



ClearBridge Large Cap Growth ESG Portfolios

March 31, 2025

Separately Managed Accounts

Product Commentary

Performance Review

- The mega cap growth trade stalled as the chaotic introduction of tariffs accompanied by fears of a slowing U.S. economy and higher inflation sent stocks to their worst quarterly showing since the 2022 bear market. The S&P 500 Index¹ declined 4.27% while the benchmark Russell 1000 Growth Index² (RLG) fell 9.97%. President Trump’s actions to reorder global trade dominated headlines in his first three months in office, sending most growth indexes into correction territory. The RLG underperformed the Russell 1000 Value Index³ by over 1,200 basis points⁴.

QUARTERLY KEY PERFORMANCE DRIVERS⁵

| | Stocks | Sectors |
|--------|------------------|---|
| HELPED | Marsh & McLennan | Communication Services (Selection) |
| | Visa | Information Technology (Selection, Underweight) |
| | Netflix | Financials (Selection, Overweight) |
| HURT | Salesforce | Health Care (Selection) |
| | Eaton | Real Estate (Selection) |
| | PayPal | Consumer Staples (Selection, Underweight) |

- Among the Magnificent Seven⁶ all except Meta Platforms underperformed the index. The emergence of DeepSeek, a Chinese large language model (LLM), with capabilities similar to the best LLMs but built with inferior chips and at a lower cost, caused investors to question whether the massive capex being devoted to Gen AI would continue.
- The Portfolios’ active underweight to the Magnificent Seven added to relative returns, with underweights to EV maker Tesla and Google parent Alphabet being among the largest relative contributors.
- An important but often overlooked component of our diversified approach is adding what we view as “insurance” to the portfolio through the ownership of stocks that tend to hold up well in downturns. Commercial insurance broker Marsh & McLennan delivered positive returns during the quarter, supported by strong results from its risk and consulting businesses.
- Among detractors, enterprise software maker Salesforce issued 2025 guidance that was modestly below expectations which have been rising recently due to excitement around its AI efforts. We remain optimistic that Salesforce will be able to monetize its AI products ramping in 2025 and 2026.
- The purchase of Synopsys, a leader in electronic design automation software and custom chip designs, was the most significant change to our IT holdings. Synopsys is a software provider that operates in a duopoly market with multiple avenues of growth driven by increased complexity of semiconductor chips.
- We exited Alcon, a medical device company focused on eye care products and solutions for surgical procedures and consumer use, and Intercontinental Exchange, an operator of securities exchanges and provider of fixed income, data services and mortgage technology solutions, as both stocks approached fair value.
- Sustainable Development Goals 8 and 9 are a focus for ClearBridge as they are among the SDGs⁷ most reliant on the private sector for progress. Enterprise software aids in this goal, as the products and services of companies like Portfolios holdings Microsoft and Salesforce are key for enhancing economic productivity.

1. The **S&P 500 Index** is an unmanaged index of 500 stocks that is generally representative of the performance of larger companies in the United States.

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

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

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

5. The portfolio characteristics and sector attribution are based on a model portfolio, not an actual client account. The model portfolio is a hypothetical portfolio whereby the portfolio characteristics and sector attribution are based on simulated trading and account activity of a client account invested in this strategy and assumes no withdrawals, contributions or client-imposed restrictions. Characteristics and sector attributions of individual client accounts may differ from those of the model portfolio as a result of account size, client-imposed restrictions, the timing of client investments, market conditions, contributions, withdrawals and other factors. This information does not constitute, and should not be construed as, investment advice or recommendations with respect to the sectors and securities listed, and it should not be used as the sole basis for any investment decision.

6. The **Magnificent Seven** stocks are Apple, Amazon, Alphabet, Meta Platforms, Microsoft, Nvidia, and Tesla.

7. The **Sustainable Development Goals (SDGs)**, also known as the Global Goals, were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity.

Outlook & Strategy

- As a large cap manager, the multinational exposure of many of our holdings makes tariffs a key risk we are monitoring. Tariffs could be a headwind to GDP⁸ growth with the size of that headwind in the short-term depending on substitutes, ease of shifting production and consumer elasticity of demand. We have evaluated current tariff risks by gauging our exposure compared to our peer group and the RLG. Generally, the Portfolios have lower tariff exposure than the benchmark.
- We see companies outside the Magnificent Seven starting to deliver better earnings growth. We have positioned the portfolio in anticipation of this broadening out in the market. Barring a recession, in 2025 we expect to see earnings growth from industrials and health care companies narrowing the gap to earnings growth compared with the technology universe. While we have entered a period of heightened uncertainty, the general health of the economy entering this phase of the cycle is strong. We are moving into an environment where we expect to lean on growth from multiple angles, not just the rapid revenue growth we have seen out of the mega caps but also companies inflecting higher due to better margins or improved earnings.

Product Details⁹

| | |
|----------------|---------------------------|
| Inception Date | 10/31/2003 |
| Benchmark | Russell 1000 Growth Index |

Performance Data

Average Annual Total Returns (USD %)

| | 3 Mths | YTD | 1 Year | 3 Year | 5 Year | 10 Year | 20 Year | Since Inception (10/31/2003) |
|--|--------|-------|--------|--------|--------|---------|---------|---------------------------------|
| ClearBridge Large Cap Growth ESG Portfolios - Pure GROSS | -7.24 | -7.24 | 4.58 | 10.26 | 18.12 | 14.64 | 11.55 | 11.01 |
| ClearBridge Large Cap Growth ESG Portfolios - NET | -7.94 | -7.94 | 1.54 | 7.06 | 14.71 | 11.33 | 8.32 | 7.79 |
| Russell 1000 Growth Index | -9.97 | -9.97 | 7.76 | 10.10 | 20.09 | 15.12 | 12.20 | 11.68 |

Calendar Year Returns (USD %)

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|-------|-------|--------|-------|-------|-------|-------|-------|------|-------|
| ClearBridge Large Cap Growth ESG Portfolios - Pure GROSS | 27.07 | 45.42 | -30.66 | 23.96 | 33.42 | 32.39 | 1.19 | 26.80 | 9.12 | 11.19 |
| ClearBridge Large Cap Growth ESG Portfolios - NET | 23.43 | 41.30 | -32.75 | 20.40 | 29.60 | 28.61 | -1.76 | 23.17 | 5.95 | 7.97 |
| Russell 1000 Growth Index | 33.36 | 42.68 | -29.14 | 27.60 | 38.49 | 36.39 | -1.51 | 30.21 | 7.08 | 5.67 |

The strategy returns shown are preliminary composite returns, subject to future revision (downward or upward). Please visit www.franklintempleton.com for the latest performance figures. Past performance is not a guarantee of future results. An investment in this strategy can lose value.

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8. Gross domestic product (GDP) is an economic statistic that measures the market value of all final goods and services produced within a country in a given period of time.

9. Information is based on ClearBridge Large Cap Growth ESG Portfolios. A composite is an aggregation of one or more portfolios into a single group that represents a particular investment objective or strategy.

The **Russell 1000 Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. Source: FTSE.
[DATA SERVICE SOURCE REQUIRED]

Investment Team

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Years Experience 29

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Years with Firm 6
Years Experience 20

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