FRANKLIN TEMPLETON | ClearBridge

ClearBridge Value Portfolios

Commentary | as of September 30, 2026

Key Takeaways

- **Markets:** U.S. equities posted third-quarter gains as value extended its year-to-date advantage over growth. The Russell 1000 Value Index returned 2.6%, versus 0.9% for the Russell 1000 Growth Index. Leadership rotated: July's momentum selloff unwound crowded AI positions and favored value, while growth recovered in August and September on strong earnings and AI-investment optimism. Conflict with Iran drove oil prices higher, while the Federal Reserve's first interest rate hike since 2023 and Treasury yields pressured rate-sensitive stocks.
- **Contributors:** On an individual stock basis, the largest contributors to relative returns were ConocoPhillips, Newmont, Chevron and Corebridge Financial, as well as not owning Intel. Stock selection in materials and consumer discretionary sectors, an overweight to energy and a lack of exposure to real estate contributed to performance.
- **Detractors:** The largest detractors from relative returns were Contemporary Amperex Technology, Talen Energy and FedEx Freight, as well as underweights to Microsoft and Apple. Stock selection in health care, information technology (IT), energy, consumer staples and communication services and an underweight to IT weighed on relative results.
- **Outlook:** The July unwind of AI momentum trades, the rebound that followed and the September jump in Treasury yields point to a market that remains sensitive to flows, funding costs and the price of energy. We expect oil to remain an important swing factor, and we believe depleted inventories, energy security and capital discipline should continue to support cash flows for well-capitalized, low-cost producers.

Top Equity Issuers (% of Total)

Holding	Portfolio
Amazon.com Inc	7.15
Apple Inc	4.53
Microsoft Corp	3.69
Bank of America Corp	3.33
Johnson & Johnson	3.13
ConocoPhillips	2.44
Eli Lilly & Co	2.28
Chevron Corp	2.17
Micron Technology Inc	2.10
Newmont Corp	2.07

Performance Review

- The Portfolios' underweight to information technology and stock selection in health care and IT more than offset the benefit of an overweight to energy and selection in materials.
- Microsoft was the largest relative detractor because most of its strong quarterly gain occurred before the position was initiated. A new, relatively underweight position in Apple also detracted. Not owning Intel, IBM and Cisco provided offsets as those companies declined following weakness in chip stocks or disappointing second-quarter results.
- CVS Health detracted despite strong second-quarter results, as concerns about 2027 Caremark membership and second-half earnings pressure weighed on the shares.
- Energy was the largest positive contributor: ConocoPhillips and Chevron rose with oil prices, while Newmont contributed through favorable materials selection as higher gold prices and strong free cash flow supported the shares.
- Several industrials holdings detracted. Contemporary Amperex Technology declined on reports of possible output cuts and profitability concerns, while FedEx Freight weakened on higher diesel costs and concern about Amazon entering the less-than-truckload market. L3Harris Technologies declined after postponing its planned missile-business IPO and announcing a CEO change.
- Intercontinental Exchange, in the financials sector, contributed on solid results, strong trading activity and record open interest.
- During the quarter, we initiated positions in Apple, Microsoft and Celestica in IT; L3Harris Technologies and Honeywell Aerospace in industrials; Marsh & McLennan in financials; Reddit in communication services; Berkshire Hathaway in financials; and Danaher in health care. We exited Globant, Thermo Fisher Scientific, Gilead Sciences, Elanco Animal Health, Broadcom, Nestle, Celsius, GXO Logistics, WESCO International, Fairfax Financial and Teck Resources.

Outlook

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- Large technology companies are now a bigger part of the Russell 1000 Value, which makes an IT underweight a larger source of relative risk than in the past. We continue to own AI enablers selectively rather than chase the most extended names, and we remain skeptical that all of the capital being committed to AI can earn an attractive return. With value still well ahead of growth year to date, we believe investors continue to reward tangible earnings power and balance sheet strength, and our focus remains on companies with visible cash generation that can compound value across a range of macro outcomes.

Not FDIC Insured | No Bank Guarantee | May Lose Value

Average annual total returns (%) - as of September 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	-0.58	9.41	9.54	12.68	13.84	7.48	7.29	8.46	5.02	4.93	6.65	12/31/1993
Pure Gross of Fees	0.16	11.02	11.98	16.03	17.22	10.69	10.49	11.69	8.17	8.07	9.83	12/31/1993
Benchmark	2.61	16.81	19.27	23.81	20.07	11.92	11.43	12.98	8.60	9.03	9.99	—

*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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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: 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.

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

Free cash flow (FCF) is a measure of financial performance calculated as operating cash flow minus capital expenditures.

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

Important Information

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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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