FRANKLIN TEMPLETON | ClearBridge

ClearBridge Appreciation Portfolios

Commentary | as of June 30, 2026

Key Takeaways

- **Markets:** After pausing during the first quarter, technology shares reasserted market leadership in the second quarter, with the IT sector returning a remarkable 31.8%, more than double the 15.2% return of the S&P 500 Index. Industrials was the only other sector to even come close to the S&P 500's return, rising 14.9%. Every other sector lagged meaningfully.
- **Contributors:** Stock selection in materials and a consumer discretionary underweight were beneficial.
- **Detractors:** Stock selection in IT, industrials, communication services, financials and consumer discretionary, overweights to materials and energy and an IT underweight detracted the most.
- **Outlook:** As through-the-cycle investors with an emphasis on downside protection, we believe current conditions argue for a more cautious stance. Animal spirits remain elevated, with momentum stocks increasingly held by a more levered investor base at valuations leaving little margin for error.

Performance Review

- The ClearBridge Appreciation Portfolios underperformed the benchmark S&P 500 Index in the second quarter of 2026. On an absolute basis, the Portfolios had positive contributions from eight of 11 sectors. The IT sector was the main positive contributor, while energy was the main detractor.
- On an individual stock basis, the biggest relative contributors during the quarter were ASML, Palo Alto Networks, Eli Lilly, an underweight to Microsoft and not owning Palantir. The biggest detractors were Netflix, an underweight to Advanced Micro Devices, and not owning Micron Technology, Intel and Applied Materials.
- ASML, in the IT sector, is a leading maker of extreme ultraviolet lithography equipment critical for the production of advanced semiconductors. The stock was up in the second quarter due to surging demand for AI chips driving order backlogs for its extreme ultraviolet lithography machines. This widespread industry optimism, along with a raised full-year 2026 sales outlook, fueled a strong quarter.
- Palo Alto Networks, in the IT sector, is leading provider of network and cloud security platforms to enterprises. The shares were lifted by continued strong operating results and better market appreciation that information security is unlikely to be disrupted by AI.
- Micron Technology, in the IT sector, designs, develops, manufactures, and sells memory and storage products worldwide. Micron extended its strong performance due to accelerating AI-driven demand, tightening memory supply, and improving pricing dynamics across DRAM and high-bandwidth memory markets; not owning the stock was a relative headwind.
- Netflix, in the communication services sector, operates the leading video streaming platform. Shares dropped due to fears of weakening engagement and disappointment around second-quarter earnings that guidance for the full year was not raised.

Outlook

- As through-the-cycle investors with an emphasis on downside protection, we believe current conditions argue for a more cautious stance. Animal spirits remain elevated, with momentum stocks increasingly held by a more levered investor base at valuations leaving little margin for error. That said, given ongoing economic momentum and sustained technology-related capital expenditures, we don't see meaningful risk of a recession. Rather, we view today's herd mentality as evidence of a market that is overdue for a speculative washout. Such a correction would force investors to retrench and focus on their highest-conviction, long-term ideas rather than continuing to blindly chase momentum. We would view a correction, even a reasonably sharp one, as healthy for the long-term durability of the bull market.

Top Equity Issuers (% of Total)

Holding	Portfolio
NVIDIA Corp	8.57
Alphabet Inc	7.81
Apple Inc	6.93
Amazon.com Inc	4.00
ASML Holding NV	3.50
Microsoft Corp	3.50
Eli Lilly & Co	2.93
Broadcom Inc	2.78
JPMorgan Chase & Co	2.75
Johnson & Johnson	2.27

Not FDIC Insured | No Bank Guarantee | May Lose Value

Average annual total returns (%) - as of June 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	7.67	2.97	2.97	8.88	12.06	6.81	8.59	8.89	7.23	–	7.72	2/28/2003
Pure Gross of Fees	8.44	4.50	4.50	12.12	15.39	10.00	11.83	12.14	10.43	–	10.93	2/28/2003
Benchmark	15.20	10.21	10.21	22.32	20.61	13.41	15.51	14.36	11.39	–	11.93	–

*Cumulative total returns

Benchmark(s)

Benchmark =S&P 500 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.
For fee schedules, contact your financial professional, or if you enter into an agreement directly with Franklin Templeton Private Portfolio Group, LLC ("FTPPG"), refer to FTPPG's Form ADV Part 2A disclosure document. 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.

What are the Risks?

All investments involve risks, including possible loss of principal. Small- and mid-cap stocks involve greater risks and volatility than large-cap stocks. **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**.

Glossary

Capital Expenditure (capex) are funds used by a company to acquire or upgrade physical assets such as property, industrial buildings or equipment.

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The information provided is not a complete analysis of every material fact regarding any country, market, industry, security or portfolio. 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 portfolio's selection process. Holdings are subject to change.

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The **S&P 500 Index** features 500 leading U.S. publicly traded companies, with a primary emphasis on market capitalization.

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