

2Q 2019

Separately Managed Accounts

Product Commentary

CLEARBRIDGE MID CAP PORTFOLIOS

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Mid Cap 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	7.67	3.76	20.01	4.50	8.54	4.51	9.51	10.87
"Pure" gross of fees	7.92	4.52	21.74	7.63	11.78	7.63	12.77	14.17
Russell Midcap Index	6.87	4.13	21.35	7.83	12.16	8.63	13.37	15.16

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.

Key takeaways

- The increasing likelihood of interest rate cuts by the Fed jump-started equities, with mid-cap growth stocks leading the way.
- The consumer remains in good shape, and the Portfolio's consumer exposure was a leading contributor during the quarter.
- Despite slowing U.S. manufacturing activity, the industrials companies we own delivered solid performance.

Market overview and outlook

Equities endured a volatile second quarter on the way to finishing at new record highs. The S&P 500 Index gained 4.30% during the quarter and is up 18.54% year to date, its best first-half showing since 1997, while the benchmark Russell Midcap Index rose 4.13% for the quarter and is up 21.35% for the first half. Growth stocks maintained their performance edge over value stocks, with the Russell Midcap Growth Index gaining 5.40% for the quarter to post a first-half return of 26.08%, topping its value counterpart by 221 basis points (bps) for the quarter and 806 bps year to date.

The U.S. Federal Reserve jump-started the latest up leg for equity markets, as June remarks by Fed Chairman Jerome Powell took a decidedly dovish tone that hinted at future interest rate cuts. Both stocks and bonds rallied on the news, with the 10-year U.S. Treasury yield retreating to finish the second quarter 40 basis points lower at 2.0%. A suddenly

accommodative Fed helped ease volatility caused by heightened trade tensions between the U.S. and China, the banning of U.S. company sales to Chinese telecom equipment provider Huawei, President Trump's threat to impose tariffs on Mexico, and increasing signs of a slowing global economy.

The U.S. economy has also shown signs of moderating, especially on the manufacturing side. However, the consumer continues to show resilience, boosted by solid job growth that has kept the unemployment rate at 4.0% or lower over the last year. The June jobs report, which showed the economy created a better-than-expected 224,000 new positions, helped ease worries following a hiring dip in May.

Inflation has also remained under control, providing more spending power for consumers and keeping costs manageable for companies that rely on raw materials. Casey's General Stores, which operates convenience stores with gas stations in the Midwest, is benefiting on both fronts, with strong merchandise sales and higher gas margins. Hasbro was another strong performer, as the toy maker reported a surprise first-quarter profit on strength in its franchise brands tied to movie series. Overall, the Portfolio saw solid results from companies in both the consumer discretionary and staples sectors.

Despite early signs of a manufacturing slowdown, the Portfolio also earned solid second-quarter contributions from its industrials holdings, driven by solid fundamentals and strategic activity. Ingersoll-Rand, a manufacturer of climate control and industrial products, announced it was spinning off its industrial business, which will combine with Gardner Denver Holdings. We see this as a value-creating transaction that will benefit shareholders. During the quarter we exited our position in 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. Lastly, two of our holdings, Harris Corp. and L3 Communications, merged on July 1 to form L3 Harris Technologies. We believe the combined larger entity is now better positioned to compete against the prime contractors and will be able to create value from streamlining the two organizations.

During the second quarter, we initiated a position in World Wrestling Entertainment (WWE), a media and entertainment company that produces content and licenses and sells consumer products featuring its WWE and related brands. WWE is an attractive, high-growth media asset we have been tracking for some time. A slowdown in viewership, which we attribute primarily to injuries to several marquee personalities,

provided a good entry point into a company where we expect to see a big step-up in free cash flow as its international media rights contracts are renewed.

We also added Western Digital, a leading developer of disk drives and related storage products for digital content. We see the stock representing significant value as it is trading close to book value, which has proven to be a good entry point historically. We expect to see memory prices increase in the not too distant future as supply is constrained, which should lead to improving fundamentals.

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 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 Portfolios returned 4.52% (gross of fees) for the second quarter. In comparison, the benchmark Russell Midcap Index returned 4.13% for the same period.

On an absolute basis, the Portfolios had gains in nine of the 11 sectors in which it was invested during the quarter. The largest contributors were the industrials and consumer discretionary sectors.

On a relative basis, overall stock selection contributed to performance. Strong stock selection in the industrials, consumer staples and consumer discretionary sectors, an overweight to industrials, and an underweight to real estate drove relative performance. On the negative side, stock selection in the information technology (IT) sector detracted the most from relative results.

On an individual stock basis, Casey's General Stores, Ingersoll-Rand, Aspen Technology, Hasbro and Harris were the largest contributors to absolute performance in the second quarter. The primary detractors from absolute returns were positions in Foot Locker, Palo Alto Networks, Methanex, Core Laboratories and Apergy.

In addition to the transactions mentioned above, we closed a position in Alliance Data Systems in the IT sector. The company provides integrated outsourced marketing solutions, including customer loyalty programs, database marketing services, marketing consulting, analytics and creative services for private label card issuers. Worsening credit quality has weighed on its core credit card customers, while corporate actions it has undertaken have failed to act as a beneficial catalyst for the stock.

Top contributors¹

	Contribution to equity return %
Casey's General Stores, Inc.	0.41
Ingersoll-Rand Public Limited Company	0.41
Aspen Technology, Inc.	0.40
Hasbro, Inc.	0.38
L3Harris Technologies, Inc.	0.38

Source: FactSet.

The leading individual contributors for the quarter included:

Casey's General Stores (CASY), in the consumer staples sector, operates convenience stores with gas stations across the Midwest. The stock benefited from earnings results that handily topped estimates on better expense control and forecasts for higher margins across all business segments.

Ingersoll-Rand (IR), in the industrials sector, is a manufacturer of industrial heating, cooling and related power and transportation components and finished products. The shares moved higher on positive investor reception to the company's planned merger and spinoff of its industrial segment.

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.

Bottom contributors¹

	Contribution to equity return %
Foot Locker, Inc.	-0.37
Palo Alto Networks, Inc.	-0.34
Methanex Corporation	-0.23
Core Laboratories NV	-0.19
Apergy Corp.	-0.19

Source: FactSet.

The bottom individual contributors for the quarter included:

Foot Locker (FL), in the consumer discretionary sector, is a national retailer of athletic footwear and apparel with locations primarily in shopping malls. The stock fell after the company missed revenue and same-store sales estimates in the first quarter.

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.

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.**

Market capitalization²

Market cap breakdown (\$)	Portfolio weight	Benchmark weight
Above 50 billion	0.00	0.64
25-50 billion	17.99	20.38
10-25 billion	43.87	48.30
3-10 billion	32.50	29.10
0-3 billion	5.64	1.58
Weighted average market cap (\$bil)	15.87	16.72

Source: FactSet.

Top 10 equity holdings²

	Percent of equity
Xilinx Inc	2.63
Ingersoll-Rand PLC	2.56
CDW Corp/DE	2.54
Live Nation Entertainment Inc	2.49
Vail Resorts Inc	2.46
Alexandria Real Estate Equities Inc	2.40
Casey's General Stores Inc	2.23
L3Harris Technologies Inc	2.22
Starwood Property Trust Inc	2.15
Eversource Energy	2.04
Total number of holdings	62

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	Benchmark* weight	Benchmark* return	Weight diff.	Active contrib.
Information						
Technology	19.60	2.06	19.20	4.78	0.39	-0.55
Industrials	16.77	11.24	13.84	7.30	2.93	0.72
Consumer						
Discretionary	13.79	6.36	11.89	3.50	1.90	0.38
Health Care	12.33	2.42	9.93	3.54	2.39	-0.17
Financials	11.57	7.60	13.08	8.13	-1.51	-0.11
Real Estate	5.83	-2.00	9.18	0.86	-3.35	-0.05
Utilities	4.90	4.83	6.52	3.53	-1.62	0.08
Consumer Staples	3.73	12.50	4.10	-0.26	-0.37	0.48
Energy	3.49	-9.53	3.85	-7.67	-0.37	-0.02
Communication						
Services	2.72	1.81	3.49	7.72	-0.78	-0.19
Materials	1.71	-0.30	4.90	3.38	-3.20	-0.04
Cash	3.57	-0.06	0.00	0.00	3.57	-0.17

*Benchmark: Russell Midcap 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.

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.

The managers may hold significant portions of portfolio assets in cash equivalents while waiting for buying opportunities.

Definitions and additional information

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

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

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.

Russell Midcap Index is a complete subset of both the Russell 1000 and the Russell 3000. The Russell Midcap Index is used by institutional portfolio managers. The range of market caps covered in this 800-member index goes from about \$1 billion on the low end to approximately \$20 billion.

Russell Midcap Growth Index is an unmanaged index of those companies in the Russell Midcap Index chosen for their growth orientation.

S&P 500 Index is an unmanaged index of common stock performance.

U.S. Treasurys are backed by the full faith and credit of the United States government and offer return of principal value if held to maturity.

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

Strategy inception date: May 2004; Composite creation date: June 2008

Period	Total return (net)	Total return (*pure gross)	Russell Midcap 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	-14.10%	-11.48%	-9.06%	102	100	0.31%	13.14%	12.15%	43.8	0.0%	106,083.4
2017	10.76%	14.06%	18.52%	94	100	0.09%	11.57%	10.51%	61.5	0.1%	119,187.1
2016	7.30%	10.50%	13.80%	46	100	0.12%	13.04%	11.72%	62.3	0.1%	100,936.9
2015	0.43%	3.44%	-2.44%	35	100	0.13%	11.64%	11.00%	84.3	0.1%	92,536.4
2014	6.09%	9.26%	13.22%	66	100	0.18%	11.82%	10.29%	77.8	0.1%	100,721.5
2013	33.10%	37.00%	34.76%	13	100	0.79%	16.69%	14.23%	48.1	0.1%	85,024.7
2012	16.52%	19.98%	17.28%	89	100	0.28%	19.35%	17.44%	24.2	0.0%	54,624.3
2011	-3.74%	-0.84%	-1.55%	88	100	0.37%	21.49%	21.86%	16.8	0.0%	50,870.8
2010	20.71%	24.28%	25.48%	98	100	0.32%	n/a	n/a	16.3	0.0%	55,366.5
2009	34.32%	38.26%	40.48%	121	100	0.54%	n/a	n/a	16.3	0.0%	53,522.7

*Pure gross of fee returns do not reflect the deduction of any expenses, including transaction costs, and are presented as supplemental to the net of fee returns.

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 SMA composite consists of discretionary wrap accounts with an account minimum of US \$25,000. Accounts within the composite seek long-term growth of capital and consistently superior returns relative to the Russell Mid Cap Index. Portfolios are diversified across several economic sectors, investing primarily in companies having market capitalizations within the capitalization range of the Russell Midcap 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, Mid Cap Risk and Non-U.S. Investment Risk. In November 2015 the word "Core" was dropped from the composite name.

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 Midcap® Index measures the performance of the mid-cap segment of the U.S. equity universe. Benchmark returns are not covered by the report of independent verifiers.

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