

ClearBridge International Value Fund

Class A: SBIEX Class I: SBIYX

Commentary | as of June 30, 2025

Key Takeaways

- **Markets:** Global equity markets posted positive returns in the second quarter, with a series of bilateral U.S. trade deals and prospect of greater government spending in Europe overcoming tariff concerns, fears of economic slowing and geopolitical tensions. As a result, the core MSCI EAFE Index rose 11.8%, outperforming the 10.9% return of the S&P 500 Index. Strong performance in the more cyclical communication services and information technology (IT) sectors helped growth stocks reclaim market leadership with the MSCI EAFE Growth Index (13.5%) outperforming the MSCI EAFE Value Index (10.1%).
- **Contributors:** Holdings in Siemens Energy, SK Hynix and Shinhan Financial. Stock selection in the industrials, consumer discretionary and materials sectors. Stock selection in emerging markets, Europe Ex U.K. and Japan.
- **Detractors:** Holdings in Willis Towers Watson, Sanofi, Gerresheimer. Stock selection in the health care sector, underweight to communication services and overweight to energy. Overweight to emerging markets and the U.K., stock selection in the U.K.
- **Outlook:** The world has certainly given investors much to ponder over the coming month. Although we have some educated guesses, we simply don't know what the future holds. All we can do is lean on our investment philosophy and process to prepare for various outcomes.

Performance Review

- The Fund outperformed its benchmark in the second quarter, boosted by strong stock selection within the industrials and financial sectors, as well as regional selection within emerging markets and Europe.
- Our high-quality industrials companies rebounded from a soft first quarter and continue to see strong demand for products and services related to the long-term trends of electrification, the energy transition and infrastructure.
- One of our top contributors was Siemens Energy, a German power generation and transmission equipment company that continues to demonstrate strong operational and improving financial performance, bolstered by increased electrification investments globally.
- Our financials holdings continued their strong performance, driven by banks such as Austria's BAWAG and U.K.-based Lloyds. Large European banks have been major beneficiaries of increasing liquidity as capital is reallocated from the U.S. onto the Continent.
- South Korean companies Shinhan and SK Hynix contributed to outperformance in emerging markets. The companies rallied following the South Korean election, as uncertainty gave way to optimism as the new government is viewed as business and market friendly.
- Health care proved an obstacle to relative performance, largely driven by stock-specific headwinds to our holdings Sanofi. A French pharmaceutical company, Sanofi came under pressure after it revealed disappointing trial data on a phase III trial for a chronic obstructive pulmonary disease (COPD) treatment amid a broader strategic push by the company to advance its internal research and development efforts over the past few years.
- Also in health care, Gerresheimer, a German manufacturer of packaging solutions for the health care and cosmetic industries, continues to struggle to gain ground amid an industry-wide backlog of inventory due to overstocking during the COVID-19 pandemic.
- Stock selection in the U.K. detracted due to concerns that a slowing macroeconomic environment, sticky inflation and a lack of government stability would weigh on investor sentiment.
- We initiated a position in Valterra Platinum, a South African precious metals miner specializing in platinum group minerals, which was recently demerged from mining giant Anglo American. Valterra is poised to be a major beneficiary of the increasing demand for platinum due to its use in a variety of applications in electronics, infrastructure and other uses at a significantly higher margin profile than its peers.
- We exited our position in New Oriental Education & Technology, a for-profit education and tutoring company in China, due to several quarters of poor performance that spurred questions about the company's long-term growth trajectory.
- We also exited French electrical company Schneider Electric — which has performed very strongly both fundamentally and in terms of share price — as we believe that the company has reached a fair valuation.

Outlook

- The world has certainly given investors much to ponder over the coming months: When, and to what extent, will the Federal Reserve cut rates? What will be the effect of tariffs on inflation and global economic growth? Will European countries enact further defense and infrastructure spending? Will the Chinese government enact further measures should growth continue to be anemic? Although we have some educated guesses, we simply don't know what the future holds. All we can do is lean on our investment philosophy and process to prepare for various outcomes.
- Uncertainty, however, often leads to opportunity. As value investors, an uncertain future allows us to venture beyond the boundary of what is known and comfortable to find high-quality companies trading at a large enough discount to more than compensate for the risk. Uncertain demand and competitive dynamics have begun to shake the market's confidence in previous market darlings in industries such as luxury goods, food and beverages, and health care. The rapid change in the trajectory of the U.S. dollar has begun to raise concerns surrounding the earnings of companies that have been significant beneficiaries of the dollar's previous strength. We believe these concerns will present us with attractive opportunities in the future.

Top Equity Issuers (% of Total)

Holding	Fund
Siemens AG	3.37
Fujitsu Ltd	3.22
Airbus SE	2.94
AXA SA	2.70
Mitsubishi UFJ Financial Group Inc	2.58
Lloyds Banking Group PLC	2.53
Hitachi Ltd	2.46
Shell PLC	2.33
Sanofi SA	2.30
SAP SE	2.23

Sector Allocation (Equity as a % of Total)

Sector	Fund
Financials	23.81
Industrials	21.85
Information Technology	11.85
Consumer Discretionary	9.81
Materials	8.25
Health Care	6.83
Consumer Staples	6.32
Energy	4.09
Utilities	2.70
Communication Services	2.62
Real Estate	1.14

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	52469X607	SBIEX	12.26	23.42	21.34	15.66	14.16	4.51	5.50	6.06	16.60	14.66	13.39	12.81	3.89	5.34	1.47	1.29	5.50	—	2/18/1986
Class I	52469X888	SBIYX	12.41	23.57	21.68	16.07	14.57	4.87	3.19	12.41	23.57	21.68	16.07	14.57	4.87	3.19	1.06	0.94	—	—	12/29/2006
Benchmark 1	—	—	11.78	19.45	17.73	15.97	11.16	6.51	—	11.78	19.45	17.73	15.97	11.16	6.51	—	—	—	—	—	—
Benchmark 2	—	—	12.03	17.90	17.72	13.99	10.13	6.12	—	12.03	17.90	17.72	13.99	10.13	6.12	—	—	—	—	—	—

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

MSCI EAFE Growth Index captures large- and mid-cap securities exhibiting overall growth style characteristics across Developed Markets countries around the world, 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.

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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.

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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.