

ClearBridge Growth ESG 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 financials, information technology (IT) and consumer staples sectors, overweight to IT.
- **Detractors:** Holdings in Vertex Pharmaceuticals, UnitedHealth Group and Vistra. 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

- The Portfolios were aided by strong performance from our target mid cap plus segment of the market, combined with stock selection in IT, financials and consumer staples.
- 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 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 safety & security 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, Charles River Labs in health care and Vistra in utilities.

Outlook

- On the ESG front, as climate has become more and more relevant in our portfolios, ClearBridge has taken steps to enhance our process and ensure material climate metrics are appropriately captured. Company engagements are a key pillar in our climate strategy as we seek to understand and manage company-specific climate-related risks and opportunities.
- 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.

Top Equity Issuers (% of Total)

Holding	Portfolio
Broadcom Inc	6.49
Vertex Pharmaceuticals Inc	5.16
TE Connectivity PLC	4.70
Autodesk Inc	4.31
CrowdStrike Holdings Inc	4.02
TJX Cos Inc/The	3.49
HubSpot Inc	3.25
Johnson Controls International plc	3.23
Vertiv Holdings Co	3.11
Robinhood Markets Inc	2.79

Sector Allocation (% of Total)

Sector	Portfolio
Information Technology	34.84
Industrials	18.27
Consumer Discretionary	13.73
Health Care	13.36
Financials	7.49
Communication Services	4.19
Materials	3.44
Consumer Staples	1.44
Cash & Cash Equivalents	3.23

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	17.55	8.22	8.22	13.43	13.36	8.58	5.69	10.10	—	—	7.24	6/30/2006
Pure Gross of Fees	18.37	9.82	9.82	16.80	16.73	11.82	8.85	13.38	—	—	10.44	6/30/2006
Benchmark	18.20	9.79	9.79	26.49	21.46	12.65	12.13	14.27	—	—	10.79	—

*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. To the extent the portfolio invests in a **concentration of certain securities, regions or industries**, it is subject to increased volatility. **Small- and mid-cap stocks** involve greater risks and volatility than large-cap stocks. The managers' **environmental, social and governance (ESG) strategies** may limit the types and number of investments available and, as a result, may forgo favorable market opportunities or underperform strategies that are not subject to such criteria. There is no guarantee that the strategy's ESG directives will be successful or will result in better performance.

Glossary

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

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

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