

Investment overview

The ClearBridge Small Cap Growth Portfolios (SCG) invest in U.S. companies with business models that offer the potential for long-term growth of capital. The portfolio management team seeks out quality growth companies with large and exploitable opportunities, employs a patient approach to security selection and carefully manages risk at the security and portfolio levels.

Investment objective

Seeks to:

Outperform the Russell 2000 Growth Index over a full market cycle.

Investment philosophy

We believe that:

- Small-caps represent a large, inefficient, under-covered universe where a lack of institutional focus and limited analyst coverage create mispricing opportunities for long-term investors.
- Strong risk controls at the portfolio and security levels are required to help reduce the volatility inherent in small-cap investing.
- Small-company stocks diversify and potentially enhance returns in the context of a broader portfolio.

Portfolio positioning

Designed for investors seeking long-term capital appreciation through investments in quality small-capitalization companies with the potential for sustained long-term growth.

Key differentiators

Find quality growth companies with large exploitable opportunities

- Identify category leaders or those with leadership potential. Understand capital allocation discipline and ability to sustain long-term growth through successful reinvestment of cash flow.

Patient approach to security selection and position management, anchored by valuation

- Seek multi-year opportunities, allowing for compounding effect of earnings; leads to lower turnover than Small Cap Growth peer group.
- Take deliberate approach to understanding company fundamentals, key competitors, and industry structure.
- Focus on cash flow returns minimizes risk of chasing momentum-driven stocks.
- Use market volatility to manage position size advantageously.

Defined risk management at security level and portfolio level

- De-risk stock via understanding broad range of outcomes, including assumptions in downside case.
- Rigorous maintenance review of existing holdings to ensure fundamental and valuation case intact.
- Explicit limits at position and sector levels.
- Diversification of business models and customer bases throughout portfolio.
- Spectrum of growth rates among portfolio companies.

Management team

ClearBridge Investments is an active equity manager offering a broad range of strategies across global developed and emerging markets, local markets, and income.

Investment management team

Aram Green

Managing Director

Portfolio Manager

Industry since 2001

Jeff Bailin, CFA

Managing Director

Portfolio Manager

Industry since 2009

Investment process

STEP 1

Generate ideas

- Investment universe typically in the \$500 million to \$4 billion market cap range.
- Focus on companies that are gaining market share due to innovative products and services.

STEP 2

Analyze fundamentals

- Specific evaluation of business model, financial structure and management.
- Work from a skeptical view to identify key risks and thoroughly understand opportunities and strategies.

STEP 3

Apply key valuation measures

Invest in stocks with attractive valuation, based on various measures.

STEP 4

Construct portfolio and manage risk

- Build a diversified portfolio of companies with a spectrum of growth, with a bias toward high barriers to entry and recurring/lower volatility of revenues.
- Manage risk, with careful attention to sector diversification and individual security weights.
- Active share typically above 90%; portfolios generally concentrated in 60-90 stocks.

STEP 5

Review and monitor portfolio continuously

- Review investment rationale, with continued active reweighting as appropriate.
- Portfolio reviewed quarterly by independent ClearBridge Risk Committee.

The investment process may change over time. The characteristics set forth above are intended as a general illustration of some of the criteria the strategy team considers in selecting securities for client portfolios. There is no guarantee that investment objectives will be achieved.

Portfolio Information†

As of December 31, 2025

Top Ten Holdings (%)

	Portfolio
RBC Bearings Inc	2.96
Bloom Energy Corp	2.79
Penumbra Inc	2.63
Lattice Semiconductor Corp	2.60
Miram Pharmaceuticals Inc	2.35
Fabrinet	2.24
XPO Inc	2.23
BWX Technologies Inc	2.22
Casey's General Stores Inc	2.15
Construction Partners Inc	2.13
Total	24.32

Sector Weightings (%)

	Portfolio	BM
Industrials	24.61	21.74
Health Care	23.62	25.82
Information Technology	21.07	21.17
Financials	9.48	9.84
Consumer Discretionary	6.70	8.03
Consumer Staples	6.52	2.05
Materials	2.88	3.50
Energy	2.86	2.83
Communication Services	0.00	2.35
Real Estate	0.00	2.16
Utilities	0.00	0.51
Cash & Cash Equivalents	2.27	0.00

Market Capitalization (%)

	Portfolio	BM
<2.5 Billion	4.34	24.58
2.5-5 Billion	26.50	37.08
5-10 Billion	33.59	26.84
>10 Billion	35.57	11.50

Characteristics

	Portfolio	BM
Number of Issuers	80	1,105
Estimated 3-5 Year EPS Growth	17.57%	13.77%
Price to Earnings (12-Month Forward)	27.71x	21.34x
Price to Book	6.61x	5.52x
Dividend Yield*	0.25%	0.50%
Median Market Cap (Millions USD)	\$6,690	\$4,252
Weighted Average Market Capitalization (Millions USD)	\$9,367	\$5,403

†Source: FactSet. Portfolio characteristics listed are based on a model portfolio, not an actual client account. The model portfolio is a hypothetical portfolio whereby the portfolio characteristics are based on simulated trading and account activity of a client account invested in this strategy. The model portfolio assumes no withdrawals, contributions or client-imposed restrictions. Portfolio characteristics of individual client accounts may differ from those of the model portfolio as a result of account size, client-imposed restrictions, the timing of client investments, market conditions, contributions, withdrawals and other factors. **Dividend Yield is calculated without the deduction of fees and expenses.**

Performance

Annualized Rates of Return – Pure Gross and Net of Fees (%) as of December 31, 2025 – PRELIMINARY

	1 Mth	3 Mths	YTD	1 Year	3 Year	5 Year	7 Year	10 Year	15 Year
Small Cap Growth –Pure Gross of Fees—(USD)	-1.93	-1.85	11.07	11.07	8.77	1.01	9.37	9.91	10.87
Small Cap Growth –Net of Fees—(USD)	-2.17	-2.57	7.85	7.85	5.61	-1.94	6.19	6.72	7.65
Russell 2000 Growth Index —(USD)	-1.28	1.22	13.01	13.01	15.59	3.18	10.59	9.57	9.94

Calendar-Year Total Returns – Pure Gross and Net of Fees (%) ending December 31

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Small Cap Growth –Pure Gross of Fees—(USD)	11.07	5.34	9.99	-28.47	14.24	41.55	25.76	4.25	23.54	6.67
Small Cap Growth –Net of Fees—(USD)	7.85	2.27	6.80	-30.62	10.94	37.52	22.15	1.21	20.00	3.56
Russell 2000 Growth Index —(USD)	13.01	15.15	18.66	-26.36	2.83	34.63	28.48	-9.31	22.17	11.32

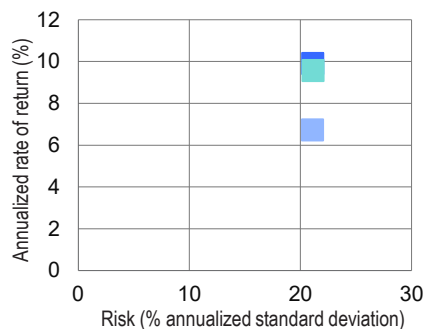
The strategy returns shown are preliminary composite returns, subject to future revision (downward or upward). Past performance is not a guarantee of future results. An investment in this strategy can lose value. Please visit www.franklintempleton.com for the latest performance figures. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

¹ **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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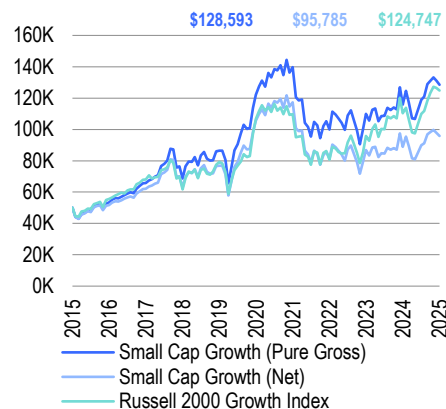
Performance Statistics ¹ Preliminary (based on 10-year period ending December 31, 2025)

Risk/Return profile (%)

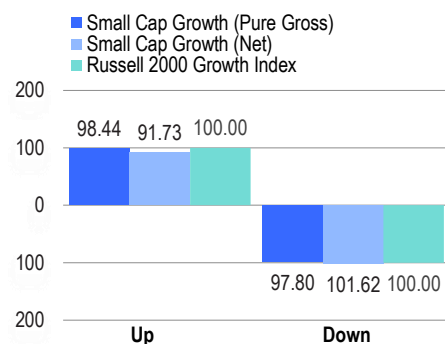


■ Small Cap Growth (Pure Gross)	
Annualized Return (%)	9.91
Annualized Standard Deviation (%)	21.11
■ Small Cap Growth (Net)	
Annualized Return (%)	6.72
Annualized Standard Deviation (%)	21.11
■ Russell 2000 Growth Index	
Annualized Return (%)	9.57
Annualized Standard Deviation (%)	21.13

Growth of \$50,000*



Up/Down market capture ratios (%)



Modern portfolio statistics

	Portfolio (Pure gross)	Portfolio (Net)	BM
Sharpe Ratio	0.45	0.31	0.44
Beta	0.96	0.96	N/A
Alpha (%)	0.64	-2.29	N/A
R-Squared	0.93	0.93	N/A

	(+) Months	(-) Months
Pure Gross:	73	47
Net:	73	47

¹ Source: Franklin Templeton.

*For illustrative purposes only. Assumes no withdrawals or contributions. These statistics are based on pure gross and net-of-fees quarterly composite returns, were calculated assuming reinvestment of dividends and income, and take into account both realized and unrealized capital gains and losses.

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.

Terms and definitions:

Dividend yield is determined by dividing a stock's annual dividends per share by the current market price per share. Dividend yield is a financial ratio that shows how much a company pays out in dividends. **Dividend yield is calculated without the deduction of fees and expenses.**

P/E (Year 1) is the previous day's closing price of the stock divided by the consensus earnings per share (EPS) of fiscal year 1 (FY1) provided by I/B/E/S. Forecasts are inherently limited and should not be relied upon as indicators of future performance.

The **price-to-book ratio (P/B)** is a stock's price divided by the stock's per share book value. Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of a common stock.

Weighted median market capitalization represents the value at which half the portfolio's market capitalization weight falls above, and half falls below.

Weighted average market capitalization represents the average value of the companies held in the portfolio. When that figure is weighted, the impact of each company's capitalization on the overall average is proportional to the total market value of its shares.

Market capitalization measures the number of outstanding common shares of a given corporation multiplied by the latest price per share.

Standard deviation measures the risk or volatility of an investment's return over a particular time period; the greater the number, the greater the risk.

The **up-capture ratio** measures the manager's overall performance to the benchmark's overall performance, considering only quarters that are positive in the benchmark. An up-capture ratio of more than 100 indicates a manager who outperforms the relative benchmark in the benchmark's positive quarters.

The **down-capture ratio** is the ratio of the manager's overall performance to the benchmark's overall performance, considering only quarters that are negative in the benchmark. A down-capture ratio of less than 100 indicates a manager who outperforms the relative benchmark in the benchmark's negative quarters and protects more of a portfolio's value during down markets.

Alpha is a measure of performance vs. a benchmark on a risk-adjusted basis. A positive alpha of 1.0 means the portfolio has outperformed its benchmark index by 1%. Correspondingly, a similar negative alpha would indicate an underperformance of 1%. Alpha is a measure of the difference between actual returns and expected performance measuring sensitivity to index movements.

Beta measures the sensitivity of an investment to the movement of its benchmark. A beta higher than 1.0 indicates the investment has been more volatile than the benchmark and a beta of less than 1.0 indicates that the investment has been less volatile than the benchmark.

Sharpe ratio is a risk-adjusted measure, calculated using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe ratio, the better a portfolio's historical risk-adjusted performance.

R-squared measures the strength of the linear relationship between a portfolio and its benchmark. R-squared at 1.00 implies perfect linear relationship and zero implies no relationship exists.

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

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.

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