



Putnam U.S. Small Cap Value Equity SMA

Commentary | as of September 30, 2025

Key Takeaways

- Markets: US equities delivered solid returns for the quarter despite a number of macroeconomic concerns.
- Contributors: An overweight position and stock selection in communication services
- **Detractors:** Stock selection in health care, communication services and basic materials
- 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.
- Contributors to performance were an overweight position and stock selection in the communication services sector.
- Stock selection in health care, communication services and basic materials detracted from performance.
- Individual contributors included an overweight position in Sally Beauty, an out-of-benchmark position in IBEX Holdings and an overweight position in Holley
- Individual detractors included not owning EchoStar, an overweight position in Tronox 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
Resideo Technologies	1.44
Standard Motor Products	1.43
Perdoceo Education	1.41
Sally Beauty Holdings	1.39
Popular	1.31
Metropolitan Bank Holding	1.31
Pitney Bowes	1.30
IBEX	1.29
Veracyte	1.28
Axos Financial	1.28

Average annual total returns (%) - as of September 30, 2025-PRELIMINARY

Composite	3-Mo*	6-Mo*	YTD*	1-Yr	3-Yr	5-Yr	10-Yr	Inception	Inception Date
Gross of Fees	6.57	12.55	4.76	4.39	15.15	18.62	10.33	10.23	3/31/1993
Net of Fees	5.79	10.92	2.47	1.34	11.82	15.20	7.12	7.03	3/31/1993
Benchmark	12.60	18.20	9.04	7.88	13.56	14.59	9.23	9.53	_

^{*}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).

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.

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Glossary

The yield curve shows the relationship between yields and maturity dates for a similar class of bonds.

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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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