FRANKLIN TEMPLETON

ClearBridge

ClearBridge Large Cap Growth Portfolios

Commentary | as of June 30, 2025

Key Takeaways

- **Markets:** U.S. equities preserved through tariff and geopolitical scares to deliver solid gains in the second quarter. The broad market S&P 500 Index returned 10.9%, swinging from a near-bear market to all-time high. The benchmark Russell 1000 Growth Index did even better as risk-on sentiment took hold, rising 17.8%, and outperforming the Russell 1000 Value Index by over 1,400 basis points.
- **Contributors:** An underweight to Apple as well as holdings in Netflix, Eaton and Meta Platforms. Stock selection in the communication services and industrials; an underweight to consumer staples.
- **Detractors:** Holdings in UnitedHealth Group, Thermo Fisher Scientific and Visa as well as an underweight to Broadcom. Stock selection in health care and information technology (IT); an overweight to health care and underweight to IT.
- **Outlook:** While the S&P 500 has broadened, the Russell 1000 Growth Index remains dominated by its eight $1 trillion+ market cap components. We remain confident and committed to our more balanced, risk-aware approach to growth investing, seeking to add value through differentiated stock selection.

Performance Review

- The Portfolios' more diversified and defensive exposure compared to our concentrated benchmark reversed from a tailwind in the first quarter to a headwind in the second. We were disappointed with the weak quarterly performance of several of our more countercyclical holdings. UnitedHealth Group saw a renewed selloff following a first-quarter earnings miss and guidance reduction as the managed care company announced elevated cost pressure and the exit of its CEO.
- Thermo Fisher Scientific lagged due to concerns around spending cuts in the academic/government and biopharma segments due to regulatory fears and tariffs. Visa was hurt by Senate approval of the GENIUS Act, a bill aimed at regulating stablecoins that raises the risk of disruption to Visa's traditional payments model and its valuation being at the high end of its historical range.
- Mega cap positioning was mostly neutral as an overweight to Meta and underweight to underperforming Apple offset relative headwinds from underweights to Microsoft and new addition Broadcom.
- Netflix in communication services, one of the Portfolios' largest active weights, saw its shares rise due to overall continued robust execution with double-digit revenue growth, driven by a balance of subscriber growth and price, and continued margin expansion. We remain confident in the company's long-term strategy, strong market position and attractiveness of the global streaming market.
- Industrials also did well, buoyed by stocks tied to power and electrification, like out-of-benchmark portfolio holding Eaton.
- In IT, we trimmed Taiwan Semiconductor to manage the risk amid intensified geopolitical tensions between the U.S. and China, directing the proceeds into purchases of AI-indexed chip makers Broadcom and Marvell Technology.
- The additions of commercial airline manufacturer Airbus and industrials gases provider Linde helped diversify the portfolio beyond traditional growth areas and prepare for wider large cap leadership.
- Our sales targeted companies whose end markets have become further challenged due to the broader macro backdrop – mass market retailer Target and contract research organization ICON — or technological challenges in the AI era – software maker Adobe.

Outlook

- Boosted by AI enthusiasm along with an easing of volatility and a renewed embrace of risk taking, IT finished the second quarter at 49% of the Russell 1000 Growth Index (RLG), the second-highest concentration since parts of the sector were reclassified in 2018 and 2023. While the S&P 500 Index has shown signs of broadening as judged by the advance/decline line and the number of stocks closing above their 50-day moving average, the RLG remains dominated by its eight $1 trillion+ market cap components.
- Our longtime IT underweight specifically, and our sector allocations more generally, are a function of managing concentration and industry risk and striving to maintain a portfolio with a diversified set of growth drivers. To this end, the long-term success of the Portfolios will always be guided by fundamental stock selection. The second quarter is a reminder that there will be periods and market conditions when the Portfolios will be challenged in keeping pace with the benchmark. We remain confident and committed to our more balanced, risk-aware approach to growth investing, seeking to add value through sector and stock selection investing in differentiated, well-positioned companies.

Top Equity Issuers (% of Total)

Holding	Portfolio
NVIDIA Corp	10.58
Amazon.com Inc	8.12
Microsoft Corp	7.76
Meta Platforms Inc	6.96
Visa Inc	4.83
Apple Inc	4.73
Netflix Inc	4.51
Palo Alto Networks Inc	2.30
Intuit Inc	2.27
Alphabet Inc	2.25

Sector Allocation (% of Total)

Sector	Portfolio
Information Technology	38.78
Communication Services	13.72
Consumer Discretionary	12.18
Industrials	9.35
Financials	9.18
Health Care	8.74
Materials	2.40
Real Estate	1.41
Consumer Staples	1.36
Cash & Cash Equivalents	2.88

Average annual total returns (%) - as of June 30, 2025-PRELIMINARY

Product	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	13.24	4.50	4.50	11.91	21.67	12.02	12.08	13.85	8.77	5.90	8.73	12/31/1993
Pure Gross of Fees	14.05	6.05	6.05	15.24	25.26	15.35	15.41	17.23	12.01	9.08	11.97	12/31/1993
Benchmark	17.84	6.09	6.09	17.22	25.76	18.15	17.01	17.54	12.99	7.88	11.28	–

*Cumulative total returns

Benchmark(s)

Benchmark =Russell 1000 Growth 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. 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

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

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

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

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