

For Immediate Release

Contact Information:

Media:

Madelyn McHugh
(212) 805-6039
mmchugh@leggmason.com

Legg Mason Launches First Small-Cap ETF with Royce & Associates

Royce ETF Seeks to Invest in Stocks at Intersection of Quality and Value

Baltimore, MD – July 14, 2017 – Legg Mason, Inc., (NYSE:LM), today announced it has launched its first dedicated small-cap, multi-factor ETF, sub-advised by Royce & Associates, a Legg Mason affiliate and small-cap specialist with more than 40 years' experience in the asset class. The **Legg Mason Small-Cap Quality Value ETF** [Nasdaq: SQLV] seeks to track the investment results of a proprietary multi-factor index, developed by Royce & Associates, composed of equity securities of U.S. small-cap companies.

"We are very excited about launching Royce's first ETF in partnership with Legg Mason," said Royce Funds' Chief Executive Officer Chris Clark. "This product distills decades' worth of our experience and expertise in small caps as well as our team's research into the success of certain factors in small-cap returns. This particular approach, investing in stocks that we think are at the intersection of quality and value, has been among our most successful strategies for many years."

The **Legg Mason Small-Cap Quality Value ETF** is managed by George Necakov, CFA and Michael Connors, bringing over 30 years' combined industry experience. The performance of the fund is benchmarked against the Royce Small-Cap Quality Value Index, which seeks long-term growth by potentially taking advantage of the historical long-running performance advantage for small-cap stocks and uses a proprietary multi-factor model.

The Royce model looks for attractively valued and high-quality small-cap companies, primarily those with strong free cash flow yields and high, solid historical returns on invested capital. The approach also embeds risk management in the process, taking several steps to reduce exposure to stocks with attributes that, in Royce's experience, can increase the chance of a sharp decline in stock price. These risk management steps includes seeking to limit exposure to stocks with high leverage, recent extreme positive price movement, or market capitalization at the high end of the small-cap universe.

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About Royce & Associates

Royce & Associates, LP, investment adviser to The Royce Funds, is a small-cap specialist offering distinct investment strategies with different risk/return profiles designed to meet a variety of investors' needs. Each of our strategies focuses on the kind of fundamental, intensive company research that we have done for more than 40 years. Chuck Royce, the firm's founder and a pioneer of small-cap investing, enjoys one of

the longest tenures of any mutual fund manager. Royce & Associates, LP is an affiliate of Legg Mason Inc. (NYSE: LM).

About Legg Mason

Legg Mason is a global asset management firm with \$731 billion in assets under management as of April 30, 2017. The Company provides active asset management in many major investment centers throughout the world. Legg Mason is headquartered in Baltimore, Maryland, and its common stock is listed on the New York Stock Exchange (symbol: LM).

What should I know before investing? The Fund is newly organized, with a limited history of operations. Equity securities are subject to price fluctuation and possible loss of principal. The Fund invests primarily in small-cap stocks, which may involve considerably more risk than investing in larger-cap stocks. The Fund has significant exposure to U.S. issuers. A decrease in imports or exports, changes in trade regulations and/or an economic recession in the United States may have a material adverse effect on the U.S. economy and the securities listed on U.S. exchanges. There is no guarantee that the Fund will achieve a high degree of correlation to the index it seeks to track. The Fund does not seek to outperform the index it tracks, and does not seek temporary defensive positions when markets decline or appear overvalued. The Fund may focus its investments in certain industries, increasing its vulnerability to market volatility. Diversification does not ensure gains or protect against market declines.

If you are neither a resident nor a citizen of the United States or if you are a non-U.S. entity, a fund's ordinary income dividends (which include distributions of net short-term capital gains) will generally be subject to a 30% U.S. federal withholding tax, unless a lower treaty rate applies. For further information, please see the ETF's prospectus which can be found on www.leggmason.com.

Redemption payments will be effected within the specified number of calendar days following the date on which a request for redemption in proper form is made. The funds generally intend to effect deliveries of creation units and portfolio securities on a basis of trade date T plus three business days (T+3). Please see the ETF's statement of additional information (SAI) for more information, which can be found on www.leggmason.com.

The **Legg Mason Small-Cap Quality Value** ETF seeks to track the investment results of the Royce Small-Cap Quality Value Index which is a proprietary index composed of small-cap stocks trading in the United States with relatively low valuations, high profitability and high debt coverage compared with the average of stocks in the investment universe. The ETF will invest at least 95% of its total assets in component securities of the Royce Small Cap Quality Value Index. The Index construction rules have been developed based on Royce's decades of experience managing small-cap stocks as well as academic literature on the favorable attributes of certain stock factors. As a result, the Index will generally favor stocks with lower than average valuation, higher than average profitability and higher than average debt coverage compared with stocks in the investment universe. Additionally, the Index construction rules were chosen to seek to maintain diversification by limiting the weighting of individual constituents as well as sectors. Index constituents are chosen from a universe of small-cap stocks which meet certain criteria. The investment universe includes common stocks of US headquartered companies listed on US exchanges, and excludes royalty companies, master limited partnerships, stocks with a share price less than or equal to \$1 and stocks with insufficient trading volume. The universe is then refined to include stocks with market capitalizations that are between the 1001st and 3000th largest stocks based on descending market capitalization at time of rebalance. From that universe REITs are excluded and Index constituents are selected using a proprietary, multi-factor scoring system. Index position weights are then calculated using a fundamental composite score that aims at adding value by relying on more efficient estimations of the companies' true economic value than those provided by market capitalization. By using fundamental factors to weight stocks rather than market capitalization the index seeks to have lower exposure to overvalued

companies, while still maintaining broad diversification. Concentration limits are also implemented in the construction process of the Index. The Index constituents are reconstituted and rebalanced quarterly.

Before investing, carefully consider a Fund's investment objectives, risks, charges and expenses. You can find this and other information in each prospectus, or summary prospectus, if available, which is available at www.leggmason.com/etf. Please read it carefully.

All investments involve risk, including loss of principal. Past performance is no guarantee of future results.

Any information, statement or opinion set forth herein is general in nature, is not directed to or based on the financial situation or needs of any particular investor, and does not constitute, and should not be construed as, investment advice, forecast of future events, a guarantee of future results, or a recommendation with respect to any particular security or investment strategy or type of retirement account. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies should consult their financial professional.

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