FRANKLIN TEMPLETON | ClearBridge

ClearBridge Large Cap Value Portfolios

Commentary | as of September 30, 2026

Key Takeaways

- **Markets:** US stocks continued to rise in the third quarter, with returns shaped by two major macro forces: the oil supply shock stemming from tensions in the Middle East driving oil prices higher and, partly a result of this, higher inflation expectations and bond yields. The benchmark Russell 1000 Value Index returned 2.6%. The Fed raised interest rates for the first time since 2023 in September and grew more hawkish in its forecasts, implying another hike in 2026; the 10-year Treasury yield finished the quarter up roughly 70 basis points at 5.3%. Sector performance in the index was mixed, with energy leading on higher oil prices, information technology (IT) and communication services lifted by hyperscaler strength, health care continuing its rebound and consumer and rate-sensitive sectors flat to down as a result of inflation and rate pressure.
- **Contributors:** On an individual stock basis, the largest contributors to relative returns were Thermo Fisher Scientific, ConocoPhillips, Waters, McKesson and not owning IBM. On a relative basis, stock selection in financials and industrials contributed to performance. A lack of exposure to real estate, an overweight to health care and an underweight to consumer staples also contributed to performance.
- **Detractors:** The largest detractors were CVS Health, XPO, WEC Energy Group, Microchip Technology and an underweight to Microsoft. Stock selection in IT, health care, materials and energy detracted from performance.
- **Outlook:** We continue to favor quality businesses with durable franchises, strong balance sheets and proven management teams, purchased with valuation discipline and assembled through risk-aware portfolio construction. Whether the economy accelerates or weakens, we believe these companies can compound earnings or provide downside mitigation. As narrow leadership and speculative, lower-quality performance recede, we expect the portfolio's diversified quality orientation to become increasingly valuable and apparent.

Top Equity Issuers (% of Total)

Holding	Portfolio
Apple Inc	6.09
Amazon.com Inc	5.19
JPMorgan Chase & Co	4.34
Microsoft Corp	3.83
Johnson & Johnson	3.78
Intel Corp	2.74
Thermo Fisher Scientific Inc	2.74
Parker-Hannifin Corp	2.19
ExxonMobil Holdings Corp	2.18
CVS Health Corp	2.18

Performance Review

- Weaker stock selection in information technology, health care, materials and energy more than offset favorable sector allocation and strong stock selection in industrials and financials. The market's narrow, higher-beta leadership also challenged our quality-oriented approach.
- An underweight to Microsoft was a leading relative detractor, as strong Azure growth and increasing Copilot adoption reinforced confidence in the company's ability to monetize AI investment. CVS Health also detracted as investors focused on pressure in its 340B business, expected Caremark membership declines and related litigation. We maintained our overweight because we see a path to margin expansion as CVS recovers profits in Medicare Advantage.
- Thermo Fisher Scientific was a leading relative contributor, supported by stronger-than-expected results, improving customer activity and increased full-year guidance. Waters and McKesson also contributed. Waters is generating encouraging early synergies from its acquisition of Becton Dickinson's biosciences and diagnostic solutions businesses, while McKesson benefited from strong results, higher prescription volumes and a raised outlook.
- We maintained our quality and valuation discipline as the Russell 1000 Value rebalancing and speculative AI leadership created relative-performance challenges. We continued to favor durable franchises with strong competitive positions, balance sheets and cash-flow generation.
- During the quarter, we initiated positions in Nvidia and Coca-Cola and exited Chevron, PepsiCo and Roche. We view Nvidia as a high-quality, cash-flow-generative franchise with strong competitive positioning and an increasingly attractive valuation. Coca-Cola offers strong brands, a global footprint and robust pricing power. The PepsiCo and Roche exits reflected challenges to our investment theses, while the Chevron sale funded higher-conviction exposure to ExxonMobil.

Outlook

- We continue to adhere to our philosophy of seeking quality businesses with durable franchises, strong balance sheets and proven management teams, purchased with valuation discipline and assembled through risk-aware portfolio construction. We believe this discipline is particularly important given elevated valuations and the market's increasingly narrowing focus on lower-quality AI players, which up until the June Russell rebalancing represented a meaningful and growing part of the benchmark. Over the past year, the outperformance of high-beta, lower-quality, more commoditized stocks over lower-beta, higher-quality stocks has produced what we view as a historic low-quality, or "junk," rally.
- While that environment has obscured the portfolio's defensive characteristics, we like the setup going forward. If the economy accelerates, the quality franchises we favor should be positioned to compound earnings, while improved investor confidence could help close their valuation discounts. If the economy weakens, their durable business models, balance-sheet strength and earnings resilience should provide downside mitigation after a period in which those characteristics have received little recognition from the market.
- We do not have a strong conviction that either economic scenario must prevail; our positioning reflects our view, rather, that the current combination of narrow market leadership, unusually strong performance of speculative stocks and rapidly expanding valuations among cyclical AI beneficiaries will not persist indefinitely. In a market with broader leadership and greater emphasis on earnings durability, cash generation and balance-sheet strength, we believe the portfolio's diversified quality orientation should become increasingly valuable and apparent.

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	-0.54	8.28	9.96	11.25	11.94	6.71	8.05	9.36	5.75	–	5.90	6/30/2002
Pure Gross of Fees	0.20	9.88	12.40	14.56	15.26	9.90	11.28	12.62	8.91	–	9.07	6/30/2002
Benchmark	2.61	16.81	19.27	23.81	20.07	11.92	11.43	12.98	8.60	–	9.22	–

*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.

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 **basis point (bp, or bps)** is one one-hundredth of one percent (1/100% or 0.01%).

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

The **Federal Reserve System** serves as the main authority for managing the United States' monetary policy.

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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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