FRANKLIN TEMPLETON | ClearBridge

ClearBridge Value Portfolios

Commentary | as of June 30, 2026

Key Takeaways

- **Markets:** The second quarter of 2026 saw a sharp equity recovery, with AI-related capital spending and improved risk appetite driving a growth-led rebound. The Russell 1000 Growth Index returned 16.7%, compared with gains of 15.1% for the Russell 1000 Index and 13.9% for the Russell 1000 Value Index. Value remained substantially ahead year to date, however, with the Russell 1000 Value Index returning 16.3% compared with 10.3% for the Russell 1000 Index and 5.3% for the Russell 1000 Growth Index. Leadership began to broaden late in the quarter as investors reassessed geopolitical risk, inflation pressures and semiconductor valuations.
- **Contributors:** Holdings in Micron Technology and CVS Health, not owning Exxon Mobil. Stock selection in communication services, health care and information technology (IT).
- **Detractors:** Holdings in ConocoPhillips, not owning Intel and Sandisk. Underweight to IT and overweights to energy and materials.
- **Outlook:** The fact that value continues to lead growth on a year-to-date basis suggests investors are still rewarding tangible earnings power and balance sheet durability beneath the AI-led rebound. In this environment, we believe selectivity is essential, with a focus on resilient balance sheets, visible cash generation and companies capable of compounding value across a range of macro outcomes.

Top Equity Issuers (% of Total)

Holding	Portfolio
Amazon.com Inc	6.86
Bank of America Corp	3.49
Johnson & Johnson	3.24
Fairfax Financial Holdings Ltd	3.05
UnitedHealth Group Inc	2.45
CVS Health Corp	2.38
Eli Lilly & Co	2.37
Micron Technology Inc	2.28
Chevron Corp	2.17
ConocoPhillips	2.03

Performance Review

- The Portfolios generated solid absolute returns but underperformed their Russell 1000 Value Index benchmark during the second quarter, as the same forces that powered the broader market recovery created mixed implications for relative performance. The AI-led rebound benefited several holdings tied to infrastructure demand, but our valuation discipline limited exposure to some of the benchmark's most extended areas, while the late-quarter pullback in oil prices turned our energy positioning into a relative headwind.
- Communication services was the largest contributor to relative results, led by Alphabet. Strong first-quarter earnings helped reframe AI from a pure capital spending concern to a monetization story, with Google Cloud benefiting from enterprise AI solutions and infrastructure, margins expanding and search remaining resilient. This reinforced the durability of Alphabet's core franchise even as AI reshapes the competitive landscape.
- Health care also contributed, with CVS Health and UnitedHealth Group benefiting from improved sentiment toward managed care. CVS rose as stronger first-quarter earnings, raised full-year guidance and better performance in its health benefits business supported confidence in the company's turnaround, while reduced policy uncertainty around exchange subsidies also helped. UnitedHealth advanced as better cost trends and a more favorable outlook helped rebuild confidence after prior pressure on margins. These gains were partially offset by Boston Scientific, which declined on continued weakness in WATCHMAN, its device used to reduce stroke risk in patients with irregular heart rhythms, and concerns over share loss in electrophysiology.
- Within IT, stock selection was beneficial, led by Micron Technology, the Portfolios' best-performing holding for the quarter. The stock was supported by growing confidence in the AI-driven memory cycle, with strong demand for high-bandwidth memory used in AI servers reinforcing expectations for pricing strength and earnings growth. Taiwan Semiconductor also contributed as leading-edge semiconductor demand and AI-related capacity investment remained strong. These gains helped performance but did not fully offset the benchmark impact of being underweight one of the market's strongest sectors.
- Energy was the other main detractor, with both ConocoPhillips and Chevron declining as easing Middle East tensions and negotiations between the U.S. and Iran resulted in a pullback in crude prices. Despite this pressure, we continue to have high conviction in the sector: the Iran episode reinforced the importance of energy security, supply-chain resilience and capital discipline, while depleted inventories should support durable cash flow opportunities for well-capitalized, low-cost producers.

Outlook

- As we move into the second half of the year, investors will need to navigate a market that is less one-dimensional than the rally in headline indexes suggests. AI-related demand remains a powerful support, but elevated valuations, shifting equity supply and large infrastructure capital needs could make markets more sensitive to changes in flows and risk appetite. Energy also remains an important swing factor, with depleted inventories keeping attention on energy security, infrastructure resilience and capital discipline.
- The fact that value continues to lead growth on a year-to-date basis suggests investors are still rewarding tangible earnings power and balance sheet durability beneath the AI-led rebound. In this environment, we believe selectivity is essential, with a focus on resilient balance sheets, visible cash generation and companies capable of compounding value across a range of macro outcomes.

Not FDIC Insured | No Bank Guarantee | May Lose Value

Average annual total returns (%) - as of June 30, 2026-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	10.05	10.18	10.18	17.25	13.33	7.19	7.99	6.87	5.29	4.33	6.72	12/31/1993
Pure Gross of Fees	10.84	11.80	11.80	20.72	16.70	10.39	11.21	10.06	8.44	7.46	9.90	12/31/1993
Benchmark	13.87	16.26	16.26	27.12	17.79	11.17	11.52	11.47	8.79	8.41	9.98	–

*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).

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Fees: 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 is 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.

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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

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

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

Source: FTSE.

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