

ClearBridge Appreciation Fund

Class A: SHAPX Class I: SAPYX

Commentary | as of June 30, 2025

Key Takeaways

- **Markets:** Four of 11 sectors in the S&P 500 outperformed the overall index in the quarter — though only two produced meaningful outperformance — as the market was driven by a return to AI leadership.
- **Contributors:** Stock selection in the IT, communication services, materials and energy sectors and a health care underweight added the most.
- **Detractors:** Stock selection in the health care, industrials and financials sectors, an IT underweight and a materials overweight detracted.
- **Outlook:** Our economic and market outlook has improved since the administration softened its stance on Liberation Day tariffs. Although we believe the market is fully valued, policy remains favorable to economic growth in the near term while capital markets conditions suggest risky assets — such as stocks — can continue to perform well.

Performance Review

- The ClearBridge Appreciation Fund showed strong upside participation in the S&P 500 Index's rally in the second quarter, trailing results modestly. On an absolute basis, the Fund had gains in seven of 11 sectors. The IT, communication services and industrials sectors were the main positive absolute contributors to performance, while the health care sector was the main detractor.
- On an individual stock basis, the biggest contributors to relative performance during the quarter were Apple, Microsoft, Netflix, Eaton and Broadcom. The biggest detractors were Berkshire Hathaway, Nvidia, UnitedHealth Group, Thermo Fisher Scientific and Travelers Companies.
- In IT, an underweight to the underperforming Apple, which was lower due to continued concerns over tariffs as well as worries about its lagging in AI capabilities, and an overweight to outperforming Microsoft, which delivered better-than-expected revenues driven by acceleration in its Azure cloud business, helped relative results. An underweight to Nvidia detracted.
- UnitedHealth Group continued to underperform as higher utilization rates, primarily among its Medicare Advantage business, weighed on its insurance and provider network businesses. Concerns of poor execution were exacerbated by the resignation of its CEO and federal lawsuits against pharmacy benefit managers such as UnitedHealth's OptumRx.
- Thermo Fisher Scientific, which provides life sciences solutions, analytical instruments, specialty diagnostics and laboratory products and biopharma services, lagged due to concerns around spending cuts in the academic/government and biopharma segments due to regulatory fears from tariffs and most-favored nation drug pricing.

Outlook

- Our economic and market outlook has improved since the administration softened its stance on Liberation Day tariffs. Although we believe the market is fully valued, policy remains favorable to economic growth in the near term while capital markets conditions suggest risky assets — such as stocks — can continue to perform well. As such, we have leaned incrementally into more cyclical areas of the market while lightening our exposure to traditionally defensive sectors. That said, we are long-term investors focused on outperforming through a market cycle via downside protection. We remain focused on looking out two to three years to make investment decisions based upon our assessment of a company's longer-term sustainable earnings growth rate versus what is implied in today's share price while being mindful of how near-term earnings trends or government policy outcomes could impact the road ahead.

Morningstar Rating™

Overall Rating as of June 30, 2025



(3-Star) Class A



(4-Star) Class I

As of 06/30/2025 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 1265, 1161 and 894 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	9.02
NVIDIA Corp	6.03
Apple Inc	4.18
Meta Platforms Inc	4.09
Amazon.com Inc	3.67
JPMorgan Chase & Co	3.35
Broadcom Inc	3.24
Berkshire Hathaway Inc	2.97
Visa Inc	2.71
Alphabet Inc	2.68

Sector Allocation (Equity as a % of Total)

Sector	Fund
Information Technology	27.61
Financials	15.58
Industrials	12.39
Communication Services	11.76
Consumer Discretionary	6.68
Consumer Staples	6.51
Health Care	6.05
Materials	5.17
Energy	3.41
Utilities	1.28
Real Estate	1.02

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

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	10.37	6.86	14.21	17.71	15.46	12.41	10.73	4.31	0.98	7.94	15.41	14.10	11.75	10.61	0.91	0.91	5.50	—	3/10/1970
Class I	52468E402	SAPYX	10.46	7.02	14.49	18.04	15.78	12.73	10.10	10.46	7.02	14.49	18.04	15.78	12.73	10.10	0.65	0.65	—	—	1/30/1996
Benchmark	—	—	10.94	6.20	15.16	19.71	16.64	13.65	—	10.94	6.20	15.16	19.71	16.64	13.65	—	—	—	—	—	—

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.

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®, 06/30/2025. 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 3, 4 and 4 and fund's Class A shares received a Morningstar Rating of 3, 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.