

ClearBridge Sustainability Leaders Fund

Class I: LCISX Class A: CLSUX
Commentary | as of December 31, 2025

Key Takeaways

- **Markets:** U.S. equities finished a strong 2025 with more subdued gains in the fourth quarter, with the benchmark Russell 3000 Index rising 2.4% from October through December to end the year up 17.1%. Health care stocks led the market due to lower policy uncertainty, improved earnings, and attractive valuations. Despite a 25 bps cut in the federal-funds rate in December, elevated long-term yields and slow growth weighed on the three sectors in the red: real estate, consumer staples and utilities — with the latter also suffering as the AI trade ebbed.
- **Contributors:** Stock selection in real estate and financials proved beneficial.
- **Detractors:** Stock selection in the IT, materials and industrials sectors detracted.
- **Outlook:** We continue to see opportunities for alpha generation within the AI theme — in the portfolio we own a mix of attractively valued AI leaders and companies we view as underappreciated beneficiaries of the AI infrastructure buildout.

Performance Review

- The Fund kept pace with the market from the start of the year into May, but as the market rally accelerated later in the year, the quality factor sustained one of the worst periods of underperformance in decades. Lower-quality, more volatile names, areas where the Strategy is underexposed, were increasingly rewarded. We view this dislocation as temporary and continue to believe that through-the-cycle performance favors quality-focused investing.
- Within the Fund's information technology (IT) exposure, software and services names were weaker. ServiceNow continued to deliver solid results, but the market's caution on software and focus on AI-driven growth weighed on the shares. Palo Alto Networks fell primarily due to investor concerns over its two recently announced acquisitions, the strategic fit and the integration risk of assimilating two deals in a short span of time. AI-exposed names ebbed as the market grew concerned about major capital spenders such as Microsoft.
- Meanwhile, positives for the portfolio came from real estate, where industrial REIT Prologis delivered solid earnings and raised its full-year guidance, citing a strong leasing environment. In financials, Morgan Stanley continued its strong share price performance: growth in its wealth management business remains robust, while the market is anticipating further upside in its investment banking business as capital markets activity picks up.
- Health care names dominated top relative contributors as well: Danaher benefited from a cyclical turnaround in its bioprocessing segment, investors are increasingly convinced that cancer and inflammation medicine growth and recent deals will allow Johnson & Johnson to grow through the loss of Stelara exclusivity.

Outlook

- As we turn the page to 2026 — a midterm election year in the U.S. — we see a balance of risks and opportunities for the markets. AI is likely to remain a focus for investors and be a continued area of strength in the economy in 2026. At the same time, the bar is rising for AI-related stocks given solid performance and elevated expectations, which could result in higher volatility. We are remaining valuation disciplined as we see pockets of excess in the valuations for stocks in the AI ecosystem. Consistent with our long-term process, we are paying close attention to business model quality, pricing power and balance sheet quality — characteristics we consider even more important to evaluate during the emergence of a new technology like we're seeing with AI. We continue to see opportunities for alpha generation within the AI theme — in the portfolio we own a mix of attractively valued AI leaders and companies we view as underappreciated beneficiaries of the AI infrastructure buildout.
- While non-AI industrial activity was muted in 2025 and affordability continues to weigh on consumer sentiment, the tax benefits that are front-loaded into the One Big Beautiful Bill Act (OBBA) should be stimulative to the economy in 2026, with the OBBA expected to deliver fiscal stimulus equivalent to ~1% GDP in 2026. Geopolitical risks have also risen and deglobalization continues. Against this backdrop, we remain consistent in our approach and at the same time we have been active in positioning the portfolio for success.

Top Securities (% of Total)

Holding	Fund
Microsoft Corp	7.03
NVIDIA Corp.	6.68
Apple Inc.	5.53
Amazon.Com, Inc.	5.01
Alphabet Inc. Class A	4.73
Broadcom Inc.	3.72
JPMorgan Chase & Co.	2.99
Johnson & Johnson	2.84
Bank Of America Corp	2.09
Morgan Stanley	2.06

Average annual total returns and fund expenses (%) - as of December 31, 2025

Class	CUSIP	Ticker	Without Sales Charge						With Maximum Sales Charge						Expenses		Sales Charges		Inception		
			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	Date
Class I	52469C702	LCISX	0.40	10.38	10.38	13.71	7.71	13.05	11.95	0.40	10.38	10.38	13.71	7.71	13.05	11.95	0.98	0.85	—	—	3/31/2015
Class A	52471R341	CLSU	0.34	10.04	10.04	13.38	7.37	12.67	12.12	-5.19	4.00	4.00	11.27	6.10	12.01	11.47	1.27	1.20	5.50	—	11/2/2015
Benchmark	—	—	2.40	17.15	17.15	22.25	13.15	14.29	—	2.40	17.15	17.15	22.25	13.15	14.29	—	—	—	—	—	—

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 franklintonlepon.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.

Important data provider notices and terms available at www.franklintonlepondatasources.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.franklintonlepon.com. Please read it carefully.