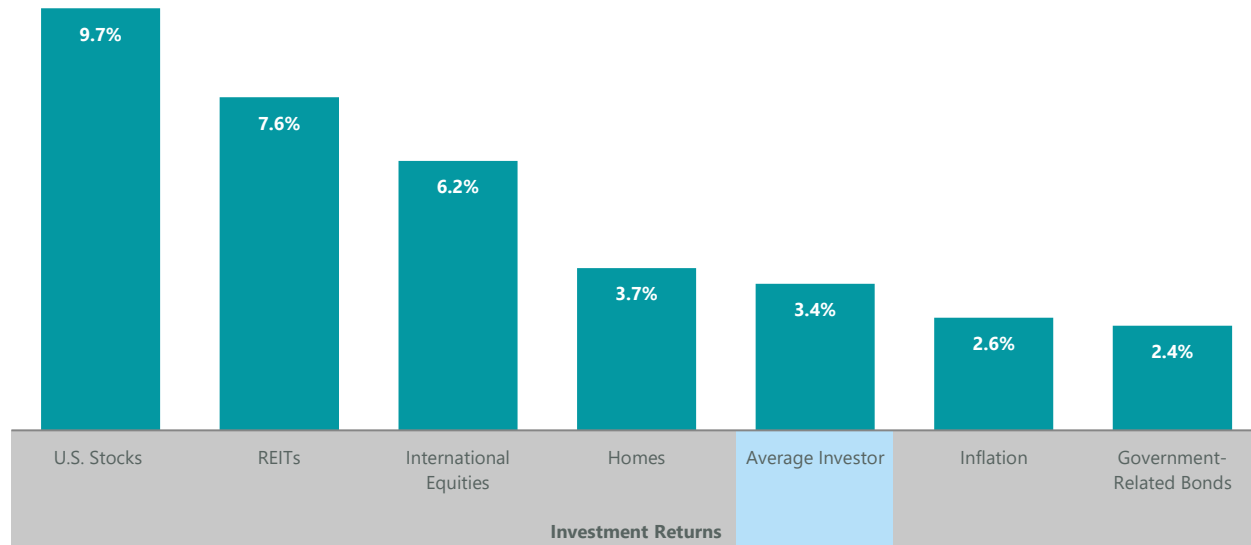
Panic Attacks and the S&P 500

Year	Panic Attacks	S&P 500 Max Drawdown	Cumulative S&P 500 Price Return*
1999	Y2K	-12.1%	378.5%
2000	Tech Bubble Bursts	-17.2%	300.3%
2001	September 11th, 2001 Recession	-29.7%	345.5%
2002	Final Tech Bubble Flush, Corporate Scandals (Worldcom)	-33.8%	412.3%
2003	Iraq War	-14.1%	568.5%
2004	Oil Price Breakout	-8.2%	429.0%
2005	Hurricane Katrina	-7.2%	385.3%
2006	Fed Culminates Hiking Cycle	-7.7%	371.2%
2007	Subprime Cracks Emerge	-10.1%	314.7%
2008	Global Financial Crisis, Bank Failures, Auto Bailouts	-48.8%	300.6%
2009	Global Financial Crisis Culminates	-27.6%	551.2%
2010	European Debt Crisis, Flash Crash	-16.0%	427.5%
2011	S&P Downgrades U.S. Debt, Greek Debt Writedowns	-19.4%	367.7%
2012	Euro Crisis, 2nd Greek Bailout	-9.9%	367.7%
2013	Taper Tantrum	-5.8%	312.4%
2014	Ebola	-7.4%	218.2%
2015	Chinese Slowdown, Yuan Devaluation, Deflation Scare	-12.4%	185.7%
2016	Brexit, Global Negative Rates	-10.5%	187.8%
2017	North Korea Tensions Escalate	-2.8%	162.7%
2018	Trade Wars, Short Vol Unwind	-19.8%	120.0%
2019	Repo Crisis, Yield Curve Inversion	-6.8%	134.6%
2020	COVID-19 Pandemic	-33.9%	82.0%
2021	COVID Variants, Chinese Regulatory Crackdown	-5.2%	56.6%
2022	Russian Invasion of Ukraine, Fed's Hawkish Pivot	-25.4%	23.4%
2023	Regional Bank Crisis, Debt Ceiling Drama	-10.3%	53.2%
2024	Inflation Scare, Sahm Rule Triggered	-8.5%	23.3%

*Cumulative S&P 500 price return is calculated from day prior to the new year (ex. 1999 looks at Dec. 31, 1998) to present. Data as of Dec. 31, 2024. Sources: Bloomberg, Federal Reserve, 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.

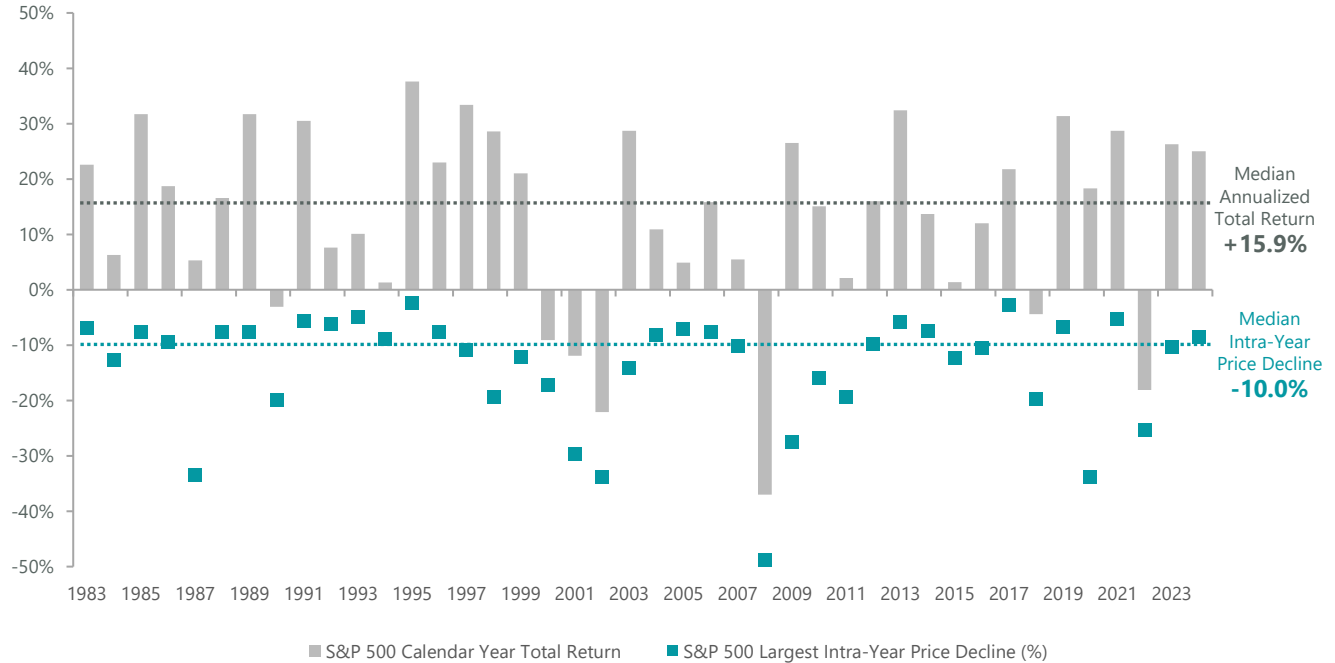
Don't Fall Victim to Panic Attacks

20 Years Annualized Returns (2004-2023)

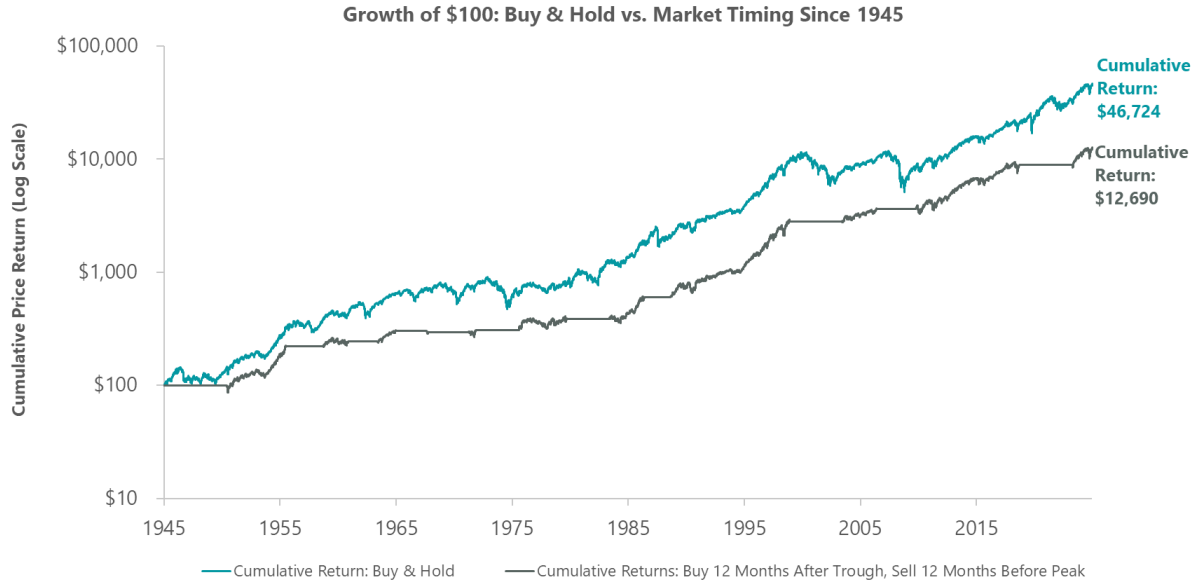


Source: Bloomberg, Dec. 31, 2023. Average asset allocation investor return is based on an analysis by DALBAR, Inc., which utilizes the net of aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior. Indices shown are as follows: REITs are represented by the NAREIT Equity REIT Index, U.S. Stocks are represented by the S&P 500 Index, International Equities are represented by the MSCI EAFE Index, Government-Related Bonds are represented by the Bloomberg Global Aggregate TR Index, Homes are represented by U.S. existing home sales median price, Inflation is represented by the Consumer Price Index. Indices are unmanaged and cannot be purchased directly by investors. Index performance is shown for illustrative purposes only and does not predict or depict the performance of any investment. **Past performance is no guarantee of future results.** Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Volatility Not a Financial Loss Unless You Sell

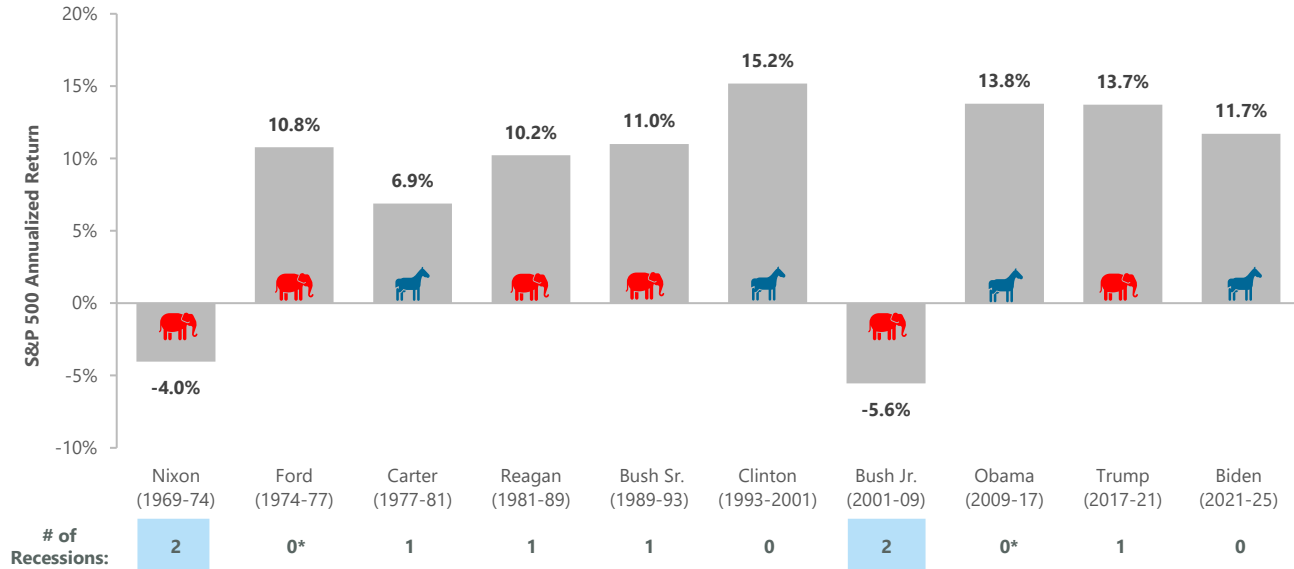


Can You Time the Market?



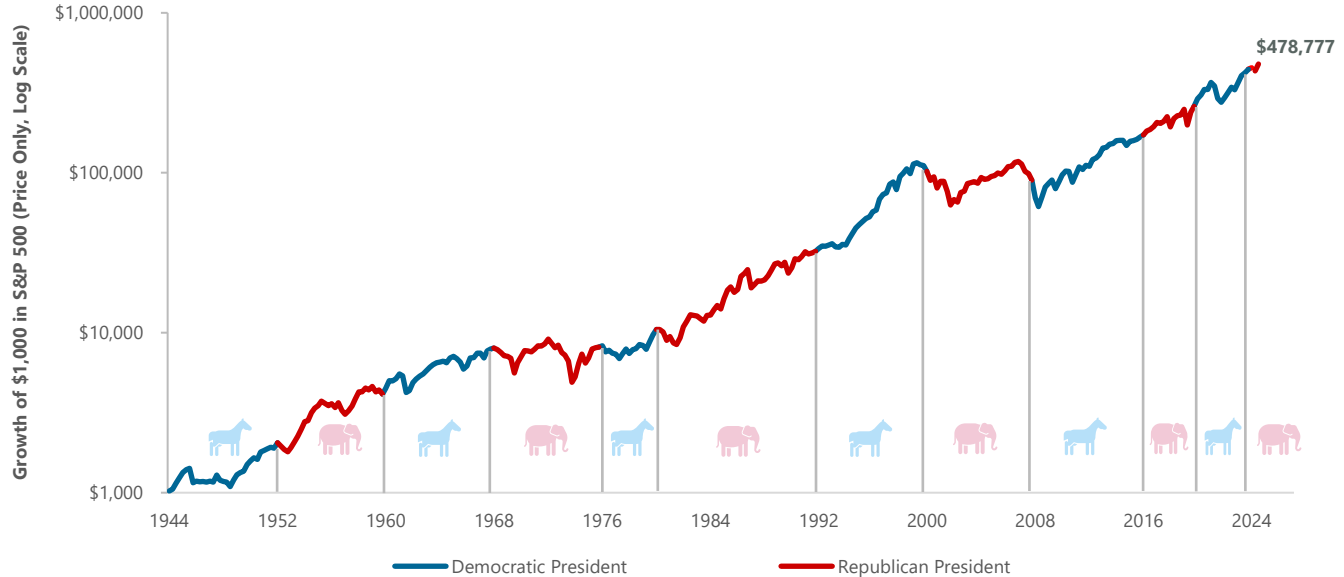
- ▶ **Since 1945, an investor that consistently sold 12 months prior to a market peak and bought back 12 months after the trough was worse off overall than a buy-and-hold investor.**

"It's the Economy..."



- ▶ **Historically, the U.S. equity market has performed well under both Democratic and Republican administrations.**
- ▶ **The only two presidents who witnessed negative stock market performance during their terms had the misfortune of being bookended by recessions.**

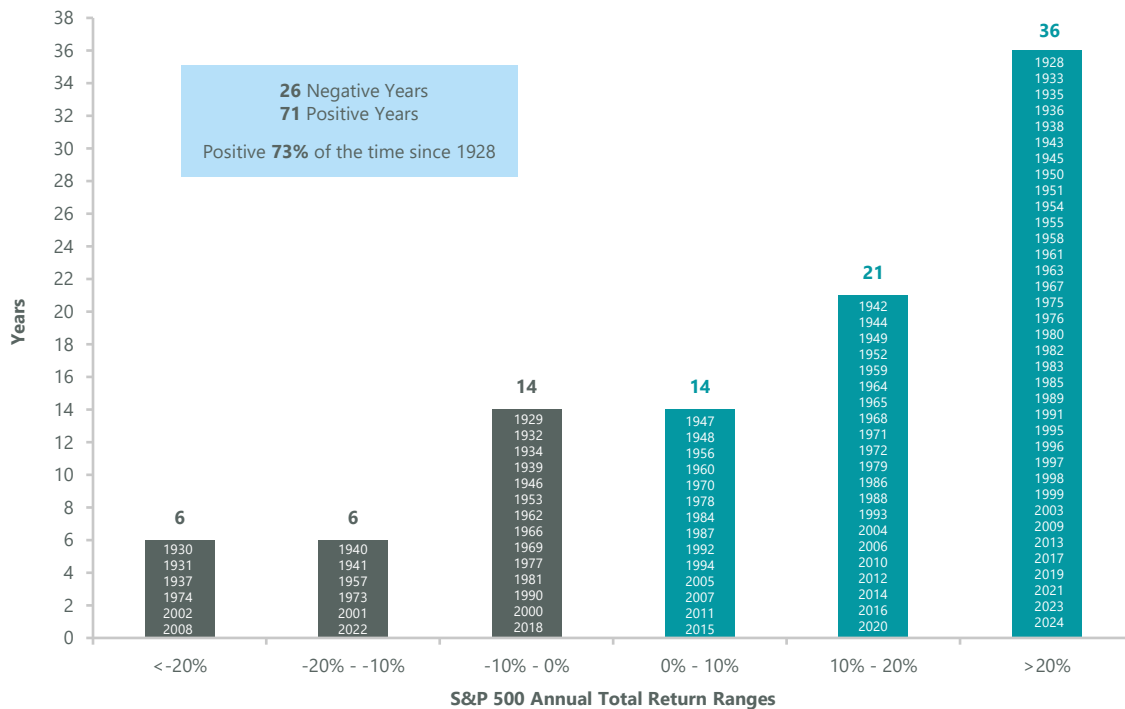
Don't Mix Politics and Investing



► **Historically, the equity market has moved higher irrespective of which party occupies the Oval Office.**

Market Annual Returns

Distribution of S&P 500 Total Returns Since 1928



Glossary of Terms

BEA: Bureau of Economic Analysis

Bloomberg US Aggregate Bond Index: an unmanaged index of U.S. investment-grade fixed-income securities.

Bloomberg US Corporate Investment Grade Bond Index: an unmanaged index of U.S. investment-grade corporate bond securities.

Bloomberg Global Aggregate Total Return Index: measure of global investment grade debt from a multitude of local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

CPI (Consumer Price Index): measure of the average change in U.S. consumer prices over time in a fixed market basket of goods and services as determined by U.S. Bureau of Labor Statistics.

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

Fed (Federal Reserve Board): the U.S. central bank, responsible for policies designed to promote full economic growth, full employment, and price stability.

GDP: Gross Domestic Product

GFC (Global Financial Crisis): the severe economic and market downturn experienced in 2007-2008.

Hit Rate: Metric that measures the percentage of successful outcomes relative to the total number of opportunities.

Home Sales Median Price: measures the price at which half of existing homes sold for more and half sold for less.

MSCI All Country Asia Index: unmanaged index of large and mid cap stocks across Developed Markets countries and Emerging Markets countries in Asia.

MSCI EM Index: unmanaged index of large- and mid-cap stocks in 27 emerging market countries.

MSCI Europe Index: unmanaged index of large- and mid-cap stocks across 15 Developed Markets (DM) countries in Europe.

MSCI EAFE Index: unmanaged index of equity securities from developed countries in Western Europe, the Far East, and Australasia.

MSCI Germany Index: unmanaged index of large- and mid-cap stocks across the German market.

MSCI Japan Index: unmanaged index of large- and mid-cap stocks across the Japanese market.

MSCI UK Index: unmanaged index of large- and mid-cap stocks across the UK market.

MSCI USA Index: unmanaged index of US large- and mid-cap equity securities.

NAREIT All-Equity REITS Total Return Index: free-float-adjusted market capitalization weighted index that includes all tax qualified REITS listed in the NYSE, AMEX and NASDAQ National Markets.

NFIB (National Federation of Independent Business): a U.S. small business advocacy association, representing over 350,000 small and independent business owners.

NFIB Small Business Optimism Index: measure of small business sentiment produced by the National Federation of Independent Business based on its monthly survey of small business owners.

P/E Ratio: Price/Earnings ratio

PMI: Purchasing Manager's Index

Glossary of Terms (continued)

Russell 1000 Index: a subset of the Russell 3000 Index that includes approximately 1,000 of the largest companies in the U.S. equity universe.

Russell 1000 Growth Index: unmanaged index of large-cap stocks chosen for their growth orientation.

Russell 1000 Value Index: unmanaged index of large-cap stocks chosen for their value orientation.

Russell 2000 Index: unmanaged index of small-cap stocks.

Russell 2000 Growth Index: unmanaged index of small-cap stocks chosen for their growth orientation.

Russell 2000 Value Index: unmanaged index of small-cap stocks chosen for their value orientation.

Russell Mid Cap Index: unmanaged index consisting of the 800 smallest companies in the Russell 1000 Index.

Russell Mid Cap Growth Index: unmanaged index of mid-capitalization U.S. equities that exhibit growth characteristics.

Russell Mid Cap Value Index: unmanaged index of mid-capitalization U.S. equities that exhibit value characteristics.

Sahm Rule: The Sahm Rule identifies signals related to the start of a recession when the three-month moving average of the national unemployment rate (U3) rises by 0.50 percentage points or more relative to its low during the previous 12 months.

S&P MidCap 400 Index: unmanaged index of 400 US mid-cap stocks.

S&P 400 Growth Index: unmanaged index of mid-cap stocks having higher price-to-book ratios relative to the S&P 400 MidCap as a whole.

S&P 400 Value Index: unmanaged index of mid-cap stocks having lower price-to-book ratios relative to the S&P 400 MidCap as a whole.

S&P 500 Growth Index: unmanaged index of large-cap stocks selected based on sales growth, the ratio of earnings change to price and momentum.

S&P 500 Value Index: unmanaged index of large-cap stocks selected based on the ratios of book value, earnings, and sales to price.

S&P 600 Index: unmanaged index of 600 US small-cap stocks

S&P 600 Growth Index: unmanaged index of US small-cap growth stocks, selected based on sales growth, the ratio of earnings change to price, and momentum.

S&P 600 Value Index: unmanaged index of US small-cap value stocks, selected based on ratios of book value, earnings, and sales to price.

S&P 500 Index: Unmanaged index of 500 stocks that is generally representative of the performance of larger companies in the U.S.



Yield Curve: Comparison of interest rates at a point in time of bonds with equal credit quality but different maturity dates.

YoY: Year Over Year

U.S. Treasuries: Direct debt obligations issued and backed by the "full faith and credit" of the U.S. government. The U.S. government guarantees the principal and interest payments on U.S. Treasuries when the securities are held to maturity. Unlike U.S. Treasury securities, debt securities issued by the federal agencies and instrumentalities and related investments may or may not be backed by the full faith and credit of the U.S. government. Even when the U.S. government guarantees principal and interest payments on securities, this guarantee does not apply to losses resulting from declines in the market value of these securities.

Biographies

The Anatomy of a Recession

Name and Position	Industry Experience	ClearBridge Tenure	Education, Experience and Professional Designations
 Josh Jamner CFA Director, Senior Investment Strategy Analyst	16 years	<ul style="list-style-type: none"> • Joined ClearBridge in 2017 	<ul style="list-style-type: none"> • Member of the CFA Institute • RBC Capital Markets - Assistant Vice President, Associate Strategist - U.S. Equity • Bessemer Trust - Assistant Vice President, Client Portfolio Analyst • BA in Government from Colby College
 Jeffrey Schulze CFA Managing Director, Head of Economic and Market Strategy	20 years	<ul style="list-style-type: none"> • Joined ClearBridge in 2014 	<ul style="list-style-type: none"> • Member of the CFA Institute • Lord Abbett & Co., LLC – Portfolio Specialist • BS in Finance from Rutgers University

Additional Important Information

"Anatomy of a Recession" is a trademark of ClearBridge Investments, LLC. ClearBridge Investments, LLC is a subsidiary of Franklin Resources, Inc.

This material is intended to be of general interest only and should not be construed as individual investment advice or a recommendation or solicitation to buy, sell or hold any security or to adopt any investment strategy. It does not constitute legal or tax advice. This material may not be reproduced, distributed or published without prior written permission from Franklin Templeton.

The views expressed are those of the investment manager and the comments, opinions and analyses are rendered as at publication date and may change without notice. The underlying assumptions and these views are subject to change based on market and other conditions and may differ from other portfolio managers or of the firm as a whole. The information provided in this material is not intended as a complete analysis of every material fact regarding any country, region or market. There is no assurance that any prediction, projection or forecast on the economy, stock market, bond market or the economic trends of the markets will be realized. The value of investments and the income from them can go down as well as up and you may not get back the

full amount that you invested. **Past performance is not necessarily indicative nor a guarantee of future performance. All investments involve risks, including possible loss of principal.**

Any research and analysis contained in this material has been procured by Franklin Templeton for its own purposes and may be acted upon in that connection and, as such, is provided to you incidentally. Data from third party sources may have been used in the preparation of this material and Franklin Templeton ("FT") has not independently verified, validated or audited such data. Although information has been obtained from sources that Franklin Templeton believes to be reliable, no guarantee can be given as to its accuracy and such information may be incomplete or condensed and may be subject to change at any time without notice. The mention of any individual securities should neither constitute nor be construed as a recommendation to purchase, hold or sell any securities, and the information provided regarding such individual securities (if any) is not a sufficient basis upon which to make an investment decision. FT accepts no liability whatsoever for any loss arising from use of this information and reliance upon the comments, opinions and analyses in the material is at the sole discretion of the user.

Franklin Templeton has environmental, social and governance (ESG) capabilities; however, not all strategies or products for a strategy consider "ESG" as part of their investment process.

Products, services and information may not be available in all jurisdictions and are offered outside the U.S. by other FT affiliates and/or their distributors as local laws and regulation permits. Please consult your own financial professional or Franklin Templeton Institutional contact for further information on availability of products and services in your jurisdiction.

Additional Important Information (cont'd)

Brazil: Issued by Franklin Templeton Investimentos (Brasil) Ltda., authorized to render investment management services by CVM per Declaratory Act n. 6.534, issued on October 1, 2001. **Canada:** Issued by Franklin Templeton Investments Corp., 200 King Street West, Suite 1400 Toronto, ON, M5H3T4, Fax: (416) 364-1163, (800) 387-0830, www.franklintempleton.ca.

Offshore Americas: In the U.S., this publication is made available by Franklin Templeton, One Franklin Parkway, San Mateo, California 94403-1906. Tel: (800) 239-3894 (USA Toll-Free), (877) 389-0076 (Canada Toll-Free), and Fax: (727) 299-8736. U.S. by Franklin Templeton, One Franklin Parkway, San Mateo, California 94403-1906, (800) DIAL BEN/342-5236, franklintempleton.com.

Investments are not FDIC insured; may lose value; and are not bank guaranteed.

Issued in Europe by: Franklin Templeton International Services S.à r.l. – Supervised by the Commission de Surveillance du Secteur Financier - 8A, rue Albert Borschette, L-1246 Luxembourg. Tel: +352-46 66 67-1 Fax: +352-46 66 76. **Poland:** Issued by Templeton Asset Management (Poland) TFI S.A.; Rondo ONZ 1; 00-124 Warsaw. **Saudi Arabia:** Franklin Templeton Financial Company, Unit 209, Ruben Plaza, Northern Ring Rd, Hittin District 13512, Riyadh, Saudi Arabia. Regulated by CMA. License no. 23265-22. Tel: +966-112542570. All investments entail risks including loss of

principal investment amount. **South Africa:** Issued by Franklin Templeton Investments SA (PTY) Ltd, which is an authorised Financial Services Provider. Tel: +27 (21) 831 7400 Fax: +27 (21) 831 7422. **Switzerland:** Issued by Franklin Templeton Switzerland Ltd, Talstrasse 41, CH-8001 Zurich. **United Arab Emirates:** Issued by Franklin Templeton Investments (ME) Limited, authorized and regulated by the Dubai Financial Services Authority. Dubai office: Franklin Templeton, The Gate, East Wing, Level 2, Dubai International Financial Centre, P.O. Box 506613, Dubai, U.A.E. Tel: +9714-4284100 Fax: +9714-4284140. UK: Issued by Franklin Templeton Investment Management Limited (FTIML), registered office: Cannon Place, 78 Cannon Street, London EC4N 6HL. Tel: +44 (0)20 7073 8500. Authorized and regulated in the United Kingdom by the Financial Conduct Authority.

Australia: Issued by Franklin Templeton Australia Limited (ABN 76 004 835 849) (Australian Financial Services License Holder No. 240827), Level 47, 120 Collins Street, Melbourne, Victoria 3000. **Hong Kong:** Issued by Franklin Templeton Investments (Asia) Limited, 62/F, Two IFC, 8 Finance Street, Central, Hong Kong. **Japan:** Issued by Franklin Templeton Investments Japan Limited. Korea: Issued by Franklin Templeton Investment Advisors Korea Co., Ltd, 3rd fl., CCMM Building, 101 Yeouigongwon-ro, Yeongdeungpo-gu, Seoul

Korea 07241. **Malaysia:** Issued by Franklin Templeton Asset Management (Malaysia) Sdn. Bhd. & Franklin Templeton GSC Asset Management Sdn. Bhd. This document has not been reviewed by Securities Commission Malaysia. **Singapore:** Issued by Templeton Asset Management Ltd. Registration No. (UEN) 199205211E, 7 Temasek Boulevard, #26-03 Suntec Tower One, 038987, Singapore.

Please visit www.franklinresources.com/all-sites to be directed to your local Franklin Templeton website. © 2025 ClearBridge Investments. All rights reserved.

AOR GMNQR 08/25



ClearBridge



AOR GMNQR 08/25