

ClearBridge

Multi Cap Growth Portfolios

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Market overview

The U.S. equity market finished 2009 with its third straight quarterly advance as the S&P 500 Index (S&P 500) gained nearly 6% in the fourth quarter, while for 2009 it gained 23%, its best year since 2003. The market's recovery since the lows of the past spring was remarkable, with the S&P 500 gaining 65% from its 12-year low on March 9 through the end of the year. Perhaps more notable, however, was the fact that stocks closed the decade below where they began it, with the S&P 500 dropping 24% over the last 10 years for an average decline (including dividends) of 0.9% a year since 1999, the first decade of negative annualized returns for the S&P 500 since its inception in 1927.

In our prior commentaries this year, we wrote much in defense of equities and explained why we felt, using history as a guide, that the market levels seen in late 2008 and early 2009 could be "generational lows, off of which an advance could be dramatic and long-lasting." Last quarter, we gave the reasons why we expected to begin to see a shift in performance leadership from the more credit-sensitive parts of the market to higher-quality, secular growth companies. We stressed that, at that point in the cycle, we felt a premium should be placed on consistency and growth of earnings and cash flows, inexpensive valuation and balance sheet flexibility, all of which are hallmarks of our strategy.

Portfolios highlights

The ClearBridge Multi Cap Growth Portfolios returned 8.07% (gross of fees) for the fourth quarter. In comparison, the benchmark Russell 3000 Growth Index returned 7.65% for the same period. The Portfolios had investments in six out of the 10 economic sectors during the quarter and produced positive absolute returns in five of them, with the greatest returns seen in the information technology (IT), consumer discretionary, health care and industrials sectors, while the energy sector produced negative returns.

Relative to the benchmark Russell 3000 Growth Index, overall stock selection contributed positively to Portfolio performance for the quarter while overall sector allocation had a negative (although negligible) effect. In particular, stock selection in the IT and consumer discretionary sectors helped relative performance, but their impact was offset by the stock selection in the energy sector, which hurt it. Underweights in the consumer staples and financials sectors helped relative performance for the quarter, while an underweight in the IT sector hurt it.

Multi Cap Growth Portfolios – Retail

Annualized returns net and gross of fees (%) as of December 31, 2009

	Q409	YTD	1-yr	3-yr	5-yr	7-yr	10-yr
Net of fees	7.24	46.58	46.58	-5.26	0.36	6.50	3.82
"Pure" gross of fees	8.02	50.85	50.85	-2.40	3.37	9.69	6.94
Russell 3000 Growth Index	7.65	37.01	37.01	-2.06	1.58	6.11	-3.79

Quarterly and YTD numbers are not annualized. Please see the GIPS® Endnotes at the end of this document for important additional information. **Past performance is no guarantee of future results.**

Top contributors

Top contributors	Contribution to equity return %
Cree Inc	1.93
UnitedHealth Group Inc	1.27
Sandisk Corp	1.15
Liberty Media Capital Corp	0.63
Pall Corp	0.55

Source: Vestek.

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In terms of individual stocks, the top contributors to Portfolio performance for the fourth quarter included:

Cree Inc. is a developer and manufacturer of light emitting diodes (LEDs) and related lighting and semiconductor technologies in the IT sector. Strong performance seen in the fourth quarter was driven in part by the continued emergence of additional growth opportunities for LEDs, including usage as backlighting in HDTVs and increased penetration in the commercial lighting market, to name just two of the new applications.

UnitedHealth Group Inc. is a diversified health care sector company offering health care and pharmacy benefit services and operating related technology and financial businesses. UnitedHealth shares performed quite strongly in the fourth quarter. Continued better-than-expected earnings and a feeling that the resolution to the health care legislation debate will be far less draconian than feared earlier in the year combined to improve investor psychology for this industry leader.

SanDisk Corp., in the IT sector, produces flash storage card products used in various consumer electronics products. Emerging from a protracted period of oversupply and weak demand that led to significant pricing pressure, the sector has undergone significant consolidation. SanDisk is one of the remaining producers in the industry, and we believe it is poised for continued earnings improvement after a period of underperformance. Third-quarter earnings (reported in October) significantly exceeded expectations, driving strong stock performance in the fourth quarter.

Liberty Media Capital, in the consumer discretionary sector, is one of several tracking stocks (LCAPA) issued by Liberty Media Corp. The Liberty Capital group includes film and television assets such as Starz Media, Liberty's interest in SIRIUS XM Radio, Inc., the Atlanta Braves Major League Baseball franchise, and minority investments in public companies including Time Warner Inc. and Sprint Nextel Corporation. Liberty Capital shares rose sharply in the quarter due to both a continued stabilization in the credit markets and an increase in share price of many of the company's public holdings.

Pall Corp., in the industrials sector, produces filtration and purification technologies for use in the medical and biopharmaceuticals market through its life sciences unit, and it provides technologies for the aerospace, transportation, microelectronics, energy and water markets through its industrial division. Strong quarterly earnings results (announced in December) and guidance for 2010 earnings

above analysts consensus expectations helped drive Pall's share price up during the fourth quarter.

Bottom contributors

Bottom contributors	Contribution to equity return %
Weatherford International	-1.16
Genzyme Corp	-0.78
Fluor Corp	-0.20
Liberty Media Corp	-0.05
Anadarko Petroleum Corp	-0.04

Source: Vestek.

The bottom contributors to Portfolio performance for the quarter included:

Weatherford International Ltd. in the energy sector provides equipment and services used in drilling of oil and natural gas wells around the world. Weatherford's share price consolidated some of the gains made during 2009 in the fourth quarter. Corporate insiders showed confidence in the long-term outlook for the company, as demonstrated with open-market purchases of shares in the fourth quarter. We believe Weatherford should witness significant growth in its international oil services business in the next few years, with the second half of 2009 registering a cyclical low point for sales and earnings.

Genzyme Corp. is a U.S.-based biotechnology company in the health care sector. Genzyme was a significant detractor from results in the fourth quarter as continued pressure from a plant shutdown weighed on results. After remediation of its main plant following a viral contamination discovered earlier in the year, the plant reopened and production of its important drugs has resumed. In our view, 2010 should be a year of significant improvement for this leading biotechnology company. If it is not, we would expect that management changes and/or control changes are possible.

Fluor Corp., in the industrials sector, provides engineering, procurement and construction and project management services worldwide for a range of markets, including the oil and gas, transportation and mining industries, as well as government agencies. Fluor shares retreated slightly during the second half of the year after a significant advance in the first half. However, we still feel the company's potential for growth is substantial, given its large backlog, strong balance sheet and potential to benefit from anticipated strong infrastructure spending.

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Liberty Global Inc. (ticker symbol: LBTYA), in the consumer discretionary sector is one of several tracking stocks issued by Liberty Media Corp. Liberty Global is the largest cable TV operator outside of the U.S. Share performance was mixed in the fourth quarter as Liberty announced a planned \$5.2 billion acquisition of Unitymedia GMBH, the second-largest cable TV operator in Germany. Liberty's stock repurchase program was another positive for the stock, while concerns about the continued impact of the slow-growth economy on advertising-driven media began to abate during the period.

Anadarko Petroleum Corp. is an oil and gas exploration and production company in the energy sector. Anadarko had a very successful 2009. The shares pulled back some in the fourth quarter, correcting some of the sharp advance for the year. The company made significant progress on a number of its discovery wells (a successful exploration well), most notably in the Gulf of Mexico and in West Africa (the latter region encompasses the 700-mile coastline from Ghana to Sierra Leone).

Outlook

As we enter a new year and decade, we remain constructive on the equity market and particularly our portfolio positioning. As growth managers, we feel stock selection is important given the current economic background of slow U.S. gross domestic product ("GDP")¹ growth, a choppy housing market and a consumer more inclined to save than spend. We believe companies that can grow on a sustainable basis in this environment are those which are innovative at their core, are fiscally disciplined, and in many cases are generating an increasing percentage of their revenues from emerging markets.

In no sector of our portfolio is innovation more a focal point than in our biotechnology industry holdings within the health care sector. Using our bottom-up, fundamentals-driven process, we have identified what we think are leading-edge biotech firms that are developing novel methods to treat unmet medical needs. They are typically focused on treatment of diseases like cancer, multiple sclerosis and Alzheimer's, among others, for which there is no current cure. As the long-debated health care reform legislation nears a conclusion, the risk/reward relationship for this group appears to be favorable. It is our belief that sales of drugs that improve lives, make individuals healthier, keep them out of hospitals, and reduce the need for

critical care will continue to thrive. In addition, balance sheets of our holdings in the industry typically remain pristine, with lots of cash and high cash flow rates. Also, biotech industry consolidation is a broad trend that we expect to continue, if not accelerate.

Within the IT sector, some of our best-performing stocks in 2009 were those that were able to smartly invest throughout the cyclical downturn and improve their market positioning in preparation for the recovery of world economies. In this sector as well, companies that have continued to invest in new technologies have been rewarded. LEDs, flash memory, and smaller and higher-capacity hard disk drives are all examples of technologies within the sector where innovation has benefited shareholders. We continue to focus on those companies that we feel have both the necessary balance sheet strength and the technological prowess to enable their continued long-term growth.

Finally, we remain firm believers in the growth prospects of energy sector companies that have been able to use science to identify new sources of hydrocarbons around the world, and energy-sector service companies whose technologies facilitate their extraction or streamline their production. We believe opportunity exists to invest in energy companies that have expanded their business in North America but also (and more importantly) in such areas as Latin America, North/West Africa and parts of the Middle East and Asia that were previously undiscovered.

Over the last 10 years the equity markets have weathered, among other things, the collapse of the dot-com bubble, the attacks of 9/11, Hurricane Katrina, and most recently, the housing and credit-driven crisis. While we do not know what new challenges and opportunities the coming decade will bring, we feel confident that our investment discipline remains strong and we believe our portfolio is well positioned to grow.

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

ClearBridge Multi Cap Growth Portfolios

Sector highlights, Top 10 holdings and average sector weightings²

Average sector weightings and performance from 10/1/09 to 12/31/09 (%)

Sector	Port weight	Port return	Bench-mark* weight	Bench-mark* return	Weight diff	Active contrib
Information technology	18.89	23.85	31.84	11.31	-12.95	1.81
Consumer staples	0.00	0.00	15.33	5.51	-15.33	0.34
Financials	0.00	0.00	5.12	1.75	-5.12	0.31
Consumer discretionary	21.15	8.48	10.93	7.44	10.22	0.31
Utilities	0.00	0.00	0.87	3.04	-0.87	0.04
Healthcare	26.48	6.71	16.68	6.17	9.80	-0.00
Industrials	12.95	6.71	10.44	6.56	2.51	-0.03
Materials	1.96	4.34	3.87	6.62	-1.90	-0.04
Telecomm service	0.00	0.00	0.65	13.77	-0.65	-0.04
Energy	18.57	-4.94	4.28	5.72	14.29	-2.46

Benchmark: Russell 3000 Growth Index.

Source: Vestek.

Top 10 holdings and average sector weightings²

Top 10 holdings	Percent of Equity
Anadarko Petroleum Corp	8.56
Comcast Corp	6.40
Biogen IDEC Inc	6.35
UnitedHealth Group Inc	6.31
Weatherford International	6.21
Cree Inc	5.02
L-3 Communications Holding Corp	4.72
Pall Corp	4.50
Genzyme Corp	4.49
Sandisk Corp	4.33
Total number of holdings	31

Source: Vestek.

Market cap breakdown (\$)	Portfolio Weight	Benchmark Weight
Above 50 billion	0.00	40.68
25-50 billion	19.29	15.04
10-25 billion	38.83	16.52
3-10 billion	30.38	16.34
0-3 billion	11.50	11.42
Weighted average market cap (\$bil)	14.15	70.71

² Holdings, sector weightings, market capitalization and portfolio characteristics are based on a representative portfolio within the composite and are subject to change at any time. Holdings, sector weightings, market capitalization and portfolio characteristics of individual client portfolios in the program may differ, sometimes significantly, from those shown. This information does not constitute, and should not be construed as, investment advice or recommendations with respect to the sectors and securities listed and should not be used as the sole basis for any investment decision. Past performance is no guarantee of future results.

ClearBridge Multi Cap Growth 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 a prediction or forecast 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 decisions. The statistics have been obtained from sources believed to be reliable, but the accuracy and completeness of this information cannot be guaranteed. Securities referenced should not be construed as a solicitation or recommendation or be used as the sole basis for any investment decision.

All investments involve risk, including possible loss of principal amount invested. Please refer to www.leggmason.com/individualinvestors for more information about the portfolio including objective, risks and investment process. The information presented does not constitute and should not be construed as investment advice with respect to any investment discussed. 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.

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Past performance is no guarantee of future results.

Risks

In addition to large-capitalization companies, investments may include stocks of mid- and small-capitalization companies, which tend to involve more risk and volatility than stocks of larger companies.

Because Multi Cap Growth investments may be concentrated in a limited number of industries and companies and may include small- and medium-capitalization companies, this program involves substantial risk. Investors should consider their ability to assume this heightened risk before opening a Multi Cap Growth account.

Certain limits on the amount of investment in any one company may cause individual MCG investment portfolios to vary from each other and thus the performance results of such portfolios may also vary from each other, particularly when combined with the price volatility of stocks in such portfolios.

Investments may be made in ADRs and U.S.-traded ordinary shares of non-U.S. companies in developed and emerging markets which involve risks in addition to those ordinarily associated with investing in domestic securities, including the potentially negative effects of currency fluctuations, political and economic developments, foreign taxation and differences in auditing and other financial standards. These risks are magnified in emerging markets.

Index/term definitions

The Russell 3000 Growth Index measures the performance of those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values.

The S&P 500 Index is an unmanaged index of 500 stocks that is generally representative of the performance of larger companies in the U.S. Please note that an investor cannot invest directly in an index. All investments involve risk, including possible loss of principal.

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.

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ClearBridge Multi Cap Growth Portfolios – GIPS® endnotes (\$USD) — ending December 31

Inception date: January 2006

Composite creation date: June 2008

Period	Total return net(%)	Total return (*pure gross)	Russell3000 Growth return (%)	No. of portfolios	% of bundled fee portfolios in the composite	Composite dispersion (%)	Total composite assets at end of period (USD million)	% of firm assets	Total firm assets at end of period (USD million)
2008	-44.35	-42.58	-38.44	12,211	100	2.11	1,921.3	3.8	50,615
2007	4.23	7.34	11.40	14,680	100	5.40	4,239.5	9.0	47,112
2006	7.81	11.02	9.46	14,038	100	3.60	4,017.8	7.4	54,078
2005	11.05	14.35	5.17	10,290	100	2.92	n/a	n/a	n/a
2004	10.05	13.32	6.93	3,879	100	5.09	n/a	n/a	n/a
2003	38.76	42.81	30.97	4,218	100	3.58	n/a	n/a	n/a
2002	-30.57	-28.27	-28.03	4,409	100	3.93	n/a	n/a	n/a
2001	-2.74	0.24	-19.63	4,125	100	2.40	n/a	n/a	n/a
2000	38.62	42.46	-22.42	1,389	100	14.93	n/a	n/a	n/a
1999	69.82	74.31	33.83	552	100	13.77	n/a	n/a	n/a
1998	17.55	20.98	35.02	477	100	6.55	n/a	n/a	n/a

*Pure gross of fee returns do not reflect the deduction of any expenses, including certain transaction costs, and are presented as supplemental to the net of fee returns. ClearBridge Advisors (also referred to as "CBA") has prepared and presented this report in compliance with the Global Investment Performance Standards ("GIPS®"). For purposes of compliance with GIPS, the "firm" is defined as ClearBridge Advisors, which encompasses all assets managed or advised on a discretionary or non-discretionary basis by ClearBridge Advisors, LLC and ClearBridge Asset Management Inc (collectively, "ClearBridge Advisors"). In June 2008, ClearBridge Advisors combined its separate institutional and retail firms to form a single GIPS firm, CBA. The two predecessor firms were "ClearBridge Advisors Institutional" and "ClearBridge Advisors Retail". ClearBridge Advisors Institutional ("CBA-Inst") encompassed ClearBridge Advisors' mutual fund and other collective investment vehicle businesses and separately managed accounts contracted directly with ClearBridge Advisors. ClearBridge Advisors Retail ("CBA-Retail") was created in 2008 and encompassed separately managed accounts for which ClearBridge Advisors served as sub-advisor under sponsored programs ("retail separately managed accounts"). CBA-Retail's claim of GIPS compliance is effective as of January 2006. In accordance with GIPS, CBA-Retail's historical performance returns prior to January 2006 are presented as non-compliant information. The ClearBridge Advisors entities are wholly-owned subsidiaries of Legg Mason, Inc. ("Legg Mason") and are not affiliated with Citigroup Inc. ("Citigroup").

For the institutional business only, CBA-Inst's predecessor "firm" for GIPS purposes was CAM Institutional ("CAM-NA"). CAM-NA encompassed assets managed by North America-based units of Citigroup Asset Management ("CAM"), the worldwide asset management business of Citigroup that was conducted through various subsidiaries of Citigroup on behalf of certain of its institutional, mutual fund and other collective investment vehicle clients. The CAM-NA "firm" definition was substantially similar to the "firm" definition of CBA-Inst. On December 1, 2005, Citigroup completed the sale of CAM, including CAM-NA, to Legg Mason. In connection with the transaction, ClearBridge Advisors became the manager of a significant portion of the institutional, mutual fund and other collective investment vehicle accounts, including most active equity accounts that were managed by CAM-NA up until the date of the Citigroup-Legg Mason transaction. Assets that were not transitioned to ClearBridge Advisors in connection with the transaction (particularly fixed income and quantitative equity assets) transitioned to other Legg Mason affiliates that were not part of CBA-Inst. Prior to January 2001, CAM maintained three separate AIMR (the predecessor to GIPS) firms. These firms were combined to form CAM-NA effective January 2001. For the retail separately managed account business only, the performance returns prior to January 2006 represent a composite of accounts from a formerly-affiliated sponsor channel, which historically represented an overwhelming majority of the strategy's retail assets under management. The aforementioned composite returns were calculated on an equal weighted basis, where each portfolio contributed an equal weight to the resulting composite return for the period. As such and in accordance with GIPS, the historical performance returns prior to January 2006 are presented as non-compliant information. Total firm assets for years ending 2006 and 2007 represent the CBA-Retail firm.

Composite description

The ClearBridge Multi Cap Growth composite consists of fully discretionary portfolios with a minimum net asset value of US \$25,000 (prior to June 2008 the minimum is \$5,000). "Sleeves" of multi-style portfolios and segments of balanced accounts are excluded. Accounts within the composite seek capital appreciation by investing primarily in common stocks of companies that the manager believes are experiencing or will experience growth. The accounts may invest in the securities of large, medium and small capitalization companies that offer prospects of long-term earnings growth. New accounts enter the composite during the third full month under management. Accounts with external cash flows during a month that are equal to or greater than 10% of an account's market value will cause that account to be excluded from the composite during the month in which the flows occurred. Accounts will be added back to the composite in the following month. Closed accounts are included in the composite rate of return calculations through the completion of the last full month under management. All accounts are valued at calendar month end based on principal market values plus cash and cash accrued income. Account returns are calculated in U.S dollars and utilize the Daily Time Weighted methodology. The composite's monthly rates of return are the asset-weighted averages of the accounts' monthly results, which are then linked to determine the composite's quarterly and annual returns. Net of fee composite returns are calculated by reducing each monthly composite pure gross rate of return by the highest "bundled" fee charged (3.00%) annually, prorated to a monthly ratio. The "bundled" fee includes transaction costs, investment management, custodial, and other administrative fees. Pure gross returns shown do not reflect the deduction of "bundled" fees and are presented as supplemental information to net returns. Account quarterly and annual returns are calculated by linking individual monthly returns. Composite dispersion measures represent the consistency of a firm's composite performance results with respect to the individual account returns within a composite. CBA utilizes the Equal-Weighted Standard Deviation measure of dispersion. Only accounts that have been managed within the composite style for a full year are included in the Equal-Weighted Standard Deviation calculation. No alteration of composites has occurred because of changes in personnel or other reasons at any time. Any material change in the status of an account resulted in the removal of the account from the composite. Leverage has not been used in any of the accounts included in the composite.

A complete list and description of all composites maintained is available upon request. Additional information regarding policies for calculating and reporting returns is available upon request. Past performance is not necessarily indicative of future results.

Benchmark description

The Russell 3000 Growth Index measures the performance of those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values. The stocks in this index are also members of either the Russell 1000 Growth or the Russell 2000 Growth indexes.