FRANKLIN TEMPLETON | Putnam INVESTMENTS

Putnam U.S. Small Cap Value Equity SMA

Commentary | as of June 30, 2026

Key Takeaways

- **Markets:** US equities advanced in the second quarter, supported by strong corporate earnings, resilient economic data and enthusiasm around artificial intelligence (AI) infrastructure and software.
- **Contributors**: Stock selection in information technology, industrials and health care.
- **Detractors:** Stock selection in consumer discretionary, materials, and energy.
- **Outlook:** US equity markets continue to offer attractive opportunities for bottom-up stock selection, particularly as market leadership broadens beyond technology-driven themes.

Performance Review

- For the quarter, the strategy delivered a positive absolute return on both a net- and gross-of-fees basis but underperformed its benchmark. Both sector allocation and stock selection detracted from relative performance.
- Stock selection in information technology, industrials and health care contributed to relative performance, as did overweights to information technology and health care and an underweight to utilities.
- Stock selection in consumer discretionary, materials and energy detracted from relative performance, as did overweights to financials and consumer discretionary and an underweight to energy.
- Individual contributors included MaxLinear, Vishay Intertechnology, and Cohu.
- Individual detractors included TTM Technologies, Core Natural Resources and Antero Resources.

Outlook

- The focus early in the quarter on mundane concerns such as the strength of the consumer, the labor market, and GDP was overtaken by worries about the Iranian conflict and what it could mean for the supply and pricing of many important commodities.
- Widespread expectations for additional Federal Reserve rate cutting this year have been upended as global economies contend with a potentially significant inflationary supply shock from the closure of the Strait of Hormuz. Expectations for two to three rate cuts through year-end have now fallen to zero to one, implying effectively flat rates.
- With market conditions changing almost daily based on news and speculation from the Middle East, we have increased the number of holdings to spread risk, adding stocks that we believe will benefit over the medium to longer term from the supply upheaval.
- The economy appears to be weathering this shock relatively well overall, and if the conflict is resolved within the second quarter, we believe the economic and market recovery could accelerate.
- The continuation of the fighting remains the largest risk to the market, and a prolonged closure of the Strait could ultimately cause the US economy to stall, even though the US is less economically exposed than many other countries.
- Our expectation is that the war will be resolved soon and the bull case will prevail, though it is difficult to have complete confidence in that outcome.

Top Equity Issuers (% of Total)

Holding	Portfolio
Cohu, Inc.	1.93
LifeStance Health Group, Inc.	1.70
Valmont Industries, Inc.	1.47
Veracyte, Inc.	1.31
UMB Financial Corporation	1.27
Five Star Bancorp	1.27
Nicolet Bankshares, Inc.	1.26
IBEX Limited	1.20
Amneal Pharmaceuticals, Inc.	1.18
Mastercraft Boat Holdings, Inc.	1.17

Not FDIC Insured | No Bank Guarantee | May Lose Value

Average annual total returns (%) - as of June 30, 2026-PRELIMINARY

Composite	3-Mo*	6-Mo*	YTD*	1-Yr	3-Yr	5-Yr	10-Yr	Inception	Inception Date
Gross of Fees	21.45	23.04	23.04	33.10	17.98	9.95	12.27	10.72	3/31/1993
Net of Fees	20.61	21.29	21.29	29.30	14.58	6.76	9.01	7.51	3/31/1993
Benchmark	17.19	22.99	22.99	43.01	18.73	8.23	10.89	10.10	—

*Cumulative total returns

Benchmark(s)

Benchmark =Russell 2000 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. The **investment style** may become out of favor, which may have a negative impact on performance. To the extent the portfolio invests in a **concentration of certain securities, regions or industries**, it is subject to increased volatility. The manager may consider **environmental, social and governance (ESG) criteria** in the research or investment process; however, ESG considerations may not be a determinative factor in security selection. In addition, the manager may not assess every investment for ESG criteria, and not every ESG factor may be identified or evaluated

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

Source: FTSE.

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