

ClearBridge ESG ETFs

ClearBridge Dividend Strategy ESG ETF (Ticker: YLDE)  
ClearBridge Large Cap Growth ESG ETF (Ticker: LRGE)

# ENGAGING FOR IMPACT



Making an impact with your investments just got easier. Investors can now access ClearBridge Investments' long-standing **Environmental, Social and Governance (ESG)** program through active ETFs.

ClearBridge active ESG ETFs combine ESG integration, active company engagement and shareholder advocacy with fundamental stock selection to earn returns while helping to make the world a better place.<sup>1</sup>



<sup>1</sup> There is no guarantee that the portfolios' objectives will be met.

**All investments involve risk, including loss of principal.** Equity securities are subject to price fluctuation and possible loss of principal. Active management does not ensure gains or protect against market declines.

# PURSUE FINANCIAL RETURN & SOCIAL GOOD

ClearBridge believes that investors shouldn't have to choose between their values and investment performance.

That's why ClearBridge's ESG investment program favors companies that promote best practices when it comes to the environment, social issues and corporate governance. ClearBridge believes the ways in which companies integrate these issues into their operations can potentially impact competitive opportunities and growth potential — and ultimately drive stock prices.

Key Fact — Nearly 75% of high net worth investors and 85% of millennials believe ESG investments are likely to perform as well as or better than non-ESG investments.<sup>†</sup>

## Investors concerned with ESG issues generally haven't sacrificed investment returns

Growth of \$100 — Gross of fees (\$)



Source: Bloomberg, as of December 31, 2016. **Past performance is no guarantee of future results.** All investments involve risk, including possible loss of principal. Socially aware stocks are represented by the MSCI KLD 400 Social Index, and the broad stock market is represented by the S&P 500 Index.

The **MSCI KLD 400 Social Index** comprises companies with high Environmental, Social and Governance (ESG) ratings and excludes companies involved in Alcohol, Gambling, Tobacco, Military Weapons, Civilian Firearms, Nuclear Power, Adult Entertainment, and Genetically Modified Organisms (GMO). The Index aims to serve as a benchmark for investors whose objectives include owning companies with very high ESG ratings and avoiding companies that are incompatible with specific values-based criteria. The **S&P 500 Index** is a capitalization-weighted, composite index of 500 stocks designed to measure the performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. An investor cannot invest directly in an index. Unmanaged index returns do not reflect any fees, expenses or sales charges.

**An Environmental, Social and Governance (ESG) investment strategy may limit the types and number of investment opportunities available to the fund and, as a result, may underperform strategies that are not subject to such criteria.**

<sup>†</sup> At the end of 2015, on behalf of Legg Mason, Naissance Partners conducted a survey of 250 financial advisors, 233 millennial investors and 235 high net worth investors from across the United States.

# THREE LEVELS OF ACTIVE MANAGEMENT

Among the first actively managed ESG ETFs, ClearBridge Dividend Strategy ESG ETF (YLDE) and ClearBridge Large Cap Growth ESG ETF (LRGE) take engagement to a whole new level. They offer triple the impact with three layers of active management:

## UNDERLYING PORTFOLIO

High-conviction stock selection

## ESG INTEGRATION

Active company engagement and shareholder advocacy, plus sector-relevant research integration

## ACTIVE ETFs

Follow established strategies — not a passive index

Investors may also benefit from the tax efficiency and compelling relative pricing.

## Environmental, Social and Governance Factors



### Environment, Health & Safety

Includes regulatory compliance, occupational/workplace safety, environmental footprint, eco-efficiency, product safety, pollution prevention and life-cycle analysis.



### Workplace

Covers workforce diversity, work/life balance, employee retention and training, employee benefits and compensation, labor relations, outsourcing and foreign sourcing.



### Community

Consists of human rights responsiveness, license to operate, impact to community, volunteerism, mission-related philanthropy and public policy engagement.



### Corporate Governance

Considers such issues as management structure, board composition guidelines, transparency and disclosure.

### Past performance is no guarantee of future results.

The manager's investment style may become out of favor and/or the manager's selection process may prove incorrect, which may have a negative impact on the Funds' performance.

# THE CLEARBRIDGE ESG DIFFERENCE

ClearBridge Investments is a pioneer in ESG investing. Having established an ESG investment program in 1987, the firm was among the first — and largest — mainstream investment managers to commit to ESG investing.

**When it comes to ESG investing, ClearBridge is structured to make a difference on your behalf.**

- Analyst-driven, ESG-focused meetings directly with portfolio companies
- ESG principles integrated firm-wide, not just within the ESG investment team
- Active participation in prominent ESG member networks, such as the Principles for Responsible Investing and the Forum for Sustainable and Responsible Investment

**The ClearBridge ESG investment program takes a different investment approach from most of its peers. Here's what sets it apart:**



## **Company engagement**

Advocacy via active proxy voting and engagement with company management. As high-conviction investors who own companies for the long haul, ClearBridge is positioned to try to guide and influence company management on issues related to ESG.



## **Proprietary rating system**

Every company within the ClearBridge research universe receives a rating intended to signal to investment teams how well a company has executed its ESG practices. ClearBridge analysts assign companies one of four proprietary ESG ratings, ranging from AAA (highest) to B (lowest), based on company performance/behavior and a comparison with industry peers.



## **Fully integrated process**

ESG evaluation is not a separate process at ClearBridge. In fact, their fundamental research process incorporates ESG perspectives that go well beyond traditional passive negative screens and overlays.

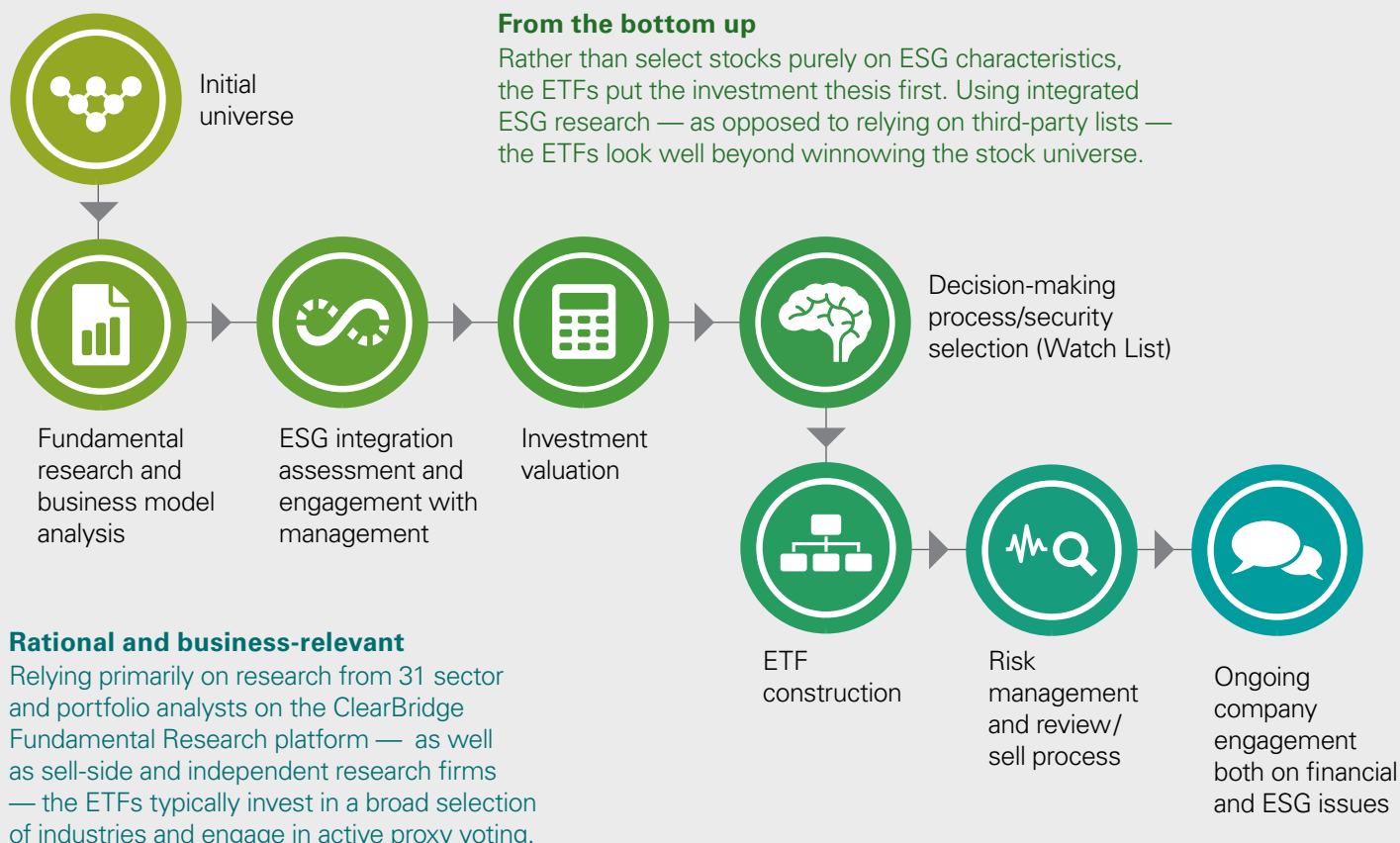
**Key Fact — Roughly half of high net worth investors and 60% of millennials would like to invest more in ESG<sup>†</sup>**

<sup>†</sup> At the end of 2015, on behalf of Legg Mason, Naissance Partners conducted a survey of 250 financial advisors, 233 millennial investors and 235 high net worth investors from across the United States.

# MORE THAN AN AFTERTHOUGHT

ClearBridge doesn't look solely at ESG factors to determine which companies go into the ETFs. Instead, ESG factors help shape conviction, influencing whether a particular company should be held, for how long and at what position size.

**ClearBridge's proprietary ESG evaluation process is integrated into the stock selection for each ETF**



# ESG INVESTMENT STRATEGIES

Whether investors are looking for income growth or high active share, ClearBridge's ESG investment program has a strategy that may fit the bill. ClearBridge's ESG ETFs include the following strategies, managed by their existing teams.



## ClearBridge Dividend Strategy ESG ETF (YLDE)

The managers focus on stocks that can offer meaningful dividend yield plus the potential for dividend growth and capital appreciation.

- Primarily a large- and mid-cap portfolio that favors companies with the ability to pay a rising stream of dividends.
- Focuses on companies with the potential to provide competitive risk-adjusted returns.
- Employs a diversified and risk-sensitive approach, with low portfolio turnover, while seeking to invest in high-quality companies across all sectors.



## ClearBridge Large Cap Growth ESG ETF (LRGE)

The managers believe that owning a diverse collection of growth-seeking companies offers the greatest potential to deliver strong performance and manage volatility.

- Allocate holdings across the “spectrum of growth” — three growth buckets (Cyclical, Stable, Select) that offer distinct risk/return characteristics.
- In a low-growth environment, the portfolio managers believe companies exhibiting greater balance sheet stability may help manage portfolio volatility.
- Takes a “business model first, valuation second” approach to building a portfolio, thoroughly evaluating a company’s business model, asking, Is it sustainable?

# ClearBridge

Investments

- A well-established global investment manager focusing on proprietary research and fundamental investing
- Over 50 years of experience building portfolios for clients seeking income solutions, high active share or low volatility
- Long-tenured portfolio managers provide strong leadership in a centralized investment structure

## ClearBridge Dividend Strategy ESG ETF (YLDE)



Michael Clarfeld, CFA  
Managing Director,  
Portfolio Manager

15+  
years of experience



Hersh Cohen, CFA  
Co-Chief Investment  
Officer, Managing  
Director and Portfolio  
Manager

45+  
years of experience



Peter Vanderlee, CFA  
Managing Director,  
Portfolio Manager

15+  
years of experience

## ClearBridge Large Cap Growth ESG ETF (LRGE)



Peter Bourbeau  
Managing Director,  
Portfolio Manager

25+  
years of experience



Margaret Vitrano  
Managing Director,  
Portfolio Manager

20+  
years of experience



Mary Jane McQuillen  
Managing Director, Portfolio Manager,  
Head of Environmental,  
Social and Governance Investment

20+  
years of experience

To learn more about how good intentions can yield good results, visit [www.leggmason.com/ETF](http://www.leggmason.com/ETF)

“At ClearBridge, ESG investing is much more than something we do. It’s something we believe in.”

Mary Jane McQuillen

Brandywine Global  
Clarion Partners  
ClearBridge Investments  
EnTrustPermal  
Martin Currie  
QS Investors  
RARE Infrastructure  
Royce & Associates  
Western Asset

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- A diverse family of specialized investment managers, each with its own independent approach to research and analysis
- Over a century of experience in identifying opportunities and delivering astute investment solutions to clients

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## What should I know before investing?

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

Active share is a measure of the percentage of stock holdings in a manager's portfolio that differs from the benchmark index. Sell-side refers to the part of the financial industry that is involved in the creation, promotion and sale of stocks, bonds, foreign exchange and other financial instruments.

**ClearBridge Dividend Strategy ESG ETF and ClearBridge Large Cap Growth ESG ETF (the "Funds")** are newly organized, with a limited history of operations. Equity securities are subject to price fluctuation and possible loss of principal. Investments may also be made in depository receipts 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. The Funds' Environmental, Social and Governance (ESG) investment strategy may limit the types and number of investment opportunities available to the Funds and, as a result, may underperform funds that are not subject to such criteria. Active management and diversification do not ensure gains or protect against market declines.

In addition to investments in large-capitalization companies, **ClearBridge Dividend Strategy ESG ETF** may invest in small-cap and mid-cap companies which involve a higher degree of risk and volatility than investments in larger, more established companies. Additionally, the managers may sometimes hold significant portions of portfolio assets in cash equivalents while waiting for buying opportunities. Dividends may fluctuate and a company may reduce or eliminate its dividend at any time.

**ClearBridge Large Cap Growth ESG ETF** invests in stocks of large companies which may not rise as much as smaller-cap stocks in rising markets.

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 each Fund's statement of additional information for more information.

\* As of March 31, 2017.

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