

Performance Review

- Led by a sharp revival in Europe, international equities delivered strong gains in the first quarter as increasing policy uncertainty in the U.S. spurred investors to look overseas for more predictable returns. The benchmark MSCI EAFE Index advanced 6.86%, outperforming its U.S. counterpart, the S&P 500 Index¹, by over 1,100 basis points² in a reversal of global leadership. The MSCI Emerging Markets Index³ added 2.93%, boosted by a rebound in China. U.S. President Donald Trump's aggressive and iconoclastic approach to global trade and foreign policy incited the European Union to action in committing to increased defense and overall fiscal spending.

QUARTERLY KEY PERFORMANCE DRIVERS⁴

	Stocks	Sectors	Countries
HELPED	Lloyds Banking Group	Consumer Discretionary (Stock Selection)	Asia Ex Japan (Stock Selection, Underweight)
	Intesa Sanpaolo	Financials (Stock Selection)	Emerging Markets (Stock Selection)
	Deutsche Telekom	Communication Services (Stock Selection)	Japan (Stock Selection, Underweight)
HURT	Novo Nordisk A/S.	Health Care (Stock Selection)	Europe Ex-U.K. (Stock Selection)
	Taiwan Semiconductor Manufacturing	Industrials (Stock Selection)	North America (Stock Selection)
	Tokyo Electron	Information Technology (Overweight)	Emerging Markets (Overweight)

- The MSCI EAFE Growth Index⁵ was up 2.13% while the MSCI EAFE Value Index⁶, home to many of the companies expected to lead a resurgence in manufacturing activity, surged 11.56%. The Portfolios underperformed due to the value component far outperforming within its core EAFE benchmark, an outcome we generally expect in one-sided markets.
- Stock selection in health care and industrials held back performance with particular weakness among biopharmaceutical holdings Novo Nordisk, a leader in the blockbuster diabetes and obesity market, has been hurt recently by the rise of compounding pharmacies taking advantage of the shortage of Ozempic in the market.
- Banks were a bright spot, with U.K.-based Lloyds, Spain's Banco Bilbao Vizcaya Argentaria and Italy's Intesa Sanpaolo all rerating more than 30%. Investors are beginning to rediscover European banks for their sustainable earnings growth at some of the lowest valuations with highest capital distributions globally. We also received diversified contributions within communication services, led by emerging growth holdings Sea Limited, a gaming, e-commerce and fintech provider, and music streamer Spotify.
- We took advantage of the changing investment landscape to add 10 new positions in the quarter while exiting 10 others. Defense spending is expected to increase dramatically in the EU and Japan, which should boost revenues for new additions Airbus and Japan's Mitsubishi Heavy Industries. China is becoming a more investable story due to government support of private industry. Here we purchased BYD, the world's largest EV maker.

Outlook & Strategy

- International equities have long traded at a discount to their U.S. counterparts for fundamental reasons. Count among them a higher cost of capital, due to more stringent regulation, and less developed capital markets with which to fund the research and development in information and service industries. As part of Europe's awakening to the reality of a changing global order, we believe these two areas will come into focus as drivers of further improvement and competitiveness. The current price for earnings growth disparity has created attractive growth opportunities for global investors seeking best-in-class substitutes for U.S. industry leaders, with the valuation disconnect most acute in the consumer sectors as well as financials.
- Fund flows are another metric we study closely to gauge investor sentiment. After suffering years of capital drain to the U.S. market, Europe and Japan are seeing positive flows again. This trend is encouraging and could provide the impetus to turn the current reactionary, anti-U.S. trades into a more permanent shift of capital to the overseas regions we target.

1. The **S&P 500 Index** is an unmanaged index of 500 stocks that is generally representative of the performance of larger companies in the United States.

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

3. **MSCI Emerging Markets Index** is a free float-adjusted market-capitalization index that is designed to measure equity market performance in the global emerging markets.

4. 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.

5. **MSCI EAFE Growth Index** captures large- and mid-cap securities exhibiting overall growth style characteristics across Developed Markets countries around the world, excluding the U.S. and Canada.

6. **MSCI EAFE Value Index** captures large- and mid-cap securities exhibiting overall value style characteristics across Developed Markets countries around the world, excluding the U.S. and Canada. . Source: MSCI makes no warranties

Product Details⁷

Inception Date	09/30/1996
Benchmark	MSCI EAFE Index-NR

Performance Data

Average Annual Total Returns (USD %)

	3 Mths	YTD	1 Year	3 Year	5 Year	10 Year	20 Year	Since Inception (09/30/1996)
ClearBridge International Growth ADR Portfolios - Pure GROSS	3.92	3.92	3.49	5.42	10.52	8.23	7.73	7.35
ClearBridge International Growth ADR Portfolios - NET	3.16	3.16	0.48	2.35	7.32	5.09	4.60	4.22
MSCI EAFE Index-NR	6.86	6.86	4.88	6.05	11.77	5.40	5.17	5.05

Calendar Year Returns (USD %)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
ClearBridge International Growth ADR Portfolios - Pure GROSS	7.50	14.67	-19.96	5.16	25.47	34.33	-9.01	37.14	-1.77	5.94
ClearBridge International Growth ADR Portfolios - NET	4.38	11.35	-22.34	2.10	21.86	30.50	-11.69	33.24	-4.64	2.86
MSCI EAFE Index-NR	3.82	18.24	-14.45	11.26	7.82	22.01	-13.79	25.03	1.00	-0.81

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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Net Returns (NR) include income net of tax withholding when dividends are paid. The **MSCI EAFE Index** is a free float-adjusted market capitalization-weighted index designed to measure developed market equity performance, excluding the U.S. and Canada. Source: MSCI makes no warranties and shall have no liability with respect to any MSCI data reproduced herein. No further redistribution or use is permitted. This report is not prepared or endorsed by MSCI.

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

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