FRANKLIN TEMPLETON

ClearBridge

ClearBridge International Value Fund

Class A: SBIEX Class I: SBIYX | **Commentary | as of December 31, 2025**

Key Takeaways

- **Markets:** International equity markets generated strong returns in the fourth quarter, capping a year marked by shifting leadership and unusually wide style dispersion. The core benchmark MSCI EAFE Index rose 4.9% in the quarter to finish up 31.2% for 2025, outperforming the S&P 500 Index's gains of 2.7% for the quarter and 17.9% for the year. International value had an even stronger year, with the MSCI EAFE Value Index returning 42.2%, handily outpacing its growth counterpart by over 2,100 bps, the widest dispersion among investment styles in the 50-year history of the index.
- **Contributors:** Holdings in SK Hynix, Samsung Electronics and Fujitsu. Stock selection in the information technology(IT), industrials and materials sectors. Overweight to emerging markets, stock selection in Europe Ex U.K. and underweight to Asia Ex Japan.
- **Detractors:** Holding in Rakuten Bank, CNH Industrial and Tencent. Stock selection in the financials and health care sectors, underweight to health care. Stock selection in Overweight to North America, stock selection in Japan and an underweight to Europe Ex U.K.
- **Outlook:** As leadership continues to broaden and valuation dispersion remains elevated, we believe the opportunity set for international value is increasingly compelling entering 2026.

Top Securities (% of Total)

Holding	Fund
Siemens AG	3.28
Fujitsu Ltd	3.25
Airbus Group SE	2.91
Lloyds Banking Group PLC	2.84
Marubeni Corp.	2.73
Mitsubishi UFJ Financial Group	2.67
KBC Group NV	2.37
Hitachi Ltd.	2.37
Siemens Energy AG	2.35
AXA SA	2.35

Performance Review

- The ClearBridge International Value Fund outperformed its benchmark in the fourth quarter, driven by stock selection in information technology (IT) and industrials, but partially offset by financials. Our positioning in companies aligned with long-term structural themes — such as digital AI infrastructure, the energy transition and capital markets normalization — proved especially beneficial.
- IT was the largest contributor to relative performance. In South Korea, SK Hynix and Samsung Electronics, leading semiconductor manufacturers, benefited from higher memory prices and strong pricing and volume growth as global data center buildouts accelerated, driving meaningful earnings momentum across the memory complex. In Japan, Fujitsu, an IT services and solutions provider, advanced as corporate digitization efforts and labor shortages drove demand for efficiency-enhancing technologies.
- Industrials also contributed, supported by long-term infrastructure and electrification themes. Siemens Energy, a German manufacturer of power generation and transmission equipment, continues to benefit from rising demand for grid upgrades and gas turbines as utilities expand electricity generation capacity to meet data center power needs. Offsetting some of these gains was CNH Industrial, a global manufacturer of agricultural and construction equipment, which detracted as elevated channel inventories and depressed farm incomes weighed on near-term results; however, we remain encouraged by management's efforts to improve profitability through the cycle.
- Stock selection in the financials sector weighed on relative performance. Rakuten Bank, a Japanese digital banking platform, declined as higher deposit acquisition costs weighed on near-term profitability, despite our view that these investments will ultimately support a sticky customer base and benefit from rising domestic interest rates. However, these headwinds were partially offset by Lloyds Banking Group, a U.K.-focused retail and commercial bank, which performed well as investor concerns around budget-related risks proved overdone and investor focus returned to the company's strong earnings visibility and capital return profile.
- From a regional perspective, relative performance was supported by strong results in Europe ex U.K., reflecting favorable stock selection amid continued investment in infrastructure and electrification. Emerging markets also proved positive, with strength in our Korean holdings offsetting profit taking in China-related exposures, including Tencent, which we believe will continue to be a significant beneficiary of the buildout in AI applications. Meanwhile, stock selection in Japan detracted, as gains in technology-related holdings were offset by weakness in interest-rate-sensitive areas, including Daito Trust Construction, which underperformed as higher policy rate expectations and cost inflation pressured margins.
- We established a position in Roche, a Switzerland-based global biopharmaceutical and diagnostics company. Positive Phase III data across multiple late-stage programs meaningfully mitigates upcoming patent expirations later this decade, while mid-single-digit revenue growth, an improving pipeline in areas such as obesity and Alzheimer's, and a discounted valuation relative to peers support our view that the stock offers rerating potential as execution improves.
- We exited Gerresheimer, a German manufacturer of specialty packaging for the pharmaceutical and cosmetics industries, after losing confidence in management's ability to execute a turnaround following repeated profit warnings and operational missteps. We believe capital is better deployed in opportunities with clearer pathways to improvement.

Outlook

- We enter 2026 with a more stable macro environment than this time last year. Inflation has moderated globally, giving central banks room to ease, while fiscal programs — from U.S. industrial and infrastructure spending to expanded European budgets and targeted Chinese stimulus — continue to support economic activity. With the effective U.S. tariff rate already having peaked, companies that absorbed tariff-related cost pressures in 2025 should lap those headwinds, creating modest tailwinds for growth.
- Several themes are likely to shape markets in 2026:
- · A less synchronized monetary backdrop: The global monetary backdrop is increasingly mixed rather than uniformly accommodative. While selective rate cuts may emerge in regions such as the U.K. and parts of Europe, other central banks — including Japan and Australia — appear more inclined toward tightening or maintaining restrictive settings, and the path for U.S. policy remains uncertain. In this environment, growth outcomes are likely to be shaped less by synchronized easing and

more by regional and sector-specific dynamics, with rate-sensitive housing, utilities and infrastructure benefiting where policy flexibility exists and fiscal support and structural investment sustaining activity elsewhere.

- • Leadership expands beyond mega cap AI: While AI remains foundational, power, logistics and efficiency improvements are becoming equally important investment themes. Companies that enable the next phase of the AI cycle — rather than those solely capturing its front-end demand — are well-positioned. Regionally, China continues to build out its own AI infrastructure. As companies there are more limited in resources, they must look to quickly monetize their investments. Companies like Tencent are finding ways to profit from these investments now but still continue to trade at large discounts to similarly positioned companies in the U.S.
- • Emerging markets retain meaningful value: Although outside our benchmark, EM remains one of the more attractively valued areas globally, trading at a roughly 40% discount to the U.S. Disinflation offering monetary flexibility, countries like Brazil and Mexico on firmer fiscal footing and an easing dollar should support flows, bolster returns and create a more fertile ground for potential alpha generation.
- • The U.K. looks compelling: Attractive valuations, improving inflation dynamics and falling gilt yields have created a supportive backdrop — particularly for its concentration of service-oriented industries that should benefit from AI and are spared tariff headwinds and threats of excess capacity of Chinese exports.
- • M&A could provide an additional tailwind: Deregulation, strategic repositioning and the prospect of lower interest rates may support an uptick in M&A globally. Companies will likely act more decisively in an environment with reduced policy uncertainty.
- With a more balanced macro backdrop, healthier geographic diversification and an expanding set of fundamental catalysts, 2026 presents a more attractive opportunity than the narrowly led markets of recent years. The companies best positioned from here are those driving meaningful internal financial and operational improvements that can support long-duration value creation.

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

			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	52469X607	SBIEX	6.15	38.38	38.38	16.84	10.72	6.50	5.73	0.29	30.73	30.73	14.66	9.42	5.88	5.57	1.47	1.29	5.50	—	2/18/1986
Class I	52469X888	SBIYX	6.23	38.77	38.77	17.23	11.12	6.87	3.73	6.23	38.77	38.77	17.23	11.12	6.87	3.73	1.06	0.94	—	—	12/29/2006
Benchmark 1	—	—	4.86	31.22	31.22	17.22	8.92	8.18	—	4.86	31.22	31.22	17.22	8.92	8.18	—	—	—	—	—	—
Benchmark 2	—	—	5.05	32.39	32.39	17.33	7.91	8.41	—	5.05	32.39	32.39	17.33	7.91	8.41	—	—	—	—	—	—

Benchmark(s)

Benchmark 1=MSCI EAFE Index-NR

Benchmark 2=MSCI All Country World ex-US Index-NR

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. 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. **Small- and mid-cap stocks** involve greater risks and volatility than large-cap stocks. The **investment style** may become out of favor, which may have a negative impact on performance. **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. Fixed income securities** involve interest rate, credit, inflation and reinvestment risks, and possible loss of principal. As interest rates rise, the value of fixed income securities falls. 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

Duration is a measure of the sensitivity of a bond's price to changes in interest rates.

Earnings per share (EPS) is defined as a company's net income divided by the number of outstanding shares of its common stock.

The **MSCI EAFE Value Index** is designed to measure performance of stocks exhibiting overall value style characteristics in developed markets, excluding the U.S. and Canada. Source: MSCI makes no warranties and shall have no liability with respect to any MSCI data reproduced herein. No further redistribution or use is permitted. This report is not prepared or endorsed by MSCI.

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 Information

Effective September 1, 2023, the MSCI EAFE Index-NR was added as an additional benchmark for the fund.

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 **MSCI All Country World Index ex US (MSCI ACWI Index ex US)** is a market capitalization-weighted index designed to measure equity market performance of developed and emerging markets, excluding the U.S. The **MSCI EAFE Index** is a free float-adjusted market capitalization-weighted index designed to measure developed market equity performance, excluding the U.S. and Canada.

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Net Returns (NR) include income net of tax withholding when dividends are paid. Source: MSCI makes no warranties and shall have no liability with respect to any MSCI data reproduced herein. No further redistribution or use is permitted. This report is not prepared or endorsed by MSCI.

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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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