

# Western Asset

## Active Bond Portfolios

### Market overview

While the recession hasn't officially been declared over, economic data released during the fourth quarter indicated that the lengthiest recession since the Great Depression has likely concluded. After declining for four consecutive quarters, the Commerce Department reported that third-quarter 2009 U.S. gross domestic product ("GDP")<sup>1</sup> growth was a positive 2.2%. Accommodative monetary and fiscal initiatives – including the government's \$787 billion stimulus program, its "Cash for Clunkers" car rebate program, and tax credits for first-time home buyers – helped the economy begin to expand. While the Commerce Department's initial estimate for fourth-quarter GDP won't be released until late January 2010, it's possible that economic growth accelerated further during that period.

In terms of Federal Reserve Board ("Fed")<sup>2</sup> monetary policy, it continued to hold short-term interest rates at an historic low of zero to 0.25% during the fourth quarter. The Fed has now kept short-term rates steady for more than a year. In conjunction with its December 2009 meeting, the Fed said that it "will maintain the target range for the federal funds rate at 0 to 0.25% and continues to anticipate that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely to warrant exceptionally low levels of the federal funds rate for an extended period."

As one would expect given overall positive news regarding the economy, both short- and long-term U.S. Treasury yields rose over the quarter, with the yield on the 2-year Treasury moving from 0.95% to 1.14% and the yield on the 10-year Treasury rising from 3.31% to 3.85%. The yield curve<sup>3</sup> steepened during the period, as long-term rates moved higher than their short-term counterparts, with the 10-year Treasury yield increasing to the higher end of its trading range seen over 2009.

Continuing the trend that began earlier in the year, the taxable spread sectors (non-U.S. Treasuries) outperformed equal-duration U.S. Treasuries during the fourth quarter. Over the three-month period, lower-quality securities generated solid results, as investor risk appetites remained strong as they searched for higher yields given the relatively low interest rate environment.

### Portfolios highlights

During the fourth quarter, the Portfolios' modest overweight to agencies continued to be a positive for performance as they were supported by the government's direct purchases of these securities. The Portfolios' slight underweight to U.S. Treasuries was a positive as yields rose across the curve during the three month period. As it was for much of the year, the Portfolios' overweight to the corporate sector was rewarded during the fourth quarter as their spreads continued to narrow. However, our results in the corporate sector were tempered by a bias toward higher quality, as lower-quality securities outperformed. The Portfolios' duration was tactically adjusted to be either slightly long or short versus the benchmark, which did not significantly impact performance.

For strategies that include mortgage-backed securities (MBS), we reduced this exposure to a neutral allocation by the end of the year. MBS holdings for intermediate accounts were pared back as well and these holdings were a positive contributor toward performance.

### Outlook

Our view as we began the year was that aggressive fiscal and monetary policy would be sufficient to allow global growth to resume as we moved into the second half of the year. Given this outlook, we maintained our exposure to the spread sectors and added to this exposure in early 2009. As we move into 2010, the outlook is less certain. Our expectation is that economic growth will actually surprise somewhat on the upside through the middle of 2010. We then see challenges over the second half of the year that will hold back growth and keep interest rates restrained. This will likely be due to the combination of fiscal constraints, continued hurdles in the

<sup>1</sup> Gross domestic product ("GDP") is the market value of all final goods and services produced within a country in a given period of time.

<sup>2</sup> The Federal Reserve Board ("Fed") is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.

<sup>3</sup> The yield curve is the graphical depiction of the relationship between the yield on bonds of the same credit quality but different maturities.

## Western Asset Active Bond Portfolios

banking system, and high consumer debt levels that could limit consumption.

While we will continue to overweight the spread sectors, we may capture profits in certain areas and reduce our overall risk exposure when we deem it to be necessary. U.S. Treasury supply will be robust in the early part of 2010 and purchases of government securities from both the Treasury and the Fed will wind down by the end of the first quarter of 2010. Given our expectations for modest growth and low inflation, we believe the Fed will remain on hold and maintain the status quo during the first part of 2010.

## Active Bond Portfolios – Retail

Annualized returns gross and net of fees (%) as of December 31, 2009							
	Q409	YTD	1-yr	3-yr	5-yr	7-yr	10-yr
Active Bond Gov/Corp Portfolios (net)	-0.28	3.58	3.58	5.33	3.84	3.48	5.05
Active Bond Gov/Corp Portfolios (gross)	0.09	5.13	5.13	6.91	5.40	5.03	6.61
Barclays Capital U.S. Gov't/Credit Bond Index	-0.21	4.52	4.52	5.81	4.71	4.63	6.34
U.S. 90-day T-bill Index	0.03	0.16	0.16	2.22	2.88	2.38	2.84
Active Bond Intermediate (net)	0.04	5.01	5.01	5.45	3.86	3.12	4.50
Active Bond Intermediate (gross)	0.41	6.58	6.58	7.03	5.42	4.66	6.05
Barclays Capital Intermediate US Government/Credit Bond Index	0.31	5.24	5.24	5.90	4.66	4.37	5.93
Active Bond Aggregate (net)	-0.05	5.89	5.89	5.38	3.98	3.51	5.06
Active Bond Aggregate (gross)	0.32	7.47	7.47	6.95	5.53	5.06	6.62
Barclays Capital U.S. Aggregate Bond Index	0.20	5.93	5.93	6.04	4.97	4.75	6.33

Please see the Western Asset Active Bond Disclosures- GIPS® Endnotes on the back pages of this document for important additional information. **Past performance is no guarantee of future results.** Quarterly and YTD numbers are not annualized.

## Western Asset Active Bond Portfolios

All opinions and data included in this market commentary are as of the date indicated and are subject to change. The opinions and views expressed herein are those of the portfolio managers specified and may differ from those of other managers or the firm as a whole, and they are not intended to be relied upon as predictions or forecasts of actual future events or performance, or a guarantee of future results or investment advice. The information contained should not be used as the sole basis to make any investment decision. The statistics have been obtained from sources believed to be reliable, but the accuracy and completeness of this information cannot be guaranteed. **Past performance is no guarantee of future results.** All investments involve risk, including possible loss of principal amount invested. There is no guarantee that investment objectives will be met. An investor cannot invest directly in an index. Investments are not FDIC insured or guaranteed by any government agency. Values may fluctuate due to market conditions and other factors.

### Risks

Fixed-income securities are subject to credit risk, which is the possibility that the issuer of a security will be unable to make interest payments and repay the principal on its debt. All fixed-income securities are subject to interest rate risk. As interest rates rise, the price of a fixed-income security declines. Asset-backed securities generally decrease in value as a result of interest rate increases, but may benefit less than other fixed-income securities from declining interest rates, principally because of prepayments. 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. 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 investment in emerging markets.

### Definitions

The Barclays Capital U.S. Government/Credit Bond Index includes the Barclays Capital Government Bond Index and the Barclays Capital Credit Bond index. The Government Index includes all public U.S. Treasury obligations and the debt of U.S. government agencies and quasi-federal corporations. The Credit Index includes corporates (industrial, utility and finance including both U.S. and non-U.S. corporations) and noncorporates (sovereign, supranational, foreign agencies and foreign local governments).

The U.S. 90-day Treasury Bill Index is an index based upon the average monthly yield of the 90-day U.S. Treasury bills. U.S. Treasury bills are secured by the "full faith and credit" of the U.S. government and offer a fixed rate of return.

Professional money management may not be suitable for all investors.

©2010 Legg Mason Investor Services, LLC. member SIPC.

Client portfolios are managed based on investment instructions or advice provided by one or more of the following Legg Mason-affiliated investment management firms, as indicated in portfolio names or otherwise: ClearBridge Advisors, LLC, Western Asset Management Company, Brandywine Global Investment Management, LLC, Global Currents Investment Management, LLC and Legg Mason Capital Management, Inc. ("LMCM"). Management is implemented by Legg Mason Private Portfolio Group, LLC or, in the case of certain programs, by the program sponsor or its designee.

FN1010291

**WESTERN ASSET ACTIVE BOND GOV/CORP (AB-G/C) – SCHEDULE OF INVESTMENT PERFORMANCE RESULTS - GIPS® ENDNOTES (January 1, 1999 through December 31, 2008)**

Year	Net return (%)	"Pure" gross return (%)	Benchmark total return (%)	No. of portfolios	% of bundled fee portfolios in the composite	Composite dispersion (%)	Composite assets (\$mm)	% Of firm assets
1999*	-3.05	-1.58	-2.15	19	100	0.64	-	-
2000*	10.06	11.68	11.85	24	100	0.58	-	-
2001*	6.87	8.45	8.50	61	100	1.70	-	-
2002*	9.44	11.04	11.04	73	100	0.72	177	-
2003*	2.54	4.07	4.67	104	100	0.42	241	-
2004*	2.65	4.18	4.19	81	100	0.34	155	-
2005*	0.78	2.29	2.37	55	100	0.18	113	-
2006	2.52	4.06	3.78	51	100	0.10	112	0.02
2007	5.52	7.10	7.23	36	100	0.37	70	0.01
2008	6.93	8.52	5.70	29	100	0.77	56	0.01

Western Asset has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®). A complete list and description of the firm's composites is available upon request. Western Asset has been verified for the periods January 1, 1993 through December 31, 2007. A copy of the verification report is available upon request.

Western Asset, the firm, is a fixed-income investment manager composed of Western Asset Management Company, Western Asset Management Company Limited, Western Asset Management Company Pte. Ltd, Western Asset Management Company Ltd, and Western Asset Management Company Pty Ltd, with offices in Pasadena, New York, London, Singapore, Melbourne and Tokyo. Each Western Asset company is a wholly owned subsidiary of Legg Mason, Inc. ("Legg Mason"), but operates autonomously. Western Asset is held out to the public as a separate firm. Western Asset Management Company was founded in 1971. Western Asset's retail separately managed account (SMA) business was integrated into the firm in January 2006.

Western Asset – Active Bond Government Corporate portfolios are discretionary fixed-income portfolios that offer – to individual and taxable institutional investors – tailored bond management that utilizes sector rotation between the major areas of the U.S. taxable fixed-income markets (governments, corporates, and mortgage- and asset-backed securities), along with limited-duration bets around the benchmark to seek to maximize total returns. Western Asset's retail separately managed account business was integrated into the firm in January 2006 and is currently managed by Western Asset. Effective April 2007, Western Asset manages these portfolios as subadvisor to its affiliate, Legg Mason Private Portfolio Group, LLC. From January 2006 through March 2007, Western Asset portfolio managers managed these portfolios as dual employees of ClearBridge Advisors, LLC, and ClearBridge Asset Management Inc. (each a Western Asset affiliate), following Western Asset's investment process and having access to Western Asset's investment resources, expertise and investment outlook. Previously, these portfolios were managed by an unaffiliated business that was acquired by Legg Mason in December 2005 and subsequently integrated into Western Asset. Net and gross composite returns for periods prior to January 1, 2006\* (i) were achieved by this business and not by Western Asset and (ii) do not comply with GIPS. All or substantially all of the individuals responsible for security selection for the portfolios at the unaffiliated business immediately prior to December 2005 joined Western Asset as part of the above-noted integration.

The Western Asset – Active Bond Government/Corporate composite is composed of accounts that are separately managed accounts (SMAs) managed in accordance with the Western Asset - Active Bond Government/Corporate strategy. Within this framework there are different programs to accommodate differing risk tolerances and total return objectives; the composite's framework is Government/Corporate. For periods after 2005, all such SMAs without client-imposed restrictions are included. For prior periods, the composite is composed of a majority of such SMAs, except that for periods prior to 2004, certain SMAs with client-imposed restrictions are also included. Terminated accounts are included through the last month of management (last quarter prior to 2003). Portfolio returns of included SMAs are weighted according to asset size for periods after 2005 (equal-weighted for prior periods). Additional information about composite returns is available upon request. For comparison purposes, composite returns are shown against returns of the Barclays Capital

U.S. Government/Credit Bond Index, which includes the Barclays Capital Government Bond Index and the Barclays Capital Credit Bond index. The Government Index includes all public U.S. Treasury obligations and the debt of U.S. government agencies and quasi-federal corporations. The Credit Index includes corporates (industrial, utility and finance, including both U.S. and non-U.S. corporations) and noncorporates (sovereign, supranational, foreign agencies and foreign local governments). An investor cannot invest directly in an index. The composite was created on January 1, 2006.

Before-tax composite returns are presented "Pure" Gross and Net of fees, are calculated in U.S. dollars, and assume reinvestment of dividends, interest, capital gains and other earnings. "Pure" gross returns do not reflect the deduction of any fees, transaction costs or expenses, and they are presented only as supplemental information to net returns. Net returns reflect the deduction of the anticipated maximum investment management SMA fee of 1.5% applied quarterly. Investment management SMA fees may vary across different financial firms and across different accounts based upon account size and other factors. The SMA fee applied includes custodial, trading, and investment management. Fee schedules of financial firms that offer the portfolios should be requested from such firms. All returns are gross of withholding tax on interest and capital gains, as are benchmark returns.

The dispersion of annual returns is measured by the standard deviation of the asset-weighted portfolio returns represented within the composite. Dispersion for periods during which the composite had five or fewer accounts is not statistically significant and is not presented.

The management fee schedule is as follows: 1.50% on all assets. Actual investment advisory fees incurred by clients may vary.

To receive a complete list and description of Western Asset's composites and/or a presentation that adheres to the GIPS standards, please contact Donny Killian at 212-601-6209 or [dkillian@westernasset.com](mailto:dkillian@westernasset.com)

**Risk**

The program manager(s) may, to a limited extent, invest in other securities entailing additional risks beyond those highlighted in this profile. All investments involve risk, including possible loss of principal. An investor cannot invest directly in an index. Past performance is no guarantee of future results. All investments involve risk, including possible loss of principal.

**WESTERN ASSET ACTIVE BOND INTERMEDIATE -- SCHEDULE OF INVESTMENT PERFORMANCE RESULTS -GIPS®  
ENDNOTES (January 1, 1999 through December 31, 2008)**

Year	Net return (%)	"Pure" gross return (%)	Benchmark total return (%)	No. of portfolios	% of bundled fee portfolios in the composite	Composite dispersion (%)	Composite assets (\$mm)	% Of firm assets
1999*	-0.69	0.80	0.39	11	100	0.16	-	-
2000*	8.41	10.00	10.12	15	100	0.79	-	-
2001*	6.68	8.26	8.96	26	100	1.41	-	-
2002*	8.27	9.86	9.84	23	100	0.26	234	-
2003*	1.67	3.19	4.31	62	100	0.35	271	-
2004*	0.87	2.39	3.04	57	100	0.16	258	-
2005*	0.31	1.82	1.58	55	100	0.09	236	-
2006	2.75	4.29	4.08	41	100	0.08	174	0.03
2007	6.55	8.14	7.39	37	100	0.10	176	0.03
2008	4.81	6.38	5.08	29	100	0.41	162	0.03

Western Asset has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®). A complete list and description of the firm's composites is available upon request. Western Asset has been verified for the periods January 1, 1993 through December 31, 2007. A copy of the verification report is available upon request.

Western Asset, the firm, is a fixed-income investment manager composed of Western Asset Management Company, Western Asset Management Company Limited, Western Asset Management Company Pte. Ltd. and Western Asset Management Company Pty Ltd, with offices in Pasadena, New York, London, Singapore, Melbourne and Tokyo. Each Western Asset company is a wholly owned subsidiary of Legg Mason, Inc. ("Legg Mason") but operates autonomously, and Western Asset, as a firm, is held out to the public as a separate entity. Western Asset Management Company was founded in 1971.

Western Asset – Active Bond Intermediate portfolios are discretionary fixed-income portfolios that offer – to individual and taxable institutional investors – tailored bond management that utilizes sector rotation between the major areas of the U.S. taxable fixed-income markets (governments, corporates, and mortgage- and asset-backed securities), along with limited-duration bets around the benchmark to seek to maximize total returns. Western Asset's retail separately managed account business was integrated into the firm in January 2006, and it is currently managed by Western Asset. Effective April 2007, Western Asset manages these portfolios as subadvisor to its affiliate, Legg Mason Private Portfolio Group, LLC. From January 2006 through March 2007, Western Asset portfolio managers managed these portfolios as dual employees of ClearBridge Advisors, LLC, and ClearBridge Asset Management Inc. (each a Western Asset affiliate), following Western Asset's investment process and having access to Western Asset's investment resources, expertise and investment outlook. Previously, these portfolios were managed by an unaffiliated business that was acquired by Legg Mason in December 2005 and subsequently integrated into Western Asset. Net and gross composite returns for periods prior to January 1, 2006\* (i) were achieved by this business and not by Western Asset and (ii) do not comply with GIPS. All or substantially all of the individuals responsible for security selection for the portfolios at the unaffiliated business immediately prior to December 2005 joined Western Asset as part of the above-noted integration.

The Western Asset – Active Bond Intermediate composite is composed of accounts that are separately managed accounts (SMAs) managed in accordance with the Western Asset - Active Bond Intermediate strategy. Within this framework there are different programs to accommodate differing risk tolerances and total return objectives; the composite's framework is Intermediate. For periods after 2005, all such SMAs without client-imposed restrictions are included. For prior periods, the composite is composed of a majority of such SMAs, except that for periods prior to 2004, certain SMAs with client-imposed restrictions are also included. Terminated accounts are included through last month of management (last quarter prior to 2003). Portfolio returns of included SMAs are weighted according to asset size for periods after 2005 (equal-weighted for prior periods). Additional information about composite returns is available upon request. For comparison purposes, composite returns are shown against returns of the Barclays Capital U.S. Intermediate Government/Credit Bond Index, which is composed of all publicly issued, fixed-rate, nonconvertible, domestic debt in three major classifications: industrial, utility, financial (as well as domestic debt of

the U.S. government or any agency thereof). All corporate bonds have a minimum rating of Baa by Moody's and BBB by Standard & Poor's. This index has an average current maturity of 4.28 years (average maturity may vary over time) and a final maturity restriction of 10 years. An investor cannot invest directly in an index. The composite was created on January 1, 2006.

Before-tax composite returns are presented "Pure" Gross and Net of fees, are calculated in U.S. dollars, and assume reinvestment of dividends, interest, capital gains and other earnings. "Pure" gross returns do not reflect the deduction of any fees, transaction costs or expenses, and they are presented only as supplemental information to net returns. Net returns reflect the deduction of the anticipated maximum investment management SMA fee of 1.5% applied quarterly. Investment management SMA fees may vary across different financial firms and across different accounts based upon account size and other factors. The SMA fee applied includes custodial, trading, and investment management. Fee schedules of financial firms that offer the portfolios should be requested from such firms. All returns are gross of withholding tax on interest and capital gains, as are benchmark returns.

The dispersion of annual returns is measured by the standard deviation of the asset-weighted portfolio returns represented within the composite. Dispersion for periods during which the composite had five or fewer accounts is not statistically significant and is not presented.

The management fee schedule is as follows: 1.50% on all assets. Actual investment advisory fees incurred by clients may vary.

Past investment results are not necessarily indicative of future investment results.

To receive a complete list and description of Western Asset's composites and/or a presentation that adheres to the GIPS standards, please contact Donny Killian at 212-601-6209 or [dkillian@westernasset.com](mailto:dkillian@westernasset.com).

**Risk**

The program manager(s) may, to a limited extent, invest in other securities entailing additional risks beyond those highlighted in this profile. All investments involve risk, including possible loss of principal.

An investor cannot invest directly in an index. Past performance is no guarantee of future results. All investments involve risk, including possible loss of principal.

**WESTERN ASSET ACTIVE BOND AGGREGATE -- SCHEDULE OF INVESTMENT PERFORMANCE RESULTS -GIPS®  
ENDNOTES (January 1, 1999 through December 31, 2008)**

Year	Net return (%)	"Pure" gross return (%)	Benchmark total return (%)	No. of portfolios	% of bundled fee portfolios in the composite	Composite dispersion (%)	Composite assets (\$mm)	% Of firm assets
1999*	-1.64	-0.16	-0.82	5	100	-	-	-
2000*	10.32	11.93	11.63	13	100	-	-	-
2001*	7.03	8.61	8.44	23	100	0.77	-	-
2002*	9.01	10.61	10.26	27	100	0.65	197	-
2003*	1.89	3.42	4.10	34	100	0.12	183	-
2004*	2.80	4.34	4.34	44	100	0.22	240	-
2005*	1.06	2.57	2.43	36	100	0.22	197	-
2006	2.76	4.30	4.33	28	100	0.12	144	0.03
2007	5.16	6.73	6.97	24	100	0.26	143	0.02
2008	5.09	6.66	5.24	24	100	0.74	168	0.03

Western Asset has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®). A complete list and description of the firm's composites is available upon request. Western Asset has been verified for the periods January 1, 1993 through December 31, 2007. A copy of the verification report is available upon request.

Western Asset, the firm, is a fixed-income investment manager composed of Western Asset Management Company, Western Asset Management Company Limited, Western Asset Management Company Pte. Ltd. and Western Asset Management Company Pty Ltd, with offices in Pasadena, New York, London, Singapore, Melbourne and Tokyo. Each Western Asset company is a wholly owned subsidiary of Legg Mason, Inc. ("Legg Mason") but operates autonomously, and Western Asset, as a firm, is held out to the public as a separate entity. Western Asset Management Company was founded in 1971.

Western Asset – Active Bond Aggregate portfolios are discretionary fixed-income portfolios that offer – to individual and taxable institutional investors – tailored bond management that utilizes sector rotation between the major areas of the U.S. taxable fixed-income markets (governments, corporates, and mortgage- and asset-backed securities), along with limited-duration bets around the benchmark to seek to maximize total returns. Western Asset's retail separately managed account business was integrated into the firm in January 2006 and is currently managed by Western Asset. Effective April 2007, Western Asset manages these portfolios as subadvisor to its affiliate, Legg Mason Private Portfolio Group, LLC. From January 2006 through March 2007, Western Asset portfolio managers managed these portfolios as dual employees of ClearBridge Advisors, LLC, and ClearBridge Asset Management Inc. (each a Western Asset affiliate), following Western Asset's investment process and having access to Western Asset's investment resources, expertise and investment outlook. Previously, these portfolios were managed by an unaffiliated business that was acquired by Legg Mason in December 2005 and subsequently integrated into Western Asset. Net and gross composite returns for periods prior to January 1, 2006\* (i) were achieved by this business and not by Western Asset and (ii) do not comply with GIPS. All or substantially all of the individuals responsible for security selection for the portfolios at the unaffiliated business immediately prior to December 2005 joined Western Asset as part of the above-noted integration.

The Western Asset – Active Bond Aggregate composite is composed of accounts that are separately managed accounts (SMAs) managed in accordance with the Western Asset - Active Bond Aggregate strategy. Within this framework there are different programs to accommodate differing risk tolerances and total return objectives; the composite's framework is Aggregate. For periods after 2005, all such SMAs without client-imposed restrictions are included. For prior periods, the composite is composed of a majority of such SMAs, except that for periods prior to 2004, certain SMAs with client-imposed restrictions are also included. Terminated accounts are included through the last month of management (last quarter prior to 2003). Portfolio returns of included SMAs are weighted according to asset size for periods after 2005 (equal-weighted for prior periods). Additional information about composite returns is available upon request. For comparison purposes, composite returns are shown against returns of the Barclays Capital U.S. Aggregate Bond Index, which includes the Government/Credit and the Mortgage-Backed indexes. Total return comprises price appreciation/depreciation and

income as a percent of the original investment. An investor cannot invest directly in an index. The composite was created on January 1, 2006.

Before-tax composite returns are presented "Pure" Gross and Net of fees, are calculated in U.S. dollars, and assume reinvestment of dividends, interest, capital gains and other earnings. "Pure" gross returns do not reflect the deduction of any fees, transaction costs or expenses, and they are presented only as supplemental information to net returns. Net returns reflect the deduction of the anticipated maximum investment management SMA fee of 1.5% applied quarterly. Investment management SMA fees may vary across different financial firms and across different accounts based upon account size and other factors. The SMA fee applied includes custodial, trading, and investment management. Fee schedules of financial firms that offer the portfolios should be requested from such firms. All returns are gross of withholding tax on interest and capital gains, as are benchmark returns.

The dispersion of annual returns is measured by the standard deviation of the asset-weighted portfolio returns represented within the composite. Dispersion for periods during which the composite had five or fewer accounts is not statistically significant and is not presented.

The management fee schedule is as follows: 1.50% on all assets. Actual investment advisory fees incurred by clients may vary. Past investment results are not necessarily indicative of future investment results.

To receive a complete list and description of Western Asset's composites and/or a presentation that adheres to the GIPS standards, please contact Donny Killian at 212-601-6209 or [dkillian@westernasset.com](mailto:dkillian@westernasset.com).

**Risk**

The program manager(s) may, to a limited extent, invest in other securities entailing additional risks beyond those highlighted in this profile. All investments involve risk, including possible loss of principal.

An investor cannot invest directly in an index. Past performance is no guarantee of future results. All investments involve risk, including possible loss of principal.