

ClearBridge Small Cap Growth Fund

Class A: SASMX Class I: SBPYX

Commentary | as of March 31, 2026

Key Takeaways

- **Markets:** The first quarter of 2026 underscored the importance of narratives, with rapidly evolving technological and geopolitical dynamics drowning out company fundamentals and disproportionately driving market direction. While the Russell 2000 Growth Index declined 2.8% for the quarter, the reality is that its headline performance masks a far bumpier ride as January strength gave way to February weakness before a sharp drawdown in March. After an extended period of narrow performance dominated by a concentrated group of large-cap technology companies and their small and mid cap lookalikes, the first quarter saw returns began to broaden out. Interestingly, despite a rising rate environment to conclude the quarter, smaller cap, value-oriented and cyclical areas of the market outperformed.
- **Contributors:** Holdings in XPO, Bloom Energy and Lattice Semiconductor. Stock selection in industrials, consumer staples and materials.
- **Detractors:** Holdings in Klaviyo, Wingstop and ICON. Stock selection in financials, consumer discretionary and IT sectors.
- **Outlook:** In this environment, we believe it is critical to continue to emphasize our consistently rigorous, bottom-up approach to identifying companies with durable competitive advantages in large and growing markets, strong balance sheets and clear idiosyncratic paths to revenue and profitability growth that can help insulate them from broader macro volatility.

Performance Review

- The ClearBridge Small Cap Growth Fund outperformed its Russell 2000 Growth Index benchmark during the first quarter, reflecting strong stock selection across multiple sectors, particularly in industrials and consumer staples amid increasing uncertainty around AI disruption and uneven retail spending trends.
- Contributions in industrials reflected a mix of both long-standing positions and newer investments. Performance was largely balanced between broad-based strength across a variety of industries — particularly the aerospace and defense, data center power and infrastructure and transportation industries— as well as company-specific execution stories and exposure to improving or attractive growth markets. For instance, long-term holding RBC Bearings continues to demonstrate best-in-class execution on profitability improvements while revenue has benefited from exposure to aerospace, defense, and select industrial end markets. XPO, a less-than-truckload transportation provider, is benefiting from implementing an array of strategies to improve service quality, mix and pricing. This is helping profitability while positioning for a possible uptick in freight demand and activity.
- Positive stock selection in consumer staples was led by Casey's General Stores and BJ's Wholesale Club, defensive compounders whose value-focused business models continue to see resilient consumer demand, particularly amid an increasingly uncertain macro environment.
- While our holdings in the information technology (IT) sector were an overall performance headwind, performance among IT subsectors diverged meaningfully. Several semiconductor and hardware holdings, like Lattice Semiconductor, an provider of low-power programmable analog semiconductors, continued to perform quite well. The company benefited from improving sentiment around cyclical end markets as well as growing recognition of its role in emerging applications within AI servers and robotics.
- Several of our consumer discretionary and financial holdings were pressured due to concerns that they could be exposed to AI disruption. This included Global-e Online, a cross-border e-commerce platform, and Shift4 Payments, a hospitality/restaurants-focused payments provider, which were impacted both by fears they could be replaced by AI agents and debates around the health of the consumer. Meanwhile, several of our consumer discretionary businesses, such as restaurant holdings Wingstop and Dutch Bros, faced additional pressures from a weak demand environment among lower-income consumers.
- We continued to deliver strong new idea generation with eight new portfolio additions in the quarter: Charles River Laboratories, Ensign Group, Glaukos, Madrigal Pharmaceuticals, Rambus, Scholar Rock, Vaxcyte and York Space Systems.

Outlook

- We believe the investment landscape remains characterized by a high degree of uncertainty across macroeconomic, geopolitical and technological dimensions. The path of inflation and interest rates, the durability of a recovery in cyclical end markets and the ultimate impact of AI on a wide range of business models all remain difficult to predict while the potential range of outcomes has widened.
- In this environment, we believe it is critical to continue to emphasize our consistently rigorous, bottom-up approach to identifying companies with durable competitive advantages in large and growing markets, strong balance sheets and clear idiosyncratic paths to revenue and profitability growth that can help insulate them from broader macro volatility.
- We continue to critically reassess long-standing assumptions around business model durability, particularly in areas where AI and technological innovation may result in industry disruption. While some of the market selloff may prove overdone, we believe it highlights the importance of incorporating a wider range of potential outcomes into our analysis. We believe that the combination of the Strategy's strong historical focus on constructing a portfolio across a wide spectrum of growth profiles, along with our intensive derisking process, can allow us to navigate the dynamic straits of the current market.

Top Securities (% of Total)

Holding	Fund
Bloom Energy Corp	3.72
RBC Bearings Incorporated	3.47
Lattice Semiconductor Corp.	3.47
XPO Logistics Inc.	2.67
Fabrinet	2.60
BWX Technologies Inc	2.58
Casey's General Stores, Inc.	2.32
Element Solutions	2.19
Construction Partners Cl. A	2.13
STATE STREET SPDR S&P BIOTECH	1.95

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	52470H815	SASM	-1.35	-1.35	17.14	4.60	-1.42	10.16	9.57	-6.78	-6.78	10.70	2.65	-2.58	9.51	9.34	1.20	1.20	5.50	—	7/1/1998
Class I	52470H765	SBPYX	-1.27	-1.27	17.49	4.89	-1.15	10.47	9.26	-1.27	-1.27	17.49	4.89	-1.15	10.47	9.26	0.91	0.91	—	—	11/1/2004
Benchmark	—	—	-2.81	-2.81	23.58	12.27	1.62	9.79	—	-2.81	-2.81	23.58	12.27	1.62	9.79	—	—	—	—	—	

Benchmark(s)

Benchmark = Russell 2000 Growth 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.

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 12/31/2027 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. **Small- and mid-cap stocks** involve greater risks and volatility than large-cap stocks. **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 2000 Growth Index** measures the performance of the small-cap growth segment of the U.S. equity universe.

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

Source: FTSE.

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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.