

# Harmonizing values and returns

ClearBridge ESG Portfolios

**ClearBridge**  
Investments

March 2023 | Separately Managed Accounts (SMAs)



Our **Environmental, Social and Governance (ESG)** approach offers you the option of having your portfolios reflect your values. By applying ESG integration, active company engagement and shareholder advocacy to ClearBridge Investments' strategies, you can earn returns on your investments while helping to make the world a better place.<sup>1</sup>



<sup>1</sup> There is no guarantee that the Portfolios' objectives will be met.

All investments involve risk, including loss of principal. Equity securities are subject to price fluctuation and possible loss of principal.

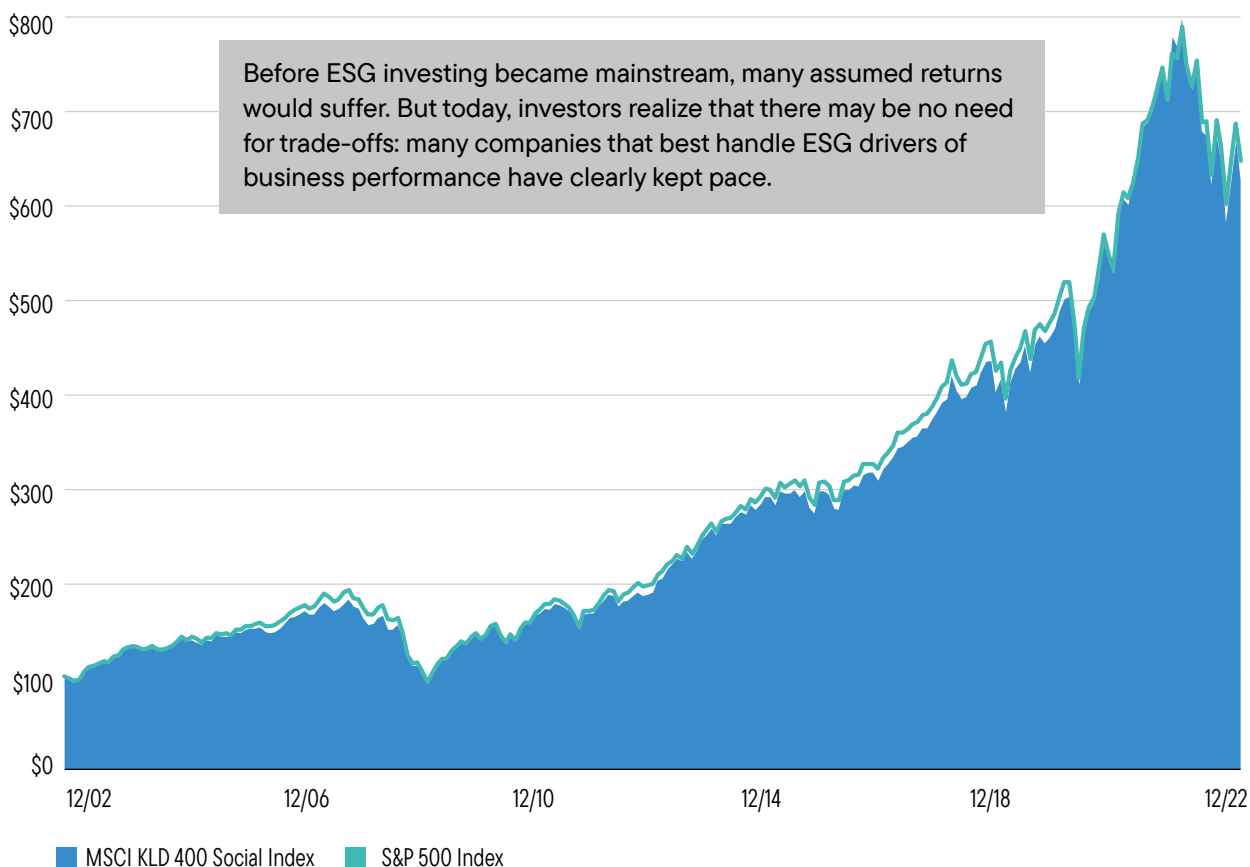
# Pursue financial return and social good

ClearBridge believes that investors shouldn't have to choose between their values and investment performance.

That's why ClearBridge's ESG approach favors companies that promote best practices when it comes to the environment, social issues and corporate governance. ClearBridge believes the ways in which companies integrate these issues into their operations can potentially impact competitive opportunities and growth potential — and ultimately drive stock prices.

## Investors concerned with ESG issues generally haven't sacrificed investment returns

Growth of \$100



Sources: MSCI. 2023, S&P Dow Jones Indices LLC. All rights reserved. Important data provider notices and terms available at [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com). **Past performance is no guarantee of future results.** All investments involve risk, including possible loss of principal. ESG stocks are represented by the MSCI KLD 400 Social Index, and the broad stock market is represented by the S&P 500 Index. Indexes are unmanaged, and not available for direct investment. Index returns do not include expenses or sales charges. This information is provided for illustrative purposes only. The **MSCI KLD 400 Social Index** comprises companies with high Environmental, Social and Governance (ESG) ratings and excludes companies involved in alcohol, gambling, tobacco, military weapons, civilian firearms, nuclear power, adult entertainment, and genetically modified organisms (GMO). The Index aims to serve as a benchmark for investors whose objectives include owning companies with very high ESG ratings and avoiding companies that are incompatible with specific values-based criteria. The **S&P 500 Index** is a capitalization-weighted, composite index of 500 stocks designed to measure the performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

**An Environmental, Social and Governance (ESG) investment strategy may limit the types and number of investment opportunities available to the portfolio and, as a result, may underperform strategies that are not subject to such criteria.**

# The ESG influence

ClearBridge takes a differentiated ESG approach than most of its peers. For instance, ClearBridge doesn't look solely at ESG factors to determine which companies go into the portfolio. Instead, ESG factors help shape conviction, influencing whether a particular company should be held, for how long and at what position size.

## ClearBridge's ESG strategies include the following portfolios, managed by their existing portfolio teams:

All Cap Growth	International Growth ADR	Multi Cap Growth
All Cap Value	International Value ADR	Sustainability Leaders
Appreciation	Large Cap Growth	
Dividend Strategy	Large Cap Value	

## Environmental, social and governance factors



### Environment, health & safety

Includes regulatory compliance, occupational/workplace safety, environmental footprint, eco-efficiency, product safety, pollution prevention and life-cycle analysis.



### Workplace

Covers workforce diversity, work/life balance, employee retention and training, employee benefits and compensation, labor relations, outsourcing and foreign sourcing.



### Community

Consists of human rights responsiveness, license to operate, impact to community, volunteerism, mission-related philanthropy and public policy engagement.



### Corporate governance

Considers such issues as management structure, board composition guidelines, transparency and disclosure.

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 Portfolios' performance.

# The ClearBridge ESG difference

ClearBridge Investments is a pioneer in ESG investing. Having established an ESG approach in 1987, the firm was among the first – and largest – mainstream investment managers to commit to ESG investing.

**When it comes to ESG investing, ClearBridge is structured to make a difference on your behalf.**

- Analyst-driven, ESG-focused meetings directly with portfolio companies
- ESG principles integrated firm-wide, not just within an ESG investment team
- Active participation in prominent ESG member networks, such as the Principles for Responsible Investment (PRI)<sup>2</sup> and the Forum for Sustainable and Responsible Investment<sup>3</sup>

**ClearBridge takes a broad view of ESG investing. Here's what we think sets it apart:**



## **Company engagement**

Advocacy via active proxy voting and engagement with company management. As high-conviction investors who own companies for the long haul, ClearBridge is positioned to try to guide and influence company management on issues related to ESG.



## **Proprietary rating system**

Every company within the ClearBridge research universe receives a rating intended to signal to investment teams how well a company has executed against ESG practices. ClearBridge analysts assign companies one of four proprietary ESG ratings, ranging from AAA (highest) to B (lowest), based on company performance/behavior and a comparison with industry peers.



## **Fully integrated process**

ESG evaluation is not a separate process at ClearBridge. In fact, their fundamental research process incorporates ESG perspectives that go well beyond traditional passive negative screens and overlays.

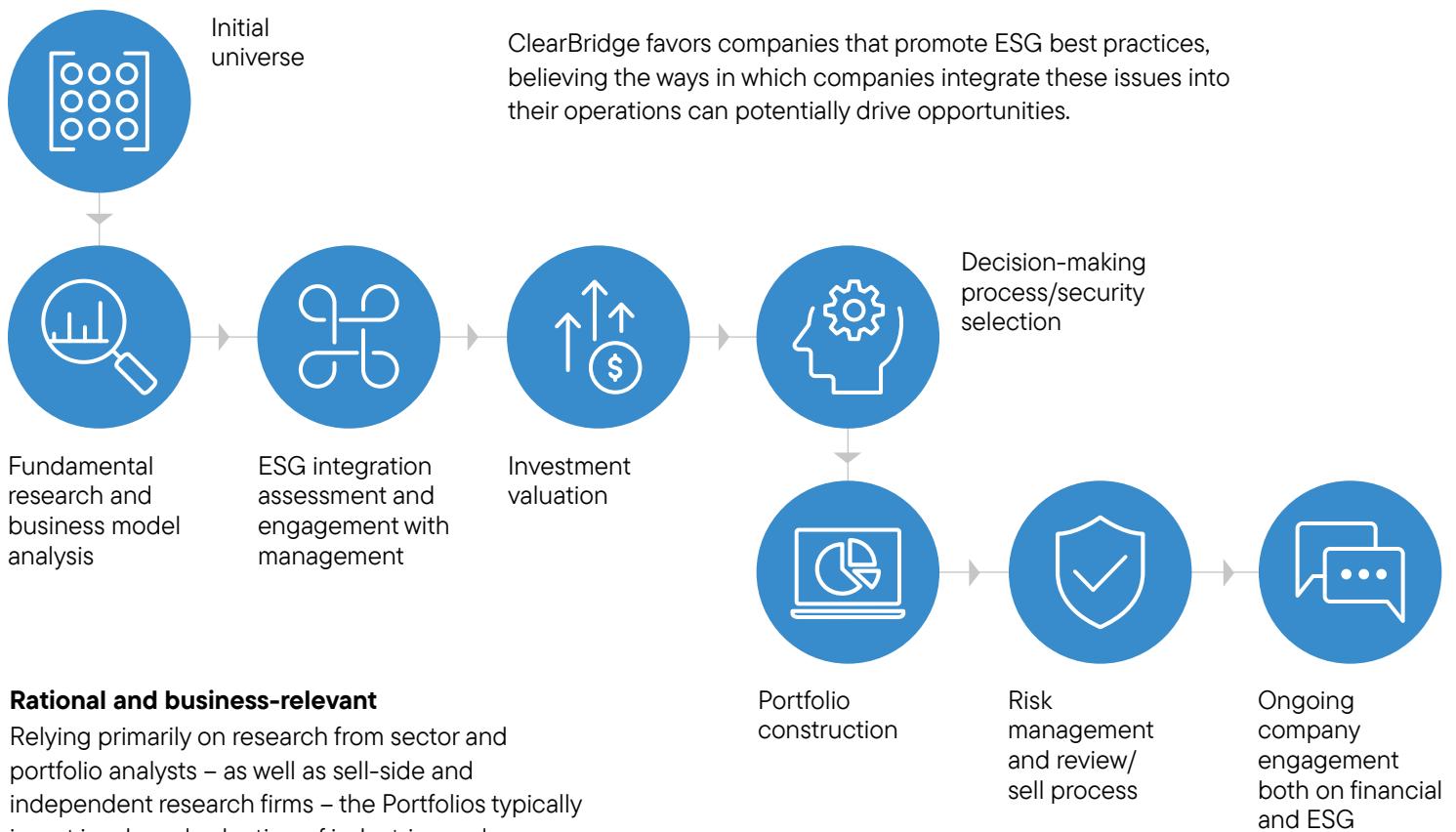
2. Principles for Responsible Investment (PRI) is an investor initiative in partnership with the UNEP Finance Initiative and the UN Global Compact. The Principles provide a voluntary framework for investment professionals who commit to integrate environmental, social and governance (ESG) factors into their investment analysis and decision-making practices.

3. Forum for Sustainable and Responsible Investment is the leading voice advancing sustainable investing across all asset classes.

# More than an afterthought

Rather than select stocks purely on ESG characteristics, the Portfolios put the investment thesis first. Using integrated ESG research – as opposed to relying on third-party lists – the Portfolios look well beyond winnowing the stock universe.

## ClearBridge’s proprietary ESG evaluation process is integrated into the stock selection for each style



### Rational and business-relevant

Relying primarily on research from sector and portfolio analysts – as well as sell-side and independent research firms – the Portfolios typically invest in a broad selection of industries and engage in active proxy voting.

For the purpose of describing the investment process. There can be no assurance of the success of the process or that integrating ESG considerations will result in better performance being achieved.

# Sustainable investment solutions

Whether investors are looking for income potential, risk management or high active share, ClearBridge’s ESG approach has a strategy that fits the bill. Plus, investors can customize their portfolios based on specific guidelines.

**“Through our ESG approach, we are able to represent a large group of investors who take the environment, human factors and governance very seriously.”**

**Mary Jane McQuillen**  
Managing Director, Portfolio Manager,  
Head of ESG

		<b>Primary Objective:</b>	<b>Designed for Investors Seeking:</b>
<b>High Active Share</b>	<b>All Cap Value<sup>4</sup></b>	Focuses on large-, medium- and small-cap stocks whose prices appear attractive in relation to their underlying fundamentals.	A core value portfolio, with the ability to invest in all market capitalizations.
	<b>All Cap Growth</b>	Targets a diversified portfolio of large-, medium- and small-cap stocks with above average long-term growth potential.	A strategy that taps into the insights of four seasoned portfolio managers to actively pursue growth across market capitalizations.
	<b>Large Cap Growth<sup>4</sup></b>	Seeks high-quality, large-cap stocks that provide potential for solid long-term performance.	A distinctive, style-pure growth strategy that uses fundamental research to invest in industry leaders.
	<b>Multi Cap Growth</b>	Uses a concentrated approach to invest in growth stocks with the potential for above average long-term earnings and/or cash flow growth.	A concentrated, benchmark-agnostic approach to complement core or passive equity strategies.
	<b>International Growth ADR</b>	Invests in ADRs of well-managed businesses whose intrinsic value does not appear to be recognized by the markets.	Core exposure to international developed markets, with low turnover.
	<b>International Value ADR</b>	Invests in ADRs of quality international companies that we believe are mispriced relative to their dynamic intrinsic value.	Diversification among developed and emerging markets across all market sectors and capitalizations.
	<b>Sustainability Leaders</b>	Seeks long-term growth of capital by seeking to invest in high-quality companies with attractive sustainability profiles.	To pursue financial return while seeking to make a positive impact on the world.
<b>Income Solutions</b>	<b>Dividend Strategy</b>	Invests primarily in dividend-paying stocks that offer the potential for income growth and capital appreciation over time.	A portfolio whose income may rise over time as companies raise dividends, which may help investors meet long-term financial goals.
<b>Low Volatility</b>	<b>Appreciation</b>	Invests in a diversified portfolio of growth and value stocks, mainly consisting of large-cap, blue-chip companies.	The potential for long-term growth of capital, without assuming unnecessary risk.
	<b>Large Cap Value<sup>4</sup></b>	Seeks large-cap stocks whose market prices are attractive in relation to their underlying fundamentals.	For investors pursuing high-quality large-cap companies trading at attractive valuations.

4. Also available as Catholic Portfolios that incorporate considerations in line with investment guidelines of the United States Conference of Catholic Bishops (USCCB).

# Objectives consistent with beliefs



## Growing momentum

Business issues not traditionally included in the analysis of an investment portfolio are generally becoming more important value-producing elements for successful investing.



## Interconnected goals

ESG investing allows investors seek to achieve their objectives in a way that is consistent with their beliefs and values.



## ESG innovators

ClearBridge Investments is among the leading – and most experienced – ESG investment managers, with an ESG program that goes back over 35 years.

## ClearBridge Investments

- A well-established global investment manager focusing on proprietary research and fundamental investing
- 60 years of experience building portfolios for clients seeking income solutions, high active share or low volatility
- Long-tenured portfolio managers provide strong leadership in a centralized investment structure

**“At ClearBridge, ESG investing is much more than something we do. It’s something we believe in.”**



**Mary Jane McQuillen**  
Managing Director, Portfolio Manager,  
Head of ESG

**25+**  
years of experience

To learn more about how good intentions can yield good results, visit [franklintempleton.com](https://www.franklintempleton.com)

## WHAT SHOULD I KNOW BEFORE INVESTING?

**All investments involve risk, including loss of principal, and there is no guarantee that investment objectives will be met.**

The managers' **environmental, social and governance (ESG)** investment strategies may limit the types and number of investment opportunities available and, as a result, may underperform strategies that are not subject to such criteria. The manager's portfolio selection strategy is not solely based on ESG considerations, and therefore the issuers in which the Fund invests may not be considered ESG-focused companies. Integrating ESG considerations into the investment process is not a guarantee that better performance will be achieved.

Impact investing and/or **environmental, social and governance (ESG)** managers may take into consideration factors beyond traditional financial information to select securities, which could result in relative investment performance deviating from other strategies or broad market benchmarks, depending on whether such sectors or investments are in or out of favor in the market. Further, ESG strategies may rely on certain values-based criteria to eliminate exposures found in similar strategies or broad market benchmarks, which could also result in relative investment performance deviating.

In addition to investments in large-capitalization companies, investments may be made in speculative and/or small-cap and mid-cap companies, which involve a higher degree of risk and volatility than investments in larger, more established companies. The investments may be concentrated in a limited number of industries and issuers.

The managers may sometimes hold significant portions of portfolio assets in cash equivalents while waiting for buying opportunities.

Limited investments also may be made in non-dividend-paying stocks that are not expected to pay a dividend in the near future.

Certain limits on the amount of investment in any one company may cause individual investment portfolios to vary from each other and thus the performance results of such portfolios may also vary from each other, particularly when combined with the price volatility of stocks in such portfolios. The managers may sometimes hold significant portions of portfolio assets in cash equivalents while waiting for buying opportunities.

The managers may invest the portfolios primarily in ADRs, but may also make limited investments in U.S.-traded stocks of non-U.S. and U.S. companies engaged in significant non-U.S. business. These limited investments may include U.S.-traded stocks that result from the conversion of ADRs, as well as other U.S.-traded stocks.

While most investments are in U.S. companies, investments may also be made in ADRs and other securities of non-U.S. companies in developed and emerging markets which involve risks in addition to those ordinarily associated with investing in domestic securities, including the potentially negative effects of currency fluctuation, political and economic developments, foreign taxation and differences in auditing and other financial standards. These risks are magnified in emerging markets.

ADRs are U.S. traded securities that represent shares of a foreign-based corporation held by a custodian and they entitle the shareholder to all dividends, net of any applicable local withholding taxes, and capital gains that would be paid on the company's ordinary shares.

Diversification does not assure a profit or protect against market loss.

Any information, statement or opinion set forth herein is general in nature, is not directed to or based on the financial situation or needs of any particular investor, and does not constitute, and should not be construed as, investment advice, forecast of future events, a guarantee of future results, or a recommendation with respect to any particular security or investment strategy or type of retirement account. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies should consult their financial professional.

Clients can also request customized screens to meet the needs of specific religious faiths or to address a client's sensitivity in a particular issue area, such as animal experimentation. All custom screens are subject to pre-approval by the portfolio manager.

Separately Managed Accounts (SMAs) are investment services provided by Franklin Templeton Private Portfolio Group, LLC (FTPPG), a federally registered investment advisor. Client portfolios are managed based on investment instructions or advice provided by one or more of the following Franklin Templeton affiliated sub-advisors: ClearBridge Investments. Management is implemented by FTPPG, the designated sub-advisor or, in the case of certain programs, the program sponsor or its designee.

On December 1, 2022, LMPPG changed its name to Franklin Templeton Private Portfolio Group, LLC (FTPPG).



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