



All Cap Growth Strategy



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Key Takeaways

- ▶ The Strategy underperformed the benchmark through an ongoing rotation away from growth and momentum names that was exacerbated by the Iran conflict.
- ▶ We were encouraged by the diversified contributions the Strategy received across multiple sectors outside IT, including consumer discretionary, materials and select industrial holdings.
- ▶ We continue to emphasize balance — owning companies with both offensive growth potential and defensive characteristics such as strong balance sheets, durable cash flows and capable management teams.

Market Overview

The outbreak of war in the Middle East accelerated a selloff among growth stocks that started with software weakness and resulted in wide losses for the first quarter. The S&P 500 Index declined 4.3%, while large cap growth stocks were the worst-performing segment of the market, with the benchmark Russell 3000 Growth Index falling 9.5% compared to a gain of 2.2% for the Russell 3000 Value Index.

Growth stocks were pressured as investors more pointedly questioned the return on investment from massive capital spending on AI buildouts as well as the viability of application software business models amid new generative AI tools introduced during the quarter. Rising bond yields resulting from the inflationary pressures of higher oil prices due to the U.S. and Israeli conflict with Iran also weighed on higher-multiple growth stocks.

The ClearBridge All Cap Growth Strategy underperformed the benchmark through an ongoing rotation away from growth and momentum names that was exacerbated by the Iran conflict. This led to sharp dislocations in the information technology (IT) sector and our health care disruptor names, which weighed meaningfully on relative results versus the Strategy's predominantly large cap benchmark.

Within IT, holdings such as Autodesk, CrowdStrike and HubSpot (the last of which we exited during the quarter) declined as investors questioned growth durability and valuation levels across the subsector despite solid quarterly results. AppLovin, which operates a software platform for advertisers to enhance the marketing and monetization of their content — particularly within mobile apps — was also a notable detractor, on fears of AI disruption and rising competition from Meta. We see AppLovin as an early adopter and

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longer-term beneficiary of AI, as greater gaming and application development should increase the need for discovery. We also believe recent competitive concerns are overblown as the company has successfully competed against Meta for years and there are no signs it is being displaced, particularly as it relates to AppLovin's higher-value impressions.

However, there were several bright spots, specifically within the semiconductor fabrication and equipment industry. ASML, a leading maker of extreme ultraviolet lithography equipment critical for the production of advanced semiconductors, was fueled by record-breaking orders for AI infrastructure and a significantly raised revenue outlook for 2026. Similarly, Taiwan Semiconductor Manufacturing, the world's leading contract manufacturer of advanced semiconductors for customers, including Apple and Nvidia, announced projected annual revenue growth of nearly 30%, surpassing analyst estimates. Additionally, the company announced a large capital expenditure budget, estimated between \$52 billion to \$56 billion for the year, signaling high confidence in sustained demand from the global AI boom.

Health care was a detractor due to weakness among several disruptors. Insulet, a maker of insulin pumps for diabetes patients, declined on a product recall, while Doximity, a digital platform for medical professionals, fell on a weakening outlook for health care advertising. Intuitive Surgical, manufacturer of the DaVinci robot for use in soft tissue and similar surgeries, announced an outlook on procedures that came in modestly below expectations, pressuring the stock. However, we believe this was due to conservative guidance versus stalls in demand.

Holdings in the consumer discretionary and communication services sectors were key contributors, led by TJX, which put up better than expected same-store sales growth despite a more constrained consumer spending environment, and Netflix, which rebounded after the streaming provider withdrew from a bidding war for Warner Bros. Discovery; we believe the fundamental setup for its business remains robust.

Materials was another contributor to relative performance, as rising input prices and tightening supply conditions as well as supply constraints and geopolitical developments drove improving pricing dynamics across key markets. This was particularly beneficial for copper miner Freeport-McMoRan. We believe the company's leverage to global industrial activity and long-term electrification trends leaves it exceptionally well positioned to continue to capitalize on the growing demand for copper.

The Strategy also saw positive contributions from a diversified mix of industrials names, led by Eaton, a key provider of equipment to enable electrical connectivity; Johnson Controls, a commercial HVAC provider seeing growing data center orders; W.W. Grainger, a

distributor of industrial supplies; and L3Harris Technologies and RTX, defense contractors that delivered solid performance amid sustained global defense spending trends.

Portfolio Positioning

We added a new position in the health care sector with Roche, helping reduce the portfolio's health care underweight versus the benchmark and continuing our efforts to improve the quality of our health care holdings. We believe Roche has an attractive growth runway with multiple positive Phase III readouts in early-stage breast cancer and multiple sclerosis. These should enable Roche to grow revenues through the loss of exclusivity period for several of its current cancer and multiple sclerosis drugs and secure its place among pharmaceutical companies that can grow revenue for the next decade.

We also initiated a position in Arista Networks, a provider of high-speed switches and networking equipment critical to enabling the operation of cloud platforms and data centers. Arista is well-represented among the hyperscalers and benefits from that capex cycle. In the enterprise business, Arista currently has low share but is poised to continue gaining as companies update their campus networking infrastructure.

We exited PayPal and Equinix during the quarter. When we invest in businesses like PayPal executing upon turnarounds, we regularly weigh the positive outcome of improved execution with downside risks, including the opportunity cost of longer than expected paths to improvement. While there are some signs of improvement in PayPal's business, the turnaround has proved more challenging than expected, leading us to exit the position.

Equinix owns and operates interconnected data centers that provide network and cloud platforms for enterprise customers. The stock was sold as the company remains in the middle of a large capex investment cycle while AI tailwinds from increased customer spending on inference will take time to show through.

Outlook

We believe the start of 2026 demonstrated stabilization for the Strategy compared to the prior year. While the top-heavy composition of the Russell 3000 Growth Index causes us to maintain a significant weighting to the Magnificent Seven, our mega cap exposure did not have an overriding influence on first-quarter performance. Instead, we were encouraged by the diversified contributions the Strategy received across multiple sectors outside IT.

Importantly, we remain active. We are not standing still in the face of volatility but are instead using it to refine the portfolio — trimming positions where risk-reward has become less favorable and adding

to high-conviction ideas where valuations have become more compelling. We also believe the ongoing broadening of market leadership, particularly beyond mega cap technology, is a constructive development for our investment universe. After a prolonged period of concentration, normalizing participation market should reward differentiated, high active share portfolios such as ours.

Our outlook remains consistent: while macro uncertainty and volatility are likely to persist and may even increase as geopolitical developments evolve, these environments often create the most attractive opportunities for active, bottom-up investors. We continue to emphasize balance — owning companies with both offensive growth potential and defensive characteristics, including strong balance sheets, durable cash flows and capable management teams. This approach is designed to support performance across a wide range of market environments, rather than relying on a single factor or theme.

Portfolio Highlights

The ClearBridge All Cap Growth Strategy underperformed its Russell 3000 Growth Index benchmark in the first quarter. On an absolute basis, the Strategy delivered positive contributions across two of the 10 sectors in which it was invested (of 11 total). The contributors were the materials and real estate sectors, while the main detractor was the IT sector.

Relative to the benchmark, stock selection detracted from performance while sector allocation effects contributed. In particular, stock selection in the health care, IT, financials, industrials and consumer staples sectors and an underweight to consumer staples weighed on returns. Conversely, stock selection in consumer discretionary and materials as well as overweights to industrials and materials contributed to performance.

On an individual stock basis, the leading relative detractors to performance were AppLovin and Axon Enterprise, as well as not owning Costco Wholesale, GE Vernova and Lam Research. The primary relative contributors were an underweight to Microsoft, ASML, Taiwan Semiconductor Manufacturing, Eaton and Freeport-McMoRan.

In addition to the transactions discussed above, the Strategy initiated a new position in Axon Enterprise in the industrials sector and Robinhood Markets in the financials sector. The Strategy exited positions in Pinterest in the communication services sector and Docusign in the IT sector.

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