



Global Growth Strategy



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Key Takeaways

- ▶ In a value led quarter that capped a strong year for global equities, the Strategy underperformed primarily due to weakness among its U.S. holdings.
- ▶ We saw strength in positions supporting the buildout of AI workloads as well as several pharmaceutical makers, an improving area in health care that was a focus of activity in the quarter.
- ▶ Better earnings can drive growth stocks higher, and we believe our secular growth holdings should see a reassertion of growth from lower rates and as the advantages of AI begin to come through.

Market Overview

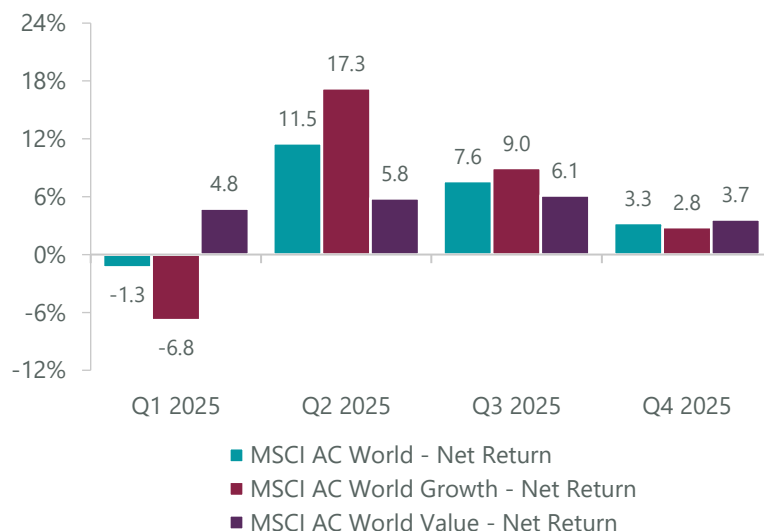
Global equities produced broad gains in the fourth quarter as most companies looked past lingering geopolitical uncertainties and pockets of economic weakness to deliver solid execution. The benchmark MSCI All Country World Index rose 3.29%, led by the United Kingdom, Europe Ex U.K. and emerging markets. Japan and North America slightly underperformed while Asia Ex Japan was the laggard among regions.

Global growth stocks underperformed value stocks with the MSCI ACWI Growth Index rising 2.84% compared to a return of 3.66% for the MSCI ACWI Value Index. This was a function of both a rotation out of AI-related stocks in the U.S. as well as global value stocks being more direct beneficiaries of increased fiscal spending in Europe and Japan. For the full year, growth and value were nearly even, with ACWI Growth up 22.44% and ACWI Value up 21.98%. 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 (Exhibit 1).

In the U.S., which represents the largest weight in the benchmark and the ClearBridge Global Growth Strategy, equities finished a strong 2025 with more subdued gains in fourth quarter, with the S&P 500 Index rising 2.7%. Only two sectors outperformed the market in the quarter: health care stocks led by a good margin thanks to lower policy uncertainty, improved earnings, attractive valuations and a pickup in M&A activity. Accelerating capital markets activity also helped financials, the third-best performer. The other outperformer

was communication services. Despite a 25 bps cut in the federal-funds rate in December, elevated long-term yields weighed on the two sectors in the red: real estate and utilities.

Exhibit 1: MSCI Growth vs. Value Quarterly Performance



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

In a value-led fourth quarter, the Strategy underperformed its core MSCI ACWI benchmark, primarily due to stock selection in the U.S. and Asia Ex Japan.

From a sector standpoint, stock selection in information technology (IT), communication services and consumer discretionary negatively impacted results. Within these sectors, the largest detractors were Singapore-based e-commerce and fintech provider Sea Limited, U.S. online gaming platform Roblox and location software provider Life360. Shares of Sea had rallied roughly 80% through the first three quarters of the year but investor concern grew more recently around intensifying competition in several key markets, particularly Brazil and Taiwan. Some believe increased competition could constrain profitability, but we do not share this view and are already seeing evidence that Sea's competitive position remains intact.

Roblox also entered the fourth quarter following a significant run-up in the stock. Management subsequently flagged the potential for lower margin expansion in 2026 as the company increases investment in compliance capabilities to address bad actors on its platform. We exited the position, driven less by these incremental investments and more by our concern around increasingly difficult growth comparisons in 2026.

Life360 delivered solid third-quarter results; however, sentiment was pressured by slower-than-expected U.S. user growth. We remain encouraged by the company's progress in expanding its total user base and see meaningful upside from continued monetization through premium subscription offerings and advertising.

On the positive side, stock selection in the financials contributed to relative performance. Within financials, U.K. bank NatWest Group and Spain-based lender Banco Santander were leading contributors 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. Bank valuations remain inexpensive with excess capital and strong cash generation supporting high dividends.

Standout individual contributors included Korean semiconductor designer SK Hynix, which benefited from accelerating demand for its DRAM and NAND memory, particularly high-bandwidth memory products used for AI workloads, as well as memory shortages that enabled stronger pricing power. We exited the position as it reached our price target. Canada's Celestica, a provider of technology solutions for cloud platforms, and Germany's Siemens Energy, a supplier of high-voltage cables for electricity connections to power data centers, also benefited from rising AI-related demand.

The health care sector rebounded in the quarter after facing policy headwinds and funding weakness in the U.S. for much of the year. GLP-1 maker Eli Lilly, Argenx and Vertex Pharmaceuticals were bright spots in the biopharmaceutical segment of health care while diagnostics supplier Thermo Fisher Scientific benefited from stabilizing R&D spending.

While health care stocks have been weak, we view many of them as a compelling innovation source, notably in biotech. Some of these companies do not yet have commercial revenue but are developing new products such as new additions Mirum Pharmaceuticals, whose focus is on rare diseases; Tarsus Pharmaceuticals, which develops eye care treatments; and U.K.-based Roivant Sciences, whose commercial lineup spans inflammatory conditions and the use of monoclonal antibodies.

Portfolio Positioning

We added seven new health care positions in the quarter. The largest was EssilorLuxottica, an Italian-French maker of sunglasses and corrective lenses; we 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 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.

In aggregate, we initiated 16 positions in the quarter and exited 15 others.

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 Vertiv, where we believe data centers will remain supportive for earnings revisions.

Outlook

Better earnings can drive growth stocks higher. More highly rated growth stocks have seen volatility around earnings due to tariffs and questions about risks and opportunities around AI. 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.

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 2: 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, 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. In the U.S., resurgent growth in the economy ex-tech in 2026 from fiscal stimulus and easing monetary policy could support broadening participation beyond mega caps within our diversified growth universe.

Portfolio Highlights

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

Relative to the benchmark, overall stock selection detracted from performance. In particular, stock selection in IT, communication services, consumer discretionary and consumer staples weighed on results. On the positive side, stock selection in financials contributed to performance.

On an individual stock basis, the greatest detractors from relative returns included positions in Sea Limited in consumer discretionary, Roblox in communication services, Life360 and Oracle in IT and e.l.f Beauty in consumer staples. Meanwhile, the largest contributors to relative returns were SK Hynix and Celestica in IT, NatWest Group in financials, Siemens Energy in industrials and Thermo Fisher Scientific in health care.

In addition to the transactions mentioned above, we added positions in Walmart and PT Unilever in consumer staples, MTU Aero Engines, Ferguson, Eaton and Sandvik in industrials, Ulta Beauty in consumer discretionary, Johnson & Johnson and CG Oncology in health care, Nu Holdings in financials and Amphenol in IT. The Strategy also closed positions in Netflix and T-Mobile US in communication services, Lenovo in IT, Starbucks and Airbnb in consumer discretionary, Tokio Marine, Marsh & McLennan and Sony Financial Group in financials as well as Argenx, Zai Lab and MoonLake Immunotherapeutics in health care.

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