FRANKLIN TEMPLETON

ClearBridge

ClearBridge Sustainability Leaders Fund

Class I: LCISX Class A: CLSUX | **Commentary | as of March 31, 2025**

Key Takeaways

- **Markets:** After a very strong 2023 and 2024, the U.S. equity markets were lower in the first quarter of 2025 as a result of an escalating trade war, slowing economic growth and a rotation out of AI-related stocks that dominated 2024.
- **Contributors:** Stock selection in the consumer discretionary, health care and utilities sectors, as well as a health care overweight, proved beneficial.
- **Detractors:** Stock selection in industrials, IT and communication services and a lack of energy holdings detracted from relative results.
- **Outlook:** In the near-term, investors are weighing the impacts of elevated economic, trade and geopolitical uncertainty. However, we continue to believe that quality businesses with strong free cash flow generation and competitive moats will outperform over time.

Performance Review

- The Fund trailed its benchmark due largely to select AI exposures: following the DeepSeek announcement in late January, which called into question the potential returns on AI investments, the AI value chain has traded down. In the portfolio this led to weakness in blue chip hyperscalers Microsoft, Amazon and Alphabet as well as semiconductor makers Broadcom and Nvidia. Eaton, whose electrical components are used in AI data centers, also pulled back. The AI rotation, as well as concerns over a slowing macro environment amid highly touted cuts to government departments, also weighed on enterprise software companies such as Salesforce, ServiceNow and Adobe. We trimmed several of these holdings to reflect elevated risk, adding to more defensive health care and consumer staples names such as McKesson, Danaher, Colgate-Palmolive and Procter & Gamble.
- In health care, top contributor CVS Health rallied on the expected benefit to its managed care segment following an announcement by the U.S. Centers for Medicare and Medicaid Services of a proposed 4.3% average increase in government payments to Medicare Advantage plans in 2026. CVS also provided a positive update on its health costs relative to depressed expectations along with strong quarterly results. Drug distributor McKesson, meanwhile, benefited from strong U.S. pharma and specialty distribution fundamentals.
- The Fund also saw a strong quarter from American Water Works, a higher-quality defensive name enjoying structural support for higher capital investments (aging water infrastructure, new environmental regulations) and continued consolidation of the fragmented water utility industry.

Outlook

- New tariffs announced by the U.S. significantly alter the global economic picture, as the Trump administration seeks to restructure global trade. Odds of a recession have risen and the policy response from the U.S. and other countries will be the main determinants of the path forward for the economy.
- As various stocks decline and multiples rationalize, we expect there to be attractive opportunities for long-term investors looking to own quality businesses over the business cycle. In the near-term, investors are weighing the impacts of elevated economic, trade and geopolitical uncertainty. However, we continue to believe that quality businesses with strong free cash flow generation and competitive moats will outperform over time. While the U.S. market is underperforming global indexes to start the year, we believe the long-term economic outlook for the U.S. is positive given relatively attractive demographics, a healthy labor market, leadership in innovation and access to capital.

Top Equity Issuers (% of Total)

Holding	Fund
Microsoft Corp	6.42
Apple Inc	5.43
Amazon.com Inc	4.58
NVIDIA Corp	3.26
JPMorgan Chase & Co	3.18
Broadcom Inc	2.75
Alphabet Inc	2.66
Visa Inc	2.63
UnitedHealth Group Inc	2.50
Travelers Cos Inc/The	2.41

Sector Allocation (Equity as a % of Total)

Sector	Fund
Information Technology	27.75
Financials	16.30
Health Care	14.21
Consumer Discretionary	11.36
Industrials	10.17
Consumer Staples	6.53
Communication Services	5.01
Real Estate	3.32
Materials	2.90
Utilities	2.03

Average annual total returns and fund expenses (%)

			Without Sales Charge							With Maximum Sales Charge							Expenses		Sales Charges		Inception
Class	CUSIP	Ticker	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	Date
Class I	52469C702	LCISX	-6.36	-6.36	-1.82	2.65	14.46	11.06	11.06	-6.36	-6.36	-1.82	2.65	14.46	11.06	11.06	0.98	0.85	—	—	3/31/2015
Class A	52471R341	CLSUX	-6.43	-6.43	-2.11	2.35	14.08	—	11.21	-11.57	-11.57	-7.51	0.34	12.73	—	10.51	1.27	1.20	5.50	—	11/2/2015
Benchmark	—	—	-4.72	-4.72	7.22	8.22	18.18	11.80	—	-4.72	-4.72	7.22	8.22	18.18	11.80	—	—	—	—	—	—

Benchmark(s)

Benchmark =Russell 3000 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. **Small- and mid-cap stocks** involve greater risks and volatility than large-cap stocks. **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 portfolio is **non-diversified** and may invest in a relatively small number of issuers, which may negatively impact the fund's performance and result in greater fluctuation in the value of the fund's shares. The managers' **environmental, social and governance (ESG) strategies** may limit the types and number of investments available and, as a result, may forgo favorable market opportunities or underperform strategies that are not subject to such criteria. There is no guarantee that the strategy's ESG directives will be successful or will result in better performance. These and other risks are discussed in the fund's prospectus. These and other risks are discussed in the fund's prospectus.

Glossary

Free cash flow (FCF) is a measure of financial performance calculated as operating cash flow minus capital expenditures.

Moat is an advantage a company has which allows it to protect its market share and profitability.

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 3000 Index** measures the performance of the 3,000 largest U.S. companies based on total market capitalization. Source: FTSE.

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

ClearBridge Investments, LLC, and Franklin Distributors, LLC, are Franklin Templeton companies.

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.