

# ClearBridge Large Cap Value Fund

Class A: SINAX Class I: SAIFX

Commentary | as of March 31, 2025

## Key Takeaways

- **Markets:** An escalating tariff war and a rotation out of the AI-related tech stocks that dominated 2024 sent markets lower in the first quarter of 2025; amid a tech-led selloff, the benchmark Russell 1000 Value Index (+2.1%) handily outperformed its growth counterpart (-10.0%) in the quarter.
- **Contributors:** Stock selection in the financials, industrials, consumer discretionary and health care sectors proved beneficial.
- **Detractors:** Stock selection in the utilities, communication services and energy sectors detracted the most.
- **Outlook:** The valuation gap between growth and value had reached historically extreme levels, making a reversion long overdue.

## Performance Review

- Over the past few quarters, we've taken advantage of the run-up in expensive, momentum-driven stocks to reallocate capital into areas of the market where valuations are more reasonable, yet fundamentals remain stable and defensive. While this positioning helped us outperform the S&P 500 in the quarter, some of our more defensive holdings faced idiosyncratic challenges that caused us to lag the value benchmark.
- While utilities typically perform well in volatile markets, our holdings in Edison International and Sempra were negatively impacted by the tragic wildfires in Southern California, which caused billions of dollars in damages. In particular, Edison materially de-rated on concerns about future liabilities, as one of the fires overlapped with its service footprint. However, we remain confident that California's Wildfire Fund and protective legislation will be sufficient to mitigate long-term financial impacts. Sempra's issues were compounded by a large earnings reset due to unexpected regulatory changes in California and the company's shift of capital toward Texas, where, while it is a higher-growth market, profitability is being pressured in the short term due to higher costs. While this negatively affects near-term earnings, we believe the decision is right for the long term. We maintained positions in both companies, as we believe their valuations have been overly discounted for businesses with defensive characteristics and high-single-digit earnings growth.
- In financials, property and casualty insurers have historically passed through inflation via higher premiums and as a result have been less economically sensitive. Holdings in Progressive, Travelers and Berkshire Hathaway performed defensively, as expected, during the volatile period.
- In industrials, defense names RTX and Northrop Grumman led performance as geopolitical tensions remained elevated. Both companies have moved away from fixed-price contracts, and as those contracts have diminished as parts of their business, should see margin expansion over the next few years. European countries have also pledged to increase their spending on defense, which, given the lack of capacity available for European defense companies, should benefit U.S. defense primes.

## Outlook

- While 2024 was defined by a narrow market dominated by a small set of momentum stocks, 2025 has ushered in a much more diversified environment. The valuation gap between growth and value had reached historically extreme levels, making a reversion long overdue. Combined with recent market volatility, this sets the stage for high-quality, value-oriented portfolios like ours to outperform. We expect continued volatility in the face of geopolitical and policy uncertainty, but that volatility should create opportunities for best-in-class franchises trading at overly discounted valuations that can offer compelling, risk-adjusted returns over the long haul.

## Top Equity Issuers (% of Total)

Holding	Fund
JPMorgan Chase & Co	5.01
Sempra	3.65
Air Products and Chemicals Inc	3.36
UnitedHealth Group Inc	3.05
Enterprise Products Partners LP	3.00
McKesson Corp	2.60
Becton Dickinson & Co	2.58
Berkshire Hathaway Inc	2.56
Travelers Cos Inc/The	2.32
Intel Corp	2.29

## Sector Allocation (Equity as a % of Total)

Sector	Fund
Financials	25.33
Health Care	17.38
Industrials	12.27
Information Technology	8.50
Energy	8.17
Utilities	7.15
Materials	6.98
Communication Services	4.51
Consumer Discretionary	4.02
Consumer Staples	2.02
Real Estate	1.38

## Average annual total returns and fund expenses (%)

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	52470J100	SINAX	0.54	0.54	1.63	5.84	15.29	8.53	9.65	-4.99	-4.99	-3.97	3.76	13.93	7.89	9.43	0.77	0.77	5.50	—	1/3/1995
Class I	52470J407	SAIFX	0.59	0.59	1.86	6.06	15.56	8.81	—	0.59	0.59	1.86	6.06	15.56	8.81	—	0.51	0.51	—	—	5/29/1958
Benchmark 1	—	—	2.14	2.14	7.18	6.64	16.15	8.79	—	2.14	2.14	7.18	6.64	16.15	8.79	—	—	—	—	—	—
Benchmark 2	—	—	-4.27	-4.27	8.25	9.06	18.59	12.50	—	-4.27	-4.27	8.25	9.06	18.59	12.50	—	—	—	—	—	—

## Benchmark(s)

Benchmark 1= Russell 1000 Value Index

Benchmark 2= 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](http://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. **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**. **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. **Derivative instruments** can be illiquid, may disproportionately increase losses, and have a potentially large impact on performance. The **investment style** may become out of favor, which may have a negative impact on performance. 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 **Russell 1000 Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. Source: FTSE. 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](http://www.franklintempletondatasources.com). All data is 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](http://www.franklintempleton.com). Please read it carefully.**