ClearBridge Large Cap Growth 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. For the full year, however, large cap growth stocks maintained market leadership due to positive AI sentiment and continued strong earnings growth from mega cap companies, enabling the RLG to finish up 18.6%.
- **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.

Top Equity Issuers (% of Total)

Holding	Portfolio
NVIDIA Corp	12.80
Amazon.com Inc	7.70
Microsoft Corp	7.27
Meta Platforms Inc	6.51
Apple Inc	5.69
Visa Inc	4.04
Netflix Inc	3.47
Alphabet Inc	2.85
Intuitive Surgical Inc	2.55
Oracle Corp	2.25

Performance Review

- The Portfolios underperformed (gross and net of fees) in the fourth quarter and ended the year trailing our concentrated benchmark by a wide margin. The majority of the underperformance can be attributed to our differentiated AI and mega cap positioning compared to the benchmark, with poor stock selection in health care the second-largest detractor.
- 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.
- In consumer discretionary, Airbnb saw positive momentum thanks to continued consistent operating results and a market rotation from tech into more cyclical sectors.
- 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.
- 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

- 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.
- One of the lessons we have learned this year is the importance of being proactive and moving quickly when a secular theme takes hold. In addition to targeting new ideas at advantageous valuations, we are constantly revisiting the case for owning every holding, moving away from companies with lower visibility and subpar execution and reprioritizing our highest-conviction names.
- 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	-0.98	2.34	7.46	7.46	24.33	9.29	13.05	13.47	9.70	7.22	9.69	12/31/1993
Pure Gross of Fees	-0.48	3.37	9.62	9.62	26.79	11.48	15.31	15.74	11.90	9.38	11.89	12/31/1993
Benchmark	1.12	11.75	18.56	18.56	31.15	15.32	18.13	16.58	13.23	9.65	11.48	—

*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: Returns for periods less than one year are not annualized. Pure gross of fee returns do not reflect the deduction of any expenses, including transaction costs. Net Composite Returns referenced above represent Pure Gross Composite performance of the portfolio reduced by an annual fee of 2.02%, the maximum fee charged by Primerica Advisors to clients invested in the strategy through the Primerica Advisors Lifetime Investment Program wrap fee program. The Net of fee composite returns presented in the attached strategy GIPS Report are calculated by reducing each monthly composite pure gross rate of return by the highest "bundled" fee charged (3.00%) annually, prorated to a monthly ratio. Returns reflect the reinvestment of dividends and other earnings. All performance is reported in US dollars. Management and performance of individual accounts may vary for reasons that include the existence of different implementation practices and model requirements in different investment programs.
The composite is comprised of accounts that are separately managed accounts (SMAs) managed in accordance with the strategy.
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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%).

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.

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.

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