

ClearBridge International Value Fund

Class A: SBIEX Class I: SBIYX

Commentary | as of March 31, 2026

Key Takeaways

- **Markets:** International stocks entered 2026 with a constructive backdrop but were caught up in an equity pullback following the outbreak of the Iran conflict. Despite this, international markets proved more resilient than their U.S. counterparts. The core MSCI EAFE Index declined 1.2% for the quarter compared to a 4.3% decline for the S&P 500. Value stocks outperformed meaningfully, as the MSCI EAFE Value Index returned 2.0%, while the MSCI EAFE Growth Index declined 4.7% as higher rates and concerns around AI disintermediation pressured richly valued growth stocks and drove rotation into defensive, cash-generative sectors such as energy and materials.
- **Contributors:** Holdings in Marubeni, Samsung Electronics and TotalEnergies. Stock selection in the IT and real estate sectors, overweight to the energy sector. Overweight to emerging markets, underweight to Europe Ex U.K. and stock selection in North America.
- **Detractors:** Holding in Fujitsu, ICON and Airbus. Stock selection in the materials, health care and utilities sectors Stock selection Japan, Europe Ex U.K. and the U.K.
- **Outlook:** We believe it is important not to lose sight of the broader set of growth drivers underpinning the case for international value stocks. Structural trends, including investment in energy security, defense and infrastructure, should support demand across industrial and real asset-oriented sectors, which are much larger components of non-U.S. markets.

Performance Review

- The ClearBridge International Value Fund mildly underperformed its MSCI EAFE benchmark in a volatile quarter, with gains from energy and emerging markets offset by stock-specific headwinds in materials, health care and Japan.
- Stock selection in materials weighed the most on relative performance. Wienerberger, an Austria-based producer of clay and concrete building materials, declined as weakness in residential construction across Europe and the U.S. continued to pressure volumes despite management's efforts to control costs. Holcim, a Switzerland-based global supplier of cement and building solutions, also detracted as rising energy costs and inflation concerns clouded the outlook for construction activity; speculation around potential regulatory changes also raised questions about the durability of its competitive advantage in low-carbon production.
- ICON, an Ireland-domiciled contract research organization, was another notable detractor. The stock came under pressure amid concerns around slowing demand and the potential for AI to disrupt traditional drug development models. An announced investigation into accounting practices further weighed on investor confidence and management credibility, and we exited the position during the quarter.
- Stock selection in industrials proved mixed. Airbus, the France-based global manufacturer of commercial aircraft, detracted following a reduction in delivery guidance driven by ongoing supply chain constraints, particularly among engine suppliers. While end-market demand remains robust, persistent bottlenecks have delayed production timelines and pushed out deliveries, weighing on near-term earnings visibility. Top contributor Marubeni, a Japan-based trading and industrials company, helped to partially offset these headwinds. Its significant exposure to commodities and industrial end markets drove strong performance, benefiting from higher prices — particularly in copper — amid supply constraints and structural demand tied to electrification and infrastructure investment.
- Several of our other holdings also benefited from the appreciation in commodities — particularly in energy. TotalEnergies, a France-based integrated oil and gas company, and Shell, a U.K.-based global energy major, were among the largest contributors as higher oil and natural gas prices supported earnings expectations and cash flow generation. Both companies continue to demonstrate strong capital discipline and shareholder return profiles, which were increasingly valued in a more uncertain macro environment.
- Within IT, South Korean semiconductor manufacturers Samsung Electronics and SK Hynix were key contributors. Both companies are leading producers of DRAM and high-bandwidth memory used in data centers and AI applications. Persistent undersupply in memory markets has driven strong pricing power and profitability and, despite increased industry capital expenditures, long lead times for new fabrication capacity are expected to keep supply tight through at least 2027. However, our underweight allocation to Japan, and particularly our more selective exposure to AI beneficiaries outside Japan, weighed on performance, further complicated by IT services provider Fujitsu declining due to concerns around AI disruption.

Outlook

- The initial fog of war has shaken investor confidence toward international markets, particularly as higher energy prices and elevated inflation may keep central banks restrictive, tightening financial conditions, while a stronger U.S. dollar pressures global liquidity and emerging markets.
- However, we believe it is important not to lose sight of the broader set of growth drivers underpinning the case for international value stocks. Structural trends, including investment in energy security, defense and infrastructure, should support demand across industrial and real asset-oriented sectors, which are much larger components of non-U.S. markets.
- Additionally, the AI boom remains in early innings and is driving an investment cycle orders of magnitude beyond that of the prior few decades. As AI transitions from being a deflationary, margin-preserving tool to a productivity-enhancing growth driver, investors may also begin to reconsider which profit pools and business moats are truly defensible and seek broadening of exposure beyond U.S. mega cap technology. While uncertainty persists, we remain focused on these important secular themes and look for opportunities to deploy capital into leading beneficiaries as they become attractively valued.

Top Securities (% of Total)

Holding	Fund
Marubeni Corp.	3.60
Siemens Energy AG	2.89
Mitsubishi UFJ Financial Group	2.86
Siemens AG	2.85
Shell PLC	2.76
Lloyds Banking Group PLC	2.40
Airbus Group SE	2.37
Total SA	2.36
BNP Paribas	2.35
AXA SA	2.25

Average annual total returns and fund expenses (%) - as of March 31, 2026

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	-0.07	-0.07	25.77	14.25	8.55	6.85	5.69	-5.54	-5.54	18.82	12.11	7.27	6.22	5.53	1.41	1.25	5.50	—	2/18/1986
Class I	52469X888	SBIYX	0.07	0.07	26.33	14.64	8.94	7.23	3.69	0.07	0.07	26.33	14.64	8.94	7.23	3.69	1.02	0.90	—	—	12/29/2006
Benchmark 1	—	—	-1.24	-1.24	21.27	13.62	7.91	8.38	—	-1.24	-1.24	21.27	13.62	7.91	8.38	—	—	—	—	—	—
Benchmark 2	—	—	-0.71	-0.71	24.91	14.49	7.02	8.38	—	-0.71	-0.71	24.91	14.49	7.02	8.38	—	—	—	—	—	—

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 12/31/2027 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

Capital Expenditure (capex) are funds used by a company to acquire or upgrade physical assets such as property, industrial buildings or equipment.

Moat is an advantage a company has which allows it to protect its market share and profitability.

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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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 EAFE Index** is a free float-adjusted market capitalization-weighted index designed to measure developed market equity performance, excluding the U.S. and Canada. 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.

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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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