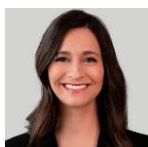




## Growth Strategy



Aram Green  
Managing Director,  
Portfolio Manager



Amanda Leithe, CFA  
Managing Director,  
Portfolio Manager

### Key Takeaways

- ▶ The market enjoyed a solid rally in the quarter, though performance was momentum driven, with leadership remaining narrowly concentrated among AI beneficiaries.
- ▶ The Strategy lagged the benchmark as bright spots in financials, communication services and consumer holdings were not enough to offset the sharp rise in high-beta AI infrastructure, semiconductor and hardware names.
- ▶ We used rebalance-driven volatility to upgrade holdings, diversify our AI exposures and position the portfolio for long-term success.

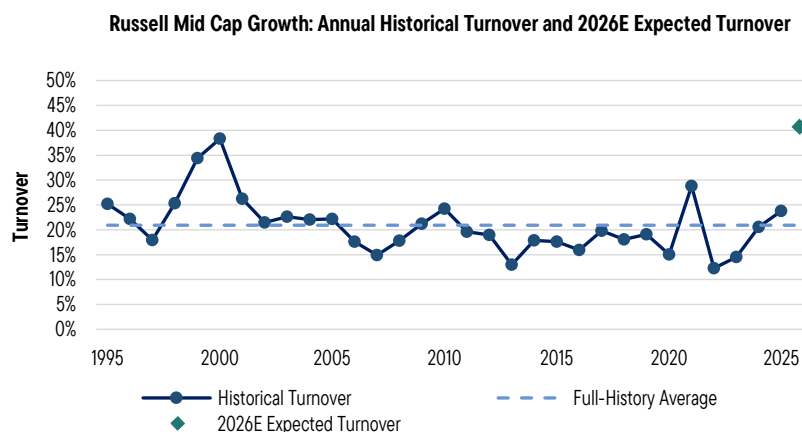
### Market Overview

U.S. equities advanced sharply in the second quarter, supported by improved risk appetite and continued AI-related capital spending. Mid cap growth stocks participated in the rally but lagged the strongest areas of the market, with the benchmark Russell Midcap Growth Index returning 14.5% versus 16.7% for the Russell 1000 Growth Index and 25.7% for the Russell 2000 Growth Index. Positive corporate earnings supported the market and helped dampen the impact of ongoing hostilities between the U.S. and Iran and the subsequent increase in oil prices, which retreated as tensions eased.

In addition to broader market developments, quarter-end trading was shaped by the latest Russell reconstitution. The reconstitution was unusually large by historical standards, particularly for our benchmark. Rebalances have historically resulted in approximately 20% annual turnover, while the recent rebalance saw an index turnover of 41% this year (Exhibit 1). While our philosophy is not to manage tightly to the benchmark, we are benchmark-aware and made deliberate adjustments throughout the quarter to manage risk, dampen volatility and position the portfolio for long-term success in light of these changes.

One clear impact of the late-quarter index changes was in semiconductors and IT hardware, where benchmark exposure increased substantially, quickly shifting the Strategy from information technology overweight to an underweight. This did not change our conviction in existing holdings, but it did alter near-term relative positioning within IT and contributed to elevated volatility and portfolio turnover in June.

Exhibit 1: A Russell Rebalance of Historic Proportions



As of June 30, 2026. Source: London Stock Exchange Group, ClearBridge Investments.

### Portfolio Performance

In a period when benchmark flows and constituent changes had an unusually large impact, the ClearBridge Growth Strategy generated double-digit absolute returns but underperformed its Russell Midcap Growth benchmark. While some of the Strategy's larger holdings were laggards, much of the quarter's underperformance reflected what we did not own rather than weakness across portfolio holdings.

IT was the largest detractor from relative performance. Higher-beta semiconductor and hardware names in the benchmark rallied sharply, creating a headwind for our more balanced approach to growth. In terms of portfolio holdings, Autodesk came under pressure after announcing its acquisition of MaintainX, a frontline operations software vendor. While the market focused on the size of the transaction and related execution risk, we believe that reaction overlooked both the potential for Autodesk to expand its addressable market and the continued strength of its core design software business. In a narrow rally, holdings in connector and sensor manufacturer TE Connectivity and e-commerce platform Shopify also detracted.

At the same time, IT provided several of the quarter's bright spots. Information security provider CrowdStrike rebounded sharply, data warehouse platform Snowflake delivered strong relative performance and long-time holding Broadcom continued to contribute, underscoring the ongoing importance of cloud, cybersecurity and AI infrastructure exposure within the portfolio.

Stock selection in industrials also proved a headwind. This was largely driven by a decline in aerospace and defense technology company L3Harris Technologies as the stock took a breather after a period of substantial outperformance. Our positioning in Rocket Lab also detracted. Despite taking advantage of weakness to scale up the position over the quarter, our initial underweight pressured results. These headwinds were partially offset by Vertiv, whose power, thermal management and digital infrastructure solutions continued to benefit from robust data center spending.

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Results were strong in several other areas. Financials contributed, led by Robinhood, which benefited from strong trading volumes across equities, options and prediction markets. Communication services was helped by Madison Square Garden Sports, where enthusiasm around the proposed separation of the New York Knicks and New York Rangers into independently traded companies supported shares. In consumer discretionary, Viking benefited from healthy demand for its river cruises and easing concerns over fuel costs, while Wayfair was supported by strong intra-quarter data showing continued share gains. The Strategy's underweight to energy also helped as oil prices declined later in the quarter.

### Portfolio Positioning

Although portfolio activity was elevated during the quarter, recent turnover should not be interpreted as a shift in philosophy: we remain bottom-up investors, focused on delivering a diversified portfolio with a balance across sectors and the spectrum of growth. We used the period to continue to optimize the portfolio as well as right-size exposures, with activity concentrated in IT and industrials.

Within IT, we used proceeds from the exits of Palantir Technologies and DocuSign to initiate a position in Cloudflare. We exited AI software leader Palantir after strong price appreciation left risk/reward more balanced, while digital signature provider DocuSign had become a lower-conviction software holding. These sales allowed us to reallocate capital toward Cloudflare, a cloud services, internet security and edge computing platform. We believe Cloudflare's differentiated global network should benefit as AI adoption and agentic workflows increase internet traffic and demand for low-latency, secure infrastructure.

In industrials, we took some profits in Vertiv, whose power, thermal management and digital infrastructure solutions continue to benefit from robust data center spending and used part of the proceeds to initiate a position in MasTec, a contractor serving communications, power, energy and civil infrastructure markets. We believe its scaled platform can benefit from AI-driven power demand, broadband buildout and the energy transition.

Other changes followed the same discipline. We exited lower-conviction positions in e.l.f. Beauty and Tractor Supply as decelerating growth and questions around long-term return potential weakened our confidence. These exits reflected our willingness to prune positions where the thesis has become less compelling and redeploy capital toward companies with clearer paths to durable growth.

### Outlook

We expect volatility to ease in the third quarter, and we are encouraged that some outsize moves driven more by flows and momentum than fundamentals have begun to reverse. While mindful of the consequences of increased portfolio turnover, we believe repositioning efforts should support positive long-term performance and greater stability of returns over time.

The broader backdrop remains constructive but unsettled. AI capital spending continues to create large opportunities, but the market is increasingly distinguishing durable fundamental beneficiaries from companies more dependent on speculative momentum. We enter the second half of the year with a risk-aware and balanced expression of growth across durable compounders, disruptors, cyclical businesses and improving growth stories, and we remain focused on businesses with competitive advantages, strong balance sheets and clear paths to revenue growth and free cash flow generation.

### Portfolio Highlights

The ClearBridge Growth Strategy underperformed its Russell Midcap Growth Index during the second quarter. On an absolute basis, the Strategy had positive contributions from all nine sectors in which it was invested. The primary contributors were the IT and industrials sectors.

On a relative basis, overall stock selection detracted from performance while sector allocation contributed. Stock selection in the IT and industrials sectors and an overweight to the communication services sector weighed on performance. Conversely, stock selection in the financials, communication services and consumer discretionary sectors, an overweight to the IT sector, underweights to the health care and industrials sectors and a lack of exposure to the energy sector proved beneficial.

On an individual stock basis, the biggest detractors from returns included L3Harris Technologies, Autodesk and TJX Companies as well as not owning Astera Labs and Datadog. The largest contributors to relative returns were CrowdStrike, Vertiv, Snowflake, Broadcom and not owning Insmmed.

In addition to the transactions mentioned above, the Strategy initiated positions in Credo Technology and Lumentum in the IT sector. We exited a position in Doximity in the health care sector.

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