

ClearBridge Mid Cap Fund

Class A: SBMAX Class I: SMBYX

Commentary | as of June 30, 2025

Key Takeaways

- **Markets:** The second quarter was a rollercoaster ride for mid cap stocks, as double-digit declines in April driven by tariff and regulatory changes were more than made up for in May and June. Mid cap stocks broadly advanced, with the Russell Midcap Index returning 8.5%, in line with the small cap Russell 2000 Index but trailing the large cap Russell 1000 Index's return of 11.1%. Easing macroeconomic fears allowed the Russell Midcap Growth Index to return 18.2%, more than 1,200 basis points higher than the Russell Midcap Value Index.
- **Contributors:** Holdings in API, Rubrik and Chewy. Stock selection in the industrials, consumer staples and utilities sectors.
- **Detractors:** Holdings in Alexandria Real Estate Equities, Avantor and ICON. Stock selection in the financials, health care and materials sectors.
- **Outlook:** One of the major areas of focus is within IT, where we are hard at work determining who will be the relative winners of the AI investment cycle. With the Russell Mid Cap Index rebalance lowering the weight of the IT sector in our benchmark, it becomes even more important to adhere to our investment philosophy and process to ensure that we capitalize on attractive opportunities while avoiding the losers.

Performance Review

- The Fund outperformed its benchmark for the second quarter, lifted by solid stock selection in the industrials sector and several strong performers within our IT holdings.
- Our industrials holdings rebounded nicely in the second quarter, led by API Group, which specializes in fire protection and infrastructure maintenance. Strong quarterly earnings bolstered performance. The company's strategy of using inspections to help cross-sell products and maintenance is a proven and successful business model that has allowed API Group to take market share while growing pricing power and margins.
- Several of our IT holdings also had a strong second quarter including Rubrik, which provides data protection and security services, and a relatively new holding, Microchip Technology. Microchip Technology, which supplies analog and mixed-signal microprocessors, gained on the recovery of several of its end markets, and recouping of some lost market share. Microchip is a good example of the type of attractive cyclical self-improvement story that we look for.
- In financials, private credit manager Blue Owl sold off alongside its peers over increasing uncertainty about the credit cycle as delinquencies ticked upward, and shares in payments company Corpay declined following the April tariff announcements as a substantial portion of the company's earnings come from corporate cross-border payments.
- Health care proved an obstacle, as companies including ICON and Avantor continued to battle concerns about regulatory policy and an anemic funding environment for biotech companies. However, both holdings are industry leaders within the life sciences industry and we believe their underlying fundamentals remain attractive.
- We were particularly active in repositioning our health care exposure during the quarter, taking advantage of some of the policy uncertainty-induced declines to add several high-quality names in medical devices such as Penumbra, which manufactures thrombectomy products and Insulet, a developer of insulin pumps.
- We exited several companies during the period including Entegris and Keysight Technologies in IT. Although semiconductor materials and solutions company Entegris remains a solid business, we believe other semiconductor stocks like Microchip Technology and Qorvo offer better risk/reward tradeoffs. Design and test solutions provider Keysight, meanwhile, reached our fair valuation target during the period.

Outlook

- The first half of 2025 was a memorable one, to say the least. We grappled with the continued war in Ukraine, another war in the Middle East, a trade war, DOGE, an unclear inflation picture, a rising deficit, a falling dollar, Trump vs. Powell, oil price volatility, the One Big Beautiful Bill, tax policy changes and volatile interest rates, all of which factored into the S&P 500's fall from over 6,100 to below 5,000, only to rebound to a new high in June. Despite all this, we remain steadfast in our focus on high-quality companies with strong balance sheets, attractive cash flows and compelling growth prospects.
- One of the major areas of focus is within IT, where we are hard at work determining who will be the relative winners of the AI investment cycle. With the Russell Mid Cap Index rebalance lowering the weight of the IT sector in our benchmark, it becomes even more important to adhere to our investment philosophy and process to ensure that we capitalize on attractive opportunities while avoiding the losers.

Top Equity Issuers (% of Total)

Holding	Fund
API Group Corp	3.18
EQT Corp	3.05
Performance Food Group Co	2.96
Casey's General Stores Inc	2.90
Clean Harbors Inc	2.86
Regal Rexnord Corp	2.86
Teledyne Technologies Inc	2.82
Chewy Inc	2.67
PPL Corp	2.49
Hartford Insurance Group Inc/The	2.31

Sector Allocation (Equity as a % of Total)

Sector	Fund
Industrials	17.84
Information Technology	14.56
Financials	14.31
Consumer Discretionary	11.08
Health Care	9.99
Utilities	6.11
Consumer Staples	5.86
Energy	5.73
Real Estate	5.51
Materials	4.91
Communication Services	2.09

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	52469H768	SBMAX	9.87	2.57	12.97	8.69	10.05	6.94	9.15	3.83	-3.07	6.75	6.57	8.76	6.31	8.91	1.16	1.16	5.50	—	9/1/1998
Class I	52469H735	SMBYX	9.94	2.73	13.30	9.02	10.38	7.28	8.89	9.94	2.73	13.30	9.02	10.38	7.28	8.89	0.88	0.85	—	—	12/3/1998
Benchmark	—	—	8.53	4.84	15.21	14.33	13.11	9.89	—	8.53	4.84	15.21	14.33	13.11	9.89	—	—	—	—	—	—

Benchmark(s)

Benchmark =Russell Mid Cap 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. 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. **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**. **Small- and mid-cap stocks** involve greater risks and volatility than large-cap stocks. **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 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

A **basis point (bp, or bps)** is one one-hundredth of one percent (1/100% or 0.01%).

The **Russell 1000 Index** measures the performance of the large-cap segment of the U.S. equity universe. Source: FTSE.

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe. Source: FTSE.

The **Russell Midcap Growth Index** measures the performance of the mid-cap growth segment of the U.S. equity universe. Source: FTSE.

The **Russell Midcap Value Index** measures the performance of the mid-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 Mid Cap Index** measures the performance of the mid-cap 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.

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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.