



ClearBridge Dividend Strategy ESG  
Portfolios

Separately Managed Accounts

March 31, 2025

Product Commentary

Performance Review

- The S&P 500 Index declined 4.3% in the first quarter due to two distinct factors. First, after two years of AI-driven outperformance, the Magnificent Seven<sup>1</sup> broadly underperformed. Wall Street continues to digest the implications of DeepSeek and investors are grappling with what the future will look like in a quickly evolving industry. So, despite continued impressive revenue growth of the Magnificent Seven, investors have become increasingly cautious about the enormity of future success already discounted in their stock prices. Beyond this correction, the market also reeled from the unpredictable developments in U.S. government policy. While investors were prepared for escalating tariffs, the speed and magnitude caught the markets off guard.

QUARTERLY KEY PERFORMANCE DRIVERS<sup>2</sup>

	Stocks	Sectors
HELPED	Nestle S.A. Sponsored Adr.	Information Technology (Underweight)
	T-Mobile Us, Inc..	Consumer Staples (Stock Selection and Overweight)
	Williams Companies, Inc.	Consumer Discretionary (Underweight and Stock Selection)
HURT	Broadcom Inc.	Utilities (Stock Selection)
	Sempra	Financials (Stock Selection)
	Microsoft Corporation	—

- Strategy outperformance (gross and net of fees) stemmed from several factors. First, we are significantly underweight information technology (IT) and consumer discretionary companies. Over the last few years, we have reduced exposure in IT due to concerns about elevated valuations and market concentration. Our underweight to consumer discretionary is more structural, as we prefer to own companies whose products are not viewed by their customers as being “discretionary.”
- Our large overweight to energy and superior stock selection in consumer staples, where Nestle and Coca-Cola performed well, also helped.
- Meanwhile, our California utilities Sempra and Edison International were down as wildfires in the state heightened investor concerns over the health of the state’s utility-backed wildfire fund.
- Financials holding Apollo Global Management also traded down after a strong run in the second half of 2024 as alternative asset managers saw some weakness in the quarter as economic growth expectations were lowered.

Outlook & Strategy

- Our outlook for the economy and the markets have grown more cautious. It will be a bumpy multiyear process to re-order the system of global trade, commerce and security. While there may be long-term benefits to the U.S. (or some groups within the U.S.), in the short term it unavoidably introduces headwinds. It is a bit of a one-two punch for stocks. Tariffs and trade wars lower earnings due to reduced sales and higher costs.
- We are well-positioned for the current environment, however. Over the last several years, as the market soared, we redoubled our emphasis on valuation. We reduced our exposure to higher-multiple stocks we viewed most at risk of multiple compression and redeployed those monies into more conservatively priced securities in stable sectors like consumer staples, health care and utilities. While we suspect markets will continue to remain choppy, we are confident in our companies’ ability to profitably navigate the turbulence and deliver continued, robust dividend growth.

Product Details<sup>3</sup>

Inception Date	02/28/2013
Benchmark	S&P 500 Index

1. The **Magnificent Seven** stocks are Apple, Amazon, Alphabet, Meta Platforms, Microsoft, Nvidia, and Tesla.

2. The portfolio characteristics and sector attribution are based on a model portfolio, not an actual client account. The model portfolio is a hypothetical portfolio whereby the portfolio characteristics and sector attribution are based on simulated trading and account activity of a client account invested in this strategy and assumes no withdrawals, contributions or client-imposed restrictions. Characteristics and sector attributions of individual client accounts may differ from those of the model portfolio as a result of account size, client-imposed restrictions, the timing of client investments, market conditions, contributions, withdrawals and other factors. This information does not constitute, and should not be construed as, investment advice or recommendations with respect to the sectors and securities listed, and it should not be used as the sole basis for any investment decision.

3. Information is based on ClearBridge Dividend Strategy ESG Portfolios. A composite is an aggregation of one or more portfolios into a single group that represents a particular investment objective or strategy.

## Performance Data

### Average Annual Total Returns (USD %)

	3 Mths	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (02/28/2013)
ClearBridge Dividend Strategy ESG Portfolios - Pure GROSS	1.09	1.09	10.99	8.84	16.68	10.93	11.64
ClearBridge Dividend Strategy ESG Portfolios - NET	0.34	0.34	7.77	5.68	13.31	7.71	8.41
S&P 500 Index	-4.27	-4.27	8.25	9.06	18.59	12.50	13.52

### Calendar Year Returns (USD %)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
ClearBridge Dividend Strategy ESG Portfolios - Pure GROSS	17.22	15.87	-8.41	22.95	11.03	30.04	-4.00	18.27	14.41	-4.00
ClearBridge Dividend Strategy ESG Portfolios - NET	13.84	12.53	-11.11	19.42	7.81	26.32	-6.81	14.87	11.10	-6.82
S&P 500 Index	25.02	26.29	-18.11	28.71	18.40	31.49	-4.38	21.83	11.96	1.38

**The strategy returns shown are preliminary composite returns, subject to future revision (downward or upward). Please visit [www.franklintempleton.com](http://www.franklintempleton.com) for the latest performance figures. Past performance is not a guarantee of future results. An investment in this strategy can lose value.**

Performance data represents past performance, which does not guarantee future results. Current performance may be lower or higher than the performance data quoted. Investment return and principal value will fluctuate with market conditions, and you may have a gain or loss when you sell your shares. 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.

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.

## Investment Team

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Years Experience 27

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