FRANKLIN TEMPLETON | ClearBridge

ClearBridge Appreciation Fund

Class A: SHAPX Class I: SAPYX **Commentary | as of September 30, 2026**

Key Takeaways

- **Markets:** Following the second quarter's historic run, the S&P 500 Index ground higher again in the third quarter, returning 2.3%; the index is up 12.7% year to date. September marked the 14th consecutive month in which the S&P 500's trailing three-year annualized total return exceeded 18%, an extraordinary run by any measure.
- **Contributors:** On an individual stock basis, the largest contributors to relative returns were Thermo Fisher Scientific and not owning Applied Materials, KLA, Lam Research and Caterpillar. Stock selection in IT, financials, industrials and consumer discretionary and an overweight to energy contributed to performance.
- **Detractors:** The largest detractors were ASML and TJX, underweights to Microsoft and Meta Platforms and not owning Palantir Technologies. Stock selection in communication services, energy and materials and an underweight to IT weighed on results.
- **Outlook:** As through-the-cycle investors with an emphasis on downside risk mitigation, we believe current conditions argue for a more cautious stance. Although absolute levels are still relatively benign, financial conditions have begun to tighten, underlying momentum is waning and investor leverage to equities remains elevated.

Performance Review

- Stock selection contributed overall, led by IT, financials, industrials and consumer discretionary, while sector allocation detracted modestly despite a positive energy overweight.
- Thermo Fisher Scientific advanced following better-than-expected results, resilient demand for biopharma consumables and pharmaceutical development services and guidance supporting an acceleration into 2027.
- Avoiding Applied Materials, KLA and Lam Research also proved beneficial as semiconductor equipment stocks retreated from their exceptionally strong second-quarter rally amid elevated valuations, questions about returns on AI capital spending and China-related risks.
- Not owning Caterpillar contributed as investors weighed its valuation and tariff-related cost pressures against strong orders and data center-related demand.
- ASML was caught in the semiconductor equipment reversal despite robust operating results, as elevated expectations, export-control uncertainty and growing Chinese competition weighed on the shares. TJX declined despite better-than-expected earnings as investors focused on softer performance at Marmaxx and a more cautious second-half margin outlook.
- Underweights to Microsoft and Meta Platforms detracted as Azure growth, Copilot adoption and the launch of Meta's Muse personal AI agent strengthened confidence in their AI opportunities.
- During the third quarter, the Strategy increased its exposure to energy, adding to Diamondback Energy and initiating Cheniere Energy. We believe domestic oil and LNG production grows more valuable as infrastructure is increasingly weaponized and governments prioritize security of supply. We view this exposure as ballast for downside capture that preserves our ability to invest selectively in pro-growth, AI-levered opportunities if a market selloff creates them.

Outlook

- As through-the-cycle investors with an emphasis on downside risk mitigation, we believe current conditions argue for a more cautious stance. Although absolute levels are still relatively benign, financial conditions have begun to tighten, underlying momentum is waning and investor leverage to equities remains elevated.
- As in the second quarter, the argument for continued robust benchmark returns remains nuanced given ongoing economic momentum and sustained technology-related capital expenditure against the risk factors discussed above. We do not see meaningful recession risk. Rather, we read the second quarter's herd mentality and the third quarter's breadth decay as evidence of a market vulnerable to a speculative washout - a correction that would force investors to retrench around their highest-conviction, long-term ideas rather than continue to chase momentum.
- We would view such a correction, even a reasonably sharp one, as healthy for the long-term durability of the bull market.

Top Equity Issuers (% of Total)

Holding	Fund
NVIDIA Corp	9.69
Apple Inc	8.38
Alphabet Inc	7.28
Microsoft Corp	4.69
Amazon.com Inc	4.65
JPMorgan Chase & Co	2.72
Eli Lilly & Co	2.68
Johnson & Johnson	2.33
Thermo Fisher Scientific Inc	2.32
Advanced Micro Devices Inc	2.30

Not FDIC Insured | No Bank Guarantee | May Lose Value

Average annual total returns and fund expenses (%) - as of September 30, 2026

			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 A	52468E105	SHAPX	2.15	6.68	7.70	17.77	11.32	13.19	10.74	-3.46	0.82	1.79	15.56	10.01	12.52	10.62	0.91	0.91	5.50	—	3/10/1970
Class I	52468E402	SAPYX	2.20	6.84	7.95	18.05	11.61	13.50	10.15	2.20	6.84	7.95	18.05	11.61	13.50	10.15	0.67	0.67	—	—	1/30/1996
Benchmark	—	—	2.30	12.75	15.74	22.89	13.79	15.33	—	2.30	12.75	15.74	22.89	13.79	15.33	—	—	—	—	—	—

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 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. Net expenses are capped under a contractual agreement, which cannot be terminated prior to 12/31/2027 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.

Glossary

Capital Expenditure (capex) are funds used by a company to acquire or upgrade physical assets such as property, industrial buildings or equipment.

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.

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

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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.

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