

# ClearBridge

# **ClearBridge Appreciation Fund**

# Class A: SHAPX Class I: SAPYX

# Commentary | as of September 30, 2025

# **Key Takeaways**

- Markets: The S&P 500 Index continued its upward grind, rising 8% in the third quarter and advancing 15% year to date.
  The S&P 500's strength is even more impressive given the index is up 34% since the April 8 post-Liberation Day low, at
  which point it was down 15% for the year. Clearly, tariff turmoil is in the rearview mirror for investors, while the AI economy
  powers ahead.
- Contributors: Stock selection in and an underweight to the health care sector and a communication services
  overweight proved beneficial.
- Detractors: Stock selection in the industrials, communication services and IT sectors and an IT underweight detracted from relative results.
- Outlook: As in the second quarter, policy remains supportive of near-term growth, and capital markets conditions
  suggest risky assets such as stocks can continue to do well. That said, the market appears to be entering a more
  speculative phase, raising the risk of correction.

#### **Performance Review**

- The ClearBridge Appreciation Fund underperformed the benchmark S&P 500 Index in the third quarter. On an absolute basis, the Fund had positive contributions from eight of 11 sectors. The IT and communication services sectors were the main positive contributors, while consumer staples, industrials and real estate were the main detractors.
- On an individual stock basis, the biggest relative contributors during the quarter were ASML, TJX, Vulcan Materials, Alphabet and not owning Costco. The biggest detractors were Synopsys, Honeywell International and Netflix and underweights to Apple and Tesla.
- In IT, we benefited from a rebound in ASML a high-quality semiconductor chip manufacturing equipment name as the
  market focused on the continued need to increase chip manufacturing capacity in the years to come.
- Vulcan Materials re-affirmed its guidance, noting data center projects require infrastructure spending beneficial to
  aggregates and Vulcan has a strategically placed footprint. Vulcan's defensiveness and pricing power also make it attractive
  amid a slower industrial economy.
- Synopsys (SNPS), in the IT sector, is a leading provider of electronic design automation software and services to the
  semiconductor industry. The company's reset to its earnings expectations, driven by weakness in its IP business, hurt shares
  and was a thesis changer relative to our previous view, that, given demand trends in the semiconductor industry, Synopsis
  was a relatively low-risk compounder capitalizing on the secular trend of increasing chip demand. Given the lack of visibility
  and the potential for continued weakness from IP customers in China and the U.S., we exited our position.

#### Outlook

- As in the second quarter, policy remains supportive of near-term growth, and capital markets conditions suggest risky assets
  such as stocks can continue to do well. That said, the market appears to be entering a more speculative phase, raising the
  risk of correction. In our view, capital markets will determine whether equities can sustain their advance. If investors keep
  rewarding Al megaprojects with higher share prices the cycle can persist. But if markets tire of new multiyear infrastructure
  commitments or funding Al firms at ever-richer valuations, there is little valuation support to fall back on.
- We are long-term investors focused on through-the-cycle outperformance via downside protection, and we increasingly
  believe risks may be starting to outweigh the potential rewards. Accordingly, we keep a close eye on balance sheet and cash
  flow durability across our holdings to ensure our exposure centers on companies with the financial wherewithal to weather a
  potential cooling in today's white-hot environment.

## **Top Equity Issuers (% of Total)**

Holding	Fund
Microsoft Corp	9.06
NVIDIA Corp	7.35
Alphabet Inc	5.24
Apple Inc	4.49
Meta Platforms Inc	3.86
Broadcom Inc	3.36
Amazon.com Inc	3.00
JPMorgan Chase & Co	2.91
Bank of America Corp	2.64
Walmart Inc	2.43

### Average annual total returns and fund expenses (%) - as of September 30, 2025

			Without Sales Charge						With Maximum Sales Charge								ses	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 A	52468E105	SHAPX	5.91	13.18	15.52	21.94	14.68	13.76	10.79	0.08	6.95	9.17	19.66	13.33	13.10	10.67	0.91	0.91	5.50	_	3/10/1970
Class I	52468E402	SAPYX	5.96	13.40	15.82	22.26	14.99	14.09	10.23	5.96	13.40	15.82	22.26	14.99	14.09	10.23	0.65	0.65	_	_	1/30/1996
Benchmark	_	_	8.12	14.83	17.60	24.94	16.47	15.30	_	8.12	14.83	17.60	24.94	16.47	15.30	_	_	_	_	_	_

#### Benchmark(s)

Benchmark = S&P 500 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 analyzed. 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. Net expenses are capped under a contractual agreement, which cannot be terminated prior to 12/31/2026 without Board consent. Actual expenses may be higher and may impact portfolio returns.

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. Short selling is a speculative strategy. Unlike the possible loss on a security that is purchased, there is no limit on the amount of loss on an appreciating security that is sold short. 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.

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

© Franklin Distributors, LLC. Member FINRA/SIPC.

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.

