FRANKLIN TEMPLETON | ClearBridge

ClearBridge Sustainability Leaders Fund

Class I: LCISX Class A: CLSUX **Commentary | as of June 30, 2026**

Key Takeaways

- **Markets:** US equities rebounded in the second quarter amid a deescalation of Middle East tensions and a rotation back into AI stocks. The benchmark Russell 3000 Index returned a robust 15.4%, driven by narrow leadership from the information technology (IT) and industrials sectors. Semiconductors surged more than 50%, led by memory and optical/networking stocks that benefited from sharply rising demand driven by AI. Industrials rose, helped by demand for electrical and cooling equipment related to data centers and renewed optimism about a broader improvement in industrial activity.
- **Contributors:** Stock selection in the financials and industrials sectors and a lack of energy holdings proved beneficial. The biggest relative contributors during the quarter were Flex, Palo Alto Networks, United Rentals, ASML and ASM International.
- **Detractors:** Stock selection in IT, health care and consumer discretionary, along with overweights to materials and utilities detracted the most. The biggest detractors were Netflix, an underweight to Advanced Micro Devices, and not owning Micron Technology, Intel and Applied Materials.
- **Outlook:** While AI adoption seems to be picking up steam and compute demand is outstripping supply, we remain vigilant on the duration of hyperscaler capex spending increases considering the major impact of this spending on the macro environment and on specific companies' outlooks.

Top Securities (% of Total)

Holding	Fund
NVIDIA Corp.	7.89
Apple Inc.	6.17
Alphabet Inc. Class A	5.10
Amazon.Com, Inc.	4.31
Johnson & Johnson	3.50
Microsoft Corp	3.15
JPMorgan Chase & Co.	2.90
Broadcom Inc.	2.86
Palo Alto Networks Inc.	2.16
United Rentals Inc	2.16

Performance Review

- The Fund delivered double-digit absolute returns but modestly trailed the benchmark amid the quarter's narrow rally in semiconductor stocks. Ultimately, the quarter's story was one of AI demand for computing capacity outstripping supply, benefiting many semiconductor and technology hardware stocks, including several holdings such as ASML, ASM International, Advanced Micro Devices and Flex.
- Areas with the tightest supply bottlenecks experienced the sharpest inflections in growth and stock prices during the quarter, with memory and related names leading the pack. In fact, more than all the Strategy's underperformance in the quarter could be accounted for by our not owning Micron Technology, one of the big three memory chip makers globally (and the only one that is U.S.-based).
- In industrials, equipment rental company United Rentals rose due to a combination of strong first-quarter results and a raised outlook. Shares were trading at an undeservedly low valuation given growth opportunities tied to megaprojects and data centers, which are raising demand for construction equipment. Valmont, which makes engineered steel poles and infrastructure for the power utility sector, was also up as its utility customers are investing heavily to meet AI-driven demand for electricity.
- Netflix, in the communication services sector, operates the leading video streaming platform. Netflix continued its downward momentum due to fears of weakening engagement and lingering disappointment around the lack of upside to full year guidance.

Outlook

- We see both upside and downside risks for the US economy and we have adjusted portfolio positioning where appropriate, but continued expansion remains our base case. While there remains uncertainty given elevated interest rates and inflation as well as lack of final resolution to the Strait of Hormuz crisis driving oil price volatility, energy costs have come off peaks, GDP continues to grow, money supply is expanding and the federal impulse is stimulative.
- At the same time, AI spending continues to supercharge parts of the industrial and tech economy: hyperscaler capex is forecast to more than quadruple from 2023 to 2026 to greater than $700 billion. While AI adoption seems to be picking up steam and compute demand is outstripping supply, we remain vigilant on the duration of hyperscaler capex spending increases considering the major impact of this spending on the macro environment and on specific companies' outlooks.

Not FDIC Insured | No Bank Guarantee | May Lose Value

Average annual total returns and fund expenses (%) - as of June 30, 2026

			Without Sales Charge							With Maximum Sales Charge							Expenses		Sales Charges		Inception
Class	CUSIP	Ticker	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	14.28	10.56	17.25	14.01	7.60	14.41	12.39	14.28	10.56	17.25	14.01	7.60	14.41	12.39	1.00	0.85	—	—	3/31/2015
Class A	52471R341	CLSUX	14.21	10.40	16.93	13.69	7.27	14.04	12.56	7.93	4.34	10.50	11.56	6.01	13.37	11.94	1.28	1.20	5.50	—	11/2/2015
Benchmark	—	—	15.44	10.88	22.82	20.36	12.31	15.06	—	15.44	10.88	22.82	20.36	12.31	15.06	—	—	—	—	—	—

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.

Glossary

Duration is a measure of the sensitivity of a bond's price to changes in interest rates.

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.

Net Returns (NR) include income net of tax withholding when dividends are paid. Source: FTSE.

Important data provider notices and terms available at www.franklintempletondatasources.com. All data is subject to change.

Holdings are provided for informational purposes only and should not be construed as a recommendation to purchase or sell any security.

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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.

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