

ClearBridge Dividend Strategy Fund

Class A: SOPAX Class I: SOPYX

Commentary | as of March 31, 2026

Key Takeaways

- **Markets:** With two radical developments unfolding in the last three months — the war in Iran and AI's accelerating displacement of software engineers and the software industry — the first quarter was truly a quarter where it felt like decades happened. Despite the significant turmoil, the ClearBridge Dividend Strategy outperformed, remaining largely flat gross of fees while the S&P 500 Index declined 4.3%.
- **Contributors:** Outperformance was driven primarily by stock selection in the health care and communication services sectors, overweights to energy, materials, consumer staples and real estate, and underweights to IT and consumer discretionary.
- **Detractors:** Stock selection in consumer staples, energy and real estate detracted.
- **Outlook:** Our diverse portfolio emphasizes high-quality companies with low risk of disintermediation supported by strong financial characteristics and reasonable valuations. We anticipate continued dividend growth, driving increased cash returns and providing a meaningful offset to inflation. Volatile times also contain a silver lining, offering us the opportunity to take advantage of dislocations to high-grade the portfolio. We believe we are well-positioned for the current environment.

Performance Review

- Tactically, we benefited from our significant underweight to information technology (IT, which declined 9.2% in the quarter) and our significant overweight to energy (which surged 38.2%). Strategically, we benefited from our commitment to broad diversification amid a market that has become massively concentrated.
- As users of Claude Code multiplied in the first quarter, the S&P 500 software sector declined 24% — a staggering amount for what appeared to be a fundamentally sound industry. We currently own just one software stock — Microsoft — and one stock — ADP — with a small, and we believe well-defended, software exposure.
- While AI unleashed volatility in the digital world, the war with Iran unleashed volatility in the physical world. Given our large investment in energy, the portfolio benefited from the resulting rise in oil prices.
- While we maintain a large overweight to energy, we have taken advantage of rising stock prices to exit two of our holdings, EQT and Enbridge. We have focused our energy investments in our highest-conviction ideas: Williams and ExxonMobil. EQT always represented more of a tactical investment in an improving U.S. natural gas market, rather than a long-term investment in a franchise energy company. We made substantial profits in EQT over a four-year holding period and have decided to move on.
- After a long and profitable investment in Enbridge, we sold the position to concentrate our pipeline investments in Williams, which possesses a superior balance sheet and growth outlook. Further, with the U.S. pursuing confrontational trade policies toward Canada, the risks to Canadian companies dependent upon exports to the U.S. are elevated. Our investment in Williams is predicated on growing North American natural gas production and surging power demand from data centers. Rising oil prices have little direct impact on the company and its business should continue chugging along, regardless of the outcome with Iran.
- ExxonMobil, however, as the largest private oil producer in the world, directly benefits from the events in the Persian Gulf. Higher oil prices could drive bumper earnings and cash flows, but that is not the only thing Exxon has going for it. Exxon's robust production growth from low-cost basins could propel volume increases and margin expansion through the end of the decade. We have modestly trimmed our position as the stock has soared, but we maintain a significant investment in the company.

Outlook

- While the U.S. is protected from the worst impacts of the energy disruption, higher prices are driving higher inflation. The longer these prices remain elevated, the more persistent and challenging the inflation and interest rate outlook will become. A slowing global economy combined with higher inflation and interest rates could present strong headwinds to markets in 2026. We continue to emphasize broad diversification and will exercise caution navigating the twin challenges of AI disruption and the war in Iran.
- Our diverse portfolio emphasizes high-quality companies with low risk of disintermediation supported by strong financial characteristics and reasonable valuations. We anticipate continued dividend growth, driving increased cash returns and providing a meaningful offset to inflation. Volatile times also contain a silver lining, offering us the opportunity to take advantage of dislocations to high-grade the portfolio. We believe we are well-positioned for the current environment.

Morningstar Rating™

Overall Rating as of March 31, 2026



(4-Star) Class A



(4-Star) Class I

As of 03/31/2026 the fund's Class I and Class A shares received a 4 star overall Morningstar rating™, measuring risk-adjusted returns against 1048, 983 and 823 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. The number of funds in the category for the Overall Rating are listed under the 3-year period.

Top Securities (% of Total)

Holding	Fund
Williams Cos Inc	4.66
Exxon Mobil Corp	3.80
Microsoft Corp	3.62
Texas Instruments Incorporated	2.97
Alphabet Inc. Class A	2.97
Nestle S.A. Sponsored ADR	2.91
Air Products and Chemicals, Inc.	2.88
Broadcom Inc.	2.87
Apollo Global Management Inc	2.69
Comcast Corp Class A	2.33

Average annual total returns and fund expenses (%) - as of March 31, 2026

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	-0.21	-0.21	10.74	13.76	10.44	11.62	9.34	-5.71	-5.71	4.65	11.63	9.14	10.96	9.14	1.00	1.00	5.50	—	11/6/1992
Class I	52469H594	SOPYX	-0.14	-0.14	11.02	14.06	10.74	11.94	9.24	-0.14	-0.14	11.02	14.06	10.74	11.94	9.24	0.73	0.73	—	—	2/7/1996
Benchmark	—	—	-4.33	-4.33	17.80	18.32	12.06	14.16	—	-4.33	-4.33	17.80	18.32	12.06	14.16	—	—	—	—	—	

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.

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. All data is subject to change.

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Morningstar Rating™: Source: Morningstar®, 03/31/2026. 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, 4 and 4 and fund's Class I shares received a Morningstar Rating of 3, 4 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.

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