FRANKLIN TEMPLETON

ClearBridge

ClearBridge Large Cap Growth ESG Portfolios

Commentary | as of December 31, 2025

Key Takeaways

- **Markets:** Growth stock momentum saw a reversal in the fourth quarter as concerns over elevated technology company valuations and aggressive artificial intelligence (AI) capex commitments caused the benchmark Russell 1000 Growth Index (RLG) to advance just 1.1%, trailing the Russell 1000 Value Index by 270 basis points.
- **Contributors:** Intuitive Surgical, Thermo Fisher Scientific, Vertex Pharmaceuticals and ASML. Stock selection in consumer discretionary.
- **Detractors:** Netflix, Eaton, Meta Platforms, underweight to Alphabet and not holding Eli Lilly. Stock selection in communication services and information technology (IT).
- **Outlook:** We believe resurgent growth in the economy ex-tech in 2026 from fiscal stimulus and easing monetary policy should support broadening participation within our growth universe to areas like health care and industrials.

Top Equity Issuers (% of Total)

Holding	Portfolio
NVIDIA Corp	12.86
Amazon.com Inc	7.71
Microsoft Corp	7.26
Meta Platforms Inc	6.51
Apple Inc	5.71
Visa Inc	4.04
Netflix Inc	3.47
Alphabet Inc	2.85
Intuitive Surgical Inc	2.54
Oracle Corp	2.26

Performance Review

- The Portfolios underperformed in the fourth quarter. The majority of the underperformance can be attributed to our differentiated AI and mega cap positioning compared to the benchmark.
- 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.
- Meta reported strong third-quarter revenue but paired it with a forecast for significant growth in capital expenditures in 2026. This plan for aggressive spending puts increased pressure on the company's massive infrastructure and AI buildout to eventually translate into meaningful profit growth.
- Eaton declined as the company acknowledged near-term headwinds that caused it to lower 2026 guidance below consensus forecasts but reiterated that the long-term demand outlook for its equipment that enables the electrification of the power grid and electrical vehicle charging infrastructure is intact.
- Several health care holdings were solid contributors including Intuitive Surgical, whose third quarter earnings helped debunk recent bear cases about re-use of its DaVinci surgery robots and slowing new product growth. Thermo Fisher Scientific was up on improved sentiment toward the sector while Vertex Pharmaceuticals benefited from growing optimism around its kidney disease pipeline.
- In consumer discretionary, Airbnb saw positive momentum thanks to continued consistent operating results and a market rotation from tech into more cyclical sectors.
- We closed a position in Starbucks to concentrate our exposure in restaurants into Chipotle Mexican Grill. While we still believe in the turnaround story at Starbucks under CEO Brian Niccol, improvements are taking longer than expected to accelerate the business.
- We initiated positions in ServiceNow and Arista Networks in IT. ServiceNow, a provider of software-as-a-service (SaaS) platform to help enterprises automate and standardize business processes, has a monetizable generative AI product being adopted by its customers. Arista is a provider of high-speed switches and networking equipment critical to enabling the operation of cloud platforms and data centers, which is well-represented among the hyperscalers and benefits from that capex cycle.

Outlook

- On the ESG front, the broad trends of the 2025 proxy season were a decline in environmental and social proposals and heightened scrutiny on governance issues. The continued relevance for governance topics reflects our view that good governance is a catalyst for value creation. ClearBridge evaluates environmental and social shareholder proposals on a case-by-case basis, considering whether the ask from the proposal has merit and whether its wording diminishes or enhances shareholder value.
- The growth market right now is momentum oriented and sentiment driven, similar to what we experienced in 2021, which has contributed to nearly four out of every five active managers like ourselves trailing the benchmark in 2025. This is not a durable environment, and our challenge is positioning the portfolio so that sentiment shifts do not impede multiyear performance.
- We are currently vetting several ideas in health care and seeing signs of improving activity in areas like short-cycle industrials. These exposures could prove beneficial should growth and earnings revisions in technology-related sectors become more normalized compared to the rest of the market. If not a leadership change from the mega cap names that have dominated RLG performance for the last three years, resurgent growth in the economy ex-tech in 2026 from fiscal stimulus and easing monetary policy would at least support broadening participation within our growth universe.

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	-1.42	1.30	5.52	5.52	22.54	8.30	12.28	12.52	8.84	—	8.18	10/31/2003
Pure Gross of Fees	-0.68	2.81	8.67	8.67	26.16	11.54	15.62	15.87	12.09	—	11.41	10/31/2003
Benchmark	1.12	11.75	18.56	18.56	31.15	15.32	18.13	16.58	13.23	—	12.66	—

*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?

All investments involve risks, including possible loss of principal. The managers' **environmental, social and governance (ESG) strategies** may limit the types and number of investments available and, as a result, may forgo favorable market opportunities or underperform strategies that are not subject to such criteria. There is no guarantee that the strategy's ESG directives will be successful or will result in better performance.

Glossary

A **basis point (bp, or bps)** is one one-hundredth of one percent (1/100% or 0.01%).

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

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

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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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