FRANKLIN TEMPLETON | ClearBridge

ClearBridge Dividend Strategy ESG Portfolios

Commentary | as of September 30, 2026

Key Takeaways

- **Markets:** AI developments continued to drive markets in the third quarter, with the S&P 500 Index returning 2.3% and the information technology (IT) sector the largest contributor. 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 Becton Dickinson, Automatic Data Processing and not owning Tesla, Applied Materials and KLA. On a relative basis, stock selection in IT and financials as well as a consumer discretionary underweight and an energy overweight contributed to performance.
- **Detractors:** The largest detractors were Honeywell Aerospace, Williams, underweights to Apple and Nvidia and not owning Meta Platforms. Conversely, stock selection in energy, health care, communication services, materials and utilities detracted from performance. An IT underweight also detracted.
- **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.

Performance Review

- Our underweight to IT was the principal allocation headwind, and stock selection in energy, health care, communication services, materials and utilities also detracted. Positive stock selection in IT and financials, an overweight to energy and an underweight to consumer discretionary partly offset those pressures.
- Honeywell Aerospace reported lower adjusted earnings and separation-related costs in its first results as an independent business and reduced its full-year sales and adjusted earnings outlook amid supply-chain constraints, which the team views as temporary. Williams declined modestly as investors awaited additional data-center projects, while measured positions in Apple and Nvidia limited participation in the continued strength of AI leaders.
- Becton Dickinson advanced as health care rebounded from depressed valuations amid a rotation away from crowded AI positions. ADP continued to execute well, supported by solid revenue and adjusted earnings growth, strong client retention, pricing and new-business bookings. Margin expansion and a supportive fiscal 2027 outlook reinforced confidence in continued earnings growth.
- We continue to maintain measured exposure to AI leaders while finding compelling opportunities in overlooked areas. During the quarter, we added to Otis, T-Mobile and Kinder Morgan, emphasizing durable service revenue, market-share gains and contracted energy-infrastructure cash flows, respectively. Our diversified, attractively valued portfolio is intended to provide resilience amid rising rates, greater market volatility and uncertainty around the AI investment cycle.

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 can help manage risk.
- 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.

Top Equity Issuers (% of Total)

Holding	Portfolio
Microsoft Corp	4.73
Williams Cos Inc/The	4.11
Kinder Morgan Inc	3.49
Alphabet Inc	3.35
NVIDIA Corp	3.28
Air Products and Chemicals Inc	3.00
Otis Worldwide Corp	2.87
Unilever PLC	2.86
Johnson & Johnson	2.71
Apollo Global Management Inc	2.68

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	-2.43	4.01	3.15	4.27	11.85	7.02	8.60	—	—	—	8.34	2/28/2013
Pure Gross of Fees	-1.70	5.55	5.45	7.39	15.18	10.22	11.84	—	—	—	11.57	2/28/2013
Benchmark	2.30	17.85	12.75	15.74	22.89	13.79	15.33	—	—	—	14.68	—

*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. The managers' **environmental, social and governance (ESG) strategies** may limit the types and number of investments available and, as a result, may forgo favorable market opportunities or underperform strategies that are not subject to such criteria. There is no guarantee that the strategy's ESG directives will be successful or will result in better performance.

Glossary

Actual Deferral Percentage (ADP) is a metric used primarily in the context of employer-sponsored retirement plans, such as 401(k) plans.

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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