ClearBridge Investments
A Legg Mason Company

2Q 2019 | Separately Managed Accounts | Product Commentary

CLEARBRIDGE LARGE CAP VALUE PORTFOLIOS

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Portfolio Managers

Large Cap Value 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	5.88	4.39	16.58	7.40	7.69	4.58	8.52	9.48
"Pure" gross of fees	6.12	5.16	18.28	10.60	10.90	7.70	11.75	12.74
Russell 1000 Value Index	7.18	3.84	16.24	8.46	10.19	7.46	12.09	13.19

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.

Russell 1000 Value Index measures the performance of those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values.

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

Key takeaways

- U.S. equities' solid returns were fairly broad-based across market cap and style and driven by hints of monetary easing and trade optimism.
- Looking at the impressive market performance year to date, one can easily miss underlying monthly volatility on display during the period.
- Portfolio activity during the quarter continued to focus on high-quality franchises, while remaining valuation-sensitive and reducing cyclicality.

Market overview and outlook

The U.S. equities market continued to generate solid returns in the second quarter, with the broad S&P 500 Index generating a 4.30% return and the benchmark Russell 1000 Value Index advancing 3.84%. Gains were broad-based across market cap and style, with the Russell 1000 Growth Index up 4.64% and the Russell Mid Cap Index rising 4.13%. The small-cap Russell 2000 Index trailed with a 2.10% gain. Financials led the market higher despite expected net interest income pressure from a 40-basis-point decline in the 10-year U.S. Treasury yield to 2.0% and a 50-basis-point reduction in the projected year-end federal funds rate. Materials and information technology (IT) stocks were also strong. Energy was the only sector to generate a negative return, despite higher oil prices during the period. Meanwhile, the health care and real estate sectors generated relatively more modest, but still positive returns in the period.

The quarter was bookended by positive returns in April and June as investors were cheered by hints of a more accommodative policy turn by the Federal Reserve and optimism that a trade deal between the U.S. and China would be reached. In May trade tensions reappeared and threatened to broaden: the U.S. administration raised tariffs from 10% to 25% on $200 billion worth of Chinese goods and raised the specter of tariffs on imports from Mexico. It 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 June, however, Mexican tariffs were off the table as the Mexican government agreed to contain the flow of migrants, the U.S. and China were back at the negotiating table, and the Fed dropped the word “patient” from its statement and said it would “act as appropriate” to prop up the economy. Risk assets were in vogue again.

Looking at the impressive market performance year to date, one can easily miss underlying monthly volatility on display during the period. Slowing global growth remained a concern in the second quarter, with China’s GDP growth rate declining, the euro area economy losing momentum and trade tensions dampening business confidence. Reflecting a more pessimistic outlook, 10-year U.S. Treasury yields dropped to 2.0% and the yield curve inverted.

Our holdings in the IT and communication services sectors drove the Strategy’s outperformance. Within IT, both Motorola Solutions (MSI) and TE Connectivity were up about 19%. MSI, a top-five holding, is the leading provider of two-way radios and wireless local area network products for public safety, government and enterprise customers, which offer a stable end market. Growing security concerns and the administration’s efforts to reduce the U.S. government’s (and its allies’) reliance on Chinese technology vendors should further benefit the company as it gradually migrates its business model toward software and managed and support services, where it should enjoy recurring revenues, as well as higher margins and cash flows. We trimmed our position modestly on strength during the period.

Another substantial holding, TE Connectivity (TEL) produces a range of connectors and sensors used across the automotive, energy, aerospace, industrial, communications, medical and consumer markets. While TEL is currently facing cyclical pressures, particularly within the automobile industry that represents more than 40% of sales, it should continue to benefit from considerable secular tailwinds over the long term. For example, electrification and infotainment adoption within the automotive industry results in TEL per vehicle content growth outpacing automotive production volumes across the geographies. Similarly, the Internet of Things (IoT) requires connectivity — on the factory floor, in health care, between appliances, cars, airplanes, etc. Therefore, there is a long-term demand for connectors and sensors to enable connected “everything.” We added to our position in December 2018.

Our communication services holdings, such as DISH Networks and Charter Communications, had good quarters. DISH emerged as a potential beneficiary of the proposed Sprint/T-Mobile merger. The companies are wrangling with the Department of Justice, the Federal Communications Commission and the states’ attorneys general, trying to work out an agreeable framework to attain approval of the transaction, while addressing antitrust concerns. Against this backdrop, DISH’s existing spectrum portfolio has uniquely positioned the company as a viable alternative carrier potentially able to preserve the competitiveness of the wireless industry. The stock reacted positively to a potential transaction that could highlight the value of DISH’s spectrum holdings. Charter, meanwhile, has been executing well and it’s beginning to enjoy some of the synergies of its 2016 acquisition of Time Warner Cable.

Political rhetoric about changes to Medicare and scrutiny of prescription drug prices continued to sour sentiment on the health care sector. Stocks of managed care companies such as Anthem and UnitedHealth were particularly impacted by Democratic presidential candidates’ plans advocating “Medicare for All” alternatives. Also, shipping and logistics giant UPS was weighed down by concerns of a global slowdown as economic data indicated deceleration and interest rates collapsed.

Financials led the benchmark returns in the second quarter, and we participated through our positions in JPMorgan Chase, American Express, U.S. Bancorp and Bank of America. Other financials holdings did not perform as well under the increased interest rate pressure. Bank of New York Mellon and State Street have seen deposit levels come under pressure. In addition, recent yield curve movements present challenges to spread income growth for them both, as well as for Charles Schwab. State Street has continued to face competitive price pressure and a challenging macroeconomic environment. After reducing our exposure to State Street in 2018, we exited our position in the second quarter.

In addition to our sale of State Street, we reduced our exposure to the energy sector by closing our position in Halliburton. We had trimmed Halliburton in the first quarter on concerns that the company was less able to leverage its historical cost advantage in North America despite rapid growth in unconventional supply. Over the past few years, we have witnessed heightened cyclicality in North American oil field services and more intense and frequent supply/demand imbalances as U.S. shale has become a swing producer. While in the long term technological advancements may become a bigger point of differentiation benefiting large oil field services companies, it may take years before we see tangible results.

Meanwhile, we added to our positions in Anheuser-Busch InBev, Berkshire Hathaway and United Technologies, all high-quality names at attractive valuations in our assessment. We continue to focus on such high-quality franchises while reducing cyclicality in the Portfolio. Though the market is willing to pay high prices for perceived safe assets, we are sensitive to valuations in our existing holdings and in our pipeline, and we remain underweight consumer staples and utilities. We continue to maintain a disciplined investment approach that focuses on competitively advantaged companies with strong franchise characteristics capable of generating superior returns across cycles.

Portfolios' highlights

The ClearBridge Large Cap Value Portfolios returned 5.16% (gross of fees) for the second quarter. In comparison, the benchmark Russell 1000 Value Index returned 3.84% for the same period. Over the longer term, the Portfolios have outperformed the benchmark over the 12-month, 3-year and 5-year periods ended June 30, 2019 (gross of fees).

On an absolute basis, the Portfolios had gains in nine of the 11 sectors in which they were invested for the quarter. The largest contributions came from the IT, financials and communication services sectors. The energy and consumer staples sectors were the sole detractors from performance.

On a relative basis, overall stock selection and sector allocation contributed positively to performance. In particular, stock selection in the IT, materials and communication services sectors contributed to relative results. The Portfolios' stock selection in the consumer staples, financials and industrials sectors, on the other hand, detracted.

On an individual stock basis, the largest contributors were Motorola Solutions, JPMorgan Chase, TE Connectivity, Microsoft and Charter Communications. Positions in Halliburton, Altria, Philip Morris, Bank of New York Mellon and State Street were the greatest detractors from absolute returns in the quarter.

During the quarter we exited positions in Halliburton, in the energy sector, and State Street, in the financials sector.

Top contributors[1]

	Contribution to equity return %
Motorola Solutions, Inc.	0.59
JPMorgan Chase & Co.	0.47
TE Connectivity Ltd.	0.42
Microsoft Corporation	0.38
Charter Communications, Inc.	0.33

Source: FactSet.

The top individual contributors to Fund performance for the quarter included:

Motorola Solutions (MSI) is a leading provider of land mobile radios and wireless local area network products for the public safety, government and enterprise markets. Motorola's revenue is derived from manufacturing and selling communication systems and devices to federal, state and local governments both domestically and abroad, where Motorola has a long legacy of servicing the first responders' community. The company reported strong first-quarter 2019 earnings and raised 2019 guidance while reiterating a positive outlook through 2021. MSI remains a leading holding in the Portfolio.

JPMorgan Chase (JPM), in the financials sector, is a large diversified financial services company with significant businesses in retail, wholesale and investment banking. Both the sector and JPM recovered those losses in the first half of 2019. In our view, JPM is a high-quality attractively valued company that we expect to generate strong, albeit cyclical, returns over time.

TE Connectivity (TEL) is a leading global manufacturer of engineered components, particularly connectors and sensors used in a wide variety of products including automobiles

[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.**

(43%), commercial vehicles (9%), industrial equipment (14%), aerospace (8%) and many others. The connectors industry is characterized by fairly stable market share, long design times, relatively moderate capital intensity and strong cash flow. TEL maintains an investment-grade balance sheet and has been a consistent free cash flow generator. Management has been returning cash to shareholders through share buybacks and dividends, enabling the company to reduce fully diluted shares outstanding by 26% and tripling its dividend over the past 10 years.

Bottom contributors[2]

	Contribution to equity return %
Halliburton Company	-0.28
Altria Group, Inc.	-0.24
Philip Morris International Inc.	-0.16
Bank of New York Mellon Corporation	-0.13
State Street Corporation	-0.12

Source: FactSet.

The bottom individual contributors to Fund performance for the quarter included:

Halliburton (HAL) is one of the largest providers of products and services to customers in the energy industry related to the exploration, development and production of oil and natural gas. The company has a strong competitive position in horizontal drilling and fracturing, areas that have seen growing demand driven by the rapid expansion of production through the development of shale natural gas and oil in the U.S. and increasingly across the world. More recently, we have been disappointed by the weaker-than-anticipated performance in its North American operations, which may be at least partially due to the higher frequency of cycles attributable to the emergence of shale as a swing producer. After trimming the position earlier in the year, we sold our remaining shares in the second quarter.

Philip Morris (PM) manufactures cigarettes for distribution in more than 100 countries, all of which are outside of the U.S. A strong portfolio of brands, led by flagship Marlboro, and leading market positions provide the company with exceptional pricing power and profitability. Despite these advantages, the company has faced challenges in several of its markets and headwinds from a stronger U.S. dollar. In the second quarter of 2019, poor U.S. retail cigarette sales data precipitated a decline in the shares of the tobacco sector, including Philip Morris. Additionally, a more aggressive regulatory approach from the FDA has been further weighing on tobacco sector sentiment. However, as Philip Morris does not have sales in the U.S. or any direct regulatory exposure to the U.S., we believe this move is an overreaction.

Bank of New York Mellon (BK) is one of the world's largest custody banks (with $34.5 trillion of assets under custody/administration) and one of the largest asset managers (with $1.8 trillion of assets under management). Approximately 36% of revenues are generated outside the U.S. While BK is the sixth-largest bank in the U.S. ranked by deposits, it is only the 17th largest ranked by loans. Nearly 80% of its revenues are from fees rather than net interest income. BK has significantly less credit risk than other large banks. At the same time, earnings are sensitive to market, interest rate and activity levels. BK earns more than 20% on tangible equity, significantly above the levels of most traditional banks, while also maintaining a relatively lower risk profile, as demonstrated in the Fed's annual stress test. Despite a consistently high-return, low-risk business model, investors have been disappointed by weak revenue growth and lowered earnings expectations. The company's relatively new CEO, Charles Scharf, has attempted to refocus the company on winning new business and generating organic revenue growth, in part by changing the culture of the company. In light of the competitive and market challenges, we modestly reduced our position in the quarter. However, we continue to monitor management's efforts to improve the bank's organic revenue growth.

[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 ($)	Portfolio weight	Benchmark weight
Above 50 billion	71.64	57.15
25-50 billion	21.86	15.11
10-25 billion	5.78	16.50
3-10 billion	0.71	10.39
0-3 billion	0.00	0.85
Weighted average market cap ($bil)	**165.58**	**129.45**

Source: FactSet.

Top 10 equity holdings[3]

	Percent of equity
JPMorgan Chase & Co	4.30
Motorola Solutions Inc	3.43
Comcast Corp	3.29
Microsoft Corp	2.94
Honeywell International Inc	2.90
American Tower Corp	2.77
US Bancorp	2.64
United Technologies Corp	2.59
Anthem Inc	2.56
Bank of America Corp	2.55
Total number of holdings	**51**

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	24.84	6.34	22.48	7.68	2.36	-0.20
Health Care	13.97	1.45	14.82	2.85	-0.86	-0.23
Information Technology	11.28	14.73	9.81	3.17	1.48	1.22
Industrials	10.54	3.71	7.91	6.64	2.63	-0.22
Communication Services	9.97	10.44	7.06	6.41	2.91	0.44
Energy	7.49	-3.93	9.22	-3.65	-1.72	0.10
Materials	4.35	13.47	4.00	3.98	0.35	0.39
Consumer Staples	4.12	-6.87	7.84	2.52	-3.71	-0.36
Real Estate	2.79	4.68	5.14	1.00	-2.35	0.17
Consumer Discretionary	2.01	9.14	5.31	3.57	-3.30	0.12
Utilities	1.61	9.20	6.43	3.43	-4.81	0.11
Cash	7.03	0.00	0.00	0.00	7.03	-0.29

*Benchmark: Russell 1000 Value 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.

Please refer to www.leggmason.com 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.

Limited investments may be made in mid-cap companies, which involve a higher degree of risk and volatility than investments in larger, more established companies.

While most investments are in U.S. companies, investments may also be made in ADRs and other securities of non-U.S. companies in developed and emerging markets, which involve risks in addition to those ordinarily associated with investing in domestic securities, including the potentially negative effects of currency fluctuation, political and economic developments, foreign taxation, and differences in auditing and other financial standards. These risks are magnified in emerging markets.

Definitions and additional information

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

The United States **Department of Justice (DOJ)** is a department of the U.S. government, responsible for the enforcement of law and administration of justice.

The **Federal Communications Commission (FCC)** is an independent government agency regulating the radio, television and phone industries.

Federal Funds Rate is the interest rate at which a depository institution lends funds maintained at the Federal Reserve to another depository institution overnight. Also known as the "fed funds rate".

Food and Drug Administration (FDA) is a government agency established in 1906 with the passage of the Federal Food and Drugs Act.

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.

Free cash flow (FCF) is a 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.

Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Value Index measures the performance of those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 2000 Index** is comprised of the 2,000 smallest companies in the Russell 3000 Index.

The **Russell Midcap Index** is a complete subset of both the Russell 1000 and the Russell 3000.

S&P 500 Index is a capitalization-weighted, composite index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

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

ClearBridge Large Cap Value SMA – GIPS® endnotes ($USD) — Ending December 31

Strategy inception date: July 2002; Composite creation date: June 2008

Period	Total return (net)	Total return (*pure gross)	Russell 1000 Value 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	-10.49%	-7.78%	-8.27%	146	100	0.31%	11.08%	10.98%	132.9	0.1%	106,083.4
2017	10.91%	14.21%	13.66%	118	100	0.21%	10.53%	10.34%	132.7	0.1%	119,187.1
2016	10.00%	13.28%	17.34%	84	100	0.95%	11.24%	10.93%	70.8	0.1%	100,936.9
2015	-5.15%	-2.29%	-3.83%	44	100	0.15%	10.74%	10.83%	50.7	0.1%	92,536.4
2014	9.17%	12.42%	13.45%	44	100	0.11%	8.92%	9.33%	52.0	0.1%	100,721.5
2013	27.72%	31.48%	32.53%	34	100	0.61%	12.18%	12.88%	44.9	0.1%	85,024.7
2012	13.81%	17.19%	17.51%	168	100	0.27%	14.94%	15.73%	28.7	0.1%	54,624.3
2011	1.90%	4.95%	0.39%	177	100	0.30%	18.37%	20.98%	24.1	0.0%	50,870.8
2010	6.90%	10.10%	15.51%	215	100	0.26%	n/a	n/a	30.5	0.1%	55,366.5
2009	19.36%	22.89%	19.69%	257	100	0.79%	n/a	n/a	33.7	0.1%	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.

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 Large Cap Value SMA composite consists of discretionary wrap accounts with an account minimum of US $25,000. Accounts within the composite seek long-term capital appreciation by investing in securities with favorable risk-adjusted return characteristics. Investments are primarily made in large-capitalization U.S. companies but may also invest in mid-capitalization companies. 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, Mid Cap Risk and Non-U.S. Investment Risk.

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 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 Russell 1000® Value Index measures the performance of the large-cap value segment of the U.S. equity universe. Benchmark returns are not covered by the report of independent verifiers.

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