

ClearBridge Growth Portfolios

Commentary | as of June 30, 2025

Key Takeaways

- **Markets:** U.S. equities rebounded strongly from tariff and geopolitical scares to deliver healthy gains in the second quarter. The S&P 500 returned 10.9% in the quarter, swinging from a near bear market to an all-time high. The benchmark Russell Midcap Growth Index advanced a market-leading 18.2% as risk-on sentiment took hold. Growth stocks led across market caps, with the Russell Midcap Growth Index outperforming its value counterpart by more than 1,200 basis points.
- **Contributors:** Holdings in Broadcom, Robinhood Markets, CrowdStrike and Snowflake. Stock selection in the information technology (IT), financials and consumer staples sectors, overweight to IT.
- **Detractors:** Holdings in Vertex Pharmaceuticals, UnitedHealth Group and TJX. Stock selection in the health care and consumer discretionary sectors.
- **Outlook:** While the full impacts of updated tariff policies with U.S. trading partners have yet to be felt globally, we feel confident that our holdings with strong market positions, value-based offerings and pricing power are well-positioned to weather tariff-related cost inflation.

Performance Review

- Aided by strong performance from our target mid cap plus segment of the market, combined with stock selection in IT, financials and consumer staples, the Portfolios outperformed on a gross basis.
- Our AI exposure was a significant contributor, led by a balance of longtime holdings across sectors, such as custom silicon chip maker Broadcom and HVAC (Heating, Ventilation, and Air Conditioning) for data centers provider Johnson Controls, as well as cyclical disruptor names that we have added to the portfolio over the last several years including data center cooling provider Vertiv plus software makers ServiceNow and Snowflake and cybersecurity provider CrowdStrike.
- In financials, shares of disruptor Robinhood more than doubled over the last three months, lifted by a more favorable environment and increased demand for cryptocurrencies.
- Health care underperformed amid worries over the prospect for tariffs on pharmaceutical imports and the impact of reimbursement rate pressures within the Medicare Advantage market. The latter, in combination with some execution-related challenges, weighed most on UnitedHealth Group which missed quarterly earnings forecasts and withdrew guidance.
- Longtime biotech holding Vertex Pharmaceuticals also traded lower, primarily due to weakness in parts of Europe and slower uptake of its next-generation cystic fibrosis treatment.
- Within consumer discretionary, Starbucks and TJX were laggards for the quarter.
- The parabolic rise in share prices of several of our portfolio holdings, such as Palantir Technologies, allowed us to take profits and redeploy the proceeds into five new positions.
- We added to underweight areas such as consumer discretionary and industrials with the purchases of hotel operator Hilton Worldwide and defense related names Howmet Aerospace and Axon Enterprise.
- We also initiated positions in biotech Alnylam Pharmaceuticals in health care and paint maker Sherwin-Williams in materials while exiting database software maker MongoDB in IT and Charles River Labs in health care.

Outlook

- Our primary goal over the last few years has been to give clients a portfolio with an improved growth profile — one with better upside capture in risk-on markets as well as good downside capture through turbulent periods. We are excited about the number of new ideas we have put to work in the Portfolios in pursuit of this goal and are encouraged by our results during the strong market advance this quarter.
- While the full impacts of updated tariff policies with U.S. trading partners have yet to be felt, we feel confident that our holdings with strong market positions, value-based offerings and pricing power are well-positioned to weather tariff-related cost inflation. With a balanced approach to growth, we own stocks with both offensive and defensive characteristics and strong management teams that have the proven ability to execute regardless of macro conditions. Unlike certain “style-pure” peers, we have the flexibility to own companies over long periods of time and through business cycles as they compound cash flows significantly and grow from emerging disruptors into larger and steadier compounders.

Top Equity Issuers (% of Total)

Holding	Portfolio
Broadcom Inc	6.48
Vertex Pharmaceuticals Inc	5.16
TE Connectivity PLC	4.71
Autodesk Inc	4.25
CrowdStrike Holdings Inc	3.98
TJX Cos Inc/The	3.34
Johnson Controls International plc	3.07
HubSpot Inc	3.02
Vertiv Holdings Co	2.95
Robinhood Markets Inc	2.48

Sector Allocation (% of Total)

Sector	Portfolio
Information Technology	33.96
Industrials	18.56
Consumer Discretionary	12.56
Health Care	12.36
Financials	6.97
Communication Services	6.08
Materials	3.15
Utilities	2.21
Consumer Staples	1.30
Cash & Cash Equivalents	2.85

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	18.50	9.39	9.39	14.03	13.06	8.69	6.19	10.32	7.63	6.48	9.81	12/31/1993
Pure Gross of Fees	19.33	11.00	11.00	17.42	16.42	11.93	9.36	13.60	10.85	9.67	13.08	12/31/1993
Benchmark	18.20	9.79	9.79	26.49	21.46	12.65	12.13	14.27	10.90	7.47	10.44	—

*Cumulative total returns

Benchmark(s)

Benchmark =Russell Midcap Growth Index

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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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