

CLEARBRIDGE MID CAP FUND

Brian Angerame and Derek Deutsch, CFA Portfolio Managers

Average annual total returns and fund expenses (%)

as of March 31, 2019

Class A	3-mo	1-yr	5-yr	10-yr	Since Incept. (09/01/98)	Expenses	
						Gross	Net
Excluding sales charges	16.67	4.62	5.90	13.91	9.48	1.15	1.15
Including effects of maximum sales charges	9.95	-1.39	4.65	13.24	9.17	1.15	1.15
Russell Midcap Index	16.54	6.47	8.81	16.88	N/A	-	-
S&P MidCap 400 Index	14.49	2.59	8.29	16.28	N/A	-	-

Performance shown represents past performance and is no guarantee of future results. Current performance may be higher or lower than the performance shown. Investment return and principal value will fluctuate, so shares, when redeemed, may be worth more or less than the original cost. Class A shares have a maximum front-end sales charge of 5.75%. Total returns assume the reinvestment of all distributions at net asset value and the deduction of all Fund expenses. Total return figures are based on the NAV per share applied to shareholder subscriptions and redemptions, which may differ from the NAV per share disclosed in Fund shareholder reports. Performance would have been lower if fees had not been waived in various periods. Returns for less than one year are cumulative. For the most recent month-end information, please visit www.leggmason.com.

Gross expenses are the Fund's total annual operating expenses for the share class(es) shown.

Net expenses are the Fund's total annual operating expenses for the share classes indicated and would reflect contractual fee waivers and/or reimbursements, where these reductions reduce the Fund's gross expenses. These arrangements cannot be terminated prior to December 31, 2020 without the Board's consent. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the numbers shown in the table above.

Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

The **Russell Midcap Index** measures the performance of the 800 smallest companies in the Russell 1000 Index, which represents approximately 25% of the total market capitalization of the Russell 1000 Index.

The **S&P MidCap 400 Index** is a market value-weighted index that consists of 400 domestic stocks chosen for market size, liquidity, and industry group representation.

Key takeaways

- An about-face on interest rates by the Federal Reserve sparked a strong rebound for stocks, with mid-caps among the best performers.
- Solid results from companies across the portfolio, centered in stocks exposed to the consumer, drove returns.
- We continue to take advantage of opportunities provided by volatility to reposition the portfolio across mid-cap growth and value stocks.

Overview and outlook

Equities rebounded strongly in the first quarter as the headwinds that pressured stocks in the fourth quarter mostly reversed. Trade negotiations between the U.S. and China, which had turned sour toward the end of 2018, showed signs of renewed progress, and the imposition of a new round of tariffs was delayed. Fears of the Chinese economic slowdown worsening were allayed by aggressive stimulus measures and better data out of its services sector. Most importantly, the U.S. Federal Reserve, which had communicated more interest rate increases to come in 2019, reversed course in early January as Fed Chairman Jerome Powell announced that the Fed was going to be "patient" and that it was "listening very carefully" to economic conditions.

These factors all contributed to the return of a risk-on environment for stocks, with mid-caps among the best performers for the quarter. The Russell Midcap Index rose 16.54%, the S&P 500 Index added 13.65%, and the Russell 2000 Index gained 14.58%. Growth stocks outperformed value stocks with the Russell Midcap Growth Index up a stellar 19.62%, compared with a gain of 14.37% for the Russell Midcap Value Index.

The Mid Cap Fund also delivered strong results for the period, driven by a number of stock-specific drivers. Semiconductor manufacturer Xilinx was among the largest contributors to performance, as it rose on optimism for a long 5G wireless upgrade cycle. The company makes semiconductor devices that figure prominently in everything from artificial intelligence to automobiles.

Lam Research, a semiconductor equipment manufacturer that supports Xilinx and its competitors, was also a strong contributor. We added to our position during the quarter, as we expect Lam to see higher volumes in an industry with high barriers to entry.

Continued solid employment numbers and strengthening wage growth suggest the consumer is in good shape. Unemployment remained at a generational low of 3.8% in March, and after a sharp slowdown in hiring in February (+33,000 jobs), the economy added 196,000 new jobs in March. A healthy consumer has benefited media stocks like Live Nation Entertainment, the world's largest promoter of concerts and artists. In a music industry that has been remade by music downloads, concerts and touring are now the primary revenue source for performers. Live Nation is supporting these efforts with premium ticket packages and experiences offered through its Ticketmaster business.

Consumer spending is also way up at Carvana, an online platform for used cars that is disrupting the highly fragmented market of mostly small, local dealerships. The company grew its annual revenue 128% year over year in 2018, as its early investment in several markets and a nimble logistics network are beginning to pay off.

In a strong period for equities, we continued to experience enough volatility to add several new positions at attractive entry points. Extending the consumer spending theme, we initiated a position in Vail Resorts, one of the largest owners and operators of ski resorts in the world, including Park City and Whistler Blackcomb, as well as luxury hotels and condos in mountain resort areas. Short-term concerns about the weather and competition allowed us to purchase the shares at

an attractive price. We also purchased Keysight Technologies, a maker of hardware and software that is crucial in the rollout of next-generation telecom equipment, and WellCare Health Plans, a managed care provider in the Medicare and Medicaid segments that became the target of a takeover by rival Centene late in the quarter.

We also trimmed several of our better performers during the quarter and sold out of several names. We closed a position in investment bank Lazard, as we believe its valuation reflected strength in the merger and acquisition (M&A) cycle but that it will take time for its asset management business to contribute to the stock price. Berry Global Group, a manufacturer of plastics products for commercial use, was also sold because we grew concerned that a recently announced acquisition will lead to an unacceptable amount of financial leverage on the company's balance sheet.

The Mid Cap Fund owns a blend of growth and value stocks, an approach that helped in the first quarter as our higher-beta growth names outperformed. Despite strong gains for most of the last several years, we continue to seek out overlooked and undervalued companies that can also contribute to results through company-specific improvements (like Xilinx) or supportive economic conditions (as with industrial companies Ingersoll Rand and WABCO Holdings). We continue to stay diversified across all sectors and are encouraged that our pipeline of potential opportunities remains robust.

Fund highlights

For the quarter ended March 31, 2019, the ClearBridge Mid Cap Fund — Class A shares had a cumulative return of 16.67%, excluding the effects of sales charges. In comparison, the Fund's unmanaged benchmark, the Russell Midcap Index, returned 16.54%.

On a relative basis, the Fund outperformed its benchmark, driven primarily by stock selection decisions. Strong stock selection in communication services contributed the most to relative performance for the period. The energy, financials and IT sectors also added to relative performance due to favorable stock selection. On the negative side, stock selection in the industrials sector detracted the most from relative performance. The health care and consumer staples sectors also hampered relative performance, driven by stock selection.

On an individual stock basis, Xilinx, Live Nation Entertainment, Carvana, Alexion Pharmaceuticals and Aspen Technology were the largest contributors to absolute performance in the first quarter. The sole detractors from

absolute returns were positions in Amdocs, Alaska Air Group and Premier.

During the first quarter, we added positions in Vail Resorts, in the consumer discretionary sector, WellCare Health Plans, in the health care sector, and Keysight Technologies, in the IT sector. The Fund also closed positions in Lazard, in the financials sector, and Berry Global Group, in the materials sector, while Newfield Exploration, in the energy sector, left the portfolio due to an acquisition.

Top contributors

The leading individual contributors for the quarter included:

Live Nation Entertainment, in the consumer discretionary sectors, is a concert and artist promoter. The company saw its stock move higher as its business model continued to work well in an industry with little competitive pressure and where it has been able to raise ticket prices for premium concert experiences.

Carvana, in the consumer discretionary sector, is an online used-car platform. Carvana continues to thrive, with revenue growing 128% year over year as the company takes share in the fragmented used-car marketplace.

Alexion Pharmaceuticals, in the health care sector, is a biotechnology company. The stock was a solid performer thanks to the strong launch of its Ultomiris treatment for a rare blood disorder.

Bottom contributors

The bottom individual contributors for the quarter included:

Amdocs, in the IT sector, is a software provider to entertainment, media and communications companies. The stock sold off on a report from a short seller that questioned its accounting practices.

Alaska Air Group, in the industrials sector, is the owner of commercial carrier Alaska Airlines, based in the Pacific Northwest with a national route system. The shares suffered from continued declining margins as Alaska works through its integration of the Virgin America acquisition.

Premier Inc., in the health care sector, operates a group purchasing organization and provides IT services. The company underperformed due to lowered fiscal-year guidance that was attributed to unplanned investments across a variety of initiatives, including integrating recently acquired businesses.

Top 10 equity holdings (%)	
Xilinx Inc	3.2
Live Nation Entertainment Inc	2.8
CDW Corp/DE	2.4
Alexandria Real Estate Equities Inc	2.4
Aspen Technology Inc	2.3
Starwood Property Trust Inc	2.3
Ingersoll-Rand PLC	2.2
Palo Alto Networks Inc	2.1
Progressive Corp/The	2.1
Ross Stores Inc	2.1

Sector allocation (%)	
Information Technology	20.3
Industrials	17.6
Consumer Discretionary	13.0
Health Care	12.7
Financials	11.2
Real Estate	6.2
Utilities	5.3
Consumer Staples	3.8
Energy	3.6
Communication Services	2.8
Materials	2.0
Cash/Other	1.4

Percentages are based on total portfolio as of quarter end and are subject to change at any time. For informational purposes only and not to be considered a recommendation to purchase or sell any security.

Definitions and additional terms:

Please note that an investor cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

The **Federal Reserve Board ("Fed")** is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.

The **Russell 2000 Index** is comprised of the 2,000 smallest companies in the Russell 3000 Index

Russell Midcap Index is a complete subset of both the Russell 1000 and the Russell 3000. The Russell Midcap Index is used by institutional portfolio managers. The range of market caps covered in this 800-member index goes from about \$1 billion on the low end to approximately \$20 billion.

Russell Midcap Growth Index is an unmanaged index of those companies in the Russell Midcap Index chosen for their growth orientation.

Russell Midcap Value Index is an unmanaged index of those companies in the Russell Midcap Index chosen for their value orientation.

S&P 500 Index is an unmanaged index of common stock performance.

Short selling is the sale of a security that the seller has borrowed.

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What should I know before investing?

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. Derivatives, such as options and futures, can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance. Diversification does not guarantee a profit or protect against a loss.

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Portfolio holdings and sector allocations may not be representative of the portfolio manager's current or future investment and are subject to change at any time.

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