FRANKLIN TEMPLETON | ClearBridge

ClearBridge Dividend Strategy Portfolios

Commentary | as of September 30, 2026

Key Takeaways

- **Markets:** During the third quarter, the S&P 500 Index rose 2.3% while shares of the ClearBridge Dividend Strategy increased modestly. The Strategy rose strongly in the first two months of the period, outperforming the index, but retraced those gains in September. AI developments continued to drive the markets, and the information technology (IT) sector was the largest contributor to the S&P 500's return for the quarter. Superficially, this resembled most recent quarters, with a one-dimensional market dominated by AI. Beneath the surface, however, turbulence increased.
- **Contributors:** On an individual stock basis, the largest contributors to relative returns were ExxonMobil, Becton Dickinson, Automatic Data Processing and not owning Tesla and Applied Materials. Stock selection in industrials, IT and financials, an overweight to energy and an underweight to consumer discretionary contributed to performance.
- **Detractors:** The largest detractors were Honeywell Aerospace, Williams and Nestle and underweights to Apple and Nvidia. Stock selection in energy, health care and materials, an underweight to IT and overweights to industrials and real estate weighed on results.
- **Outlook:** Against a backdrop of rising rates, greater market volatility and intensifying competition around AI, we are maintaining measured exposure to AI leaders while emphasizing diversified, attractively priced companies with strong balance sheets, healthy dividends and predictable revenue streams.

Top Equity Issuers (% of Total)

Holding	Portfolio
Microsoft Corp	4.70
ExxonMobil Holdings Corp	4.36
Williams Cos Inc/The	4.06
Alphabet Inc	3.26
NVIDIA Corp	3.25
Apollo Global Management Inc	2.63
Unilever PLC	2.59
Marsh & McLennan Cos Inc	2.57
Air Products and Chemicals Inc	2.56
American Tower Corp	2.52

Performance Review

- The portfolio underperformed the S&P 500 Index during the third quarter. Its underweight to IT was the principal relative headwind, and measured positions in Apple, Nvidia and Microsoft detracted, although not owning several high-beta beneficiaries of the AI infrastructure buildout helped as those stocks sold off.
- The energy overweight contributed, but stock selection detracted as Williams declined while investors awaited additional data center projects. ExxonMobil benefited from higher oil prices. In health care, Becton Dickinson rose as the sector rebounded from depressed valuations, while CVS Health weakened despite strong results and increased 2026 guidance.
- In industrials, Honeywell Aerospace detracted after reporting lower adjusted earnings and separation-related costs and reducing its full-year sales and adjusted earnings outlook amid supply-chain constraints. Automatic Data Processing contributed on solid revenue and adjusted earnings growth, strong retention, pricing and new-business bookings.
- We bought Kinder Morgan, a high-quality energy infrastructure company with recurring contracted revenues and a solid growth outlook tied to natural gas demand. We exited RTX and Honeywell International after strong performance, and also exited Roche and PG&E.

Outlook

- In a world undergoing profound technological innovation, we emphasize companies with low risk of disintermediation. Our holdings have strong balance sheets, healthy dividends and predictable revenue streams, making them more defensive in periods of economic uncertainty. Our companies are positioned to compound earnings and dividends, which may insulate portfolios from inflation and protect purchasing power.
- Given the current combination of market concentration and profound technological change, we believe a traditional approach to diversification is more important than ever and the Strategy is well-positioned to navigate today's turbulent waters.

Not FDIC Insured | No Bank Guarantee | May Lose Value

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

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	-0.54	5.29	4.58	5.06	12.56	7.68	8.86	9.77	7.18	—	7.11	5/31/2003
Pure Gross of Fees	0.20	6.84	6.91	8.20	15.91	10.89	12.10	13.04	10.38	—	10.31	5/31/2003
Benchmark	2.30	17.85	12.75	15.74	22.89	13.79	15.33	15.68	11.21	—	11.37	—

*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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Past performance is not a guarantee of future results. An investment in this strategy can lose value. Please visit www.franklintempleton.com for the latest performance figures. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

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.
For fee schedules, contact your financial professional, or if you enter into an agreement directly with Franklin Templeton Private Portfolio Group, LLC ("FTPPG"), refer to FTPPG's Form ADV Part 2A disclosure document. Management and performance of individual accounts may vary for reasons that include the existence of different implementation practices and model requirements in different investment programs.

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**.

Important Information

The information provided is not a complete analysis of every material fact regarding any country, market, industry, security or portfolio. 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 portfolio's selection process. Holdings are subject to change.

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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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