

ClearBridge Mid Cap Portfolios

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 materials 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 Portfolios underperformed their Russell Midcap Index benchmark (gross and net of fees) 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 companies with clear strategies, strong execution and the ability to adapt. We also believe that many mid cap companies are

Top Equity Issuers (% of Total)

Holding	Portfolio
Casey's General Stores Inc	3.57
EQT Corp	3.34
Teledyne Technologies Inc	3.15
API Group Corp	3.06
DTE Energy Co	2.99
Clean Harbors Inc	2.76
Vistra Corp	2.61
Crown Holdings Inc	2.46
Vertiv Holdings Co	2.42
STERIS PLC	2.35

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 (%) - as of March 31, 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	-3.12	-7.72	-3.12	5.72	5.07	-0.36	5.26	6.13	5.57	—	5.87	4/30/2004
Pure Gross of Fees	-2.40	-6.33	-2.40	8.88	8.22	2.63	8.41	9.30	8.73	—	9.04	4/30/2004
Benchmark	1.29	1.45	1.29	15.98	13.33	7.26	10.91	10.70	9.16	—	10.14	—

*Cumulative total returns

Benchmark(s)

Benchmark = Russell Mid Cap Index

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

Past performance is not a guarantee of future results. An investment in this strategy can lose value. Please visit www.franklintempleton.com for the latest performance figures.

Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

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. 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

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.

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

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Source: FTSE.

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