

Putnam U.S. Large Cap Value Equity Concentrated SMA

Commentary | as of September 30, 2025

Key Takeaways

- **Markets:** US equity markets delivered gains for the third quarter, driven by optimism surrounding Federal Reserve rate cuts and technology sector strength.
- **Contributors:** Stock selection in information technology, health care, financials and industrials.
- **Detractors:** Stock selection in materials and consumer staples
- **Outlook:** Economic growth and equity markets remain resilient, but we are mindful of the potential impact of tariffs on inflation and consumer spending.

Performance Review

- For the quarter, the portfolio generated a positive return and outperformed its benchmark, the Russell 1000 Value Index. Stock selection drove performance while sector allocation decisions detracted modestly.
- Stock selection contributed most in the information technology, health care, financials, and industrials sectors. Relative weakness among stocks in the materials and consumer staples sectors provided a partial offset.
- From a sector allocation perspective, relative performance was hurt by an overweight to consumer staples, the weakest sector in the benchmark, and an underweight to communication services, the strongest sector in the benchmark.
- Top individual contributors to performance included an out-of-benchmark position in Seagate Technology (information technology) and overweight positions in Citigroup (financials), PulteGroup (consumer discretionary), General Motors (consumer discretionary), and Northrop Grumman (industrials).
- Detractors included overweight positions in American International Group (financials), Charter Communications (communication services), Philip Morris International (consumer staples), Freeport-McMoRan (materials), and BJ's Wholesale Club (consumer staples).

Outlook

- US economic growth and equity markets remain resilient despite macroeconomic challenges. These include a softening labor market, a growing bifurcation of the consumer sector, and the formalization of some tariffs.
- The economy has yet to experience the full effects of tariffs and questions remain around a number of tariff proposals. We are mindful of the potential impact of tariffs on inflation and consumer spending in the months ahead.
- Based on the general direction of economic data, markets are optimistic about further interest-rate cuts from the Federal Reserve. However, we believe the data does not indicate a clear path forward and there is clearly some division among FOMC members.
- We continue to see uncertainty around Trump administration policies, several of which could have consequences for economic growth and investor confidence. At the same time, equity valuations are on the rich side of history, leaving stocks vulnerable to negative developments that are likely at this stage of the economic cycle.
- Corporate earnings have remained strong and are expected to continue to grow, albeit at a slower pace than previously anticipated. The implementation of meaningful tariffs could have a significant impact on earnings growth, stressing current expensive multiples.
- Financials make up a considerable portion of the value universe, and we are watching for proposals that could ease the regulatory burden on banks and boost long-term return potential for the sector.
- Although uncertainty remains, as value investors, we recognize that market disruptions can also present attractive investment opportunities.

Top Equity Issuers (% of Total)

Holding	Portfolio
Citigroup	4.27
Walmart	3.83
Exxon Mobil	3.21
Alphabet	3.01
Bank of America	3.00
Cisco Systems	2.97
Seagate Technology	2.92
American International Group	2.92
McKesson	2.87
Philip Morris International	2.81

Average annual total returns (%) - as of September 30, 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	6.50	12.85	15.82	13.84	23.22	20.69	—	—	—	—	15.17	11/30/2016
Net of Fees	5.73	11.22	13.32	10.55	19.68	17.21	—	—	—	—	11.85	11/30/2016
Benchmark	5.33	9.32	11.65	9.44	16.96	13.88	—	—	—	—	9.83	—

*Cumulative total returns

Benchmark(s)

Benchmark =Russell 1000 Value Index

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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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