FRANKLIN TEMPLETON | ClearBridge

ClearBridge Dividend Strategy Portfolios

Commentary | as of June 30, 2026

Key Takeaways

- **Markets:** After a challenging first quarter that saw the S&P 500 Index decline 4.3%, markets rebounded sharply in the second quarter. The S&P 500 climbed 15.2%, driven by a surge in information technology (IT) stocks, particularly semiconductor stocks, which soared 44.0%.
- **Contributors:** Stock selection in energy, consumer staples and materials along with an underweight to consumer discretionary proved beneficial.
- **Detractors:** An underweight to IT and overweights to energy, materials, consumer staples and financials detracted; stock selection in industrials, IT and communication services also weighed on relative results. Our underweight to Micron and a select group of other non-dividend-paying data center plays, like Advanced Micro Devices, Intel and SanDisk, were the largest drivers of our relative underperformance.
- **Outlook:** We have measured investments in several of the companies at the heart of the AI ecosystem, but we are also focused on finding overlooked gems in other corners of the market. In a world where change is increasingly constant, our steadfast approach to diversified portfolio management should serve us well.

Top Equity Issuers (% of Total)

Holding	Portfolio
Williams Cos Inc/The	4.46
ExxonMobil Holdings Corp	3.95
Microsoft Corp	3.43
Alphabet Inc	3.39
NVIDIA Corp	2.86
Nestle SA	2.79
Air Products and Chemicals Inc	2.70
Apollo Global Management Inc	2.69
Unilever PLC	2.57
Marsh & McLennan Cos Inc	2.51

Performance Review

- Semiconductor memory stocks were the standout performers. Shares of Micron, the largest producer of storage chips, skyrocketed 240%, adding over $900 billion of market cap—more than the entire market capitalization of Exxon Mobil, Johnson & Johnson or JPMorgan Chase. Our underweight to Micron and a select group of other non-dividend-paying data center plays, like Advanced Micro Devices, Intel and SanDisk, were the largest drivers of our relative underperformance. We previously owned Intel but sold it in 2024 when the company eliminated its dividend.
- While the market's leading contributors were concentrated in IT, our top contributors were diffuse. Shares of CVS Health rose as earnings recovered significantly in its health insurance segment. Public Storage shares ascended as rental trends bottomed and the company announced a compelling acquisition of National Storage. MetLife's stock gained due, in part, to improved variable investment income.
- Our underweight to IT reflects a long-standing emphasis on broad-based diversification. We have rarely had more than 20% in one sector, whereas IT currently represents 38% of the S&P 500 — the highest a single sector has ever represented in the composite. Healthy markets are typified by broad stock participation, whereas recent gains have been very narrow.
- We currently have about 9% of the portfolio in semiconductor-related stocks. We believe this gives us enough exposure to benefit from the wonderful growth that chip stocks enjoy without overly exposing the portfolio to a highly volatile sector currently trading at cyclical highs. During the quarter, we initiated a meaningful position in NVIDIA, after the company announced a 25-fold increase in its dividend, taking its yield from almost zero to 0.5%.
- We also increased our exposure to Taiwan Semiconductor, which, as the largest producer of computer chips in the world, should prosper regardless of whose chips are used for AI computing.
- We funded these purchases, in part, through pruning Broadcom and Texas Instruments, both of whose stocks soared during the quarter and were strong contributors. By remixing our semiconductor holdings, we gained exposure to GPUs and cutting-edge production, while limiting our overall exposure and reducing positions in equities that have been substantially revalued higher.

Outlook

- The case for the ClearBridge Dividend Strategy is as strong as ever. Our portfolio delivers an attractive upfront yield, robust dividend growth and conservative risk management. With record market concentration despite uncertainty introduced by profound technological change, diversification is paramount. We have measured investments in several of the companies at the heart of the AI ecosystem, but we are also focused on finding overlooked gems in other corners of the market. We believe the seeds we are planting today will bear fruit that we will be harvesting for years to come. In a world where change is increasingly constant, our steadfast approach to diversified portfolio management should serve us well.

Not FDIC Insured | No Bank Guarantee | May Lose Value

Average annual total returns (%) - as of June 30, 2026

Composite	3-Mo*	6-Mo*	YTD*	1-Yr	3-Yr	5-Yr	10-Yr	15-Yr	20-Yr	25-Yr	Inception	Inception Date
Net of Fees	5.86	5.15	5.15	10.73	10.93	7.83	9.03	9.10	7.46	—	7.22	5/31/2003
Pure Gross of Fees	6.63	6.70	6.70	14.03	14.23	11.05	12.28	12.36	10.66	—	10.42	5/31/2003
Benchmark	15.20	10.21	10.21	22.32	20.61	13.41	15.51	14.36	11.39	—	11.39	—

*Cumulative total returns

Benchmark(s)

Benchmark =S&P 500 Index

The strategy returns shown are preliminary composite returns, subject to future revision (downward or upward).

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Fees: Periods less than one year are not annualized. Performance results are for the composite which includes all actual, fully discretionary accounts with substantially similar investment policies and objectives managed to the composite's investment strategy. Composite returns are stated in U.S. dollars and assume reinvestment of any dividends, interest income, capital gains, or other earnings. The composite may include account(s) that are gross of fees and pure gross of fees. "Pure" gross-of-fee returns do not reflect the deduction of any expenses, including transaction costs. A traditional (or "true") gross-of-fee return reflects performance after the reduction of transaction costs but before the reduction of the investment advisory fee. The gross-of-fee return may include a blend of "true" gross-of-fee returns for non-wrap accounts and "pure" gross-of-fee returns for wrap accounts. Net-of-fee returns is reduced by a model "wrap fee" (3.0% is the maximum anticipated wrap fee for equity and balanced portfolios) which includes trading expenses as well as investment management, administrative and custodial fees. The model wrap fee used represents the highest anticipated wrap fee applicable to the strategy. Actual fees and account minimums may vary.
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What are the Risks?

All investments involve risks, including possible loss of principal. Small- and mid-cap stocks involve greater risks and volatility than large-cap stocks. **Dividends** may fluctuate and are not guaranteed, and a company may reduce or eliminate its dividend at any time. **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**.

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The **S&P 500 Index** features 500 leading U.S. publicly traded companies, with a primary emphasis on market capitalization.

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