2Q 2019 | Separately Managed Accounts | Product Commentary

CLEARBRIDGE INTERNATIONAL VALUE ADR PORTFOLIOS

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International Value ADR 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	10-yr
Net of fees	7.36	-0.20	6.81	-10.04	3.24	-2.29	3.87	3.60
"Pure" gross of fees	7.60	0.55	8.38	-7.31	6.33	0.65	6.98	6.70
MSCI EAFE Index	5.93	3.68	14.03	1.08	9.11	2.25	7.31	6.90

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 shown and for effects of fees. Management and performance of individual accounts may vary for reasons that include the existence of different implementation 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 Legg Mason Private Portfolio Group, LLC (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 indexes: 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.

INVESTMENT PRODUCTS: NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE

Key takeaways

- International value stocks trailed significantly during the second quarter, and the Portfolio was not spared due to our positioning in areas less correlated to the momentum trade.
- As value reached historical, recession-level gaps with other investment factors, global policymakers began to reverse course in favor of lower rates, higher inflation and increased fiscal spending.
- The Portfolio is well positioned to take advantage of this reflation trend due to overweights to economically-sensitive sectors and regions.

Market overview

After a relatively benign start to the second quarter in April, stocks plunged in May in response to a combination of new Iranian sanctions, an Italian budget conflict, and President Trump backing away from trade negotiations with China and imposing tariffs. The global economy was already slowing due to acute uncertainty surrounding trade, fiscal, regulatory and monetary policies. A broadening trade war that also included threats to the international technology supply chain led companies to halt investments and hiring plans. Auto companies announced the largest number of layoffs since the

2009 financial crisis. Europe and Asia were especially hard hit as world trade growth turned negative. Earnings growth estimates, which had previously been showing signs of stabilizing, turned lower as more firms guided profit expectations downward and gave up on hopes for a second-half recovery. Even in the U.S., leading indicators fell.

Bond prices rallied and sent interest rates down to levels approaching the 2016 lows, while yield curves flattened or slightly inverted. Based on surveys, fund managers became the most pessimistic about earnings, stocks and economic growth since the global financial crisis. Central bankers around the world were still focused upon normalization of monetary policy and winding down their bloated balance sheets, while the Chinese continued a program of modest stimulus measures but maintained a desire to rein in overall debt levels.

This mix of fear and uncertainty was particularly hostile to value stocks, especially in Europe and Asia. In fact, the performance gap between momentum and value style factors in the month of May ranged between 1,200 and 2,000 basis points depending upon region and specific metric. This was the largest monthly differential ever experienced, according to global quantitative strategists. *Barron's* featured a lead article entitled "Reversion to the Mean is Dead. Investors Beware." By the end of May, value stocks were trading at their largest discount ever. The gap between the performance of low volatility, quality, growth and momentum factors and value were also the widest in history. Importantly, the correlation of value with these other metrics plunged to record lows while the relationship of these non-value factors hit new highs. Not only are these measures at extremes, but they are historically seen only well into a recession.

Then, just as investors poured money into bond, low volatility and quality ETFs, the markets reversed sharply, with the MSCI All Country World Index posting the best June on record. Shocked by the previous weakness in markets and building evidence of an economic slowdown, both politicians and central bankers reversed course, walked back from trade conflicts, and pledged to reduce rates and drive inflation higher, opening the door to increased fiscal spending. A new phase of global synchronized stimulus had begun. As a result, mean reversion enjoyed a sudden jolt of life. Sectors and regions most hurt by pessimism and uncertainty led in June, including shares in Europe, emerging markets and Asia, along with materials, industrial, consumer discretionary, financial and information technology (IT) companies. Value and high volatility generally outpaced momentum. But the June rebound was not enough to offset the large relative underperformance of value in May, and for the full quarter, value lagged growth by 278 basis points. The performance of our Portfolios followed this pattern of a solid April, sharp relative fall in May, and besting the benchmarks strongly in June. Our somewhat deeper and disciplined value positioning led to a generally larger decline in May and a more vigorous rebound in June relative to both broad and style benchmarks.

The U.S. is taking the lead in this shift to debasement and reflation, and the easing of monetary policy by the Federal Reserve will allow other central banks to reduce rates. In Europe, facing political instability, a weak economy and the threat of a trade conflict with the U.S., the consensus is moving away from balanced budgets and austerity. Leaders supported by French President Macron are slated to head up the ECB and the European Commission, which significantly increases the odds of meaningful reforms and the establishment of a closer "fiscal union." This would tend to accelerate the rebalancing in the eurozone between the strong economies of the North and weaker peripheral countries. Sharply undervalued Italian shares and European banks stand to benefit from any signs of a closer and more pro-growth union in a region that is also seeing historically wide gaps between growth and value stocks. President Trump has recently been vocal about wanting a weaker U.S. dollar which would be supportive of growth in emerging markets, underpin commodity prices and raise inflation. China is also likely to expand fiscal stimulus, in addition to rate cuts already implemented.

Another key constraint to growth over the past decade has been the decrease in bank assets relative to reserves. In a fractional banking system, the central bank provides the base money supply, but lenders act to multiply these funds and boost the quantity of money. A contraction in monetary velocity reduced both economic growth and inflation since the global financial crisis. With reforms in Europe, including a long-needed restructuring of Germany's Deutsche Bank, both loan growth and balance sheet leverage are likely to increase. China is also acting to expand lending to the private sector as well as build comprehensive debt and equity markets to fund both public and private investment. Japan, already at zero interest rates, is primarily focused on: improving efficiency in the service sector, encouraging a rise in immigration and tourism, rebuilding infrastructure for an aging population, continued corporate governance improvements, and benefiting from strong growth in the ASEAN region.

While tensions between China and the U.S. have eased somewhat in the short term, the global trade system and

architecture are irreversibly changing. Our sense is that the global trade system is evolving into three specific zones: Asia led by China, Europe and North America. America's rivalry with China will continue for the foreseeable future, and it represents a new Cold War. As highlighted by Harvard scholar Graham Allison, the long history of a rising nation confronting a reigning power reaches a point where the decision is either conflict or acceptance. At the start of the 20th century, the U.K. decided to not resist the rise of the U.S., but instead to work together to shape a permanently changed world order. Greater cultural differences with China probably make this path more challenging, and we expect the relationship to remain a source of volatility.

Fortunately, the shift in world trade, with the exception of the U.S., has been toward lower tariffs and expanding free movement of goods, people, capital and services. China has signed 24 new trade deals with 16 nations this year. The eurozone recently completed the largest trade agreement in history with the leading economies of South America, which eliminates $4.5 billion of tariffs and encompasses 800 million people and nearly 25% of global GDP. Japan also entered into a broad-based agreement on tariff reductions and free trade with Europe. In the short term, disruption of long-established supply chains will weigh on corporate profits and delay investment spending, especially in the IT sector. President Trump may react to the slowing U.S. economy by reaching a deal with China, but there is a growing risk he turns his focus onto Europe, specifically Germany. Europe actually has the largest trade surplus in the world at more than $600 billion, but bashing the Continent probably resonates less well with American voters, given the substantial existing commercial and cultural ties.

Positioning and outlook

A number of potential negative developments could end the rally in global stock prices. In the U.K., Brexit remains a mess, as an emotional decision has morphed into a political battle. Our base case remains that the normally rational British reach a compromise with the EU and exit in an orderly fashion, but the likely new Prime Minister, Boris Johnson, is reducing the odds of this every time he speaks. While bond investors would likely benefit from a downturn in the global economy, the fiscal position of the U.S. is becoming more troubling. Record high spending and deficits means the U.S. will account for 75% of all new sovereign debt issuance this year, just as a mountain of corporate debt needs to be refinanced. Bond rates in Europe are also at historic lows, so any signs of reflation and rising growth could cause a sudden sell-off in credit markets. Rising tensions in the Middle East combined with little excess capacity and declining U.S. shale investment might lead to a spike in energy prices that hurts consumer incomes and raises inflation beyond the central bank's comfort zone of 2%. Lastly, a deeper economic downturn would prove harmful to nearly all markets, given the high degree of leverage in the system.

The world has started a new cycle of synchronized monetary policy easing and fiscal stimulus. Federal spending in the U.S. hit a new record high in June, with nearly every country planning to follow the American lead. Europe, ground zero for stagnation over the past decade, is likely to meaningfully embrace expanding government efforts to bolster economic growth and reform the still hampered banking system. Combined with expansionary policies in China and Japan and continued solid growth in the developing nations, we believe both nominal GDP growth and inflation are poised to recover from the current uncertainty-induced economic air pocket. Most investors are not positioned for such an outcome but are instead concentrated in a highly correlated, expensive and crowded long-duration bet that the stagnation and deflation of the past decade continues indefinitely. As a result, value stocks represent one of the few truly diversifying and high-expected-return asset classes left in the world.

Our value investing process is highlighting this historic opportunity to build a portfolio of real companies with tangible assets that are producing significant free cash flows, dividends and long-term earnings growth, but which are priced well below any measure of intrinsic value. Specifically, we are focused on exposure to economically sensitive shares in the consumer discretionary, materials, energy and industrial sectors. Defensive and expensive industries, such as staples, utilities, real estate and communication services, are relatively underweight. From a geographic standpoint, Europe and the U.K. represent the largest exposures, followed by emerging markets. Japan remains the largest underweight, as the combination of yield, valuation and growth potential continues to be superior elsewhere. We suspect that future investors will regret not being well positioned for the battle against deflation akin to that of not buying the U.S. long bond in 1982 at a 15% yield as the policies to defeat "stagflation" were put into place. It took an entire generation more than a decade to fully embrace the fundamental shift in the investment environment, but those that did were well rewarded.

Portfolio highlights

The ClearBridge International Value ADR Portfolios returned 0.55% (gross of fees) for the second quarter, while the benchmark MSCI EAFE Index returned 3.68% for the same period.

On an absolute basis, the Portfolios had gains in five of the nine sectors in which they were invested. The primary contributors to performance were the health care and materials sectors.

In relative terms, overall stock selection and sector allocation detracted from performance. Specifically, stock selection in the communication services, financials, consumer discretionary, consumer staples and information technology sectors, as well as the Portfolios' cash position, hampered relative results. Conversely, stock selection in the health care and materials sectors and a lack of exposure to the real estate sector contributed to relative performance.

On a regional basis, stock selection in Europe Ex UK and the United Kingdom and an overweight to emerging markets hurt results, while stock selection in Japan and Asia Ex Japan and an underweight to Japan proved beneficial.

On an individual stock basis, Gazprom, Hitachi, Hoya, Newcrest, and AXA were among the greatest contributors to absolute returns during the quarter. Positions in Baidu, Encana, Imperial Brands, Teva Pharmaceutical and Royal Bank of Scotland were the largest detractors from absolute performance.

In the second quarter, we closed a number of positions, the largest being Royal Dutch Shell, in the energy sector, Sumitomo Mitsui Financial Group, in the financials sector, Mylan and Teva Pharmaceutical, in the health care sector, and Reckitt Benckiser, in the consumer staples sector.

Top contributors[1]

	Contribution to equity return %
Public Joint-Stock Company Gazprom	0.78
Hitachi Ltd	0.36
HOYA CORPORATION	0.29
Newcrest Mining Limited	0.26
AXA SA	0.25

Source: FactSet.

Gazprom, in the energy sector, is a Russian natural gas exploration, transport and distribution company. Gazprom shares rallied on the company adopting greater capital expenditures discipline, and a focus on free cash flow generation and a higher dividend.

Hitachi, in the IT sector, is a Japanese industrial conglomerate in the midst of a reorganization. The company announced its plans to exit subscale, lower growth and profitability businesses to focus on gaining further scale and dominance in higher growth and profitability businesses. Additionally, exiting the U.K.'s nuclear power plant project, a potentially loss-making endeavor, was also well received. Hitachi continues to trade at a discount to peer conglomerates, despite improving fundamentals.

AXA Equitable, in the financials sector, is a life insurer in one of the most depressed sectors in the market, as it is seen as extremely vulnerable to macro risks from low interest rates. These macro concerns have resulted in a very depressed valuation for AXA, with the stock trading at 3x forward earnings, adjusted for its 65% ownership of publicly traded asset manager, Alliance Bernstein. The stock is under additional market pressure, as its parent company has been selling down the 39% of AXA shares it still owns.

[1] 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.**

Bottom contributors[2]

	Contribution to equity return %
Baidu, Inc.	-0.61
Encana Corporation	-0.44
Imperial Brands Plc	-0.43
Teva Pharmaceutical Industries Limited	-0.43
Royal Bank of Scotland Group Plc	-0.27

Source: FactSet.

Baidu, in the communication services sector, is China's Internet search engine. Its shares underperformed as advertising spend slowed due to a slowing domestic economy, tighter government scrutiny over content, stiffening competition and shifting consumer trends.

Imperial Brands, in the consumer staples sector, is a British-based tobacco company. Its shares underperformed due to a worse-than-expected/trend loss in volume in combustible tobacco, inaccurately reported by Nielsen data, and disappointing growth in next-generation products, such as blu, Imperial's vaping device.

Teva Pharmaceuticals, in the health care sector, is a maker of branded and generic drug treatments. Teva was hit with the "perfect storm." In addition to U.S. drug pricing pressure and loss of exclusivity on its main branded product, Copaxone, the company was charged in a price fixing collusion case and exposed to opioids litigation.

[2] 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.**

Market capitalization[3]

Market cap breakdown ($)	Portfolio weight	Benchmark weight
Above 50 billion	36.17	39.85
25-50 billion	25.71	24.01
10-25 billion	13.73	21.12
3-10 billion	22.10	14.60
0-3 billion	2.30	0.41
Weighted average market cap ($bil)	**54.91**	**64.45**

Source: FactSet.

Top 10 equity holdings[3]

	Percent of equity
Hitachi Ltd	3.46
BNP Paribas SA	2.89
AXA SA	2.88
BP PLC	2.74
TOTAL SA	2.61
Bayer AG	2.49
Banco Santander SA	2.36
Novartis AG	2.21
Intesa Sanpaolo SpA	2.10
Hoya Corp	2.07
Total number of holdings	**61**

Source: FactSet.

Sector highlights[3]

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.
Financials	24.09	0.43	19.10	4.28	4.99	-0.91
Materials	13.12	2.65	7.40	3.91	5.72	-0.16
Health Care	10.72	6.79	10.97	2.04	-0.25	0.43
Consumer Discretionary	10.44	-2.29	11.08	5.92	-0.64	-0.88
Energy	9.61	1.31	5.59	0.46	4.02	-0.02
Industrials	9.34	8.09	14.66	5.87	-5.32	0.00
Information Technology	9.12	1.53	6.52	6.56	2.60	-0.35
Consumer Staples	5.25	-8.46	11.74	1.91	-6.49	-0.48
Communication Services	3.74	-18.88	5.44	4.03	-1.70	-0.96
Utilities	0.00	0.00	3.77	1.32	-3.77	0.08
Real Estate	0.00	0.00	3.72	-2.17	-3.72	0.21
Cash	4.56	2.26	0.00	0.00	4.56	-0.16

*Benchmark: MSCI EAFE Index.

Source: FactSet.

[3] 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.

Past performance is no guarantee of future results.

Diversification does not guarantee a profit or protect against loss.

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.

Definitions and additional information

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

ASEAN is the Association of South East Asian Nations. It promotes the economic growth of 10 countries located south of China.

A **basis point (bp, or bps)** is equal to 1/100th of 1%, or 0.01%.

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

Capital expenditures, or "capex," are funds used by a company to acquire or upgrade physical assets such as property, industrial buildings or equipment.

Deflation is a general decline in prices, often caused by a reduction in the supply of money or credit.

Duration is an estimated measure of the price sensitivity of a bond to a change in interest rates.

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

The **European Commission (EC)** is the executive branch of the European Union.

The **European Union** is a group countries that operates as a cohesive economic and political block.

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.

Forward earnings are an estimate of a next period's earnings of a company.

Free cash flow (FCF) is measure of financial performance calculated as operating cash flow minus capital expenditures.

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

MSCI All Country World Index (ACWI) is a market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world and is comprised of stocks from 23 developed countries and 24 emerging markets.

MSCI All Country World Ex-U.S. Index (MSCI ACWI ex-US) is a market capitalization-weighted index designed to measure the equity market performance of developed and emerging markets.

Stagnation is a prolonged period of little or no growth in an economy.

The **yield curve** shows the relationship between yields and maturity dates for a similar class of bonds.

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

Strategy inception date: October 1994; Composite creation date: January 2002

Period	Total return (net)	Total return (*pure gross)	MSCI EAFE (Net) (USD) Index 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	-23.15%	-20.79%	-13.79%	149	100	0.55%	12.89%	11.40%	98.2	0.1%	106,083.4
2017	21.37%	24.95%	25.03%	138	100	0.44%	11.55%	12.00%	143.3	0.1%	119,187.1
2016	2.64%	5.72%	1.00%	159	100	0.41%	12.25%	12.64%	103.3	0.1%	100,936.9
2015	-1.70%	1.25%	-0.81%	207	100	0.42%	11.75%	12.64%	152.9	0.2%	92,536.4
2014	-10.58%	-7.87%	-4.90%	131	100	0.38%	12.67%	13.21%	134.0	0.1%	100,721.5
2013	26.22%	29.93%	22.78%	125	100	0.30%	15.57%	16.48%	143.7	0.2%	85,024.7
2012	17.39%	20.87%	17.32%	572	100	0.76%	18.33%	19.65%	166.9	9.4%	1,772.5
2011	-15.04%	-12.45%	-12.14%	930	100	0.70%	21.27%	22.75%	323.3	15.2%	2,128.1
2010	4.34%	7.47%	7.75%	1,473	100	0.84%	n/a	n/a	534.6	12.8%	4,175.6
2009	29.88%	33.70%	31.78%	1,964	100	1.19%	n/a	n/a	580.2	11.2%	5,177.3

*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.

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 Value ADR SMA composite consists of discretionary wrap accounts with an account minimum of US $25,000. Accounts within the composite seek to provide a value-based, international equity strategy that will outperform the MSCI EAFE Index over 3-5 years with risk similar to the Index. Investments are primarily in ADRs of companies in both developed and emerging markets. ClearBridge uses WM/Reuters daily FX rates taken at 4 p.m. London time, which may vary from Benchmark indices' exchange rates periodically. 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, Small Cap Risk, Mid Cap Risk, and Non-U.S. Investment Risk. Prior to August 2015, there was no account minimum.

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. 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. Total firm assets prior to 2013 represents Global Currents Investment Management, LLC. 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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