

# ClearBridge Dividend Strategy Fund

Class A: SOPAX Class I: SOPYX

Commentary | as of December 31, 2025

## Key Takeaways

- **Markets:** 2025 marked the third consecutive year of this AI-driven cycle. The market-cap-weighted S&P 500 Index rose 17.9% in the year, while the equal-weighted S&P 500 Index gained just 11.4%. The Magnificent Seven, this market's nucleus, rose 24.9% in 2025. While performance comparisons will vary based on the time period, cap-weighted and equal-weighted indexes have produced similar returns over long periods of time.
- **Contributors:** Stock selection in consumer staples, a health care overweight and IT underweight proved beneficial.
- **Detractors:** Quarterly underperformance was driven primarily by stock selection in the communication services, IT, materials and real estate sectors.
- **Outlook:** We anticipate the AI debate will carry over in 2026 and we will continue to participate in AI in a measured and disciplined way. Yet, as other investors continue to myopically focus on AI, we expect to find additional idiosyncratic opportunities in overlooked corners of the market. We believe these seeds will bear fruit in the years to come.

## Performance Review

- The S&P 500 managed a 2.7% gain in the fourth quarter, while the Strategy captured roughly half of that.
- On the plus side, consumer staples holdings such as Nestle, Coca-Cola and Unilever and a health care overweight shined as concerns of a tech bubble grew.
- On the downside, we are underweight Alphabet and Apple, two Magnificent Seven stocks that performed well, and overweight Oracle, which gave back some of its large gains from earlier in 2025. Increasing competitive dynamics in the wireless industry also weighed on T-Mobile.
- 2025 marked the third consecutive year of this AI-driven cycle. The market-cap-weighted S&P 500 Index rose 17.9% in the year, while the equal-weighted S&P 500 Index gained just 11.4%. The Magnificent Seven, this market's nucleus, rose 24.9% in 2025. Since ChatGPT launched three years ago, the cap-weighted S&P 500 has delivered nearly twice the gains of its equal weighted peer. The Magnificent Seven, meanwhile, has surged a staggering 332%.
- While performance comparisons will vary based on the time period, cap-weighted and equal-weighted indexes have produced similar returns over long periods of time.
- In 2025, and throughout the last three years, the ClearBridge Dividend Strategy has enjoyed healthy gains, in part due to its investments in AI participants like Alphabet, Broadcom, Meta Platforms, Microsoft and Oracle.
- We have not gained as much as the cap-weighted S&P 500, our benchmark, however, as we maintain diversification to prevent the portfolio from becoming overly concentrated.
- Market conditions in 2025 provided opportunities in companies we have long followed and admired such as: Automatic Data Processing (a fourth-quarter addition), Inditex, L3Harris, Marsh & McLennan, Old Dominion Freight Lines and TE Connectivity. We also took advantage of situations in select existing holdings to significantly increase our positions in Air Products, Exxon Mobil and Union Pacific. All represent high-quality franchises in attractive industries underwritten based on reasonable cash returns. It is an eclectic bunch, sourced from bottom-up analysis, not a trend-following, top-down approach.
- Given our approach to investing — conservative, diversified and risk-averse — AI is not central to our portfolio. Indeed, no one sector or trend will ever be central to the ClearBridge Dividend Strategy.
- In momentum-driven, concentrated markets, diversification inherently impacts relative performance comparisons. Of course, it also limits losses when that trade, inevitably, unwinds.

## Outlook

- We anticipate the AI debate will carry over in 2026 and we will continue to participate in AI in a measured and disciplined way. Yet, as other investors continue to myopically focus on AI, we expect to find additional idiosyncratic opportunities in overlooked corners of the market. We believe these seeds will bear fruit in the years to come. The Strategy, meanwhile, continues to trade at a significant discount to the broader market while exhibiting robust dividend growth on average. With market concentration and valuations at or near all-time highs, we remain committed to diversification and valuation discipline. These principles have served investors well in the past; we believe they will continue to serve us well in the years ahead.

## Morningstar Rating™

Overall Rating as of December 31, 2025



**(4-Star) Class A**

**(4-Star) Class I**

As of 12/31/2025 the fund's Class A and Class I shares received a 4 star overall Morningstar rating™, measuring risk-adjusted returns against 1059, 995 and 832 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 Securities (% of Total)

Holding	Fund
Microsoft Corp	4.19
Exxon Mobil Corp	3.89
Broadcom Inc.	3.83
Williams Cos Inc	3.31
Alphabet Inc. Class A	3.22
Nestle S.A. Sponsored ADR	2.89
Becton Dickinson & Co.	2.71
Texas Instruments Incorporated	2.64
JPMorgan Chase & Co.	2.54
Air Products and Chemicals, Inc.	2.44

Average annual total returns and fund expenses (%) - as of December 31, 2025

Class	CUSIP	Ticker	Without Sales Charge							With Maximum Sales Charge							Expenses		Sales Charges		Inception Date
			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	
Class A	52469H636	SOPAX	1.00	12.24	12.24	14.31	11.59	12.22	9.42	-4.55	6.05	6.05	12.17	10.28	11.56	9.22	1.00	1.00	5.50	—	11/6/1992
Class I	52469H594	SOPYX	1.05	12.54	12.54	14.62	11.90	12.55	9.33	1.05	12.54	12.54	14.62	11.90	12.55	9.33	0.73	0.73	—	—	2/7/1996
Benchmark	—	—	2.66	17.88	17.88	23.01	14.42	14.82	—	2.66	17.88	17.88	23.01	14.42	14.82	—	—	—	—	—	—

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

The **Magnificent Seven** stocks are Apple, Amazon, Alphabet, Meta Platforms, Microsoft, Nvidia, and Tesla.

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.

Important data provider notices and terms available at [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com). All data is subject to change.

Source: © 2025 S&P Dow Jones Indices LLC. All rights reserved.

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

**Morningstar Rating™:** Source: Morningstar®, 12/31/2025. 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. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

© Franklin Distributors, LLC. Member FINRA/SIPC.

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](http://www.franklintempleton.com). Please read it carefully.