FRANKLIN TEMPLETON | ClearBridge

ClearBridge Mid Cap Growth Portfolios

Commentary | as of June 30, 2026

Key Takeaways

- **Markets:** Mid cap growth equities delivered strong absolute returns in the second quarter, outpacing value and narrowing its year-to-date outperformance. Despite mid cap growth stocks trailing their larger and smaller cap peers, the quarter reflected a healthier backdrop for our opportunity set, with performance led by AI infrastructure, hardware, memory and select cyclical beneficiaries — areas where fundamentals and stock selection mattered.
- **Contributors:** Holdings in United Rentals, Datadog and an underweight to Insmed. Stock selection in consumer staples, industrials and consumer discretionary.
- **Detractors:** An underweight to Astera Labs, holdings in EQT and Baker Hughes. Stock selection energy, financials and materials.
- **Outlook:** We remain focused on identifying durable economic value as AI investment evolves and broader cyclical recovery opportunities continue to emerge.

Top Equity Issuers (% of Total)

Holding	Portfolio
Datadog Inc	3.64
Comfort Systems USA Inc	3.58
Live Nation Entertainment Inc	2.64
Cloudflare Inc	2.54
United Rentals Inc	2.39
Vistra Corp	2.35
Casey's General Stores Inc	2.32
Burlington Stores Inc	2.28
Performance Food Group Co	2.23
Axon Enterprise Inc	2.14

Performance Review

- The Portfolios outperformed their Russell Midcap Growth benchmark (gross of fees, underperformed net of fees) during the second quarter, supported by solid stock selection across a variety of sectors and the recovery of several long-standing industrial holdings as the economic backdrop became more constructive for several previously depressed end markets.
- Within industrials, long-standing holdings United Rentals, an equipment rental company, and WillScot, a provider of modular space and storage solutions, saw relief as investors grew more comfortable with the durability of infrastructure demand and improving general non-residential activity. This strength was partially offset by weakness in select aerospace and defense holdings, including Kratos Defense & Security Solutions, as the group fell out of favor amid concerns around the aerospace cycle following the Iranian conflict and a reversal in defense sentiment heading into the midterm election cycle.
- IT was also an important contributor, with the Portfolios keeping pace despite limited exposure to several higher-beta AI-exposed stocks. Patience in select software holdings was rewarded after the first-quarter selloff, as Datadog, a cloud observability platform, Fortinet, a cybersecurity company, and Rubrik, a data security and cloud data management provider, benefited from greater recognition that AI adoption can increase data, security and infrastructure complexity. These gains were supported by contributions from Monolithic Power Systems, a semiconductor company benefiting from rising power needs in AI server racks, and Vertiv, a provider of power and cooling infrastructure for data centers, helped offset relative headwinds from the robust performance of some of the benchmark's fastest-moving AI beneficiaries like Astera Labs, a maker of high speed networking and connectivity chips used in data centers. We added the name late in the quarter but missed most of its 300% plus performance.
- Health care also contributed, with positive contributors from both biotechnology and equipment industries. Bio-Techne, a life sciences tools company, was acquired by Merck KGaA against a backdrop of improving demand, while new position Roivant, a biotechnology company developing therapies across a range of conditions, also supported results as investors recognized its repeatable in-licensing and drug development model.
- Energy was a modest headwind, as natural gas producer EQT, energy technology company Baker Hughes and oil and gas producer Diamondback Energy gave back prior gains, largely tracking weaker oil and natural gas prices amid optimism for a potential détente in the Iran conflict.

Outlook

- The market is wrestling with an increasing pace of disruption amid a generational investment cycle. Winners and losers are being reassessed quickly, while geopolitical uncertainty is affecting the direction of monetary policy and complicating consumer and business investment planning. We expect volatility to persist, but we also believe the environment can create opportunities for active managers focused on fundamental differentiation.
- We continue to see cautiously optimistic signs of a broader cyclical recovery in industrials, health care and the consumer. AI investment will likely remain robust, but the market will need to distinguish between revenue growth and durable economic value creation, especially given the benchmark's higher exposure to AI-related businesses.
- We also see opportunities for AI users in transportation, biotechnology, health care providers and financial institutions where productivity gains may not yet be fully discounted. We are mindful of upcoming midterm elections and policy winners and losers, and our approach remains grounded in bottom-up research, selectivity and discipline across diverse business models and growth rates.

Not FDIC Insured | No Bank Guarantee | May Lose Value

Average annual total returns (%) - as of June 30, 2026

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	14.28	7.15	7.15	5.23	10.53	1.90	10.05	–	–	–	8.04	6/30/2014
Pure Gross of Fees	15.09	8.73	8.73	8.37	13.82	4.96	13.33	–	–	–	11.26	6/30/2014
Benchmark	14.55	7.27	7.27	6.17	15.61	6.03	13.04	–	–	–	11.39	–

*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?

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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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