FRANKLIN TEMPLETON | ClearBridge

ClearBridge Growth ESG Portfolios

Commentary | as of June 30, 2026

Key Takeaways

- **Markets:** U.S. equities advanced sharply in the second quarter, supported by improved risk appetite and continued AI-related capital spending. Mid cap growth stocks participated in the rally but lagged the strongest areas of the market, with the benchmark Russell Midcap Growth Index returning 14.5% versus 16.7% for the Russell 1000 Growth Index and 25.7% for the Russell 2000 Growth Index.
- **Contributors:** Holdings in CrowdStrike, Snowflake, Vertiv. Overweight to IT, lack of exposure to energy, stock selection in financials.
- **Detractors:** Holdings in TJX, now owning Astera Labs and Datadog. Stock selection in IT, industrials and communication services.
- **Outlook:** We expect volatility to ease in the third quarter, and we are encouraged that some outsize moves driven more by flows and momentum than fundamentals have begun to reverse. While mindful of the consequences of increased portfolio turnover, we believe repositioning efforts should support positive long-term performance and greater stability of returns over time.

Top Equity Issuers (% of Total)

Holding	Portfolio
Vertiv Holdings Co	5.47
Broadcom Inc	4.95
Vertex Pharmaceuticals Inc	4.43
Crowdstrike Holdings Inc	4.04
Johnson Controls International plc	3.87
TJX Cos Inc/The	3.79
Hilton Worldwide Holdings Inc	3.71
TE Connectivity PLC	3.69
Howmet Aerospace Inc	2.80
Freeport-McMoRan Inc	2.72

Performance Review

- In a period when benchmark flows and constituent changes had an unusually large impact, the Portfolios generated double-digit absolute returns but underperformed their Russell Midcap Growth benchmark. While some of the Portfolios' larger holdings were laggards, much of the quarter's underperformance reflected what we did not own rather than weakness across portfolio holdings.
- IT was the largest detractor from relative performance. Higher-beta semiconductor and hardware names in the benchmark rallied sharply, creating a headwind for our more balanced approach to growth. In terms of portfolio holdings, Autodesk came under pressure after announcing its acquisition of MaintainX, a frontline operations software vendor. While the market focused on the size of the transaction and related execution risk, we believe that reaction overlooked both the potential for Autodesk to expand its addressable market and the continued strength of its core design software business. In a narrow rally, holdings in connector and sensor manufacturer TE Connectivity and e-commerce platform Shopify also detracted.
- At the same time, IT provided several of the quarter's bright spots. Information security provider CrowdStrike rebounded sharply, data warehouse platform Snowflake delivered strong relative performance and long-time holding Broadcom continued to contribute, underscoring the ongoing importance of cloud, cybersecurity and AI infrastructure exposure within the portfolio.
- In industrials, our positioning in Rocket Lab also detracted. Despite taking advantage of weakness to scale up the position over the quarter, our initial underweight pressured results. These headwinds were partially offset by Vertiv, whose power, thermal management and digital infrastructure solutions continued to benefit from robust data center spending.
- Financials contributed, led by Robinhood, which benefited from strong trading volumes across equities, options and prediction markets. In consumer discretionary, Viking benefited from healthy demand for its river cruises and easing concerns over fuel costs, while Wayfair was supported by strong intra-quarter data showing continued share gains. The Portfolios' underweight to energy also helped as oil prices declined later in the quarter.

Outlook

- We expect volatility to ease in the third quarter, and we are encouraged that some outsize moves driven more by flows and momentum than fundamentals have begun to reverse. While mindful of the consequences of increased portfolio turnover, we believe repositioning efforts should support positive long-term performance and greater stability of returns over time.
- The broader backdrop remains constructive but unsettled. AI capital spending continues to create large opportunities, but the market is increasingly distinguishing durable fundamental beneficiaries from companies more dependent on speculative momentum. We enter the second half of the year with a risk-aware and balanced expression of growth across durable compounders, disruptors, cyclical businesses and improving growth stories, and we remain focused on businesses with competitive advantages, strong balance sheets and clear paths to revenue growth and free cash flow generation.
- Social media litigation is entering a new phase, with recent court decisions suggesting legal and regulatory risk is shifting away from user-generated content toward platform design, with claims increasingly focused on addictive features and youth mental health. Leading platforms have strengthened content governance through oversight mechanisms, youth safety initiatives and AI moderation, yet investors still need clearer evidence that these measures are effective in practice. As the regulatory landscape evolves, active stewardship on youth safety, content moderation and disclosure can help assess whether companies are managing emerging legal, reputational and operational risks effectively.

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	11.02	0.20	0.20	1.63	9.59	1.10	6.93	7.47	6.95	–	6.95	6/30/2006
Pure Gross of Fees	11.82	1.69	1.69	4.68	12.85	4.13	10.13	10.68	10.14	–	10.14	6/30/2006
Benchmark	14.55	7.27	7.27	6.17	15.61	6.03	13.04	12.01	10.55	–	10.55	–

*Cumulative total returns

Benchmark(s)

Benchmark =Russell Midcap 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.
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. 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. The managers' **environmental, social and governance (ESG) strategies** may limit the types and number of investments available and, as a result, may forgo favorable market opportunities or underperform strategies that are not subject to such criteria. There is no guarantee that the strategy's ESG directives will be successful or will result in better performance.

Glossary

Free cash flow (FCF) is a measure of financial performance calculated as operating cash flow minus capital expenditures.

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

The **Russell 2000 Growth Index** measures the performance of the small-cap growth segment of the U.S. equity universe. Source: FTSE.

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The **Russell Midcap Growth Index** measures the performance of the mid-cap growth segment of the U.S. equity universe.

Source: FTSE.

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