

ClearBridge Appreciation Fund

Class A: SHAPX Class I: SAPYX

Commentary | as of March 31, 2025

Key Takeaways

- **Markets:** U.S. equities declined -4.3% due to increasing caution surrounding AI-levered Magnificent Seven stocks and concerns surrounding rapidly escalating tariffs.
- **Contributors:** Stock selection in the financials and consumer discretionary sectors, underweights to the IT and consumer discretionary sectors and financials and materials overweights contributed positively to performance.
- **Detractors:** Stock selection in the IT and communication services sectors detracted.
- **Outlook:** Although today the economic backdrop remains conducive for equities, we can no longer overweight this as a base case in our outlook. As such — and as risk-conscious investors focused on outperforming through a market cycle via downside protection — we believe incremental caution is warranted as we digest incoming information.

Performance Review

- The ClearBridge Appreciation Fund outperformed the benchmark S&P 500 Index in the first quarter. On an absolute basis, the Fund had gains in six of 11 sectors. The financials, energy and health care sectors were the main positive contributors to performance, while the IT sector was the main detractor.
- In relative terms, stock selection in the financials and consumer discretionary sectors, underweights to the IT and consumer discretionary sectors and financials and materials overweights contributed positively to performance. Conversely, stock selection in the IT and communication services sectors detracted.
- On an individual stock basis, the biggest contributors to absolute performance during the quarter were Berkshire Hathaway, Visa, Waste Management, AbbVie and Travelers.
- The surprise emergence in January of DeepSeek, a Chinese large language model (LLM), with capabilities similar to the best LLMs but built with inferior chips and at a lower cost, has caused investors to question whether the massive capex being devoted to Gen AI would continue. These worries weighed on top detractors Microsoft, Nvidia, Apple, Broadcom and Alphabet.

Outlook

- Our economic and market outlook has become somewhat binary in nature and incrementally more cautious. On the one hand, we believe if policy certainty comes soon current growth concerns could prove transitory with tariff impact perhaps manageable. On the other hand, the current “on again/off again” policy environment has meaningfully raised the risk of an economic slowdown, one that risks being concurrent with rising consumer prices, a potentially bad outcome for risky assets.
- Although today the economic backdrop remains conducive for equities, we can no longer overweight this as a base case in our outlook. As such — and as risk-conscious investors focused on outperforming through a market cycle via downside protection risk mitigation— we believe incremental caution is warranted as we digest incoming information. Rather than trying to bet on near-term earnings trends or government policy outcomes, we believe it is better to look out two to three years and make investment decisions based upon our assessment of a company’s longer-term sustainable growth rate versus what’s implied in today’s share price. Given rising odds of a bumpy ride, we believe our Strategy is well-suited to the current environment.

Morningstar Rating™

Overall Rating as of March 31, 2025



(3-Star) Class A



(4-Star) Class I

As of 03/31/2025 the fund’s Class I shares received a 4 star and Class A shares received a 3 star overall Morningstar rating™, measuring risk-adjusted returns against 1272, 1169 and 889 Large Blend 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 Equity Issuers (% of Total)

Holding	Fund
Microsoft Corp	7.46
Apple Inc	4.96
Amazon.com Inc	4.03
NVIDIA Corp	3.61
Berkshire Hathaway Inc	3.57
Visa Inc	3.32
JPMorgan Chase & Co	3.11
Meta Platforms Inc	2.95
Alphabet Inc	2.87
Walmart Inc	2.40

Sector Allocation (Equity as a % of Total)

Sector	Fund
Information Technology	22.77
Financials	17.76
Industrials	10.41
Health Care	9.76
Communication Services	9.56
Consumer Discretionary	7.43
Consumer Staples	7.43
Materials	5.11
Energy	4.55
Utilities	1.66
Real Estate	1.25

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	52468E105	SHAPX	-3.17	-3.17	6.65	8.87	16.90	11.31	10.58	-8.50	-8.50	0.80	6.75	15.52	10.65	10.46	0.91	0.91	5.50	—	3/10/1970
Class I	52468E402	SAPYX	-3.12	-3.12	6.91	9.17	17.22	11.62	9.82	-3.12	-3.12	6.91	9.17	17.22	11.62	9.82	0.65	0.65	—	—	1/30/1996
Benchmark	—	—	-4.27	-4.27	8.25	9.06	18.59	12.50	—	-4.27	-4.27	8.25	9.06	18.59	12.50	—	—	—	—	—	—

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 12/31/2026 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.

Glossary

The **Magnificent Seven** stocks are Apple, Amazon, Alphabet, Meta Platforms, Microsoft, Nvidia, and Tesla.

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.

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 I shares received a Morningstar Rating of 4, 3 and 4 and fund's Class A shares received a Morningstar Rating of 4, 3 and 3 star(s) for the 3-, 5- and 10-year periods, respectively. Franklin Templeton provides this fund's Morningstar Rating™ for Class I and Class A 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.