

ClearBridge Large Cap Value Portfolios

Commentary | as of March 31, 2026

Key Takeaways

- **Markets:** Value stocks offered a rare bright spot in the first quarter of 2026 as market leadership rotated away from a narrow set of mega cap growth leaders and toward a broader set of companies, including value-oriented and more cyclical areas of the market. Energy companies surged as the U.S.-Iran conflict pushed up oil prices, while materials, industrials, utilities and consumer staples benefited from different combinations of geopolitical supply concerns, AI-related infrastructure demand and a rotation into defensive areas after extended underperformance. Financials and consumer discretionary, meanwhile, lagged as persistent inflation and higher fuel costs weighed on expectations for economic activity, including capital markets, credit, travel and housing.
- **Contributors:** Stock selection in industrials and health care and overweights to energy and materials proved beneficial.
- **Detractors:** Stock selection in the materials, energy and communication services sectors, a health care overweight and consumer staples underweight detracted from relative results.
- **Outlook:** A core tenet of the Portfolios is that we largely avoid making top-down bets or try to time macro events; we focus on high-quality businesses with durable competitive advantages and reasonable valuations that can drive superior returns throughout the cycle.

Performance Review

- The ClearBridge Large Cap Value Portfolios' anchoring in high-quality companies with durable moats and predictable cash flows was rewarded in the quarter's shift in market leadership. The portfolio modestly performed better than the benchmark Russell 1000 Value Index (gross of fees, underperformed net of fees), driven by strong stock selection in industrials and health care and overweights to materials and energy.
- Industrials stocks got a boost from a return to positive territory for the ISM Manufacturing PMI; this helped XPO, a less-than-truckload transportation provider, which is also benefiting from ongoing improvements in service quality, mix and pricing.
- Deere, meanwhile, delivered a 20% earnings beat, helped by outperformance in both its small agriculture (e.g., compact and utility tractors) and its construction and forestry segments. Investors were encouraged that large agriculture (machines for commercial farming) orders were better than expected, suggesting there could be upside to Deere's 2026 guidance, and that this year may be the cyclical trough.
- Negative sentiment for software weighed on our sole software position, Microsoft, which also traded down on worries over higher-than-expected AI capex and delays in monetizing its AI backlog. Despite some timing and perception issues, we maintain strong conviction in Microsoft, given durable Azure demand, accelerating AI workload monetization as capacity comes online and strengthening traction in higher-margin software offerings like M365 Copilot, which deepen customer engagement and reinforce Microsoft's competitive advantage. We added to our position on weakness.
- In financials, Capital One shares were lower amid broad sector weakness, driven by investor concerns around weakening macro conditions potentially leading to a credit cycle; a deal-related overhang tied to the company's Brex acquisition also weighed on near-term sentiment. American Express detracted as regulatory uncertainty around credit card pricing and renewed attention to the Credit Card Competition Act pressured sentiment across the payments and card issuer space, including Capital One, despite stable underlying fundamentals.
- Our conviction in both remains intact: we view these sector pressures as cyclical and transitory, with no anticipated change to Capital One's long-term earnings power and strategic positioning or American Express's attractiveness as a high-quality compounder supported by its premium customer base, strong credit underwriting and durable earnings growth.

Outlook

- A core tenet of the Portfolios is that we largely avoid making top-down bets or try to time macro events; we focus on high-quality businesses with durable competitive advantages and reasonable valuations that can drive superior returns throughout the cycle. The broadening of the market during the first quarter, with its rotation from a concentrated AI-driven growth market to a more dispersed, fundamentals-driven environment, was a positive sign for this quality bias, in our view. Tangible earnings, pricing power and lower disruption risk are key components in the quality franchises we seek in the portfolio. In an increasingly complex macro backdrop marked by geopolitical tensions, rising energy prices and ongoing uncertainty around the durability of AI-driven investment cycles, we believe the companies we own will remain resilient.

Top Equity Issuers (% of Total)

Holding	Portfolio
JPMorgan Chase & Co	4.24
Johnson & Johnson	3.84
Parker-Hannifin Corp	2.78
Williams Cos Inc/The	2.73
XPO Inc	2.65
Air Products and Chemicals Inc	2.53
Alphabet Inc	2.43
ConocoPhillips	2.41
WEC Energy Group Inc	2.40
Charles Schwab Corp/The	2.30

Average annual total returns (%) - as of March 31, 2026

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	1.55	2.74	1.55	9.36	9.67	6.11	7.47	7.55	5.47	—	5.67	6/30/2002
Pure Gross of Fees	2.30	4.26	2.30	12.62	12.93	9.28	10.68	10.76	8.62	—	8.83	6/30/2002
Benchmark	2.10	5.99	2.10	15.87	14.31	9.43	10.58	10.47	8.12	—	8.71	—

*Cumulative total returns

Benchmark(s)

Benchmark = Russell 1000 Value Index

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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. Small- and mid-cap stocks involve greater risks and volatility than large-cap stocks. **International investments** are subject to special risks, including currency fluctuations and social, economic and political uncertainties, which could increase volatility. These risks are magnified in **emerging markets**.

Glossary

CAPEX, or capital expenditure, refers to funds a company spends to acquire, upgrade, or maintain long-term physical or fixed assets that support its operations and future growth.

The **ISM Manufacturing PMI** is a monthly economic indicator that measures the level of activity in the U.S. manufacturing sector, signaling expansion or contraction.

Moat is an advantage a company has which allows it to protect its market share and profitability.

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

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Source: FTSE.

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