

**ClearBridge Dividend Strategy Portfolios** invest primarily in dividend-paying stocks that offer the potential for income growth and capital appreciation over time. The investment team believes that companies that exhibit market leadership, coupled with solid balance sheets and strong dividend profiles, are attractive investment candidates for the long-term investor.

### Investment objective

#### Seeks to achieve:

- Dividend income<sup>1</sup>
- Growth of dividend income
- Long-term capital appreciation
- A target dividend yield that exceeds the S&P 500 Index<sup>2</sup>

### Investment philosophy

#### We believe that:

- A total return portfolio — with exposure to companies that either pay an existing dividend or have the potential to pay and/or significantly grow their dividends — has the potential to outperform over the long term
- Consistent and competitive risk-adjusted returns may be achieved by investing in select large and mid-cap companies and by seeking to limit portfolio turnover to capitalize on potential for long-term growth

### Key differentiators

- Typically exhibits low portfolio turnover<sup>3</sup> to allow for benefit from compounding effects of dividends over time

### Portfolio positioning

#### Designed to meet long-term financial goals

- Income generated from these portfolios may rise over time as companies continue to raise their dividends
- The compounding effect of any dividend increase may become more pronounced as time passes
- The growth in dividends underscores the inflation protection characteristics of the strategy

### Management team

- Established in 2005, ClearBridge Advisors has over 45 years of asset management experience. The firm is known for its research-driven, fundamental approach to investing, offering actively managed U.S. equity products in a wide range of capitalizations and styles.

**Risks:** All investments involve risk, including loss of principal and there is no guarantee that investment objectives will be met.

Investments may be made in small- and mid-cap companies, which involve a higher degree of risk and volatility than investments in large-cap companies.

Investments may also be made in ADRs and other securities 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 fluctuation, political and economic developments, foreign taxation and differences in auditing and other financial standards. These risks are magnified in emerging markets.

Limited investments also may be made in non-dividend paying stocks that are not expected to pay a dividend in the near future. The manager may hold significant portions of portfolio assets in cash equivalents while waiting for buying opportunities.

<sup>1</sup> Dividends and yields represent past performance. There is no assurance they will continue to be paid in the future.

<sup>2</sup> The S&P 500 Index is a broad-based measurement of changes in stock market conditions based on the average performance of 500 widely held common stocks. The index covers industrial, utility, transportation, and financial companies of the U.S. markets (mostly NYSE issues). The index represents about 75% of NYSE market capitalization and 30% of NYSE issues. It is a capitalization-weighted index (stock price times number of shares outstanding), calculated on a total return basis with dividends reinvested. An investor cannot invest directly in an index. The index is not managed and not subject to management or brokerage commissions. Dividends are subject to reinvestment.

<sup>3</sup> Managers seek to keep portfolio turnover low to allow for the positive compounding effect of dividends over time, although market, security and other investment considerations may cause turnover to be higher from time to time. Also, all capitalization ranges will not necessarily be represented in an individual account.

## Investment management team

### Harry "Hersh" Cohen Managing Director

- Chief Investment Officer,
- Senior Portfolio Manager
- 43 years of investment industry experience

### Michael Clarfeld, CFA Managing Director

- Portfolio Manager
- 12 years of investment industry experience

### Diane Keady Director

- Portfolio Manager
- 12 years of investment industry experience

### Peter Vanderlee, CFA Managing Director

- Portfolio Manager
- 13 years of investment industry experience

## Investment process

STEP 1

### Define the investment universe

- Emphasize domestic large-capitalization stocks, but also consider mid- and small-capitalization companies and ADRs of foreign companies opportunistically;

STEP 2

### Evaluate stocks using proprietary discipline

- Screen for companies across all market sectors with either an attractive dividend yield or a history of (or prospects for) dividend growth, and strong balance sheets, dominant positions and/or reasonable valuations;

STEP 3

### Select securities and construct portfolio

- Conduct fundamental research and dividend analysis to identify companies with attractive growth characteristics relative to their valuation levels; and

STEP 4

### Review process

- Re-examine a current holding when valuation is realized, fundamentals deteriorate, and/or cyclical shifts alter industry's attractiveness.

## Performance

### Annualized rates of return - net and gross of fees (%) as of March 31, 2012

	YTD	1-year	3-year	5-year	7-year
Dividend Strategy (net)	6.14	8.92	17.79	2.39	3.41
Dividend Strategy (gross)	6.92	12.16	21.27	5.46	6.51
S&P 500 Index	12.59	8.54	23.42	2.01	4.71

### Calendar-year total returns-net and gross of fees (%) ending December 31

	2011	2010	2009	2008	2007	2006	2005	2004
Dividend Strategy (net)	7.34	9.09	15.07	-24.32	2.75	14.17	-0.43	6.93
Dividend Strategy (gross)	10.55	12.34	18.49	-21.99	5.83	17.55	2.55	10.12
S&P 500 Index	2.11	15.06	26.46	-37.00	5.49	15.79	4.91	10.88

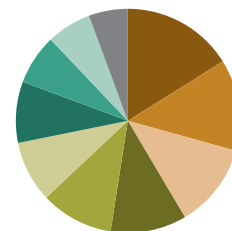
The investment process may change over time. The characteristics set forth above are intended as a general illustration of some of the criteria the strategy team considers in selecting securities for client portfolios.

**Past performance is not a guarantee of future results.** Please see GIPS® Endnotes for important additional information regarding the portfolio performance shown and for effects of fees. Management and performance of individual accounts may vary for reasons that include the existence of different implementation practices and model requirements in different investment programs.

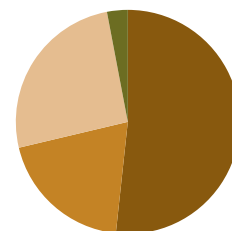
**Fees:** Gross performance shown does not reflect the deduction of investment management fees and certain transaction costs, which will reduce portfolio performance. Net performance includes the deduction of a 3.0% annual wrap fee, which is the maximum anticipated wrap fee for equity and balanced portfolios. Actual fees may vary. For fee schedules, contact your financial professional or if you may enter into an agreement directly with LMPPG, refer to LMPPG's Form ADV disclosure document.

# Portfolio information<sup>1</sup> as of March 31, 2012

Top 10 equity holdings (%)		Sector weightings (%)	
Exxon Mobil Corp.	4.42	Consumer Staples	16.10
AT&T Inc.	4.34	Industrials	13.21
Procter & Gamble Co.	3.58	Consumer Discretionary	12.17
Automatic Data Processing Inc.	3.45	Energy	10.98
E.I. du Pont de Nemours & Co.	3.43	Information Technology	10.51
Microsoft Corp.	3.43	Health Care	8.85
Travelers Cos. Inc.	3.29	Materials	8.82
Kimberly-Clark Corp.	3.25	Telecommunication Services	7.26
Waste Management Inc.	3.24	Financials	6.45
NextEra Energy Inc.	3.11	Utilities	5.64



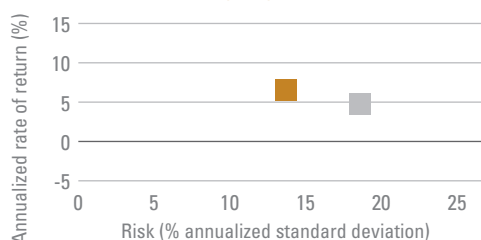
Characteristics		Market capitalization (%)	
Number of Holdings	46	Above \$50B	51.71
Dividend Yield	3.27	\$25 - \$50B	19.58
Forecasted PE ratio -1 Year	12.74	\$10 - \$25B	25.72
PriceBook	3.28	\$3 - \$10B	2.99
Long-term EPS growth	8.58	0 - \$3B	0.00
Weighted Median Market Capitalization	56.95		
Weighted Average Market Capitalization	97.15		



## Performance statistics (gross of fees)<sup>2</sup>

### Risk/return profile (%)

Gross of fees (based on 7-year period ended March 31, 2012)

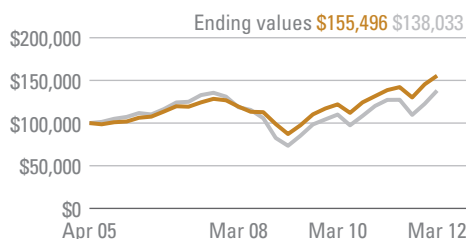


**Dividend Strategy**  
Rate of return: 6.51  
Standard deviation: 13.68

**S&P 500 Index**  
Rate of return: 4.71  
Standard deviation: 18.59

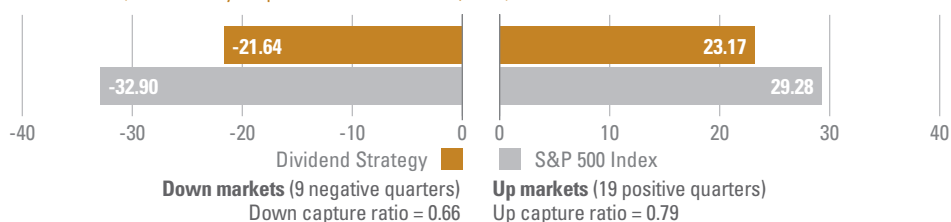
### Growth of \$100,000<sup>3</sup>

Gross of fees (based on 7-year period ended March 31, 2012)



### Annualized up/down market returns (%)

Gross of fees (based on 7-year period ended March 31, 2012)



### Modern portfolio statistics

Gross of fees (based on 7-year period ended March 31, 2012)

Alpha	2.23
Beta	0.70
Sharpe ratio	0.39
R-squared	0.90

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 and Global Currents Investment Management, LLC. Management is implemented by Legg Mason Private Portfolio Group, LLC or, in the case of certain programs, by the program sponsor or its designee.

<sup>1</sup> Holdings, sector weightings, market capitalization and portfolio characteristics are subject to change at any time and are based on a representative portfolio. 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 securities and sectors listed. Source: Vestek.

<sup>2</sup> Source: Legg Mason.

<sup>3</sup> For illustrative purposes only. Assumes no withdrawals or contributions. These statistics are based on gross-of-fees quarterly composite returns, were calculated assuming reinvestment of dividends and income, and take into account both realized and unrealized capital gains and losses.

**CBA Dividend Strategy-Retail GIPS® Endnotes** Inception date: Jan 2006. Composite creation date: June 2008.

Period	Total net return (%)	Total pure gross† return (%)	S&P 500 return (%)	Number of portfolios	Bundled fee portfolios (%)	Composite dispersion (%)	Composite assets (\$mm)	Firm assets (%)	Total firm assets (\$mm)
2010	9.09	12.34	15.06	4,260	100	0.75	718.9	1.30	55,361
2009	15.07	18.49	26.46	4,358	100	0.96	652.8	1.22	53,523
2008	-24.32	-21.99	-37.00	4,666	100	1.07	586.3	1.16	50,615
2007	2.75	5.83	5.49	5,713	100	0.64	862.5	1.83	47,112
2006	14.17	17.55	15.79	6,056	100	0.62	900.3	1.66	54,078
2005	-0.43	2.55	4.91	7,176	100	0.39	n/a	n/a	n/a
2004	6.93	10.12	10.88	5,369	100	0.81	n/a	n/a	n/a
6/03 - 12/03	7.01	8.85	16.62	1,926	100	n/m	n/a	n/a	n/a

n/m - Equal-weighted standard deviation is not meaningful because the composite consisted of fewer than five portfolios throughout the period presented or the time period is less than one year.  
 † Pure gross of fee returns do not reflect the deduction of any expenses, including 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 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 Dividend Strategy composite consists of fully discretionary accounts with a minimum net asset value of US \$25,000 (prior to June 2008, the minimum was \$5,000). "Sleeves" of multi-style portfolios and segments of balanced accounts are excluded. Accounts within the composite are primarily invested in large and mid cap U.S. equities across a wide variety of industries and sectors but could also include ADR's. The portfolio managers seek dividend income, growth of dividend income and long-term capital appreciation. Managers may sometimes hold significant portions of portfolio assets in cash equivalents while waiting for buying opportunities. 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 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 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 **S&P 500 Index** is a broad-based measurement of changes in stock market conditions based on the average performance of 500 widely held common stocks. The index covers industrial, utility, transportation, and financial companies of the U.S. markets (mostly NYSE issues). The index represents about 75% of NYSE market capitalization and 30% of NYSE issues. It is a capitalization-weighted index (stock price times number of shares outstanding), calculated on a total return basis with dividends reinvested.

**Terms and Definitions:**

**Dividend yield** is determined by dividing a stock's annual dividends per share by the current market price per share. Dividend yield is a financial ratio that shows how much a company pays out in dividends.

**P/E (Year 1)** is the previous day's closing price of the stock divided by the consensus earnings per share (EPS) of fiscal year 1 (FY1) provided by I/B/E/S. Forecasts are inherently limited and should not be relied upon as indicators of future performance.

The **price-to-book ratio (P/B)** is a stock's price divided by the stock's per share book value. Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of a common stock.

**Weighted Median Market Capitalization** represents the value at which half the portfolio's market capitalization weight falls above and half falls below.

**Weighted Average Market Capitalization** represents the average value of the companies held in the portfolio. When that figure is weighted, the impact of each company's capitalization on the overall average is proportional to the total market value of its shares.

**Market Capitalization** measures the number of outstanding common shares of a given corporation multiplied by the latest price per share.

**Standard deviation** measures the risk or volatility of an investment's return over a particular time period; the greater the number, the greater the risk.

The **Up Capture Ratio** measures the manager's overall performance to the benchmark's overall performance, considering only quarters that are positive in the benchmark. An Up Capture Ratio of more than 1.0 indicates a manager who outperforms the relative benchmark in the benchmark's positive quarters.

The **Down capture ratio** is the ratio of the manager's overall performance to the benchmark's overall performance, considering only quarters that are negative in the benchmark. A Down Capture Ratio of less than 1.0 indicates a manager who outperforms the relative benchmark in the benchmark's negative quarters and protects more of a portfolio's value during down markets.

**Alpha** is a measure of performance vs. a benchmark on a risk-adjusted basis. A positive alpha of 1.0 means the portfolio has outperformed its benchmark index by 1%. Correspondingly, a similar negative alpha would indicate an underperformance of 1%. Alpha is a measure of the difference between actual returns and expected performance measuring sensitivity to index movements.

**Beta** measures the sensitivity of an investment to the movement of its benchmark. A beta higher than 1.0 indicates the investment has been more volatile than the benchmark and a beta of less than 1.0 indicates that the investment has been less volatile than the benchmark.

**Sharpe ratio** is a risk-adjusted measure, calculated using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe ratio, the better the portfolios historical risk-adjusted performance.

**R-squared** measures the strength of the linear relationship between the fund and its benchmark. R-squared at 100 implies perfect linear relationship and zero implies no relationship exists.

[www.leggmason.com/individualinvestors](http://www.leggmason.com/individualinvestors)

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