FRANKLIN TEMPLETON | ClearBridge

ClearBridge Small Cap Growth Fund

Class A: SASMX Class I: SBPYX **Commentary | as of September 30, 2026**

Key Takeaways

- **Markets:** Small-cap growth reversed sharply in the third quarter as rising oil prices, stubborn inflation and an increase in interest pressured long-duration equities and capital-dependent smaller companies. AI remained central, but investor enthusiasm became more selective: crowded semiconductor and infrastructure trades sold off, while potential adoption beneficiaries across health care, industrials, payments and consumer gained attention. Industrials and information technology (IT) lagged, whereas health care proved relatively resilient, aided by M&A, improving fundamentals and prospective AI benefits.
- **Contributors:** On an individual stock basis, the leading contributors to relative returns were Zeta Global, Caris Life Sciences, Cactus, Charles River Laboratories and Varonis Systems. Stock selection in the health care, IT and energy sectors contributed positively.
- **Detractors:** The primary detractors were Allegro MicroSystems, Dutch Bros, Universal Technical Institute and BWX Technologies, as well as not owning 10x Genomics. Stock selection in the consumer discretionary and industrials sectors, as well as an overweight to the industrials sector, weighed on performance.
- **Outlook:** We remain focused on businesses with visible organic growth, improving free cash flow, limited refinancing needs and pricing power as macro uncertainty reshapes the small-cap opportunity set.

Top Securities (% of Total)

Holding	Fund
Lattice Semiconductor Corp.	2.86
XOMETRY INC	2.57
Varonis Systems Inc.	2.31
Zeta Global Holdings Corp	2.29
RBC Bearings Incorporated	2.13
MOOG INC-CLASS A	2.03
Allegro MicroSystems Inc	1.99
HealthEquity Inc.	1.77
Construction Partners Cl. A	1.74
RADNET INC	1.74

Performance Review

- The portfolio declined alongside its Russell 2000 Growth Index benchmark and underperformed during the third quarter. Strong stock selection in health care and software, together with contributions from energy holdings such as Cactus, was more than offset by weakness in consumer discretionary and industrials holdings and by semiconductor investments caught in the AI-trade unwind.
- Consumer discretionary was the largest relative detractor. Elevated gas prices and pressure on lower-income and younger consumers weighed on Dutch Bros and Wingstop, while Universal Technical Institute detracted after lowering guidance on weaker high school enrollment starts. We believe much of the restaurant pressure is cyclical rather than structural, though we continue to monitor customers and competitive dynamics.
- Industrials also weighed on results as our overweight to the benchmark's weakest sector compounded weakness in several large holdings. RBC Bearings and BWX Technologies de-rated with aerospace, defense and nuclear peers despite continued execution, while Xometry gained as marketplace growth accelerated for a fourth consecutive quarter.
- IT results diverged sharply. Allegro MicroSystems and Lattice Semiconductor gave back first-half gains as the AI infrastructure trade unwound, but software holdings were meaningful contributors. Zeta Global delivered another beat-and-raise quarter on adoption of its AI agent, while Varonis benefited from takeover-interest reports and greater focus on data protection.
- Health care was our strongest relative contributor, reflecting stock selection across biotechnology, life-science tools and diagnostics. Protagonist Therapeutics and TG Therapeutics reported strong commercial results, while Caris Life Sciences surged on earnings and favorable preliminary Medicare pricing. Charles River Laboratories and Medpace rebounded as bookings exceeded expectations amid an improving biotech funding and biopharma spending backdrop.

Outlook

- The third quarter was a reminder that the small cap recovery remains fragile and unfortunately at times susceptible to factors outside of our companies' control. We take solace that the third quarter is seasonally a more challenging one for the asset class, and such sharp quarters of relative underperformance versus large caps often presages a very strong fourth quarter performance in relative and absolute terms.
- The near-term path is admittedly dependent on several difficult to predict variables: the trajectory of energy prices, whether inflation continues to moderate, how far the Federal Reserve ultimately tightens and potential impacts from the upcoming midterm elections. In this environment, we believe generalized exposure to AI or to cyclical recovery is no longer sufficient.
- Companies with visible organic growth, positive and improving free cash flow, limited refinancing needs and pricing power should be increasingly advantaged, while businesses reliant on falling rates, repeated financing or distant profitability may face continued pressure. This is the type of market in which our guiding principles — exercising "judgment and patience" to maintain the right balance of opportunity and risk while owning appropriately capitalized companies with substantial long-term growth opportunities — should matter most.

Not FDIC Insured | No Bank Guarantee | May Lose Value

Average annual total returns and fund expenses (%) - as of September 30, 2026

			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	-10.60	7.27	4.53	10.51	-0.65	9.56	9.72	-15.51	1.36	-1.22	8.45	-1.82	8.91	9.49	1.20	1.20	5.50	—	7/1/1998
Class I	52470H765	SBPYX	-10.52	7.51	4.84	10.81	-0.38	9.86	9.46	-10.52	7.51	4.84	10.81	-0.38	9.86	9.46	0.91	0.91	—	—	11/1/2004
Benchmark	—	—	-9.39	10.71	12.05	17.55	4.72	9.90	—	-9.39	10.71	12.05	17.55	4.72	9.90	—	—	—	—	—	—

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 12/31/2027 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

Duration is a measure of the sensitivity of a bond's price to changes in interest rates.

Free cash flow (FCF) is a measure of financial performance calculated as operating cash flow minus capital expenditures.

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.

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

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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.

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