FRANKLIN TEMPLETON | ClearBridge

ClearBridge Growth ESG Portfolios

Commentary | as of September 30, 2026

Key Takeaways

- **Markets:** The broader Russell 3000 Growth Index rose 0.5% in the third quarter, though a July unwind of crowded AI trades, surging Treasury yields and higher oil prices weighed on cyclical areas of the Portfolios' mid cap benchmark, the Russell Midcap Growth Index, which declined 5.8%.
- **Contributors:** Holdings in CrowdStrike, Shopify, Natera and Freeport-McMoRan, and an underweight to Astera Labs. Stock selection in IT, industrials and consumer discretionary and a lack of exposure to utilities.
- **Detractors:** Holdings in Vertiv and AppLovin, and not owning Marathon Petroleum, Atlassian and Everpure. A lack of exposure to energy and an overweight to industrials.
- **Outlook:** We would not be surprised to see bifurcation in the market as earnings reveal the ability for AI to either accelerate near-term business momentum or erode it. We are positioning the Portfolios to take advantage of this — spending time identifying the companies in areas most likely to be winners and losers as AI's implications broaden.

Performance Review

- The Portfolios outperformed their Russell Midcap Growth benchmark during the third quarter, as strong stock selection, particularly in information technology (IT) and industrials, more than offset the drag from our lack of exposure to energy and our overweight to industrials. CrowdStrike, Shopify, Vertex and Freeport-McMoRan were among the largest contributors, reflective of a core advantage of the Portfolios: rather than being forced to sell these names as they scaled past mid cap thresholds — as a pure-style mid cap growth mandate would require — the Portfolios allows these holdings to compound for clients over multiyear time periods.
- IT was the largest contributor to relative performance. Information security provider CrowdStrike led the way as several of our software holdings rebounded after coming under pressure in the first half of the year. The rebound was concentrated in both security companies and software makers, including Cloudflare and Snowflake, once feared to be vulnerable to AI disintermediation but now appear positioned to benefit from the proliferation of AI agents, E-commerce platform Shopify was another leading contributor after strong second-quarter gross merchandise value growth and forward revenue guidance, with a sharp rise in AI-driven traffic and orders at stores on its platform.
- In health care, Vertex Pharmaceuticals contributed after raising its full-year revenue guidance on continued strength in its cystic fibrosis (CF) franchise. Natera, a leader in molecular residual disease (MRD) testing for cancer recurrence, also contributed positively after reporting an increase in quarterly MRD test additions and raising its full-year guidance.
- In materials, copper producer Freeport-McMoRan gained as copper prices reached a record high in early September on tight near-term supply and the potential for U.S. tariffs on refined copper imports.
- We saw greater dispersion among our industrials holdings, including those indexed to AI infrastructure. These contributions offset headwinds for Vertiv, a power, thermal management and digital infrastructure solutions provider for data centers, due to a revenue shortfall management attributed to project timing and supply chain congestion.
- In communication services, AppLovin, which operates a leading AI-powered platform for mobile application marketing and monetization, detracted as an expected step-up in model performance shifted from the second quarter into the third, leaving results short of the company's own guidance.

Outlook

- AI is still in the early innings of reshaping a wide range of industries, and we expect that this technology evolution will both disrupt businesses as well as create new winners beyond the hyperscaler names. Times of change and uncertainty create opportunities for us as bottom-up stock pickers as the market often has a habit of painting industries and subindustries with a broad brush. We saw this play out as the software sector was sold indiscriminately over much of the last 12 months. Our selectivity, holding through the noise in names like CrowdStrike and adding where conviction was high to names like Snowflake and Cloudflare, has served our clients well.
- We would not be surprised to see bifurcation in the market as earnings reveal the ability for AI to either accelerate near-term business momentum or erode it. We are positioning the Portfolios to take advantage of this — spending time identifying the companies in areas most likely to be winners and losers as AI's implications broaden.
- A common thread: sustainability is increasingly the mechanism connecting AI demand with practical development. Companies able to lower resource requirements, protect ratepayers, address community concerns and deliver reliable capacity may be better positioned to support — and benefit from — the next phase of AI infrastructure growth.

Top Equity Issuers (% of Total)

Holding	Portfolio
Crowdstrike Holdings Inc	5.37
Vertex Pharmaceuticals Inc	4.25
Johnson Controls International plc	3.96
Snowflake Inc	3.90
Cloudflare Inc	3.80
Broadcom Inc	3.55
Natera Inc	3.28
Hilton Worldwide Holdings Inc	3.27
Vertiv Holdings Co	3.25
Lumentum Holdings Inc	3.09

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	-1.40	9.47	-1.21	-3.95	10.92	2.25	5.79	8.97	6.65	—	6.79	6/30/2006
Pure Gross of Fees	-0.67	11.07	1.01	-1.06	14.22	5.32	8.96	12.22	9.84	—	9.98	6/30/2006
Benchmark	-5.84	7.85	1.01	-2.73	15.36	4.92	11.86	13.17	10.17	—	10.09	—

*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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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

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.

Important Information

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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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