

ClearBridge Dividend Strategy Portfolios

Commentary | as of June 30, 2025

Key Takeaways

- **Markets:** Despite trade wars, battlefield wars in Ukraine and the Middle East, declining earnings estimates and a deteriorating fiscal outlook, the S&P 500 Index rose 10.9% in the second quarter and is up 6.2% at the year's halfway mark.
- **Contributors:** Stock selection in the energy and IT sectors was positive.
- **Detractors:** An underweight to IT and an overweight to energy, as well as stock selection in the communication services, health care and industrials sectors weighed on relative results.
- **Outlook:** It seems to us that risks abound, yet asset prices do not reflect this. We continue to emphasize a diversified portfolio of high-quality companies compounding their dividends at attractive returns.

Performance Review

- Despite trade wars, battlefield wars in Ukraine and the Middle East, declining earnings estimates and a deteriorating fiscal outlook, the S&P 500 Index is up 6.2% at the year's halfway mark. Growth trounced value in the second quarter, led by Nvidia, which surged over 40%. The ClearBridge Dividend Strategy, with its emphasis on quality, risk management and a disciplined approach to valuation, lagged in this momentum-driven tape.
- An overweight to energy and underweight to IT were the largest detractors in terms of sector attribution. Within these sectors positioning in natural gas-focused Enbridge, EQT and Williams (in energy) was positive, while in IT an underweight to the underperforming Apple contributed positively along with active positions in Oracle and Broadcom.
- Oracle beat estimates in its latest earnings report and raised its guidance, citing sizable acceleration in its cloud infrastructure revenues and growth expected to exceed that of hyperscaler peers.
- Renewed enthusiasm for AI buildouts has benefited Broadcom tremendously as its custom-designed chips have continued to gain broader adoption with hyperscalers as an alternative to Nvidia's dominant graphics processing units in AI applications. Broadcom shares also rallied with the reduction of retaliatory tariffs between the U.S. and China, which had weighed on semiconductor manufacturers.
- Medical devices, laboratory equipment and diagnostic products maker Becton Dickinson reported marginally slower than expected organic sales growth across its portfolio, in part driven by headwinds from its China operations and by a lower global research funding environment for its biosciences division; a slight reduction in expected earnings resulted in a dramatic multiple contraction.
- UnitedHealth Group saw a renewed selloff in May following a first-quarter earnings miss and guidance reduction as the company announced even further elevated cost pressure and the exit of the managed care company's CEO Andrew Witty.

Outlook

- It seems to us that risks abound, yet asset prices do not reflect this. We continue to emphasize a diversified portfolio of high-quality companies compounding their dividends at attractive returns. Touting diversification may sound trite, but in today's market it is no small feat. While the market has become incredibly concentrated, we have maintained a more traditionally diversified portfolio. Over the last eight years our average portfolio company has grown its dividend by 7%, well in excess of inflation, and we see no reason that cannot continue. As inflation expectations become more entrenched and stagflation becomes a concern, dividend growth will become increasingly critical. Dividends act as an anchor to windward, help manage our portfolio during bouts of volatility. With elevated uncertainty likely an enduring feature of the current era, the course we chart should serve us well.

Top Equity Issuers (% of Total)

Holding	Portfolio
Microsoft Corp	4.26
Exxon Mobil Corp	3.59
Broadcom Inc	3.47
Enbridge Inc	3.27
Sempra	3.14
Nestle SA	3.07
Becton Dickinson & Co	2.85
Comcast Corp	2.81
Williams Cos Inc/The	2.77
Travelers Cos Inc/The	2.54

Sector Allocation (% of Total)

Sector	Portfolio
Information Technology	13.98
Financials	13.78
Health Care	11.47
Energy	10.70
Communication Services	10.02
Consumer Staples	9.40
Industrials	8.54
Materials	5.69
Other	13.05
Cash & Cash Equivalents	3.36

Average annual total returns (%) - as of June 30, 2025-PRELIMINARY

Product	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	3.75	4.53	4.53	13.21	11.93	12.61	9.67	10.94	8.24	—	8.08	5/31/2003
Pure Gross of Fees	4.26	5.57	5.57	15.47	14.17	14.86	11.87	13.16	10.42	—	10.25	5/31/2003
Benchmark	10.94	6.20	6.20	15.16	19.71	16.64	13.65	14.86	10.73	—	10.92	—

*Cumulative total returns

Benchmark(s)

Benchmark =S&P 500 Index

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.

ClearBridge Investments, LLC claims compliance with the Global Investment Performance Standards (GIPS®). GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. To obtain specific information on available products and services or a GIPS Report, contact your Franklin Templeton separately managed account sales team at (800) DIAL BEN/342-5236.

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**.

Glossary

Stagflation is a seemingly contradictory condition described by slow economic growth and relatively high unemployment, or economic stagnation, which is at the same time accompanied by rising prices (i.e. inflation).

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.

These materials are being provided for illustrative and informational purposes only. The information contained herein is obtained from multiple sources that are believed to be reliable. However, such information has not been verified, and may be different from the information included in documents and materials created by the sponsor firm in whose investment program a client participates. Some sponsor firms may require that these materials be preceded or accompanied by investment profiles or other documents or materials prepared by such sponsor firms, which will be provided upon a client's request. For additional information, documents and/or materials, please speak to your Financial Professional or contact your sponsor firm.

Franklin Templeton (FT) is not undertaking to provide impartial advice. Nothing herein is intended to provide fiduciary advice. FT has a financial interest.

The **S&P 500 Index** features 500 leading U.S. publicly traded companies, with a primary emphasis on market capitalization. Source: © S&P Dow Jones Indices LLC. All rights reserved.

Important data provider notices and terms available at www.franklintempletondatasources.com. All data is subject to change.

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, LLC. Management is implemented by FTPPG, the designated sub-advisor or, in the case of certain programs, the program sponsor or its designee.

ClearBridge Investments, LLC is a Franklin Templeton affiliated company.

© Franklin Templeton. All rights reserved.

This material is intended for informational purposes only, and it is not intended to be relied on to make any investment decision. Franklin Templeton, LLC, is not affiliated with Primerica or PFS Investments, Inc.