FRANKLIN TEMPLETON | ClearBridge

ClearBridge Mid Cap Portfolios

Commentary | as of September 30, 2026

Key Takeaways

- **Markets:** Mid cap stocks fell in the third quarter as doubts about AI capital spending, a Fed rate increase and higher oil prices drove sharp declines in the benchmark's industrials and utilities sectors. Mid cap equities gave up ground during the third quarter, with the benchmark Russell Midcap Index declining 3.0% but remaining in positive territory year to date.
- **Contributors:** Holdings in Tenet Healthcare, Rubrik, Mettler-Toledo, Charles River Laboratories and Travelers. Stock selection in health care and stock selection and an underweight to real estate.
- **Detractors:** Holdings in WillScot, Regal Rexnord, DTE Energy, Casey's General Stores and AppLovin. Stock selection in industrials, energy and consumer staples.
- **Outlook:** In a K-shaped economy facing higher rates and fuel costs, we remain focused on companies with strong competitive positions, healthy balance sheets, capable management teams and clear paths to value creation.

Performance Review

- Broader market and economic headwinds to our industrials, energy and consumer holdings, along with our overweight to industrials, more than offset positive stock selection in health care.
- Industrials was the largest relative detractor as higher interest rates and fuel costs weighed on cyclical demand while data center and power infrastructure stocks pulled back over AI capex concerns. Modular space and storage provider WillScot fell despite raising guidance, as sentiment soured for nearly all stocks related to nonresidential construction. Solid waste company Casella Waste Systems faced a similar squeeze from elevated fuel costs. Public safety technology provider Axon Enterprise fell in sympathy with public backlash over a competitor's automatic license plate reader. We do not believe this will have a lasting impact on Axon's business. Finally, diversified industrial products maker Regal Rexnord declined after new management reduced full-year guidance on weaker organic earnings growth.
- Energy detracted for two reasons in roughly equal measure: we did not own the refiners which were the best performers in the sector, and several of our own holdings came under company-specific pressure. The refining industry experienced a meteoric rise as Strait of Hormuz disruptions and tight global fuel inventories drove record refining margins and accounted for about half of the sector's drag on relative results. Meanwhile natural gas compression services provider Archrock fell after narrowing its full-year guidance citing short-term cost pressures, while natural gas producer EQT declined as weak Appalachian natural gas prices weighed on the shares.
- In the consumer sectors, foodservice distributor Performance Food Group fell amid negative restaurant traffic and higher diesel costs, and convenience store operator Casey's General Stores beat on earnings, but grocery-led inside same-store sales fell short of high expectations, de-rating a premium multiple. In communication services, AppLovin, whose software platform helps advertisers market and monetize content, declined after a rare miss against its own guidance.
- Stock selection in IT detracted overall, weighed down by holdings such as Microchip Technology, which gave up some ground after a very strong second quarter. Rubrik, a data security and cloud data management provider, rallied on another clean beat-and-raise quarter and accelerating subscription growth as concern about AI-enabled cyberattacks sharpened focus on cyber resilience and data recovery. Data storage provider Everpure rose sharply on a second hyperscaler design win and strong AI-driven storage demand.
- Health care was the largest contributor to relative performance. Hospital operator Tenet Healthcare was the top contributor after a significant beat and raise driven by cost efficiencies, higher-acuity volumes and supplemental payments. Drug development services provider Charles River Laboratories rebounded on bookings well ahead of expectations as biotech funding recovered, and Mettler-Toledo, a laboratory instruments maker and service provider, beat expectations and raised guidance on a broadening demand recovery in the biopharma industry.
- In IT, we initiated a position in SiTime, the leading provider of silicon-based precision timing devices that keep processors, networks and other electronic components synchronized.

Outlook

- The market's intense focus on all things AI-related is understandable. Much of the growth in the U.S. can be directly or indirectly linked to AI investment spending. But, as the buildout of AI infrastructure comes more into view, we are spending more time understanding which companies will best use the technology to accelerate growth, become more productive and transform their businesses. We believe Axon Enterprise, which has been integrating AI into many of its product offerings, is an excellent example of a company that was initially seen as an AI loser but is increasingly viewed as an AI winner.
- The economy is also increasingly K-shaped, reflecting the growing bifurcation of consumer spending as lower income consumers disproportionately feel the pain of higher prices for gasoline, food, electricity and many other consumables while higher income cohorts are less affected. With this in mind, we are increasingly attracted to consumer stocks that offer products or services to higher-income and/or aging consumers.
- Viking Holdings, the largest river cruise company in the world, serves mostly upper-income customers who are retired or nearing retirement. Service Corporation International, the largest owner and operator of funeral homes and cemeteries in the U.S., and Churchill Downs, a sports, gaming and entertainment company that owns the namesake racetrack and the Kentucky Derby, also fit this profile. We believe companies like these, along with Viking, should have much greater earnings visibility in the years ahead, regardless of what shape the economy takes.

Top Equity Issuers (% of Total)

Holding	Portfolio
Mettler-Toledo International Inc	3.38
Clean Harbors Inc	2.97
Rubrik Inc	2.65
Crown Holdings Inc	2.54
Performance Food Group Co	2.45
DTE Energy Co	2.44
Vistra Corp	2.36
Travelers Cos Inc/The	2.35
Teledyne Technologies Inc	2.24
Live Nation Entertainment Inc	2.21

Not FDIC Insured | No Bank Guarantee | May Lose Value

Average annual total returns (%) - as of September 30, 2026-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	-8.40	0.92	-2.00	-6.43	6.11	-0.36	5.97	8.87	6.71	—	6.75	4/30/2004
Pure Gross of Fees	-7.92	1.94	-0.50	-4.51	8.27	1.68	8.13	11.07	8.88	—	8.92	4/30/2004
Benchmark	-3.00	10.41	11.84	12.02	17.20	8.04	11.17	12.97	9.73	—	10.39	—

*Cumulative total returns

Benchmark(s)

Benchmark =Russell Mid Cap Index

The strategy returns shown are preliminary composite returns, subject to future revision (downward or upward).

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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 2.04%, the maximum fee charged by Primerica Advisors to clients invested in the strategy through the Primerica Advisors Lifetime Investment Program wrap fee program. The Net of fee composite returns presented in the attached strategy GIPS Report are calculated by reducing each monthly composite pure gross rate of return by the highest "bundled" fee charged (3.00%) annually, prorated to a monthly ratio. Returns reflect the reinvestment of dividends and other earnings. All performance is reported in US dollars. 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.
The composite is comprised of accounts that are separately managed accounts (SMAs) managed in accordance with the strategy.
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What are the Risks?

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Glossary

The **Fed**, or Federal Reserve, is the central banking system of the United States responsible for managing monetary policy, supervising banks, and maintaining financial stability.

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The **Russell Mid Cap Index** measures the performance of the mid-cap segment of the U.S. equity universe.

Source: FTSE.

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