



ClearBridge Small Cap Growth Portfolios

Commentary | as of September 30, 2025

Key Takeaways

- Markets: After the roller coaster performance of markets during the second quarter, the third quarter was a steadier
 grind higher, with the benchmark Russell 2000 Growth Index closing the quarter up 12.2%, performing similarly to its
 value counterpart and outperforming the 10.5% return of the Russell 1000 Growth Index. Waning policy uncertainty, a
 Fed rate cut and animal spirits fueled by retail enthusiasm for high-growth-potential markets (AI, quantum computing
 and nuclear energy) drove another quarter of double-digit gains.
- Contributors: Holdings in Bloom Energy, Lattice Semiconductor and Insmed. Stock selection in industrials, consumer staples and health care.
- Detractors: Holdings in Wingstop, Shift4 Payments and Dutch Bros. Stock selection in information technology (IT) and consumer discretionary sectors and an overweight to consumer staples.
- Outlook: We take some comfort that the elevated uncertainty of the first half of the year has improved with the passage
 of the OBBB and various trade deals coming to fruition over the summer. While policy and tariff dynamics remain fluid
 and prone to unexpected announcements, this improved stability should allow businesses, investors and consumers to
 plan with greater confidence. This is partially reflected in the third quarter's M&A activity, which was up nicely with IPOs
 tracking upward of 80% year over year.

Performance Review

- With the benchmark up over 12% during the quarter, the ClearBridge Small Cap Growth Portfolios were unable to keep pace
 and underperformed. Strong stock selection in industrials and health care was overwhelmed by weakness in information
 technology (IT) and consumer discretionary holdings, along with underexposure to metals and mining, which benefited from
 torrid gains in the underlying commodities.
- Within the consumer discretionary sector (and impacting holdings that serve those end market, like Shift4 Payments), weak
 traffic data particularly at restaurants and general concerns around the health of the low-income consumer weighed on
 a variety of holdings. Throughout the quarter, real-time sales data suggesting weaker same store sales at two of our larger
 restaurant holdings, Dutch Bros and Wingstop, presented headwinds to performance.
- Within IT, performance remains acutely divergent between perceived AI winners/losers, as well as extreme performance in
 pockets of more early stage/retail sector growth stocks. Most of our software stocks saw weak performance, even those with
 strong beats (such as Klaviyo) amid renewed concerns around potential AI disintermediation.
- Performance was positive across almost every industrial subsector, with strength in several of our aerospace and defense
 holdings (FTAI Aviation, Karman and BWX Technologies for example), as those end markets remain healthy and our holdings
 are executing against a variety of new business opportunities. Longstanding holding Bloom Energy, held since its July 2018
 IPO, saw exceptionally strong performance as its alternative power solutions are increasingly viewed as a time-to-market
 advantage for electricity-starved data centers, including an initial data center deal with Oracle.
- Health care was another positive callout with positive relative performance in biotech. This occurred during a period where
 the index's biotech industry gained approximately 22%, largely due to positive trial results, M&A and improving investor
 sentiment. Biotech contributions came from Insmed, Mirum Pharmaceuticals and Rhythm Pharmaceuticals, which delivered
 on positive data and commercial catalysts. Rebounding performance was also seen in previously beaten-down picks and
 shovels providers like Medpace and ICON.
- We continued to deliver strong new idea generation, adding eight new investments in the quarter: Caris Life Sciences, Karman Holdings, Kratos Defense & Security Systems, Avidity Biosciences, CG Oncology, Credo Technology Group, Rigetti Computing, and Cellebrite DI.

Outlook

- We remain committed to identifying strong companies with growth opportunities and attractive returns irrespective of the
 macro backdrop. The guiding principles that have informed our investment process and philosophy remain at the core of our
 process: to exercise "judgment and patience" to ensure that we have 1) the right balance of opportunity and risk in the Fund
 and 2) appropriately capitalized investments with substantial intermediate to long-term growth opportunities.
- We take some comfort that the elevated uncertainty of the first half of the year has improved with the passage of the OBBB
 and various trade deals coming to fruition over the summer. While policy and tariff dynamics remain fluid and prone to
 unexpected announcements, this improved stability should allow businesses, investors and consumers to plan with greater
 confidence. This is partially reflected in the third quarter's M&A activity, which was up nicely with IPOs tracking upward of
 80% year over year.
- The economy and stock market continue to be more narrowly driven than headline results might suggest, with Al and other early-stage growth markets getting the lion's share of investment. Signs of green shoots in traditional industrials, consumer and health care markets remain mixed, but we are cautiously optimistic that several factors are aligning for a broadening out that would favor the types of higher-quality businesses the Strategy has greater exposure to. We continue to believe the Fund's focus on companies with idiosyncratic growth and profitability levers, self-funded balance sheets and a balanced spectrum of growth across portfolio construction should position us well across a variety of market outcomes.

Top Equity Issuers (% of Total)

Portfolio
3.62
3.00
2.79
2.70
2.64
2.44
2.40
2.39
2.36
2.33

Average annual total returns (%) - as of September 30, 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	9.35	20.54	10.70	11.50	8.32	2.43	7.74	8.63	_	_	9.73	10/31/2008
Pure Gross of Fees	10.14	22.28	13.16	14.82	11.55	5.50	10.95	11.87	_	_	13.00	10/31/2008
Benchmark	12.19	25.62	11.65	13.56	16.68	8.41	9.91	11.01	_	_	11.78	_

^{*}Cumulative total returns

Benchmark(s)

Benchmark = Russell 2000 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.

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What are the Risks?

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All investments involve risks, including possible loss of principal. Small- and mid-cap stocks involve greater risks and volatility than large-cap stocks.

Glossary

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

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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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