

ClearBridge Mid Cap Fund

Class A: SBMAX Class I: SMBYX
Commentary | as of December 31, 2025

Key Takeaways

- Markets:** Mid cap equities were flat to slightly positive in the fourth quarter, with the Russell Midcap Index returning 0.16%. Market performance was shaped less by macroeconomic shocks and more by an increasingly narrow set of investor preferences, particularly late in the quarter, as momentum faded in several growth-oriented areas that had driven returns earlier in the year. Earnings reactions became more uneven, with stocks often moving sharply irrespective of underlying execution, reinforcing a market dynamic where sentiment and positioning frequently outweighed fundamentals. While certain cyclical and industrial recovery narratives stalled, dispersion beneath the surface of index-level results remained elevated, underscoring both the challenges and opportunities for active, company-specific investing.
- Contributors:** Holdings in Light & Wonder, Expedia and API Group. Stock selection in the consumer discretionary sector, overweight to information technology (IT) and underweight to communication services.
- Detractors:** Holdings in Alexandria Real Estate Equities, Resideo Technologies and Chewy. Stock selection in the IT, real estate and financials sector.
- Outlook:** As we look toward 2026, we believe the environment for mid cap equities is becoming incrementally more constructive, though uncertainty remains. The past several years have been characterized by an unusually narrow market, where a small subset of highly visible growth themes attracted the majority of investor attention, while many fundamentally sound businesses across the broader economy were overlooked. In our view, this dynamic contributed to a prolonged period of deferred investment and cautious decision making outside of a limited number of favored areas.

Top Securities (% of Total)

Holding	Fund
Casey's General Stores, Inc.	3.19
API Group Corp.	3.13
Clean Harbors Inc	2.94
EQT Corp.	2.86
Teledyne Technologies Inc.	2.85
PPL Corporation	2.63
LIGHT & WONDER INC	2.56
Hartford Financial Svcs Grp Co	2.56
Regal Beloit Corp.	2.38
Performance Food Group Co.	2.30

Performance Review

- The Fund underperformed its benchmark for the quarter as broad-based market headwinds and uneven earnings reactions weighed on results, despite solid execution and improving fundamentals across much of the portfolio. While performance pressure was felt across a wide range of sectors, information technology (IT) and real estate were the most notable sources of headwinds, partially offset by strength in consumer discretionary holdings.
- IT detracted as investor sentiment toward software businesses weakened amid heightened sensitivity to earnings expectations and concerns around AI-driven disruption. Teledyne Technologies, a diversified industrial technology company, and Bentley Systems, an infrastructure-focused software provider, declined as expectations for near-term acceleration were pushed out. Dynatrace, a provider of application performance monitoring software, also detracted following conservative guidance.
- Real estate was another source of pressure, largely driven by the decline in Alexandria Real Estate Equities, a life-science-focused office REIT. The company's stock came under pressure as a slowdown in biopharma research spending and excess laboratory capacity weighed on leasing demand and rental growth expectations. We exited the position as ongoing uncertainty and a dividend cut reinforced our view that a recovery may take longer than previously anticipated.
- Consumer discretionary holdings were a bright spot for the portfolio. Light & Wonder, a gaming and entertainment company, rebounded following technical selling pressure related to its relisting to the Australian exchange, creating an attractive entry opportunity. Expedia, a global online travel platform, contributed as improved execution in its consumer business complemented continued strength in its business-to-business segment. New holding Churchill Downs, an owner and operator of gaming and racing assets, advanced as operating trends normalized following earlier weakness tied to the timing of the Kentucky Derby and softer consumer sentiment.
- While overall stock selection in industrials and health care weighed on results during the quarter, there were a number of encouraging areas of performance. In industrials, API Group, a provider of safety and specialty services, continued to deliver steady execution, margin improvement and consistent compounding growth. In health care, Argenx, an immunology-focused biotechnology company, advanced on continued commercial execution and pipeline progress.
- We initiated positions in Casella Waste Systems, a residential waste services provider with a high proportion of recurring revenue, following a transitory selloff tied to minor acquisition integration issues, and Tyler Technologies, a provider of mission-critical software to state and local governments, where a highly recurring revenue model and limited exposure to near-term AI disruption support durable long-term growth.
- On the sell side, we exited CorpPay, a corporate payments company, as the emergence of stablecoin technologies introduced new uncertainty around portions of its payments business. We also exited DraftKings, a digital sports betting and gaming platform, as the rise of prediction markets introduced additional competitive uncertainty that altered our conviction in the company's medium-term business model.

Outlook

- As we look toward 2026, we believe the environment for mid cap equities is becoming incrementally more constructive, though uncertainty remains. The past several years have been characterized by an unusually narrow market, where a small subset of highly visible growth themes attracted the majority of investor attention, while many fundamentally sound businesses across the broader economy were overlooked. In our view, this dynamic contributed to a prolonged period of deferred investment and cautious decision making outside of a limited number of favored areas.
- We are increasingly encouraged by signs that this imbalance may begin to ease. Improving clarity around policy, a more accommodative interest rate backdrop and supportive tax dynamics have the potential to reaccelerate business investment and earnings growth across a wider set of industries. Importantly, this does not require a dramatic shift in economic conditions; rather, a normalization of capital allocation and decision making could meaningfully benefit many mid cap

companies with durable cash flows, attractive valuations and clear paths to improvement.

- From a portfolio perspective, we are deliberately not positioning the portfolio for a single outcome. Instead, we are actively reallocating capital from areas where expectations appear more fully priced toward businesses that we believe have been underappreciated despite solid fundamentals. With dispersion elevated and valuation gaps wide across sectors such as industrials, health care, utilities and financials, we believe patient, bottom-up stock selection and balanced portfolio construction are well suited to the evolving opportunity set.

Average annual total returns and fund expenses (%) - as of December 31, 2025

Class	CUSIP	Ticker	Without Sales Charge						With Maximum Sales Charge						Expenses		Sales Charges		Inception		
			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	52469H768	SBMAX	-3.91	4.17	4.17	9.10	4.53	7.43	9.04	-9.21	-1.55	-1.55	7.05	3.30	6.80	8.80	1.16	1.16	5.50	—	9/1/1998
Class I	52469H735	SMBYX	-3.84	4.52	4.52	9.42	4.84	7.77	8.79	-3.84	4.52	4.52	9.42	4.84	7.77	8.79	0.88	0.85	—	—	12/3/1998
Benchmark	—	—	0.16	10.60	10.60	14.36	8.67	11.01	—	0.16	10.60	10.60	14.36	8.67	11.01	—	—	—	—	—	—

Benchmark(s)

Benchmark =Russell Mid Cap 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 franklintonlepon.com.

Gross expenses are the fund's total annual operating expenses as of the fund's prospectus available at the time of publication. Actual expenses may be higher and may impact portfolio returns. Net expenses reflect contractual fee waivers, expense caps and/or reimbursements, which cannot be terminated prior to 12/31/2026 without Board consent. Additional amounts may be voluntarily waived and/or reimbursed and may be modified or discontinued at any time without notice.

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. **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**. **Small- and mid-cap stocks** involve greater risks and volatility than large-cap stocks. **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 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.

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

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

Source: FTSE.

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.franklintonlepon.com. Please read it carefully.