FRANKLIN TEMPLETON

ClearBridge

ClearBridge Small Cap Growth Fund

Class A: SASMX Class I: SBPYX **Commentary | as of September 30, 2025**

Key Takeaways

- **Markets:** After the roller coaster performance of markets during the second quarter, the third quarter was a steadier grind higher, with the benchmark Russell 2000 Growth Index closing the quarter up 12.2%, performing similarly to its value counterpart and outperforming the 10.5% return of the Russell 1000 Growth Index. Waning policy uncertainty, a Fed rate cut and animal spirits fueled by retail enthusiasm for high-growth-potential markets (AI, quantum computing and nuclear energy) drove another quarter of double-digit gains.
- **Contributors:** Holdings in Bloom Energy, Lattice Semiconductor and Insmed. Stock selection in industrials, consumer staples and health care.
- **Detractors:** Holdings in Wingstop, Shift4 Payments and Dutch Bros. Stock selection in consumer discretionary, information technology (IT) and an overweight to consumer staples.
- **Outlook:** We take some comfort that the elevated uncertainty of the first half of the year has improved with the passage of the OBBB and various trade deals coming to fruition over the summer. While policy and tariff dynamics remain fluid and prone to unexpected announcements, this improved stability should allow businesses, investors and consumers to plan with greater confidence. This is partially reflected in the third quarter's M&A activity, which was up nicely with IPOs tracking upward of 80% year over year.

Top Equity Issuers (% of Total)

Holding	Fund
Bloom Energy Corp	3.66
Casey's General Stores Inc	3.01
RBC Bearings Inc	2.86
Lattice Semiconductor Corp	2.85
Varonis Systems Inc	2.72
Wix.com Ltd	2.57
Construction Partners Inc	2.42
Penumbra Inc	2.36
BWX Technologies Inc	2.36
XPO Inc	2.32

Performance Review

- With the benchmark up over 12% during the quarter, the ClearBridge Small Cap Growth Fund was unable to keep pace and underperformed. Strong stock selection in industrials and health care was overwhelmed by weakness in information technology (IT) and consumer discretionary holdings, along with underexposure to metals and mining, which benefited from torrid gains in the underlying commodities.
- Within the consumer discretionary sector (and impacting holdings that serve those end market, like Shift4 Payments), weak traffic data — particularly at restaurants — and general concerns around the health of the low-income consumer weighed on a variety of holdings. Throughout the quarter, real-time sales data suggesting weaker same store sales at two of our larger restaurant holdings, Dutch Bros and Wingstop, presented headwinds to performance.
- Within IT, performance remains acutely divergent between perceived AI winners/losers, as well as extreme performance in pockets of more early stage/retail sector growth stocks. Most of our software stocks saw weak performance, even those with strong beats (such as Klaviyo) amid renewed concerns around potential AI disintermediation.
- Performance was positive across almost every industrial subsector, with strength in several of our aerospace and defense holdings (FTAI Aviation, Karman and BWX Technologies for example), as those end markets remain healthy and our holdings are executing against a variety of new business opportunities. Longstanding holding Bloom Energy, held since its July 2018 IPO, saw exceptionally strong performance as its alternative power solutions are increasingly viewed as a time-to-market advantage for electricity-starved data centers, including an initial data center deal with Oracle.
- Health care was another positive callout with positive relative performance in biotech. This occurred during a period where the index's biotech industry gained approximately 22%, largely due to positive trial results, M&A and improving investor sentiment. Biotech contributions came from Insmed, Mirum Pharmaceuticals and Rhythm Pharmaceuticals, which delivered on positive data and commercial catalysts. Rebounding performance was also seen in previously beaten-down picks and shovels providers like Medpace and ICON.
- We continued to deliver strong new idea generation, adding seven new investments in the quarter: Karman Holdings, Kratos Defense & Security Systems, Avidity Biosciences, CG Oncology, Credo Technology Group, Rigetti Computing, and Cellebrite DI.

Outlook

- We remain committed to identifying strong companies with growth opportunities and attractive returns irrespective of the macro backdrop. The guiding principles that have informed our investment process and philosophy remain at the core of our process: to exercise "judgment and patience" to ensure that we have 1) the right balance of opportunity and risk in the Fund and 2) appropriately capitalized investments with substantial intermediate to long-term growth opportunities.
- We take some comfort that the elevated uncertainty of the first half of the year has improved with the passage of the OBBB and various trade deals coming to fruition over the summer. While policy and tariff dynamics remain fluid and prone to unexpected announcements, this improved stability should allow businesses, investors and consumers to plan with greater confidence. This is partially reflected in the third quarter's M&A activity, which was up nicely with IPOs tracking upward of 80% year over year.
- The economy and stock market continue to be more narrowly driven than headline results might suggest, with AI and other early-stage growth markets getting the lion's share of investment. Signs of green shoots in traditional industrials, consumer and health care markets remain mixed, but we are cautiously optimistic that several factors are aligning for a broadening out that would favor the types of higher-quality businesses the Strategy has greater exposure to. We continue to believe the Fund's focus on companies with idiosyncratic growth and profitability levers, self-funded balance sheets and a balanced spectrum of growth across portfolio construction should position us well across a variety of market outcomes.

Average annual total returns and fund expenses (%) - as of September 30, 2025

			Without Sales Charge							With Maximum Sales Charge							Expenses		Sales Charges		Inception
Class	CUSIP	Ticker	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception	Gross	Net	Initial Charge	CDSC	Date
Class A	52470H815	SASMX	9.39	12.11	13.63	10.37	4.23	10.38	9.92	3.37	5.94	7.38	8.31	3.00	9.73	9.68	1.19	1.19	5.50	—	7/1/1998
Class I	52470H765	SBPYX	9.48	12.37	13.97	10.68	4.51	10.70	9.68	9.48	12.37	13.97	10.68	4.51	10.70	9.68	0.91	0.91	—	—	11/1/2004
Benchmark	—	—	12.19	11.65	13.56	16.68	8.41	9.91	—	12.19	11.65	13.56	16.68	8.41	9.91	—	—	—	—	—	—

Benchmark(s)

Benchmark =Russell 2000 Growth Index

Performance data quoted represents past performance, which does not guarantee future results. *Current performance may be lower or higher than the figures shown. Principal value and investment returns will fluctuate, and investors' shares, when redeemed, may be worth more or less than the original cost. Performance would have been lower if fees had not been waived in various periods. Total returns assume the reinvestment of all distributions and the deduction of all fund expenses. Returns with sales charge reflect a deduction of the stated maximum sales charge. An investor cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges. Returns for periods of less than one year are not annualized. All classes of shares may not be available to all investors or through all distribution channels. For current month-end performance, please visit franklintempleton.com.*

Gross expenses are the fund's total annual operating expenses as of the fund's prospectus available at the time of publication. Net expenses are capped under a contractual agreement, which cannot be terminated prior to 12/31/2026 without Board consent. Actual expenses may be higher and may impact portfolio returns.

Maximum sales charges have been updated as of August 15, 2022, please refer the Fund's prospectus for more information.

What are the Risks?

All investments involve risks, including possible loss of principal. Equity securities are subject to price fluctuation and possible loss of principal. **Small- and mid-cap stocks** involve greater risks and volatility than large-cap stocks. **International investments** are subject to special risks, including currency fluctuations and social, economic and political uncertainties, which could increase volatility. These risks are magnified in **emerging markets**. **Short selling** is a speculative strategy. Unlike the possible loss on a security that is purchased, there is no limit on the amount of loss on an appreciating security that is sold short. **Derivative instruments** can be illiquid, may disproportionately increase losses, and have a potentially large impact on performance. The **investment style** may become out of favor, which may have a negative impact on performance. 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. These and other risks are discussed in the fund's prospectus.

Glossary

The **Russell 1000 Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. Source: FTSE.

Important Information

The information provided is not a complete analysis of every material fact regarding any country, market, industry, security or fund. 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 fund's portfolio selection process. Holdings are subject to change.

The **Russell 2000 Growth Index** measures the performance of the small-cap growth segment of the U.S. equity universe. Source: FTSE.

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

ClearBridge Investments, LLC, and Franklin Distributors, LLC, are Franklin Templeton companies.

Before investing, carefully consider a fund's investment objectives, risks, charges and expenses. You can find this and other information in each prospectus, or summary prospectus, if available, at www.franklintempleton.com. Please read it carefully.