



ClearBridge Dividend Strategy ESG Portfolios

Commentary | as of September 30, 2025

Key Takeaways

- Markets: The third quarter continued the post-Liberation Day rebound for U.S. equity markets, with animal spirits
 driving the S&P 500 Index to record highs. Investor optimism was fueled by better-than-featured tariff outcomes, the
 passing of the One Big Beautiful Bill Act in July, anticipated interest rate cuts the Federal Reserve delivered with a 25
 bps cut in September and signaled further easing and robust corporate earnings.
- Contributors: Stock selection in the IT, health care and utilities sectors proved beneficial.
- Detractors: An underweight to IT and an overweight to consumer staples detracted. Stock selection in the communication services sector also detracted.
- Outlook: With investors continuing to be complacent in the face of historically high valuations, we continue to
 emphasize investments with more modest valuations. The gap between the valuation of our portfolio and the market
 remains as wide as it has ever been. We believe this positions us both for better potential appreciation and lower
 downside risk.

Performance Review

- All enthusiasm continued to propel the S&P 500 Index higher, as evidence by sizable gains in the information technology sector as well as tech proxies in the communication services and consumer discretionary sectors. The Portfolios profited from their exposure to AI, though we lagged the index (net of fees) as our dividend mandate and our disciplined adherence to risk management has us underweight the IT sector.
- During the quarter, we benefited from our positions in Broadcom and Oracle, both of which are major players in Al. Both stocks surged in September on robust earnings and outlooks.
- TE Connectivity was a strong contributor on the strength of its Al-enabled sensors and embedded systems.
- Sempra's recent moves to focus on its regulated U.S. utilities businesses and strengthen its overall financial position spurred its shares higher.
- Consumer staples such as Nestle and Coca-Cola took a back seat in a risk-on market, as did Comcast, due to heightened competitive pressures in broadband.
- From a sector perspective, our overweights to consumer staples, real estate and materials detracted from performance.
- Recent engagements with ClearBridge portfolio companies have touched on ways they are developing carbon capture and sequestration (CCS) across several industries and how in most cases advanced carbon-capturing capabilities are driving share gains and improving cash flows.
- Clear Bridge recently toured Linde's autothermal reformer (ATR) site at its Clear Lake facility in Texas, where Linde provides blue hydrogen and CO2 to support industrial chemicals supplier and manufacturer Celanese with its methanol and acetyl production.
- Linde's ATR technology is especially attractive as it is more efficient than other methods of producing these inputs given its better energy efficiency, higher CO2 concentration for better carbon capture, higher product yield and lower maintenance.

Outlook

• As we head into the final quarter of the year, our outlook is mixed. The economy remains resilient and looks likely to muddle through, provided the government shutdown is not prolonged. Valuations, however, are on the fuller side, restraining the outlook for capital appreciation. With investors continuing to be complacent in the face of historically high valuations, we continue to emphasize investments with more modest valuations. The gap between the valuation of our portfolio and the market remains as wide as it has ever been. We believe this positions us both for better potential appreciation and lower downside risk. The combination of higher tariffs, a weaker dollar and a smaller labor pool increases the risk that inflation will remain higher for longer than investors expect. Should inflation prove sticky, dividend growth will be a boon to investors. We believe dividend growers are the perfect all-weather investment. Dividends cushion the bumps of volatile markets, provide much-needed income in low-return environments, and preserve and grow purchasing power in inflationary environments, and preserve and grow purchasing power in inflationary environments. We believe our companies are well-positioned to continue raising their dividends, and we feel good about our holdings.

Top Equity Issuers (% of Total)

Holding	Portfolio
Microsoft Corp	4.27
Williams Cos Inc/The	3.90
Broadcom Inc	3.62
Sempra	3.16
Nestle SA	3.08
Becton Dickinson & Co	2.67
Unilever PLC	2.57
TE Connectivity PLC	2.53
JPMorgan Chase & Co	2.43
Kinder Morgan Inc	2.40

Average annual total returns (%) - as of September 30, 2025-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	3.43	7.30	7.67	8.51	15.77	10.13	9.51	_	_	_	8.67	2/28/2013
Pure Gross of Fees	4.19	8.88	10.06	11.74	19.20	13.41	12.77	_	_	_	11.91	2/28/2013
Benchmark	8.12	19.96	14.83	17.60	24.94	16.47	15.30	_	_	_	14.60	_

^{*}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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