



# WHAT TO WATCH IN 2014

Themes and trends that could shape the markets



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US Growth		Europe		Geopolitics	Inflation
	Corporate Capital	Global Growth	Equity Prices	Alternative Strategies	Central Bank Policies
The Looming Tightening					
	If there's one lesson investors should probably take to heart from 2013, it's that predictions are easy to come by — but of limited value in today's fast-changing global marketplace.				Active Management
US Energy	Rather than add to the parade of predictions for 2014, we've opted for a different approach. On the following pages you'll find Legg Mason's diverse family of investment managers discussing key issues and trends they see as potential difference-makers — as well as possible reactions of the markets.				Emerging Markets
Trading & Execution					Fed Credibility
Rising Rates	Low Volatility		Pro-growth Companies		Margin Expansion
Market Correlations		Japanese Yen	Global Health Care	Active Smart Beta	Japan

## WESTERN **ASSET**



#### **Central Bank Policy**

The Federal Reserve (Fed) may have begun tapering, but the exact timing of how quickly it will unwind its asset purchase program remains uncertain. Also, it's important to remember that the

taper decision is entirely separate from the rates decision. With a Yellen Fed, there's a growing belief that the zero rate will be with us until the end of 2016. At the end of the day, we still think we're going to be in a very low interest rate environment until at least the latter part of 2015.

The degree of uncertainty surrounding Fed policy is going to be greater than it was in the past. To pay for this uncertainty, the market is currently pricing in risk premiums. Still, we believe that markets can expect very accommodative Fed policy. We believe the Fed will continue to err on the side of easy monetary policy rather than tight.

#### Inflation

Looking out to 2014, we believe inflation will be stable and low. If anything, the market has been more concerned about deflation or lower inflation over the past six months. Across the developed world,

it's hard for us to see real fears of broad, widespread price increases on the intermediate-term horizon. The softness in commodity prices and continued tepid wage growth suggest that this low-inflation trend will continue.

Low inflation is a global phenomenon. In our view, it is worrisome. We believe it will turn up, but very slowly. Global central banks will need to stay exceptionally accommodative in order to address this dynamic. This is a crucial component of the outlook for risk markets. Low and falling inflation are potential warning signs for both corporate top line revenues and economic growth.



#### Rising Rates

As we look ahead to 2014, many investors are concerned that we will be entering a rising rate environment. It is generally perceived that rising rates mean negative returns for fixed-income investors.

However, historical analysis suggests that bonds rise in value more often than they lose value in rising rate environments. One of the reasons is that bonds have a yield or carry that has often been enough to overcome the negative effects of rate shocks. Given this dynamic, Western Asset does not believe that rising rates should necessarily represent a deterrent to fixed-income investing and perceives a variety of opportunities within the present environment. These could include short duration, high-yield credit, structured product and other higher-yielding sectors.



# BRANDYWINE **GLOBAL**



#### Global Growth

For next year, we see a modest acceleration in economic growth amid a landscape of continued global disinflationary pressures. One item to watch: central bank policies outside the US eroding currency valuations,

prompted by modest domestic growth.

We expect US growth to gain the most traction of the G3 economies; as a result, a strong dollar may also weigh on foreign currency returns. And as more central banks succeed with weak currency policies, copycat policies may produce pockets of risk for global investors. We live in a beggar-thyneighbor world with each exporter fighting for restrained global demand growth, so we are closely watching for interventionist central bank policies around the world next year.

We believe improved economic growth and the US Fed's upcoming "taper" are already baked into the longer end of safe-haven sovereign markets like Bunds or US Treasuries. We expect continued global disinflationary pressure, originating in China's gradual shift to a domestically driven economy. Our recent research suggests that the country can continue at 7% growth for the next decade while appropriately shifting the composition of growth away from new fixed asset investment.

Whether developed economies can stomach higher intermediate-term interest rates is something to watch — the experience of the summer of 2013 illustrates the challenges associated with higher rates. That process should put incremental upward pressure on longer term interest rates. But those increases should continue to be restrained by the weight of still-high absolute debt levels in the developed world.



#### **Emerging Markets**

Emerging markets broadly will face some growth challenges in 2014, but we believe much of the recent bond and currency market volatility represents a liquidity issue, not a solvency issue, potentially presenting attractive tactical

opportunities in liquidity-sensitive emerging markets. Select markets already look attractive today and delayed tapering gives the universe a little more room to implement structural reform and speed up growth organically. Mexican fundamentals are stronger today than ever following tax, education, and pending energy reform. Countries like Indonesia and India are cutting fuel and agricultural subsidies. Essentially, emerging markets governments are making politically difficult decisions to improve efficiency and stability — that's a positive step.



#### Japanese Yen

We expect the yen to remain flat to lower against G3 peers as part of the mechanics of stimulating nominal growth. We believe Japan's economic policy will continue to gain traction

in creating appropriate inflation levels and speeding up nominal growth. In late 2012 Japan began to put into place both monetary and fiscal stimulus policies — which also depreciated the overvalued yen. Japan's experience is similar to many countries' experiences around the world: sagging inflation, significant nominal debt loads, and an overvalued currency — all in the face of weak export growth following 2008's shock to global demand.



# CLEARBRIDGE INVESTMENTS



#### **US Energy**

The boom in US energy production and transportation is far from over. Even at this early stage, the US is on target to become the world's largest petroleum energy producer this year. Opportunities

in energy resource development could be available for investors who know where — and how — to find them.

Among the benefits to the US: helping the country's balance of payments (less oil imports) and driving growth across much of the energy sector; boosting employment in producing states; reducing CO<sub>2</sub> emissions; increasing personal disposable income due to overall energy price stability; lowering input cost for chemical companies, metals companies, and manufacturing companies, making US companies more competitive globally.



#### **Global Health Care**

The biggest theme in healthcare in 2014 will be the implementation of the coverage expansion under the Affordable Healthcare Reform Act ("Obamacare"). Research and development (R&D) investment in

biotechnology is set to pay off for select global pharmaceutical companies, as product pipelines come closer to bearing fruit. The increase in the number of insured people under the Affordable Care Act has the potential to significantly increase the market size for products requiring reimbursement.

Obamacare's impact is likely to be less of a "Big Bang" than a gradual snowballing through 2014 and into 2015 and 2016. But the impact will be widespread: the expansion of Medicaid (Government healthcare for lower-income people) is progressing well. As state insurance exchanges become effective, enrollments are likely to increase.

R&D productivity in the pharmaceutical and biotechnology industries will likely continue to improve. By the end of 2014, we are likely to see the first approvals for revolutionary immuno-oncology drugs, using the immune system to fight cancer. We are also watching new drugs for so-called "orphan diseases", rare conditions requiring specialized treatments.

In the services sector, we will potentially see the payoff from global sourcing initiatives for generics, as distributors pool resources to negotiate for better prices.



#### **Corporate Capital**

Capital deployment is key at this stage of the equity market cycle. The skill with which companies in all sectors put their capital to work should be a major differentiator and an important

clue to future prospects. Each company will be judged by the market on the basis of its ability to deliver value to its owners — whether by dividend increases, share buybacks, spinoffs, outright sales, breakups or acquisitions.

Dividends become a larger component of total return as equities become more fully valued and upside potential diminishes, and the scarcity of growth will be likely increasingly rewarded in the marketplace. Indeed, despite sluggish job growth and the consequent stress on consumers, corporate earnings have increased materially, with profit margins expanded from depressed levels. Balance sheets in corporate America are strong and flush with cash; a continuing reason to believe that dividends, by our reckoning, may well remain in a "Golden Age" of increases.



# ROYCE & ASSOCIATES



#### **Active Management**

To be sure, these are uncertain times. But we feel that actively taking advantage of market opportunities in a disciplined fashion — as always — is the best way forward.

While many investment managers regularly fail to outpace their benchmarks, there are a number who have consistently outperformed the market over long-term periods. *In our opinion, it is not necessary for all managers to beat the market in order for active management to be validated as an approach.* 

How do you measure the effectiveness of an active manager? That all comes down to determining the appropriate time span over which to measure. Simple logic suggests it's unrealistic to expect a high degree of outperformance in the long term without experiencing some short-term underperformance periods. This is precisely our experience. Indeed, to limit one's evaluation period to a short-term time frame would be similar to saying that a batter must get a hit every time he steps to the plate in order to be considered exceptional.

While full market cycles are ideal for measuring both performance and a manager's ability because they include both an up and a down phase, they can vary considerably in length and can only be validated after a cycle is completed. Since it can be important to investors and managers to check mid-cycle, it is our opinion that rolling five-year, or better yet, rolling 10-year (or longer) returns offer a more meaningful period for measurement than the more commonly used 1-, 3- or 5-year intervals.

#### **Pro-growth Companies**

We believe the economy is turning more favorable for well-financed smaller companies with strong operating leverage.

We favor companies with solid, underlevered balance sheets and the ability to generate free cash. Balance sheet scrutiny is paramount, as smaller companies are inherently fragile. Financially strong companies are also well-positioned to grow, in our opinion, having the ability to self-fund their own success.

Ironically, these types of companies have not benefitted from the actions of the Federal Reserve (Fed). In fact, the Fed's actions prevented the typical Darwinian-like process that occurs following a recessionary period whereby higher quality, under-levered businesses can capitalize on the missteps of those without their advantages. Interestingly, from the time in May that Mr. Bernanke introduced the idea of tapering into the investment lexicon, the trend has reversed course; investors and corporations alike appear to have realized that rates will not stay artificially low forever.



#### Margin Expansion

Another hypothesis as to why the market keeps rising despite the challenges of valuation and world events: the growing number of US companies whose operating margins have risen on falling sales. This

is occurring during the five years after the low-hanging cost savings have been harvested — along with other harder-to-reach improvements.

Could the market, as has happened in the past, be predicting some positive outcome most of us have not considered?

What if the cost structures of US companies have changed such that if we see more sustainable revenue growth, companies will reap huge incremental operating margins and thus much higher-than-expected earnings? If in time we see this prediction of higher profitability becomes a reality, the now somewhat elevated P/E's would have been justified.

### **LMM**



#### **US Growth**

Since the 2008 financial crisis, the US has experienced sub-par economic growth compared to previous recoveries — consistent with Reinhart and Rogoff's work\* on the aftermath of financial

crises globally. In 2013, for example, US economic growth will be under 2%. But leading indicators such as the ISM Manufacturing and New Orders Indexes have shown increasing strength. This is also consistent with Reinhart and Rogoff, who found that around 5 years after a financial crisis economic growth usually begins to accelerate. Moreover, in 2014 most of the fiscal drag caused by tax increases and sequestration will be behind us, which should also spur growth. Earnings estimates for the S&P 500 have likewise been rising. We believe it is increasingly likely US economic growth will surprise on the upside in 2014. With the Fed continuing to pin short term rates near zero, and even with tapering still a net contributor, the outlook for equities appears solid. Bull markets rest on three pillars: liquidity, growth, and valuation. Although valuation is less supportive than earlier, it is still not demanding in our opinion. The path of least resistance for equities should be higher.



#### Geopolitics

Some sort of geopolitical shock or policy error could upset an otherwise sanguine outlook for stocks. In 2013 we saw a lessening of these risks as European rates declined and equities rallied, China

committed to increased market-based policies and reforms, Russia brokered a deal to defuse Syrian chemical weapons, and Iran showed a willingness to back off its nuclear program in exchange for a relaxation of sanctions. All this has been supportive of higher equity prices, especially in the US. Reversal of any of these would be a decided negative.

However, there are new risks in the increasingly testy island dispute between China and Japan, which could lead to a confrontation, as could anti-government protests in Thailand. The Middle East and North Africa have been relatively quiet, but risks of new upheavals could also cause problems for equity markets.



#### The Looming Tightening

If our generally optimistic outlook proves accurate in 2014, with faster economic growth and higher earnings than now expected, jobs growth would also be stronger and unemployment lower. Fed

tapering would begin in 2014 and proceed faster than the market is currently discounting, likely leading to a steeper yield curve. Most importantly, the market would likely then advance its expectations of the timing of the first Fed rate hike. While some have argued that tapering is really a kind of tightening, we think that is semantic game-playing: tapering involves injecting net new liquidity into the system; that is not tightening, it is further easing. When the Fed hikes the Fed funds rate, it will be tightening. If history is a guide, it will not be positive for markets, at least in the short run. Better-than-expected growth and higher stocks in 2014 bring closer the specter of higher rates, tighter monetary policy, and a less friendly Fed.

<sup>\*</sup> For example, "Growth in a Time of Debt," Carmen M. Reinhart & Kenneth S. Rogoff, 2010, American Economic Review.

## BATTERYMARCH FINANCIAL



#### **Active Smart Beta**

The trend toward the use of Smart Beta strategies to enhance asset allocation should continue in 2014, in keeping with greater investor interest in solution-based investing.

Smart Beta strategies make it possible to actively tilt portfolios toward specific exposures such as value, price momentum, low volatility and growth-at-the-right-price. These strategies can provide a useful complement to traditional benchmark-centric cap-weighted asset classes, allowing investors to incorporate individualized, objective-oriented investment solutions within an asset allocation framework.

Many investors seeking to achieve specific goals such as providing income, preserving capital, reducing performance volatility or improving overall diversification during market extremes are finding that actively managed Smart Beta strategies may be a more attractive option than passive approaches via ETFs.

From Batterymarch's perspective, the most successful Smart Beta strategies are designed to take a dynamic, active approach that may allow them to meet their objectives across a range of market environments.



#### **Low Volatility**

One of the legacies of the global financial crisis has been greater focus on portfolio risk. Many investors are particularly concerned about reducing volatility and preserving assets as well as their income

requirements. With the advent of low volatility strategies, investors have an attractive option with the potential to achieve these objectives.

Low-volatility strategies seek to safeguard portfolio assets by providing downside protection, along with upside return potential. By focusing on lower-volatility stocks, they can seek to provide steadier performance than traditional equity products. Investors could combine low-volatility strategies with core, benchmark-driven equity allocations as a way to seek participation in broad market rallies with a potentially lower portfolio risk profile. They could also potentially remain invested in equities without straying outside their risk comfort zone.

For investors seeking income, low-volatility strategies that focus on dividend-paying stocks can provide an important advantage over similar products by offering a strong yield component. Investing in stocks with a history of paying regular dividends can also be expected to promote greater return stability.



#### **Trading and Execution**

Over the past decade, we have witnessed several important shifts in equity ownership. Roughly ½ is now institutional, up significantly from a decade ago — with a growing portion

held by ETFs and index funds. Meanwhile, ownership by individual investors has tumbled. This period has also been marked by major regulatory changes and technological improvements in equity trading.

As a result, we have seen a significant fragmentation of trading venues, with a reduced role for major stock exchanges, along with the disappearance of traditional market makers and the emergence of high-frequency trading.

To optimize execution and help maximize portfolio returns in this fast-changing environment, investment managers must establish tight synergies across the investment process — integrating portfolio management and trading systems while maintaining a continuous information feedback loop between portfolio managers and the trading desk. This integration is important in traditional active strategies as well as Smart Beta and solutions-based investing.



### PERMAL



#### **Market Correlations**

2013 witnessed a broad dispersion of returns across markets and sectors, creating an environment that is now far more conducive for alternative investing.

There have been a number of potential threats to markets, which in the past could have derailed the recovery, from Fed tapering and US government shutdown, to nationalist tensions in the Far East and geopolitical problems in the Middle East, yet each had remarkably little impact on the direction of equity markets.

With correlations back at more usual levels, and further de-correlation even looking likely, the door is open for equity long/short investing to continue its return to favor. There is a return to fundamental investing, with new opportunities from mispricing.



#### **Alternative Strategies**

With traditional and even high yield bonds looking less attractive, further into the credit spectrum are opportunities which are less correlated, including: long/short US; Europe; US liquidations;

non-agency RMBS; and emerging market (EM) credit.

With some central banks starting to rein in monetary easing, markets should start to behave more rationally, likely playing into macro managers' hands. Themes include the US recovery; further mileage from Japan; and EM dispersion, going long countries with current account surpluses, and short those running deficits. We still see a place in 2014 for systematic managers in our thinking, although our enthusiasm for this approach remains muted.

Event driven investing is set up for a strong 2014. With cheap financing still available, M&A, stock buybacks, corporate restructurings, special dividends and spin-offs are all likely corporate activities. Companies continue to run inefficient balance sheets, and activists are keeping a close eye on the market.



#### Europe

Europe is now in a tentative recovery phase, but one that is lacking any real momentum or conviction. This is 'grinding along the bottom' with a mere 0.2% GDP gain in the third quarter, with

two of the largest economies, Italy and France, contracting by 0.1%. Chancellor Merkel made big gains in the September German elections, placing her firmly in the European driving seat, but even the German engine has stuttered with a GDP of 0.3% for the third quarter. Europe is not out of the woods and the ECB needs to maintain its accommodative policy — as seen by the recent ECB rate cut — in light of the region's travails. Draghi has reaffirmed that rates will need to stay low but this has yet to be truly reflected in a weakening of the euro. This backdrop leaves the door open for further policy measures in the euro zone, including the possibility of negative deposit rates or asset purchases. We need to see significantly stronger data in the fourth quarter before we can make up our minds which direction it is taking, but given the size and disparate nature of the markets, we are optimistic about this area.



# LEGG MASON GLOBAL ASSET ALLOCATION



#### Japan

For the first time in years, Japan matters again. The country is in the midst of a radical attempt to jumpstart its economy. However, the unconventional plan may pose risks to the global economy as well.

Prime Minister Abe's plan: aggressive monetary and fiscal policies, combined with reforms to boost productivity. The monetary moves have already had a positive effect on risk assets, driving Japanese equities up dramatically on a local currency basis; the yen is down significantly as well.

If "Abenomics" is successful, Japan equities may rally further and Asian emerging markets (EM) may rebound as a spillover. But success is no sure thing. Japan's aging population impedes future growth, as does the experience of decades of deflation. Monetary policy could backfire if inflation expectations increase, forcing Japanese bond yields up at the long end. Abenomics could export deflation via a weaker yen, impeding an Asian EM recovery.



#### **Equity Prices**

It's "put up or shut up" time for the bull market. In the 18 months since the end of the last meaningful correction in May of 2012, the MSCI All Country World Index of global stock markets gained around

40% while earnings rose about 5% — a market sometimes derided as "sentiment driven". We think about it differently — the market is a discounting mechanism, always looking ahead, trying to discern what earnings will be. In our view, history shows stock prices begin to rise many months before earnings recover. So the price rise in the face of flat earnings doesn't mean the market is swept away by sentiment. Rather, investors appear to expect earnings to pick up healthily. If that turns out to be too optimistic, stocks would be vulnerable. And that's precisely the point — driven by expectations of faster earnings growth, stocks have risen to a valuation level — relative to current earnings — that makes it imperative for earnings growth to show its face very soon.



#### **Fed Credibility**

The Federal Reserve has a credibility problem — ironically, due to its policy of increased transparency. Recent economic research quantifying economic policy uncertainty suggests lower levels of

uncertainty leads to better economic outcomes (GDP growth, unemployment, market volatility). This makes intuitive sense; when consumers and businesses feel less certain about economic policy, they are less likely to spend or invest.

So Chairman Bernanke's May 2013 announcement that the Fed would start "tapering" by September if the economy continued to grow was well-intentioned. The hope: let the markets adjust beforehand. The problem: the economy indeed improved, but the Fed balked in September. So rather than reducing uncertainty, the Fed raised it. The new transparency now makes us wonder just what it takes to convince the Fed the economy is strong. Some critics believe there's a better way to reduce uncertainty: a more rules-based approach, like the "Taylor Rule," basing Fed Funds rates somewhat mechanically on GDP growth and inflation. With a new Fed Chairman taking over the reins, watch closely to see if the Fed becomes more predictable.

LMGAA
Global Asset Allocation

#### **Investment risks**

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Active Management does not ensure gains or protect against market declines.

Outperformance does not imply positive results.

Foreign securities are subject to the additional risks of fluctuations in foreign exchange rates, changes in political and economic conditions, foreign taxation, and differences in auditing and financial standards. These risks are magnified in the case of investments in emerging markets.

Fixed income securities are subject to interest rate and credit risk, which is a possibility that the issuer of a security will be unable to make interest payments and repay the principal on its debt. As interest rates rise, the price of fixed income securities falls.

US Treasuries are direct debt obligations issued and backed by the "full faith and credit" of the US government. The US government guarantees the principal and interest payments on US Treasuries when the securities are held to maturity. Unlike US Treasury securities, debt securities issued by the federal agencies and instrumentalities and related investments may or may not be backed by the full faith and credit of the US government. Even when the US government guarantees principal and interest payments on securities, this guarantee does not apply to losses resulting from declines in the market value of these securities.

Commodities and currencies contain heightened risk that include market, political, regulatory, and natural conditions and may not be suitable for all investors.

Mortgage-backed securities involve additional risk over more traditional fixed-income investments, including: interest rate risk, implied call and extension risks; and the possibility of premature return of principal due to mortgage prepayment, which can reduce expected yield and lead to price volatility.

Most alternative investment assets are held by institutional investors or accredited, high-net-worth individuals because of their complex nature, limited regulations and relative lack of liquidity. Alternative investments include hedge funds, managed futures, real estate, commodities and derivatives contracts, and may carry greater risk...

An Exchange Traded Fund (ETF) is an unmanaged compilation of multiple individual securities and typically represents a particular securities index or sector of the securities market. Investors should carefully consider an ETF's investment objectives, risks, charges and expenses before investing in an ETF.

#### **Definitions**

**Gross domestic product,** or **GDP**, is the total market value of all final goods and services produced in a country in a given year.

**Correlation** is a statistical measure of the relationship between two sets of data. When asset prices move together, they are described as positively correlated; when they move opposite to each other, the correlation is described as negative. If price movements have no relationship to each other, they are described as uncorrelated.

"Abenomics" refers to a series of economic reforms proposed by Japan's Prime Minister Shinzo Abe.

**Smart beta** is an umbrella term for rules based investment strategies that attempt to deliver a better risk and return trade-off than conventional market capitalization weighted indexes by using alternative weighting schemes based on measures such as volatility or dividends.

**Tapering** refers to the Fed's announced approach to reduce the pace of its current \$85 billion in monthly asset purchases gradually instead of ending the purchases all at once.

**Macroeconomic** is defined as the behavior or effect of the aggregate economy, including changes in unemployment, national income, rate of growth, gross domestic product, inflation, and price levels. Macro investing strategies are based on macroeconomic factors such as trade, inflation, economic growth trends, and the like

**Risk premium** is the excess return that the market offers for an asset class over a risk-free rate, usually the US 10-year Treasury note. This excess return compensates investors for taking on the relatively higher risk of that asset class.

A **generic drug** is defined as a pharmaceutical comparable to brand-name drug product in dosage form, strength, route of administration, quality and performance characteristics, and intended use.

Residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS) are forms of asset-backed securities, holding pools of residential or commercial mortgages (respectively) used as collateral for the securities.

Non-agency mortgage-backed securities (MBS) are those issued by private entities and not by federal agencies (Fannie Mae, Freddie Mac and Ginnie Mae); they are also called non-conforming loans.

**The European Central Bank (ECB)** is responsible for the monetary system of the European Union (EU) and the euro currency.

**The US Federal Reserve**, or **"Fed,"** is responsible for the formulation of a policy designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.

**Duration** is a measure of the price sensitivity of a fixed-income security to an interest rate change. It is calculated as the weighted average of the present values for all cash flows, and is measured in years.

**G3** refers to an unofficial economic grouping of the world's top three developed economies: USA, Europe and Japan

**Liquidity** refers to the ability of an asset to be converted into cash quickly and without any price discount.

The **yield curve** is the graphical depiction of the relationship between the yield on bonds of the same credit quality but different maturities.

**Solutions-based investing** refers to an investment approach focusing on inefficiencies rather than product segments.

**Capitalization-weighted** refers to an approach where individual components of an index or asset class are weighted according to their market capitalization, so that larger components carry a larger percentage weighting. Market capitalization is the total dollar market value of all of a company's outstanding shares; it is calculated by multiplying a company's shares outstanding by the current market price of one share.

**Equity risk premium** is the excess return that an individual stock or the overall stock market provides over a risk-free rate, usually the US 10-year Treasury note. This excess return compensates investors for taking on the relatively higher risk of the equity market.

Carbon dioxide (CO2) is a gas which is the subject of growing regulation worldwide

The **price-to-earnings (P/E)** ratio is a stock's price divided by its earnings per share.

The **Institute for Supply Management (ISM)** is an association of purchasing and supply management professionals, which conducts regular surveys of its membership to determine industry trends.

The **S&P 500 Index** is an unmanaged index of 500 stocks that is generally representative of the performance of larger companies in the US An investor cannot invest directly in an index. Unmanaged index returns do not reflect any fees, expenses or sales charges.

The **MSCI All Country World Index (ACWI)** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 45 country indices comprising 24 developed and 21 emerging market country indices.



Batterymarch

**Brandywine Global** 

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Permal

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