ClearBridge Large Cap Growth ESG Portfolios

Commentary | as of March 31, 2026

Key Takeaways

- **Markets:** Growth stocks sold off sharply in the first quarter as geopolitical conflict in the Middle East, rising bond yields and heightened scrutiny of AI-related returns pressured higher multiple equities. The Russell 1000 Growth Index declined 9.8%, significantly underperforming value.
- **Contributors:** Linde, Eaton, Netflix. Stock selection in information technology, overweight to materials.
- **Detractors:** Intuit, Oracle. Underweight to consumer staples.
- **Outlook:** Some early signs of positive early-cycle momentum in industrials have eroded somewhat due to the conflict, yet we remain optimistic that pent-up activity in the manufacturing economy can be supportive of portfolio results.

Top Equity Issuers (% of Total)

Holding	Portfolio
NVIDIA Corp	13.71
Amazon.com Inc	6.98
Apple Inc	6.24
Meta Platforms Inc	6.19
Microsoft Corp	4.97
Netflix Inc	4.62
Visa Inc	3.81
Alphabet Inc	3.44
Eaton Corp PLC	2.78
ASML Holding NV	2.70

Performance Review

- Growth stocks were pressured as investors more pointedly questioned the return on investment from massive capital spending on AI buildouts as well as the viability of application software business models amid new generative AI tools introduced during the quarter.
- The Portfolios outperformed the benchmark (gross of fees) as we saw increased market dispersion away from the momentum stocks that led in 2025.
- Materials was the largest contributor to relative performance as industrial gases provider Linde and paint and coatings maker Sherwin-Williams were solid performers in an environment that has begun to reward companies with quality fundamentals.
- Taiwan Semiconductor was boosted by record-breaking revenue and a massive increase in planned capital expenditures to meet continued growth AI demand while ASML continued to play a key role as supplier of advanced manufacturing tools.
- The Portfolios also saw contributions from a diversified mix of industrials names, led by Eaton, a key provider of equipment to enable electrical connectivity.
- We were also encouraged by the rebound in Netflix after it withdrew from a bidding war for Warner Bros. Discovery; we believe its fundamental setup remains robust.
- Tax prep software maker Intuit, cloud hyperscaler Oracle and enterprise software firm Salesforce were all impacted by a broad acceleration in the selloff among software companies feared to be disintermediated by AI.
- Oracle continued to be hurt by AI uncertainty with investors questioning its spending to add capacity. However, we believe Oracle has yet to reach peak leverage and is on a path to seeing cash flows ramp up. We see the company as one of most mispriced in the AI ecosystem and remain comfortable with its intermediate term risk/reward profile.
- We completed an exit from Salesforce this quarter after trimming the position as part of our actions to reduce software exposure over the past year.
- We continue to be optimistic on trends in the semiconductor sector and added a new position in Texas Instruments, a company focused on analog semiconductor devices and embedded processing, with broad exposure to industrial markets.
- We also added two new positions in the health care sector with the additions of biopharmaceutical companies Roche and Alnylam Pharmaceuticals. These moves brought the portfolio's health care exposure back to a slight overweight versus the benchmark and continued our efforts to improve quality of our health care holdings.

Outlook

- On the ESG front, a defining feature of ClearBridge's ESG integration is our proprietary ClearBridge Materiality Framework™, which identifies the ESG factors most relevant to each sector and company. Engagement priorities are derived from this framework, ensuring these efforts focus on issues that are financially material and aligned with fiduciary duty such as responsible AI and data governance.
- We believe the start of 2026 demonstrated stabilization for the Portfolios compared to the prior year. While the top-heavy composition of the Russell 1000 Growth Index causes us to maintain a significant weighting to the Magnificent Seven, our mega cap exposure did not have an overriding influence on first-quarter performance. Instead, we were encouraged by the diversified contributions the Portfolios received across multiple sectors outside IT.
- Rising geopolitical risks also highlighted our ability as active managers to oversee the level of risk in the portfolio. As market volatility rose during the quarter with the Iran conflict, we continued to dial back risk by trimming strong recent performers to redeploy the proceeds into more attractive ideas. Looking ahead, some early signs of positive early-cycle momentum in industrials have eroded somewhat due to the conflict, yet we remain optimistic that pent-up activity in the manufacturing economy can be supportive of portfolio results.

Average annual total returns (%) - as of March 31, 2026-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	-9.29	-10.57	-9.29	3.97	13.08	6.20	11.30	11.63	8.30	—	7.62	10/31/2003
Pure Gross of Fees	-8.59	-9.22	-8.59	7.09	16.44	9.37	14.61	14.95	11.53	—	10.83	10/31/2003
Benchmark	-9.78	-8.76	-9.78	18.81	21.18	12.76	16.83	15.33	12.48	—	11.99	—

*Cumulative total returns

Benchmark(s)

Benchmark =Russell 1000 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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What are the Risks?

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Glossary

Capital Expenditure (capex) are funds used by a company to acquire or upgrade physical assets such as property, industrial buildings or equipment.

The **Magnificent Seven** stocks are Apple, Amazon, Alphabet, Meta Platforms, Microsoft, Nvidia, and Tesla.

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

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Source: FTSE.

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