

ClearBridge Value Fund

Class C: LMVTX Class A: LGVAX
Commentary | as of December 31, 2025

Key Takeaways

- **Markets:** U.S. equities finished a strong 2025 with more subdued gains in fourth quarter, with the S&P 500 Index rising 2.7% from October through December to end the year up 17.9%. Information technology (IT) stocks led the benchmark 1000 Value Index in the fourth quarter, followed closely by communication services and health care, which saw positive performance thanks to lower policy uncertainty, improved earnings, attractive valuations and a pickup in M&A (mergers and acquisitions) activity. Despite a 25-basis-point cut in the federal funds rate in December, elevated long-term yields weighed on two sectors: real estate and utilities—the latter also suffering as the artificial intelligence (AI) trade pulled back.
- **Contributors:** Holdings in Micron Technology, Freeport McMoRan and OneMain. Stock selection in materials and IT and an overweight to health care.
- **Detractors:** Holdings in Corcept Therapeutics, Fiserv and Charter Communications. Stock selection in the health care and communication services sector and an underweight to the IT sector.
- **Outlook:** With value spreads near historic extremes and AI adoption poised to broaden economic benefits, we see an attractive probability gap that creates meaningful upside potential for valuation-driven investors.

Top Securities (% of Total)

Holding	Fund
Alphabet Inc. Class A	4.57
Bank Of America Corp	3.83
Johnson & Johnson	3.13
Amazon.Com, Inc.	2.62
Micron Technology Inc.	2.51
Chevron Corp	2.36
EQT Corp.	2.28
The Walt Disney Company	2.28
CVS Health	2.20
Newmont Mining Corp.	2.06

Performance Review

- The Fund mildly underperformed its benchmark in a quarter that broadly favored value over growth, as declines in health care overcame strength from technology and materials stocks.
- Stock selection in the health care sector was the greatest detractor from relative returns in the fourth quarter, largely owing to the decline in drug developer Corcept Therapeutics, whose stock fell following the release of a FDA Response Letter for its relacorilant program, citing the need for additional evidence to support approval. With the prospect of the company having to lean more heavily on its legacy products, which are under pressure from greater generic competition, we elected to exit the position.
- Our top performer was Micron Technology, which continued to extend its strong 2025 performance following attractive earnings results and upbeat guidance due to accelerating AI-driven demand, tightening memory supply and improving pricing dynamics across DRAM and high-bandwidth memory markets. Performance was also bolstered by copper miner Freeport McMoRan, whose shares advanced alongside the commodity price on improving global growth expectations, a weaker U.S. dollar and continued optimism around long-term demand tied to electrification and energy transition trends.
- Newmont (NEM), in the materials sector, engages in the production and exploration of gold properties, as well as the exploration for copper, silver, zinc, lead, and other metals. The company's share price moved higher alongside gold prices during the quarter. Additionally, we believe that the market is beginning to recognize discount in the company's share price given the current price of gold and attractive free cash flow generation.
- Fiserv (FI), in the information technology sector, provides payment and financial services technology. The company's stock declined after reporting disappointing third quarter results, missing earnings expectations, cutting full-year guidance and announcing a leadership shake-up, which raised investor concerns about growth and execution.
- Charter Communications (CHTR), in the communication services sector, operates as a broadband connectivity and cable operator company serving residential and commercial customers. The company's stock declined after reporting weak third quarter results with subscriber losses, missing earnings expectations and announcing workforce reductions, which heightened investor concerns about growth and rising costs.
- In the fourth quarter, we made several changes within our financials holdings. For example, we swapped our exposure within regional banks by replacing M&T Bank with Fifth Third Bancorp. We believe that Fifth Third is poised to accelerate its growth by combining its best-in-class digital strengths with recently acquired Comerica's middle-market franchise in fast-growing, attractive regions in the Southeast, Texas and California, ultimately upgrading our overall return profile.

Outlook

- At a broad level we underestimated the resilience of the market and the economy to the year's two big volatility events: the reveal of Chinese AI model DeepSeek and President Trump's Liberation Day. Both caused volatility to spike and relative performance pain despite ultimately proving incredibly short lived. The commonality in both is that we underestimated the structural resilience of the U.S. economy and the operating leverage that continues to support best-in-the-world free cash flow (FCF) margins for U.S. companies.
- On a broad level, the market continues to price value stocks relative to growth at a level that implies value has little chance of leading. Despite a couple of good years, value spreads have remained trapped at the cheapest 10% of their history. We think the catalyst for value's escape will, ironically, come from AI adoption. 2026 will be the year that AI has to justify the immense and accelerating capital investment. To do this, it will need to be diffused more broadly across the economy, driving material productivity gains and higher profit margins. If this occurs, it could narrow the margin, return and earnings growth gap between tech stocks and AI adopters, including value stocks not priced for this structural upside.
- Ultimately, we believe that the crucible of 2025 has helped sharpen our positioning for 2026. We are actively focused on finding AI adoption in sectors and industries where it is not currently priced, giving us exposure to the upside scenarios as we compound higher growth in a value wrapper. For the downside, we are focused on companies generating free cash flow and with strong balance sheets. We have also continued to decrease individual stock volatility where we cannot reduce it as part of our portfolio construction. Finally, we are overweight real asset sectors such as energy and materials, which should do well in an inflation scenario while also compounding business value from robust ongoing free cash flow generation.

- Our main goal is to get back to making active valuation-disciplined investing look simple again, even if it isn't easy. While we approach every new year with humility and a focus on process discipline, we think positioning for many possible futures is critical in a market priced for a narrow set of outcomes — especially when the alternatives have much higher probabilities than what the market has priced. In an increasingly passive world crowded into the same few stocks and sectors, we think that this is a key source of differentiated returns for active, probability-driven managers like us.

Average annual total returns and fund expenses (%) - as of December 31, 2025

Class	CUSIP	Ticker	Without Sales Charge						With Maximum Sales Charge						Expenses		Sales Charges		Inception		
			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 C	524686615	LMVTX	2.92	9.71	9.71	14.13	11.93	10.42	11.35	2.03	8.77	8.77	14.13	11.93	10.42	11.35	1.76	1.74	—	0.95	4/16/1982
Class A	524686623	LGVAX	3.10	10.46	10.46	14.95	12.73	11.19	13.16	-2.57	4.39	4.39	12.80	11.40	10.53	12.77	1.04	1.01	5.50	—	2/2/2009
Benchmark	—	—	3.81	15.91	15.91	13.90	11.33	10.53	—	3.81	15.91	15.91	13.90	11.33	10.53	—	—	—	—	—	

Benchmark(s)

Benchmark =Russell 1000 Value 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 franklintonlepon.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. The **investment style** may become out of favor, which may have a negative impact on performance. **Large-capitalization companies** may fall out of favor with investors based on market and economic conditions. **Small- and mid-cap stocks** involve greater risks and volatility than large-cap stocks. To the extent the portfolio invests in a **concentration of certain securities, regions or industries**, it is subject to increased volatility. **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

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

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.

A basis point (bp, or bps) is one one-hundredth of one percent (1/100 or 0.01%).

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 1000 Value Index** measures the performance of the large-cap value segment of the U.S. equity universe.

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

Source: FTSE.

Holdings are provided for informational purposes only and should not be construed as a recommendation to purchase or sell any security.

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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.franklintonlepon.com. Please read it carefully.