FRANKLIN TEMPLETON | ClearBridge

ClearBridge Mid Cap Fund

Class A: SBMAX Class I: SMBYX **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, Charles River Laboratories, Mettler-Toledo and Travelers. Stock selection in health care and stock selection and an underweight to real estate.
- **Detractors:** Holdings in WillScot, Regal Rexnord, Performance Food Group, DTE Energy and Casey's General Stores. 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. 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. 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.
- 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.
- 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 Securities (% of Total)

Holding	Fund
Clean Harbors Inc	3.17
RUBRIK INC	2.94
Crown Holdings, Inc.	2.63
Performance Food Group Co.	2.63
Travelers Cos Inc/The Npv	2.54
Vistra Corp	2.53
DTE Energy Company	2.47
Live Nation Entertainment Inc	2.37
Teledyne Technologies Inc.	2.36
EQT Corp.	2.28

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	52469H768	SBMAX	-8.66	-2.09	-5.93	7.14	0.68	7.04	8.70	-13.67	-7.48	-11.11	5.14	-0.50	6.41	8.47	1.15	1.15	5.50	—	9/1/1998
Class I	52469H735	SMBYX	-8.58	-1.86	-5.64	7.47	0.99	7.38	8.47	-8.58	-1.86	-5.64	7.47	0.99	7.38	8.47	0.84	0.84	—	—	12/3/1998
Benchmark	—	—	-3.00	11.84	12.02	17.20	8.04	11.17	—	-3.00	11.84	12.02	17.20	8.04	11.17	—	—	—	—	—	—

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 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. **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.

Source: FTSE.

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

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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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