

Putnam U.S. Large Cap Value Equity Concentrated SMA

Commentary | as of March 31, 2026

Key Takeaways

- **Markets:** US equities declined in a quarter marked by turbulence and uncertainty related to the Iran conflict.
- **Contributors:** Stock selection in materials and energy
- **Detractors:** Stock selection in information technology, financials and health care
- **Outlook:** Despite uncertainty from the geopolitical environment, US markets still offer reasons to be constructive.

Performance Review

- For the quarter, the portfolio generated a positive return but slightly underperformed its benchmark, the Russell 1000 Value Index. While sector allocation decisions contributed to relative performance, those strengths were offset by weak stock selection.
- Stock selection was weakest in the information technology, financials and health care sectors. Strength in materials and energy provided a partial positive offset. From a sector allocation perspective, relative performance benefited from underweight exposure to communication services and financials, and overweight exposure to consumer staples and energy. This was partially offset by a relative overweight position in consumer discretionary.
- Individual stocks that detracted most from relative results included an out-of-benchmark position in Microsoft (information technology) and overweight positions in Capital One Financial (financials), American International Group (financials), Apollo Asset Management (financials) and Thermo Fisher Scientific (health care).
- Stocks that contributed most to relative performance included an out-of-benchmark position in Seagate Technology (information technology) and overweight positions in energy companies ExxonMobil, Valero Energy and ConocoPhillips. A position in FedEx (industrials) also contributed.

Outlook

- The backdrop for US equity markets has changed significantly since the start of the year. Most notably, the Iran conflict has the potential to disrupt a previously optimistic outlook for US economic growth in 2026.
- Prolonged tensions in the Strait of Hormuz, surging oil prices, and supply chain disruptions increase the risk of a global recession. A prolonged conflict would also impact earnings growth for US companies, which was expected to be healthy in 2026, mainly on the back of the Trump administration's One Big Beautiful Bill. While we still expect positive earnings growth, forward estimates are likely to be reduced.
- While stock prices have declined since the start of the conflict, we believe the overall reaction from the market has been rational.
- Forward valuations are down slightly from their peak, but remain elevated, particularly if earnings growth decelerates. Ongoing uncertainty from the geopolitical environment could impact risk appetite in the markets, resulting in valuation compression. The upcoming midterm elections also could generate volatility and uncertainty, with the balance of power in question for the House and Senate.
- We are conscious of the narrative currently playing out in US markets, which has classified companies into two categories: "AI winner" or "AI loser." The reality—which will play out over the longer term—is this is not a binary argument, and outcomes for most companies will lie somewhere in between. We are spending time researching individual businesses to identify where unique value ideas are presented.
- Despite uncertainty from the geopolitical environment, US markets still offer reasons to be constructive. Consumer spending has remained resilient despite a questionable backdrop. Capital spending also remains robust, particularly around the further development and implementation of artificial intelligence.

Top Equity Issuers (% of Total)

| Holding | Portfolio |
|-----------------------------|-----------|
| Exxon Mobil | 4.41 |
| Citigroup | 4.35 |
| Cisco Systems | 4.03 |
| Alphabet | 3.25 |
| McKesson | 2.93 |
| Coca-Cola | 2.83 |
| Hilton Worldwide | 2.75 |
| Freeport-McMoRan | 2.72 |
| Philip Morris International | 2.61 |
| Bank of America | 2.59 |

Average annual total returns (%) - as of March 31, 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 |
|---------------|-------|-------|------|-------|-------|-------|-------|-------|-------|-------|-----------|----------------|
| Gross of Fees | 1.89 | 9.57 | 1.89 | 23.66 | 20.56 | 15.96 | — | — | — | — | 15.43 | 11/30/2016 |
| Net of Fees | 1.39 | 8.50 | 1.39 | 21.25 | 18.21 | 13.69 | — | — | — | — | 13.17 | 11/30/2016 |
| Benchmark | 2.10 | 5.99 | 2.10 | 15.87 | 14.31 | 9.43 | — | — | — | — | 9.97 | — |

*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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The composite is comprised of accounts that are separately managed accounts (SMAs) managed in accordance with the strategy.

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

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Source: FTSE.

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