

ClearBridge International Value Fund

Class A: SBIEX Class I: SBIYX

Commentary | as of March 31, 2025

Key Takeaways

- **Markets:** International equities rose during the first quarter despite the outbreak of trade wars, as a rotation out of U.S. technology and the prospect of greater fiscal stimulus in international markets helped bolster returns. As a result, the core MSCI EAFE Index rose 6.86%. The financials sector continued to rally to new highs, along with traditional defensives, which were less impacted by tariff threats, helping the MSCI EAFE Value Index (11.56%) handily outperform the MSCI EAFE Growth Index (2.13%).
- **Contributors:** Holdings in Siemens Aktiengesellschaft, Shell. Stock selection in the financials, information technology (IT) and consumer staples.
- **Detractors:** Holdings in New Oriental Education & Technology, ICON, Burberry Group. Stock selection in the industrials sector and an overweight to IT.
- **Outlook:** The impact of deglobalization is likely to be structurally higher inflation, lower profit margins and higher risk premiums. This provides a favorable backdrop for value sectors where stock valuations are rooted in real assets and short-duration cash flows.

Performance Review

- The Fund outperformed its benchmark, boosted by strong stock selection within the financials and consumer staples sectors, as well as regional selection within emerging markets and Japan.
- Our financials holdings continued to perform strongly as signs of further fiscal stimulus in Europe as well as the prospect of higher rates in Japan helped increase the probability of higher terminal rates and increased loan growth. This included top individual holding Lloyds Banking, which outperformed as the company's visibility on its net interest income continued to improve and as signs of mortgage margin pressure abated, as well as France-domiciled BNP Paribas thanks to its diversified business mix and its strong market share across capital markets.
- Within consumer staples, Belgian brewer Anheuser-Busch InBev and French food and beverage company Danone proved attractive and inexpensive alternatives to their U.S. counterparts, which rapidly became pricey as U.S. investors rotated into more defensive sectors amid market volatility and policy uncertainty.
- Our industrials holdings, some of our strongest contributors in 2024, came under pressure during the quarter following the general unwind of the generative AI and data center buildout trades. Japanese industrial conglomerate Hitachi was undergoing a management changeover from a highly regarded CEO and uncertainty around its next midterm plan.
- New Oriental Education & Technology, a provider of private educational services in China, fell due to a slowing growth outlook within its overseas test prep business amid geopolitical concerns and rising tensions between the U.S. and China.

Outlook

- We believe deglobalization will be the dominant theme in the coming decade. Near term, this will mean extreme choppiness in equity markets as supply chains and geopolitical alliances are redefined. Market volatility usually offers opportunities to upgrade quality in the portfolio, particularly in cyclical sectors as markets increasingly price in recession risk. Deglobalization will also drive greater fiscal spending and reprioritization of funds toward defense, domestic infrastructure and strategic industries, and we continue to add to stocks leveraged to these themes across Europe and Japan.
- Longer term, the impact of deglobalization is likely to be structurally higher inflation, lower profit margins and higher risk premiums. This provides a favorable backdrop for value sectors where stock valuations are rooted in real assets and short-duration cash flows. Outside the U.S., international markets have already begun this rotation to value, which we believe will see further momentum as U.S. concentration in market-weighted global benchmarks as well as investor portfolios further unwinds.

Top Equity Issuers (% of Total)

Holding	Fund
Lloyds Banking Group PLC	3.76
Mitsubishi UFJ Financial Group Inc	3.49
Siemens AG	3.33
Fujitsu Ltd	2.89
Sanofi SA	2.89
Shell PLC	2.84
Holcim AG	2.71
Airbus SE	2.71
AXA SA	2.57
Hitachi Ltd	2.18

Sector Allocation (Equity as a % of Total)

Sector	Fund
Financials	25.76
Industrials	20.18
Information Technology	11.33
Consumer Discretionary	8.91
Health Care	8.50
Materials	7.81
Consumer Staples	6.50
Energy	4.87
Communication Services	2.69
Utilities	2.59
Real Estate	1.18

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 A	52469X607	SBIEX	9.94	9.94	6.88	6.40	15.17	3.33	5.22	3.87	3.87	0.97	4.31	13.81	2.71	5.06	1.47	1.29	5.50	—	2/18/1986
Class I	52469X888	SBIYX	9.93	9.93	7.12	6.73	15.58	3.68	2.57	9.93	9.93	7.12	6.73	15.58	3.68	2.57	1.06	0.94	—	—	12/29/2006
Benchmark 1	—	—	6.86	6.86	4.88	6.05	11.77	5.40	—	6.86	6.86	4.88	6.05	11.77	5.40	—	—	—	—	—	—
Benchmark 2	—	—	5.23	5.23	6.09	4.48	10.92	4.98	—	5.23	5.23	6.09	4.48	10.92	4.98	—	—	—	—	—	—

Benchmark(s)

Benchmark 1=MSCI EAFE Index-NR

Benchmark 2=MSCI All Country World ex-US Index-NR

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. **Small- and mid-cap stocks** involve greater risks and volatility than large-cap stocks. The **investment style** may become out of favor, which may have a negative impact on performance. **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**. **Fixed income securities** involve interest rate, credit, inflation and reinvestment risks, and possible loss of principal. As interest rates rise, the value of fixed income securities falls. 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

MSCI EAFE Growth Index captures large- and mid-cap securities exhibiting overall growth style characteristics across Developed Markets countries around the world, excluding the U.S. and Canada. Source: MSCI makes no warranties and shall have no liability with respect to any MSCI data reproduced herein. No further redistribution or use is permitted. This report is not prepared or endorsed by MSCI.

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Important Information

Effective September 1, 2023, the MSCI EAFE Index-NR was added as an additional benchmark for the fund.

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.

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