

ClearBridge Sustainability Leaders Fund

Class I: LCISX Class A: CLSUX

Commentary | as of March 31, 2026

Key Takeaways

- **Markets:** Most major equity indexes declined in the first quarter as concerns over rising AI capex at hyperscalers, inklings of AI disruption in software, stress in private credit and a shock to energy prices from the war in the Middle East outweighed a nascent rally for cyclical stocks. The Russell 3000 Index fell 4.0%, with a rotation in leadership dragging the information technology (IT) sector down 9.1% while the energy sector rallied 38.4%.
- **Contributors:** Stock selection in health care, industrials and real estate and overweights to materials and industrials proved beneficial.
- **Detractors:** Stock selection in the IT sector and a lack of energy (oil and gas) holdings detracted.
- **Outlook:** We favor physical assets and remain overweight industrials and materials, where we see compelling opportunities driven by secular tailwinds such as the buildout of data center and electricity infrastructure, US reshoring trends and lower AI disruption risk.

Performance Review

- The ClearBridge Sustainability Leaders Fund performed better than its benchmark Russell 3000 Index despite the significant headwind in the quarter of not owning traditional energy (the Fund explicitly excludes oil and gas).
- Relative outperformance was driven by strong stock selection in health care, real estate and industrials. In health care, idiosyncratic growth characteristics have become even more valuable as macro uncertainty has increased.
- Our top contributor there was Johnson & Johnson, a relatively low-multiple stock seeing an acceleration in earnings as it moves past a loss of exclusivity on a major drug franchise.
- In real estate, Equinix (a data center REIT) benefited from an improvement in demand partially stemming from growing AI adoption by enterprises.
- In IT, while semiconductor equipment maker ASML posted significant gains on accelerating demand for manufacturing equipment for memory and logic chips and was a top contributor, software stocks sold off sharply and broadly as investors reassessed the durability of their business models in the face of rapid advances in AI. The main detractor here was ServiceNow. We reduced exposure to the stock in January and exited fully in early February due to rising competitive threats from AI. We also exited software holding Monday.com in January; these reductions in software-as-a-service companies benefited performance as the quarter unfolded and software stocks continued their decline.
- Risks of AI disruption were also behind our exits of social media platform Reddit and online travel services provider Booking. Negative sentiment in software also weighed on Microsoft. We have been reducing this position and now maintain an equal-weight position as we further assess our software underweight.

Outlook

- We aim to source most of our risk from stock-specific factors rather than macro factors. That said, the first quarter highlighted an increasingly complex macro backdrop marked by geopolitical tensions, rising energy prices and ongoing questions around returns from AI-driven investments. We favor physical assets and remain overweight industrials and materials, where we see compelling opportunities driven by secular tailwinds such as the buildout of data center and electricity infrastructure, US reshoring trends and lower AI disruption risk. These sectors have also benefited from a shift in market leadership toward more cyclical and asset-heavy businesses. We are also overweight semiconductors. Across these sectors, we favor stocks that benefit from the AI infrastructure buildout by supplying the “pick and shovels” to the industry, but we seek ones that also trade at attractive multiples. We balance this exposure in light of macro uncertainty and concerns on hyperscaler AI capex with underweights to consumer discretionary and communication services.
- We continue to build the portfolio from the bottom up, focusing on high-quality compounders with strong fundamentals, attractive valuations, solid balance sheets and capable management teams. In addition, the businesses we seek have favorable sustainability characteristics that further reinforce their fundamentals. In an environment where equity markets are increasingly rewarding quality and fundamental resilience (after shunning these factors in the second half of 2025), we believe these companies are well-positioned to perform better than the market over the cycle.

Top Securities (% of Total)

Holding	Fund
NVIDIA Corp.	7.72
Apple Inc.	5.54
Alphabet Inc. Class A	4.60
Microsoft Corp	4.47
Amazon.Com, Inc.	4.23
Johnson & Johnson	3.78
JPMorgan Chase & Co.	2.93
Broadcom Inc.	2.60
Linde PLC	2.51
Netflix Inc	2.42

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 I	52469C702	LCISX	-3.25	-3.25	14.04	10.59	5.98	12.74	11.33	-3.25	-3.25	14.04	10.59	5.98	12.74	11.33	1.00	0.85	—	—	3/31/2015
Class A	52471R341	CLSUX	-3.33	-3.33	13.69	10.27	5.64	12.37	11.45	-8.64	-8.64	7.42	8.22	4.40	11.71	10.82	1.28	1.20	5.50	—	11/2/2015
Benchmark	—	—	-3.96	-3.96	18.09	17.86	10.87	13.72	—	-3.96	-3.96	18.09	17.86	10.87	13.72	—	—	—	—	—	

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 12/31/2027 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 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.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.