FRANKLIN TEMPLETON | ClearBridge

ClearBridge All Cap Growth Portfolios

Commentary | as of September 30, 2026

Key Takeaways

- **Markets:** U.S. equity leadership shifted in the third quarter as a selloff in higher-beta AI stocks and rising Treasury yields offset strong corporate earnings. The Russell 3000 Growth Index advanced 0.5%, trailing the Russell 3000 Value Index's 2.3% gain, as investors favored companies demonstrating clearer AI monetization.
- **Contributors:** CrowdStrike, Meta Platforms and Natera. Not holding Applied Materials, KLA and Lam Research. Stock selection in information technology (IT), industrials, consumer discretionary.
- **Detractors:** AppLovin, ASML, Broadcom, underweights to Nvidia and Microsoft.
- **Outlook:** The AI momentum selloff has created attractive opportunities to expand exposure to companies with durable growth prospects at more compelling valuations. We believe increasing differentiation among AI beneficiaries will reward disciplined, bottom-up stock selection.

Top Equity Issuers (% of Total)

Holding	Portfolio
NVIDIA Corp	11.47
Broadcom Inc	7.16
Apple Inc	6.19
Meta Platforms Inc	5.12
Alphabet Inc	4.97
Crowdstrike Holdings Inc	4.16
Visa Inc	3.67
Amazon.com Inc	3.53
Advanced Micro Devices Inc	2.81
Palo Alto Networks Inc	2.47

Performance Review

- AI was the main source of volatility during the quarter. A sharp momentum selloff in July unwound crowded positions in certain semiconductor and AI-exposed industrial stocks as investors questioned the durability of and payoff from capital spending. These concerns resurfaced in September after a coordinated call among the leading AI labs to slow the pace of frontier model development. Anthropic's delayed initial public offering and a significant rise in usage of lower-priced open-source models intensified the debate around AI monetization.
- The Portfolios outperformed their Russell 3000 Growth benchmark during the third quarter gross of fees, benefiting from disciplined stock selection as the unwind in AI momentum rewarded our valuation-sensitive approach. Stock selection contributed in seven of the nine sectors in which we were invested, led by IT, industrials and consumer discretionary.
- In IT, information security providers CrowdStrike and Palo Alto Networks contributed as software stocks recovered from first-half weakness. Newly purchased Micron Technology benefited from our opportunistic entry following July's semiconductor selloff.
- Not holding semiconductor equipment makers Applied Materials, KLA and Lam Research contributed meaningfully as crowded AI infrastructure trades unwound. Conversely, underweights to Nvidia and Microsoft were the largest relative detractors as strong data center demand, Azure cloud momentum and improving AI monetization supported their shares.
- Broadcom declined alongside other AI semiconductor companies following a disappointing revenue forecast. ASML, which we own outside the benchmark, also detracted as elevated expectations and export-control uncertainty overshadowed solid quarterly results.
- In communication services, Meta Platforms advanced following the successful launch of its Muse personal AI agent, reinforcing opportunities in agentic commerce. AppLovin detracted as delays in anticipated AI model improvements weighed on quarterly results.
- In health care, Natera contributed following strong growth in molecular residual disease testing and higher full-year guidance. Thermo Fisher Scientific also advanced on better-than-expected earnings and resilient biopharma demand.
- Portfolio activity focused on expanding AI infrastructure exposure while managing benchmark concentration. We initiated positions in Advanced Micro Devices, Micron Technology and Vertiv, increased ServiceNow and Alphabet, and reduced Amazon and Microsoft.
- We exited Roche, e.l.f. Beauty, Tractor Supply and Insulet as our conviction in their growth prospects diminished.

Outlook

- The recent AI selloff has created a more constructive environment for our investment process. While we remain fundamentally positive on AI adoption, elevated expectations had driven valuations in some infrastructure companies beyond what near-term fundamentals could support. The correction has provided opportunities to establish positions in differentiated businesses at more attractive valuations.
- We believe the proliferation of lower-cost, open-source AI models will reinforce rather than diminish demand for computing infrastructure. Our additions to AMD, Micron and Vertiv provide exposure to expanding requirements for processing power, high-bandwidth memory, cooling and electrical infrastructure while diversifying our AI investments.
- We also see opportunities in software, where indiscriminate selling has obscured durable growth prospects for security and infrastructure providers. As AI adoption broadens, we expect greater differentiation between companies that can translate investment into earnings growth and those facing disruption. Our balanced positioning across sectors and the growth spectrum should enable the Portfolios to capitalize on this dispersion through disciplined, bottom-up stock selection.

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	5.69	19.60	6.57	4.95	17.73	7.34	10.85	12.67	8.63	7.84	9.16	6/30/1996
Pure Gross of Fees	6.46	21.33	8.95	8.09	21.22	10.54	14.15	16.02	11.87	11.07	12.41	6/30/1996
Benchmark	0.45	17.58	6.36	7.58	23.84	13.11	17.62	17.26	13.12	11.41	10.47	–

*Cumulative total returns

Benchmark(s)

Benchmark =Russell 3000 Growth Index

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

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Fees: Periods less than one year are not annualized. Performance results are for the composite which includes all actual, fully discretionary accounts with substantially similar investment policies and objectives managed to the composite's investment strategy. Composite returns are stated in U.S. dollars and assume reinvestment of any dividends, interest income, capital gains, or other earnings. The composite may include account(s) that are gross of fees and pure gross of fees. "Pure" gross-of-fee returns do not reflect the deduction of any expenses, including transaction costs. A traditional (or "true") gross-of-fee return reflects performance after the reduction of transaction costs but before the reduction of the investment advisory fee. The gross-of-fee return may include a blend of "true" gross-of-fee returns for non-wrap accounts and "pure" gross-of-fee returns for wrap accounts. Net-of-fee returns is reduced by a model "wrap fee" (3.0% is the maximum anticipated wrap fee for equity and balanced portfolios) which includes trading expenses as well as investment management, administrative and custodial fees. The model wrap fee used represents the highest anticipated wrap fee applicable to the strategy. Actual fees and account minimums may vary.
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What are the Risks?

All investments involve risks, including possible loss of principal. To the extent the portfolio invests in a **concentration of certain securities, regions or industries**, it is subject to increased volatility. **Small- and mid-cap stocks** involve greater risks and volatility than large-cap stocks.

Glossary

An **initial public offering (IPO)** is the process of offering shares in a private corporation to the public for the first time.

The **Russell 3000 Value Index** measures the performance of the broad value segment of U.S. equity value universe. Source: FTSE.

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The **Russell 3000 Growth Index** measures the performance of those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values.

Source: FTSE.

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