

ClearBridge Small Cap Growth Fund

Class A: SASMX Class I: SBPYX

Commentary | as of June 30, 2025

Key Takeaways

- **Markets:** This was a quarter of extremes, with “Liberation Day” tariff announcements driving the benchmark Russell 2000 Growth Index down as much 12% in the first weeks of April before a furious rally saw the index end the quarter up 12.0%. While value leadership emerged to start the year, growth stocks returned to meaningfully outperforming value in the aggressive May and June rally. The Russell 2000 Growth Index returned 12.0% relative to the 5.0% return of the Russell 2000 Value Index and the 17.8% of the Russell 1000 Growth Index.
- **Contributors:** Holdings in Wingstop, BWXX Technologies and Construction Partners. Stock selection in the health care, consumer discretionary and consumer staples sectors.
- **Detractors:** Holdings in BJ’s Wholesale Club, Penumbra and Lattice Semiconductor. Stock selection in the information technology and energy sectors, and an overweight to consumer staples.
- **Outlook:** We are mindful of the risk that there could be air pockets caused by the changing tariff environment and anticipate another choppy earnings season ahead. With valuation and performance for small caps relative to large cap peers near all-time lows, coupled with the potential for faster earnings growth later in 2025, we believe the asset class is well-positioned for improved performance.

Performance Review

- Amid a backdrop of a violent drawdown and an equally sharp rebound led by lower cap and lower quality, the ClearBridge Small Cap Growth Fund modestly underperformed its benchmark amid conditions historically difficult for our quality-focused, high active share portfolio to outperform.
- Performance was fairly broad based, with strong contribution from most of the major sectors in which we had investments with only minor headwinds in lower-weight, cyclical sectors (due to our quality bias) like energy and materials.
- The Fund largely balanced contributions from names added in more recent repositioning work as well as long-standing holdings. Longstanding position BWX Technologies is benefiting from renewed interest in nuclear technologies as an alternative power source while relatively new addition Construction Partners is executing well on its acquisition strategy to enter new geographies and gaining scale to enhance its margin profile.
- Our most meaningful relative detractor from a sector perspective was information technology (IT), with uneven software and consumer demand outlooks weighing on companies like Wix.com, PagerDuty and Sprout Social. Moreover, several large benchmark constituents with exposure to AI, quantum computing and other high-momentum themes were headwinds to relative performance in this sector.
- We are pleased to see that the work undertaken in 2024 to improve our relative underweight to biotech has been a positive contributor to relative performance, benefiting from an acquisition (Blueprint Medicines), positive clinical data readouts (Insmed) and commercial sales execution (Mirum Pharmaceuticals).
- We continued to deliver strong new idea generation across all sectors of the market. We added 11 new investments in the quarter, including companies such as Boot Barn in the consumer discretionary sector, Rhythm Pharmaceuticals in the health care sector, Pathward Financial in the financials sector and Voyager Technologies in the industrials sector.

Outlook

- While recent performance would suggest the market has grown more sanguine about the impacts from a myriad of macroeconomic policy and geopolitical considerations, we would highlight that our discussions with management teams present a more uncertain outlook, corroborated by mixed quantitative and qualitative macroeconomic indicators.
- For businesses, consumers and investors the most consistent predictable factor is unpredictability, with major policy and geopolitical priorities and rapid technological innovations influencing narratives and outlooks. We are mindful of the risk that there could be air pockets caused by the changing tariff environment and anticipate another choppy earnings season ahead.
- The Fund’s focus on companies with idiosyncratic growth and profitability drivers, self-funded balance sheets and a balanced spectrum of growth across the portfolio should position us well for a variety of market outcomes. With valuation and performance for small caps relative to large cap peers near all-time lows, coupled with the potential for faster earnings growth later in 2025, we believe the asset class is well-positioned for improved performance.

Top Equity Issuers (% of Total)

Holding	Fund
RBC Bearings Inc	2.99
Casey’s General Stores Inc	2.90
XPO Inc	2.58
Varonis Systems Inc	2.58
Wingstop Inc	2.54
Penumbra Inc	2.50
Wix.com Ltd	2.39
BJ’s Wholesale Club Holdings Inc	2.32
Construction Partners Inc	2.29
PJT Partners Inc	2.21

Sector Allocation (Equity as a % of Total)

Sector	Fund
Health Care	21.19
Information Technology	21.10
Industrials	19.60
Financials	10.92
Consumer Staples	8.67
Consumer Discretionary	8.64
Energy	3.28
Materials	2.88
Communication Services	0.59
Other	2.34

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	52470H815	SASMX	11.39	2.49	9.05	6.74	4.54	7.91	9.65	5.26	-3.15	3.05	4.65	3.31	7.27	9.41	1.19	1.19	5.50	—	7/1/1998
Class I	52470H765	SBPYX	11.47	2.64	9.33	7.03	4.82	8.22	9.33	11.47	2.64	9.33	7.03	4.82	8.22	9.33	0.91	0.91	—	—	11/1/2004
Benchmark	—	—	11.97	-0.48	9.73	12.38	7.42	7.14	—	11.97	-0.48	9.73	12.38	7.42	7.14	—	—	—	—	—	—

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 12/31/2026 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. **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.

Glossary

Active Share is a measure of the percentage of stock holdings in a manager's portfolio that differs from the benchmark index. The **Russell 1000 Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. Source: FTSE. The **Russell 2000 Value Index** measures the performance of the small-cap value segment of the U.S. equity universe. Source: FTSE.

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. Source: FTSE. Important data provider notices and terms available at www.franklintempletondatasources.com. All data is subject to change. © Franklin Distributors, LLC. Member FINRA/SIPC. ClearBridge Investments, LLC, and Franklin Distributors, LLC, are Franklin Templeton companies.

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.