

Performance Review

- Despite a fast start to the year — a broad-based rally propelled the S&P 500 Index +2.8% in January — the market struggled for traction in the first quarter of 2025. Post-election animal spirits fad-ed in February and March as investors grappled with on again/off again tariff announcements and consternation over the AI outlook. By the end of the quarter, the S&P declined -4.3%, breaking the index’s streak of five consecutive quarterly advances.

QUARTERLY KEY PERFORMANCE DRIVERS¹

	Stocks	Sectors
HELPED	Berkshire Hathaway Inc. Class B	Financials (Overweight and Stock Selection)
	Visa Inc. Class A	Consumer Discretionary (Underweight and Stock Selection)
	Waste Management, Inc.	Materials (Overweight)
HURT	Microsoft Corporation	Communication Services (Stock Selection)
	Nvidia Corporation	Utilities (Underweight and Stock Selection)
	Broadcom Inc.	Health Care (Underweight and Stock Selection)

- Berkshire Hathaway (BRK.A), in the financials sector, is a holding company engaged in a set of diverse businesses including insurance, freight rail transportation, utility and energy generation and distribution, among others. Shares rose on strength in its insurance holdings and the attractiveness of its resilient, defensive portfolio of businesses as worries of a potential downturn grew.
- Visa (V), in the financials sector, operates electronic payment network in 200 countries worldwide. Visa shares were lifted by strong quarterly results with earnings topping forecasts thanks to strong holiday spending, increased payment volumes and digital card utilization. Investors welcomed its lower-beta growth in an environment of resilient consumer spending and the perceived defensiveness of payments stocks in a downturn.
- Microsoft (MSFT), in the IT sector, develops software including the Windows family of products, the Microsoft Office system and the Azure cloud platform. Shares traded down as the unveiling of DeepSeek, with reportedly lower development costs and less need for computing power of comparable AI tools, spurred concerns over the profitability hyperscalers’ AI businesses. Growing uncertainty over trade policy also tempered the growth outlook for business spending.
- Nvidia (NVDA), in the IT sector, is the leading developer of graphic processing units (GPU) for use in generative AI as well as gaming and enterprise applications. Shares of Nvidia fell sharply amid the DeepSeek despite Nvidia continuing to deliver record financial results amid a strong rollout for its newest Blackwell GPU system.

Outlook & Strategy

- Our economic and market outlook has become somewhat binary in nature and incrementally more cautious. On the one hand, we believe if policy certainty comes soon current growth concerns could prove transitory with tariff impact perhaps manageable. On the other hand, the current “on again/off again” policy environment has meaningfully raised the risk of an economic slowdown, one that risks being concurrent with rising consumer prices, a potentially bad outcome for risky assets.
- Although today the economic backdrop remains conducive for equities, we can no longer over-weight this as a base case in our outlook. As such — and as risk-conscious investors focused on outperforming through a market cycle via downside protection — we believe incremental caution is warranted as we digest incoming information. Rather than trying to bet on near-term earnings trends or government policy outcomes, we believe it is better to look out two to three years and make investment decisions based upon our assessment of a company’s longer-term sustainable growth rate versus what’s implied in today’s share price. Given rising odds of a bumpy ride, we believe our Strategy is well-suited to the current environment.

Product Details²

Inception Date	02/28/2003
Benchmark	S&P 500 Index

1. The portfolio characteristics and sector attribution are based on a model portfolio, not an actual client account. The model portfolio is a hypothetical portfolio whereby the portfolio characteristics and sector attribution are based on simulated trading and account activity of a client account invested in this strategy and assumes no withdrawals, contributions or client-imposed restrictions. Characteristics and sector attributions 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. This information does not constitute, and should not be construed as, investment advice or recommendations with respect to the sectors and securities listed, and it should not be used as the sole basis for any investment decision.

2. Information is based on ClearBridge Appreciation Portfolios. A composite is an aggregation of one or more portfolios into a single group that represents a particular investment objective or strategy.

Performance Data

Average Annual Total Returns (USD %)

	3 Mths	YTD	1 Year	3 Year	5 Year	10 Year	20 Year	Since Inception (02/28/2003)
ClearBridge Appreciation Portfolios - Pure GROSS	-2.68	-2.68	6.98	7.68	15.16	10.30	9.77	10.50
ClearBridge Appreciation Portfolios - NET	-3.40	-3.40	3.87	4.55	11.83	7.10	6.59	7.30
S&P 500 Index	-4.27	-4.27	8.25	9.06	18.59	12.50	10.23	11.10

Calendar Year Returns (USD %)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
ClearBridge Appreciation Portfolios - Pure GROSS	20.97	15.87	-11.50	21.73	10.33	26.79	-2.15	17.64	11.76	-0.02
ClearBridge Appreciation Portfolios - NET	17.49	12.53	-14.11	18.23	7.13	23.16	-5.01	14.25	8.53	-2.94
S&P 500 Index	25.02	26.29	-18.11	28.71	18.40	31.49	-4.38	21.83	11.96	1.38

The strategy returns shown are preliminary composite returns, subject to future revision (downward or upward). Please visit www.franklintempleton.com for the latest performance figures. Past performance is not a guarantee of future results. An investment in this strategy can lose value.

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The **S&P 500 Index** features 500 leading U.S. publicly traded companies, with a primary emphasis on market capitalization. Source: © S&P Dow Jones Indices LLC. All rights reserved.

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