

Franklin Income SMA

Commentary | as of September 30, 2025

Key Takeaways

- Markets: US equities delivered strong performance over 2025's third quarter, buoyed in part by easing trade tensions
 and optimism surrounding artificial intelligence. The US Federal Reserve's (Fed's) interest-rate cut in September also
 supported market sentiment, as did robust corporate earnings. Both the S&P 500 Index and the Nasdaq Composite
 Index ended the quarter at new record highs.
- Contributors: Allocations to both the fixed income and equity sides of the portfolio contributed to the strategy's
 absolute returns, while security selection assisted relative returns.
- Detractors: An underweight equity allocation marginally detracted from relative returns.
- Outlook: We maintain a neutral stance on fixed income, while continuing to favor a diversified mix across US Treasuries (USTs), securitized products, and corporate issues. Moreover, our preference remains for selective exposure within equities, balancing growth sectors with quality cyclicals and dividend payers.

Performance Review

- Franklin Income SMA (pure gross of fees) outperformed its benchmark, the Blended 50% MSCI USA High Dividend Yield Index + 25% Bloomberg High Yield Very Liquid Index + 25% Bloomberg US Aggregate Index, for the quarter ended September 30, 2025, while the strategy underperformed its benchmark on a net basis.
- Over the course of the quarter, the strategy decreased its fixed income allocation and increased its equity exposure.
- Fixed income allocations to the consumer discretionary, health care and industrials sectors had a positive effect on the strategy's absolute performance. Meanwhile, no fixed income sectors hindered returns during the period.
- On an individual issuer basis, USTs, Community Health Systems and Southern Co. were the top performers within the strategy's fixed income positioning. In contrast, Centene and Tronox Holdings detracted from returns.
- In terms of equities, the strategy benefited from positions within the health care, financials and energy sectors.
 However, the consumer staples sector detracted from absolute returns.
- Johnson & Johnson, AbbVie and Chevron added value within the strategy's equity holdings. Meanwhile, Texas
 Instruments, United Parcel Service and Philip Morris International detracted from returns during the period.

Outlook

- **Economy**: The economic growth outlook continues to be a major area of focus for the strategy. The US economy remains resilient, but ongoing uncertainty in monetary, fiscal and trade policy could weigh on investor sentiment and the broader economy throughout the remainder of the year. Moreover, while the labor market has incrementally cooled, unemployment levels are still low on a historical basis. We continue to monitor financial conditions as a leading indicator of future economic performance and Fed policy.
- Equities: Following two years of narrow market breadth, we have seen a broadening out of market leadership in 2025. While index level valuations are elevated, opportunities continue to evolve below the index levels, which we feel favors active management. Ultimately, given current valuations, we remain selective in engaging with equities and continue to focus on broad diversification across sectors while maintaining flexibility to capitalize on potential dislocations.
- Treasuries/Government-Backed Bonds: Interest-rate volatility has declined, despite continued uncertainty regarding
 tariffs and concerns about their ultimate impact on growth, inflation and corporate fundamentals. Government securities
 continue to provide an attractive investment opportunity, in our view, as yields remain elevated based on recent history. We
 believe they continue to offer good diversification potential and can serve as a ballast to help hedge portfolios during market
 volatility.
- Investment-Grade Corporate Bonds: While absolute yield levels are still attractive for an income-generating strategy,
 credit spreads have contracted materially over the past year, which has decreased the attractiveness of investment-grade
 corporate bonds, in our assessment. With credit spreads at historically tight levels, we believe future returns may be driven
 by interest-rate moves and carry rather than further spread compression.
- High-Yield Corporate Bonds: Recent market volatility resulted in a combination of wider spreads and substantially higher
 yields, which has provided attractive investment opportunities, in our view. Unfortunately, this opportunity was short-lived, as
 spreads have returned to cycle tights. While we think the high-yield market offers attractive yields, we remain balanced and
 selective due to the potential for higher refinancing costs impacting companies' fundamentals.

Top Holdings (% of Total)

Issuer	Portfolio
UNITED STATES TREASURY NOTE/BOND	6.31
CHS/COMMUNITY HEALTH SYSTEMS INC	2.94
GOVT NATL MORTG ASSN	2.40
FEDERAL HOME LOAN MORTGAGE CORP	2.40
SOUTHERN CO/THE	2.35
EXXON MOBIL CORP	2.26
BOEING CO	2.24
JPMORGAN CHASE & CO	2.22
CHEVRON CORP	2.09
FREEPORT-MCMORAN INC	1.93

Franklin Income SMA as of September 30, 2025

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

Composite	3-Mo*	6-Mo*	YTD*	1-Yr	3-Yr	5-Yr	10-Yr	15-Yr	20-Yr	25-Yr	Inception	Inception Date
Net of Fees	3.44	5.82	7.72	4.62	9.07	7.58	_	_	_	_	6.52	6/30/2019
Pure Gross of Fees	3.97	6.91	9.38	6.79	11.32	9.81	_	_	_	_	8.73	6/30/2019
Benchmark	3.82	5.32	8.66	5.59	11.38	6.78	_	_	_	_	6.09	_

^{*}Cumulative total returns

Benchmark(s)

Benchmark =Blended 50% MSCI USA High Dividend Yield Index + 25% Bloomberg High Yield Very Liquid Index + 25% Bloomberg US Aggregate 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.

Fees: Returns for periods less than one year are not annualized. Pure Gross of fee returns do not reflect the deduction of any expenses, including transaction costs. Net composite returns referenced above represent Pure Gross composite performance of the portfolio reduced by an annual fee of 2.08%, the maximum fee charged by Primerica Advisors to clients invested in the strategy through the Lifetime Investment Platform wrap fee program. Total returns presented assume reinvestment of any dividends, interest income, capital gains, or other earnings. Net-of-fee returns are reduced by a model "wrap fee" which includes trading expenses as well as investment management, administrative and custodial fees. The composite may include account(s) that are gross of fees and pure gross of fees. Pure gross of fees do not include trading costs. Returns reflect the reinvestment of dividends and other earnings. All performance is reported in US dollars.

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

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BEN/342-5236.

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Glossary

Nasdaq Composite Index is a market-capitalization-weighted index that is designed to represent the performance of NASDAQ securities and includes over 3,000 stocks. Source: Nasdaq OMX. The S&P 500 Index features 500 leading U.S. publicly traded companies, with a primary emphasis on market capitalization. Source: © S&P Dow Jones Indices LLC. All rights reserved.

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