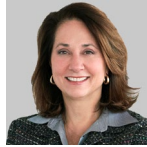




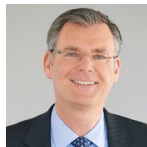
International Growth ADR Strategy



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Key Takeaways

- ▶ In a very strong year for international equities, but with large style differentials between value and growth, the Strategy underperformed its core benchmark but outperformed its growth benchmark.
- ▶ The Strategy saw strength in holdings supporting the buildout of AI workloads as well as pharmaceuticals, an improving area in health care that was a focus of activity in the quarter.
- ▶ We have selectively increased our exposure to stocks with value characteristics through our structural growth bucket, predominantly by increasing allocations to European and U.K. banks where we are seeing a step change in earnings.

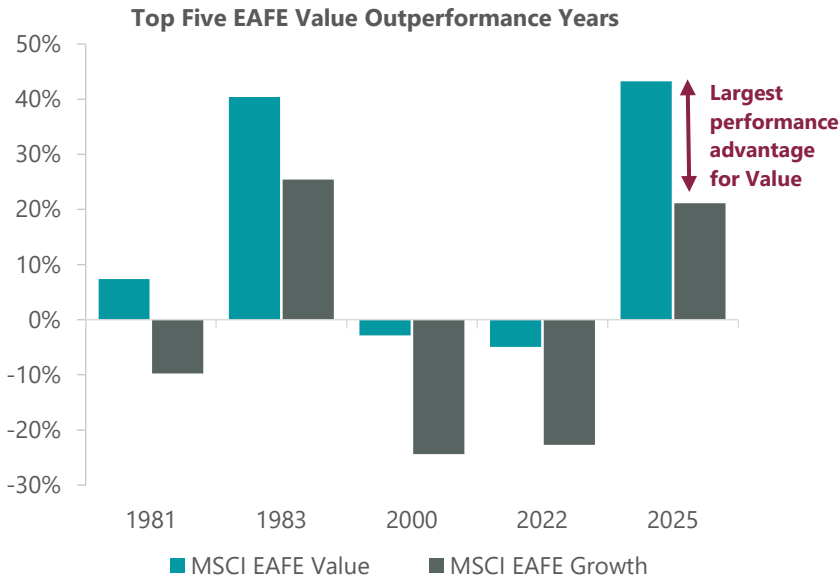
Market Overview

International equities delivered solid gains in the fourth quarter to cap one of the best years for overseas stocks in decades. The core benchmark MSCI EAFE Index rose 4.9% in the quarter to finish up 31.2% for 2025, outperforming the S&P 500 Index's gains of 2.7% for the quarter and 17.9% for the year. The market rally was broad with the MSCI Emerging Markets Index advancing 4.7% for the quarter and 33.6% for the year.

Outside the U.S., growth stocks delivered strong absolute returns but meaningfully underperformed value stocks for both the fourth quarter and full year. The MSCI EAFE Growth Index rose 1.9% for the quarter, trailing the MSCI EAFE Value Index by 590 basis points, and 20.8% for the year, trailing its value counterpart by over 2,100 bps, the widest dispersion among investment styles in the 50-year history of the indexes (Exhibit 1).

In such a value-dominated period, the ClearBridge International Growth ADR Strategy underperformed its primary MSCI EAFE benchmark for the fourth quarter and full year. The Strategy slightly underperformed its secondary MSCI EAFE Growth benchmark for the quarter but outperformed for the year. Annual results were supported by strong stock picking in Asia Ex Japan, Japan, Europe and Canada, offsetting weakness in the U.K. and emerging markets.

Exhibit 1: International Value Growth Dispersion at All-Time Highs

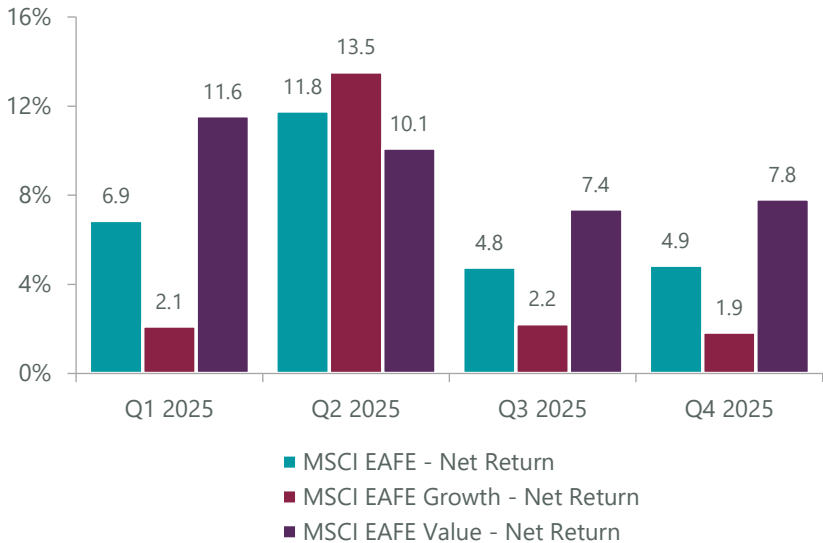


As of Dec. 31, 2025. Source: ClearBridge Investments.

Performance Highlights

Value has worked internationally because inexpensive stocks are the most direct beneficiaries of the enormous stimulus measures being approved in Germany, other parts of Europe and Japan. Growth stocks, in contrast, are a much smaller part of core benchmarks. In Europe, which represents roughly three-quarters of developed market indexes, the information technology (IT) sector is quite small — at 8.5% it is the fifth-largest sector in the EAFE — and concentrated in cyclical areas.

Exhibit 2: MSCI Growth vs. Value Quarterly Performance



As of Dec. 31, 2025. Source: FactSet.

As a growth manager, we are selective in owning the companies that are typically thought of as value in our structural growth segment, which is only one part of our three growth areas. This structural growth bucket includes more cyclical stocks and turnaround stories, enabling us to participate in most types of market environments. However, with the 21 percentage point differential of value over growth in 2025, growth strategies will struggle to outperform a core benchmark with their value component. We have increased our structural growth exposure throughout the year, predominantly by increasing allocations to European and U.K. banks, where we are seeing a step change in earnings. U.K.-based NatWest Group was a leading contributor during the quarter, and we think banks can continue to work as we believe that interest rates will be stable and loan growth will likely increase along with higher fiscal stimulus and to fund AI and energy transitions. Those new loans will be more profitable with stable credit quality. Bank valuations remain inexpensive with excess capital and strong cash generation supporting high dividends.

The Strategy saw strength in holdings supporting the buildout of AI workloads during the quarter. These were led by Germany's Siemens Energy, a supplier of electrical equipment to power data centers, semiconductor equipment maker Tokyo Electron and Canada's Celestica, a provider of technology solutions for cloud platforms.

Relative performance in the fourth quarter was negatively impacted by weakness in the consumer discretionary sector. Sea Limited, the Singapore-based e-commerce, gaming and fintech provider, was hurt by profit taking over potential increasing competitive concerns after the shares rose 80% in the first eight months of the year. Japan's Sony, whose diversified media, entertainment and technology businesses are headlined by its PlayStation franchise, traded lower after the spinout of its Sony Financial Group. Additionally, the sharp rise in DRAM prices created uncertainty around margin pressure in the company's gaming division, further weighing on the share price. Positively, management confirmed that it had stockpiled DRAM ahead of price increases, retaining pricing power to offset any future potential margin pressure.

Media and technology conglomerate Tencent was caught up in general weakness in the Chinese market, while Zai Lab was down over the push out of its move to breakeven profitability into 2027. We exited Zai Lab during the quarter.

The health care sector has overall underperformed for the year, although selective stocks within the portfolio did quite well as U.S. policy and most favored nation pricing discussions were taking place well into the end of the year. Most of these issues are moderating today as corporations have adjusted selective pricing of products and capital spending to U.S. demands. U.K. biopharmaceutical maker AstraZeneca, meanwhile, was a bright spot in the pharmaceutical side of health care. The medtech side of

the sector has remained fairly weak, as large companies with broad portfolios geographically have faced worries about their U.S. growth rates as well as emerging China competition.

While health care stocks have been weak, we view many of them as a compelling innovation source, notably in biotechnology. Some of these companies do not yet have commercial revenue but are developing new products (for example, China has been aggressively developing and out-licensing early stage antibody drug conjugates products that target cancer cells that could be the next clinical breakthrough large cap pharmaceuticals companies are seeking).

Portfolio Positioning

The health care sector was a focus of activity in the quarter with the repurchases of EssilorLuxottica and Galderma Group and the addition of Roche. We see opportunity for EssilorLuxottica, an Italian-French maker of sunglasses and corrective lenses, and expect its digital glasses partnership with Meta Platforms to be bigger than the market is discounting. The company's first FDA-approved myopia lenses have only just begun to roll out while high-margin hearing aid glasses provide a lot of optionality. Swiss dermatology products provider Galderma is expected to grow revenue in injectables, a market benefiting from secular tailwinds from an aging population and new product launches. Its Nemluvio drug aimed at atopic dermatitis and prurigo nodularis has exceeded expectations.

Swiss biopharmaceutical and diagnostics company Roche reported positive Phase III data in the fourth quarter for giredestrant in breast cancer and fenebrutinib in multiple sclerosis, paving the way for new treatments with peak sales opportunities of \$5 billion each. These two products should enable Roche to grow revenues through the loss of exclusivity period for several cancer and MS drugs and secure its place among the pharmaceutical companies that can grow revenue for the next 10+ years.

Roche replaces Danish GLP-1 pharmaceutical maker Novo Nordisk, a long-term holding that has faced numerous challenges internally and externally. The rise of obesity medications has undermined its once leading position in the market, complicated by the rise of compounders, specifically in the U.S. This has led to steep price decreases for treatment. We sold the position as we do not believe the changes it has made to date will close the competitive gap relative to Eli Lilly.

In aggregate, we initiated seven positions in the quarter and exited 11 others. European discount airline Ryanair was another repurchase after many years. The company is benefiting from several catalysts that could drive positive earnings surprises, including an improving industry structure that should allow for: expansion and increasing market share; operational efficiency improvements; capacity

shortages and favorable fuel prices; as well as management confidence in passenger growth and profitability.

We also added Heidelberg Materials, a German supplier of building materials for residential, commercial and infrastructure construction. The company could see upside to margins from improving capacity utilization in Europe and its advantages in implementing decarbonization technologies in the production of cement. European construction activity is at 30% lower levels than pre-COVID, paving the way for a recovery that could be triggered by vigorous German stimulus that should be followed across the EU.

Trane Technologies was among the portfolio's larger sales. Our investment thesis changed due to weakness in the overall HVAC market rather than Trane specifically, with residential and "light commercial" HVAC sales declining much deeper than expected, making it difficult to reach our sales growth expectations for the high-multiple stock. Within industrials, we remain focused on Siemens Energy and Schneider Electric, where we believe data centers will remain supportive for earnings revisions.

We also exited Italian bank UniCredit as it reached its price target, as well as U.K.-based industrial gases producer Linde which we viewed as having limited upside.

Outlook

Better earnings can drive growth stocks higher, and we see challenges to future earnings for growth companies falling into three categories: tariffs, technology and transition. These issues have created volatility around earnings and impacted more highly rated growth stocks. Many of these are in the secular growth bucket and should see a reassertion of growth as the advantages from AI begin to come through and new ways of monetizing their businesses emerge to drive growth rates higher. Lower interest rates will certainly help stocks, but we think that to reassert market leadership — specifically in technology software and hardware — it will come down to improved earnings.

Investors have shunned China since COVID, so much so that indexes were being created ex-China. However, while China is a complicated market with many local players and several exchanges, the innovation there is not only rapid, but it also happens at much lower prices. The next five years of Chinese industrial policy will see companies consolidate and dominate at the higher end of the value chain across industries like pharmaceuticals, battery materials/storage, solar energy and technology. With lower valuations and a move to higher profitability overall, this is a market where we need to have exposure.

Exhibit 3: China Valuations Compelling



As of Dec. 31, 2025. Source: FactSet.

Increased non-U.S. defense spending is here to stay as the role of NATO evolves from a regime of U.S. leadership to more spending and participation from European members. We have seen a rebuilding of inventories in the European Union and efforts to maintain a steady supply of defense infrastructure. Japan has also increased its defense spending and its new prime minister has a priority in ensuring there is a strong military to counter new and existing threats on its own.

Despite a relative performance comeback for international equities in 2025, valuations remain historically attractive compared to their U.S. peers. Overseas markets continue to offer growth franchises with best-in-class business models and innovation comparable to the U.S. but at more reasonable multiples. International companies are clear leaders across industries such as semiconductor equipment, biopharmaceuticals, luxury goods and advanced manufacturing and are well-positioned amid the current secular trends of AI and broader defense spending.

Portfolio Highlights

During the fourth quarter, the ClearBridge International Growth ADR Strategy underperformed its MSCI EAFE Index benchmark and MSCI EAFE Growth Index secondary benchmark. On an absolute basis, the Strategy produced positive contributions across four of the 10 sectors in which it was invested (out of 11 total), with the financials, IT and health care sectors the top contributors while the consumer discretionary sector was the chief detractor.

We have been monitoring on a regular basis and reporting to our clients on the performance of the MSCI EAFE (core), MSCI EAFE Value and MSCI EAFE Growth Indexes in order to provide context on market movements for growth investors.

Relative to the MSCI EAFE Index, overall stock selection and sector allocation detracted from performance. In particular, stock selection in consumer discretionary, health care, industrials, financials and materials and an underweight to financials weighed on results. On the positive side, an underweight to communication services contributed to performance.

Relative to the MSCI EAFE Growth Index, overall stock selection detracted but was partially offset by positive sector allocation effects. In particular, stock selection in consumer discretionary, industrials and health care weighed on results. On the positive side, stock selection in financials and communication services, an underweight to communication services and an overweight to financials contributed to performance.

On an individual stock basis, the primary detractors from returns relative to the core benchmark included positions in Sea Limited, Sony and Ferrari in consumer discretionary, Zai Lab in health care and 3I Group in financials. The largest contributors to relative returns in the quarter were AstraZeneca in health care, NatWest Group in financials, Siemens Energy in industrials, Tokyo Electron in IT and Inditex in consumer discretionary.

In addition to the transactions mentioned above, we initiated a position in Sandvik in industrials and Mettler-Toledo in health care and closed positions in Mitsubishi Heavy Industries in industrials, Givaudan in materials, Lenovo in IT, BYD in consumer discretionary as well as Tokio Marine and Sony Financial Group in financials.

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