

2Q 2019

Separately Managed Accounts

Product Commentary

CLEARBRIDGE MID CAP GROWTH PORTFOLIOS

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Mid Cap Growth Portfolios

Annualized returns net and gross of fees - PRELIMINARY

(%) as of June 30, 2019

Inception: 07/31/14

	1-mo	QTR	YTD	1-yr	3-yr	5-yr	Since Incept.
Net of fees	8.57	5.66	25.02	11.80	13.11	7.02	7.02
"Pure" gross of fees	8.82	6.43	26.81	15.13	16.47	10.22	10.22
Russell Midcap Growth Index	7.02	5.40	26.08	13.94	16.49	11.10	11.10

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 Legg Mason Private Portfolio Group, LLC (LMPPG), refer to LMPPG's Form ADV disclosure document.

Returns reflect the reinvestment of dividends and other earnings.

The **Russell Midcap Growth Index** is an unmanaged index of those companies in the Russell Midcap Index chosen for their growth orientation. Please note that an investor cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Key takeaways

- Mid-cap growth stocks were the best performers in the market as investors expressed a strong preference for companies able to generate organic growth.
- We were active buyers through a volatile second quarter, participating in a handful of IPOs and establishing several other new positions.
- The Portfolio's consumer and industrials exposure drove results during the period.

Market overview and outlook

Second-quarter equity market dynamics could best be described as furious, with a myriad of factors driving volatility:

- Early May reports of a China trade deal were dashed. Acrimony broke out with sanctions on both sides (Huawei, rare earths, etc.). At quarter end, negotiators and Presidents Trump and Xi gathered at the Osaka G-20 meeting to work on key differences. Trade anxieties were compounded by the Trump administration's promise of unilateral tariffs on Mexico as a cudgel to slow the flow of Latino immigrants to the U.S.; the Mexican agreement in early June blunted that suggestion.
- Real-time economic statistics in a variety of areas and regions showed deceleration or deterioration, while interest rates collapsed (the 10-year U.S. Treasury

ended the second quarter at 2.0%) and the U.S. yield curve inverted.

- Overhangs from the Department of Justice and the Federal Trade Commission, as well as Congressional hearings on the big Internet platforms, caused a swoon in the higher-growth Internet/software sector.

As one market commentator aptly noted, “Investors are getting chopped up between covering underweights/shorts and flocking back into old favorites.” The stock market continues to be whipped around by factors and baskets; we continue to take advantage of that as active long-term investors focused on business development and crucial portfolio company fundamentals.

Amidst the volatility, investors continued to express a strong preference for the fastest-growing stocks in the market. The benchmark Russell Midcap Growth Index was the best-performing segment of the U.S. equity market for the quarter (+5.40%) and year to date (+26.08%). The benchmark handily outperformed its value counterpart over each period. Strong-performing growth stocks have benefited from multiple expansion on top of upward earnings revisions. As interest rates decline (the 10-year U.S. Treasury yield fell 40 basis points in the second quarter), the present value of a company’s future earnings and cash flows rise.

Growth stocks could remain at a premium through a period of slowing profit growth expectations (which we expect to be reaffirmed during second-quarter earnings season). We continued to be busy over the last three months, seeding the Portfolio with a number of new investments.

While growth investors were centered on what turned out to be the less-than-splashy initial public offering (IPO) debuts of Lyft and Uber, we participated in several successful IPOs where we are looking to build a long-term presence. Pinterest, in the communication services sector, is a social platform where users can express their interests and discover ideas through images they “pin” to their pages. The company features attractive demographics as it caters to a primarily female audience age 25 to 49 and a user base that is 75% international. Pinterest is profitable in the U.S. and is looking to better monetize its attractive user base. We also gained shares in the IPOs of online pet food and supplies company Chewy and electronic exchange and trading systems software developer Tradeweb Markets.

The IPOs were among 10 new positions we added during the second quarter. Among the other purchases were semiconductor makers Advanced Micro Devices (AMD) and

Marvell Technologies. AMD designs key products in the central processing unit (CPU) and graphics processing unit (GPU) markets, competing directly with Intel. We view its current suite of products in the server market as comparable if not more attractive than Intel’s, while its GPU business also has an attractive growth runway ahead. Marvell, meanwhile, designs chips for a wide variety of uses including storage, memory and wireless communications. Its presence in the 5G and auto markets should lead to solid growth over the next three to four years that is underappreciated by the market. Also within information technology (IT), we added Paylocity, a developer of cloud-based software to handle payroll and human resource functions for small and mid-size companies.

We added to our overweight position in health care with the purchase of Steris, a U.K.-based provider of sterilization products and services to hospitals, surgery centers and related medical and life science applications. Its business has high levels of recurring revenue and provides the potential for higher-return health care exposure with low earnings volatility.

Zynga, in the communication services sector, was another significant addition. A new management team has returned the developer of online and social media-based video games to profitability through more disciplined spending. It has also jump-started growth of the company’s existing game catalog through its live services strategy. Zynga’s new game launches provide opportunity for further growth at high incremental margins.

We also bade farewell to several investments, including WABCO Holdings, after the supplier of electronic truck parts, brakes and safety systems announced it was being acquired by German truck parts maker ZF in an all-cash transaction; and Alliance Data Systems, as the private label credit card marketing solutions provider is being hurt by worsening credit quality for its core credit card customers while corporate actions it has undertaken have failed to act as a beneficial catalyst for the stock.

The current market environment is a tricky one to navigate, with many crosscurrents. We are clearly closer to the end than the beginning of an economic cycle; however, most market indicators remain in positive or neutral territory despite signs of slowing down. Manufacturing activity is an area we are watching closely, as well as trade developments between the U.S. and China and credit conditions. Consumer health, on the other hand, remains fairly robust and consumer spending is the largest driver of the U.S. economy. As always, we will strive to outperform our benchmark and peer group by holding high-quality growth companies that should be able to

thrive, even in a slower economic environment, while maintaining a long-term investment horizon.

Portfolios' highlights

The ClearBridge Mid Cap Growth Portfolios returned 6.43% (gross of fees) for the second quarter. In comparison, the benchmark Russell Midcap Growth Index returned 5.40% for the same period. Over longer time periods, the Portfolios have outperformed the benchmark over the 1-year period ended June 30, 2019.

On an absolute basis, the Portfolios had gains across nine of the 10 sectors in which they were invested during the quarter (out of 11 sectors total). The primary contributors to performance were the consumer discretionary, industrials and health care sectors.

In relative terms, outperformance was driven by stock selection. Specifically, stock selection in the consumer discretionary, industrials, consumer staples and materials sectors drove results. Meanwhile, stock selection in the IT and energy sectors and an underweight to financials had negative impacts on relative performance.

The biggest contributors to absolute returns during the second quarter included MercadoLibre, Atlassian, Aspen Technology, Mettler-Toledo International and SBA Communications. Positions in Palo Alto Networks, Arista Networks, Core Laboratories, Jones Lang LaSalle and Advance Auto Parts were the greatest detractors from absolute returns.

In addition to the transactions mentioned above, we also initiated positions in Keysight Technologies, in the IT sector, and RBC Bearings, in the industrials sector, and closed a position in Marriott International, in the consumer discretionary sector.

Top contributors¹

	Contribution to equity return %
MercadoLibre, Inc.	0.67
Atlassian Corp. Plc	0.58
Aspen Technology, Inc.	0.57
Mettler-Toledo International Inc.	0.51
SBA Communications Corp.	0.49

Source: FactSet.

The leading individual contributors for the quarter included:

MercadoLibre (MELI), in the consumer discretionary sector, is the leading e-commerce vendor serving Latin American markets. The stock benefited from a better macro backdrop in emerging markets and very solid first-quarter results that beat forecasts on very strong payment volumes.

Atlassian (TEAM), in the IT sector, makes software that allows collaboration among corporate teams, and it has been rapidly expanding its reach from its core software development and IT segments into sales, marketing and other enterprise functions. The stock shrugged off seasonally weaker billings and lower earnings guidance to move higher, as it maintained solid customer and revenue growth.

Aspen Technology (AZPN), in the IT sector, develops software to optimize manufacturing operations and supply chain functions for petrochemical companies, refineries and other industrial companies. Solid quarterly results and robust bookings led to better-than-expected earnings that spurred shares higher.

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 contributors¹

	Contribution to equity return %
Palo Alto Networks, Inc.	-0.42
Arista Networks, Inc.	-0.32
Core Laboratories NV	-0.22
Jones Lang LaSalle Incorporated	-0.21
Advance Auto Parts, Inc.	-0.20

Source: FactSet.

The bottom individual contributors for the quarter included:

Palo Alto Networks (PANW), in the IT sector, is a provider of enterprise security solutions, including next-generation firewalls and threat detection software. The shares were weak, after a strong move higher in the previous quarter.

Core Laboratories (CLB), in the energy sector, provides petroleum reservoir description and management and production enhancement services to oil and gas producers. The stock fell on continued depressed spending on offshore and non-U.S. energy production.

Advance Auto Parts (AAP), in the consumer discretionary sector, operates auto parts and services stores under several brand names across the country. The shares trended lower for the quarter despite solid earnings results and progress in the company's efforts to improve long-term margins and earnings per share.

Market capitalization²

Market cap breakdown (\$)	Portfolio weight	Benchmark weight
Above 50 billion	3.04	1.50
25-50 billion	21.24	25.68
10-25 billion	54.62	46.86
3-10 billion	20.42	25.05
0-3 billion	0.68	0.91
Weighted average market cap (\$bil)	17.90	18.21

Source: FactSet.

Top 10 equity holdings²

	Percent of equity
SBA Communications Corp	3.95
Atlassian Corp PLC	3.70
Mettler-Toledo International Inc	3.38
Aspen Technology Inc	3.31
Workday Inc	3.26
Expedia Group Inc	3.07
Ross Stores Inc	3.05
ServiceNow Inc	3.03
MercadoLibre Inc	2.89
Splunk Inc	2.81
Total number of holdings	56

Source: FactSet.

Sector highlights²

Average sector weightings and performance (%)

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

Sector	Port. weight	Port. return	Bench-mark*	Bench-mark*	Weight diff.	Active contrib.
Information Technology	28.18	2.42	33.04	4.52	-4.86	-0.56
Consumer Discretionary	17.88	11.67	16.30	6.50	1.58	0.94
Health Care	17.51	5.93	13.98	3.94	3.54	0.36
Industrials	14.63	9.17	15.82	6.23	-1.19	0.40
Real Estate	5.88	4.57	2.29	6.20	3.59	-0.06
Communication Services	4.25	9.36	3.93	7.69	0.32	0.08
Financials	4.19	8.34	6.73	10.53	-2.54	-0.21
Consumer Staples	2.66	12.09	3.01	2.59	-0.35	0.26
Materials	2.54	14.61	3.51	4.94	-0.97	0.24
Energy	0.76	-23.68	1.39	-4.50	-0.63	-0.10
Cash	1.50	0.52	0.00	0.00	1.50	-0.16

*Benchmark: Russell Midcap Growth Index.

Source: FactSet.

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.**

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 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.

Professional money management may not be suitable for all investors.

Past performance is no guarantee of future results.

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.

In addition to investments in large-capitalization companies, investments may be made in speculative and/or small-cap and mid-cap companies, which involve a higher degree of risk and volatility than investments in larger, more established companies. In addition, because the investments may be concentrated in a limited number of industries and companies, the Portfolios may involve heightened risk.

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.

There is no guarantee that the Portfolio's objective will be met. Market, security and/or other investment considerations may result in higher turnover from time to time. Also, all capitalization ranges will not necessarily be represented in an individual account.

Definitions and additional information

An investor cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charge.

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.

Earnings per share (EPS) is a company's profit divided by its number of common outstanding shares.

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 **Federal Trade Commission, or FTC**, is the federal agency responsible for stopping business practices that are either anticompetitive or unfair to consumers.

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.

An **initial public offering (IPO)** is the process of offering shares in a private corporation to the public for the first time.

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

The **Russell Midcap Growth Index** measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. (A price-to-book ratio is the price of a stock compared to the difference between a company's assets and liabilities.)

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

ClearBridge Mid Cap Growth SMA – GIPS® endnotes (\$USD) — Ending December 31

Strategy inception date: July 2014; Composite creation date: June 2014

Period	Total return (net)	Total return (*pure gross)	Russell Midcap Growth 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	-7.92%	-5.14%	-4.75%	<5	0	n/m	14.95%	13.00%	1,038.8	1.0%	106,083.4
2017	19.69%	23.23%	25.27%	<5	0	n/m	13.08%	11.04%	1,008.3	0.8%	119,187.1
2016	0.61%	3.63%	7.33%	<5	0	n/m	n/a	n/a	799.2	0.8%	100,936.9
2015	-2.58%	0.35%	-0.20%	16	100	0.30%	n/a	n/a	3.4	0.0%	92,536.4
Jul-Dec 2014	3.97%	5.51%	5.07%	6	100	n/a	n/a	n/a	1.4	0.0%	100,721.5

*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 Mid Cap Growth SMA composite consists of discretionary wrap accounts with an account minimum of US \$25,000. Accounts within the composite seek long-term capital appreciation and consistently superior returns relative to the Russell Mid Cap Growth Index. Portfolios are diversified across several economic sectors, investing

primarily in companies having market capitalizations within the capitalization range of the Russell Midcap Growth Index. 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, Industry and Issuer Concentration 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. 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. The three-year annualized ex-post standard deviation is not available prior to 2017 because the composite does not have 36 months of data. As of December 1, 2016 the composite data was calculated using the ClearBridge Mid Cap Growth composite which is comprised of institutional accounts. Net total returns were calculated by reducing the institutional gross of fee performance by the highest bundled fee of 3.00%. 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 Midcap® Growth Index measures the performance of the mid-cap growth segment of the U.S. equity universe. Benchmark returns are not covered by the report of independent verifiers.

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