LEGG MASON
GLOBAL VALUE ADR BALANCED PORTFOLIOS

Portfolio Managers

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Western Asset: Team unites groups of specialists dedicated to different market sectors. Each group of sector specialists utilizes their expertise in bottom-up analysis of each portfolio sector.

Global Value ADR Balanced (60/40) Portfolios

Annualized returns net and gross of fees - PRELIMINARY

(%) as of June 30, 2019 | Inception: 02/29/16

	1-mo	QTR	YTD	1-yr	3-yr	Since Incept.
Net of fees	4.35	1.11	6.51	-1.56	2.71	2.95
"Pure" gross of fees	4.60	1.85	8.08	1.40	5.78	6.03
Index Mix	4.38	3.55	12.21	6.95	7.93	8.59

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 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.

The **index mix** consists of 60% MSCI World Index (Net) and 40% Bloomberg Barclays Intermediate Government/Credit Bond Index.

The Portfolios combine two separately managed portfolios into a single, coordinated portfolio. However, each management team maintains its own perspective on the market and its own investment focus.

Overview

Global Equity

Global equities delivered gains through an eventful second quarter where trade and central bank policy took center stage. The benchmark MSCI All Country World Index advanced 3.61%, the S&P 500 Index added 4.30%, the MSCI EAFE Index rose 3.68%, and the MSCI Emerging Market Index edged 0.61% higher. Global value stocks underperformed their growth counterparts, with the MSCI ACWI Growth Index up 4.90% for the quarter compared with a gain of 2.29% for the MSCI ACWI Value Index .

From a sector standpoint, financials (+6.16%), information technology (+5.87%), consumer discretionary (+5.35%), industrials (4.75%) and materials (+4.73%) all outperformed. Energy (-1.55%), health care (+1.50%) and real estate (+0.51%), meanwhile, trailed the market.

Fixed income

U.S. Treasurys generated a positive return during the second quarter, as both short- and long-term yields declined (yields and prices move in the opposite direction). The spread sectors (non-U.S. Treasurys) also rallied over the quarter. After yields generally moved higher in April, trade concerns dominated May and led to a risk-off environment for much of the month. Yields then moved sharply lower as the Federal Reserve Board ("Fed")[1] indicated it was getting closer to lowering interest rates. Similar accommodative messaging by the European Central Bank (ECB)[2] also contributed to falling global bond yields. The overall taxable bond market, as measured by the Bloomberg Barclays U.S. Aggregate Index,[3] gained 3.08% during the second quarter.[4]

Performance review

Global equity

For the second quarter, the Portfolio underperformed its MSCI World Index benchmark, due to stock selection and sector allocation. In particular, stock selection in the communication services, consumer discretionary, consumer staples and materials sectors and overweights to energy and health care detracted from relative performance. Conversely, an overweight to the financials sector aided performance. In terms of individual stocks, the biggest contributors to quarterly returns were Gazprom, Hoya Corp., Microsoft, Nestle and Hitachi. The primary detractors were Teva Pharmaceutical, Baidu, Encana, Imperial Brands and Capri Holdings.

Fixed income

The Portfolio was negatively impacted by having a duration that was slightly shorter than that of the benchmark. This was a negative for results, as rates declined during the quarter. Elsewhere, yield curve positioning did not meaningfully impact performance. The largest contributor to results was the Portfolio's allocation to investment-grade credit. The sector was supported by the overall risk-on environment during the quarter. Finally, security selection was a small negative for returns, largely driven by one investment-grade bond holding that generated weak results.

Outlook

Global equity

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

Fixed income

Global growth concerns have intensified since last quarter, as an initial trade spat between the U.S. and China has morphed into a broader conflict, with the risk of expanding on new fronts. Markets have also been rattled by the prospect of a U.S. recession, a sustained slowdown in eurozone growth, and higher oil price volatility on escalating tensions in the Middle East. Despite these concerns, we expect global growth to remain resilient on the back of steady U.S. growth, improving domestic conditions in Europe, and signs that sustained monetary and fiscal stimuli across Asia are gaining traction. We acknowledge that trade friction will be an ongoing drag on investor and business confidence, but central banks globally have become much more explicit in their commitment to unleash additional policy accommodation to truncate downside risks.

[1] 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.

[2] The European Central Bank (ECB) is responsible for the monetary system of the European Union and the euro currency.

[3] The Bloomberg Barclays U.S. Aggregate Index is a broad-based bond index composed of government, corporate, mortgage- and asset-backed issues rated investment grade or higher and having at least one year to maturity.

[4] Source of data in this paragraph: Bloomberg, 7/19.

Top 10 equity holdings[5]

	Percent of equity
Hoya Corp	4.57
Microsoft Corp	4.35
BP PLC	2.65
Nestle SA	2.55
HSBC Holdings PLC	2.42
Cisco Systems Inc	2.30
AutoZone Inc	2.14
Merck & Co Inc	2.14
Bayer AG	2.05
Novartis AG	2.03
Total number of holdings	**65**

Source: FactSet.

Sector highlights[5]

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	20.56	4.31	15.89	6.16	4.67	-0.28
Health Care	19.75	2.32	12.41	1.50	7.34	-0.06
Information Technology	12.39	4.42	16.13	5.87	-3.74	-0.23
Consumer Discretionary	10.98	0.73	10.50	5.35	0.49	-0.49
Consumer Staples	9.87	-1.44	8.57	2.77	1.30	-0.48
Energy	9.11	-2.03	5.76	-1.55	3.34	-0.22
Materials	6.94	-0.26	4.51	4.73	2.43	-0.32
Industrials	4.24	7.30	11.18	4.75	-6.94	-0.05
Communication Services	2.88	-11.90	8.42	4.44	-5.53	-0.53
Utilities	0.00	0.00	3.38	2.45	-3.38	0.05
Real Estate	0.00	0.00	3.26	0.51	-3.26	0.11
Cash	3.28	2.82	0.00	0.00	3.28	-0.10

*Benchmark: Index Mix.

Source: FactSet.

[5] 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. 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.

Performance endnotes

Legg Mason Global Value ADR Balanced Portfolios included in the composite have target allocations of 60% to the ClearBridge Global Value ADR strategy and 40% to the Western Asset Gov/Corp strategy. The index mix consists of 60% MSCI World Index (Net) and 40% Bloomberg Barclays Intermediate Government/Credit Bond Index, and it's rebalanced monthly. Unlike the Index Mix, Legg Mason Global Value ADR Balanced Portfolios are not automatically rebalanced each month to their target 60%/40% allocations.

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

Investments may be made in ADRs and U.S.-traded ordinary shares 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 fluctuations, political and economic developments, foreign taxation, and differences in auditing and other financial standards. These risks are magnified in emerging markets.

Fixed income securities are subject to interest rate and credit risk, which is a possibility that the issuer of a security will be unable to make interest payments and repay the principal on its debt. As interest rates rise, the price of fixed income securities falls.

Fixed income securities are subject to illiquidity risk, which is the risk that securities may be difficult to sell at certain prices when no market participants are willing to purchase the securities at such prices.

U.S. Treasurys are direct debt obligations issued and backed by the "full faith and credit" of the U.S. government. The U.S. government guarantees the principal and interest payments on U.S. Treasurys when the securities are held to maturity. Unlike U.S. Treasurys, debt securities issued by the federal agencies and instrumentalities and related investments may or may not be backed by the full faith and credit of the U.S. government. Even when the U.S. government guarantees principal and interest payments on securities, this guarantee does not apply to losses resulting from declines in the market value of these securities.

Tapering of the Federal Reserve Board's quantitative easing program and a general rise in interest rates may lead to increased portfolio volatility.

Definitions and additional information

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

Bloomberg Barclays Intermediate Government/Credit Index is a market value-weighted performance benchmark for government and corporate fixed-rate debt issues (rated Baa/BBB or higher) with maturities between one and 10 years.
Duration is an estimated measure of the price sensitivity of a bond to a change in interest rates.
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.
An **investment grade** is a rating that indicates that a municipal or corporate bond has a relatively low risk of default.

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

The **MSCI All Country World Index** consists of 45 country indices comprising 24 developed and 21 emerging market country indices.

The **MSCI All Country World Index (ACWI) Growth Index** captures large- and mid-cap securities with growth style characteristics across Developed Markets countries and Emerging Markets countries.

The **MSCI All Country World Index (ACWI) Value Index** captures large- and mid-cap securities with value style characteristics across Developed Markets countries and Emerging Markets countries.

The **MSCI EAFE Index** is a free float-adjusted market-capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada.

The **MSCI Emerging Markets Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.

MSCI World Index captures large- and mid-cap representation across 23 developed markets countries.

Risk-on, risk-off (RoRo) investing describes a process where investors move to riskier, potentially higher-yielding investments and then back again to supposedly lower-yielding investments which are perceived to have lower risk.

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

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. The U.S. government guarantees the principal and interest payments.

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

Legg Mason Global Value ADR Balanced Taxable with Gov/Corp 60/40 SMA – GIPS® endnotes ($USD) — Ending December 31

Strategy Inception date: February 2016; Composite Creation Date: January 2016

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)
2017	9.88%	13.15%	13.90%	29	100	0.14%	n/a	n/a	12.2	0.0%	53,956.9
Feb – Dec 2016	6.76%	9.67%	8.85%	19	100	n/a	n/a	n/a	8.6	0.0%	46,104.9

*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: Legg Mason Private Portfolio Group, LLC ("LMPPG") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Legg Mason Private Portfolio Group, LLC 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.

FIRM INFORMATION: Legg Mason Private Portfolio Group, LLC is a wholly-owned subsidiary of Legg Mason, Inc. LMPPG, together with their Subadvisers ClearBridge Investments, LLC ("ClearBridge") and Western Asset, provides investment advisory services primarily in investment programs sponsored by Sponsor Firms. The investment advisory services LMPPG and the Subadvisers provide differ depending on the type of Sponsor Firm investment program in which a client participates. ClearBridge and Western Asset claim compliance with the Global Investment Performance Standards (GIPS®) and have been independently verified through 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. LMPPG has used a sub advisor for all periods presented.

COMPOSITE INFORMATION**:** The Legg Mason Global Value ADR Balanced Taxable with Gov/Corp 60/40 composite consists of discretionary wrap accounts with an account minimum of US $25,000. The strategy is designed to provide investors with a value-based, balanced strategy that seeks to provide long-term total return along with the stability and additional income that fixed income can provide. The main risks of this strategy are General Investment Risk, Non-U.S. Investment Risk. Small Cap Risk, Mid Cap Risk, Credit Risk, Interest Rate Risk, and Illiquidity 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 because the composite does not have 36 months of GIPS compliant data. 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 composite uses the following blended benchmark 60% MSCI World (Net) (USD) / 40% Bloomberg Barclays U.S. Intermediate Government/Credit which is rebalanced monthly.

MSCI World Net® is a float-adjusted market large capitalization index that is designed to measure developed market equity performance, including the U.S. & Canada. The "Net" Index series assumes that dividends are reinvested after the deduction of withholding tax. The index uses withholding tax rates applicable to Luxembourg holding companies.

The Bloomberg Barclays® U.S. Intermediate Government/Credit Index includes securities in the intermediate maturity range of the Government/Credit Index.

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