

ClearBridge All Cap Growth Portfolios

Commentary | as of December 31, 2025

Key Takeaways

- **Markets:** U.S. equities delivered resilient but volatile performance in the fourth quarter. Momentum-driven themes tied to artificial intelligence (AI) extended into the early part of the quarter before reversing, resulting in heightened volatility and greater stock-level dispersion. The benchmark Russell 3000 Growth Index advanced 1.1%.
- **Contributors:** Vertex Pharmaceuticals, Freeport McMoRan and Natera as well as underweights to Microsoft and Oracle Stock selection in consumer discretionary.
- **Detractors:** Netflix, Doximity, underweights to Alphabet and Apple and not holding Eli Lilly. Stock selection in communication services and health care.
- **Outlook:** Markets remain resilient, but volatility has increased as momentum-driven areas cooled and stock-level dispersion widened, reinforcing the importance of disciplined stock selection and a balanced approach to portfolio construction.

Performance Review

- An underweight to Alphabet was a primary detractor. We had been consistently adding to Alphabet since repurchasing the stock in April 2024, as it had been trading at a sub-market multiple, but we regret not increasing our exposure more aggressively after the DOJ antitrust case concluded with less onerous penalties than feared. The company's success with AI-supported digital advertising, its Google Gemini chatbot and TPU chips for AI workloads boosted its shares more than 25% for the quarter. An underweight to the outperforming Apple also weighed on results.
- Netflix fell due to investor uncertainty and concerns over its proposed \$72 billion acquisition of Warner Bros. Discovery's studio assets, a move complicated by a rival bid from Paramount/Skydance, potential regulatory hurdles and integration risks, muddling its previously clear growth narrative.
- In health care, Eli Lilly rose strongly after striking a deal with the U.S. government to offer its GLP-1 treatments to Medicare and Medicaid patients while readouts on the company's oral GLP-1 treatment indicated a broader market than expected. This caused our lack of exposure to be a drag on relative results.
- Partially offsetting this weakness, Vertex Pharmaceuticals benefited from growing optimism around its kidney disease pipeline; Thermo Fisher Scientific was up on improved sentiment toward the health care sector while Natera was higher on positive results in its oncology business and raised financial guidance.
- We initiated three positions, the largest being European aerospace and defense contractor Airbus. The long-term demand for commercial aircraft to support air travel is increasing, with much of the growth from China and other parts of Asia, while aging of the existing fleet provides a robust pipeline of replacement demand for years to come.
- Linde is a well-run company operating in an attractive, consolidated end market of industrial gas, a key input in many industries including technology, chemicals, manufacturing, health care and electronics. Hilton is one of the world's largest and fastest-growing hospitality companies with a portfolio of over 8,500 properties and more than 1.25 million rooms across 24 brands. We believe it has a long runway for growth supported by continued mid- to high-single-digit net unit expansion.

Outlook

- Our outlook remains consistent with what we articulated earlier in the year — and importantly, what played out in the fourth quarter. Markets remain resilient, but volatility has increased as momentum-driven areas cooled and stock-level dispersion widened, reinforcing the importance of disciplined stock selection and a balanced approach to portfolio construction.
- AI continues to represent a powerful long-term opportunity, though early beneficiaries such as semiconductors and infrastructure have already seen significant gains. We are focused on making sure we have not only the right exposure within the AI complex but also other offensive bets in the portfolio should market leadership broaden further. At the same time, we continue to emphasize balance, owning companies not only with offensive growth potential but also defensive characteristics built on strong free cash flow, clean balance sheets and proven management teams, which should help to protect the portfolio should the environment weaken.

Top Equity Issuers (% of Total)

Holding	Portfolio
NVIDIA Corp	9.28
Broadcom Inc	7.93
Amazon.com Inc	7.35
Apple Inc	5.65
Meta Platforms Inc	5.07
Microsoft Corp	4.53
Visa Inc	3.91
Netflix Inc	2.71
CrowdStrike Holdings Inc	2.71
Vertex Pharmaceuticals Inc	2.27

Average annual total returns (%) - as of December 31, 2025

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	-1.52	2.24	9.18	9.18	22.15	7.69	10.69	11.21	8.40	6.62	9.16	6/30/1996
Pure Gross of Fees	-0.79	3.76	12.43	12.43	25.76	10.91	13.99	14.52	11.63	9.82	12.41	6/30/1996
Benchmark	1.14	11.67	18.15	18.15	30.25	14.59	17.59	16.14	12.95	9.53	10.51	—

*Cumulative total returns

Benchmark(s)

Benchmark =Russell 3000 Growth Index

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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.

Glossary

The **Department of Justice (DOJ)** is an executive department of the U.S. federal government responsible for enforcing federal laws and ensuring fair legal practices.

Free cash flow (FCF) is a measure of financial performance calculated as operating cash flow minus capital expenditures.

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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.

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Source: FTSE.

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