

# ClearBridge Mid Cap Fund

Class A: SBMAX Class I: SMBYX

Commentary | as of March 31, 2026

## Key Takeaways

- **Markets:** Mid cap equities delivered positive returns during the first quarter, with the Russell Midcap Index gaining 1.3% and outperforming both large cap and small cap peers. Large caps, as measured by the Russell 1000 Index, declined 4.2% during the period, while the smaller cap Russell 2000 Index posted a more modest gain of 0.9%, as signs of a broadening in market leadership continued to emerge. While mid caps were not immune to the broader market selloff, driven largely by investor concerns surrounding the ramifications of the conflict pitting the U.S. and Israel against Iran, performance was more closely tied to underlying business fundamentals and sector-level dynamics.
- **Contributors:** Holdings in Regal Rexnord, Casey's General Stores and Clean Harbors. Stock selection in the industrials, consumer staples and financials sectors.
- **Detractors:** Holdings in AppLovin, ICON and Rubrik. Stock selection in the IT, health care and consumer discretionary sectors.
- **Outlook:** We are spending more time challenging long-held assumptions, particularly in areas where technological change could alter competitive dynamics. At the same time, we are mindful that periods of uncertainty often create opportunity, especially for companies with clear strategies, strong execution and the ability to adapt. We also believe that many mid cap companies are better positioned than commonly appreciated to incorporate generative AI into their operations as a potential source of efficiency and long-term value creation. Whether in logistics, industrial manufacturing or health care delivery, the ability to rethink cost structures and productivity could become an important differentiator over time.

## Performance Review

- The Fund underperformed its Russell Midcap Index benchmark during the quarter, as pressure across information technology (IT), health care and consumer discretionary more than offset strength in industrials and consumer staples.
- IT was the largest detractor during the period as software and platform companies — including holdings Tyler Technologies, which provides software solutions to public sector clients, and Rubrik, a data security and cloud management company — faced pressure as investors began to doubt their competitive positioning in an increasingly AI-driven landscape. AppLovin, a mobile advertising and app monetization platform, detracted modestly as the stock digested a strong move upward earlier in the year and the market wrestled with the near-term potential of its new e-commerce product. However, we believe AppLovin's position as an early adopter makes it a long-term beneficiary of AI, as greater gaming and application development should increase the need for discovery by advertisers.
- Health care was an area of weakness during the quarter. Declines were particularly prevalent in contract research organization ICON and digital health platform Doximity, due to investor concerns over the possibility of AI disruption in drug development and advertising. We exited our ICON position during the quarter but continue to hold a small position in Doximity as we believe that it is competitively well positioned and, despite being caught up in near-term disruption concerns, will be a long-term beneficiary of AI.
- Several of our consumer discretionary holdings faced both macro and company-specific challenges. Chewy, a leading online retailer of pet products, and Churchill Downs, an operator of gaming and entertainment assets — including the Kentucky Derby — were among the weaker performers during the quarter. Chewy's stock has drifted lower recently in response to its in-line results and continued investment in the business. In the case of Churchill Downs, regulatory developments related to potential competitive casino approvals, as well as the concern surrounding emerging online prediction markets, contributed weakness in the shares.
- These headwinds were partially offset by strength across a broad set of industrials, driven by high-quality compounders positioned to benefit from improving or stabilizing end markets, enthusiasm for cyclical recovery stories and AI infrastructure/power beneficiaries. For example, Regal Rexnord, a provider of engineered power transmission components, benefited from improving operational execution and exposure to electrification trends. XPO, a less-than-truckload transportation provider, is benefiting from implementing an array of strategies to improve service quality, mix and pricing. This is helping profitability while positioning the company for a possible uptick in freight demand and activity. Finally, Vertiv, a manufacturer of power, cooling and infrastructure management systems primarily serving data centers, continued to benefit from the robust demand associated with data center construction.
- Positive stock selection in consumer staples was led by Casey's General Stores, a defensive compounder whose value-focused business model continues to see resilient consumer demand, particularly amid an increasingly uncertain macro environment.
- Portfolio activity during the quarter reflected our continued focus on positioning toward companies where we see attractive combinations of structural growth, improving fundamentals, strong balance sheets and compelling risk-reward. We were particularly active within the consumer discretionary sector, adding five new holdings and exiting one.

## Outlook

- As we look ahead, the range of potential outcomes remains wide. The path of economic growth, the durability of a recovery across cyclical end markets and the ultimate impact of AI on business models are all still taking shape. Our focus remains on understanding businesses at a fundamental level — how they generate returns, how durable those returns are and how they may evolve over time.
- We are spending more time challenging long-held assumptions, particularly in areas where technological change could alter competitive dynamics. At the same time, we are mindful that periods of uncertainty often create opportunity, especially for

## Top Securities (% of Total)

Holding	Fund
Casey's General Stores, Inc.	3.56
EQT Corp.	3.28
Teledyne Technologies Inc.	3.16
API Group Corp.	3.15
DTE Energy Company	2.94
Clean Harbors Inc	2.79
Vistra Corp	2.62
Vertiv Holdings Co.	2.44
Crown Holdings, Inc.	2.39
STERIS PLC	2.37

companies with clear strategies, strong execution and the ability to adapt. We also believe that many mid cap companies are better positioned than commonly appreciated to incorporate generative AI into their operations as a potential source of efficiency and long-term value creation. Whether in logistics, industrial manufacturing or health care delivery, the ability to rethink cost structures and productivity could become an important differentiator over time.

- Ultimately, our approach remains grounded in selectivity and discipline. We are focused on owning businesses that can perform across a range of scenarios, while remaining flexible as the environment evolves.

## Average annual total returns and fund expenses (%) - as of March 31, 2026

Class	CUSIP	Ticker	Without Sales Charge						With Maximum Sales Charge						Expenses		Sales Charges		Inception Date		
			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	CDCS
Class A	52469H768	SBMAX	-2.71	-2.71	8.56	7.48	1.81	7.35	8.84	-8.07	-8.07	2.59	5.47	0.61	6.71	8.61	1.15	1.15	5.50	—	9/1/1998
Class I	52469H735	SMBYX	-2.63	-2.63	8.91	7.81	2.12	7.68	8.60	-2.63	-2.63	8.91	7.81	2.12	7.68	8.60	0.84	0.84	—	—	12/3/1998
Benchmark	—	—	1.29	1.29	15.98	13.33	7.26	10.91	—	1.29	1.29	15.98	13.33	7.26	10.91	—	—	—	—	—	

## 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](http://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.

## Glossary

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

The **Russell 2000 Index** measures the performance of the small-cap 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 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.franklintempletondatasources.com](http://www.franklintempletondatasources.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.franklintempleton.com](http://www.franklintempleton.com). Please read it carefully.**