1Q 2019 | Separately Managed Accounts | Product Commentary

ClearBridge Investments
A Legg Mason Company

CLEARBRIDGE MULTI CAP GROWTH ESG PORTFOLIOS

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Multi Cap Growth ESG Portfolios

Annualized returns net and gross of fees - PRELIMINARY

(%) as of March 31, 2019

	1-mo	QTR	YTD	1-yr	3-yr	5-yr	7-yr	10-yr
Net of fees	-0.73	9.24	9.24	-2.88	6.28	3.45	8.71	15.35
"Pure" gross of fees	-0.48	10.02	10.02	0.05	9.46	6.55	11.95	18.77
Russell 3000 Growth Index	2.53	16.18	16.18	12.06	16.40	13.10	14.14	17.44

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.

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

Key takeaways

- Negative clinical news from a large biotechnology holding hurt results, but we remain confident innovation in the health care sector will be rewarded.
- Mega-cap technology stocks continued to outperform in a market that saw a broadening of leadership.
- ClearBridge is engaging companies in the drug value chain to better control opioid distribution and develop therapeutic alternatives to opioids.

Market overview

U.S. equities rebounded strongly in the first quarter, with the market producing its best start to a year since 1998. The S&P 500 Index advanced 13.65%, the small-cap Russell 2000 Index added 14.58%, and the Russell 3000 Index rose 14.04%. Growth stocks maintained an advantage over their value counterparts, with the benchmark Russell 3000 Growth Index gaining 16.18% and outperforming the Russell 3000 Value Index by 425 basis points.

Stocks were boosted by signals that the U.S. Federal Reserve is winding down its tightening program, better-than-expected fourth-quarter corporate earnings results and a positive outlook on the resolution of U.S.-China trade tensions. These factors led to a return in risk taking, and a dampening of volatility from recent highs in December.

Returns in January and February were reminiscent of market trends over the last several years, with mega-cap information technology (IT) and Internet stocks delivering strong results. Unlike the narrower market leadership in 2017 and most of 2018, however, that performance came within an environment of broader market participation, with notable improvements in cyclical sectors like industrials. The NYSE advance-decline line, a popular measure of market breadth, hit new highs in the first quarter.

IT (+21.48%) and real estate (+18.93%) were the best-performing sectors in the benchmark, while the cyclically oriented industrials (+16.00%), energy (+15.89%), consumer discretionary (+15.43%) and materials (+15.20%) sectors also delivered strong results.

We saw this broadening both across sectors and within IT, the largest sector in the benchmark by a factor of two. Mid-cap tech stocks, like portfolio holdings Seagate Technology and Western Digital, delivered solid performance during the quarter in anticipation of better second-half demand and pricing for data storage. In addition, design software maker Autodesk, diversified chip maker Broadcom, and Cree, a developer of LED products that is gaining share in the nascent market for power management chips for electric vehicles, continued their solid execution from the fourth quarter. What all these companies have in common are leading positions and intellectual property in industries with high barriers to entry. Despite strong returns, our IT holdings trailed the returns of the larger, more consumer-oriented FAANG stocks.

Health care was the main detractor during the quarter, due primarily to the sharp sell-off in Biogen shares after it discontinued clinical trials for Alzheimer's treatment aducanumab. As shareholders of Biogen and other biotechnology companies for decades, we look for long-term, innovative business models with disruptive science at the core while understanding the binary nature of clinical outcomes. We understood that Alzheimer's is a high risk/high reward market (given the size of the unmet medical need), which made the aducanumab program one that, if successful, would have generated a substantial return on capital.

Without aducanumab, Biogen still maintains a solid base business in MS and rare diseases that in 2019 should generate over $8 billion in revenue and close to $5 billion in free cash flow from its diversified drug portfolio. This cash can be put to work to acquire new products or return cash to shareholders. In late March, after the Alzheimer's program failure, the company announced a $5 billion stock buyback, a move we view as attractive, given its low valuation on current earnings per share. Sales of Spinraza, for the rare disease spinal muscular atrophy, should reach $2 billion this year — a trajectory that helped co-developer and portfolio holding Ionis Pharmaceuticals rise 50% in the first quarter.

We also see promise in the company's pipeline. Biogen has a number of development-stage assets for neurologic conditions and rare diseases, and it remains a leader in neurology R&D, which could lead to additional pipeline successes over time. Such characteristics could also make the company attractive to larger pharmaceutical companies in an environment where health care M&A activity has been picking up.

While the Alzheimer's failure highlighted clinical risk, we feel that biotech companies today still offer tremendous opportunity. The stocks trade at historically low valuations relative to the markets for existing therapies and potential treatments in the pipeline. Many of these companies are more profitable than ever and are being supported by an FDA that is fostering innovation and the fast tracking of treatments for unmet needs earlier in disease progression, when they can be most effective.

Media stocks also delivered mixed results to start the year. Comcast, the Portfolio's largest holding, was a leading contributor as diversified owners of both content and distribution rebounded from recent lows. Comcast is generating solid performance in its cable business, is already seeing a lift from its recent acquisition of Sky, and is taking a prudent path toward expansion into the streaming video market. Tapping its consistent free cash flow growth, the company continued to return cash to shareholders during the quarter, through a dividend increase. Pure-play content programmers like AMC Networks and Discovery, however, underperformed due to ongoing uncertainty about the threats posed by growing competition from streaming providers. This is another part of the market where valuations remain compelling and the potential for further consolidation remains high.

Oil prices continued to rebound from their December trough, with WTI crude rising 32% during the quarter. Prices are recovering as an oversupply situation is being corrected by production cuts from Saudi Arabia and U.S. shale drillers, sanctions on Iranian exports, and political unrest in Venezuela that has crimped operations.

Outlook

Energy stocks have not kept pace with recovering commodity prices, and their valuations remain compressed. We believe, however, that the exploration & production industry's focus on financial discipline, returns, and free cash flow generation lines up closely with the objectives of our portfolio companies and should allow them to perform well in the current commodity price environment. In the oil services industry, meanwhile, demand for new drilling technologies and replacement of aging equipment should continue to recover, after several years of depressed capital spending.

Ten years into the current bull market, stocks remain close to all-time highs, yet multiples look reasonable. We see no signs of a bubble in terms of valuations, investor sentiment or interest rates. In fact, the Portfolio continues to trade at one of its widest valuation discounts to the market in its history. This sets up a good backdrop for long-term investors like us.

The Multi Cap Growth Portfolios have never been managed to a benchmark, and in periods where high-beta stocks with heavy passive ownership do well, our limited exposure to such companies can be a headwind. As we have discussed over the last several months, broader participation from companies in undervalued and under-owned areas, such as health care, cyclical technology and media, bodes well in extending the bull market. From large sums of private equity on the sidelines ready to be put to work to compelling multiples across many areas of the market, we think there is a lot that can go right for the Portfolio from current levels.

Portfolios' highlights

For the first quarter, the ClearBridge Multi Cap Growth ESG Portfolios gained 10.02% (gross of fees), while the benchmark Russell 3000 Growth Index gained 16.18% for the same period. Over the longer term, the Portfolios have outperformed the benchmark for the 10-year period ended March 31, 2019 (gross of fees).

On an absolute basis, the Portfolios had gains across six of the seven sectors in which they were invested (out of 11 sectors total). The primary contributors to performance were the IT and communication services sectors.

Relative to the benchmark, overall stock selection and sector allocation detracted from performance. In particular, stock selection and an overweight allocation in the health care sector were the primary detractors from performance. Stock selection in the IT, energy, consumer discretionary and communication services sectors also hurt results. On the positive side, stock selection in the industrials sector and a lack of exposure to the consumer staples sector contributed the most to relative returns.

On an individual stock basis, positions in Ionis Pharmaceuticals , Comcast, Autodesk, Broadcom and Twitter were the greatest contributors to absolute returns. The largest detractors included Biogen, Immunogen, Qurate Retail, Citrix Systems and UnitedHealth Group.

Top contributors[1]

	Contribution to equity return %
Ionis Pharmaceuticals, Inc.	1.54
Comcast Corporation	1.27
Autodesk, Inc.	1.23
Broadcom Inc.	1.11
Twitter, Inc.	1.00

Source: FactSet.

In terms of individual stocks, the positive contributors to the Portfolios' performance for the quarter included:

Comcast (CMCSA), in the communication services sector, is a global media company with two primary units – cable and NBCUniversal, which encompasses both studio operations and theme parks. Shares trended higher on solid broadband subscriber metrics and positive contributions from its recently acquired Sky division.

Autodesk (ADSK), in the IT sector, is a design software and services company with customers in the architecture, engineering and construction, manufacturing and digital media and entertainment industries. The company is seeing accelerating revenue growth and improving cash flow from its now established subscription-based model, and it's also benefitting from strength in its end markets.

Broadcom (AVGO), in the IT sector, develops semiconductors for a range of communications applications. The serial acquirer is hitting its stride again after a negative reaction to its takeover of CA Technologies. Solid execution across its diverse businesses, including upside from CA and its software division, as well as confirmation of its full-year guidance, lifted the stock.

Bottom contributors[2]

	Contribution to equity return %
Biogen Inc.	-1.25
ImmunoGen, Inc.	-0.21
Qurate Retail, Inc.	-0.19
Citrix Systems, Inc.	-0.06
UnitedHealth Group Incorporated	-0.01

Source: FactSet.

The bottom contributors to the Portfolios' performance for the quarter included:

Biogen (BIIB), in the health care sector, is a biotechnology company that produces therapies in the areas of oncology, neurology and immunology. The surprise announcement that it was cancelling clinical trials for Alzheimer's treatment aducanumab caused the stock to re-rate lower. While Biogen's base business is solid, the loss of aducanumab removes a significant potential catalyst for the shares.

Qurate Retail (QRTEA), in the consumer discretionary sector, operates a range of video, e-commerce and mobile businesses, including QVC, Zulily and HSN, offering apparel and beauty products. The stock sold off following earnings and revenue results that missed expectations due to weakness in its international and HSN divisions.

Citrix Systems (CTXS), in the IT sector, develops solutions that allow users to access and share technology remotely, either at the desktop or through mobile devices. Mixed earnings results weighed on the shares, as strong workspace subscriptions were offset by volatility in its hardware business and the transition to a subscription software model.

Environmental, Social and Governance (ESG) Highlights: A Multifaceted Approach to the Opioid Crisis

Opioid abuse has become such a serious issue that it is included in the UN Sustainable Development Goal #3, Good Health & Well Being, which includes a target to strengthen the prevention and treatment of substance abuse, including

[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.**

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narcotic drug abuse. Appropriately used, opioids are an important and effective treatment for chronic and acute pain. However, they carry the serious risks of misuse, addiction, overdoses and death. There is no profile of a typical user or potential misuser: according to The Hartford, one in three people will be prescribed opioids in their life. Athletes and office workers, teenagers and adults, family members and neighbors — anyone could be involved or affected by opioid misuse.

Since the prescription of opioids began to increase significantly in the 1990s, the number of opioid overdose deaths has likewise risen. So has the economic burden: one study estimated the total economic burden of fatal overdoses, abuse and dependence of prescription opioids to be $78.5 billion in 2013 alone.[3] The opioid epidemic causes more than 130 overdose deaths per day in the U.S.[4] Opioids were responsible for almost two-thirds of all drug overdoses in the U.S. in 2015; roughly half of these involved prescription opioids. Yet even while prescribing rates have fallen from peaks in 2010–2012, the number of opioids prescribed per person is still high — three times higher than in 1999.[5]

As an active investor in public equities, ClearBridge pursues a multifaceted approach to support efforts to reduce opioid addiction. ClearBridge is engaging companies in the drug value chain to better control opioid distribution and develop therapeutic alternatives to opioids. We are also supporting portfolio holdings in the insurance industry that identify those most at risk of opioid addiction and try to prevent dangerous cases before they begin. Helping efforts to reduce opioid addiction also aligns with our efforts to support UN Sustainable Development Goal #3, Good Health & Well Being.

Finding Solutions Across the Drug Value Chain

Patient access to opioids and lack of education on usage risks are primary contributors to the opioid epidemic. As a shareholder of companies across the drug value chain, ClearBridge encourages and supports these companies with the ability and the responsibility to act. Our roles as an active manager include engaging with distributors on their efforts to prevent potentially irresponsible dispensation of opioid drugs and investing in pharmaceutical companies developing therapeutic solutions.

ClearBridge portfolio holdings in the distribution segment of the value chain are working to stop inappropriate diversion of prescribed opioids. The key is that they not be overprescribed, either in cases where one patient's prescription contains too much opioids at once or for too long a time, or where too many people are getting prescriptions, some unnecessarily. Distributors are making changes to how they operate to help fight the crisis. CVS Health, for example, has worked with other distributors to build a network of shared records, so one user cannot simply go to a different pharmacy to get a prescription filled. The company has also developed programs for the safe disposal of unused opioids, preventing discarded opioids from finding a market.

In addition, we have a history of engaging health care companies on anesthesiology and the adoption of non-opiate approaches to pain management. We have engaged CVS, Amerisource Bergen and UnitedHealth on how their pain clinic managers ensure appropriate opioid use.

Patients are also prescribed opioids for dental health care; dental health care professionals write 12% of all opioid prescriptions, almost half of which are for adolescents. A recent Stanford study found that routine painkillers prescribed to teens after wisdom teeth removal could contribute to opioid addiction in young adults.[6]

UnitedHealth has launched oral health programs and policies to reduce opioid access in a number of ways, such as limiting the level of the prescription through the UnitedHealth oral pharmacy policy, as well as mailing information about the risks and proper use of opioid prescriptions to patients with dependents from the ages of 16 to 22 years. In addition, UnitedHealth will track the dental professionals who are among the top 10% opioid prescribers in their network and notify them of their status. After being contacted, these professionals have reduced prescriptions by 17%. The program has been updated to flag the top 20% oral health prescribers.

While opioids are the most prevalent and cost-effective form of pain management for many use cases, we are also investing in companies developing alternative therapeutic solutions. Portfolio companies Pacira Pharmaceuticals, Alkermes and Heron Therapeutics are developing opioid substitutes that would allow use of non-systemic pain relief in surgeries – long-acting local anesthetics that work just as effectively as systemic versions might even prevent initial opioid use.

Pacira Pharmaceuticals manufactures and markets Exparel, a treatment that can serve as an alternative to alleviate post-

[3] Florence CS, Zhou C, Luo F, Xu L. The economic burden of prescription opioid overdose, abuse, and dependence in the United States, 2013. Med Care 2016; 54:901–6

[4] Wide-ranging online data for epidemiologic research (WONDER). Atlanta, GA: CDC, National Center for Health Statistics; 2017. Available at http://wonder.cdc.gov.

[5] Centers for Disease Control and Prevention. Vital Signs: Changes in Opioid Prescribing in the United States, 2006–2015. MMWR 2017; 66(26):697-704.

[6] https://med.stanford.edu/news/all-news/2018/12/opioid-prescriptions-from-dentists-linked-to-youth-addiction-risk.html

surgical pain, a primary introduction point for opioid use. The current standard of care to manage post-surgical pain is oral or intravenous opioids, and there are few alternatives that offer pain relief as effectively. Exparel is a long-acting formulation of a well-known local anesthetic injected directly into the surgical site during a procedure to block pain locally, rather than systemically. By being given Exparel during surgery, patients can either avoid the use of post-surgical opioids or significantly reduce their dose and duration of use.

We have also discussed efforts to address the opioid crisis with pharmaceutical maker Alkermes. The company sells Vivitrol, a long-acting injectable drug that reduces the effect and craving for opioids. The drug is used as part of rehabilitation protocols, along with detoxification and therapy/counseling, and it is clinically proven to decrease abuse relapse rates. Vivitrol is used instead of opioid replacement therapies like methadone. In addition to traditional drug marketing, Alkermes has engaged at all levels of government and the justice system to broaden the use of Vivitrol to combat the growing opioid addiction problem in the U.S, including in federal prisons.

Heron Therapeutics is a pharmaceutical maker with two commercial anti-nausea treatments for patients going through chemotherapy. We are excited about the prospects for a next-generation non-opioid painkiller for post-operative pain that is in Heron's pipeline (HTX-011) and is expected to receive FDA approval around the middle of 2019. Heron is benefiting from fast-track approval procedures that have been established by the FDA to encourage innovation and that we believe can bring non-opioid treatments to market in a timelier manner.

Ensuring a Better Approach to Use of Painkillers

As the opioid epidemic has begun to have a more and more tangible impact on employers, property & casualty insurance companies, such as ClearBridge holdings The Hartford and Travelers Insurance, have been proactively working to detect addiction and tailor rehabilitation. Due to in-house triage personnel, insurers have a unique perspective on the crisis in that they often have the first look at treatment and prescription trends that might involve opioid use. Both The Hartford and Travelers are fighting the opioid crisis by holistically working with doctors on diagnosis and treatment for employees in filing workers' compensation claims.

Both The Hartford and Travelers are pursuing innovative programs to combat opioid addiction by using predictive analytics to identify drug-seeking behavior. The Hartford uses an analytics model that incorporates nonmedical psychosocial factors, such as subtle verbal cues, to identify claimants at higher risk of addiction. Using this model, The Hartford has seen opioid use on its claims drop by 25% from January 2015 to July 2016; the average morphine equivalent dose per claim decreased by 9% over that time frame, as well.

Travelers has developed an Early Severity Predictor® to identify when an injured employee develops chronic pain, so it can work with employees and their doctors to eliminate or reduce the need for painkillers.

These programs help monitor and reduce the risks of addiction, which not only saves livelihoods and lives, but also benefits employers in terms of reduced lost work time, reduced lost productivity and lower insurance costs. Since 2015, The Hartford has been able to help workers' compensation claimants reduce opioid use by 43%.

ClearBridge supports and encourages these practices and makes them part of our long-standing conversations with Travelers and The Hartford. Our ownership of these companies is an example of cases where smart ESG practices serve the interest of both shareholders and society.

Market capitalization[7]

Market cap breakdown ($)	Portfolio weight	Benchmark weight
Above 50 billion	25.95	62.17
25-50 billion	34.12	13.47
10-25 billion	26.61	10.95
3-10 billion	12.05	8.43
0-3 billion	1.26	4.98
Weighted average market cap ($bil)	**63.33**	**254.53**

Source: FactSet.

Top 10 equity holdings[7]

	Percent of equity
UnitedHealth Group Inc	8.37
Comcast Corp	7.97
Broadcom Inc	7.15
Twitter Inc	6.93
Autodesk Inc	6.67
Biogen Inc	5.23
Vertex Pharmaceuticals Inc	4.64
Ionis Pharmaceuticals Inc	4.53
Anadarko Petroleum Corp	4.40
TE Connectivity Ltd	4.23
Total number of holdings	**38**

Source: FactSet.

Sector highlights[7]

Average sector weightings and performance (%)

Gross of fees from 12/31/18 to 03/31/19

Sector	Port. weight	Port. return	Bench-mark* weight	Bench-mark* return	Weight diff.	Active contrib.
Information Technology	32.08	18.09	30.91	21.48	1.17	-0.99
Health Care	28.71	1.97	14.71	8.77	14.00	-2.74
Communication Services	18.78	14.63	11.57	16.68	7.20	-0.35
Industrials	5.80	20.14	12.44	16.02	-6.64	0.15
Energy	5.79	5.78	0.85	15.89	4.94	-0.60
Materials	4.01	13.40	1.94	15.20	2.07	-0.15
Consumer Discretionary	1.16	-18.14	15.06	15.42	-13.90	-0.38
Real Estate	0.00	0.00	2.37	18.93	-2.37	-0.09
Utilities	0.00	0.00	0.04	9.06	-0.04	-0.04
Consumer Staples	0.00	0.00	5.50	10.77	-5.50	0.26
Financials	0.00	0.00	4.61	12.96	-4.61	0.09
Cash	3.67	0.59	0.00	0.00	3.67	-0.60

*Benchmark: Russell 3000 Growth Index.

Source: FactSet.

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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.

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.

The investment strategies described herein are those of Legg Mason Private Portfolio Group, LLC (LMPPG). **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 LMPPG materials are 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. Certain limits on the amount of investment in any one company may cause individual Multi Cap Growth investment portfolios to vary from each other and thus the performance results of such portfolios may also vary from each other, particularly when combined with the price volatility of stocks in such portfolios.

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.

A **basis point (bp, or bps)** is one one-hundredth of one percent (1/100% or 0.01%).

Beta measures the sensitivity of an investment to the movement of its benchmark.

FAANG is an acronym for the five most popular and best-performing tech stocks in the market, namely Facebook, Apple, Amazon, Netflix and Alphabet's Google.

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.

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

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

Russell 2000 Index is composed of the 2,000 smallest companies in the Russell 3000 Index.

Russell 3000 Index is an unmanaged index of the 3,000 largest U.S. companies.

Russell 3000 Growth Index measures the performance of those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values.

Russell 3000 Value Index is a market-capitalization weighted equity index maintained by the Russell Investment Group and based on the Russell 3000 Index, which measures how U.S. stocks in the equity value segment perform.

S&P 500 Index is an unmanaged index of 500 stocks that is generally representative of the performance of larger companies in the U.S.

The **Sustainable Development Goals (SDGs)** are a collection of 17 global goals created by the United Nations in 2015.

West Texas Intermediate (WTI) is light, sweet crude oil, which is commonly referred to as "oil" in the Western world.

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

Inception date: July 2006; Composite creation date: June 2008

Period	Total return (net)	Total return (* pure gross)	Russell 3000 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	-10.39%	-7.67%	-2.12%	142	100	1.34%	15.04%	12.47%	76.7	0.1%	106,083.4
2017	13.97%	17.35%	29.59%	149	100	1.18%	13.85%	10.77%	95.6	0.1%	119,187.1
2016	6.03%	9.20%	7.39%	105	100	0.58%	14.64%	11.50%	76.9	0.1%	100,936.9
2015	-5.08%	-2.22%	5.09%	106	100	1.04%	13.16%	10.95%	81.2	0.1%	92,536.4
2014	10.93%	14.23%	12.44%	8	100	n/m	12.50%	9.87%	34.9	0.0%	100,721.5
2013	42.21%	46.36%	34.23%	<5	100	n/m	16.86%	12.66%	2.8	0.0%	85,024.7
2012	18.81%	22.33%	15.21%	<5	100	n/m	20.47%	16.21%	0.2	0.0%	54,624.3
2011	-3.70%	-0.80%	2.18%	<5	100	n/m	23.87%	18.43%	0.5	0.0%	50,870.8
2010	30.99%	34.84%	17.64%	<5	100	n/m	n/a	n/a	0.5	0.0%	55,366.5
2009	47.63%	51.93%	37.01%	<5	100	n/m	n/a	n/a	0.4	0.0%	53,522.7

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

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

Compliance Statement:

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

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

Firm Information:

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

Composite Information:

The ClearBridge Multi Cap Growth ESG SMA composite consists of discretionary wrap accounts with an account minimum of US $25,000. The managers actively integrate criteria inclusive of environmental, social and governance (ESG) issues into the portfolio construction of the strategy. Accounts within the composite seek long-term capital appreciation by investing in the stocks of small, mid, and large capitalization companies that the manager believes have the potential for above-average long-term earnings and/or cash flow growth. 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, Small Cap Risk, Mid Cap Risk, High Volatility Risk, ESG Investing Risk, and Non-U.S. Investment Risk. The composite consists of the following percentages of non-fee-paying accounts as of each year end: 2013 - 2%, 2014 - .2%, 2015 - .1%.

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 3000® Growth Index measures the performance of those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values. Benchmark returns are not covered by the report of independent verifiers.

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