

2016 Legg Mason Tax Guide

IMPORTANT TAX INFORMATION REGARDING YOUR MUTUAL FUNDS

This guide is a summary of tax information for certain Legg Mason, ClearBridge Investments, Brandywine Global, QS Investors, Martin Currie, EnTrustPermal, RARE Infrastructure and Western Asset closed-end, open-end and exchange-traded funds. This information may be useful to you, as an investor, in the preparation of your 2016 Federal and state income tax returns. We recommend that you consult your tax advisor for assistance with how this information will impact your specific tax situation.

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SECTION 1

In this section you will find information for the Western Asset multi-state funds that have paid income dividends which are tax-exempt for regular Federal income tax purposes. The percentages of income earned by the funds from each state or U.S. Territory are listed below.

Exempt interest income — Multi-state funds

	Western Asset Intermediate-Term Municipals Fund	Western Asset Managed Municipals Fund	Western Asset Municipal High Income Fund and Western Asset Municipal High Income SMASH Fund (a)	Western Asset Short Duration Municipal Income Fund	Western Asset SMASH Series TF	Western Asset Select Tax Free Reserves and Western Asset Tax Free Reserves
Alabama	0.27 %	3.07 %	4.52 %	0.71 %	8.06 %	1.01 %
Alaska	-	0.19	-	1.14	-	0.59
Arizona	0.48	0.60	1.88	1.07	4.11	0.54
Arkansas	-	-	-	0.13	-	-
California	14.36	19.85	10.80	4.76	13.03	16.84
Colorado	3.75	2.42	4.59	2.74	3.02	0.54
Connecticut	0.15	1.01	-	3.13	-	3.97
Delaware	-	0.47	1.38	-	2.69	0.30
District of Columbia	0.11	0.31	0.80	0.48	-	1.74
Florida	6.86	8.34	3.48	2.83	5.07	4.67
Georgia	2.98	5.17	0.68	5.42	3.13	3.52
Guam	-	-	-	-	-	-
Hawaii	-	-	1.39	0.16	-	1.21
Idaho	-	-	-	-	-	-
Illinois	4.85	5.71	6.37	8.79	7.03	5.04
Indiana	3.75	1.57	2.00	6.73	-	2.10
Iowa	1.40	0.35	0.61	1.17	1.55	0.45
Kansas	0.14	0.21	-	0.09	-	0.04
Kentucky	0.38	0.79	2.22	1.68	-	1.51
Louisiana	0.87	0.83	0.17	0.04	-	0.60
Maine	-	-	-	-	-	-
Maryland	1.23	1.55	6.94	0.11	-	0.72
Massachusetts	1.47	3.19	4.85	1.44	5.86	3.67
Michigan	7.85	4.48	2.32	5.57	-	0.86
Minnesota	0.21	0.42	-	0.14	-	1.39
Mississippi	0.05	0.09	-	0.36	-	0.71
Missouri	1.03	1.42	1.59	0.33	-	2.48
Montana	-	-	-	-	-	-
Nebraska	-	-	-	0.52	-	-
Nevada	0.75	0.49	0.45	0.40	-	-
New Hampshire	-	0.15	-	0.36	-	0.83
New Jersey	5.40	6.93	5.12	8.71	12.36	0.33
New Mexico	1.27	0.53	0.28	3.30	-	0.65
New York	8.48	6.49	5.78	10.27	14.99	21.60
North Carolina	1.78	1.53	0.12	0.19	0.65	3.88
North Dakota	-	-	-	-	-	0.19
Ohio	1.14	0.47	2.14	1.84	-	1.71
Oklahoma	0.08	0.15	1.65	0.16	0.29	0.24
Oregon	0.82	0.65	-	0.48	-	1.14
Pennsylvania	2.93	3.18	4.03	6.83	0.18	4.57
Puerto Rico	-	-	-	-	-	-
Rhode Island	0.09	0.21	-	-	-	0.13
South Carolina	0.31	0.50	-	0.99	3.26	0.56
South Dakota	-	-	-	-	-	0.24
Tennessee	4.92	1.44	0.12	0.61	5.96	0.37
Texas	12.03	11.35	19.79	12.77	7.53	3.25
U.S. Virgin Islands	0.57	0.30	1.36	-	1.15	-
Utah	-	0.01	-	0.10	-	0.23
Vermont	0.18	0.11	0.01	0.02	-	0.88
Virginia	1.82	0.86	1.60	1.86	0.08	1.92
Washington	2.35	1.08	0.16	0.68	-	1.96
West Virginia	0.91	0.35	-	0.55	-	0.60
Wisconsin	1.31	0.89	0.80	0.34	-	-
Wyoming	0.67	0.29	-	-	-	0.22
Other U.S. Territories	-	-	-	-	-	-

Alternative Minimum Tax Percentage:	9.76 %	6.77 %	10.75 %	18.45 %	1.55 %	17.56 %
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(a) Western Asset Municipal High Income SMASH Fund redeemed all of its shareholders on July 25, 2016.

SECTION 1

In this section you will find information for the Western Asset multi-state funds that have paid income dividends which are tax-exempt for regular Federal income tax purposes. The percentages of income earned by the funds from each state or U.S. Territory are listed below.

Exempt interest income — Multi-state funds										
	Western Asset Intermediate Muni Fund Inc. (SBI)		Western Asset Managed Municipals Fund Inc. (MMU)		Western Asset Municipal Defined Opportunity Trust Inc. (MTT)		Western Asset Municipal High Income Fund Inc. (MHF)		Western Asset Municipal Partners Fund Inc. (MNP)	
		%		%		%		%		%
Alabama	0.88		4.73		3.00		5.85		1.19	
Alaska	-		-		-		-		0.79	
Arizona	2.90		3.16		2.67		2.89		2.30	
Arkansas	-		-		-		-		-	
California	12.35		14.05		3.21		9.42		13.53	
Colorado	4.54		8.34		3.06		5.17		4.41	
Connecticut	0.88		-		-		-		-	
Delaware	-		-		-		1.32		-	
District of Columbia	0.01		1.89		-		1.49		-	
Florida	6.78		7.58		4.00		3.03		3.17	
Georgia	4.26		3.56		7.58		3.53		-	
Guam	-		-		-		-		-	
Hawaii	-		0.89		-		1.60		-	
Idaho	-		-		-		-		-	
Illinois	5.17		7.21		2.17		2.65		6.41	
Indiana	6.25		3.09		7.52		1.87		1.41	
Iowa	0.36		0.34		0.41		0.86		0.40	
Kansas	-		-		-		0.15		-	
Kentucky	-		0.99		-		1.54		-	
Louisiana	2.01		0.51		4.42		0.02		0.77	
Maine	-		-		-		-		-	
Maryland	0.15		-		4.25		2.34		0.80	
Massachusetts	0.68		4.50		0.26		1.50		2.12	
Michigan	5.49		3.03		12.80		3.90		5.00	
Minnesota	-		0.16		-		-		-	
Mississippi	-		-		-		-		-	
Missouri	-		2.07		-		3.04		1.25	
Montana	-		-		-		-		-	
Nebraska	-		0.33		-		2.06		-	
Nevada	2.67		1.73		-		0.50		0.52	
New Hampshire	4.11		-		-		-		-	
New Jersey	9.43		5.83		6.37		5.92		5.89	
New Mexico	1.44		0.80		-		0.01		-	
New York	3.52		8.76		5.21		2.94		18.00	
North Carolina	1.07		0.09		0.08		0.14		2.38	
North Dakota	-		-		-		-		-	
Ohio	0.44		1.25		2.29		1.43		2.21	
Oklahoma	1.73		0.06		0.05		0.99		1.12	
Oregon	0.45		0.09		0.03		0.16		0.34	
Pennsylvania	2.53		2.24		4.76		4.03		5.55	
Puerto Rico	-		-		-		-		-	
Rhode Island	-		0.89		5.01		-		-	
South Carolina	-		0.34		-		-		-	
South Dakota	-		-		-		-		-	
Tennessee	4.68		0.04		1.88		1.34		3.46	
Texas	6.63		10.35		10.66		22.54		10.85	
U.S. Virgin Islands	0.29		0.25		2.39		2.09		0.29	
Utah	-		-		-		-		-	
Vermont	-		-		-		-		-	
Virginia	4.24		0.71		0.63		2.03		0.04	
Washington	1.38		0.12		0.50		0.04		2.32	
West Virginia	-		-		-		1.02		-	
Wisconsin	2.68		0.02		4.79		0.59		3.48	
Wyoming	-		-		-		-		-	
Other U.S. Territories	-		-		-		-		-	
Alternative Minimum Tax Percentage:	15.07	%	12.72	%	8.05	%	14.87	%	7.68	%

SECTION 2

In this section you will find information for the Western Asset single state funds that have paid income dividends which are tax-exempt for regular Federal income tax purposes.

Exempt interest income — Single state funds						
Fund Name	Specified state	Percentage of income from obligations exempt in specified state	Percentage of income from obligations of Puerto Rico, U.S. Virgin Islands and Guam	Percentage of income from obligations of other states	Alternative Minimum Tax Percentage	
Western Asset California Municipals Fund	California	98.53 %	1.45 %	0.02 %	2.77 %	
Western Asset California Tax Free Money Market Fund	California	100.00	-	-	19.56	
Western Asset Intermediate Maturity California Municipals Fund	California	94.19	5.67	0.14	1.49	
Western Asset Intermediate Maturity New York Municipals Fund	New York	95.31	4.65	0.04	8.68	
Western Asset Massachusetts Municipals Fund	Massachusetts	93.48	6.14	0.38	0.08	
Western Asset New Jersey Municipals Fund	New Jersey	94.33	2.15	3.52	14.58	
Western Asset New York Municipals Fund	New York	95.53	4.44	0.03	9.55	
Western Asset New York Tax Free Money Market Fund	New York	99.93	-	0.07	14.65	
Western Asset Oregon Municipals Fund	Oregon	94.45	5.21	0.34	1.94	
Western Asset Pennsylvania Municipals Fund	Pennsylvania	98.89	1.03	0.08	2.47	

SECTION 3

Certain states may exempt the portion of dividends (reported in Box 1 on Form 1099-DIV) derived from assets backed by the full faith and credit of the U.S. Government.*

The table below provides the percentages of those dividends available for this exclusion. Only those Funds that appear in this section have distributed income that qualifies for this exclusion.

Income from Federal obligations	
Fund Name	Percentage
Legg Mason BW Global Opportunities Bond Fund	12.26 %
QS Conservative Growth Fund	6.31
QS Defensive Growth Fund	8.20
QS Moderate Growth Fund	3.29
Western Asset Adjustable Rate Income Fund	2.86
Western Asset Core Bond Fund	21.88
Western Asset Core Plus Bond Fund	12.16
Western Asset Corporate Bond Fund	2.09
Western Asset Government Reserves	57.90
Western Asset Global High Income Fund Inc. (EHI)	0.56
Western Asset Global High Yield Bond Fund	0.89
Western Asset High Income Fund II Inc. (HIX)	0.53
Western Asset Inflation Indexed Plus Bond Fund **	100.00
Western Asset Institutional Cash Reserves	8.51
Western Asset Institutional Government Reserves	59.31
Western Asset Institutional Liquid Reserves	7.08
Western Asset Institutional U.S. Treasury Obligations Money Market Fund **	70.97
Western Asset Institutional U.S. Treasury Reserves **	99.57
Western Asset Intermediate Bond Fund	17.58
Western Asset Liquid Reserves	7.22
Western Asset Macro Opportunities Fund	9.32
Western Asset Prime Obligations Money Market Fund	0.41
Western Asset Premier Bond Fund (WEA)	0.83
Western Asset Premium Liquid Reserves	7.71
Western Asset Premium U.S. Treasury Reserves **	89.31
Western Asset Short-Term Bond Fund	1.98
Western Asset Short-Term Yield Fund	2.12
Western Asset SMASh Series C Fund	3.07
Western Asset SMASh Series M Fund	27.94
Western Asset Total Return Unconstrained Fund (b)	8.72
Western Asset Ultra Short Obligations Fund	0.79
Western Asset U.S. Treasury Reserves **	98.25

* Includes U.S. Treasury Bills, U.S. Treasury Notes, U.S. Treasury Bonds, and obligations issued by the Federal Home Loan Bank, Federal Credit Banks and the Student Loan Marketing Association.

** These Funds have met the quarterly asset requirements for California, Connecticut and New York resident shareholders.

(b) The Fund has made certain reclassifications affecting the tax character of the distributions paid. The Percentage of Income from Federal Obligations is expressed as a percentage of the Ordinary Income per Share after these reclassifications as disclosed in the Fund's Form 8937 - Report of Organizational Actions Affecting the Basis of Securities which may be found in the Tax Center of the Legg Mason website. In order to compute the amount of income from Federal Obligations, a shareholder should multiply the Percentage listed above by the product of the Ordinary Income per Share on the Fund's Form 8937 and the number of shares held on the record date of the distribution.

SECTION 4

This information is provided for those shareholders electing to take the foreign tax credit for Federal income tax purposes.

Shareholders taking an itemized deduction for foreign taxes paid: Include the amount shown in Box 6 on Form 1099-DIV as an itemized deduction on Schedule A (Form 1040).

Shareholders electing to claim the Foreign Tax Credit on either Form 1116 ("Foreign Tax Credit") for individuals, or Form 1118 ("Foreign Tax Credit -corporations") for corporate shareholders: Please note that shareholders claiming a foreign tax credit on income passed through from a mutual fund are no longer required to report foreign source income and foreign taxes paid on a country-by-country basis. Corporate shareholders, please refer to the 2016 Distribution Reclassifications which may be found in the Tax Center of the Legg Mason website for the per share amount of the Foreign Withholding Taxes paid. Please refer to the instructions for Form 1116 or 1118 and consult your tax advisor for further assistance.

Foreign source income

Fund Name	Payable Date	Percentage of Income from Foreign Sources		Percentage of Income from Foreign Source Dividends (3)
ClearBridge International Growth Fund	12/21/2016	81.76	% (1)	81.76 %
ClearBridge International Small Cap Fund	12/21/2016	91.57	(1)	91.57
ClearBridge International Value Fund	12/08/2016	100.00	(1)	100.00
Legg Mason BW Global Income Opportunities Fund (BWG) Common Shareholders (c)	Monthly January through May 2016	86.67	(1)	-
Legg Mason BW Global Opportunities Bond Fund	12/22/2016	100.00	(1)	-
Legg Mason Developed ex-US Diversified Core ETF	12/30/2016	97.66	(1)	97.66
Legg Mason Emerging Markets Diversified Core ETF	12/30/2016	58.76	(1)	45.38
Legg Mason International Low Volatility High Dividend ETF	09/30/2016	47.44	(2)	30.12
	12/30/2016	46.48	(2)	28.39
Martin Currie Emerging Markets Fund	12/21/2016	86.85	(1)	50.34
Martin Currie International Unconstrained Equity Fund	12/07/2016	47.71	(2)	42.51
	12/21/2016	88.70	(2)	87.58
	03/31/2016	5.17	(2)	5.17
QS Conservative Growth Fund	Quarterly June - December	8.01	(2)	8.01
	03/31/2016	2.65	(2)	2.65
QS Defensive Growth Fund	Quarterly June - December	3.88	(2)	3.88
	12/28/2016	25.58	(2)	25.58
QS International Dividend Fund	Quarterly March - September	100.00	(2)	94.88
	12/22/2016	100.00	(2)	95.80
QS International Equity Fund	12/07/2016	92.21	(1)	92.21
QS Moderate Growth Fund	06/09/2016	7.06	(2)	7.06
	12/28/2016	15.87	(2)	15.87
RARE Global Infrastructure Value Fund	Quarterly June - September	48.13	(2)	48.13
	12/07/2016	36.08	(2)	36.08
	12/22/2016	21.43	(2)	21.43

(1) To determine your share of the Fund's foreign source income, multiply the total foreign source percentage indicated by the amount shown in Box 1a of Form 1099-DIV.

(2) To determine your share of the Fund's foreign source income, multiply the total foreign source percentage indicated by the distribution received on the indicated date. **Do not multiply this percentage by the amount shown on Box 1a of Form 1099-DIV.**

(3) As a result of lower tax rates on qualified dividends, in computing your foreign tax credit, you may need to make certain adjustments based on your foreign source qualified dividends. To compute your amount of foreign source qualified dividends, multiply the Percentage of Income from Foreign Source Dividends by the amount shown in Box 1a of Form 1099-DIV.

(c) The Fund has made certain reclassifications affecting the tax character of the distributions paid. The Percentage of Income from Foreign Sources is expressed as a percentage of the Ordinary Income per Share after these reclassifications as disclosed in the Fund's Form 8937 - Report of Organizational Actions Affecting the Basis of Securities which may be found in the Tax Center of the Legg Mason website. In order to compute the income from Foreign Sources, a shareholder should multiply the Percentage by the product of the Ordinary Income per Share on the Fund's Form 8937 and the number of shares held on the record date of the distribution.

SECTION 5

The list below provides **corporate shareholders** with the percentages of their gross ordinary dividends that qualify for the dividends received deduction for corporations. Only those Funds that appear in this section have distributed income that qualifies for this deduction.

See Footnotes at the end of Section 5.

Dividends Received Deduction for Corporations

Fund Name	Payable Date	Qualifying Percentage	Payable Date	Qualifying Percentage
ClearBridge Aggressive Growth Fund	12/07/2016	79.61 %	–	–
ClearBridge All Cap Value Fund	12/08/2016	100.00	–	–
ClearBridge Appreciation Fund	12/21/2016	100.00	–	–
ClearBridge Dividend Strategy Fund (d)	Quarterly March - December	100.00	–	–
ClearBridge Energy MLP & Infrastructure Fund	Quarterly March - December	100.00	–	–
ClearBridge Global Healthcare innovations Fund	12/07/2016	24.35	12/21/2016	24.64 %
ClearBridge International Growth Fund	12/21/2016	14.08	–	–
ClearBridge Large Cap Growth Fund	12/08/2016	100.00	–	–
ClearBridge Large Cap Value Fund	Quarterly March - December	100.00	–	–
ClearBridge Mid Cap Fund	12/21/2016	100.00	–	–
ClearBridge Small Cap Value Fund	06/09/2016	100.00	–	–
ClearBridge Sustainability Leaders Fund	12/21/2016	100.00	–	–
Clearbridge Tactical Dividend Income Fund (e)	Quarterly March - September	100.00	12/22/2016	26.25
ClearBridge Value Trust	12/07/2016	100.00	–	–
EnTrustPermal Alternative Core Fund	06/09/2016	3.14	–	–
Legg Mason BW Diversified Large Cap Value Fund	12/07/2016	100.00	–	–
Legg Mason BW Dynamic Large Cap Value Fund	12/21/2016	100.00	–	–
Legg Mason Low Volatility High Dividend ETF	Quarterly March through September	80.12	12/30/2016	79.77
Legg Mason US Diversified Core ETF	12/30/2016	100.00	–	–
LMP Capital and Income Fund Inc. (SCD) (e)	Quarterly March through September	100.00	12/30/2016	5.10
Miller Income Opportunity Trust (e)	Quarterly March - September	5.99	12/22/2016	9.78

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See Footnotes at the end of Section 5.

Dividends Received Deduction for Corporations

Fund Name	Payable Date	Qualifying Percentage	Payable Date	Qualifying Percentage
QS Conservative Growth Fund	03/31/2016	18.84 %	Quarterly June - December	29.87 %
QS Defensive Growth Fund	03/31/2016	11.62	Quarterly June - December	16.34
QS Global Dividend Fund	Quarterly March through September	39.30	12/08/2016	39.31
			12/22/2016	61.69
QS Global Equity Fund	12/07/2016	96.14	–	–
QS Growth Fund	12/28/2016	76.73	–	–
QS Moderate Growth Fund	06/09/2016	35.44	12/28/2016	50.24
QS S&P 500 Index Fund	12/07/2016	100.00	–	–
QS U.S. Large Cap Equity Fund	12/21/2016	100.00	–	–
QS U.S. Small Capitalization Equity Fund (d)	12/21/2016	100.00	–	–
RARE Global Infrastructure Value Fund	Quarterly June and September	16.79	12/07/2016	15.69
			12/22/2016	16.08
Western Asset Adjustable Rate Income Fund	Monthly January through June 07/29/2016	8.03 9.46	Monthly August through December	9.49
			–	–
Western Asset Core Bond Fund	1/29/2016	1.74	Monthly February through December	1.41
Western Asset Core Plus Bond Fund	Monthly January through February 03/31/2016	1.25 1.28	Monthly April through December	1.32
			12/08/2016	1.32
Western Asset Corporate Bond Fund	1/29/2016	2.99	Monthly February through December	3.16
Western Asset Global Corporate Defined Opportunity Fund Inc. (GDO)	01/29/2016 & 02/26/2016 03/24/2016	4.73 4.61	Monthly April through December	4.06
			–	–
Western Asset Global High Income Fund Inc. (EHI)	Monthly January through May 06/24/2016	2.89 1.28	Monthly July through December	1.06
			–	–
Western Asset Global High Yield Bond Fund	01/29/2016	1.33	Monthly February through December	1.26
Western Asset Global Partners Income Fund Inc. (GDF) (e)(f)	Monthly January through August	1.32	–	–
Western Asset High Income Fund II Inc. (HIX)	Monthly January through March 05/02/2016	1.79 1.53	Monthly 05/27/2016 through December	1.37
			–	–

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See Footnotes at the end of Section 5.

Dividends Received Deduction for Corporations

Fund Name	Payable Date	Qualifying Percentage	Payable Date	Qualifying Percentage
Western Asset High Income Opportunity Fund Inc. (HIO)	Monthly January through August	1.47 %	Monthly 10/28/2016 through December	1.07 %
	10/03/2016	1.30	–	–
Western Asset High Yield Defined Opportunity Fund Inc. (HYI)	Monthly January through August	1.28	Monthly October through December	2.06
	09/30/2016	1.77	–	–
Western Asset High Yield Fund	Monthly January through May	1.42	Monthly June through December	1.31
	01/29/2016 & 02/26/2016	4.99	Monthly April through December	3.79
Western Asset Income Fund (PAI)	03/24/2016	4.04	–	–
	Monthly January through May	1.38	Monthly July through December	1.08
Western Asset Intermediate Bond Fund	06/30/2016	1.16	12/08/2016	1.28
	01/29/2016	4.24	Monthly March through November	5.49
Western Asset Investment Grade Defined Opportunity Trust Inc. (IGI)	02/26/2016	5.46	12/30/2016	4.22
	12/21/2016	16.37	–	–
Western Asset Macro Opportunities Fund	01/29/2016	1.59	Monthly 03/24/2016 through August	1.90
	03/01/2016	1.60	–	–
Western Asset Premier Bond Fund (WEA)	Monthly January through March	0.40	Monthly May through December	0.62
	04/29/2016	0.41	–	–
Western Asset Short-Term Bond Fund	01/29/2016	2.36	Monthly February through December	2.41
Western Asset Total Return Unconstrained Fund (e)	Monthly January through May	6.83	Monthly June through December	1.83
Western Asset Variable Rate Strategic Fund Inc. (GFY) (e)	Monthly January through September	19.86	Monthly October through December	14.46

(d) The Fund has made certain reclassifications affecting the tax character of the distributions paid. The Qualifying Percentage is expressed as a percentage of the Ordinary Income per Share after these reclassifications as disclosed in the 2016 Distribution Reclassifications which may be found in the Tax Center of the Legg Mason website. In order to compute the amount of dividends qualifying for the dividends received deduction, a shareholder should multiply the Qualifying Percentage by the product of the Ordinary Income per Share on the 2016 Distribution Reclassifications and the number of shares held on the record date of the distribution.

(e) The Fund has made certain reclassifications affecting the tax character of the distributions paid. The Qualifying Percentage is expressed as a percentage of the Ordinary Income per Share after these reclassifications as disclosed in the Fund's Form 8937 - Report of Organizational Actions Affecting the Basis of Securities which may be found in the Tax Center of the Legg Mason website. In order to compute the amount of dividends qualifying for the dividends received deduction, a shareholder should multiply the Qualifying Percentage by the product of the Ordinary Income per Share on the Fund's Form 8937 and the number of shares held on the record date of the distribution.

(f) Western Asset Global Partners Income Fund Inc. (GDF) reorganized into Western Asset Global High Income Fund Inc. (EHI) as of the close of business on August 26, 2016.

(g) Western Asset Managed High Income Fund Inc. (MHY) reorganized into Western High Income Opportunity Fund Inc. (HIO) as of the close of business on August 26, 2016.

INDEPENDENT EXPERTISE. SINGULAR FOCUS.®

Brandywine Global
ClearBridge Investments
Martin Currie
EnTrustPermal
QS Investors
RARE Infrastructure
Royce & Associates
Western Asset

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