

# ClearBridge

# **ClearBridge Growth Portfolios**

# Commentary | as of September 30, 2025

# **Key Takeaways**

- Markets: U.S. equities continued their momentum in the third quarter, with the S&P 500 Index up 8.1% and the benchmark Russell Midcap Growth Index increasing 2.8%. Investor optimism was fueled by better-than-feared tariff outcomes, the passing of the One Big Beautiful Bill Act, a Fed rate cut and robust corporate earnings.
- Contributors: Holdings in AppLovin, TE Connectivity L3Harris Technologies and TKO. Stock selection in information technology (IT) and financials.
- Detractors: Holdings in Vertex Pharmaceuticals, Chipotle Mexican Grill, HubSpot and an underweight to Roblox. Stock selection in communication services, consumer discretionary and materials.
- Outlook: Monetary easing and potential regulatory changes could provide tailwinds in 2026, but we appreciate that
  many stocks have begun to price in a more optimistic environment and remain cognizant of a number of economic and
  geopolitical risks that could derail the market's current momentum.

#### **Performance Review**

- The Portfolios outperformed the benchmark (gross and net of fees), supported by a broad base of contributors, reflecting our commitment to diversified growth rather than a reliance on a few standout names or contributing factors.
- AppLovin, a software-based platform for advertisers to enhance the marketing and monetization of their content. AppLovin
  shares rose on solid second quarter earnings, with sustained growth from the company's core gaming business and
  increased optimism around catalyst driven growth in its emerging e-commerce business. Also in IT, TE Connectivity was a
  strong contributor on the strength of its Al-enabled sensors and embedded systems while Palantir contributed meaningfully,
  as its role in infrastructure software positioned it to capitalize on the accelerating adoption of Al across industries.
- Defense contractor L3Harris benefited from heightened demand for spending on air and missile defense as well as appetite
  for investment in communication and space capabilities. Media company TKO delivered a solid quarter and struck an
  attractive seven-year deal with Paramount for its UFC rights, highlighting the value for premium content.
- The quarter saw pockets of weakness among consumer discretionary holdings like Chipotle, CAVA and Airbnb, reflecting
  macro uncertainty and a softer spending environment. We did see bright spots such as outperformance of off-priced retailer
  TJX.
- Application software names such as HubSpot and ServiceNow also faced pressure as concerns around AI disintermediation
  continued to weigh on the sector. That said, we have reduced our exposure to this area within technology.
- The Portfolios added four new positions. On Holding, a disruptive Swiss designer of premium footwear and apparel is well-positioned to continue gaining market share through a combination of growing its brand awareness and wholesale presence.
   Also in the disruptor category, we added Roblox, the leading user-generated gaming platform experiencing a re-acceleration in growth due to improved discovery algorithms and Al driving increased velocity of game development.
- Natera, in the health care sector, specializes in DNA testing across oncology, women's health and organ health. We believe
  Natera has a long runway for growth as adoption of minimal residual disease testing, a nascent post-cancer treatment area,
  increases. XPO, the fourth largest less than truckload (LTL) provider in North America, adds cyclical growth. Under new
  leadership, XPO is improving service levels and pricing.
- We stayed disciplined in exiting positions where our investment thesis had evolved from its original premise. We exited
  UnitedHealth Group, which has been in the portfolio for several decades, providing steady returns to shareholders. We are
  concerned that the challenges the company faces, particularly at its health services unit Optum, will take time to address.

# Outlook

- Looking ahead, we remain focused on maintaining a balanced portfolio that can capture upside in strong markets while
  providing downside risk management during periods of volatility. While monetary easing and potential regulatory changes
  could provide tailwinds in 2026, we appreciate that many stocks have begun to price in a more optimistic environment and
  remain cognizant of a number of economic and geopolitical risks that could derail the market's current momentum.
- While consistent in applying our orientation as long-term investors, we remain vigilant in monitoring stock-specific and sector allocations, trimming positions in areas facing headwinds or where valuation has become more extended and reallocating capital to opportunities with more attractive risk-reward profiles. This disciplined approach ensures that the Portfolios maintain a healthy balance between offensive growth drivers and defensive stability, positioning it to perform well across a range of market scenarios.

# **Top Equity Issuers (% of Total)**

Holding	Portfolio
Broadcom Inc	7.18
TE Connectivity PLC	5.81
Vertex Pharmaceuticals Inc	4.31
Autodesk Inc	4.14
TJX Cos Inc/The	3.87
Crowdstrike Holdings Inc	3.33
Vertiv Holdings Co	3.29
Johnson Controls International plc	3.03
AppLovin Corp	2.63
Robinhood Markets Inc	2.62

#### Average annual total returns (%) - as of September 30, 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	4.83	24.21	14.67	18.54	15.84	8.20	7.94	9.66	7.32	6.38	9.89	12/31/1993
Pure Gross of Fees	5.59	26.00	17.20	22.05	19.28	11.43	11.16	12.93	10.52	9.57	13.16	12/31/1993
Benchmark	2.78	21.49	12.84	22.02	22.85	11.26	13.37	13.44	10.70	7.48	10.45	_

<sup>\*</sup>Cumulative total returns

#### Benchmark(s)

Benchmark = Russell Midcap 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: 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.

#### **Glossary**

The **S&P 500 Index** is a list of 500 of the largest public companies in the U.S.

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

# **Important Information**

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

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