

ClearBridge Sustainability Leaders Fund

Class I: LCISX Class A: CLSUX

Commentary | as of June 30, 2025

Key Takeaways

- **Markets:** Despite the push to enact new tariff structures and subsequent trade discussions, a growth slowdown, consumer sentiment deterioration, and intensifying geopolitical conflicts, U.S. equities rose significantly. The benchmark Russell 3000 Index advanced 11.0%.
- **Contributors:** Stock selection in financials, communication services and materials sectors and a lack of energy holdings contributed to relative results.
- **Detractors:** Stock selection in the health care and IT sectors, a health care overweight and a communication services underweight detracted.
- **Outlook:** While the U.S. economy faces several open questions, we are still not seeing a recession as the base case. Along with interest rates and the One Big Beautiful Bill Act, how the consumer reacts to macro pressures will be a key driver of the economy for the rest of the year.

Performance Review

- In a challenging environment ultimately defined by a major rally, the Fund outperformed the benchmark during the quarter. This represents a significant stabilization in performance following several disappointing quarters.
- The Fund's defensive positioning entering the quarter drove outperformance in April given significant downside volatility. We observed significant declines across many sectors, even for stocks not particularly economically sensitive or exposed to tariffs. At the same time, some of the more defensive names in the portfolio held up well or even rallied through the volatile period.
- Key financials contributors for the quarter included JPMorgan Chase, Bank of America and Morgan Stanley, all of which were helped by disciplined execution, resilient consumer spending and credit, reduced tariff fears and signs of increasing capital markets activity. The largest banks are increasingly seeing benefits of scale, benefiting JPMorgan Chase and Bank of America in particular.
- In communication services, new position Netflix was a leading contributor; the company is accelerating revenues with broadening price hikes, while its new ad technology, which gives advertisers new ways to buy ads and target viewers, supports a further jump in ad revenue to come. We believe this company has a long growth runway driven by pricing and subscriber growth. We initiated our position in recognition of the growing competitive advantage created by Netflix's scale of content spend and the significant positive utility its customers derive from the service.
- Detractors were concentrated in the struggling health care sector. We exited our position in UnitedHealth Group, which saw a renewed selloff in May following a first-quarter earnings miss and guidance reduction as the company announced even further cost pressure and the exit of the managed care company's CEO Andrew Witty.
- We also sold out of detractor BioMarin Pharmaceutical, a biotech company whose main growth driver — Voxzogo, a once-daily injection for children with achondroplasia (a form of dwarfism) — will face significant competition from a new once-weekly competitor.

Outlook

- While the U.S. economy faces several open questions, we are still not seeing a recession as the base case. Along with interest rates and the One Big Beautiful Bill Act, how the consumer reacts to macro pressures will be a key driver of the economy for the rest of the year.
- In the longer term, we continue to be constructive on U.S. equities. The U.S. market enjoys structural advantages such as innovation, favorable demographics, energy resilience and strong capital markets. These factors should continue to drive corporate earnings growth. Against this backdrop, we remain focused on owning a concentrated portfolio of high-quality companies with strong fundamentals, sustainability drivers that reinforce the fundamentals, low debt leverage and solid management teams that we believe can outperform over the business cycle.

Top Equity Issuers (% of Total)

Holding	Fund
Microsoft Corp	7.62
Amazon.com Inc	5.02
NVIDIA Corp	4.84
Apple Inc	4.40
Broadcom Inc	3.67
JPMorgan Chase & Co	2.83
Bank of America Corp	2.43
Walt Disney Co/The	2.33
Alphabet Inc	2.25
Morgan Stanley	2.20

Sector Allocation (Equity as a % of Total)

Sector	Fund
Information Technology	30.95
Financials	14.79
Industrials	11.62
Consumer Discretionary	9.99
Health Care	9.83
Communication Services	7.21
Consumer Staples	5.38
Materials	4.83
Real Estate	2.44
Utilities	1.62

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 I	52469C702	LCISX	11.15	4.09	9.63	12.97	12.75	12.32	11.93	11.15	4.09	9.63	12.97	12.75	12.32	11.93	0.98	0.85	—	—	3/31/2015
Class A	52471R341	CLSUX	11.05	3.90	9.30	12.63	12.39	—	12.12	4.92	-1.81	3.28	10.43	11.07	—	11.43	1.27	1.20	5.50	—	11/2/2015
Benchmark	—	—	10.99	5.75	15.30	19.08	15.96	12.96	—	10.99	5.75	15.30	19.08	15.96	12.96	—	—	—	—	—	—

Benchmark(s)

Benchmark =Russell 3000 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. **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**. The portfolio is **non-diversified** and may invest in a relatively small number of issuers, which may negatively impact the fund's performance and result in greater fluctuation in the value of the fund's shares. The managers' **environmental, social and governance (ESG) strategies** may limit the types and number of investments available and, as a result, may forgo favorable market opportunities or underperform strategies that are not subject to such criteria. There is no guarantee that the strategy's ESG directives will be successful or will result in better performance. These and other risks are discussed in the fund's prospectus. 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 3000 Index** measures the performance of the 3,000 largest U.S. companies based on total market capitalization. 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.