



Global Value Improvers Strategy



Grace Su
Managing Director, Portfolio Manager
ClearBridge Investments, LLC



Jean Yu CFA, Ph.D.
Managing Director, Portfolio Manager
ClearBridge Investments, LLC

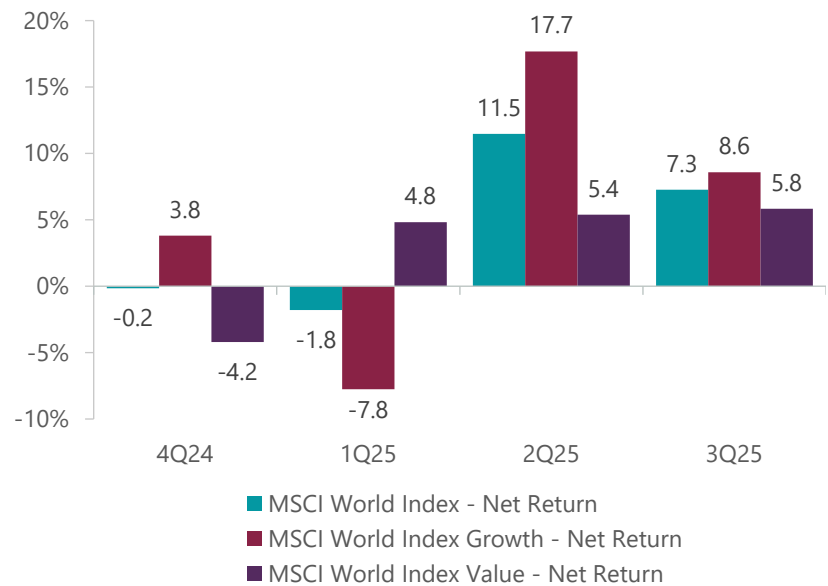
Key Takeaways

- ▶ Global equity markets generated positive returns in the third quarter, as progress on tariff negotiations between the U.S. and its trade partners helped to lift lingering macro uncertainty.
- ▶ The Strategy trailed its benchmark as select holdings within industrials and energy overcame positive contributions within our IT and health care holdings.
- ▶ We see energy demand and efficiency as an area where structural changes in industry dynamics are creating attractive secular investment opportunities.

Market Overview

Global equity markets generated positive returns in the third quarter, as continued progress on tariff negotiations between the U.S. and its trade partners helped to soften lingering macro uncertainty and shift attention toward the possibility of further Federal Reserve rate cuts. Investor sentiment improved alongside a late-quarter rally in information technology (IT) and other cyclical sectors, allowing growth to lead markets, with the MSCI World Growth Index up 8.6%, ahead of the MSCI World Index's 7.3% and the MSCI World Value Index's 5.8%.

Exhibit 1: MSCI Growth vs. Value Quarterly Performance



As of 30 September 2025. Source: FactSet.

Efficiency has evolved
from an ESG theme
to a clear competitive
advantage.

Emerging markets saw notable strength in the quarter, led by strong rallies in China, Mexico and Brazil. In China, although the manufacturing sector continued its contraction, this prompted expectations of further stimulus to meet growth goals. Additionally, resurgent growth from China's tech giants such as Tencent and Alibaba stoked optimism that China would also be a leader in AI development, driving renewed interest in mainland stocks as well as related shares across Hong Kong, Taiwan and South Korea.

In developed markets, returns were led by Japan, where equities were buoyed by clarity on trade policy and growing confidence that the Japanese economy could remain resilient despite trade barriers. The Bank of Japan's steps toward policy normalisation and the narrative surrounding its domestic reflation proved particularly beneficial to the country's financials sector. In contrast, eurozone returns lagged the overall benchmark as the market continued to debate the timing and magnitude of Germany's infrastructure spending plans. France also faced political volatility following a failed confidence vote in the prime minister, which widened sovereign spreads and increased equity market volatility.

Quarterly Performance

The ClearBridge Global Value Improvers Strategy generated positive absolute returns, but trailed its benchmark as select holdings within industrials and energy overcame positive contributions within our IT and health care holdings.

Negative stock selection in industrials was driven primarily by U.K.-based CNH Industrial, which declined amid weaker North American agricultural demand and dealer destocking. Despite these cyclical pressures, CNH continues to advance its turnaround and enhance productivity and emissions efficiency through innovations in precision agriculture. Hitachi also paused after strong prior gains but remains a leading example of value creation in Japan, with management focused on sustaining growth and returns.

Energy stock selection proved challenging amid declining commodity prices. Shares of America's largest and cleanest natural gas producer, EQT, followed prices lower due to elevated storage inventories, robust continued production and concerns about softer demand growth, particularly within Asia. EQT continues to capitalise on strong operational performance and has already achieved its goal of becoming net zero on Scope 1 and 2 GHG emissions ahead of plan.

Stock selection within IT proved our strongest contributor, largely due to enterprise software and cloud services company Oracle. The company continues to extend its strong performance as it gains share among hyperscalers due to its lower-cost data centre architecture, which is well-suited for large-scale AI training workloads.

In health care, CVS shares rose strongly after the company delivered better than expected second-quarter results and raised its full-year

guidance, while U.K. biopharma company AstraZeneca also rose on strong quarterly earnings led by an increase in sales of its oncology drugs as well as reduced concerns over tariffs on pharmaceuticals and policy support encouraging drug manufacturing in the U.S.

Strong stock selection within Europe ex-U.K. helped propel the Strategy's outperformance within the worst-performing region of the benchmark, led by France's Nexans and Ireland's ICON, whose shares rose on strong earnings and growing backlogs. Nexans benefited from robust U.S. wind contract sales and high-voltage transmission growth, while ICON showed early signs of recovery in clinical research demand. In contrast, U.K. holdings such as Unilever and National Grid detracted, with Unilever pressured by weak volumes and currency headwinds and National Grid weighed down by regulatory scrutiny and leverage concerns.

Portfolio Positioning

We initiated a new position in Lloyds Banking Group, a leading U.K. financial institution offering a broad range of banking and financial services. After years of headwinds from low rates, muted growth and Brexit uncertainty, Lloyds is now positioned to deliver higher normalised returns, a double-digit shareholder yield and potential upside from valuation re-rating. As the U.K.'s largest mortgage lender, it also plays a key role in expanding access to affordable and inclusive home ownership.

We initiated a new position in Alphabet, the world's largest digital advertiser, whose shares have lagged amid antitrust concerns and fears that generative AI could threaten its core search business. A favourable Department of Justice ruling and growing confidence in Alphabet's own Gemini platform have eased those concerns, with generative AI now emerging as a potential growth driver. The company's expanding AI infrastructure investments also advance SDG 9 goals by promoting resilient innovation and reduced environmental impact, while subsidiary Waymo's progress in autonomous driving supports long-term efficiency and emissions reduction.

During the quarter we exited our position in diabetes and obesity drugmaker Novo Nordisk, whose shares declined following management's lowering of full-year guidance due to weaker U.S. sales driven by increased competition and continued availability of compounded Wegovy, despite the end of the official supply shortage. Investors also viewed the replacement of the company's CEO with an internal candidate as adding additional uncertainty during a crucial time.

Outlook

Markets continued to rally as greater clarity around tariffs, fiscal policy and accelerating AI-driven capital spending bolstered confidence in the expansion's durability. However, valuations have returned to

elevated levels last seen during peak optimism earlier in the year. We view the market's risk-reward as balanced, while remaining mindful of the lagging effects of tariffs, persistent geopolitical tensions and other risks the market appears to discount. Our focus remains on undervalued companies with distinct growth drivers or restructuring catalysts less dependent on a strong macro backdrop.

We see energy demand and efficiency as one such area where structural industry shifts are creating compelling secular opportunities:

- **Renewables and energy storage:** Following a reset from higher rates and shifting subsidies, renewables now benefit from the intersection of clean energy demand, energy security needs and surging AI power requirements. New capacity has become essential, with solar, wind and storage providing scalable, carbon-free solutions.
- **Energy efficiency enablers:** Firms such as Vertiv and Johnson Controls, which help reduce power use through data centre cooling and advanced building systems, are positioned at the crossroads of rising energy costs, net-zero goals and infrastructure modernisation. Efficiency has evolved from an ESG theme to a clear competitive advantage.
- **Grid modernisation:** Upgrading power grids supports decarbonisation, reduces long-term energy costs and enhances resilience amid growing AI power loads and climate-related disruptions — aligning economic, environmental and strategic priorities.

Portfolio Highlights

The ClearBridge Global Value Improvers Strategy underperformed its MSCI World Value Index benchmark during the third quarter. On an absolute basis, the Strategy had gains in seven of the 10 sectors in which it was invested (out of 11 total). The financials sector was the greatest contributor while the consumer staples sector was the main detractor.

On a relative basis, overall stock selection and sector allocation effects detracted from performance. Stock selection in the industrials, energy, financials, consumer discretionary, utilities and consumer staples sectors weighed on performance. Conversely, stock selection within the IT sector and an underweight to the consumer staples sector were positive contributors.

On a regional basis, stock selection in U.K., North America (mainly the U.S.), emerging markets and Japan, as well as an overweight to Europe Ex U.K. weighed on performance. Conversely, stock selection in Europe Ex U.K. and an overweight to emerging markets proved beneficial.

On an individual stock basis, BBVA, Piraeus Financial, Oracle, Nexans and Icon were the leading contributors to relative returns during the

quarter. The largest detractors were CNH Industrial, PayPal, Hitachi, EQT and Fiserv.

In addition to the transactions mentioned above, the Strategy exited positions in Coty in the consumer staples sector and PT Bank Rakyat Indonesia and Fiserv in the financials sector.

ESG Highlights: Innovating Carbon Capture Across Industries

While deployment of renewable energy sources such as solar, wind and hydro will likely play the largest role in the energy transition, carbon capture and sequestration (CCS) remains an important technology for heavy industries that produce unavoidable CO2 emissions.

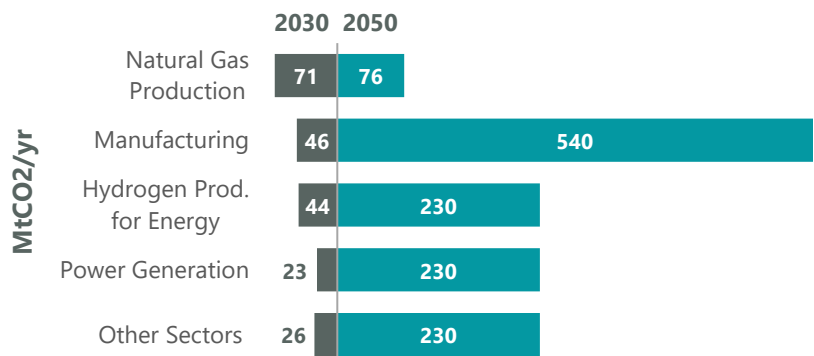
There are many types of CCS, and ClearBridge holdings with which we engage regularly represent a diverse portfolio of CCS technologies. Recent engagements with portfolio companies have touched on ways they are developing CCS across several industries and how in most cases CCS capabilities are driving share gains and improving cash flows.

Cleaner Hydrogen Technologies Advancing in Manufacturing

CCS is critical in addressing emissions from manufacturing and will be all the more so as capacity additions ramp up globally in the coming years (Exhibits 2 and 3). In North America, the main applications are hydrogen and ammonia. These were focal points of recent ClearBridge discussions with industrial gas company Linde, which we find is well-positioned to continue taking share in clean hydrogen, specifically blue hydrogen. (Blue hydrogen is produced using fossil fuels but with carbon capture technology preventing emission of CO2, and is used for various industrial, energy and transport applications.)

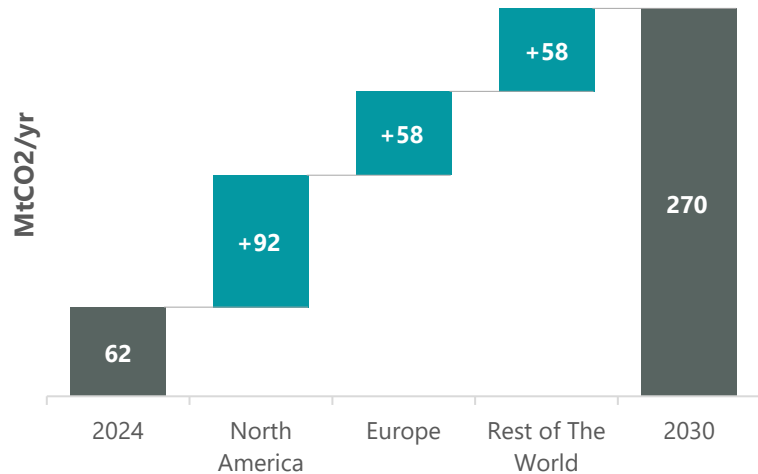
ClearBridge recently toured Linde’s autothermal reformer (ATR) site at its Clear Lake facility in Texas, where Linde provides blue hydrogen and CO2 to support industrial chemicals supplier and manufacturer Celanese with its methanol and acetyl production.

Exhibit 2: CCS by Sector 2030 and 2050



As of 2025. DNV, “Energy Transition Outlook CCS to 2050.”

Exhibit 3: CCS Capacity Additions to 2030



As of 2025. DNV, "Energy Transition Outlook CCS to 2050."

An ATR is essentially a large chemical reactor that combines natural gas, oxygen and water/steam to produce synthesis gas or syngas (hydrogen plus carbon monoxide/dioxide), a critical input for applications like chemicals production (such as methanol, which is used for paint solvents, antifreeze, fuels, pharmaceutical laboratories and adhesives, among other things). Syngas is also used in power generation, ammonia and fertiliser production for growing crops, and refining (desulfurising oil, which reduces sulfur dioxide emissions).

Linde's ATR technology is especially attractive as it is more efficient than other methods of producing these inputs given its better energy efficiency, higher CO2 concentration for better carbon capture, higher product yield and lower maintenance.

Linde has been able to leverage the success of this technology as a proof point to win other projects that support clean hydrogen and ammonia production in the U.S. Other blue hydrogen deals, such as in Nederland, Texas (where Woodside/OCI creates blue ammonia for agriculture, power and marine sectors), in Alberta, Canada (where Dow produces blue hydrogen for ethylene production with two ATRs), and the latest in Modeste, Louisiana (where CF Industries runs a large-scale air separation unit to support blue ammonia).

Linde represents an excellent example of a company where technological expertise in a sustainability practice is driving both emissions savings and growth for the business. In 2024, Linde helped its customers to avoid more than 96 million metric tons of carbon dioxide equivalent, more than twice the emissions that Linde generated from its own operations.

What is Biogenic CO2?

Green Plains, a U.S.-based agricultural technology and biorefining company based in Nebraska, is one of North America's largest producers of ethanol and bio-based products. It serves several main

industries, such as ethanol for fuel, agricultural services (grain management), high-protein feed for livestock and aquaculture and renewable corn oil.

ClearBridge recently met with Green Plains's CFO and Director of Sustainability to discuss the company's carbon capture initiatives and other developments that impact its carbon intensity (CI) and ability to meet its target of net-zero emissions by 2050. The company recently suspended its clean sugar technology (CST) and ultra-high protein (UHP) initiatives to focus on carbon capture, which is more cost-effective under current tax credit structures.

Green Plains considers carbon capture a key tactic in decarbonising biorefineries by capturing the pure stream of biogenic CO₂ from fermentation (CO₂ is released from the fermentation process of biological materials such as plants used for biofuels). Initiatives include partnering with Tallgrass Energy on the Trailblazer carbon pipeline, which will initially serve three Green Plains facilities in Nebraska, and is expected to sequester 800k tons of CO₂ annually beginning this year. These facilities are also expected to generate \$150 million in 45Z tax credits (for clean fuel production).

In addition, running other plants in a similar fashion without carbon capture can net another \$50 million under 45Z. Green Plains is raising capital for another deal with startup Carbon Solutions to perform carbon capture on other Midwestern plants. If the 45Z program isn't extended after 2029, Green Plains would drop down to 45Q credits, which are worth one-third of 45Z, until that program ends in 2038.

Overall, however, these credits are valuable programs that get Green Plains past recent liquidity issues after years of capex on plant modernisation. With roughly \$50 million left in carbon capture capex, Green Plains has already cut its operating expenses by more than 50%, setting it up to generate ample free cash flow going forward.

Rocks Can Sequester Carbon

In a recent engagement with Vulcan Materials, the largest producer of construction aggregates such as crushed stone, sand and gravel in the U.S. and a name widely owned across ClearBridge, we checked in on Vulcan's goal of 10% absolute reduction in Scope 1 and 2 emissions by 2030. Vulcan shared that its Scope 1 and 2 emissions profile declined by 3% in 2024 versus its 2022 baseline, an improvement on 2023's flat performance. While 3% may seem low, aggregates production already carries a low GHG intensity, so the incremental progress is notable.

Key drivers were increasing renewable adoption (now 14% of total electricity versus a 5% stated goal), upgrades to engines with 20%–50% lower emissions and increased renewable diesel usage in California. Renewable diesel — produced from vegetable oils, waste oils and animal fats and, unlike biodiesel, a "drop-in" fuel that can be

used directly in engines without blending or modifications — now accounts for 9% of Vulcan’s total diesel usage.

We also touched on Vulcan’s operational use of water to wash residue off rocks and to suppress dust. We were encouraged to hear water recycling takes place at roughly 75% of Vulcan’s sites and that the company is striving for further improvement.

Increasing water recycling is a win-win from both a sustainability and economic perspective. At the 25% of sites where there is no recycling, Vulcan purchases water and absorbs the cost of trucking it. This seems like an easy target for the company to address over time.

Another interesting facet of Vulcan’s environmental profile is that some of its basalt fines (i.e., dust byproduct of rock production) actually help sequester CO₂. We learned the agricultural market can spread this byproduct on soil to support “enhanced rock weathering” whereby rainwater spurs a chemical reaction that traps atmospheric CO₂ in newly formed, solid material. While sequestering CO₂ with basalt fines is certainly not a core part of Vulcan’s business, it is nonetheless a positive attribute in its environmental profile.

Important Information

This material has been prepared for investment professionals, qualified investors and investment advisors only.

This material presents information in a manner which is not suitable for retail investors and ClearBridge Investments Limited (ABN 84 119 339 052; AFSL No. 307727) (“CIL”) does not authorise the provision of this material to retail investors. While the information contained in this document has been prepared with all reasonable care, ClearBridge* accepts no responsibility or liability for any errors, omissions or misstatements however caused.

Any views expressed in this material are given as of the date of publication and such views are subject to change at any time. This information is not personal advice. It has been prepared without taking account of individual objectives, financial situations or needs. Where an investment product is mentioned, potential investors should seek independent advice as to the suitability of the product to their investment needs. Reference to shares in a particular company, is not a recommendation to buy, sell or hold that stock. Investors should be aware that past performance is not indicative of future performance.

This information may contain forecasts, including in regard to targets, expected returns, PE ratios and dividend yields. Any such statements are based upon research undertaken by the ClearBridge* investment teams. This research incorporates ClearBridge’s reasonable assumptions and beliefs concerning future developments and their potential effect but are subject to risks and uncertainties that may be beyond our control. Returns can be volatile, reflecting rises and falls in the value of underlying investments. Accordingly, ClearBridge does not provide any assurance or guarantee that future developments will be aligned with our expectations, and actual results may differ materially from those expected or anticipated at the time of writing.

This document does not constitute an offer or solicitation in any jurisdiction in which to make such an offer or solicitation would be unlawful. It is your responsibility to ensure that any such product, security, service or investment outlined is available in your jurisdiction.

Issued and approved in Australia by CIL, registered office Level 13, 35 Clarence Street, Sydney, NSW 2000, Australia (ABN 84 119 339 052; AFSL 307727).

Issued and approved in Canada and the United States of America by CIL’s subsidiary, ClearBridge Investments (North America) Pty Ltd (“CINA”), registered office Level 13, 35 Clarence Street, Sydney, NSW 2000, Australia (ABN 11 138 069 191).

Neither CIL nor CINA are registered as a broker-dealer. CIL and CINA are neither issuing nor offering the securities of any investment fund in these materials. This material has not been approved or verified by ASIC, the SEC, the OSC or the Autorité des marchés financiers.

*ClearBridge is part of the global brand, ClearBridge Investments, which consists of ClearBridge Investments Limited (AFSL 307727) (and its subsidiary); ClearBridge Investments, LLC; ClearBridge Investment Management Limited; the ClearBridge Australian Equities Investment team (a division of Franklin Templeton Australia Limited); and a part of Franklin Templeton Investments Corp. All entities are wholly, indirectly owned subsidiaries of Franklin Resources, Inc., a publicly traded company listed on the New York Stock Exchange (NYSE:BEN).