

Putnam U.S. Small Cap Growth Equity SMA

Commentary | as of December 31, 2025

Key Takeaways

- **Markets:** Fourth quarter results were somewhat flat relative to the first three quarters of 2025.
- **Contributors:** Stock selection in industrials and financials
- **Detractors:** Stock selection in health care and information technology
- **Outlook:** We believe that higher-quality companies with pricing power to defend their margins in the new global trade regime may help temper some volatility.

Performance Review

- For the quarter, the fund underperformed its benchmark, the Russell 2000 Growth Index.
- Underperformance was driven by stock selection, while sector allocations also weighed on results.
- Stock selection in health care weighed most on results, followed by holdings in information technology. Offsetting some of this relative underperformance were selections in industrials and financials.
- Top individual contributors to performance included out-of-benchmark positions in Carpenter Technology, Rocket Labs, and Comfort Systems.
- Top detractors from performance included an overweight position in Stride and out-of-benchmark exposure to Doximity and Encompass Health.
- At the close of the quarter, the largest overweight sectors relative to the benchmark were industrials and consumer discretionary. The fund's largest sector underweights were health care and materials.

Outlook

- We remain focused on constructing a bottom-up portfolio driven by stock selection.
- We are generally more cautious in our outlook and believe that higher-quality companies with pricing power to defend their margins in the new global trade regime may help temper some volatility.

Top Equity Issuers (% of Total)

Holding	Portfolio
Comfort Systems USA	2.63
Nova	2.62
Carpenter Technology	2.50
Huron Consulting Group	2.45
RBC Bearings	2.32
Advanced Energy Industries	2.27
Ensign Group	2.10
Encompass Health	2.00
SPX Technologies	1.82
Stepstone Group	1.81

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

Composite	3-Mo*	6-Mo*	YTD*	1-Yr	3-Yr	5-Yr	10-Yr	15-Yr	20-Yr	25-Yr	Inception	Inception Date
Gross of Fees	-2.01	7.45	10.04	10.04	19.45	7.46	14.67	13.53	12.02	11.18	10.64	1/31/2000
Net of Fees	-2.74	5.88	6.85	6.85	16.01	4.34	11.35	10.25	8.78	7.95	7.43	1/31/2000
Benchmark	1.22	13.56	13.01	13.01	15.59	3.18	9.57	9.94	8.76	7.43	6.15	—

*Cumulative total returns

Benchmark(s)

Benchmark =Russell 2000 Growth Index

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The **Russell 2000 Growth Index** measures the performance of the small-cap growth segment of the U.S. equity universe.

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Source: FTSE.

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