

ClearBridge Mid Cap Growth Portfolios

Commentary | as of December 31, 2025

Key Takeaways

- **Markets:** Mid cap growth equities declined during the fourth quarter, with the Russell Midcap Growth Index falling 3.7% and underperforming both small and large cap peers. Investor focus remained highly concentrated around a narrow set of perceived secular winners while many growth-oriented businesses outside those themes faced sustained pressure. Market performance was shaped less by macroeconomic developments and more by a reassessment of growth durability, competitive positioning and valuation. As a result, earnings reactions were often sharp and uneven, with stocks moving meaningfully despite solid underlying execution, reinforcing a challenging environment for diversified growth portfolios.
- **Contributors:** Holdings in Expedia, RBC Bearings and an underweight to Roblox. Underweight to the communication services sector, stock selection in consumer staples and consumer discretionary.
- **Detractors:** Holdings in Doximity, United Rentals and underweight to Rocket Lab. Stock selection in materials, industrials and financials.
- **Outlook:** We believe the portfolio is well-positioned for a more balanced growth environment, as valuation dislocations and improving fundamentals create opportunity beyond the most crowded growth themes.

Performance Review

- The Portfolios underperformed their benchmark (gross and net of fees) for the quarter as results were shaped by a highly selective growth environment and sharp market reactions to individual earnings outcomes, despite solid execution across many holdings.
- Industrials was a meaningful detractor during the quarter, reflecting stock selection challenges rather than a broad-based sector trend. Several holdings faced pressure as investors reassessed near-term expectations following earnings and outlook updates. United Rentals, an equipment rental company, detracted as uncertainty persisted around the timing and durability of a recovery in short-cycle industrial demand. Trex, a manufacturer of composite decking materials, also weighed on results amid ongoing competitive dynamics and questions around demand normalization, conditions that led us to exit the position.
- Some software and digital platform companies experienced sharp pullbacks following earnings, even where results were solid. AppLovin, a mobile advertising and app monetization platform, declined as its momentum faded late in the quarter following a strong run earlier in the year. Rubrik, a provider of data security and cloud data management solutions, took a breather after an extended period of positive performance driven by progress in customer adoption and recurring revenue. Dynatrace, an observability and application performance monitoring software company, declined after issuing conservative guidance, reflecting broader concerns around enterprise software spending, AI disintermediation and competitive dynamics.
- Our consumer discretionary growth holdings proved a bright spot. Expedia, an online travel platform with both consumer-facing and business-to-business offerings, contributed positively as improved execution in its consumer segment complemented continued strength in its B2B business. Burlington Stores, an off-price apparel retailer, also delivered solid performance, supported by disciplined merchandising, steady store expansion and margin improvement, underscoring the benefits of operational execution in a selective growth environment.
- We added selectively to innovation-led growth opportunities outside of the most crowded areas of the market. Kratos Defense & Security Solutions, a defense technology company with exposure to unmanned systems, hypersonics and space-related applications, offers leverage to what we view as a multiyear increase in global defense investment. We also initiated a position in Rocket Lab, an aerospace company providing launch services and space systems, where increasing demand for satellite deployment across both commercial and government customers supports a compelling long-term growth opportunity.
- We also exited a number of holdings as part of our effort to reallocate capital toward higher-conviction growth opportunities and adjust positioning where risk-reward dynamics have shifted. We exited Light & Wonder following its relisting to the Australian exchange, which reduced its suitability for the Strategy. We sold Chipotle as concerns around moderating growth increased. We also sold Paylocity in the HR software industry as the company's growth profile matured and visibility into incremental upside diminished.

Outlook

- As we look toward 2026, we believe the backdrop for mid cap growth investing is becoming more favorable following a prolonged period of extreme selectivity. Over the past year, growth outcomes were dominated by a narrow set of highly visible themes, while many innovative growth businesses faced sustained pressure despite executing well. While this environment proved challenging, it also created meaningful dislocations, as valuation and sentiment often diverged sharply from underlying fundamentals.
- We view this as an increasingly attractive setup for disciplined growth investors. As expectations recalibrate and capital begins to broaden beyond the most crowded narratives, we believe mid cap growth companies with durable end markets, improving cash flow profiles and defensible competitive positions are well-positioned to regain investor attention. Entering 2026, our focus remains on owning high-quality growth businesses that can compound value across a range of outcomes rather than relying on any single driver. While volatility is likely to persist, we believe periods like this tend to reward patience, selectivity and a long-term perspective — qualities that have historically made mid cap growth an important and rewarding allocation over time.

Top Equity Issuers (% of Total)

Holding	Portfolio
Monolithic Power Systems Inc	2.89
Vertiv Holdings Co	2.79
Expedia Group Inc	2.79
Casey's General Stores Inc	2.59
Martin Marietta Materials Inc	2.41
United Rentals Inc	2.33
Vistra Corp	2.33
RBC Bearings Inc	2.30
Hilton Worldwide Holdings Inc	2.26
Burlington Stores Inc	2.18

Average annual total returns (%) - as of December 31, 2025-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	-4.91	-1.80	0.88	0.88	14.05	3.04	8.83	—	—	—	7.75	6/30/2014
Pure Gross of Fees	-4.20	-0.33	3.90	3.90	17.44	6.13	12.07	—	—	—	10.97	6/30/2014
Benchmark	-3.70	-1.03	8.66	8.66	18.64	6.65	12.49	—	—	—	11.24	—

*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).

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

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Source: FTSE.

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