2Q 2019 | Separately Managed Accounts | Product Commentary

CLEARBRIDGE INTERNATIONAL GROWTH ADR ESG PORTFOLIOS

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International Growth ADR ESG Portfolios

Annualized returns net and gross of fees - PRELIMINARY

(%) as of June 30, 2019

	1-mo	QTR	YTD	1-yr	3-yr	5-yr	7-yr	Since Incept.
Net of fees	6.55	5.70	19.06	2.42	12.71	5.24	8.53	6.09
"Pure" gross of fees	6.80	6.47	20.78	5.49	16.06	8.39	11.76	9.26
MSCI EAFE Index	5.93	3.68	14.03	1.08	9.11	2.25	7.31	5.51

The strategy returns are preliminary composite returns, subject to future revision (downward or upward). Please visit www.leggmason.com for the latest performance figures. YTD numbers are not annualized.

Monthly, quarterly and YTD numbers are not annualized. **Past performance is no guarantee of future results.** Please see the GIPS® endnotes for important additional information regarding the portfolio performance 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 enter into an agreement directly with LMPPG, refer to LMPPG's Form ADV disclosure document.

Returns reflect the reinvestment of dividends and other earnings.

Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

MSCI EAFE Index is a free float-adjusted market-capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI EAFE Index consists of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.

Key takeaways

- More accommodative central banks and signs of progress in the U.S.-China trade dispute supported a continued rebound of international growth stocks.
- We believe our portfolio companies and the equity markets we target can manage around the myriad geopolitical and global growth risks in the current environment.
- The estimated value of reaching full gender parity has increased, both in terms of global productivity and corporate performance.

Market overview and outlook

International equities managed gains through an eventful second quarter where trade and central bank policy took center stage. The benchmark MSCI EAFE Index advanced 3.68%, the MSCI EAFE Small Cap Index added 1.71%, and the MSCI Emerging Market Index edged 0.61% higher. International growth stocks outperformed their value counterparts by a wide margin, with the MSCI EAFE Growth Index up 5.73% for the quarter, compared with a gain of 1.54% for the MSCI EAFE Value Index.

The ongoing trade dispute between the U.S. and China waxed and waned during the quarter – as it has for most of President Trump's tenure – causing volatility to spike and then settle. A breakdown in trade talks in May led the U.S. to raise tariffs from 10% to 25% on $200 billion worth of goods, causing investors to flee risk assets. At the same time, the Trump administration also stepped up actions against Huawei, banning the Chinese telecom giant from doing business in the U.S. and effectively barring U.S. suppliers from selling to the company. In late June, however, Trump backtracked on the Huawei ban and delayed implementation of the latest round of tariffs following a meeting with his Chinese counterpart, Xi Jinping, at the G-20 summit.

As long-term investors, we never orient stock selection or portfolio construction around politics. Global trade tensions, as well as political flare-ups in local markets like Italy and other countries questioning their participation in the European Union, can spark extreme pessimism and sour investment sentiment. Perhaps the biggest impact from the ongoing trade dispute, as well as geopolitics in general, is on business confidence, which delays long-term capital spending plans. We are seeing it in the manufacturing indices, where almost all major international economies are below 50, indicating a shrinking of manufacturing activity. We acknowledge and closely monitor the near-term impacts of these uncertainties – Brexit being another current example – but longer-term, we believe the companies we own and the equity markets that we target manage around these risks. We will be listening closely to what companies are seeing and noting in their outlooks as second-quarter earnings reports come in.

Our optimism is supported by central banks that have become more accommodative in the last several months. The U.S. Federal Reserve communicated the potential for an interest rate cut in the near term if economic data weaken, while European Central Bank (ECB) President Draghi continued to delay the wind-down of the ECB's current quantitative easing measures. If the Fed begins to aggressively cut rates, we could see a strengthening euro. It's worth noting that the solid performance of the Portfolio year to date has come with virtually no contribution from currency. China also remains aggressive in using stimulus measures to offset the headwinds to growth caused by trade and tariff actions. But this time the Chinese government is seeking to help the consumer, the state-owned companies and the private companies via tax cuts and lending facilities. Monetary conditions have improved over the course of the last few months, but we expect further stimulus.

Meanwhile, valuations continue to look attractive across regions. European earnings remain nowhere near peak, creating the potential for multiple expansion. We also remain positive on the strength of the consumer, which is being supported by low unemployment and rising wages, especially in Asian markets where cosmetics, luxury goods and athletic apparel companies are seeing healthy demand. We recently attended a conference of global consumer staples companies where the tone was considerably more positive than in the prior year. Companies pointed to relatively resilient demand, easing commodity prices and pricing power, particularly on the premium end. They also stressed the importance of renewed innovation, new products and re-engaging with customers to drive revenue growth.

Portfolio positioning

Considering the strength of the markets and higher international equity valuations, we continued to trim and sell positions that have reached our intrinsic value targets and look for new ideas. This is where our proprietary model is so useful in pointing to overlooked ideas where conditions are improving and steering us away from troublesome areas. The model also helps provide a clearer view of the overall portfolio, enabling us to make strategic shifts when necessary, across the spectrum of growth.

During the second quarter, we added to our allocations in secular growth companies, those with established market positions and more predictable earnings. This included the purchase of Interxion, a Dutch-based data center operator for hyperscale cloud providers. Cloud adoption is growing faster in Europe than in the U.S. because companies there are further behind. Interxion has seen good growth and it occupies a unique position in serving European enterprise customers.

Meanwhile, we reduced exposure to the riskier emerging growth allocation, which has performed very strongly on the back of continued rate reductions, extending valuations even further. This included trims of several positions as well as the initiation of a new position in e-commerce and payment software developer StoneCo, which provides access to an improving Brazilian economy and the rising penetration of electronic payments, which at 30% is low relative to more mature markets. The company is disrupting the Brazilian merchant payments market, which is largely dominated by legacy incumbents, by providing more competitive pricing, better breadth of technology and services, and higher-quality customer service. These advantages have enabled it to maintain strong top-line growth and high margins. The company has quickly grown to become the fourth-largest acquirer of merchants, with 6% market share, and we believe the company is well positioned to take its disruptive growth into adjacent markets like banking and lending.

We also trimmed our weighting in structural growth companies – businesses that are in cyclical industries or are going through a restructuring that should result in a step-up in profitability. This included the sale of Aflac, an insurer with a significant Japanese business, after the shares reached our price target.

Outlook

The drawdown in the fourth quarter of 2018 had made us more positive on international equities at the beginning of the year; however, we are now becoming more cautious with manufacturing PMI indicators around the world taking a notable leg down. The upcoming earnings season could lead to increased volatility, especially for companies that disappoint or issue weak guidance, but we believe the global economy will continue to expand, although likely at a lower rate than previously thought. This environment should be supportive of growth stocks.

While the macro cannot be ignored, we would like to re-emphasize that while aware of our macro surroundings, we do not position the Portfolio for macro performance but rather through stock selection as the dominant contributor to portfolio performance. We continue to seek out quality growers with good and increasing cash flow generation, which should help shield us from potential volatility. Cash flow is an underappreciated but very powerful weapon, particularly in downturns, as it allows management to buy back shares, pay dividends and have the opportunity to undertake M&A at lower valuations. Our portfolio as whole maintains half of the debt levels on company balance sheets compared with the benchmark, which should offer greater flexibility if markets become turbulent.

Portfolios' highlights

The ClearBridge International Growth ADR ESG Portfolios gained 6.47% (gross of fees) for the second quarter. In comparison, the benchmark MSCI EAFE Index gained 3.68% for the same period. Over the longer term, the Portfolios have outperformed the benchmark index (gross of fees) across the 1-, 3-, 5-, and 7- year periods ended June 30, 2019.

On an absolute basis, the Portfolios delivered gains across eight of the nine sectors in which they were invested (out of 11 total), with the primary contributors coming from the information technology (IT), health care and industrials and financials sectors.

On a relative basis, overall stock selection and sector allocation contributed to performance. In particular, stock selection in the health care, consumer staples, IT, industrials and communication services sectors and an overweight to the IT sector drove relative results. Conversely, stock selection in the materials and consumer discretionary sectors detracted from relative performance.

On a regional basis, stock selection in North America, Japan, the United Kingdom and Europe Ex UK had positive impacts, offsetting weakness in emerging markets.

On an individual stock basis, the largest contributors to absolute returns in the quarter included SAP, Linde, Nintendo, Nestle and Temenos. The greatest detractors from absolute returns included positions in Umicore, Sociedad Quimica y Minera de Chile, StoneCo, Check Point Software and ASOS.

During the quarter, in addition to the names mentioned above, we sold a position in Alcon, a spinoff from portfolio holding Novartis, in the health care sector.

Environmental, Social and Governance (ESG) update

It has been three years since we published our last commentary on gender in the workplace, and we are encouraged to find new evidence of the benefits of gender diversity as well as the progress made toward it both in society at large and within our portfolio holdings. Though much work remains to be done, we see ample evidence of the value of the efforts made by research groups and governments. In our own role as an active shareholder, we continue to work to further improve gender parity in the workplace through active ownership of leaders in gender diversity and engagement with companies we own.

Recent research confirms the persistence of a positive relationship between diversity and business performance. In its 2015 study, *Why Diversity Matters*, McKinsey found that companies in the top quartile for gender diversity on executive teams were 15% more likely to have above-average profitability than those in the fourth quartile. Expanded and updated data show this likelihood has increased to 21%, with these companies also 27% more likely to have superior value creation.[1] Another study found that companies with higher scores for board and management diversity saw consistently higher future returns on equity than those with lower scores.

Gender Diversity in the Workplace Is Improving

Recent statistics on gender in the workplace show some progress is being made. In leadership, female directors have made strides. In 2018, on average, boards had 2.6 female directors, compared with 1.7 a decade earlier, and 40% of new board directors were women, a new high since 1998 and a notable increase from 36% in 2017.[2]

In terms of gender pay, one study shows the U.S. adjusted pay gap has narrowed since 2016, from 5.3% in 2016 to 4.6% in 2018.[3] But progress has been slow, and using optimistic estimates, the same study predicts the U.S. pay gap will not close until 2035. Using conservative estimates, it will not close until 2070.

The range of estimates for achieving gender equality in the workplace underscores just how much work is needed to achieve even a modest improvement. Equileap, an organization providing data and insight on gender issues in the workplace, has offered a valuable step forward by developing a scoring and ranking system to show companies' commitment to gender equality.

Equileap's scoring system uses 19 data clusters divided into four categories that measure a) gender balance in the overall leadership, management and workforce of a company, b) equal compensation and work life balance, c) policies promoting gender equality, and d) commitment to women's empowerment, transparency and accountability. The latest scoring is one indication of the lengths we need to go, but we are encouraged by the robustness, and more importantly the repeatability, of the scoring system, which will help enable the year-to-year tracking necessary for making improvements.

International Markets Making Gains

Efforts to make further gains toward gender equality in the workplace are now taking different forms in different markets around the world. In Europe, there is a trend toward requiring transparency in gender pay data and addressing significant disparities. France recently passed legislation dictating that companies with 50 workers or more publicly assess their gender pay parity. The methodology for measuring pay gaps involved five weighted indicators that take into account the percentage pay gap (factoring in age, type of job and all forms of remuneration), proportions of men and women receiving pay raises and promotions, the granting of pay raises after maternity leaves if such raises were given in the interim, and the proportion of men and women among the most highly paid employees in the company. If a company scores below a certain level three years in a row, it may have to pay a penalty of 1% of the company's annual payroll.

Mandatory gender pay gap reporting also applies in the U.K. and is being considered in Ireland. In Portugal, as of February 2019, employers with more than 250 employees must assess male and female salaries annually and justify or correct salary differences.

Japan, meanwhile, is suffering from labor shortages, which have brought to light the large number of women absent from management levels of the workforce and who are necessary to help solve Japan's productivity woes. The Japanese government has responded with labor reform policies that dramatically improve parental leave benefits and aim to fix daycare shortages in order to get mothers into the workforce. Policies are also designed to increase the labor participation rate by encouraging the inclusion of female workers and provide safety net programs (for both elder care and childcare). While the gender pay gap remains, the female labor participation rate has grown in the past six years, from 48% in 2012 to 52% in 2018.[4]

At the same time, one study found regulatory support alone is not enough to generate positive effects of diversity; there must also be strong cultural support of working women.[5] Japan still has a historical patriarchal work culture that restricts normative acceptance of working women and likely limits the benefit for firms of increased regulatory support for gender parity in the workplace.

ClearBridge holding Shiseido, a Japan-based cosmetics and beauty care provider, is an outlier, however, and it's well ahead of its peers in having women exceptionally represented as directors, board members and corporate officers. In meetings with Shiseido in Japan and in our New York office we have discussed Shiseido's ESG goals and its communication of them to the markets. We believe Shiseido is interested in improving

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[1] McKinsey, "Delivering through Diversity," January 2018.
[2] 2018 United States Spencer Stuart Board Index.
[3] Glassdoor Economic Research, "Progress on the Gender Pay Gap: 2019." The adjusted pay gap adds "statistical controls for differences in education, job titles and other factors aside from gender that affect pay."
[4] The World Bank, International Labour Organization, ILOSTAT database. Data retrieved April 2019.
[5] Letian Zhang, Harvard Business School. "An Institutional Approach to Gender Diversity and Firm Performance," forthcoming in *Organization Science.*

women’s social status, and it embraces the UN’s Women’s Empowerment Principles. Aware of gender pay issues, the company has changed its pay methodology from a seniority status approach, common in Japan, to performance-based pay. In general, Shiseido has gone above the Japanese corporate governance code, and we expect that effort to continue as it further improves its gender policies.

Trends toward gender parity are affecting our international investments and should soon have a larger impact in the U.S., both through exposure of U.S. companies to these trends abroad and through potential similar developments domestically.

While the U.S. may be behind other countries in its regulatory support for parental paid leave — it is the only developed country to not mandate paid family leave — some companies are making progress on their own. ClearBridge holding Etsy, the e-commerce services company brokering handmade and vintage items such as clothing and housewares, supports parents regardless of their gender with a 26-week gender-blind parental leave policy that is available to all Etsy employees globally. The company also established hiring and training guidelines to help create gender equity in the workplace; both the board of directors and the executive team are at least 50% women, 55% of Etsy employees are women (as of December 2017), and Etsy’s engineering team is almost a third women. Etsy’s business itself empowers women around the world, as well: 87% of sellers on its platform, versus 33% of small business owners who are women in the U.S.

ClearBridge is working to further improve gender parity in the workplace through both active ownership of leaders in gender diversity and through engagement with companies we own on specific gender-related topics. For example, while finance has been slow to embrace gender parity in investment roles, ClearBridge holding Bank of America is a representative financial services company that has made notable strides in addressing gender diversity representation and support, as well as the gender pay gap. Our financials analyst engaged with management recently on the topic of gender diversity and other sustainability matters. In this discussion, management addressed the company’s commitment to diversity and inclusion of its workforce, including that 51% of global employees and 42% of global management are female. Bank of America explained that it is focused on driving sustainable “Responsible Growth” by enacting policies and practices to support its diverse workforce, such as investing in their Women Leadership Council for senior executives and employee networks for women at all levels to support recruitment, development, networking and culture. The company was named the 2019 Catalyst Award winner by Catalyst, a global nonprofit working with CEOs and companies to help build workplaces that work for women.

We also promote gender diversity leaders especially in areas where this has historically been lacking, such as in smaller companies. ClearBridge is a top shareholder of Agios, a small biotech company that develops small-molecule anti-cancer therapeutics targeting cancer cell metabolism. With a female CEO and above-average gender representation on the board versus industry peers, Agios is a leader in achieving gender diversity among biotechnology firms. It is far above average for companies of similar market cap size and with similar tenures as public companies, and scores better than many more mature, large-cap biotech companies that have had more time and resources to improve their diversity.

Engagements are a critical part of our approach to ESG investing, and engagements on gender can have a material effect on our own ESG rating for a company. One of our information technology analysts reached out to the management of an infrastructure software holding and addressed allegations of gender pay disparity. The discussion was less transparent than anticipated, given the company’s previous history of open dialogue. Because of the company’s unwillingness to discuss the basis of the allegations, the analyst downgraded the company’s ESG rating and has committed to monitoring and engaging management on this issue.

We also combine proxy voting with engagement to encourage stronger gender diversity measures in our holdings. For example, our media analyst and several portfolio managers have met with Discovery Communications over the past few years and discussed gender diversity and the representation of women on the board of directors. As the top shareowner of the stock, ClearBridge portfolio managers voted 100% of the firm’s shares in previous years in support of a shareholder proposal to request the board to adopt a policy for improving board diversity. This engagement process was in line with the company’s long-standing commitment to support its female workforce: 55% of its managers and 47% of its executives are women. In addition, the company offers work flexibility, advancement mentoring, family support policies and up to 22 weeks of paid maternity leave, which is among the highest of publicly traded companies in the U.S.

We are encouraged by the progress toward gender parity in which we have participated through our active ownership of leaders in gender diversity such as Shiseido, Etsy, Bank of

America, Agios, Discovery Communications and others, and through engagement with the companies we own across geographies, market caps and sectors. While there are still milestones ahead, our long-term ownership approach affords us several avenues to make gains as we continue to work with our portfolio companies to close the gender gap, and to drive the returns gender diversity has proven to spur.

Top contributors[6]

	Contribution to equity return %
SAP SE	0.74
Linde Plc	0.46
Nintendo Co., Ltd.	0.45
Nestle S.A.	0.44
Temenos AG	0.44

Source: FactSet.

SAP, in the IT sector, is a leading developer of software for enterprise applications. Stronger-than-expected earnings results in the first quarter were combined with an increase in management's current full-year and longer dated earnings targets.

Nintendo, in the communication services sector, is a developer of video games and game consoles. Forecasts for the gaming system, Nintendo Switch, were stronger than expected. The company also formally announced its intention to enter the Chinese market via a partnership with leading gaming player Tencent, opening up an incremental $36 billion addressable market opportunity.

Temenos, in the IT sector, develops a full suite of software solutions for banks and other financial services companies. Quarterly earnings continue to be strong, with the company's recent outlook and capital market day in May highlighting improvements and additional opportunities for the company.

Bottom contributors[7]

	Contribution to equity return %
Umicore	-0.55
Sociedad Quimica y Minera de Chile S.A.	-0.26
StoneCo Ltd.	-0.22
Check Point Software Technologies Ltd.	-0.19
ASOS Plc	-0.16

Source: FactSet.

Umicore, in the materials sector, produces and recycles materials that go into lithium batteries, including cobalt, as well as catalysts for gas and diesel engines. Auto market weakness in electric vehicles and demand for components were combined with delays to new cathode capacity expansion and competitive activity in China.

Sociedad Quimica y Minera de Chile (SQM), in the materials sector, is a producer of industrial chemicals, including lithium used in rechargeable batteries. Stock weakness was due to a continued adjustment in lithium prices, which have been converging toward the marginal cost of production. Additional delays in planned capacity expansion also kept earnings revisions low.

ASOS, in the consumer discretionary sector, is an online-only fashion retailer. After recovering from a Q4 profit warning through May, concerns about the company's new Atlanta warehouse facility ramp-up weighed on the market's estimation of recovery in growth.

[6] Source: FactSet. Portfolio characteristics are based on a model portfolio, not an actual client account. The model portfolio is a hypothetical portfolio whereby the portfolio characteristics are based on simulated trading and account activity of a client account invested in this strategy. The model portfolio assumes no withdrawals, contributions or client-imposed restrictions. Portfolio characteristics of individual client accounts may differ from those of the model portfolio as a result of account size, client-imposed restrictions, the timing of client investments, market conditions, contributions, withdrawals and other factors. Please see Endnotes for additional information. This information does not constitute, and should not be construed as, investment advice or recommendations with respect to the sectors and securities listed, and it should not be used as the sole basis for any investment decision. **Past performance is no guarantee of future results.**

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Market capitalization[8]

Market cap breakdown ($)	Portfolio weight	Benchmark weight
Above 50 billion	37.73	39.85
25-50 billion	28.36	24.01
10-25 billion	14.92	21.12
3-10 billion	17.39	14.60
0-3 billion	1.60	0.41
Weighted average market cap ($bil)	**79.84**	**64.45**

Source: FactSet.

Top 10 holdings[8]

	Percent of equity
Nestle SA	4.37
SAP SE	4.22
AIA Group Ltd	4.20
Shiseido Co Ltd	4.17
ICON PLC	3.67
Rentokil Initial PLC	3.46
Roche Holding AG	3.26
Linde PLC	3.26
Novartis AG	3.20
London Stock Exchange Group PLC	2.94
Total number of holdings	**47**

Source: FactSet.

Sector highlights[8]

Average sector weightings and performance (%)

Gross of fees from 03/31/19 to 06/30/19

Sector	Port. weight	Port. return	Bench-mark* weight	Bench-mark* return	Weight diff.	Active contrib.
Industrials	16.23	8.77	14.66	5.87	1.56	0.52
Information Technology	15.73	9.69	6.52	6.56	9.21	0.76
Financials	14.85	7.36	19.10	4.28	-4.25	0.41
Health Care	14.10	7.81	10.97	2.04	3.13	0.82
Consumer Staples	13.01	5.35	11.74	1.91	1.27	0.42
Materials	8.70	-0.13	7.40	3.91	1.30	-0.36
Consumer Discretionary	7.79	-0.06	11.08	5.92	-3.29	-0.53
Communication Services	4.67	11.27	5.44	4.03	-0.77	0.32
Energy	0.00	0.00	5.59	0.46	-5.59	0.18
Utilities	0.00	0.00	3.77	1.32	-3.77	0.09
Real Estate	0.00	0.00	3.72	-2.17	-3.72	0.22
Cash	4.93	1.20	0.00	0.00	4.93	-0.10

*Benchmark: MSCI EAFE Index.

Source: FactSet.

[8] Source: FactSet. Portfolio characteristics are based on a model portfolio, not an actual client account. The model portfolio is a hypothetical portfolio whereby the portfolio characteristics are based on simulated trading and account activity of a client account invested in this strategy. The model portfolio assumes no withdrawals, contributions or client-imposed restrictions. Portfolio characteristics of individual client accounts may differ from those of the model portfolio as a result of account size, client-imposed restrictions, the timing of client investments, market conditions, contributions, withdrawals and other factors. Please see Endnotes for additional information. This information does not constitute, and should not be construed as, investment advice or recommendations with respect to the sectors and securities listed, and it should not be used as the sole basis for any investment decision. **Past performance is no guarantee of future results**.

Important information

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, a 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.

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. Past performance is no guarantee of future results.

Diversification does not assure a profit or protect against market loss.

Professional money management may not be suitable for all investors.

Separately managed accounts (SMAs) are investment services provided by Legg Mason Private Portfolio Group, LLC (LMPPG), a federally registered investment advisor. Client portfolios are managed based on investment instructions or advice provided by one or both of the following Legg Mason-affiliated subadvisors: ClearBridge Investments, LLC and Western Asset Management Company. Management is implemented by LMPPG, the designated subadvisor or, in the case of certain programs, the program sponsor or its designee.

These materials are being provided for illustrative and informational purposes only. The information contained herein is obtained from multiple sources that are believed to be reliable. However, such information has not been verified, and it may be different from the information included in documents and materials created by the sponsor firm in whose investment program a client participates. Some sponsor firms may require that these materials be preceded or accompanied by investment profiles or other documents or materials prepared by such sponsor firms, which will be provided upon a client's request. For additional information, documents and/or materials, please speak to your financial advisor.

Risks

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

The managers invest the Portfolios primarily in ADRs, but they may also make limited investments in U.S.-traded stocks of non-U.S. and U.S. companies engaged in significant non-U.S. business. These limited investments may include U.S.-traded stocks that result from the conversion of ADRs, as well as other U.S.-traded stocks. The Portfolios' investments in non-U.S. companies may include companies in developed and emerging markets, which involve risks in addition to those ordinarily associated with investing in U.S.-traded stocks, including the potentially negative effects of currency fluctuation, political and economic developments, foreign taxation, and differences in audition and other financial standards. These risks are magnified in emerging markets. 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. ADRs are U.S.-traded securities that represent shares of a foreign-based corporation held by a custodian, and they entitle the shareholder to all dividends, net of any applicable local withholding taxes, and capital gains that would be paid on the company's ordinary shares.

Definitions and additional information

Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

An **American depositary receipt (ADR)** is a negotiable certificate issued by a U.S. depository bank representing a specified number of shares—or as little as one share—investment in a foreign company's stock.

Brexit is an abbreviation of "British exit," which refers to the June 23, 2016 referendum by British voters to exit the European Union.

The **European Union (EU)** is an economic and political union established in 1993 by members of the European Community. The EU now comprises 28 countries after its expansion to include numerous Central and Eastern European nations.

European Central Bank (ECB) is the central bank responsible for the monetary system of the European Union (EU) and the euro currency.

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.

The **Group of 20, or G20,** is a group of finance ministers and central bank governors from 19 of the world's largest economies, including those of many developing nations, along with the European Union.

MSCI is an investment research firm that provides indices, portfolio risk and performance analytics and governance tools to institutional investors and hedge funds.

MSCI EAFE Index is a free float-adjusted market-capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI EAFE Index consists of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.

MSCI EAFE Growth Index captures large- and mid-cap securities exhibiting overall growth style characteristics across Developed Markets countries around the world, excluding the U.S. and Canada.

MSCI EAFE Small Cap Index is an index of small-cap representation across Developed Markets countries, excluding the U.S. and Canada.

MSCI EAFE Value Index captures large- and mid-cap securities exhibiting overall value style characteristics across Developed Markets countries around the world, excluding the U.S. and Canada.

MSCI Emerging Markets Index is a free float-adjusted market-capitalization index that is designed to measure equity market performance in the global emerging markets.

The **Institute for Supply Management's** composite **PMI Index** (formerly the National Association of Purchasing Managers Index) is based on a survey of purchasing executives who buy the raw materials for manufacturing at more than 350 companies.

ClearBridge International Growth ADR ESG SMA – GIPS® endnotes ($USD) — Ending December 31

Strategy inception date: September 2009; Composite creation date: June 2009

Period	Total return (net)	Total return (*pure gross)	MSCI EAFE Index (Net) (USD) return	Number of portfolios	% of bundled fee portfolios in the composite	Composite dispersion	Composite 3 Yr. Standard Deviation	Benchmark 3 Yr. Standard Deviation	Total composite assets at end of period (USD million)	% of firm assets	Total firm assets at end of period (USD million)
2018	-10.85%	-8.14%	-13.79%	34	100	0.41%	12.61%	11.40%	41.4	0.0%	106,083.4
2017	32.94%	36.83%	25.03%	25	100	0.92%	12.44%	12.00%	31.7	0.0%	119,187.1
2016	-4.73%	-1.86%	1.00%	14	100	0.76%	12.34%	12.64%	21.4	0.0%	100,936.9
2015	3.22%	6.31%	-0.81%	24	100	0.45%	11.68%	12.64%	25.3	0.0%	92,536.4
2014	-4.47%	-1.59%	-4.90%	11	100	0.12%	12.93%	13.21%	9.1	0.0%	100,721.5
2013	15.99%	19.43%	22.78%	6	100	n/m	16.97%	16.48%	8.5	0.0%	85,024.7
2012	17.70%	21.18%	17.32%	<5	100	n/m	19.82%	19.65%	7.3	0.0%	54,624.3
2011	-13.52%	-10.89%	-12.14%	<5	100	n/m	n/a	n/a	2.4	0.0%	50,870.8
2010	6.75%	9.94%	7.75%	<5	100	n/m	n/a	n/a	0.7	0.0%	55,366.5
Sep - Dec 2009	7.09%	8.13%	6.09%	<5	100	n/a	n/a	n/a	0.6	0.0%	53,522.7

*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.

n/m - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

Compliance Statement:

ClearBridge Investments, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. ClearBridge Investments, LLC has been independently verified for the periods January 1, 1997 - December 31, 2017. The verification reports are available upon request.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

Firm Information:

ClearBridge Investments, LLC ("ClearBridge") is a wholly owned subsidiary of Legg Mason, Inc. ("Legg Mason"). The investment advisory business now known as ClearBridge was registered in September 2005 to facilitate Legg Mason's acquisition of substantially all the equity asset management businesses known as Citigroup Asset Management. These former businesses serve as the foundation of ClearBridge and its claim of GIPS compliance for institutional accounts through predecessor firms, effective as of January 1997. In June 2008, ClearBridge combined this business with its retail business to form a single GIPS firm. As of April 1, 2013 and January 1, 2016, ClearBridge's affiliates, Global Currents Investment Management, LLC, and ClearBridge, LLC, respectively, have become part of the ClearBridge GIPS firm.

Composite Information:

The ClearBridge International Growth ADR ESG SMA composite consists of discretionary wrap accounts with an account minimum of US $25,000. The managers actively integrate criteria inclusive of environmental, social and governance (ESG) issues into the portfolio construction of the strategy. Accounts within the composite seek long-term growth of capital by investing in well managed businesses whose intrinsic value does not appear to be recognized by the markets. Investments are primarily in ADRs of companies in both developed and emerging markets. The strategy is implemented by Legg Mason Private Portfolio Group, LLC (LMPPG). LMPPG claims compliance with the Global Investment Performance Standards (GIPS®) and has been independently verified for the periods January 1, 2013 - December 31, 2017. The verification reports are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. The main risks of this strategy are General Investment Risk, Non-U.S. Investment Risk, Small Cap Risk, ESG Investing Risk, and Mid Cap Risk. In December 2013 the word "Growth" was added to the composite name. The composite consists of the following percentages of non-fee-paying accounts as of each year end: 2013 - .6%, 2014 - .6%, 2015 - .3%.

Input and Calculation Data:

The fee schedule currently in effect is 3.00% on all assets. 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. Effective January 1, 2013, the number of portfolios reflects a change from prior periods due to an aggregation of accounts as reported by one sponsor. As of January 2014, the internal dispersion of annual returns is measured by the asset-weighted standard deviation of portfolio returns included in the composite for the entire year. For prior years, the equal-weighted standard deviation was used. The three-year annualized ex-post standard deviation is not available prior to 2012 because the composite did not have 36 months of data. The composite employed a 10% significant cash flow policy which was discontinued in January 2012. A list of composite descriptions is available upon request. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Past performance is not necessarily indicative of future results.

Benchmark Information:

The MSCI EAFE® Index is an equity index which captures large and mid cap representation across developed market countries around the world, excluding the US and Canada. The "Net" Index series assumes that dividends are reinvested after the deduction of withholding tax. The index uses withholding tax rates applicable to Luxembourg holding companies. Benchmark returns are not covered by the report of independent verifiers.

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