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## Large Cap Growth Strategy

### Key Takeaways

- ▶ The Strategy outperformed in a risk-off quarter, supported by contributions outside of mega cap technology that illustrated the efficacy of our diversified approach.
- ▶ We were encouraged to see a positive reversal in communication services and broad support from our cyclical growth holdings across industrials, materials and parts of IT.
- ▶ Repositioning activity focused on upgrading our exposure in semiconductors and biopharmaceuticals and enforcing our sell discipline in names where expected turnarounds have been pushed out.

### 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 1000 Growth Index falling 9.8% compared to a gain of 2.1% for the Russell 1000 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.

Against this volatile backdrop, the ClearBridge Large Cap Growth Strategy outperformed its benchmark as we saw increased market dispersion away from the technology sector and momentum stocks that led the market in 2025. Materials was the largest contributor to relative performance in the quarter as industrial gases provider Linde and paint and coatings maker Sherwin-Williams were solid performers in an environment that has begun to reward companies with quality fundamentals.

The Strategy also saw contributions from a diversified mix of industrials names, led by Eaton, a key provider of equipment to enable electrical connectivity; W.W. Grainger, a distributor of industrial supplies; and RTX, a defense contractor. We were also encouraged by the rebound in Netflix after the streaming provider

withdrew from a bidding war for Warner Bros. Discovery; we believe the fundamental setup for its business remains robust.

These holdings helped offset weakness among the portfolio's software names. Tax prep software maker Intuit, credit score provider Fair Isaac, cloud hyperscaler Oracle and enterprise software firm Salesforce were all impacted by a broad acceleration in the selloff among software companies feared to be disintermediated by AI. Fair Isaac, known for its FICO score, was also hurt by concerns about growing competition that we believe are overblown as the company continues to deliver considerable value to its customers. We completed an exit from Salesforce this quarter after trimming the position as part of our actions to reduce software exposure over the past year.

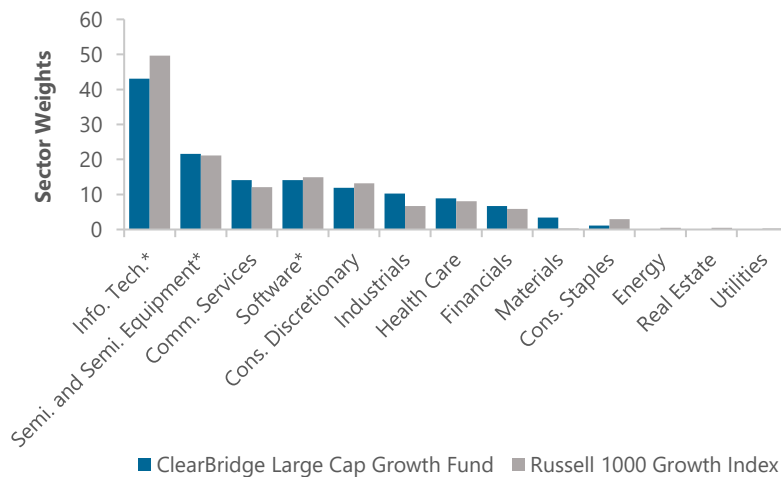
Since 2022, Salesforce has experienced slowing growth in its core business across its sales and service cloud segments and, more recently, marketing cloud. While Salesforce is executing on several product strategies to accelerate growth, we think these initiatives are not substantial enough to bend the curve on overall revenue growth. Product execution on innovation strategies has also been mixed. We believe Salesforce will continue to face rising competitive and model transition pressures as the software-as-a-service ecosystem moves from seat-based to usage-based pricing.

### **Portfolio Positioning**

We continue to be optimistic on trends in the semiconductor sector and added a new position during the quarter in Texas Instruments, a company focused on analog semiconductor devices and embedded processing. The company sells products with long life cycles to a diversified customer base and has a unique free cash flow story. While the company's cash flow has been depressed by sluggish demand and elevated capex, we believe cash flow can inflect meaningfully as both of those trends reverse. We also view Texas Instruments as well positioned for an improving manufacturing outlook as 30%–40% of its customer base is in industrials (Exhibit 1).

We also added two new positions in the health care sector with the additions of Roche and Alnylam Pharmaceuticals. These moves brought the portfolio's health care exposure back to a slight overweight versus the benchmark and continued our efforts to improve 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.

Exhibit 1: Sector Positioning vs. Benchmark



\*Information Technology sector and subsectors. As of March 31, 2026.  
Sources: ClearBridge Investments, FactSet.

Alnylam has pioneered RNAi drugs that work to "silence" certain proteins created by the body that can malfunction and cause disease. The company's key product, Amvuttra, treats a condition that leads to protein misfolding in the heart and, eventually, heart failure (cardiomyopathy). While Amvuttra entered the cardiomyopathy market to strong early success in 2025, missed expectations heading into 2026 provided a chance to buy the stock at valuation levels we think incorporate conservative assumptions for its commercial opportunity and very little value for any other pipeline drugs. Alnylam also reached free cash flow breakeven in 2025, a milestone that we seek in biotech investments to derisk some downside potential.

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 1000 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.

Rising geopolitical risks also highlighted our ability as active managers to oversee the level of risk in the portfolio. As market volatility rose during the quarter with the Iran conflict, we continued to dial back risk by trimming strong recent performers to redeploy the proceeds into more attractive ideas. Looking ahead, some early signs of positive early-cycle momentum in industrials have eroded somewhat due to the conflict, yet we remain optimistic that pent-up activity in the manufacturing economy can be supportive of portfolio results.

### Portfolio Highlights

The ClearBridge Large Cap Growth Strategy outperformed its Russell 1000 Growth Index benchmark in the first quarter. On an absolute basis, the Strategy delivered positive contributions across two of the nine sectors in which it was invested (out of 11 total). The primary contributor was the materials sector, while the IT and consumer discretionary sectors were the main detractors.

Relative to the benchmark, overall sector allocation contributed to performance. In particular, overweights to the industrials and materials sectors and stock selection in the communication services and materials sectors supported performance. Conversely, stock selection in industrials and health care detracted as did an underweight to consumer staples.

On an individual stock basis, the leading contributors to relative performance included ASML, Taiwan Semiconductor, Eaton, Netflix and an underweight to Microsoft. The primary detractors from relative returns were Intuit and Fair Isaac as well as not holding Costco Wholesale, GE Vernova and Lam Research.

In addition to the transactions mentioned above, we initiated a position in Blackstone in the financials sector and exited a position in Marvell Technology in the IT sector.

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