

Putnam U.S. Small Cap Value Equity SMA

Commentary | as of December 31, 2025

Key Takeaways

- **Markets:** US equity markets delivered gains in the fourth quarter, driven by strong earnings, Fed interest-rate cuts, and optimism around artificial intelligence.
- **Contributors:** Stock selection in financials, materials and utilities
- **Detractors:** Stock selection in health care, industrials and real estate
- **Outlook:** The US economy appears to have dodged a recession in the near term, but uncertainty around inflation and the extent of Federal Reserve interest-rate cuts have implications for portfolio positioning.

Performance Review

- The strategy delivered a positive absolute return (both net of fees and gross) but underperformed its benchmark for the quarter. Both sector allocation and stock selection were a drag on performance in the quarter.
- Stock selection in financials, materials, and utilities contributed to performance, as did underweight positions in real estate, utilities and consumer staples.
- Stock selection in health care, industrials and real estate detracted from performance. Overweight exposure to consumer discretionary and underweight exposure to health care and communication services also weighed on returns.
- Individual contributors included overweight positions in Critical Metals, Holley, and Abacus Global Management. Individual detractors included an out-of-benchmark position in Camping World, an overweight position in Walker & Dunlap, and an out-of-benchmark position in Perrigo.

Outlook

- The US economy appears to have dodged a recession in the near term, although data is yet to be fully reported, and what we have seen suggests a weak economy.
- We believe the effects of the tariff shock are already being processed by the economy, as certain businesses raise prices and consumers adjust demand. The economy looks to have survived this initial adjustment period and is proving to be more resilient than the pessimists expected.
- Complicating factors, and ones that heighten risk, are uncertainty around inflation and the extent of Federal Reserve interest-rate cuts, which have implications for portfolio positioning.
- While there have been pockets of negative credit surprises, we do not believe banks are experiencing broad credit deterioration. We see opportunities in some community banks as they use Fed rate cuts to lower deposit costs at the same time their maturing loans reprice to higher levels.
- Many market participants have recently been enthralled by highly speculative stocks, many of which have never generated any revenue. In our experience, periods such as this may last a few quarters, but the markets ultimately revert to a more sober assessment of these highly volatile stocks, and the portfolio continues to have underweight exposure to them.

Top Equity Issuers (% of Total)

Holding	Portfolio
Holley	1.91
Veracyte	1.55
IBEX	1.37
Five Star Bancorp	1.32
Resideo Technologies	1.29
Axos Financial	1.28
Connectone Bancorp	1.27
Lifestance Health Group	1.27
Hudbay Minerals	1.24
Abacus Global Management	1.20

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

Composite	3-Mo*	6-Mo*	YTD*	1-Yr	3-Yr	5-Yr	10-Yr	Inception	Inception Date
Gross of Fees	1.51	8.18	6.34	6.34	12.64	12.12	10.24	10.20	3/31/1993
Net of Fees	0.77	6.60	3.25	3.25	9.38	8.87	7.04	7.00	3/31/1993
Benchmark	3.26	16.27	12.59	12.59	11.73	8.88	9.27	9.57	—

*Cumulative total returns

Benchmark(s)

Benchmark =Russell 2000 Value Index

Past performance is not a guarantee of future results. An investment in this strategy can lose value. Please visit www.franklintempleton.com for the latest performance figures. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

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.

Putnam Investments claims compliance with the Global Investment Performance Standards (GIPS®). GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

To obtain specific information on available products and services or a GIPS Report, contact your Franklin Templeton separately managed account sales team at (800) DIAL BEN/342-5236.

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

Important Information

The information provided is not a complete analysis of every material fact regarding any country, market, industry, security or portfolio. Because market and economic conditions are subject to change, comments, opinions and analyses are rendered as of the date of this material and may change without notice. A portfolio manager's assessment of a particular security, investment or strategy is not intended as individual investment advice or a recommendation or solicitation to buy, sell or hold any security or to adopt any investment strategy; it is intended only to provide insight into the portfolio's selection process. Holdings are subject to change.

These materials are being provided for illustrative and informational purposes only. The information contained herein is obtained from multiple sources that are believed to be reliable. However, such information has not been verified, and may be different from the information included in documents and materials created by the sponsor firm in whose investment program a client participates. Some sponsor firms may require that these materials be preceded or accompanied by investment profiles or other documents or materials prepared by such sponsor firms, which will be provided upon a client's request. For additional information, documents and/or materials, please speak to your Financial Professional or contact your sponsor firm.

Franklin Templeton (FT) is not undertaking to provide impartial advice. Nothing herein is intended to provide fiduciary advice. FT has a financial interest.

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

Important data provider notices and terms available at www.franklintempletondatasources.com. All data is subject to change.

Source: FTSE.

Holdings are provided for informational purposes only and should not be construed as a recommendation to purchase or sell any security.

Separately Managed Accounts (SMAs) are investment services provided by Franklin Templeton Private Portfolio Group, LLC (FTPPG), a federally registered investment advisor. Client portfolios are managed based on investment instructions or advice provided by one or more of the following Franklin Templeton affiliated sub-advisors: Putnam Investments. Management is implemented by FTPPG, the designated sub-advisor or, in the case of certain programs, the program sponsor or its designee.

Putnam Investments is a Franklin Templeton affiliated company.

© Franklin Templeton. All rights reserved.