

ClearBridge Value Fund

Class C: LMVTX Class A: LGVAX

Commentary | as of March 31, 2025

Key Takeaways

- **Markets:** An escalating tariff war and a rotation out of the AI-related tech stocks that dominated 2024 sent markets lower in the first quarter of 2025, with the S&P 500 Index declining -4.3% and ending its five-quarter streak of positive gains. Following recent highs, both the S&P 500 and the Nasdaq Composite entered correction territory in March. Amid a tech-led selloff, the benchmark Russell 1000 Value Index (+2.1%) handily outperformed its growth counterpart (-10.0%) in the quarter.
- **Contributors:** Holdings in CVS Health, Gilead Sciences and Nestle. Stock selection in the health care sector, underweight allocation to the IT sector and overweight allocation to the energy sector.
- **Detractors:** Holdings in Venture Global, Block and Paypal. Stock selection in the energy, financials and consumer staples.
- **Outlook:** The challenge of constant and intense debates in the pursuit of better judgment and the surfacing of hidden truth within an always foggy market landscape is worth it. It helps us dynamically manage the intense tactical risks of a bear market so that we can pursue long-term valuation opportunities that are the silver lining of every market crisis.

Performance Review

- The Strategy underperformed its Russell 1000 Value benchmark during the first quarter, as overall stock selection detractors overcame the contributions from positive overall sector allocation effects.
- Health care stocks populated our top performers for the quarter. Our top contributor was CVS Health, which posted strong fourth-quarter results exceeding analyst expectations thanks to positive contributions from its Aetna insurance and pharmacy network. Additionally, the company received a tailwind from the perceived benefit to its managed care segment following a proposed increase in government payments to Medicare Advantage plans in 2026.
- Holdings in the energy sector, led by Venture Global, weighed on relative performance. We participated in the IPO for the natural gas liquefaction and export construction company Venture Global but saw its share price decline after management reduced their valuation expectations. However, we believe that the company's disruptive modular LNG technology — which they are deploying at massive scale and at attractive returns — represents a truly attractive opportunity for long-term growth in natural gas opportunities.
- While we had already begun to shift toward a more defensive positioning entering the quarter, we made a number of adjustments in response to the rapid-fire developments in both economic and political policy.
- Among our largest new positions during the period was Walt Disney, as we believe that it has turned a corner on building out its streaming service, which should help margins inflect higher and help drive better earnings than the market currently anticipates. Our largest sell was Goldman Sachs relatively early in the quarter, as expectations for an increased capital market cycle under the new Trump administration brought its share price in line with our assessment of fair value.

Outlook

- During market crises, equity prices of these types of durable businesses are typically much more volatile than underlying business value. Thus, lower stock prices and compounding business values are the engine of attractive forward return potential coming out of bear markets.
- Despite the relative value of value persisting near extreme levels, value has led growth during the post-COVID market cycle. This has been driven by value offense coming out of the COVID market lows and is now being led by value defense during the recent tariff turmoil. We think the tariff shock, along with "creative disruptions" from the emergence of AI, could more fully set value free from its current extreme levels. Especially if the ongoing decline in market concentration from extreme levels continues, allowing capital to flow into other areas that have been largely ignored until recently — something we expect to continue.
- President Trump is, by nature, unpredictable, and we don't expect him to fold his tariff hand soon or on his own. However, we suspect that panic will increase as election risks mount, and we are already seeing some early counter moves within the Republican party. Ultimately, we think there will be some give in initial tariff levels as the ongoing damage from tariffs and policy uncertainty become more evident and fully priced into markets.
- Inspired by President Abraham Lincoln, we run a "Team of Rivals" approach within our investment team. This is not easy, as it forces us to manage our egos and pride as we navigate uncertainty collectively and make inevitable mistakes along the way. It helps us dynamically manage the intense tactical risks of a bear market so that we can pursue long-term valuation opportunities that are the silver lining of every market crisis

Morningstar Rating™

Overall Rating as of March 31, 2025



(3-Star) Class C



(4-Star) Class A

As of 03/31/2025 the fund's Class A shares received a 4 star and Class C shares received a 3 star overall Morningstar rating™, measuring risk-adjusted returns against 1092, 1030 and 808 Large Value funds over the 3-, 5- and 10- year periods, respectively. A fund's overall rating is derived from a weighted average of the performance figures associated with its 3-, 5- and 10-year (if applicable) rating metrics.

Top Holdings (% of Total)

| Holding | Fund |
|------------------------------|------|
| Johnson & Johnson | 3.17 |
| Bank Of America Corp | 3.04 |
| Gilead Sciences Inc | 2.90 |
| Unitedhealth Group Inc | 2.85 |
| EQT Corp. | 2.55 |
| Nestle S.A. Sponsored ADR | 2.41 |
| American International Group | 2.36 |
| Corebridge Financial Inc | 2.34 |
| AbbVie, Inc. | 2.33 |
| CVS Health | 1.98 |

Sector Allocation (% of Total)

| Sector | Fund |
|-------------------------|-------|
| Financials | 23.21 |
| Health Care | 18.63 |
| Energy | 11.72 |
| Industrials | 11.44 |
| Consumer Staples | 6.16 |
| Materials | 5.85 |
| Utilities | 4.95 |
| Information Technology | 4.93 |
| Other | 11.01 |
| Cash & Cash Equivalents | 2.09 |

Average annual total returns and fund expenses (%)

| Class | CUSIP | Ticker | Without Sales Charge | | | | | | | With Maximum Sales Charge | | | | | | | Expenses | | Sales Charges | | Inception Date |
|-----------|-----------|--------|----------------------|-------|------|------|-------|-------|-----------|---------------------------|-------|-------|------|-------|-------|-----------|----------|------|----------------|------|----------------|
| | | | 3-Mo | YTD | 1-Yr | 3-Yr | 5-Yr | 10-Yr | Inception | 3-Mo | YTD | 1-Yr | 3-Yr | 5-Yr | 10-Yr | Inception | Gross | Net | Initial Charge | CDSC | |
| Class C | 524686615 | LMVTX | -1.00 | -1.00 | 2.76 | 7.40 | 20.35 | 8.79 | 11.29 | -1.94 | -1.94 | 1.88 | 7.40 | 20.35 | 8.79 | 11.29 | 1.76 | 1.74 | — | 0.95 | 4/16/1982 |
| Class A | 524686623 | LGVAX | -0.84 | -0.84 | 3.49 | 8.18 | 21.20 | 9.55 | 13.06 | -6.29 | -6.29 | -2.22 | 6.06 | 19.77 | 8.90 | 12.64 | 1.04 | 1.01 | 5.50 | — | 2/2/2009 |
| Benchmark | — | — | 2.14 | 2.14 | 7.18 | 6.64 | 16.15 | 8.79 | — | 2.14 | 2.14 | 7.18 | 6.64 | 16.15 | 8.79 | — | — | — | — | — | |

Benchmark(s)

Benchmark = Russell 1000 Value Index

Performance data quoted represents past performance, which does not guarantee future results. Current performance may be lower or higher than the figures shown. Principal value and investment returns will fluctuate, and investors' shares, when redeemed, may be worth more or less than the original cost. Performance would have been lower if fees had not been waived in various periods. Total returns assume the reinvestment of all distributions and the deduction of all fund expenses. Returns with sales charge reflect a deduction of the stated maximum sales charge. An investor cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges. Returns for periods of less than one year are not annualized. All classes of shares may not be available to all investors or through all distribution channels. For current month-end performance, please visit franklintempleton.com.

Gross expenses are the fund's total annual operating expenses as of the fund's prospectus available at the time of publication. Actual expenses may be higher and may impact portfolio returns. Net expenses reflect contractual fee waivers, expense caps and/or reimbursements, which cannot be terminated prior to 12/31/2026 without Board consent. Additional amounts may be voluntarily waived and/or reimbursed and may be modified or discontinued at any time without notice.

Maximum sales charges have been updated as of August 15, 2022, please refer the Fund's prospectus for more information.

What are the Risks?

All investments involve risks, including possible loss of principal. Equity securities are subject to price fluctuation and possible loss of principal. The investment style may become out of favor, which may have a negative impact on performance. **Large-capitalization companies** may fall out of favor with investors based on market and economic conditions. **Small- and mid-cap stocks** involve greater risks and volatility than large-cap stocks. To the extent the portfolio invests in a **concentration of certain securities, regions or industries**, it is subject to increased volatility. **International investments** are subject to special risks, including currency fluctuations and social, economic and political uncertainties, which could increase volatility. These risks are magnified in **emerging markets**. The manager may consider **environmental, social and governance (ESG) criteria** in the research or investment process; however, ESG considerations may not be a determinative factor in security selection. In addition, the manager may not assess every investment for ESG criteria, and not every ESG factor may be identified or evaluated. These and other risks are discussed in the fund's prospectus.

Glossary

The **S&P 500 Index** features 500 leading U.S. publicly traded companies, with a primary emphasis on market capitalization. Source: © S&P Dow Jones Indices LLC. All rights reserved.

Important Information

The information provided is not a complete analysis of every material fact regarding any country, market, industry, security or fund. Because market and economic conditions are subject to change, comments, opinions and analyses are rendered as of the date of this material and may change without notice. A portfolio manager's assessment of a particular security, investment or strategy is not intended as individual investment advice or a recommendation or solicitation to buy, sell or hold any security or to adopt any investment strategy; it is intended only to provide insight into the fund's portfolio selection process. Holdings are subject to change.

The **Russell 1000 Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. Source: FTSE.

Important data provider notices and terms available at www.franklintempletondatasources.com. All data is subject to change.

Morningstar Rating™: Source: Morningstar®, 03/31/2025. For each mutual fund and ETF with at least a 3-year history, Morningstar calculates a Morningstar Rating™ based on how a fund ranks on a Morningstar Risk-Adjusted Return measure against other funds in the same category. This measure takes into account variations in a fund's monthly performance, and does not take into account the effects of sales charges and loads, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. The weights are: 100% 3-year rating for 36-59 months of total returns, 60% 5-year rating/40% 3-year rating for 60-119 months of total returns, and 50% 10-year rating/30% 5-year rating/20% 3-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent 3-year period actually has the greatest impact because it is included in all three rating periods. The fund's Class A shares received a Morningstar Rating of 3, 5 and 3 and fund's Class C shares received a Morningstar Rating of 3, 5 and 2 star(s) for the 3-, 5- and 10-year periods, respectively. Franklin Templeton provides this fund's Morningstar Rating™ for Class A and Class C shares only. Other share classes may have different Morningstar ratings.

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Before investing, carefully consider a fund's investment objectives, risks, charges and expenses. You can find this and other information in each prospectus, or summary prospectus, if available, at www.franklintempleton.com. Please read it carefully.