

CLEARBRIDGE SMALL CAP GROWTH FUND*

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Portfolio Managers

Average annual total returns and fund expenses (%)

as of June 30, 2019

Class A	3-mo	1-yr	5-yr	10-yr	Since Incept. Expenses	
					(07/01/98)	Gross Net
Excluding sales charges	4.89	5.70	10.61	15.77	10.87	1.19 1.19
Including effects of maximum sales charges	-1.13	-0.39	9.30	15.09	10.56	1.19 1.19
Russell 2000 Growth Index	2.75	-0.49	8.63	14.41	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.

Russell 2000 Growth Index is an unmanaged index of those companies in the small-cap Russell 2000 Index chosen for their growth orientation. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sale charges.

*Effective August 22, 2018, and subject to certain exceptions, the Fund is closed to new purchases. However, it is still open to existing Fund shareholders and relationships. Please refer to the prospectus for complete information.

Key takeaways

- Stocks ended the quarter slightly higher while enduring significant volatility related to trade tensions, regulatory actions and slowing growth.
- We were active buyers through the turbulence, participating in a handful of IPOs and establishing several other new positions.
- The portfolio's focus on companies with sustainable business dynamics backed up by robust capital discipline enabled it to hold up well during "risk-off" periods.

Market overview and outlook

Macbeth's reflection on life seems an apt characterization of second-quarter equity market dynamics. The small-cap growth market basically ended where the quarter began, but oh what fury in between:

Early May reports of a China trade deal were dashed. Acrimony broke out with sanctions on both sides (Huawei, rare earths, etc.). At quarter end, negotiators and Presidents Trump and Xi gathered at the Osaka G-20 meeting to work on key differences. Trade anxieties were compounded by the Trump administration's promise of unilateral tariffs on Mexico as a cudgel to slow the flow of Latino immigrants to the U.S.; the Mexican agreement in early June blunted that suggestion.

Real-time economic statistics in a variety of areas and regions showed deceleration or deterioration, while interest rates

collapsed (the 10-year U.S. Treasury ended the second quarter at 2.0%) and the U.S. yield curve inverted.

Overhangs from the Department of Justice and the Federal Trade Commission, as well as Congressional hearings on the big Internet platforms, caused a swoon in the higher-growth Internet/software sector.

As one market commentator aptly noted, “Investors are getting chopped up between covering underweights/shorts and flocking back into old favorites.” The stock market continues to be whipped around by factors and baskets; we continue to take advantage of that as active long-term investors focused on business development and crucial portfolio company fundamentals.

During this period of slowing profit growth expectations (which we expect to be reaffirmed during the second-quarter earnings season), we continued to be busy.

While growth investors were centered on what turned out to be the less-than-splashy initial public offering (IPO) debuts of Lyft and Uber, we participated in three successful IPOs where we are looking to build a long-term presence. Revolve Group, in the consumer discretionary sector, is an online-only fashion retailer that differentiates itself through a heavy reliance on data to drive product development and social media influencers to market its products. The company is profitable and continues to be run by a pair of entrepreneurs who founded the brand in 2003. PagerDuty, in the information technology (IT) sector, provides a cloud-based incident and internal surveillance platform for IT teams. Integrated with numerous software products and partners, the company’s software identifies system degradation or outages and notifies appropriate personnel in a variety of ways to avert or minimize enterprise technology incapacity. Grocery Outlet, in the consumer staples sector, is a deep-discount, opportunistic brand grocer selling both low-cost branded goods and staples. The company has an innovative owner/partner structure that drives localized experience, as well as competitive returns.

We also began starter positions in two other investments. Glaukos, in the health care sector, is an innovative ophthalmic tech company with a range of minimally invasive ocular stent implants to reduce pressure within the eye from glaucoma, a leading cause of vision impairment and blindness. The company has an established implantable business with direct distribution in 17 countries, as well as a host of related pipeline products. Among these is iDose, which is used for drug delivery within the eye, potentially obviating the need for

glaucoma drops, which have poor patient adherence and compliance. iDose is in phase 3 trials.

Bandwidth, in the communication services sector, provides a cloud-based software platform that enables businesses to run voice and text communications across mobile and other connected devices. As a vertically integrated provider of software and networking, it has a unique value proposition relative to newer software providers or legacy network players and consequently has built substantial market share with leading hyperscale technology, consumer, and enterprise software customers. The company has recently expanded its sales force to take advantage of the secular growth of communications shifting to the cloud and proliferating through app usage. Following this period of reinvestment, the company should see both accelerating revenue and profitability growth as it competes in a rapidly expanding communications end market.

In-the-top-five holding Medidata Solutions agreed to be purchased by Dassault Systemes at a decent premium. We’ve seen the business dramatically expand and develop in the six years since Medidata entered the Small Cap Growth Fund. We also bade farewell to two unsuccessful investments: biotechnology firm Acorda Therapeutics, which was hurt by concerns about product uptake and capital availability, and media measurement provider comScore, which sold off on capital concerns and management instability.

We also experienced a few fundamental disappointments that we view as transitory. Drug maker Heron Therapeutics unexpectedly received a complete response letter from the FDA for its non-opioid treatment for post-surgery pain, which will delay commercial rollout for approximately a year. In addition, chipmaker Inphi was down mid-quarter, due to the Commerce Department’s ban on shipments to Chinese telecom equipment maker Huawei, before recovering as trade tensions eased.

Overall, however, the portfolio held up well during “risk-off” periods. Our relentless attention to sustainable business dynamics backed up by robust capital discipline is a critical foundation. During the jarring May small-cap correction, the portfolio outperformed the Russell 2000 Growth benchmark. That outperformance is consistent with the Fund’s long-term favorable upside/downside capture.

Fund highlights

For the quarter ended June 30, 2019, the ClearBridge Small Cap Growth Fund — Class A shares had a cumulative return of 4.89%, excluding the effects of sales charges. In comparison,

the Fund's unmanaged benchmark, the Russell 2000 Growth Index, returned 2.75%.

On an absolute basis, the Fund had gains across seven of the 10 sectors in which it was invested during the quarter (out of 11 sectors total). The primary contributors to performance were the industrials and health care sectors.

In relative terms, the Fund's outperformance was driven by stock selection and sector allocation. Specifically, stock selection in the health care, consumer staples, industrials and consumer discretionary sectors and an underweight to health care drove results. Meanwhile, stock selection in the communication services sector had a negative impact on relative performance.

The biggest contributors to absolute returns during the second quarter included Copart, Insulet, Medidata Solutions, Trex and Wix.com. Positions in comScore, Heron Therapeutics, Lions Gate, Shutterstock and Surgery Partners were the greatest detractors from absolute returns.

In addition to the transactions mentioned above, we also closed a position in Integrated Device Technology, in the IT sector.

Top contributors

Copart (CPRT), in the industrials sector, is an essential service provider to the insurance industry, recycling or disassembling (for parts) vehicles that have been totaled. Copart has an irreplaceable real estate network of over 200 yards and the logistics to process/scrap/tow/sell. The company reported very strong trends in their first quarter, with non-U.S. markets maturing well (+13% units) and U.S. volumes continuing to be strong (+3%).

Insulet (PODD), in the health care sector, is a medical device manufacturer that develops insulin infusion systems for diabetes patients. The stock was lifted by quarterly results that topped forecasts and an upward revision to full-year earnings guidance.

Trex (TREX), in the industrials sector, manufactures and markets wood alternative decking products for residential and commercial customers. Trex overcame a production snafu that led to supply disruptions during peak selling season, and it announced a new \$200 million capex plan that should provide significant capacity runway, allowing revenue to reaccelerate.

Bottom contributors

comScore (SCOR), in the communication services sector, is a media measurement provider, tracking consumer behavior and advertising across media platforms. The stock sold off following the resignation of two top executives and the announcement of a cost reduction plan. We subsequently exited the position, as the company's multi-year restructuring plan has been further delayed by these recent events.

Heron Therapeutics, in the health care sector, is a pharmaceutical maker with an existing anti-nausea treatment for patients going through chemotherapy. The stock sold off as the FDA issued a negative opinion on its next-generation non-opioid painkiller in clinical trials that will push back commercial approval.

Cardtronics (CATM), in the IT sector, operates a network of automatic teller machines and financial kiosks. Despite solid results that topped estimates, the stock was hurt by the company's increasing financial leverage.

Top 10 equity holdings (%)

Trex Co Inc	3.2
Insulet Corp	3.1
Medidata Solutions Inc	3.0
ICON PLC	2.9
Copart Inc	2.9
Wix.com Ltd	2.7
Fox Factory Holding Corp	2.5
IDEX Corp	2.5
Cornerstone OnDemand Inc	2.3
Aspen Technology Inc	2.2

Sector allocation (%)

Information Technology	27.9
Health Care	21.1
Industrials	18.4
Consumer Discretionary	14.1
Consumer Staples	5.4
Financials	5.2
Communication Services	1.5
Energy	1.4
Materials	1.2
Real Estate	0.3
Other	0.0
Utilities	0.0
Cash/Other	3.7

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 United States **Department of Justice (DOJ)** is a department of the U.S. government, responsible for the enforcement of law and administration of justice.

Food and Drug Administration (FDA) is a government agency established in 1906 with the passage of the Federal Food and Drugs Act.

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 **Federal Trade Commission, or FTC**, is the federal agency responsible for stopping business practices that are either anticompetitive, or unfair to consumers.

The **Group of 20, or G20**, is a group of finance ministers and central bank governors from 19 of the world's largest economies, including those of many developing nations, along with the European Union.

An **initial public offering (IPO)** is the process of offering shares in a private corporation to the public for the first time.

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The **yield curve** shows the relationship between yields and maturity dates for a similar class of bonds.

Brandywine Global

Clarion Partners

ClearBridge Investments

EnTrustGlobal

Martin Currie

QS Investors

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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. 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. The manager's investment style may become out of favor and/or the manager's selection process may prove incorrect, which may have a negative impact on the Fund's performance.

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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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