FRANKLIN TEMPLETON

ClearBridge

ClearBridge Dividend Strategy Fund

Class A: SOPAX Class I: SOPYX | **Commentary | as of June 30, 2025**

Key Takeaways

- **Markets:** Despite trade wars, battlefield wars in Ukraine and the Middle East, declining earnings estimates and a deteriorating fiscal outlook, the S&P 500 Index rose 10.9% in the second quarter and is up 6.2% at the year's halfway mark.
- **Contributors:** Stock selection in the energy and IT sectors was positive.
- **Detractors:** An underweight to IT and an overweight to energy, as well as stock selection in the communication services, health care and industrials sectors weighed on relative results.
- **Outlook:** It seems to us that risks abound, yet asset prices do not reflect this. We continue to emphasize a diversified portfolio of high-quality companies compounding their dividends at attractive returns.

Performance Review

- Despite trade wars, battlefield wars in Ukraine and the Middle East, declining earnings estimates and a deteriorating fiscal outlook, the S&P 500 Index is up 6.2% at the year's halfway mark. Growth trounced value in the second quarter, led by Nvidia, which surged over 40%. The ClearBridge Dividend Strategy Fund, with its emphasis on quality, risk management and a disciplined approach to valuation, lagged in this momentum-driven tape.
- An overweight to energy and underweight to IT were the largest detractors in terms of sector attribution. Within these sectors positioning in natural gas–focused Enbridge, EQT and Williams (in energy) was positive, while in IT an underweight to the underperforming Apple contributed positively along with active positions in Oracle and Broadcom.
- Oracle beat estimates in its latest earnings report and raised its guidance, citing sizable acceleration in its cloud infrastructure revenues and growth expected to exceed that of hyperscaler peers.
- Renewed enthusiasm for AI buildouts has benefited Broadcom tremendously as its custom-designed chips have continued to gain broader adoption with hyperscalers as an alternative to Nvidia's dominant graphics processing units in AI applications.
- Medical devices, laboratory equipment and diagnostic products maker Becton Dickinson reported marginally slower than expected organic sales growth across its portfolio, in part driven by headwinds from its China operations and by a lower global research funding environment for its biosciences division; a slight reduction in expected earnings resulted in a dramatic multiple contraction.
- UnitedHealth Group saw a renewed selloff in May following a first-quarter earnings miss and guidance reduction as the company announced even further elevated cost pressure and the exit of the managed care company's CEO Andrew Witty.

Outlook

- It seems to us that risks abound, yet asset prices do not reflect this. We continue to emphasize a diversified portfolio of high-quality companies compounding their dividends at attractive returns. Touting diversification may sound trite, but in today's market it is no small feat. While the market has become incredibly concentrated, we have maintained a more traditionally diversified portfolio. Over the last eight years our average portfolio company has grown its dividend by 7%, well in excess of inflation, and we see no reason that cannot continue. As inflation expectations become more entrenched and stagflation becomes a concern, dividend growth will become increasingly critical. Dividends act as an anchor to windward, stabilizing our portfolio during bouts of volatility. With elevated uncertainty likely an enduring feature of the current era, the course we chart should serve us well.

Morningstar Rating™

Overall Rating as of June 30, 2025

★★★★ **(4-Star)** Class A

★★★★ **(4-Star)** Class I

As of 06/30/2025 the fund's Class A and Class I shares received a 4 star overall Morningstar rating™, measuring risk-adjusted returns against 1088, 1023 and 821 Large Value funds over the 3-, 5- and 10- year periods, respectively. A fund's overall rating is derived from a weighted average of the performance figures associated with its 3-, 5- and 10-year (if applicable) rating metrics.

Top Equity Issuers (% of Total)

Holding	Fund
Microsoft Corp	4.44
Exxon Mobil Corp	3.59
Broadcom Inc	3.43
Enbridge Inc	3.26
Sempra	3.20
Nestle SA	3.06
Becton Dickinson & Co	2.87
Comcast Corp	2.82
Williams Cos Inc/The	2.78
Travelers Cos Inc/The	2.64

Sector Allocation (Equity as a % of Total)

Sector	Fund
Information Technology	14.27
Financials	13.94
Health Care	11.71
Energy	10.70
Communication Services	10.04
Consumer Staples	9.42
Industrials	8.73
Materials	5.74
Real Estate	5.34
Utilities	4.87
Consumer Discretionary	2.95

Average annual total returns and fund expenses (%) - as of June 30, 2025

			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 A	52469H636	SOPAX	4.16	5.34	14.76	13.42	14.09	11.37	9.36	-1.57	-0.47	8.46	11.20	12.75	10.72	9.16	1.00	1.00	5.50	—	11/6/1992
Class I	52469H594	SOPYX	4.21	5.48	15.08	13.74	14.42	11.69	9.25	4.21	5.48	15.08	13.74	14.42	11.69	9.25	0.73	0.73	—	—	2/7/1996
Benchmark	—	—	10.94	6.20	15.16	19.71	16.64	13.65	—	10.94	6.20	15.16	19.71	16.64	13.65	—	—	—	—	—	—

Benchmark(s)

Benchmark =S&P 500 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. Net expenses are capped under a contractual agreement, which cannot be terminated prior to 12/31/2026 without Board consent. Actual expenses may be higher and may impact portfolio returns.
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. **Real estate investment trusts** (REITs) are closely linked to the performance of the real estate markets. REITs are subject to illiquidity, credit and interest rate risks, and risks associated with small- and mid-cap investments. **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. **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. Derivative instruments** can be illiquid, may disproportionately increase losses, and have a potentially large impact on performance. **Dividends** may fluctuate and are not guaranteed, and a company may reduce or eliminate its dividend at any time. **Fixed income securities** involve interest rate, credit, inflation and reinvestment risks, and possible loss of principal. As interest rates rise, the value of fixed income securities falls. The manager may consider **environmental, social and governance (ESG) criteria** in the research or investment process; however, ESG considerations may not be a determinative factor in security selection. In addition, the manager may not assess every investment for ESG criteria, and not every ESG factor may be identified or evaluated. These and other risks are discussed in the fund's prospectus.

Glossary

Stagflation is a seemingly contradictory condition described by slow economic growth and relatively high unemployment, or economic stagnation, which is at the same time accompanied by rising prices (i.e. inflation).

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 **S&P 500 Index** features 500 leading U.S. publicly traded companies, with a primary emphasis on market capitalization. Source: © S&P Dow Jones Indices LLC. All rights reserved.

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

Morningstar Rating™: Source: Morningstar®, 06/30/2025. For each mutual fund and ETF with at least a 3-year history, Morningstar calculates a Morningstar Rating™ based on how a fund ranks on a Morningstar Risk-Adjusted Return measure against other funds in the same category. This measure takes into account variations in a fund's monthly performance, and does not take into account the effects of sales charges and loads, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. The weights are: 100% 3-year rating for 36-59 months of total returns, 60% 5-year rating/40% 3-year rating for 60-119 months of total returns, and 50% 10-year rating/30% 5-year rating/20% 3-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent 3-year period actually has the greatest impact because it is included in all three rating periods. The fund's Class A shares received a Morningstar Rating of 3, 3 and 5 and fund's Class I shares received a Morningstar Rating of 4, 3 and 5 star(s) for the 3-, 5- and 10-year periods, respectively. Franklin Templeton provides this fund's Morningstar Rating™ for Class A and Class I shares only. Other share classes may have different Morningstar ratings.

ClearBridge Investments, LLC, and Franklin Distributors, LLC, are Franklin Templeton companies.

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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