

LEGG MASON

GLOBAL ASSET MANAGEMENT

Form ADV Disclosure Brochure

June 25, 2015

Legg Mason Private Portfolio Group, LLC
620 8th Avenue
New York, NY 10018
(212) 805-2000

ClearBridge Investments, LLC
620 8th Avenue
New York, NY 10018
(212) 805-2000
www.clearbridge.com

Western Asset Management Company
385 East Colorado Boulevard
Pasadena, CA 91101
(626) 844-9400
www.westernasset.com

This brochure is a Form ADV disclosure document of Legg Mason Private Portfolio Group, LLC (“LMPPG”) and its Subadvisers: ClearBridge Investments, LLC and Western Asset Management Company. LMPPG and the Subadvisers are wholly-owned subsidiaries of Legg Mason, Inc.

This brochure is for clients that select, or are considering selecting, investment management portfolios that LMPPG, together with the Subadvisers, makes available in investment programs sponsored by certain unaffiliated financial firms (“Sponsor Firms”). When delivered to clients, this brochure includes an Appendix C identifying the Subadviser personnel who serve as portfolio managers for the investment management portfolios described in Item 8 of this brochure.

This brochure provides information about the qualifications and business practices of Legg Mason Private Portfolio Group, LLC and its Subadvisers: ClearBridge Investments, LLC and Western Asset Management Company. If you have questions about the contents of this brochure, please contact us at (212) 805-2000. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Legg Mason Private Portfolio Group, LLC and each Subadviser is available on the SEC’s website at www.adviserinfo.sec.gov. Investment adviser registration does not imply a certain level of skill or training.

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MATERIAL CHANGES

No material changes have been made to this brochure since the last annual update of the brochure (dated June 24, 2014). While there are no material changes to report, the following updates, enhancements and clarifications have been made to the brochure since the last annual update:

In Item 4, the assets under management figures for LMPPG, ClearBridge Investments, LLC and Western Asset Management Company have been updated as of March 31, 2015.

In Item 5, the brochure reflects the addition of ClearBridge Dynamic MDAs, Western Asset Tax-Efficient Bond and Western Asset Credit Monitored Corporate Bond Ladders as available investment management portfolios. It also reflects that Western Asset Laddered Muni portfolios have been renamed “Western Asset Credit Monitored Municipal Bond Ladders.” Further, it reflects the reduction of the standard investment advisory fee for Western Asset Core and Core Plus portfolios from 0.35% to 0.32%. Finally, it reflects that LMPPG and a Sponsor Firm may agree to a fee rate with respect to a particular account under a Single-Contract Program that is lower or higher than the standard fee rate at which LMPPG is compensated by the Sponsor Firm under such Single-Contract Program.

In Items 7 and 8, the brochure reflects the removal of ClearBridge International Value Equity and the addition of ClearBridge Sustainability Leaders, Legg Mason All Cap Value Balanced Tax-Favored, Legg Mason Global Value ADR Balanced, Legg Mason Global Value ADR Balanced Tax-Favored, Legg Mason International Value ADR Balanced, Legg Mason International Value ADR Balanced Tax-Favored, ClearBridge Dynamic MDAs, Western Asset Credit Monitored Corporate Bond Ladders, Western Asset Tax-Efficient Bond and Western Asset Custom as available investment management portfolios. It also reflects that Western Asset Laddered Muni portfolios have been renamed “Western Asset Credit Monitored Municipal Bond Ladders.” Further, it reflects that the ClearBridge Equity Income strategy has been closed for new accounts.

In Item 8, the brochure clarifies that ClearBridge Taxable Fixed Income Management portfolios may make limited investments in shares of preferred stock.

In Item 8, the brochure reflects the addition of the ClearBridge Select ETF Municipal Portfolios and the ClearBridge Select ETF Investment Grade Bond Portfolios as additional ClearBridge Fixed Income ETF portfolios that are available as part of ClearBridge Dynamic MDA, Custom MDA and multi-style Custom accounts that include one or more equity styles.

In Item 8, the brochure contains an enhanced description of factors that may cause differences in the composition and performance of client accounts that have selected the same investment management strategy.

In Item 12, the brochure provides additional clarity around LMPPG’s approach to seeking best execution in placing trades on behalf of client accounts, including its practice of effecting model-change trades for multiple client accounts on an aggregated, block trade basis rather than with each client’s Sponsor Firm or designated broker-dealer.

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Item 4

ADVISORY BUSINESS

A. Legg Mason Private Portfolio Group, LLC

Firm Description. Legg Mason Private Portfolio Group, LLC (“LMPPG”) is a wholly-owned subsidiary of Legg Mason, Inc. and has provided separate account investment advisory services since April 2007. Before April 2007, the business now conducted by LMPPG was conducted by certain other Legg Mason, Inc. subsidiaries and, prior to December 2005, by certain Citigroup Inc. affiliates. LMPPG and Legg Mason, Inc. are not affiliated with Citigroup Inc.

Types of Advisory Services. LMPPG, together with the Subadvisers, 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.

- **LMPPG-Implemented Programs.** In these programs, LMPPG has investment discretion and responsibility for applying Subadviser investment advice to client accounts. LMPPG delegates its investment discretion to the Subadviser(s) for the investment management portfolio selected for the client’s account. LMPPG may also delegate its responsibility to apply investment advice to such Subadviser(s).
- **Discretionary Model Programs.** In these programs, LMPPG has investment discretion, which it delegates to the applicable Subadviser(s), but not responsibility for applying investment advice to client accounts. LMPPG forwards Subadviser investment advice to the Sponsor Firm, which agrees to apply the advice to client accounts.
- **Non-Discretionary Model Programs.** In these programs, LMPPG forwards Subadviser investment advice to the Sponsor Firm, which exercises discretion over client accounts and decides whether to apply this investment advice to client accounts. LMPPG does not have investment discretion or responsibility for applying investment advice to client accounts, and does not have an investment advisory relationship with clients in these programs.

In all programs, Subadviser investment advice is consistent with the selected investment management portfolio.

LMPPG Assets Under Management. As of March 31, 2015, LMPPG managed:

- approximately \$42.6 billion in assets on a discretionary basis, and
- approximately \$7.6 billion in assets on a non-discretionary basis.

Assets managed on a discretionary basis are client assets for which LMPPG provides investment advisory services in LMPPG-Implemented Programs and Discretionary Model Programs. Assets managed on a non-discretionary basis are client assets for which LMPPG provides investment advisory services in Non-Discretionary Model Programs.

B. ClearBridge Investments, LLC

Firm Description. ClearBridge Investments, LLC (“ClearBridge”) is a wholly-owned subsidiary of Legg Mason, Inc. with offices in New York, NY, San Francisco, CA and Wilmington, DE. ClearBridge has been in the investment advisory business since December 2005, when Legg Mason, Inc. acquired substantially all of the global asset management business then known as Citigroup Asset Management. The U.S. Equity Group of this former business serves as the foundation of ClearBridge, with ClearBridge tracing its asset management strengths back to a number of prominent predecessor firms, including Smith Barney Asset Management, Loeb Rhoades Asset Management, Davis Skaggs Investment Management, Shearson Asset Management and Salomon Brothers Asset Management.

The cornerstone of ClearBridge’s overall investment approach is its proprietary fundamental research and analysis process, conducted by sector-specific analysts working in partnership with experienced portfolio managers in ClearBridge’s New York, San Francisco and Wilmington offices. ClearBridge’s specialized team of analysts serves as a crucial shared resource, helping portfolio managers to find new investments and monitor current portfolio holdings. ClearBridge’s portfolio managers each have their own distinct investment processes and priorities when managing client portfolios, but they all share

a fundamental approach to security selection and valuation analysis. ClearBridge's portfolio managers have an average of 25 years of investment industry experience.

Types of Advisory Services. ClearBridge offers institutional and retail investors a diverse menu of professional investment strategies, including equity strategies covering value, core and growth-oriented approaches across the major market capitalization ranges. ClearBridge provides investment advisory services in multiple formats, including separate accounts and mutual funds and other commingled investment vehicles.

This brochure is the applicable ClearBridge Form ADV disclosure document only for the separate account investment advisory services ClearBridge provides as a Subadviser to LMPPG.

ClearBridge Assets Under Management. As of March 31, 2015, ClearBridge managed:

- approximately \$104.7 billion in assets on a discretionary basis, and
- approximately \$7.3 billion in assets on a non-discretionary basis.

Assets managed on a discretionary basis include client assets for which ClearBridge, as Subadviser to LMPPG, provides investment advisory services in LMPPG-Implemented Programs and Discretionary Model Programs. Assets managed on a non-discretionary basis include client assets for which ClearBridge, as Subadviser to LMPPG, provides investment advisory services in Non-Discretionary Model Programs. In addition, both categories of managed assets include client assets for which ClearBridge provides investment advisory services without acting as a Subadviser to LMPPG.

C. Western Asset Management Company

Firm Description. Western Asset Management Company ("Western Asset") is one of the world's leading investment management firms. Its sole business is managing fixed income portfolios, an activity it has pursued for over 40 years. Western Asset was founded in October 1971 by United California Bank (which later became First Interstate) and became an SEC-registered investment adviser in December of that year. In December 1986, Western Asset was acquired by Legg Mason, Inc. an NYSE-listed, independent asset management firm based in Baltimore, Maryland. Western Asset operates as an autonomous investment management company. Western Asset has entered into a revenue-sharing agreement with Legg Mason, Inc. that allows Western Asset to retain control over a substantial percentage of its revenues.

Western Asset seeks to provide clients with diversified, tightly controlled, value-oriented portfolios. Western Asset's overall investment approach emphasizes the use of multiple strategies and active sector rotation and issue selection, while constraining overall interest rate risk relative to the benchmark. Western Asset typically implements this philosophy by applying the following approaches:

- ***Long-term value investing.*** Long-term value investing is Western Asset's fundamental approach. Western Asset seeks out the greatest long-term value by analyzing eligible fixed income market sectors and rotating to those sectors it considers most attractive.
- ***Multiple strategies.*** Western Asset employs multiple strategies, proportioned so that one or two investments or a single adverse market event should not have an overwhelming effect. Western Asset believes this approach can add incremental value over time and can help to reduce volatility.

Western Asset's fixed income investment discipline emphasizes a cohesive team approach in which groups of specialists dedicated to different market sectors constantly interact. The sector teams are comprised of Western Asset's senior portfolio managers and research analysts and an in-house economist. These individuals are highly skilled and experienced in all major areas of the fixed income securities market. They exchange views on a daily basis and meet more formally twice each month to review Western Asset's economic outlook and overall investment strategy. This structure seeks to ensure that client portfolios benefit from a consensus that draws on the expertise of all team members.

Western Asset believes inefficiencies exist in the fixed income markets and attempts to add incremental value by exploiting these inefficiencies across eligible market sectors. Western Asset's key areas of focus in making investment decisions are:

- Sector & Sub-Sector Allocation
- Issue Selection
- Duration
- Yield Curve Positioning

Western Asset believes these areas represent the primary sources of value added in active fixed income management.

Sector & Sub-Sector Allocation – Senior members of Western Asset’s investment team continually analyze the broad economic environment to determine the potential impact on sector performance. They study historical yield spreads, identify the fundamental factors that influence yield spread relationships, and relate these findings to Western Asset’s projections to determine attractive sectors. Western Asset’s analysts continually augment this process by providing detailed analyses of specific sectors, which may incorporate internal and external research.

Issue Selection – Western Asset follows a bottom-up process to select individual securities, or issues, for investment. This process seeks to identify mispriced or undervalued securities. The sector teams provide an ongoing assessment of changing credit characteristics and of individual fixed income securities. Armed with these sector and issue analyses, Western Asset’s sector teams and portfolio managers select issues opportunistically.

Duration – Duration measures the sensitivity of a portfolio’s value to changes in interest rates. Western Asset’s Investment Strategy Group decides on a duration target based on a comprehensive analysis of domestic and international macroeconomic factors as well as the general political environment. The underlying belief is that interest rates are primarily determined by the level and direction of inflation, and that inflation is primarily a monetary phenomenon. Western Asset’s Investment Management Group weighs its views against market expectations, taking on more risk as its views diverge from the market and less risk as they converge. The consensus is not to attempt to time the market, but rather to identify and stay with long-term trends.

Yield Curve Positioning – Western Asset monitors shifts in the yield curve, believing the relationship between short, intermediate and long maturity securities is essential to constructing a long-term investment horizon. The Investment Management Group determines the implications of the yield curve’s shape, along with projections of central bank policy and market expectations, and formulates a yield curve strategy for portfolio managers to implement.

Types of Advisory Services. Western Asset provides investment advisory services in multiple formats, including separate accounts and mutual funds and other commingled investment vehicles.

This brochure is the applicable Western Asset Form ADV disclosure document for the separate account investment advisory services Western Asset provides as a Subadviser to LMPPG.

Western Asset Assets Under Management. As of March 31, 2015, Western Asset managed:

- approximately \$371.1 billion in assets on a discretionary basis, and
- approximately \$1.2 billion in assets on a non-discretionary basis.

Assets managed on a discretionary basis include client assets for which Western Asset, as Subadviser to LMPPG, provides investment advisory services in LMPPG-Implemented Programs and Discretionary Model Programs. This category of managed assets also includes client assets for which Western Asset provides discretionary investment advisory services without acting as a Subadviser to LMPPG. Assets managed on a non-discretionary basis include client assets for which Western Asset, as Subadviser to LMPPG, provides investment advisory services in Non-Discretionary Model Programs.

D. Wrap Fee Programs

Certain Sponsor Firm investment programs for which LMPPG and the Subadvisers provide investment advisory services are wrap fee programs in which LMPPG receives (from the Sponsor Firm) a portion of the wrap fees clients pay to the Sponsor Firm. LMPPG typically pays all or part of the compensation it receives to the Subadvisers as compensation for the investment advisory services they provide for the program. For additional information on LMPPG and Subadviser compensation, see Item 5 in this brochure.

The investment advisory services the Subadvisers provide in Sponsor Firm investment programs, including wrap fee and non-wrap fee programs, generally differ from the investment advisory services the Subadvisers provide to clients outside such programs in one or more of the following ways:

1. The Subadvisers' investment advisory services for clients in Sponsor Firm investment programs generally involve investments only in publicly-traded equity securities, fixed income securities, and/or cash equivalents, while their investment advisory services for other clients may involve additional strategies and investments, such as short selling, privately-offered securities and derivatives (e.g., options, futures, currency forward contracts, swaps).
2. ClearBridge's investment advisory service for clients in Sponsor Firm investment programs generally do not involve investments in initial or secondary offerings of equity securities because, as a practical matter it is unlikely LMPPG would be able to obtain allocations in such offerings for LMPPG-Implemented Program clients (ClearBridge may invest assets of its non-LMPPG clients in such offerings);
3. The Subadvisers' investment advisory services for clients outside of Sponsor Firm investment programs may involve different investment strategies or investments in a larger or smaller number of securities than the Subadvisers include in the investment management portfolios they provide to clients in such programs.
4. For separately managed accounts outside of Sponsor Firm investment programs, the Subadvisers may be able to tailor the investment advisory services they provide more closely to client needs and preferences, as reflected in client investment guidelines and client restrictions.
5. A Subadviser may provide regular reports to clients outside of Sponsor Firm investment programs. As described in Item 13 below, LMPPG and the Subadvisers typically do not provide such reports to clients in Sponsor Firm investment programs.

A Subadviser may make available certain of its investment strategies and investment advisory services only (i) in a closed or open end fund or other commingled investment vehicle, and/or (ii) to clients that meet the Subadviser's requirements for entering into an investment advisory agreement directly with the Subadviser (including, potentially, minimum investment and client qualification requirements).

E. Individual Client Needs

In addition to providing investment management portfolios that reflect a wide range of investment strategies, LMPPG and the Subadvisers may tailor the investment services they provide more closely to the individual needs of clients as described below.

Client Restrictions. For client accounts in LMPPG-Implemented Programs, LMPPG accepts client-imposed restrictions on management if LMPPG and the applicable Subadviser, in their discretion, determine that the proposed restriction is reasonably practical as an investment and operational matter.

Subject to this standard, clients in LMPPG-Implemented Programs may impose restrictions on investments in specific securities (e.g., stock of Company ABC) or on investments in certain categories of securities (e.g., tobacco company stocks). Where a client restricts investment in a category of securities, LMPPG and the applicable Subadviser determine in their discretion the specific securities in the restricted category. LMPPG relies on the client's Sponsor Firm to notify LMPPG of any restrictions desired by clients.

In LMPPG-Implemented Programs, LMPPG applies client account restrictions it accepts (other than for accounts that select ESG investment management portfolios -- see Item 8 below) only at the time of purchase, and does not apply these restrictions to securities transferred into the account, securities already held in the account at the time the restriction is imposed, securities that first come within a restriction following purchase of such securities, and securities acquired as a result of corporate actions (e.g., stock splits, stock dividends).

Directed Sales and Temporary ETF Investments. A client in a LMPPG-Implemented Program may direct LMPPG to sell particular securities or types of securities held in the client's account by contacting his or her Sponsor Firm. LMPPG seeks to begin implementing sell directions no later than the close of business on the business day after LMPPG receives the direction

in proper form from the client's Sponsor Firm (LMPPG determines what constitutes proper form). LMPPG generally does not implement sell directions immediately upon receipt. As a result, the proceeds from a directed sale may be more or less than the client would have received had LMPPG implemented the sell direction immediately.

In connection with a client-directed sale of securities, LMPPG in its sole discretion may accept and implement a client direction to temporarily invest the sale proceeds in an exchange-traded fund ("ETF"). Such directions involve an increased risk of loss (or missed gains) to the client relative to client accounts for which such directions are not given. Neither LMPPG nor any of its affiliates, including the Subadvisers, will have any responsibility for the suitability or performance of any client-directed ETF investments. LMPPG will be responsible only for implementing any directions it accepts to make such investments, subject to any account-, security- or tax lot-level realized loss or gain minimums LMPPG establishes from time to time.

ETFs are unmanaged funds that typically represent U.S. securities markets, industry and market capitalization sectors, non-U.S. country and regional markets, and other types of non-U.S. securities markets and market sectors (e.g., emerging markets). ETFs generally are subject to the same investments risks associated with the underlying securities they represent. Refer to Appendix B to this brochure for explanations of certain types of investment risks. Also, in addition to fees charged at the account level, a client will bear a proportionate share of the separate fees and expenses incurred by any ETF held in the client's account.

Custom Services. LMPPG and a Subadviser may agree to further tailor to client needs the investment advisory services they provide, including as part of the Custom Asset Management services described in Item 8 of this brochure.

Item 5

FEES AND COMPENSATION

A. Compensation of Legg Mason Private Portfolio Group, LLC and the Subadvisers

How LMPPG is compensated for the services LMPPG and the Subadvisers provide in an investment program depends on whether the program is a Single-Contract Program or a Dual-Contract Program.

In Single-Contract Programs and Dual-Contract Programs, LMPPG pays the Subadvisers all or a portion of the fees LMPPG receives as compensation for the Subadvisers' services.

LMPPG Compensation in Single-Contract Programs. In a Single-Contract Program, the client does not enter into an agreement directly with LMPPG. Instead, the client enters into an agreement with the client's Sponsor Firm that covers investment advisory services LMPPG and one or more Subadvisers provide and also certain investment services the Sponsor Firm provides. The client pays the Sponsor Firm fees for all the services under such agreement. The Sponsor Firm, in turn, pays LMPPG a portion of these fees as compensation for the investment advisory services LMPPG and the applicable Subadviser(s) provide.

The fees paid to LMPPG by a Sponsor Firm are dependent upon a variety of factors, including without limitation the size of the program, the portfolio selected by the client, and the nature and extent of the responsibilities of and services provided by each of the Sponsor Firm and LMPPG and its Subadvisers under the program. A Sponsor Firm and LMPPG may agree to a fee rate with respect to a particular account under a Single-Contract Program that is lower than the standard fee rate at which LMPPG is compensated by the Sponsor Firm under such Single-Contract Program. Such fee concessions are very unusual and agreed to by LMPPG only in special circumstances, e.g. in the case of accounts with unusually large asset levels. In addition, a Sponsor Firm and LMPPG may agree to a fee rate with respect to a particular account under a Single-Contract Program that is higher than the fee rate at which LMPPG is compensated under such Single-Contract Program based on such account's unique servicing needs and compliance requirements. The fees paid to LMPPG in LMPPG-Implemented Programs, where LMPPG is responsible for providing full discretionary portfolio management, implementation and trade placement services with respect to client accounts, generally are higher than the fees paid to LMPPG in Discretionary Model Programs, where LMPPG and its Subadvisers have investment discretion but the Sponsor Firm is responsible for applying Subadviser investment advice forwarded to it by LMPPG to client accounts, and Non-Discretionary Model Programs, where the Sponsor Firm has investment discretion and decides whether to apply Subadviser investment advice, in whole or in part, forwarded to it by LMPPG to client accounts.

- In the case of LMPPG-Implemented Programs, LMPPG generally receives, or anticipates receiving, fees from the Program Sponsor within the following ranges depending upon the portfolio selected by the client:

Portfolio Category	Fee Rate Range
Equity	.36% - .50%
Fixed Income	.15% - .35%
Balanced	.34% - .50%
Multiple Discipline (includes Legg Mason MDA Equity, Legg Mason MDA Balanced, Legg Mason Custom MDA and ClearBridge Dynamic MDA)	.33% - .50%

The Sponsor Firm generally pays LMPPG a fee of .55% with respect to ClearBridge Total Return MLP Portfolios.

- In the case of Discretionary Model Programs, LMPPG generally receives, or anticipates receiving, fees from the Program Sponsor within the following ranges depending upon the portfolio selected by the client:

Portfolio Category	Fee Rate Range
Equity	.22% - .45%
Fixed Income	.25% - .32%

- In the case of Non-Discretionary Model Programs, LMPPG generally receives, or anticipates receiving, fees from the Program Sponsor within the following ranges depending upon the portfolio selected by the client:

Portfolio Category	Fee Rate Range
Equity	.28% - .40%
Fixed Income	.25% - .32%
ClearBridge Dynamic MDA	.30% - .35%

For Single-Contract Program client fee information, clients should refer to their Sponsor Firm's Form ADV disclosure document or contact their Sponsor Firm representative.

LMPPG Compensation in Dual-Contract Programs. In a Dual-Contract Program, the client enters into an investment management agreement directly with LMPPG and a separate agreement with the client's Sponsor Firm. The client pays an investment management fee directly to LMPPG as compensation for the investment advisory services LMPPG and the applicable Subadviser(s) provide. LMPPG's standard fee schedules for Dual-Contract Programs are set forth below in this Item 5. The client typically pays a separate fee to the Sponsor Firm for services the Sponsor Firm provides pursuant to its separate agreement with the client. LMPPG may receive higher compensation in Dual-Contract Programs than in Single-Contract Programs.

LMPPG Standard Fee Rates for Dual-Contract Programs. For Dual-Contract Programs, LMPPG's standard fee rates for the investment management portfolios described in Item 8 of this brochure are set forth below.

Western Asset Active Bond, Western Asset GSM 3-Year, 5-Year and 7-Year, Western Asset Gov/Corp^{*} and Western Asset Intermediate Corporate Bond

<u>Account Assets</u>	<u>Annual Fee</u>
First \$25,000,000	0.30%
Over \$25,000,000	0.25%

Western Asset Current Market Muni^{**}, Western Asset Short Term Muni, Western Asset Municipal Opportunities and Western Asset Tax-Efficient Bond

<u>Account Assets</u>	<u>Annual Fee</u>
First \$1,000,000	0.35%
Next \$4,000,000	0.30%
Over \$5,000,000	0.25%

Western Asset Core and Western Asset Core Plus

<u>Account Assets</u>	<u>Annual Fee</u>
All Assets	0.32%

^{*} These portfolios are referred to as "Taxable Fixed Income" for Raymond James clients.

^{**} For Ameriprise clients, these portfolios are referred to as "Western Asset U.S. Tax Exempt."

Western Asset Municipal Income Plus

<u>Account Assets</u>	<u>Annual Fee</u>
All Assets	0.35%

Western Asset Enhanced Cash SMA and Western Asset Tax-Efficient Enhanced Cash SMA

<u>Account Assets</u>	<u>Annual Fee</u>
All Assets	0.20%

Western Asset Credit Monitored Corporate Bond Ladders and Western Asset Credit Monitored Municipal Bond Ladders

<u>Account Assets</u>	<u>Annual Fee</u>
All Assets	0.17%

ClearBridge Equity (other than ClearBridge Total Return MLP Portfolios), Legg Mason Multiple Discipline Accounts (MDAs), and Balanced Accounts, and ClearBridge Dynamic MDAs

<u>Account Assets</u>	<u>Annual Fee</u>
All Assets	0.50%

ClearBridge Total Return MLP Portfolios

<u>Account Assets</u>	<u>Annual Fee</u>
All Assets	0.75%

ClearBridge Taxable Fixed Income Management and ClearBridge Non-Taxable Fixed Income Management

<u>Account Assets</u>	<u>Annual Fee</u>
All Assets	0.35%

ClearBridge Fixed Income ETF Models

<u>Account Assets</u>	<u>Annual Fee</u>
All Assets	0.30%

LMPPG generally considers client requests to negotiate investment management fee rates lower than the above fee rates. However, LMPPG in its sole discretion may refuse to agree to lower fee rates for any one or more clients. In addition, LMPPG may establish fee rates that are lower than the above fee rates for certain accounts in a particular Dual-Contract Program, based on expectations as to future aggregate asset levels from clients of one or more particular Sponsor Firm representatives.

LMPPG may establish fee rates that are higher than the above fee rates for accounts that have unique servicing needs or compliance requirements. In addition, LMPPG may establish fee rates that are different from the above fee rates for accounts in a particular Dual-Contract Program due to Sponsor Firm operational constraints, such as an inability to calculate and process fees under a tiered fee schedule.

For client accounts in Dual-Contract Programs, LMPPG typically charges its investment management fee quarterly in advance. Following one of the approaches set forth below, the client's Sponsor Firm typically deducts LMPPG's fee from the client's account and forwards the fee to LMPPG:

1. The Sponsor Firm calculates LMPPG's fee based on the client's agreed LMPPG fee rate and the value of the client account assets; or
2. The Sponsor Firm relies on LMPPG's calculation of LMPPG's fee based on the client's agreed LMPPG fee rate and the value of the client account assets, as set forth in fee invoices LMPPG sends to the Sponsor Firm.

For any one or more client accounts in a Dual-Contract Program, LMPPG may in its sole discretion agree to bill the client directly for its investment management fee instead of having the client's Sponsor Firm follow one of these fee-deduction approaches. In addition, LMPPG may in its sole discretion agree to charge its fee in arrears (instead of in advance) or more or less frequently than quarterly.

LMPPG Fee Refunds in Dual-Contract Programs. If LMPPG's management of a client's Dual-Contract Program account is terminated during a period for which the client pre-paid LMPPG's investment management fee, LMPPG will calculate the appropriate refund amount and send this amount to the client's Sponsor Firm for forwarding to the client or deposit into an account the client maintains at the Sponsor Firm. LMPPG calculates refunds in these circumstances by:

1. dividing the number of days left (after termination) in the period for which the client paid the fee by the total number of days in the period; and
2. multiplying the result by the dollar amount of the pre-paid fee.

LMPPG sends termination-related fee refunds to Sponsor Firms on a quarterly basis. Accordingly, there may be a delay of up to approximately ninety days between the time LMPPG's management of a Dual-Contract Program account is terminated and the time LMPPG sends the related fee refund to the client's Sponsor Firm.

For single-contract program fee refund information, clients should refer to their Sponsor Firm's Form ADV disclosure document or contact their Sponsor Firm representative.

B. Other Fees and Expenses

In addition to the investment management fees LMPPG receives for the investment advisory services LMPPG and the Subadvisers provide, a client generally will incur brokerage and trade execution costs for securities transactions LMPPG and the Subadvisers recommend or effect for the client's account. These costs generally are imposed by the broker-dealer firms used to execute such transactions. For securities transactions executed by the client's Sponsor Firm or by a broker-dealer the Sponsor Firm designates, these costs often are included in the fee the client pays to the client's Sponsor Firm (in both Single-Contract Programs and Dual-Contract Programs). For securities transactions executed by another broker-dealer firm, these costs are in addition to fees the client pays to the client's Sponsor Firm. For more information on brokerage and transaction costs in investment programs for which LMPPG or a Subadviser selects broker-dealers to execute securities transactions for client accounts, clients should refer to Item 12 of this brochure.

A client may also incur any one or more of the costs listed below. The costs described in items 1, 2 and 3 below, as well as the costs of trade execution by a client's Sponsor Firm or designated broker-dealer (see above), typically are covered by the fees clients pay to their Sponsor Firms.

1. Fees for account custody services and related services such as security transfers and wire transfers.
2. Fees for investment advisory services a Sponsor Firm or other person or firm (other than LMPPG or a Subadviser) provides to the client. These may include services such as evaluation, recommendation and monitoring of investment managers, financial planning services and asset allocation advice.
3. Fees for account reporting by the client's Sponsor Firm -- for example, preparation of periodic account statements.
4. Any SEC fees, transfer taxes or other governmental charges based on securities transactions.

5. Conversion and foreign exchange fees and charges associated with purchases and sales of American Depositary Receipts (“ADRs”) in non-U.S. markets for ordinary shares underlying the ADRs. See Item 12 of this brochure for more information.
6. Ongoing custody or service fees charged by ADR depository banks for inventorying the underlying non-U.S. shares and performing related administrative services.
7. Internal fees and expenses of any mutual fund or ETF purchased or held for the client’s account, as part of the investment management portfolio the client selects or at the client’s direction. Mutual fund and ETF prospectuses, which should be available from Sponsor Firms, include descriptions of these fees and expenses.

Clients should contact their Sponsor Firms and any other service providers for information on the costs associated with the services these firms provide, including the potential costs noted in items 1 – 4 above. The compensation LMPPG and the Subadvisers receive does not cover any of the potential costs noted in items 1 –7 above.

Item 6

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

A. Performance-Based Fees and Side-by-Side Management

Performance-based fees are investment advisory fees that are based on a share of capital gains on, or capital appreciation of, client assets. Performance-based fees do not include fees that are based merely on a percentage of client account assets managed or advised.

LMPPG does not charge performance-based fees, but instead charges fees based on the amount of client account assets for which LMPPG, together with one or more of the Subadvisers, provides investment advisory services. The Subadvisers (ClearBridge and Western Asset) also do not charge performance-based fees for LMPPG client accounts. See Item 5 of this brochure for LMPPG/Subadviser fee information applicable to LMPPG client accounts.

Each Subadviser charges performance-based fees for certain client accounts that do not access the Subadviser's investment advisory services through LMPPG – i.e., non-LMPPG client accounts. These performance-based fees typically are based on account performance relative to a benchmark index agreed on by the Subadviser and the client.

Each Subadviser, including any of its portfolio management teams, may simultaneously manage or otherwise provide investment advice for non-LMPPG client accounts that are subject to performance-based fees and LMPPG client accounts that are not subject to performance-based fees. This side-by-side management involves a potential conflict of interest. It may give the Subadviser and the applicable portfolio management team an incentive to maximize the Subadviser's fee compensation by favoring the non-LMPPG client accounts subject to performance-based fees in order to maximize its fee revenues.

The Subadvisers address this potential conflict of interest by:

1. maintaining policies and procedures that are designed to ensure that investment opportunities are allocated fairly and equitably to client accounts, including LMPPG client accounts and non-LMPPG client accounts;
2. generally communicating investment decisions and recommendations that apply to LMPPG client accounts and non-LMPPG client accounts, including performance-based fee accounts, at the same time, as described in Item 12 of this brochure;
3. regularly reviewing the performance of LMPPG client accounts and the performance of non-LMPPG client accounts the Subadviser manages according to the same or similar investment strategies; and
4. in the case of Western Asset, which may aggregate trades for LMPPG client accounts and non-LMPPG client performance-based fee accounts it manages, maintaining trade allocation policies and procedures designed to ensure that no client participating in an aggregated trade order is favored over another participating client account.

B. Additional Side-by-Side Management Information

Portfolio managers of each Subadviser may determine, in light of a client account's available cash, investment objectives, restrictions, permitted investment techniques and other relevant considerations, that an investment opportunity is appropriate for only some of the client accounts under their management or that they should take differing positions with respect to a particular security on behalf of certain client accounts. As noted above, each of the Subadvisers has adopted policies and procedures that are designed to ensure that investment opportunities are allocated fairly and equitably to client accounts, including LMPPG client accounts and non-LMPPG client accounts.

A Subadviser may give advice and take action in the performance of its duties to clients which differs from advice given, and/or the timing and nature of action taken, with respect to other clients' accounts. The timing and nature of action taken for one or more client accounts may positively or negatively impact one or more other client accounts. For example, the value of a security held in client accounts may be positively affected by purchases, and negatively affected by sales, of the same security for other client accounts.

A Subadviser may have conflicts of interest relating to its management accounts, including commingled investment vehicles, in which the Subadviser, an affiliate of the Subadviser and/or the Subadviser's employees have a significant proprietary interest. The interest of the Subadviser, an affiliate of the Subadviser and/or the Subadviser's employees in an account may provide an incentive for the Subadviser to favor such account over other client accounts. As noted above, each of the Subadvisers has adopted policies and procedures that are designed to ensure that investment opportunities are allocated fairly and equitably to client accounts. In addition, each of the Subadvisers monitors the trading activity in, and the performance of, accounts in which the Subadviser, an affiliate of the Subadviser and/or the Subadviser's employees have a significant proprietary interest to ensure that such accounts are not being favored over other client accounts.

Item 7

TYPES OF CLIENTS

A. Clients

LMPPG, together with the Subadvisers (ClearBridge and Western Asset), provides investment advisory services for a wide range of clients in Sponsor Firm investment programs, including individuals, pension and profit sharing plans, endowments, foundations, unions and state and local governmental entities. Sponsor Firms, which include broker-dealer firms, banks and investment advisory firms, are another type of client to which LMPPG and the Subadvisers may provide investment advisory services (for the benefit of underlying clients of these firms).

B. Investment Minimums

For new client accounts, LMPPG generally imposes the investment minimums listed below. LMPPG, in its sole discretion and in consultation with the applicable Subadvisers, may waive any one or more of these minimums for any one or more client accounts. In addition, for certain investment programs, LMPPG and a Sponsor Firm may establish investment minimums for particular investment management portfolios that are higher or lower than those indicated below.

Equity—\$50,000

- ClearBridge All Cap Value*
- ClearBridge Appreciation*
- ClearBridge Dividend Strategy*
- ClearBridge Global Value ADR
- ClearBridge International Growth ADR*
- ClearBridge International Value ADR*
- ClearBridge Large Cap Growth*
- ClearBridge Large Cap Growth II**
- ClearBridge Large Cap Value*
- ClearBridge Mid Cap Core
- ClearBridge Mid Cap Growth
- ClearBridge Multi Cap Growth*
- ClearBridge Opportunity Portfolios
- ClearBridge Small Cap Growth
- ClearBridge Small Cap Value
- ClearBridge Sustainability Leaders

Equity—\$75,000

- ClearBridge All Cap Growth*

Equity—\$100,000

- ClearBridge Total Return MLP Portfolios

Equity—\$250,000

- ClearBridge Equity Income
(closed to new accounts)

* These strategies also may be available as part of ESG portfolios that integrate environmental, social and governance criteria.

** For Ameriprise clients, these portfolios are referred to as “Large Cap Core.”

Balanced—\$100,000

- Legg Mason All Cap Value*
- Legg Mason Appreciation*
- Legg Mason Dividend Strategy*
- Legg Mason Global Value ADR
- Legg Mason International Value ADR

- Legg Mason Large Cap Growth*
- Legg Mason Large Cap Value*
- Legg Mason Balanced Income

Balanced—\$125,000

- Legg Mason All Cap Growth*

Balanced—\$250,000

- ClearBridge Large Cap Value with ClearBridge Taxable Fixed Income

Balanced Tax-Favored—\$200,000

- Legg Mason All Cap Growth*
- Legg Mason All Cap Value
- Legg Mason Appreciation*
- Legg Mason Balanced Income with Municipals

- Legg Mason Dividend Strategy*
- Legg Mason Global Value ADR
- Legg Mason International Value ADR
- Legg Mason Large Cap Growth*
- Legg Mason Large Cap Value*

Balanced Tax-Favored—\$250,000

- ClearBridge Large Cap Value with ClearBridge Non-Taxable Fixed Income

Legg Mason Multiple Discipline Account®**

- Legg Mason MDA0 – MDA5—\$100,000
- Legg Mason – Multi-Cap Blend I and II—\$100,000
- Legg Mason – Global Mid-Large Cap Blend—\$130,000
- Legg Mason MDA0 – MDA5 Balanced—\$200,000
- Legg Mason – Balanced Global Mid-Large Cap Blend—\$230,000
- Legg Mason MDA6 – MDA8—\$300,000
- Legg Mason MDA6 – MDA8 Balanced—\$500,000
- Legg Mason – Income and Dividends (70/30)—\$500,000

- Legg Mason – Income and Dividends (60/40)—\$500,000
- Legg Mason – Income and Equity—\$500,000
- Legg Mason – Income and Global Equity—\$500,000

* These strategies also may be available as part of ESG portfolios that integrate environmental, social and governance criteria.

** For alternative names of certain Legg Mason Multiple Discipline Account portfolios, see the description of such portfolios contained in Item 8 of this brochure. Multiple Discipline Account® is a trademark of Morgan Stanley Smith Barney LLC. LMPPG, which is not affiliated with Morgan Stanley Smith Barney, LLC, uses this trademark under license.

ClearBridge Dynamic MDAs—\$300,000

- U.S. Growth
- Global Growth
- Growth and Income
- U.S. Dividend Balanced
- Global Dividend Balanced Income

Fixed Income—\$100,000

- Western Asset GSM 3-Year
- Western Asset GSM 5-Year
- Western Asset GSM 7-Year
- Western Asset Gov/Corp^{*}
- Western Asset Current Market Muni^{**}
- Western Asset Short-Term Muni

Fixed Income—\$250,000

- Western Asset Core
- Western Asset Core Plus
- Western Asset Intermediate Corporate Bond
- Western Asset Credit Monitored Corporate Bond Ladders
- Western Asset Municipal Income Plus
- Western Asset Credit Monitored Municipal Bond Ladders

Fixed Income—\$1,000,000

- Western Asset Active Bond

Fixed Income—\$5,000,000

- Western Asset Custom
- Western Asset Municipal Opportunities
- Western Asset Custom Muni

Fixed Income—\$10,000,000

- Western Asset Tax-Efficient Bond

Fixed Income—\$20,000,000

- Western Asset Enhanced Cash SMA

Fixed Income—\$50,000,000

- Western Asset Tax-Efficient Enhanced Cash SMA

Custom Asset Management

- Custom MDA — \$500,000
- Custom Portfolios/ClearBridge Private Client Management—\$1,000,000
- ClearBridge Taxable Fixed Income Management — \$250,000
- ClearBridge Non-Taxable Fixed Income Management — \$250,000
- ClearBridge Fixed Income ETF Portfolios — \$ 50,000

^{*} These portfolios are referred to as “Taxable Fixed Income” for Raymond James clients.

^{**} These portfolios are referred to as “Western Asset U.S. Tax Exempt” for Ameriprise clients.

Item 8**METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

LMPPG and the Subadvisers make available a broad range of investment strategies, which are referred to in this brochure as “investment management portfolios” or “portfolios” and are described below in Section A of this Item 8. These descriptions include descriptions of how the Subadvisers formulate the investment advice reflected in the portfolios, including the Subadvisers’ methods of investment analysis. Sections B and C of Item 4 of this brochure contain additional information about how the Subadvisers formulate investment advice for their portfolios.

Each investment management portfolio involves risk of loss, which clients should be prepared to bear. The portfolio descriptions set forth below in Section A of this Item 8 identify the main risks for the portfolios. Appendix B to this brochure explains these risks. It is not practical to list all possible risks and one or more risks that this brochure does not identify for a portfolio nevertheless may result in losses for clients. For all portfolios, there is no assurance or guarantee that client investment objectives will be met.

Section B of this Item 8 describes Custom Asset Management services LMPPG and the Subadvisers may make available. Section C of this Item 8 sets forth certain additional information relating to the investment management portfolios.

A. Investment Management Portfolios: Descriptions and Main Risks

The investment management portfolios LMPPG and the Sub-Advisers may make available in Sponsor Firm investment programs include the portfolios listed and described below. Clients should check with their Sponsor Firm representatives for portfolio availability. Also, as indicated below, certain portfolios may be referred to by different names at particular Sponsor Firms.

• Style Specific

- ClearBridge All Cap Growth*
- ClearBridge All Cap Value*
- ClearBridge Appreciation*
- ClearBridge Dividend Strategy*
- ClearBridge Global Value ADR*
- ClearBridge International Growth ADR
- ClearBridge International Value ADR*
- ClearBridge Large Cap Growth*
- ClearBridge Large Cap Growth II**
- ClearBridge Large Cap Value*
- ClearBridge Mid Cap Core
- ClearBridge Mid Cap Growth
- ClearBridge Multi Cap Growth
- ClearBridge Small Cap Growth
- ClearBridge Small Cap Value

• Specialty

- Legg Mason Balanced Income
- Legg Mason Balanced Income with Municipals
- ClearBridge Equity Income
- ClearBridge Large Cap Value with ClearBridge Fixed Income
- ClearBridge Opportunity Portfolios
- ClearBridge Total Return MLP Portfolios
- ClearBridge Sustainability Leaders
- ClearBridge All Cap Growth ESG*
- ClearBridge All Cap Value ESG*
- ClearBridge Appreciation ESG*
- ClearBridge Dividend Strategy ESG
- ClearBridge International Growth ADR ESG
- ClearBridge International Value ADR ESG
- ClearBridge Large Cap Growth ESG*
- ClearBridge Large Cap Value ESG*
- ClearBridge Multi Cap Growth ESG
- Legg Mason Multiple Discipline Account® 1 ESG*

• Fixed Income—Taxable

- Western Asset Active Bond
- Western Asset Core
- Western Asset Core Plus
- Western Asset Credit Monitored Corporate Bond Ladders
- Western Asset GSM 3-Year
- Western Asset GSM 5-Year
- Western Asset GSM 7-Year
- Western Asset Gov/Corp***
- Western Asset Enhanced Cash SMA
- Western Asset Intermediate Corporate Bond
- Western Asset Custom

• Fixed Income—Tax Favored

- Western Asset Current Market Muni****
- Western Asset Short-Term Muni
- Western Asset Municipal Opportunities
- Western Asset Municipal Income Plus
- Western Asset Tax-Efficient Enhanced Cash SMA
- Western Asset Credit Monitored Municipal Bond Ladders
- Western Asset Tax-Efficient Bond
- Western Asset Custom Muni

• Legg Mason Multiple Discipline Account®*

• ClearBridge Dynamic MDAs

• Custom Asset Management

- Custom MDA
- Custom Portfolios/ClearBridge Private Client Management
- ClearBridge Taxable Fixed Income Management
- ClearBridge Non-Taxable Fixed Income Management
- ClearBridge Fixed Income ETF Models

*May be available in equity and balanced formats.

** For Ameriprise clients, these portfolios are referred to as “Large Cap Core.”

*** These portfolios are referred to as “Taxable Fixed Income” for Raymond James clients.

**** These portfolios are referred to as “Western Asset U.S. Tax Exempt” for Ameriprise clients.

One or more of the Subadvisers makes investment decisions or (where another firm has investment discretion) recommendations for each portfolio.

- ClearBridge makes investment decisions and recommendations for portfolios that are branded “ClearBridge”.
- Western Asset makes investment decisions and recommendation for portfolios that are branded “Western Asset”.
- For portfolios that are branded “Legg Mason”, including balanced portfolios and Multiple Discipline Account portfolios, the portfolio description set forth below or separately provided to the client indicates which Subadviser is responsible for each investment style represented in the portfolio.

Working with a Sponsor Firm representative, the client typically determines his or her investment strategy based on personal circumstances and objectives and selects one or more investment management portfolios. Clients are responsible for asset allocation decisions when selecting portfolios. Unless otherwise noted, LMPPG and the Subadvisers do not provide asset allocation advice.

LMPPG makes available some of the portfolios in multiple formats, including an equity format, a balanced format, which includes equity and fixed income allocations, and a balanced tax-favored format, where municipal securities represent the bond portion of the account.¹

Style Specific

ClearBridge All Cap Growth

The ClearBridge All Cap Growth (“ACG”) portfolios seek long-term capital appreciation by investing in a mix of large, mid and small capitalization stocks the ACG portfolio managers believe have substantial growth potential. ACG portfolios invest primarily in large capitalization stocks, investing much smaller amounts in small and mid capitalization stocks. ACG portfolios have target allocations of approximately 60% to the ClearBridge Large Cap Growth portfolios and approximately 40% to the ClearBridge Multi Cap Growth portfolios. An ACG portfolio’s actual allocation to these two investment styles may vary from these approximate targets over time. See descriptions of the ClearBridge Large Cap Growth and ClearBridge Multi Cap Growth portfolios below in this Item 8 for additional information.

In addition to making ACG portfolios available in an equity format, LMPPG may make these portfolios available in a taxable balanced format (in which U.S. Government and/or corporate debt securities represent the fixed income portion of the portfolios) and a tax-favored balanced format (in which municipal securities represent the fixed income portion of the portfolios). Western Asset manages the fixed income portion of balanced portfolios, seeking to add stability and generate income. LMPPG refers to balanced portfolios as Legg Mason All Cap Growth balanced portfolios.

Risks. The main risks for ACG portfolios are General Investment Risk, Industry and Issuer Concentration Risk, Small Cap Risk, Mid Cap Risk, High Volatility Risk, Non-U.S. Investment Risk and, for balanced portfolios, Credit Risk, Interest Rate Risk and Illiquidity Risk. See Appendix B for explanations of these risks.

ClearBridge All Cap Value

The ClearBridge All Cap Value (“ACV”) portfolios apply value criteria to attempt to find the most inefficiently priced stocks in the small, mid and large capitalization sectors. ACV portfolio managers regularly review the investment universe from the perspective of four disciplines: the fundamental picture for a company; quantitative data on market sectors and individual issues; technical considerations for each issue and each sector; and themes and trends in the market and economy. The goal of this value process is to achieve above-average returns while also providing downside protection. While most investments are in U.S. companies, the managers may also invest in ADRs and U.S.-traded ordinary shares of non-U.S. companies in developed and emerging markets. Also, although the general focus of the ACV portfolios is equity investing, the managers may sometimes hold significant portions of portfolio assets in cash equivalents while waiting for buying opportunities.

¹ LMPPG and the Subadvisers do not provide tax advice. Clients should consult their own tax advisers for tax advice.

ACV portfolios also may include limited investments in ETFs representing U.S. securities markets, industry and market capitalization sectors, non-U.S. country and regional markets, and other types of non-U.S. securities markets and market sectors (e.g., emerging markets). In addition to fees charged at the account level, a client will bear a proportionate share of the separate fees and expenses incurred by any ETF held in the client's account.

In addition to making ACV portfolios available in an equity format, LMPPG may make these portfolios available in a taxable balanced format (in which U.S. Government and/or corporate debt securities represent the fixed income portion of the portfolios) and a tax-favored balanced format (in which municipal securities represent the fixed income portion of the portfolios). Western Asset manages the fixed income portion of balanced portfolios, seeking to add stability and generate income. LMPPG refers to balanced portfolios as Legg Mason All Cap Value balanced portfolios.

Risks. The main risks for ACV portfolios are General Investment Risk, Small Cap Risk, Mid Cap Risk, Non-U.S. Investment Risk and, for balanced portfolios, Credit Risk, Interest Rate Risk and Illiquidity Risk. See Appendix B for explanations of these risks.

ClearBridge Appreciation

The ClearBridge Appreciation portfolios seek long-term capital appreciation by investing primarily in core portfolios of quality large-capitalization companies. The portfolio managers may also invest client portfolios in selected mid and small capitalization companies. The managers seek to create diversified portfolios, believing this approach may help portfolios benefit over time from changes in market and economic cycles and also help reduce overall portfolio volatility. Investments generally include companies the managers believe have superior demonstrated or expected growth characteristics and whose stocks are available at reasonable prices, and/or companies whose assets or earning power the managers believe are either unrecognized or undervalued by the market. While most investments are in U.S. companies, the managers may also invest in ADRs and U.S.-traded ordinary shares of non-U.S. companies in developed and emerging markets. Also, although the general focus of the ClearBridge Appreciation portfolios is equity investing, the managers may sometimes hold significant portions of portfolio assets in cash equivalents while waiting for buying opportunities.

In addition to making Appreciation portfolios available in an equity format, LMPPG may make these portfolios available in a taxable balanced format (in which U.S. Government and/or corporate debt securities represent the fixed income portion of the portfolios) and a tax-favored balanced format (in which municipal securities represent the fixed income portion of the portfolios). Western Asset manages the fixed income portion of balanced portfolios, seeking to add stability and generate income. LMPPG refers to balanced portfolios as Legg Mason Appreciation balanced portfolios.

Risks. The main risks for Appreciation portfolios are General Investment Risk, Small Cap Risk, Mid Cap Risk, Non-U.S. Investment Risk and, for balanced portfolios, Credit Risk, Interest Rate Risk and Illiquidity Risk. See Appendix B for explanations of these risks.

ClearBridge Dividend Strategy

The ClearBridge Dividend Strategy portfolios seek dividend income, growth of dividend income, and long-term capital appreciation. The portfolio managers invest the portfolios primarily in stocks that either pay an existing dividend or that they expect will pay a dividend in the near future. The managers may also make limited investments in non-dividend-paying stocks that are not expected to pay a dividend in the future. The managers seek to maintain diversified portfolios. In addition, the managers seek to invest at reasonable valuations, and they also seek a target dividend yield for portfolios that exceeds the S&P 500's dividend yield. The managers seek to keep portfolio turnover low to allow for the positive compounding effect of dividends over time, although market, security and other investment considerations may cause turnover to be higher from time to time. While most investments are in large and mid capitalization U.S. companies, the managers may also invest in ADRs and U.S.-traded ordinary shares of non-U.S. companies in developed and emerging markets, and in small capitalization companies. Also, although the general focus of the ClearBridge Dividend Strategy portfolios is equity investing, the managers may sometimes hold significant portions of portfolio assets in cash equivalents while waiting for buying opportunities.

In addition to making Dividend Strategy portfolios available in an equity format, LMPPG may make these portfolios available in a taxable balanced format (in which U.S. Government and/or corporate debt securities represent the fixed income portion of the portfolios) and a tax-favored balanced format (in which municipal securities represent

the fixed income portion of the portfolios). Western Asset manages the fixed income portion of balanced portfolios, seeking to add stability and generate additional income. LMPPG refers to balanced portfolios as Legg Mason Dividend Strategy balanced portfolios.

Risks. The main risks for Dividend Strategy portfolios are General Investment Risk, Small Cap Risk, Mid Cap Risk, Non-U.S. Investment Risk and, for balanced portfolios, Credit Risk, Interest Rate Risk and Illiquidity Risk. See Appendix B for explanations of these risks.

ClearBridge Global Value ADR

ClearBridge Global Value ADR portfolios seek to provide a value-based, global equity strategy that will outperform the MSCI World Index over 3-5 years, with risk similar to the Index. The portfolio managers invest in ADRs drawn from the universe of international companies, including emerging market companies, with ADRs listed on the major U.S. exchanges and that have market capitalizations of greater than \$100 million. The managers may also make investments in equity securities of U.S. companies and limited investments in securities issued by non-U.S. companies that trade in U.S. dollars in U.S. markets.

In addition to making Global Value ADR portfolios available in an equity format, LMPPG may make these portfolios available in a taxable balanced format (in which U.S. Government and/or corporate debt securities represent the fixed income portion of the portfolios) and a tax-favored balanced format (in which municipal securities represent the fixed income portion of the portfolios). Western Asset manages the fixed income portion of balanced portfolios, seeking to add stability and generate additional income. LMPPG refers to balanced portfolios as Legg Mason Global Value ADR balanced portfolios.

Risks. The main risks for Global Value ADR portfolios are General Investment Risk, Non-U.S. Investment Risk, Small Cap Risk and Mid Cap Risk and, for balanced portfolios, Credit Risk, Interest Rate Risk and Illiquidity Risk. See Appendix B for explanations of these risks.

ClearBridge International Growth ADR

The ClearBridge International Growth ADR portfolios employ a long-term, bottom-up approach, using proprietary and independent research. The portfolio managers seek long-term growth of capital by investing the portfolios in well-managed businesses whose intrinsic value does not appear to be recognized by the markets. Under normal market conditions, the managers invest at least 80% of a portfolio's assets in larger companies they believe have strong balance sheets and good management. The managers then complement these core holdings with investments in smaller, less well-known companies that they believe offer unique products or services or have strong niche positions locally or globally. The managers invest the portfolios primarily in ADRs, but may also make limited investments in U.S.-traded stocks of non-U.S. and U.S. companies engaged in significant non-U.S. business. These limited investments may include U.S.-traded stocks that result from the conversion of ADRs, as well as other U.S.-traded stocks. ADRs are U.S.-traded securities that represent shares of a foreign-based corporation held by a custodian. ADRs entitle the shareholder to all dividends, net of any applicable local withholding taxes, and capital gains that would be paid on the company's ordinary shares. The portfolios' investments in non-U.S. companies may include companies in emerging markets as well as companies in developed markets.

Risks. The main risks for International Growth ADR portfolios are General Investment Risk, Non-U.S. Investment Risk, Small Cap Risk and Mid Cap Risk. See Appendix B for explanations of these risks.

ClearBridge International Value ADR

ClearBridge International Value ADR portfolios seek to provide a value-based, international equity strategy that will outperform the MSCI EAFE Index over 3-5 years, with risk similar to the Index. The portfolio managers invest in ADRs drawn from the universe of international companies with ADRs listed on the major U.S. exchanges and that have market capitalizations of greater than \$100 million. This investment universe includes emerging market companies. The managers may also make limited investments in securities issued by non-U.S. companies that trade in U.S. dollars in U.S. markets.

In addition to making International Value ADR portfolios available in an equity format, LMPPG may make these portfolios available in a taxable balanced format (in which U.S. Government and/or corporate debt securities represent the fixed income portion of the portfolios) and a tax-favored balanced format (in which municipal securities represent the fixed income portion of the portfolios). Western Asset manages the fixed income portion of

balanced portfolios, seeking to add stability and generate additional income. LMPPG refers to balanced portfolios as Legg Mason International Value ADR balanced portfolios.

Risks. The main risks for International Value ADR portfolios are General Investment Risk, Non-U.S. Investment Risk, Small Cap Risk and Mid Cap Risk and, for balanced portfolios, Credit Risk, Interest Rate Risk and Illiquidity Risk. See Appendix B for explanations of these risks.

ClearBridge Large Cap Growth

The ClearBridge Large Cap Growth (“LCG”) portfolios seek consistent growth of capital while minimizing volatility. They seek to outperform the Russell 1000 Growth Index over a full market cycle and perform well in rising markets while outperforming the Russell 1000 Growth Index in declining markets. While most investments are in U.S. companies, the portfolio managers may also invest in ADRs and U.S.-traded ordinary shares of non-U.S. companies in developed and emerging markets.

In addition to making LCG portfolios available in an equity format, LMPPG may make these portfolios available in a taxable balanced format (in which U.S. Government and/or corporate debt securities represent the fixed income portion of the portfolios) and a tax-favored balanced format (in which municipal securities represent the fixed income portion of the portfolios). Western Asset manages the fixed income portion of balanced portfolios, seeking to add stability and generate income. LMPPG refers to balanced portfolios as Legg Mason Large Cap Growth balanced portfolios.

Risks. The main risks for LCG portfolios are General Investment Risk, Non-U.S. Investment Risk and, for balanced portfolios, Credit Risk, Interest Rate Risk and Illiquidity Risk. See Appendix B for explanations of these risks.

ClearBridge Large Cap Growth II*

The ClearBridge Large Cap Growth II portfolios seek to invest in good quality, large capitalization growth companies at reasonable prices. The portfolio managers generally seek companies that are the leaders or are among the leaders in industries where the opportunities for growth are well defined. The managers employ a bottom-up, fundamental approach in selecting companies and may trade positions actively in an effort to provide added return by taking advantage of market inefficiencies. While most investments are in U.S. companies, the managers may also invest in ADRs and U.S.-traded ordinary shares of non-U.S. companies in developed and emerging markets. Also, although the general focus of the portfolios is equity investing, the managers may sometimes hold significant portions of portfolio assets in cash equivalents while waiting for buying opportunities.

Risks. The main risks for Large Cap Growth II portfolios are General Investment Risk and Non-U.S. Investment Risk. See Appendix B for explanations of these risks.

ClearBridge Large Cap Value

The ClearBridge Large Cap Value portfolios seek long-term capital appreciation by employing fundamental research in an effort to identify securities with favorable risk-adjusted return characteristics. The portfolio management team constructs the portfolios on a bottom-up basis by considering a number of variables such as business fundamentals, valuation, free cash flow generation, earnings growth, management quality and competitive positioning. The team invests the portfolios primarily in large capitalization companies, but may also make limited investments in mid-capitalization companies. While most investments are in U.S. companies, the team may also invest in ADRs and U.S.-traded ordinary shares of non-U.S. companies in developed and emerging markets. The benchmark index for the ClearBridge Large Cap Value portfolios is the Russell 1000 Value Index.

In addition to making Large Cap Value portfolios available in an equity format, LMPPG may make these portfolios available in a taxable balanced format (in which U.S. Government and/or corporate debt securities represent the fixed income portion of the portfolios) and a tax-favored balanced format (in which municipal securities represent the fixed income portion of the portfolios). Western Asset manages the fixed income portion of balanced portfolios, seeking to add stability and generate income. LMPPG refers to balanced portfolios as Legg Mason Large Cap Value balanced portfolios.

* For Ameriprise clients, these portfolios are referred to as “Large Cap Core.”

Risks. The main risks for Large Cap Value portfolios are General Investment Risk, Mid Cap Risk, Non-U.S. Investment Risk and, for balanced portfolios, Credit Risk, Interest Rate Risk and Illiquidity Risk. See Appendix B for explanations of these risks.

ClearBridge Mid Cap Core

The ClearBridge Mid Cap Core portfolios seek long-term growth of capital and consistently superior returns relative to the Russell Mid Cap Index. The portfolio managers seek to achieve these objectives by investing in mid capitalization equity securities using a disciplined process combining quantitative and fundamental analysis. The managers seek out companies with the ability to generate strong free cash flow, supportive balance sheets, undervalued earnings potential and/or management teams that demonstrate capital discipline. They generally diversify portfolio investments across several economic sectors, investing primarily in companies having market capitalizations within the capitalization range of the Russell Mid Cap Index. While most investments are in U.S. companies, the managers may also invest in ADRs and U.S.-traded ordinary shares of non-U.S. companies in developed and emerging markets. Although the general focus of the ClearBridge Mid Cap Core portfolios is equity investing, the managers may sometimes hold significant portions of portfolio assets in cash equivalents while waiting for buying opportunities.

Risks. The main risks for Mid Cap Core portfolios are General Investment Risk, Mid Cap Risk and Non-U.S. Investment Risk. See Appendix B for explanations of these risks.

ClearBridge Mid Cap Growth

The ClearBridge Mid Cap Growth portfolios seek long-term capital appreciation and consistently superior returns relative to the Russell Mid Cap Growth Index. The portfolio managers seek to achieve these objectives by investing in a concentrated group of mid capitalization equity securities selected for their long-term growth potential. The portfolio managers follow an investment process that seeks out companies with growth potential, competitive advantage and capital discipline. They generally diversify portfolio investments across several economic sectors, investing primarily in companies having market capitalizations within the capitalization range of the Russell Mid Cap Growth Index. While most investments are in U.S. companies, the managers may also invest in ADRs and U.S.-traded ordinary shares of non-U.S. companies in developed and emerging markets.

Risks. The main risks for Mid Cap Growth portfolios are General Investment Risk, Industry and Issuer Concentration Risk, Mid Cap Risk and Non-U.S. Investment Risk. See Appendix B for explanations of these risks.

ClearBridge Multi Cap Growth

The ClearBridge Multi Cap Growth (“MCG”) portfolios seek long-term capital appreciation by investing in the stocks of companies the portfolio managers believe have the potential for above-average long-term earnings and/or cash flow growth. The managers may invest in stocks of small, mid and large capitalization companies (all capitalization ranges will not necessarily be represented) and may concentrate large portions of client accounts in individual securities and industries they believe have the potential for earnings and/or cash flow growth in excess of that expected for the market as a whole. While most investments are in U.S. companies, the managers may also invest in ADRs and U.S.-traded ordinary shares of non-U.S. companies in developed and emerging markets.

Risks. The main risks for MCG portfolios are General Investment Risk, Industry and Issuer Concentration Risk, Small Cap Risk, Mid Cap Risk, High Volatility Risk and Non-U.S. Investment Risk. See Appendix B for explanations of these risks.

ClearBridge Small Cap Growth

The ClearBridge Small Cap Growth (“SCG”) portfolios seek long-term growth of capital. ClearBridge’s SCG portfolio managers select investments using a growth-oriented investment style that emphasizes small U.S. companies believed to have one or more positive investment attributes. These attributes may include superior management teams, good prospects for growth, dominant positions in a niche market or large company customers, and strong or improving financial conditions, as well as other positive investment attributes. The managers generally use a bottom-up approach when selecting investments and may concentrate investments in certain geographic regions and/or industries. While most investments are in U.S. companies, the managers may also invest in ADRs and U.S.-traded ordinary shares of non-U.S. companies in developed and emerging markets.

Risks. The main risks for SCG portfolios are General Investment Risk, Small Cap Risk, High Volatility Risk and Non-U.S. Investment Risk. See Appendix B for explanations of these risks.

ClearBridge Small Cap Value

The ClearBridge Small Cap Value portfolios seek long-term capital growth and to outperform the Russell 2000 Value Index over a full market cycle. The ClearBridge portfolio managers pursue these objectives by investing primarily in equity securities of small capitalization companies that they believe have a high probability of outperforming small cap value stocks in general. The managers may also make limited investments in large and mid-sized companies. In selecting stocks for client accounts, ClearBridge uses both quantitative and fundamental analysis. The managers look for stocks that they believe sell at low prices relative to multiple measures of value and have price appreciation potential based on an anticipated dynamic company or industry change. In addition, the managers generally seek to diversify client accounts across multiple economic sectors and industry groups. While most investments are in U.S. companies, the managers may also invest in ADRs and U.S.-traded ordinary shares of non-U.S. companies in developed and emerging markets. Also, although the general focus of the ClearBridge Small Cap Value portfolios is equity investing, the managers may sometimes hold significant portions of portfolio assets in cash equivalents while waiting for buying opportunities.

The ClearBridge Small Cap Value portfolios also may include limited investments in ETFs representing U.S. securities markets, industry and market capitalization sectors, non-U.S. country and regional markets, and other types of non-U.S. securities markets and market sectors (e.g., emerging markets). In addition to the fees charged at the account level, a client will bear a proportionate share of the separate fees and expenses incurred by any ETF in which the client's account is invested.

Risks. The main risks for ClearBridge Small Cap Value portfolios are General Investment Risk, Small Cap Risk and Non-U.S. Investment Risk. See Appendix B for explanations of these risks.

Specialty

Legg Mason Balanced Income

The Legg Mason Balanced Income portfolios seek long-term capital growth and high current income. The portfolio managers seek to achieve these objectives through a combination of asset allocation (among equities, fixed income securities and cash equivalents) and fundamental stock analysis stressing a long-term value orientation. ClearBridge determines the portfolios' allocations among equities, fixed income securities and cash equivalents. ClearBridge selects equity investments for the portfolios and Western Asset selects fixed income investments. Equity investments may include common stocks, convertible and non-convertible preferred stocks, shares of real estate investment trusts (REITs), and other types of equity and equity-related securities. Equity-related securities may include convertible bonds, given their equity conversion features. Many of the equity investments are large capitalization stocks, but the ClearBridge managers may also invest in small and mid capitalization stocks and, to a limited extent, in ETFs representing U.S. securities markets, industry and market capitalization sectors, non-U.S. country and regional markets, and other types of non-U.S. securities markets and market sectors (e.g., emerging markets). In addition to the fees charged at the account level, a client will bear a proportionate share of the fees and expenses incurred by any ETF held in the client's account. While most equity investments are in U.S. companies, the ClearBridge managers may also invest the portfolios in ADRs and U.S.-traded ordinary shares of non-U.S. companies in developed and emerging markets.

Fixed income investments for these portfolios have an average maturity of ten years or less and may include U.S. Treasury and U.S. Government agency issues.

Risks. The main risks for Balanced Income portfolios are General Investment Risk, Small Cap Risk, Mid Cap Risk, Non-U.S. Investment Risk, Illiquidity Risk, Credit Risk and Interest Rate Risk. See Appendix B for explanations of these risks.

Legg Mason Balanced Income with Municipals

These portfolios seek long-term capital growth (taxable) and high current income, some taxable and some exempt from regular U.S. income tax. The portfolio managers seek to achieve these objectives through a combination of asset allocation (among equities, fixed income securities and cash equivalents) and fundamental stock analysis

stressing a long-term value orientation. ClearBridge determines the portfolios' allocations among equities, fixed income securities and cash equivalents. ClearBridge selects equity investments for the portfolios and Western Asset selects fixed income investments. Equity investments may include common stocks, convertible and non-convertible preferred stocks, shares of real estate investment trusts (REITs), and other types of equity and equity-related securities. Equity-related securities may include convertible bonds, given their equity conversion features. Many of the equity investments are large capitalization stocks, but the ClearBridge managers may also invest in small and mid capitalization stocks and, to a limited extent, ETFs representing U.S. securities markets, industry and market capitalization sectors, non-U.S. country and regional markets, and other types of non-U.S. securities markets and market sectors (e.g., emerging markets). In addition to the fees charged at the account level, a client will bear a proportionate share of expenses incurred by any ETF held in the client's account. While most equity investments are in U.S. companies, the ClearBridge managers may also invest the portfolios in ADRs and U.S.-traded ordinary shares of non-U.S. companies in developed and emerging markets.

Fixed income investments for these portfolios consist of municipal bonds. The Western Asset managers select municipal bonds with a focus on diversification within sectors and regions and high credit quality. By actively managing the municipal bond portions of accounts, Western Asset seeks to enhance returns and reduce risks by seeking to take advantage of shifts in the municipal yield curve, credit quality spreads and variations in market sectors. There are no restrictions on the average maturity of the municipal bond portions of client accounts. Depending on Western Asset's interest rate outlook, the average maturity of municipal bonds in accounts generally ranges from three to seven years.

Risks. The main risks for Balanced Income with Municipals portfolios are General Investment Risk, Small Cap Risk, Mid Cap Risk, Non-U.S. Investment Risk, Credit Risk, Interest Rate Risk and Illiquidity Risk. See Appendix B for explanations of these risks.

ClearBridge Equity Income (closed to new accounts)

The ClearBridge Equity Income portfolios seek a high level of current income as their primary objective and long-term capital growth as their secondary objective. The portfolio managers pursue these objectives by investing primarily in dividend-paying equity and equity-related securities of companies of all sizes. These securities may include common stocks, convertible and non-convertible preferred stocks, shares of real estate investment trusts (REITs), and other types of equity and equity-related securities. The managers may also invest in fixed income securities, which may include corporate bonds, convertible bonds and U.S. Treasury securities. While most investments are in securities of U.S. issuers, the managers may also invest in ADRs and U.S.-traded ordinary shares of non-U.S. issuers. The managers do not use leverage or cause the portfolios to engage in borrowing activities as part of the portfolios' investment strategy

Risks. The main risks for Equity Income portfolios are General Investment Risk, Small Cap Risk, Mid Cap Risk, Non-U.S. Investment Risk, Illiquidity Risk, Credit Risk and Interest Rate Risk. See Appendix B for explanations of these risks.

ClearBridge Large Cap Value with ClearBridge Taxable Fixed Income or ClearBridge Non-Taxable Fixed Income

The ClearBridge Large Cap Value with ClearBridge Fixed Income portfolios combine an allocation to the ClearBridge Large Cap Value portfolios (see separate description in this Item 8) with an allocation to taxable or municipal fixed income securities, as selected by the client. ClearBridge selects both equity securities and fixed income securities for these portfolios. In addition, ClearBridge selects broker-dealers to execute fixed income securities trades for the portfolios as described in Section B of Item 12 of this brochure.

Risks. The main risks for these portfolios are General Investment Risk, Mid Cap Risk, Non-U.S. Investment Risk, Credit Risk, Interest Rate Risk and Illiquidity Risk. See Appendix B for explanations of these risks.

ClearBridge Opportunity Portfolios

The ClearBridge Opportunity Portfolios seek to maximize capital gains. The ClearBridge Opportunity portfolio managers look for companies with strong or rapidly improving balance sheets and/or cash flows. The managers emphasize companies they believe have operating leverage rather than those with financial (balance sheet) leverage. The ClearBridge Opportunity Portfolios may involve substantial investments in small and mid capitalization companies, in addition to investments in large capitalization companies. In addition, many investments will be more

speculative in nature than the investments in other portfolios. While most investments are in U.S. companies, the managers may also invest in ADRs and U.S.-traded ordinary shares of non-U.S. companies in developed and emerging markets. ClearBridge Opportunity Portfolios also may include limited investments in ETFs representing U.S. securities markets, industry and market capitalization sectors, non-U.S. country and regional markets, and other types of non-U.S. securities markets and market sectors (e.g., emerging markets). In addition to the fees charged at the account level, a client will bear a proportionate share of expenses incurred by any ETF held in the client's account. Also, although the general focus of the ClearBridge Opportunity Portfolios is equity investing, the managers may sometimes hold significant portions of portfolio assets in cash equivalents while waiting for buying opportunities.

Risks. The main risks for ClearBridge Opportunity Portfolios are General Investment Risk, Small Cap Risk, Mid Cap Risk, High Volatility Risk and Non-U.S. Investment Risk. See Appendix B for explanations of these risks.

ClearBridge Total Return MLP Portfolios

ClearBridge Total Return MLP portfolios seek a high level of total return with an emphasis on cash distributions from portfolio investments. ClearBridge Total Return MLP portfolios invest primarily in exchange-traded master limited partnerships (MLPs) with a primary focus on MLPs that derive a significant portion of their revenues from the business of exploring, developing, producing, gathering, transporting, processing, storing, refining, distributing, mining or marketing natural gas, natural gas liquids (including propane), crude oil, refined petroleum products or coal.

The ClearBridge Total Return MLP portfolio managers seek to invest in energy-related MLPs with long-lived assets and predictable cash flows. The managers also seek out companies with the potential to grow their businesses, and thereby their distributions, over time.

Risks The main risks for ClearBridge Total Return MLP Portfolios are Energy Sector Risk, MLP Related Risk, General Investment Risk, Interest Rate Risk, Geographic Concentration Risk and Industry Concentration Risk. See Appendix B for explanations of these risks,

Special Considerations with respect to ClearBridge Total Return MLP Portfolios

Schedules K-1; State Income Tax Returns: ClearBridge Total Return MLP portfolios typically will invest in MLPs that are taxed as partnerships for U.S. federal income tax purposes. Partnerships do not pay U.S. federal income tax at the partnership level. Rather, each partner of a partnership, in computing its U.S. federal income tax liability, must include its allocable share of the partnership's income, gains, losses, deductions and expenses. A client will receive a Schedule K-1 from each such MLP held in the client's ClearBridge Total Return MLP portfolio and will need to incorporate the information on the Schedule K-1s into the client's annual personal tax return filings. In addition, a client may be required to file state income tax returns for each state in which a portfolio MLP operates even if the client is not otherwise required to file tax returns for such states.

Unrelated Business Taxable Income ("UBTI"): IRAs, 401(k) plans and other employee benefit plans as well as most other tax-exempt investors are subject to federal income tax on their UBTI of \$1,000 or more. A portion of distributions received from a MLP may constitute reportable UBTI and subject a tax-exempt investor to federal income tax and tax filing obligations. The federal income tax consequences of receiving UBTI can be particularly significant for a charitable remainder trust.

Investing in MLPs is complex and tax regulations are subject to change. Investors should consult with their tax and financial advisors to make sure that they understand the consequences of investing in MLPs, including the special considerations noted above, and how they apply to their particular circumstances before establishing such a portfolio. The information in this brochure does not constitute tax advice.

ClearBridge Sustainability Leaders

The ClearBridge Sustainability Leaders portfolios seek to provide long-term capital growth by investing in common stocks and other equity securities of companies that meet the portfolio managers' financial and sustainability/environmental, social and governance ("ESG") criteria. The portfolios may also invest in companies that the portfolio managers believe are making substantial progress toward becoming a leader in sustainability and

ESG policies. The portfolio managers' ESG and sustainability evaluation is integrated into a thorough assessment of investment worthiness based on financial criteria. The portfolios will invest primarily in common stocks and other equity securities of U.S. companies, but also may invest in ADRs and U.S.-traded equity securities of foreign issuers.

Determination of sustainability/ESG leadership is based on ClearBridge's proprietary research approach and long standing experience managing ESG investment strategies. The portfolio managers consider a sustainable company to be one that (i) offers products and services that have a positive impact on society; and (ii) has well defined strategies in place to ensure longevity as an investment. Sustainability is not limited to environmental stewardship, but also includes a company's policies in regard to treating employees fairly and furthering their professional development, interacting in a positive way within its local community, promoting safety at all times, managing its supply chain responsibly, and employing corporate governance practices that are shareholder friendly and transparent. ClearBridge's fundamental analysts assign a proprietary ESG rating to each company under their coverage by sector and lead the company engagements for impact assessments.

Risks. The main risks for Sustainability Leaders portfolios are General Investment Risk, ESG Investing Risk, Issuer Concentration, Small Cap Risk, Mid Cap Risk and Non-U.S. Investment Risk. See Appendix B for explanations of these risks.

ClearBridge All Cap Growth ESG

ClearBridge All Cap Value ESG

ClearBridge Appreciation ESG

ClearBridge Dividend Strategy ESG

ClearBridge International Growth ADR ESG

ClearBridge International Value ADR ESG

ClearBridge Large Cap Growth ESG

ClearBridge Large Cap Value ESG

ClearBridge Multi Cap Growth ESG

Legg Mason Multiple Discipline Account®1 ESG

In the Environmental, Social and Governance ("ESG") portfolios, ClearBridge integrates environmental, social and governance criteria into its fundamental research and portfolio construction process for the following underlying ClearBridge investment strategies: ClearBridge All Cap Growth, ClearBridge All Cap Value, ClearBridge Appreciation, ClearBridge Dividend Strategy, ClearBridge International Growth ADR, ClearBridge International Value ADR ESG, ClearBridge Large Cap Growth, ClearBridge Large Cap Value, ClearBridge Multi Cap Growth and Legg Mason Multiple Discipline Account®1. All portfolio candidates for the ESG strategies are reviewed by the ClearBridge fundamental research analysts (by sector and portfolio), and by the respective portfolio managers, for their investment attractiveness and ESG characteristics. The sector analysts assign a proprietary ESG rating to all companies under their coverage in the ESG strategies and those ratings are communicated in all research notes. The ClearBridge ESG investment process seeks to employ a best-in-class approach, utilizing proprietary, industry-specific and thematic research supported by the fundamental research analysts. As part of its research and engagement process, ClearBridge attempts to communicate directly with portfolio company managements on a regular basis concerning the company's sustainability strategy and societal impact, as well as with representatives of certain other key company stakeholders. Certain portfolio company candidates may be excluded due to investments in companies that the ESG team determines are significantly involved in the manufacture of tobacco and alcohol products, the provision of gaming services, the production of nuclear power, and the manufacture of weapons (investments in other companies may also be excluded based on ClearBridge's proprietary research evaluation). Clients may request additional, customized social screens (such as specific mission-consistent, or faith-based screens, etc.), subject to portfolio manager approval. When a security that would be held in portfolios in the underlying, unscreened investment strategy is excluded based on the fundamental research team's proprietary ESG research, or due to an exclusionary screen (e.g., tobacco), the ClearBridge ESG portfolio managers will seek to invest the cash that would have been invested in such security in an alternate investment and/or allocate such cash to other investments held in the portfolio. In addition, ClearBridge actively votes proxies for portfolio company securities in accordance with ClearBridge's Proxy Voting Policy and Procedures, as supplemented by ClearBridge's ESG Proxy Voting Guidelines.

In addition to making the ESG portfolios available in an equity format, LMPPG may make certain of the ESG portfolios available in a taxable balanced format (in which U.S. Government and/or corporate debt securities

represent the fixed income portion of the portfolios) and a tax-favored balanced format (in which municipal securities represent the fixed income portion of the portfolios). Western Asset manages the fixed income portion of balanced portfolios, seeking to add stability and generate income. Western Asset does not apply social screens to the fixed income portion of balanced portfolios, unless this is separately agreed to with the client. LMPPG refers to balanced ESG portfolios as Legg Mason ESG balanced portfolios.

Descriptions of the underlying ClearBridge investment strategies offered as part of the ESG portfolios, including applicable risk information, are presented separately in this Item 8. The ESG portfolios are also subject to ESG Investing Risk. See Appendix B for an explanation of this risk.

Fixed Income—Taxable

Western Asset Active Bond

Western Asset uses a sector rotation among the major areas of U.S. taxable fixed income (government bonds, notes and bills, corporate bonds and mortgage-backed and asset-backed securities), along with limited duration bets around the client's approved benchmark, in an attempt to maximize total return for Western Asset Active Bond ("AB") portfolios. Investments may include taxable municipal securities and U.S.-dollar denominated fixed income securities (issued in the United States) of non-U.S. developed and emerging market sovereign and corporate issuers when the portfolio managers believe they are attractive investments. Western Asset manages AB portfolios with the belief that limiting duration and investing in sectors of the market it believes are undervalued will provide strong performance. In managing AB portfolios, Western Asset employs a systematic investment approach that includes four decision layers: Duration position, yield curve position, sector weighting and issue selection. Benchmarks available for selection by clients include: Barclays Capital U.S. Aggregate Bond Index ("Active Bond—Aggregate"), Barclays Capital U.S. Intermediate Government/Credit Bond Index ("Active Bond—Intermediate"), and Barclays Capital U.S. Government/Credit Bond Index ("Active Bond—Gov/Corp").

Risks. The main risks for AB portfolios are General Investment Risk, Credit Risk, Extension Risk, Interest Rate Risk, Non-U.S. Investment Risk and Prepayment Risk. See Appendix B for explanations of these risks.

Western Asset Core

Western Asset Core portfolios seek to maximize total return consistent with prudent investment management. These portfolios may invest in a range of fixed income sectors, including the U.S. government, federal agency, corporate, mortgage and money market/cash and cash equivalent sectors. Investments may also include U.S.-dollar denominated fixed income securities of non-U.S. developed and emerging market sovereign and corporate issuers. The portfolio managers allocate account assets among such fixed income sectors on a discretionary basis taking into account their views as to the relative attractiveness of such sectors.

Western Asset Core portfolios involve investments in individual fixed income securities in the U.S. government, federal agency and corporate sectors, and may also involve investments in taxable municipal securities and in individual U.S.-dollar denominated securities of non-U.S. sovereign and corporate issuers. In addition to investments in individual fixed income securities, the portfolios may involve investments in shares of one or both of the Legg Mason Western Asset SMASh Series C Fund and the Legg Mason Western Asset SMASh Series M Fund (collectively, the "Core SMASh Funds"). The Core SMASh Funds' prospectus describes the principal investment strategies of each Core SMASh Fund. The managers use investments in the Core SMASh Funds to obtain efficient exposure to certain fixed income sectors that, due to the nature of the securities involved, generally do not allow for practical and diversified exposure through direct client account investment in such securities. A Western Asset Core portfolio's allocation to each of the Core SMASh Funds will vary over time based on the managers' discretionary allocation decisions, as well as market fluctuations. A portfolio's aggregate allocation to the Core SMASh Funds generally will not exceed 50%. However, a portfolio's aggregate allocation to the Core SMASh Funds may temporarily exceed 50% due to market fluctuations and pending reallocation by the managers. A Core SMASh Fund may invest a portion of its assets in fixed income sectors other than the above-referenced fixed income sectors, as described in the Core SMASh Funds' prospectus.

A client may obtain a prospectus for the Core SMASh Funds from the client's Sponsor Firm. The prospectus includes information concerning each Core SMASh Fund's investment objectives, strategies and risks. The prospectus also contains a description of the tax consequences associated with the redemption of Core SMASh Fund shares and the receipt of dividend and capital gains distributions from the Core SMASh Funds. Core SMASh Fund

redemptions may occur as a result of reallocation among fixed income sectors, account withdrawals and account termination.

By selecting a Western Asset Core portfolio, a client consents to the investment of account assets in the Core SMASh Funds. The client may revoke this consent by terminating the client's Western Asset Core portfolio. In the event of such a termination, the managers will redeem the client's Core SMASh Fund shares. An affiliate of Western Asset serves as the Core SMASh Funds' manager and Western Asset serves as the Funds' sub-adviser. Only separately managed account clients of Western Asset or its affiliates may purchase shares of the Core SMASh Funds. While neither the manager nor the sub-adviser of the Core SMASh Funds charges a management fee to the Core SMASh Funds, the manager and sub-adviser do receive portions of the fees clients pay for management of Western Asset Core portfolios.

Risks. The main risks associated with Western Asset Core portfolio investments in individual fixed income securities are General Investment Risk, Credit Risk, Extension Risk, Interest Rate Risk, Non-U.S. Investment Risk and Prepayment Risk. See Appendix B for explanations of these risks. The risks associated with investments in the Core SMASh Funds are described in the Funds' prospectus, which is available from Sponsor Firms.

Western Asset Core Plus

Western Asset Core Plus portfolios seek to maximize total return consistent with prudent investment management. These portfolios may invest in a range of fixed income sectors, including the U.S. government, federal agency, corporate, mortgage, non-U.S. sovereign and corporate (both U.S. dollar denominated and non-U.S. dollar denominated), emerging market debt, high yield and money market/cash and cash equivalent sectors. The portfolio managers allocate account assets among such fixed income sectors on a discretionary basis taking into account their views as to the relative attractiveness of such sectors.

Western Asset Core Plus portfolios involve investments in individual fixed income securities in the U.S. government, federal agency and corporate sectors, and may also involve investments in taxable municipal securities and in individual U.S.-dollar denominated securities of non-U.S. sovereign and corporate issuers. In addition to investments in individual fixed income securities, the portfolios may involve investments in shares of one or more of the Legg Mason Western Asset SMASh Series C Fund, the Legg Mason Western Asset SMASh Series M Fund and the Legg Mason Western Asset SMASh Series EC Fund (collectively, the "Core Plus SMASh Funds"). The Core Plus SMASh Funds' prospectus describes the principal investment strategies of each Core Plus SMASh Fund. The Legg Mason Western Asset SMASh Series EC Fund may invest without limit in both investment grade and below investment grade debt obligations rated C or above by Standard & Poor's (or the equivalent). Below investment grade debt obligations are commonly known as "junk bonds" or "high yield securities." The managers use investments in the Core Plus SMASh Funds to obtain efficient exposure to certain fixed income sectors that, due to the nature of the securities involved, generally do not allow for practical and prudent exposure through direct client account investment in such securities. A Western Asset Core Plus portfolio's allocation to each of the Core Plus SMASh Funds will vary over time based on the managers' discretionary allocation decisions, as well as market fluctuations. A portfolio's aggregate allocation to the Core Plus SMASh Funds generally will not exceed 50%. However, a portfolio's aggregate allocation to the Core Plus SMASh Funds may temporarily exceed 50% due to market fluctuations and pending reallocation by the manager. A Core Plus SMASh Fund may invest a portion of its assets in fixed income sectors other than the above-referenced fixed income sectors, as described in the Core Plus SMASh Funds' prospectus.

A client may obtain a prospectus for the Core Plus SMASh Funds from the client's Sponsor Firm. The prospectus includes information concerning each Core Plus SMASh Fund's investment objectives, strategies and risks. The risks of investing in the Legg Mason Western Asset SMASh Series EC Fund include the risks associated with investing in "junk bonds" or "high yield securities." The prospectus also contains a description of the tax consequences associated with the redemption of Core Plus SMASh Fund shares and the receipt of dividend and capital gains distributions from the Core Plus SMASh Funds. Core Plus SMASh Fund redemptions may occur as a result of reallocation among fixed income sectors, account withdrawals and account termination.

By selecting a Western Asset Core Plus portfolio, a client consents to the investment of account assets in the Core Plus SMASh Funds. The client may revoke this consent by terminating the client's Western Asset Core Plus portfolio. In the event of such a termination, the managers will redeem the client's Core Plus SMASh Fund shares. An affiliate of Western Asset serves as the Core Plus SMASh Funds' manager and Western Asset serves as the

Funds' sub-adviser. Only separately managed account clients of Western Asset or its affiliates may purchase shares of the Core Plus SMASh Funds. While neither the manager nor the sub-adviser of the Core Plus SMASh Funds charges a management fee to the Core Plus SMASh Funds, the manager and sub-adviser do receive portions of the fees clients pay for management of Western Asset Core Plus portfolios.

Risks. The main risks associated with Western Asset Core Plus portfolio investments in individual fixed income securities are General Investment Risk, Credit Risk, Extension Risk, Interest Rate Risk, Non-U.S. Investment Risk and Prepayment Risk. See Appendix B for explanations of these risks. The risks associated with investments in the Core SMASh Funds are described in the Funds' prospectus, which is available from Sponsor Firms.

Western Asset Credit Monitored Corporate Bond Ladders

Western Asset Credit Monitored Corporate Bond Ladder portfolios seek to provide periodic income through investment in a diversified portfolio of investment grade (at the time of purchase) corporate bonds with laddered maturities. "Laddering" involves building a portfolio of corporate bonds with staggered maturities so that a portion of the portfolio will mature periodically. The client selects a maturity range for the ladder from among those ranges made available by Western Asset. Currently, a 1-10 Year maturity range is made available by Western Asset. Portfolios generally will hold one to three issues for each maturity rung on the ladder. Individual corporate bonds are purchased with the intent to hold such security until maturity unless Western Asset determines to sell such security due to credit concerns or the sale of such security is needed to fund a client withdrawal of funds. To maintain the ladder, money that comes in from maturing bonds is typically reinvested in bonds with longer maturities within the range of the ladder. Western Asset Credit Monitored Corporate Bond Ladder portfolios will invest in individual corporate bonds that are rated Baa/BBB or above at the time of purchase by one or more Nationally Recognized Statistical Rating Organizations or, if unrated, in securities of comparable quality at the time of purchase, as determined by Western Asset. Western Asset selects and monitors securities for Western Asset Credit Monitored Corporate Bond Ladder portfolios using Western Asset's proprietary research.

Risks. The main risks for Western Asset Credit Monitored Corporate Bond Ladder portfolios are General Investment Risk, Credit Risk, Interest Rate Risk, and Non-U.S. Investment Risk. See Appendix B for explanations of these risks.

Western Asset GSM 3-Year

Western Asset GSM 5-Year

Western Asset GSM 7-Year

Western Asset Gov/Corp*

The Western Asset GSM 3-Year ("GSM3") portfolios, Western Asset GSM 5-Year ("GSM5") portfolios and Western Asset GSM 7-Year ("GSM7") portfolios seek to produce total returns over complete market cycles that exceed appropriate benchmark returns. As part of this total return investment approach, the portfolios also seek to preserve principal. Western Asset manages these portfolios based on analysis of specific fundamental factors. The portfolio managers are responsible for monitoring daily market activity in an attempt to provide incremental return exceeding that expected under certain buy and hold and random trading strategies. These portfolios involve investments in U.S. Treasury and federal agency securities with varying maturities. GSM3 portfolios have average maturities of three years or less. GSM5 portfolios have average maturities of five years or less. GSM7 portfolios have average maturities of seven years or less.

The Western Asset Gov/Corp portfolios employ the same strategies as the Western Asset GSM portfolios described above, combining the GSM7 portfolio investment approach with intermediate-term investment grade corporate bonds. Gov/Corp accounts may also include taxable municipal securities and investment grade, U.S.-dollar denominated fixed income securities (issued in the United States) of non-U.S. developed and emerging market sovereign and corporate issuers when the managers believe they are attractive investments.

Risks. The main risks associated with GSM and Gov/Corp portfolios are General Investment Risk, Credit Risk, Interest Rate Risk and, for Gov/Corp portfolios, Non-U.S. Investment Risk. See Appendix B for explanations of these risks.

* These portfolios are referred to as "Taxable Fixed Income" for Raymond James clients.

Western Asset Enhanced Cash SMA

In managing Western Asset Enhanced Cash SMA (“EC”) portfolios, Western Asset analyzes both the economy and specific investments. In performing economic analysis, Western Asset seeks to determine the direction of the economy and the direction of interest rates, as well as the implications that changes in economic fundamentals can have on the various categories of fixed income investments. Western Asset performs both duration and yield curve analysis to determine a maturity position and structure it believes will provide total returns superior to money market investments. Western Asset performs sector and security analysis decisions in an effort to identify value and in order to evaluate portfolio candidates based on credit fundamentals and price. Western Asset may invest EC portfolios in dollar denominated U.S. Treasury or Agency securities, corporate obligations including commercial paper, corporate bonds, Eurobonds and Yankee debt, asset-backed securities, non-U.S. sovereign debt, and U.S. Agency collateralized mortgage obligations.

Risks. The main risks associated with EC portfolios are General Investment Risk, Credit Risk, Interest Rate Risk and Non-U.S. Investment Risk. See Appendix B for explanations of these risks.

Western Asset Intermediate Corporate Bond

Western Asset Intermediate Corporate Bond portfolios seek to produce total returns over complete market cycles that exceed appropriate benchmark returns. As part of this total return investment approach, the portfolios also seek to preserve principal. Western Asset manages these portfolios based on analysis of specific fundamental factors. The portfolio managers are responsible for monitoring daily market activity in an attempt to provide incremental return exceeding that expected under certain buy and hold and random trading strategies. These portfolios involve investments primarily in intermediate-term, investment grade (at time of purchase) corporate bonds with varying maturities. Intermediate Corporate Bond accounts may also include investments in U.S. federal agency securities, U.S. Treasury securities and U.S. dollar-denominated fixed income securities (issued in the United States) of non-U.S. corporate issuers. Intermediate Corporate Bond portfolios typically have a duration target of within +/-20% of their benchmark’s duration.

Risks. The main risks associated with Western Asset Intermediate Corporate Bond portfolios are General Investment Risk, Credit Risk, Interest Rate Risk and Non-U.S. Investment Risk. See Appendix B for explanations of these risks.

Western Asset Custom

Western Asset Custom portfolios are customized portfolios of fixed income securities that are professionally managed in accordance with specific investment guidelines developed by the client in conjunction with the client’s financial advisor and Western Asset based on the client’s circumstances (including other investments), financial objectives and needs. Such guidelines may address one or more of the following: maturity and duration limitations applicable to overall portfolio or to individual portfolio holdings; credit quality specifications applicable to overall portfolio or to individual portfolio holdings, including actions that must be taken in the event of credit downgrades; individual issuer concentration limitations; sector exposure limitations or restrictions; exposure guidelines, limitations or restrictions for specific issuers or types of fixed income securities; extent to which portfolio should focus on “total return” or “income generation”; income generation targets; limitations on realization of short-term or long-term capital gains; and target levels of cash or short-term maturity investments.

Risks. The main risks for Western Asset Custom portfolios are General Investment Risk, Credit Risk and Interest Rate Risk. Depending on the specific investment guidelines established for the portfolio, additional significant risks may include Below Investment Grade Risk, Geographic Concentration Risk, Industry Concentration Risk, Issuer Concentration Risk, Extension Risk, Illiquidity Risk, Non-U.S. Investment Risk and Prepayment Risk. A client should develop investment guidelines for a Western Asset Custom Portfolio only after considering the client’s specific circumstances (including other investments), financial objectives and needs.

Fixed Income—Tax Favored

Western Asset Current Market Muni^{**}

Western Asset Short-Term Muni

^{**} For Ameriprise clients, these portfolios are referred to as “Western Asset U.S. Tax Exempt.”

Western Asset Current Market Muni portfolios seek total return over a market cycle, consisting of capital gain (taxable) and income that is exempt from regular U.S. income tax.² Western Asset selects municipal securities for the portfolios with a focus on diversification within sectors and regions and high credit quality. Municipal securities are debt securities issued by a state or any of its political subdivisions, agencies and public authorities. A municipal security typically is backed either by the taxing power of the municipal issuer (“general obligation bonds”) or by the revenues from a specific project (“revenue bonds”). By actively managing client portfolios, Western Asset seeks to enhance returns and reduce risks by taking advantage of shifts in the municipal yield curve, credit quality spreads and variations in market sectors. There are no restrictions on the average maturity of Current Market Muni portfolios. Depending on Western Asset’s interest rate outlook, the average maturity of bonds in Current Market Muni portfolios generally ranges from three to seven years.

In certain Single Contract Programs, Western Asset manages Current Market Muni portfolios as state-specific portfolios for clients that indicate certain states as their state of residence or tax state, unless the client or the client’s Sponsor Firm specifically selects a national or state-biased portfolio. Western Asset invests national portfolios in municipal securities of issuers in multiple states and invests state-specific portfolios only in municipal securities of issuers in the specified state. For state-biased portfolios, Western Asset emphasizes investments in securities of issuers in the specified state, but may also invest in municipal securities of issuers in other states and U.S. jurisdictions. Western Asset may limit the states for which state-specific and state-biased portfolios are available.

Short-Term Muni portfolios seek total return over a market cycle, while aiming for a higher degree of stability and liquidity than Current Market Muni portfolios. Depending on Western Asset’s interest rate outlook, the average maturity of bonds in Short-Term Muni portfolios generally ranges between zero and three years.

Risks. The main risks for Current Market Muni and Short-Term Muni portfolios are General Investment Risk, Credit Risk, Interest Rate Risk, Illiquidity Risk and, for state-specific and state-biased portfolios, Geographic Concentration Risk. See Appendix B for explanations of these risks.

Western Asset Municipal Opportunities

The Western Asset Municipal Opportunities portfolios are professionally managed portfolios of long, short and/or intermediate-term municipal securities. Municipal securities are debt securities issued by a state or any of its political subdivisions, agencies and public authorities. A municipal security typically is backed either by the taxing power of the municipal issuer (“general obligation bonds”) or by the revenues from a specific project (“revenue bonds”). Western Asset typically works with clients to develop an investment approach that reflects the client’s desired risk/reward profile for the portfolio and other investment preferences. Western Asset generally manages these portfolios with the objective of generating total return consistent with the provision of tax-exempt income.²

Risks. The main risks for Municipal Opportunities portfolios are General Investment Risk, Credit Risk, Interest Rate Risk and Illiquidity Risk. Depending on the specific investment approach a client selects, additional significant risks may include Geographic Concentration Risk and Below Investment Grade Risk. See Appendix B for explanations of these risks.

Western Asset Municipal Income Plus

Western Asset Municipal Income Plus (“MIP”) portfolios seek total return over a market cycle, consisting of capital gain (taxable) and income that is exempt from regular U.S. income tax.² The MIP portfolios also seek to enhance current income through exposure to higher yielding, lower rated municipal obligations. In order to gain such exposure, the portfolios invest in shares of the Western Asset Municipal High Income SMASh Fund, an open-end investment management company registered under the Investment Company Act of 1940, as amended (the “MHI SMASh Fund”). Below investment grade debt obligations are commonly known as “junk bonds” or “high yield securities.”

Western Asset selects individual municipal securities for MIP portfolios with a focus on diversification within sectors and regions. Municipal securities are debt securities issued by a state or any of its political subdivisions, agencies and public authorities. A municipal security typically is backed either by the taxing power of the municipal issuer (“general obligation bonds”) or by the revenues from a specific project (“revenue bonds”). By actively managing client portfolios, Western Asset seeks to enhance returns and reduce risks by taking advantage of shifts in

² LMPPG and the Subadvisers, including Western Asset, do not provide tax advice and, therefore, cannot guarantee that income from a municipal security will not be taxable. Clients should consult their own tax advisers for tax advice.

the municipal yield curve, credit quality spreads and variations in market sectors. There are no restrictions on the average maturity of bonds in the individual municipal securities portion of MIP portfolios. Depending on Western Asset's interest rate outlook, the average maturity of bonds in the individual municipal securities portion of MIP portfolios generally ranges from three to seven years.

The individual municipal securities portion of MIP portfolios will include securities of issuers in multiple states. Clients who are residents of California or New York have the option of selecting a state-biased portfolio. For clients that select a state-biased portfolio, Western Asset, to the extent consistent with its overall market views, emphasizes investments in securities of issuers in the specified state, but may also invest in municipal securities of issuers in other states and U.S. jurisdictions.

The MHI SMASH Fund's prospectus describes the principal investment strategies of the MHI SMASH Fund. The MIP managers use investments in shares of the MHI SMASH Fund to obtain efficient exposure to high yield, below investment grade municipal securities that, due to the nature of securities involved, generally do not allow for practical and diversified exposure through direct client account investment in such securities. A MIP portfolio's aggregate allocation to the MHI SMASH Fund generally will be targeted at 30%. However, a portfolio's aggregate allocation to the MHI SMASH Fund may exceed or be lower than 30% for a period of time due to market fluctuations and pending rebalancing by the portfolio managers.

The MHI SMASH Fund may invest a portion of its assets in fixed income securities and other investments whose interest may be subject to federal income tax, as described in the MHI SMASH Fund's prospectus.

A client may obtain a prospectus for the MHI SMASH Fund from the client's Sponsor Firm. The prospectus includes information concerning the MHI SMASH Fund's investment objective, strategies, investments and risks. The prospectus also contains a description of the tax consequences associated with the redemption of the MHI SMASH Fund shares and the receipt of dividend and capital gains distributions from the MHI SMASH Fund. MHI SMASH Fund redemptions may occur as a result of rebalancing an account's allocation to the MHI SMASH Fund, account withdrawals and account termination.

By selecting a MIP portfolio, a client consents to the investment of account assets in the MHI SMASH Fund. The client may revoke this consent by terminating the client's MIP portfolio. In the event of such a termination, the managers will redeem the client's MHI SMASH Fund shares. An affiliate of Western Asset serves as the MHI SMASH Fund's manager and Western Asset serves as the MHI SMASH Fund's sub-adviser. Only separately managed account clients of Western Asset or its affiliates may purchase shares of the MHI SMASH Fund. While neither the manager nor the sub-adviser of the MHI SMASH Fund charges a management fee to the MHI SMASH Fund, the manager and sub-adviser do receive portions of the fees clients pay for management of MIP portfolios.

Risks. The main risks associated with MIP portfolio investments in individual municipal securities are General Investment Risk, Credit Risk, Interest Rate Risk, Illiquidity Risk and, for state-specific and state-biased portfolios, Geographic Concentration Risk. See Appendix B for explanations of these risks. The risks associated with investments in the MHI SMASH Fund are described in the MHI SMASH Fund's prospectus, which is available from Sponsor Firms. One of the main risks associated with MIP portfolio investments in the MHI SMASH Fund is below investment grade risk. Below investment grade securities or "junk bonds" are considered speculative, have a higher risk of default, tend to be less liquid and are more difficult to value than higher grade securities. Junk bonds tend to be more volatile and more susceptible to adverse events and market sentiments.

Western Asset Tax-Efficient Enhanced Cash SMA

The Western Asset Tax-Efficient Enhanced Cash SMA portfolios may invest in municipal securities, U.S. Treasury and Agency securities, corporate obligations including commercial paper, corporate bonds, Eurobonds and Yankee debt, asset-backed securities, non-U.S. sovereign debt, and U.S. Agency collateralized mortgage obligations. Western Asset typically works with the client to develop an investment approach that reflects the client's desired risk/reward profile and other investment preferences. Western Asset manages these portfolios with the objective of generating total return, including tax-exempt income from municipal securities and any other tax-favored investments.² Municipal securities are securities issued by states, municipalities and public authorities. A

² LMPPG and the Subadvisers, including Western Asset, do not provide tax advice and, therefore, cannot guarantee that income from a municipal security will not be taxable. Clients should consult their own tax advisers for tax advice.

municipal security typically is backed either by the taxing power of the municipal issuer ("general obligation bonds") or by the revenues from a specific project ("revenue bonds").

Risks. The main risks for Tax-Efficient Enhanced Cash SMA portfolios are General Investment Risk, Credit Risk, Interest Rate Risk, Illiquidity Risk and Non-U.S. Investment Risk. Depending on the specific investment approach a client selects, additional significant risks may include Geographic Concentration Risk and Below Investment Grade Risk. See Appendix B for explanations of these risks.

Western Asset Credit Monitored Municipal Bond Ladders

Western Asset Credit Monitored Municipal Bond Ladder portfolios seek to provide periodic income that is exempt from regular U.S. income tax through investment in a diversified portfolio of municipal securities with laddered maturities. Municipal securities are debt securities issued by a state or any of its political subdivisions, agencies or public authorities. A municipal security typically is backed either by the taxing power of the municipal issuer ("general obligation bonds") or by the revenues from a specific project ("revenue bonds"). "Laddering" involves building a portfolio of municipal securities with staggered maturities so that a portion of the portfolio will mature periodically. The client selects a maturity range for the ladder from among those ranges made available by Western Asset. Currently, 1-15 Year and 1-30 Year maturity ranges are made available by Western Asset. Portfolios generally will hold one to three issues for each maturity rung on the ladder. Individual municipal securities are purchased with the intent to hold such security until maturity unless Western Asset determines to sell such security due to credit concerns or the sale of such security is needed to fund a client withdrawal of funds. To maintain the ladder, money that comes in from maturing bonds is typically reinvested in bonds with longer maturities within the range of the ladder. Western Asset Credit Monitored Municipal Bond Ladder portfolios will invest in individual municipal securities that are rated Baa/BBB or above at the time of purchase by one or more Nationally Recognized Statistical Rating Organizations or, if unrated, in securities of comparable quality at the time of purchase, as determined by Western Asset. Western Asset selects and monitors securities for Western Asset Credit Monitored Municipal Bond Ladder portfolios using Western Asset's proprietary research. Western Asset Credit Monitored Municipal Bond Ladder portfolios generally will not invest in municipal securities that are subject to the Alternative Minimum Tax ("AMT bonds"). Western Asset Credit Monitored Municipal Bond Ladder portfolios generally will include securities of issuers in multiple states and U.S. jurisdictions. Clients who are residents of California, New York or certain other states have the option of selecting a state-specific or state-biased portfolio. Western Asset invests state-specific portfolios only in municipal securities of issuers in the specified state. For state-biased portfolios, Western Asset emphasizes investments in securities of issuers in the specified state, but may also invest in municipal securities of issuers in other states and U.S. jurisdictions. Western Asset may limit the states for which state-specific and state-biased portfolios are available.

Risks. The main risks for Credit Monitored Municipal Bond Ladder portfolios are General Investment Risk, Credit Risk, Interest Rate Risk, Illiquidity Risk and, for state-specific and state-based portfolios, Geographic Concentration Risk. See Appendix B for explanations of these risks.

Western Asset Tax-Efficient Bond

Western Asset Tax-Efficient Bond portfolios seek to produce total returns over complete market cycles that exceed benchmark returns through an actively managed, tax-efficient portfolio that has taxable and tax-exempt components. Western Asset determines a portfolio's allocation to taxable and tax-exempt components in its discretion. Such allocations will vary over time due to market movements and Western Asset's allocation decisions. Investments may include municipal obligations that are exempt from U.S. federal income tax and taxable fixed income obligations such as U.S. Treasury and agency, corporate and mortgage-backed obligations. U.S. dollar-denominated fixed income securities of non-U.S. developed and emerging market sovereign and corporate issuers may also be included in the taxable component of portfolios. Securities will have a minimum rating of Baa3/BBB- at the time of purchase, using the higher of split ratings. Securities downgraded below Baa3/BBB- will be evaluated by Western Asset on a case-by-case basis. A Western Asset Tax-Efficient Bond portfolio's investment in taxable fixed income obligations will be substantial.

Risks. The main risks for Western Asset Tax-Efficient Bond Portfolios are General Investment Risk, Credit Risk, Interest Rate Risk, Extension Risk, Prepayment Risk, Below Investment Grade Risk, Illiquidity Risk and Non-U.S. Investment Risk. See Appendix B for explanations of these risks.

Western Asset Custom Muni

Western Asset Custom Muni Portfolios are customized portfolios of municipal and other securities that are professionally managed in accordance with specific investment guidelines developed by the client in conjunction with the client's financial advisor and Western Asset based on the client's circumstances (including other investments), financial objectives and needs. Such guidelines may address one or more of the following: maturity and duration limitations applicable to overall portfolio or to individual portfolio holdings; credit quality specifications applicable to overall portfolio or to individual portfolio holdings, including actions that must be taken in the event of credit downgrades; individual issuer concentration limitations; sector exposure limitations or restrictions; exposure guidelines, limitations or restrictions for specific states; limitations or restrictions with respect to securities subject to AMT (alternative minimum tax); ability to invest in securities other than tax-free municipal securities, including without limitation taxable municipal bonds, corporate bonds, U.S. Treasury or agency securities, preferred stock and variable rate demand notes; extent to which portfolio should focus on "total return" or "income generation"; income generation targets; limitations on realization of short-term or long-term capital gains; and target levels of cash or short-term maturity investments.

Risks: The main risks for Western Asset Custom Muni Portfolios are General Investment Risk, Credit Risk, Interest Rate Risk and Illiquidity Risk. Depending on the specific investment guidelines established for the portfolio, additional significant risks may include Geographic Concentration Risk, Industry Concentration Risk, Issuer Concentration Risk, Extension Risk, Prepayment Risk and Below Investment Grade Risk. See Appendix B for explanations of these risks. A client should develop investment guidelines for a Western Asset Custom Muni Portfolio only after considering the client's specific circumstances (including other investments), financial objectives and needs.

Legg Mason Multiple Discipline Account[®]

The Legg Mason Multiple Discipline Account[®] enables clients to allocate their assets among multiple investment styles using one client account.³ Currently, LMPPG makes the following portfolios available (generally in pre-set allocation combinations) in the Multiple Discipline Account: ClearBridge All Cap Growth, ClearBridge All Cap Value, ClearBridge Appreciation, ClearBridge Dividend Strategy, ClearBridge International Value ADR, Western Asset GSM 7-Year, Western Asset Core Plus, Western Asset Current Market Muni, ClearBridge International Growth ADR, ClearBridge Large Cap Growth, ClearBridge Large Cap Value and ClearBridge Multi Cap Growth. These portfolios are described in this Section A. LMPPG may make additional portfolios available in Multiple Discipline Accounts for which a Legg Mason Custom Asset Management level of service is selected. See "Legg Mason Custom Asset Management" in Section B of this Item 8 for information about these service levels.

LMPPG or the other firm that implements Subadviser investment decisions purchases and sells securities for the client's Legg Mason Multiple Discipline Account based on instructions received from the Subadvisers responsible for such portfolios.

Where LMPPG implements Subadviser investment decisions, it may make adjustments if one or more segments of the client's allocation becomes over- or under-weighted as a result of market appreciation or depreciation. LMPPG generally makes such adjustments (excluding adjustments requested by clients) with the approval of the applicable Subadviser(s). Where a firm other than LMPPG implements Subadviser investment decisions, such other firm may make adjustments if one or more segments of the client's allocation become over- or under-weighted as a result of market appreciation or depreciation. Because all over- and under-weights will not result in allocation adjustments, over time a client's allocation may shift as markets change. As a result of the possibility of allocation adjustments, the performance and tax attributes of a Legg Mason Multiple Discipline Account may differ from the performance and tax attributes of single-style portfolios that are managed separately.

³ Multiple Discipline Account[®] is a trademark of Morgan Stanley Smith Barney LLC. LMPPG, which is not affiliated with Morgan Stanley Smith Barney LLC, uses this trademark under license.

The current equity-oriented investment options offered in Legg Mason’s Multiple Discipline Account are as follows:

Legg Mason MDA0— (All Cap Blend)	50% ClearBridge All Cap Growth 50% ClearBridge All Cap Value ⁴
Legg Mason MDA1— (Large Cap Blend)	50% ClearBridge Large Cap Growth 50% ClearBridge Large Cap Value ^{5,6}
Legg Mason MDA2— (Global Large Cap Growth)	70% ClearBridge Large Cap Growth 30% ClearBridge International Growth ADR ⁷
Legg Mason MDA 3— (Dividends & Growth)	70% ClearBridge Dividend Strategy ⁸ 30% ClearBridge Multi Cap Growth
Legg Mason MDA4— (Global Multi-Cap Growth)	40% ClearBridge Large Cap Growth 30% ClearBridge International Growth ADR ⁷ 30% ClearBridge Multi Cap Growth
Legg Mason MDA5— (Multi-Cap Blend III)	40% ClearBridge Large Cap Growth 40% ClearBridge Large Cap Value ⁵ 20% ClearBridge Multi Cap Growth
Legg Mason MDA6—	40% ClearBridge Large Cap Growth 40% ClearBridge Large Cap Value ⁵ 20% ClearBridge International Growth ADR ⁷
Legg Mason MDA7— (Global Growth)	30% ClearBridge Large Cap Growth 30% ClearBridge Large Cap Value ⁵ 20% ClearBridge International Growth ADR ⁷ 20% ClearBridge Multi Cap Growth
Legg Mason MDA8— (Global All Cap Blend)	40% ClearBridge All Cap Growth 40% ClearBridge All Cap Value ⁴ 20% ClearBridge International Value ADR
Legg Mason—Multi-Cap Blend I—	70% ClearBridge All Cap Value 30% ClearBridge Multi Cap Growth
Legg Mason—Multi-Cap Blend II —	50% ClearBridge All Cap Value 50% ClearBridge Large Cap Growth
Legg Mason—Global Mid-Large Cap Blend—	40% ClearBridge Large Cap Growth 30% ClearBridge Mid Cap Core 30% ClearBridge International Growth ADR

⁴ ClearBridge Large Cap Value can be substituted for ClearBridge All Cap Value. For Linsco Private Ledger clients, the Legg Mason MDA0 or All Cap Blend portfolios are referred to as “MDA-All Cap Core.”

⁵ ClearBridge All Cap Value can be substituted for ClearBridge Large Cap Value. If ClearBridge All Cap Value is substituted (i) the Multi-Cap Blend III portfolios are instead referred to as “Diversified All Cap” and (ii) the Global Growth portfolios are instead referred to as “Global All Cap.”

⁶ MDA1 or Large Cap Blend accounts with allocations to ClearBridge Large Cap Growth and ClearBridge Large Cap Value are referred to as “Legg Mason Large Cap” for Ameriprise clients.

⁷ ClearBridge International Value ADR can be substituted for ClearBridge International Growth ADR.

⁸ ClearBridge Appreciation can be substituted for ClearBridge Dividend Strategy.

Legg Mason—Current Income—	80% Western Asset GSM 7-Year 20% ClearBridge Large Cap Growth
Legg Mason—Balanced—	60% Western Asset GSM 7-Year 20% ClearBridge Large Cap Value 20% ClearBridge Large Cap Growth
Legg Mason—Growth & Income—	40% Western Asset GSM 7-Year 20% ClearBridge Large Cap Value 20% ClearBridge Large Cap Growth 20% ClearBridge International Growth ADR
Legg Mason—Moderate Growth—	20% Western Asset GSM 7-Year 20% ClearBridge Large Cap Growth 20% ClearBridge Large Cap Value 20% ClearBridge Mid Cap Core 20% ClearBridge International Growth ADR
Legg Mason—Growth—	25% ClearBridge Large Cap Value 25% ClearBridge Large Cap Growth 25% ClearBridge Mid Cap Core 25% ClearBridge International Growth ADR

Each of the above equity-oriented options with a numeric identifier, Legg Mason-Global Mid-Large Cap Blend and Legg Mason-Diversified All Cap are also offered as part of the following balanced investment options offered in Legg Mason's Multiple Discipline Account:

Legg Mason Balanced 70/30—	70% Equity (see equity allocations above) 30% Western Asset GSM 7-Year ⁹
Legg Mason Balanced 60/40—	60% Equity (see equity allocations above) 40% Western Asset GSM 7-Year ⁹

The equity portion of each of the above balanced investment options is invested in one of the Legg Mason Multiple Discipline Account equity investment options set forth above, as designated by the client, provided that the target percentage allocation to an asset class utilized under an equity option is subject to adjustment, based on methodology established by LMPPG, so that the target percentage allocation to such asset class, expressed as a percentage of the client's entire account, is a whole number percentage allocation.

The following additional balanced investment options are offered in Legg Mason's Multiple Discipline Account:

Legg Mason—Income and Dividends (70/30)—	70% Western Asset Core Plus 30% ClearBridge Dividend Strategy
Legg Mason—Income and Dividends (60/40)—	60% Western Asset Core Plus 40% ClearBridge Dividend Strategy
Legg Mason—Income and Equity—	60% Western Asset Core Plus 28% ClearBridge Dividend Strategy 12% ClearBridge Multi Cap Growth
Legg Mason—Income and Global Equity—	50% Western Asset Core Plus 30% ClearBridge Dividend Strategy 10% ClearBridge Multi Cap Growth 10% ClearBridge International Value ADR

⁹ Western Asset Current Market Muni can be substituted for these portfolios.

LMPPG and the Subadvisers do not provide asset allocation advice as part of their investment advisory services for Legg Mason Multiple Discipline Accounts. For accounts in excess of \$500,000, the client may be able to tailor the asset allocation and investment management portfolios.

Certain Legg Mason Multiple Discipline Account portfolios no longer available to new clients, but still provided to existing clients who selected such portfolios, are not specifically described in this brochure herein. LMPPG may have referred to certain of these portfolios with numbers (e.g., MDA3) that now refer to different, currently offered Legg Mason Multiple Discipline Account portfolios. Clients who continue to receive investment management services in accordance with Legg Mason Multiple Discipline Account portfolios no longer specifically described in this brochure should contact their Sponsor Firm representatives if they have questions about such portfolios.

Risks: Legg Mason Multiple Discipline Accounts are subject to the risks associated with their underlying investment portfolios, as described in this brochure and on Appendix B.

ClearBridge Dynamic MDAs

LMPPG and ClearBridge make available various ClearBridge Dynamic MDA portfolios that allocate client assets among certain of the ClearBridge equity investment styles described above and certain of the ClearBridge Fixed Income ETF Portfolios described below in “Custom Asset Management-ClearBridge Fixed Income ETF Models”.

Available ClearBridge Dynamic MDA Portfolios include:

<u>Portfolios</u>	<u>Underlying Investment Styles</u>	<u>Allocation Bands</u>
ClearBridge Dynamic MDA U.S. Growth Portfolio	ClearBridge Large Cap Growth	20% - 55%
	ClearBridge Multi Cap Growth	20% - 40%
	ClearBridge Mid Cap Growth	20% - 55%
ClearBridge Dynamic MDA Global Growth Portfolio	ClearBridge All Cap Growth	20% - 55%
	ClearBridge Mid Cap Growth	20% - 55%
	ClearBridge International Growth ADR	20% - 55%
ClearBridge Dynamic MDA U.S. Growth and Income Portfolio	ClearBridge Dividend Strategy	20% - 50%
	ClearBridge Large Cap Growth	20% - 50%
	ClearBridge Multi Cap Growth	20% - 50%
ClearBridge Dynamic MDA U.S. Dividend Balanced Portfolio	ClearBridge Appreciation	20% - 50%
	ClearBridge Dividend Strategy	20% - 50%
	ClearBridge Select ETF Investment Grade Bond	15% - 55%
ClearBridge Dynamic MDA Global Dividend Balanced Portfolio	ClearBridge Dividend Strategy	20% - 55%
	ClearBridge International Value ADR	20% - 55%
	ClearBridge Select ETF Investment Grade Bond	20% - 55%

ClearBridge allocates a portfolio’s assets among the designated underlying investment styles, generally operating within the allocation bands set forth above. ClearBridge seeks to add value by periodically reviewing and adjusting a portfolio’s allocation among its underlying investment styles within the allocation bands set forth above.

In the event that a portfolio’s allocation to an underlying investment style exceeds the upper end of its allocation band or drops below the lower end of its allocation band due to market movements, ClearBridge will take steps to promptly adjust the portfolio’s allocation to such investment style so that such allocation is brought back within the allocation band.

ClearBridge’s asset allocation determinations, reviews and adjustments are made using a proprietary, quantitative model that helps ClearBridge assess the relative attractiveness of various asset categories and potential for increased

returns relative to risk using various combinations of underlying investment styles. The goal of the process is to seek to enhance an account's long-term performance and risk-adjusted returns relative to portfolios that are not subject to regular asset allocation reviews and adjustments.

As a result of the dynamic asset allocation process described above, the performance and tax attributes of a ClearBridge Dynamic MDA will differ from the performance and tax attributes of single-style portfolios that are managed separately. Allocation adjustments among underlying investment styles will result in the realization of capital gains and losses.

Risks: ClearBridge Dynamic MDA portfolios are subject to the risks associated with their underlying investment portfolios, as described in this brochure and in Appendix B. In addition, such accounts are subject to Asset Allocation Risk. See Appendix B for an explanation of Asset Allocation Risk.

B. Custom Asset Management

LMPPG and Sponsor Firms may make available two types of customized investment management services: Custom Multiple Discipline Account and Custom Portfolios. Custom Portfolios may also be referred to as "ClearBridge Private Client Management" accounts.

Custom MDA

As described under "Legg Mason Multiple Discipline Account[®]," a Custom Multiple Discipline Account allows the client to tailor asset allocation to two or more management styles using one account. LMPPG does not provide asset allocation advice as part of its investment advisory services in connection with Custom Multiple Discipline Accounts. Apart from the client's tailoring of the account's asset allocation (by specifying approximate target allocations for the account), LMPPG manages Custom Multiple Discipline Accounts in the same manner as Legg Mason Multiple Discipline Accounts with pre-set asset allocations. The minimum account size for Custom Multiple Discipline Accounts is \$500,000, although LMPPG, in its discretion, may waive this minimum for any one or more clients.

Custom Portfolios/ClearBridge Private Client Management

For a Custom Portfolio or ClearBridge Private Client Management account, the client works with a ClearBridge portfolio manager to select one or more ClearBridge investment styles and approximate target allocations. Available ClearBridge investment styles may include not only ClearBridge equity strategies but also ClearBridge Taxable Fixed Income Management or ClearBridge Non-Taxable Fixed Income Management strategies (see below). Custom Portfolios allow for greater tailoring to client needs than may be available for a non-Custom account, including accommodation of a wider range of client-imposed restrictions. Available customization features may include rebalancing based on client needs, responsiveness to tax considerations and coordination of tax-sensitive selling. In addition, although ClearBridge's separate account management services generally are model-based, ClearBridge may agree to manage Custom Portfolio accounts in accordance with modified investment models in order to meet specific income requirements or other client preferences.

A Custom Portfolio may have one or more of the following investment features, each of which involves an increased risk of loss to the client: (i) less security holdings for one or more of the investment styles represented in the account (i.e., less diversification) than in non-customized accounts; (ii) different security weightings than in non-customized accounts; and (iii) security holdings that are not held in non-customized accounts. The management and performance of Custom Portfolios typically will vary from the management and performance of non-customized portfolios of the same style(s) due to one or more of the customization features described above. In addition, ClearBridge's application of customization features to Custom Portfolio accounts may result in trades for such accounts being placed after trades in the same securities are placed for non-customized accounts of the same style. Any such timing differences could negatively impact Custom Portfolios.

A Custom Portfolio account will subject a client to the main risks described in this brochure for each investment style represented in the account and generally will also involve additional risks associated with the client's customization requirements. The additional risks associated with a Custom Portfolio account may include any one or more of the risks explained in Appendix B. Clients should impose customization requirements only after considering the client's specific circumstances (including other investments), financial objectives and needs.

A Custom Portfolio may be invested in shares of closed-end funds, including closed-end funds for which one or more affiliates of LMPPG serves as investment manager or adviser and earns management or advisory fees. A client will bear a proportionate share of the fees and expenses incurred by any closed-end fund held in the client's account in addition to the wrap or management fees charged at the client account level. Any purchases of such shares are made in secondary market transactions. Accordingly, the purchase of such shares on behalf of client accounts does not result in increased compensation for LMPPG's affiliates. Closed-end funds often utilize leverage, which can increase the risk of large losses and increase portfolio volatility. Shares of closed-end funds frequently trade at a discount from their net asset value due to market and economic conditions and other factors. This risk is separate and distinct from the risk that the fund's net asset value could decrease as a result of its investment activities.

For multi-style Custom Portfolios, ClearBridge may make adjustments if one or more segments of a client's allocation to multiple investment styles becomes over- or under-weighted as a result of market appreciation or depreciation. Because all over- and under-weights will not result in allocation adjustments, a multi-style Custom Portfolio client's allocation may shift as markets change. As a result of the possibility of allocation adjustments, the performance and tax attributes of a multi-style Custom Portfolio may differ from the performance and tax attributes of separately managed single-style portfolios. Also, certain Custom Portfolio accounts may include Western Asset investment styles.

The minimum account size for Custom Portfolios is \$1 million, although ClearBridge in its discretion may waive this minimum for any one or more clients.

ClearBridge Taxable Fixed Income Management

For clients who select Custom Portfolios, ClearBridge may make available fixed income management for taxable fixed income investments. ClearBridge generally works with such clients who select ClearBridge Taxable Fixed Income Management to develop a fixed income investment approach that reflects the client's desired risk/reward profile for the portfolio and other investment preferences. Taxable fixed income investments may include U.S. Government and Agency securities, taxable municipal securities, corporate notes and bonds, commercial paper, planned amortization class collateralized mortgage obligations ("CMOs") and other early-tranche CMOs. ClearBridge Taxable Fixed Income Management portfolios may also make limited investments in shares of preferred stock. For Custom Portfolio accounts with ClearBridge Taxable Fixed Income Management allocations, ClearBridge selects broker-dealers to execute fixed income securities trades as described in Item 12 of this brochure.

Risks. The main risks associated with ClearBridge Taxable Fixed Income Management include General Investment Risk, Credit Risk, Extension Risk, Interest Rate Risk and Prepayment Risk. Depending on the specific investment approach, main risks may also include Geographic Concentration Risk, Issuer Concentration Risk and Illiquidity Risk. See Appendix B for explanations of these risks.

ClearBridge Non-Taxable Fixed Income Management¹⁰

For clients who select Custom Portfolios, ClearBridge may make available fixed income management for non-taxable fixed income investments. ClearBridge generally works with such clients who select ClearBridge Non-Taxable Fixed Income Management to develop a fixed income investment approach that reflects the client's desired risk/reward profile for the portfolio and other investment preferences. Non-taxable fixed income investments consist of municipal securities, which are debt securities issued by a state or any of its political subdivisions, agencies and public authorities. The income from municipal securities generally is exempt from regular U.S. income tax. Gains from the sale of municipal securities generally are subject to capital gains tax. For Custom Portfolio accounts with ClearBridge Non-Taxable Fixed Income Management allocations, ClearBridge selects broker-dealers to execute fixed income securities trades as described in Item 12 of this brochure.

Risks. The main risks associated with ClearBridge Non-Taxable Fixed Income Management include General Investment Risk, Credit Risk, Extension Risk, Interest Rate Risk and Prepayment Risk. Depending on the specific investment approach, main risks may also include Geographic Concentration Risk, Issuer Concentration Risk and Illiquidity Risk. See Appendix B for explanations of these risks.

¹⁰ LMPPG and ClearBridge do not provide tax advice and, therefore, cannot guarantee that income from a municipal security will not be taxable. Clients should consult their own tax advisers for tax advice.

ClearBridge Fixed Income ETF Portfolios

LMPPG and Sponsor Firms may make available ClearBridge Fixed Income ETF portfolios as part of ClearBridge Dynamic MDA, Custom MDA and multi-style Custom Portfolio accounts that include one or more equity styles (they generally are not available on a standalone basis). The fixed income ETF portfolios clients may be able to select are the ClearBridge Active ETF U.S. Treasury Portfolio, the ClearBridge Active ETF Municipal Portfolio, the ClearBridge Active ETF Taxable Portfolio, the ClearBridge Active ETF High Income Portfolio, the ClearBridge Select ETF Municipal Portfolio and the ClearBridge Select ETF Investment Grade Bond Portfolio. In addition, ClearBridge, in its sole discretion, may agree to client requests for different fixed income ETF portfolios. In determining the composition of each ETF portfolio, ClearBridge seeks to provide the client with investment exposure to the specified fixed income sector(s) through investment in one or more ETFs and to attain any other client objective ClearBridge has specifically agreed to pursue. In the case of an “Active ETF” portfolio, ClearBridge selects the underlying fixed income ETFs and actively manages the portfolio’s allocations to such fixed income ETFs. In the case of a “Select ETF” portfolio, ClearBridge selects the underlying fixed income ETFs, but does not anticipate making changes to the portfolio’s allocations to underlying ETFs except under exceptional market conditions.

An ETF is an unmanaged compilation of multiple individual securities and typically represents a particular securities index or sector of the securities market. All ETFs are subject to their own level of expenses. A client will bear a proportionate share of these expenses for each ETF held in the client’s account, in addition to the wrap or management fees charged at the client account level. An ETF’s prospectus describes the ETF’s expenses, along with the risks associated with investing in the ETF. Clients may obtain ETF prospectuses from their Sponsor Firms.

Risks. The Main risks for all ClearBridge Fixed Income ETF Portfolios include General Investment Risk, Credit Risk, Extension Risk, Interest Rate Risk and Prepayment Risk. Additional main risks for the ClearBridge Active ETF Taxable Portfolio and the ClearBridge Active ETF High Income Portfolio are Below Investment Grade Risk and Non-U.S. Investment Risk. An additional main risk for the ClearBridge Select ETF Investment Grade Bond Portfolio is Non-U.S. Investment Risk. Additional main risks for the ClearBridge Active ETF Municipal Portfolio and the ClearBridge Select ETF Municipal Portfolio are Illiquidity Risk and Geographic Concentration Risk. See Appendix B for explanations of these risks.

C. Certain Additional Information

Cash Balances. Significant cash balances may exist in client accounts from time to time, including when a Subadviser instructs account contributions and sales proceeds to be invested gradually. LMPPG and the Subadvisers do not determine the short-term investments in which cash balances are invested and are not responsible for the suitability or performance of such investments.

Client Contributions of Securities. If a client contributes securities to the client’s account and they are not included in the selected investment management portfolio, LMPPG or the other firm responsible for applying Subadviser investment decisions or recommendations to the account may sell such securities. Sales of contributed securities may result in taxable gains or losses. Also, investment of sales proceeds in accordance with the selected portfolio may not be immediate. Accounts funded in whole or in part with securities may perform differently and have different holdings and weightings than accounts funded solely with cash equivalents.

Account Uniformity and Certain Potential Differences. There may be a substantial degree of uniformity among client accounts (of either LMPPG or a Sponsor Firm) in LMPPG-Implemented Programs, Discretionary Model Programs and Non-Discretionary Model Programs that select the same investment management portfolio. However, many factors may cause differences in the composition and performance of such client accounts, including:

- Date of account inception
- Levels and timing of client-initiated activity, such as account contributions and withdrawals
- Client-imposed restrictions
- Investment limits (see below)

- A Subadviser’s approach to model portfolio maintenance and adjustment (see below)
- A Subadviser’s and LMPPG’s approach to adjusting or rebalancing account positions in response to market movements (see below)
- The relative outperformance or underperformance of individual portfolio holdings
- Differing portfolio composition requirements and implementation approaches of implementing firms in Discretionary Model Programs and Non-Discretionary Model Programs (see below)
- Differences in the timing of trade executions and prices obtained by LMPPG on behalf of clients in LMPPG-Implemented Programs relative to the timing of trade executions and prices obtained by an implementing firm on behalf of clients in Discretionary Model Programs and Non-Discretionary Model Programs

Certain regulatory or other limits on the amount a Subadviser (alone or together with its affiliates) may invest in a company may cause the composition and performance of client accounts for which the same portfolio is selected to vary from one another more than they otherwise might. For portfolios that involve investments in more volatile securities, these limits may cause even greater performance differences.

In the case of certain investment management portfolios, ClearBridge, as subadviser to LMPPG, may utilize a “static” model approach in maintaining and adjusting the model portfolio that it furnishes to LMPPG in LMPPG-Implemented Programs. Under such approach, the model portfolio’s percentage weightings to individual portfolio holdings are not continually adjusted to reflect the relative market performance of such holdings. Accordingly, a new account’s percentage weightings to portfolio holdings typically will differ from the percentage weightings in previously established accounts in the same strategy. In addition, in the case of certain ClearBridge investment management portfolios, client accounts may not be regularly adjusted or rebalanced in response to the relative underperformance or outperformance of such names over time. This will cause differences in portfolio weightings across client accounts over longer periods than in the case of strategies that adjust or rebalance client accounts more frequently. Differences in portfolio weightings across client accounts, combined with the relative outperformance or underperformance of individual portfolio holdings, will cause client accounts in the same investment management portfolio to experience differing performance over time.

For Discretionary Model Programs and Non-Discretionary Model Programs, the Sponsor Firm or another firm it selects (not LMPPG or a Subadviser) applies Subadviser investment decisions or recommendations to client accounts. Such a firm may impose model composition requirements, or follow implementation practices, that result in client accounts in these programs having different holdings and performing differently than LMPPG-Implemented Program client accounts for which the same investment management portfolio is selected.

Transfers to New Investment Programs—Potential Account Adjustments. If a client transfers an account from one investment program to another and selects the same investment management portfolio, LMPPG or the other firm responsible for implementing Subadviser investment decisions or recommendations for the new program may adjust the account’s holdings. This may result in the realization of capital gains or losses that would not have occurred if the client had not transferred the account. Account adjustments in this situation may result from LMPPG or the other implementing firm treating the transferred account as a new account in the new program, different model composition requirements or implementation practices in the old and new programs, or other factors.

Margin Loans. A Sponsor Firm may permit a client to take out a loan secured by assets in the client’s account. Such loans are referred to as “margin loans.” Clients should understand that, if they obtain margin loans secured by assets in their accounts, the Sponsor Firm generally will be able to liquidate all or part of the account at any time to repay any portion of the loan, even if the timing of the liquidation is disadvantageous to the client and disrupts management of the account in accordance with the selected investment management portfolio. Neither LMPPG nor any Subadviser has any responsibility for (i) a client’s decision to take out a margin loan, (ii) the terms of any margin or related agreement to which a client is a party, or (iii) the sale, liquidation, or disposition of securities in the client’s account in order to satisfy the client’s obligations under such an agreement.

Item 9**DISCIPLINARY INFORMATION**

There are no reportable legal or disciplinary events for LMPPG and ClearBridge.

Western Asset has the following disciplinary matters to report. Such disciplinary matters did not involve or impact client accounts managed by Western Asset, as subadviser to LMPPG, in investment management programs sponsored by Sponsor Firms.

ERISA Action

Western Asset was alleged to have breached certain provisions of the Investment Advisers Act and the Employee Retirement Income Security Act (ERISA) arising from the purchase by ERISA accounts of a security that was not an eligible investment for ERISA accounts and the subsequent handling of the matter. On January 27, 2014, the Securities and Exchange Commission issued an order instituting a public administrative proceeding, making findings and imposing sanctions. Without admitting or denying the SEC's findings, Western Asset consented to the entry of the order, was censured, agreed to undertake certain remedial measures, and agreed to pay a fine of \$1,000,000. On January 27, 2014, Western Asset also entered into a settlement with the US Department of Labor on the same matter and agreed to pay a fine of \$1,000,000. As part of the settlements Western Asset also made compensatory payments to impacted clients in the amount of \$10,000,000 in the aggregate.

Cross Trade Action

Western Asset was alleged to have breached certain provisions of the Investment Advisers Act, Investment Company Act and ERISA in connection with certain trades that were alleged to be cross trades. On January 27, 2014, the Securities and Exchange Commission issued an order instituting a public administrative proceeding, making findings and imposing sanctions. Without admitting or denying the SEC's findings, Western Asset consented to the entry of the order, was censured, agreed to undertake certain remedial measures, and agreed to pay a fine of \$1,000,000. On January 27, 2014, Western Asset also entered into a settlement with the US Department of Labor on the same matter with respect to ERISA clients and agreed to pay a fine of \$607,717. As part of the settlements Western Asset also made compensatory payments to impacted clients in the amount of \$7,440,881 in the aggregate.

Item 10

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. Certain Arrangements and Relationships with Affiliates

In addition to the subadvisory arrangements between LMPPG and each Subadviser described in this brochure, LMPPG and the Subadvisers have the following business arrangements and relationships with affiliates that clients may wish to consider.

Legg Mason Investor Services, LLC. Legg Mason Investor Services, LLC (“LMIS”) is registered as a broker-dealer under U.S. securities laws and is an affiliate of LMPPG and the Subadvisers. LMIS markets the LMPPG/Subadviser investment advisory services described in this brochure and other Legg Mason investment products and services, including Legg Mason mutual funds managed by the Subadvisers. Certain employees of LMPPG and the Subadvisers, including certain management personnel of each Subadviser, are registered representatives of LMIS. This status enables these employees to assist LMIS with its marketing activities. LMPPG and Subadviser employees do not receive commissions or other sales-based compensation and spend no more than a limited amount of their time assisting LMIS.

Affiliated Investment Funds. Each Subadviser manages one or more U.S. registered investment funds for which its affiliate, LMIS, serves as distributor. These funds include the Legg Mason family of open-end mutual funds and certain closed-end funds. The Subadvisers manage these registered funds as subadvisers to their investment adviser affiliate, Legg Mason Partners Fund Advisor, LLC. Each Subadviser also manages certain unregistered affiliated U.S. investment funds and certain registered and/or unregistered affiliated non-U.S. investment funds.

LMPPG/ClearBridge Relationship. LMPPG has a relationship with ClearBridge in which ClearBridge supports LMPPG in the following functional areas: management, compliance, technology, finance and human resources.

Affiliated Mutual Fund Investments. As described in Item 8 of this brochure, the Western Asset Core, the Western Asset Core Plus and the Western Asset Municipal Income Plus investment management portfolios involve investments in shares of certain Legg Mason mutual funds Western Asset subadvises.

Affiliated Closed-End Fund Investments. As described in Item 8 of this brochure, a Custom Portfolio or ClearBridge Private Client Management account may be invested in shares of closed-end investment companies, including closed-end investment companies for which one or more affiliates of LMPPG serves as investment manager or adviser and earn management or advisory fees. Any purchases of such shares are made in secondary market transactions. Accordingly, the purchase of such shares on behalf of client accounts does not result in increased compensation for LMPPG’s affiliates.

Supervised Affiliates of Western Asset Management Company. Western Asset has certain affiliated investment adviser firms that are under common management and supervision with Western Asset (collectively, the “Supervised Affiliates”). Subject to compliance with applicable legal requirements, Western Asset may delegate its portfolio management responsibilities for a client account to any one of these Supervised Affiliates. Western Asset’s current Supervised Affiliates are:

1. Western Asset Management Company Limited (London), which is authorized and regulated by the United Kingdom’s Financial Conduct Authority and is registered as an investment adviser with the SEC;
2. Western Asset Management Company Pty Ltd (Melbourne) ABN 41 117 767 923, which holds Australian Financial Services License 303160;
3. Western Asset Management Company Distribuidora de Titulos e Valores Mobiliarios Limitada, which is (i) authorized and regulated by Brazilian securities and banking regulators, and (ii) registered as an investment adviser with the SEC;
4. Western Asset Management Company Pte. Ltd. (Singapore) Co. Reg. No. 200007692R, which holds a Capital Markets Services License for fund management and is regulated by the Monetary Authority of Singapore and is registered as an investment adviser with the SEC;
5. Western Asset Management Company Ltd (Tokyo), which is (i) a registered financial instruments dealer whose business is investment advisory or agency business, investment management, and Type II Financial Instruments

Dealing business with the registration number KLFB (FID) No. 427, (ii) a member of the JSIAA (membership number 011-01319), and (iii) registered as an investment adviser with the SEC.

Registration with or licensing by a regulator does not imply endorsement by the regulator. Nor does it imply a certain level of skill or training.

B. LMPPG and the Subadvisers: Commodity Law-Related Status

The principal business of LMPPG and each Subadviser is providing securities-related investment advisory services to clients. LMPPG and the Subadvisers do not provide advice on commodity interests (e.g., futures, options on futures, swaps) as part of the investment advisory services they provide in Sponsor Firm investment programs.

LMPPG and ClearBridge are not registered as commodity trading advisors under U.S. commodities laws.

Western Asset is registered as a commodity trading advisor and therefore may provide advice on commodity interests to certain clients outside of Sponsor Firm investment programs. Western Asset is also registered as a commodity pool operator. This permits Western Asset to manage or operate certain collective investment vehicles that include significant investments in commodity interests. Certain Western Asset employees, including certain management and investment personnel, are registered as associated persons of Western Asset under U.S. commodities laws. Certain additional Western Asset employees may have applications pending for such associated person status.

Item 11

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

As briefly described below in Sections A, B and C, LMPPG and the Subadvisers have adopted codes of ethics designed to comply with applicable legal requirements and address potential conflicts of interest associated with personal trading by their employees. Section D below discusses these potential conflicts of interest. Section D below discusses potential conflicts of interest associated with accounts in which a Subadviser, a Subadviser's affiliates and/or a Subadviser's employees have an interest.

A. Legg Mason Private Portfolio Group, LLC

LMPPG has adopted a Code of Ethics imposing standards of business conduct, including requirements to put client interests first and not to take inappropriate advantage of employment-related information. The Code is intended to prevent conflicts of interest between employees and clients from affecting the investment advisory services LMPPG provides to clients and to assure compliance with applicable laws. To prevent employees from taking advantage of their knowledge of which securities LMPPG is purchasing and selling (and recommending for purchase and sale) for clients, the Code imposes restrictions on employee personal securities transactions. The Code requires LMPPG employees to obtain pre-approval of most personal securities transactions from LMPPG's Compliance Department. In addition, except in the case of smaller personal trades in large capitalization stocks (which LMPPG expects will not affect client trades), the Code prohibits personal trades in a security on any day during which there are open, executed or pending LMPPG trades in the same security as a result of a model portfolio change a Subadviser has communicated to LMPPG before the employee's placing of a personal trade for the security. This prohibition under the Code seeks to prevent employees from "front-running" client trades and possibly benefitting personally from the impact of client trades on the market. In addition, when seeking preclearance for personal trades, LMPPG requires its employees to certify that they are not trading on material non-public information.

Additional restrictions imposed by the Code include minimum holding periods for profitable trades, as well as minimum holding periods for LMPPG-affiliated mutual funds. LMPPG requires all employees to report their personal securities accounts, transactions and holdings to LMPPG's Compliance Department and to certify to the completeness of the information and their compliance with the Code on an annual basis.

Existing and prospective LMPPG clients may obtain copies of the Code of Ethics by mailing a written request to:

Legg Mason Private Portfolio Group, LLC
620 8th Avenue, 47th Floor
New York, NY 10018
Attention: Compliance Department

B. ClearBridge Investments, LLC

ClearBridge has adopted a Code of Ethics imposing standards of business conduct, including requirements to put client interests first and not to take inappropriate advantage of employment-related information. The Code is intended to prevent conflicts of interest between employees and clients from affecting the investment advisory services ClearBridge provides to clients and to assure compliance with applicable laws. To prevent employees from taking advantage of their knowledge of which securities ClearBridge is purchasing and selling (and recommending for purchase and sale) for clients, the Code imposes restrictions on employee personal securities transactions. The Code requires ClearBridge employees to obtain pre-approval of most personal securities transactions from ClearBridge's Compliance Department. In addition, except in the case of smaller personal trades in large capitalization stocks (which ClearBridge expects will not affect client trades), the Code prohibits personal trades in a security if there is then an open order for the security on ClearBridge's trading desk. The Code imposes greater restrictions on ClearBridge portfolio managers, who cannot trade in a security for their personal accounts for seven days before and after they recommend or direct a trade in the same security for client accounts. By having these "black-out" periods, the Code seeks to prevent employees from "front-running" client trades and possibly benefitting personally from the impact of client trades on the market. In addition, when seeking preclearance for personal trades, ClearBridge requires its employees to certify that they are not (i) taking an investment opportunity from a client, or (ii) trading on material non-public information.

Additional restrictions imposed by the Code include minimum holding periods for profitable trades so that employees, especially portfolio managers and analysts, devote their time to managing client accounts and not their own, as well as minimum holding periods for mutual funds ClearBridge manages to prevent market timing. ClearBridge requires all employees to report their personal securities accounts, transactions and holdings to ClearBridge's Compliance Department and to certify to the completeness of the information and their compliance with the Code on an annual basis.

Existing and prospective ClearBridge clients may obtain copies of the Code by mailing a written request for such document to:

ClearBridge Investments, LLC
620 8th Avenue, 47th Floor
New York, NY 10018
Attention: Compliance Department

C. Western Asset Management Company

Employees of Western Asset and its Supervised Affiliates are required to follow Western Asset's Code of Ethics. Subject to satisfying the Code of Ethics and applicable laws, such employees may trade for their own accounts in securities that are recommended to and/or purchased for client accounts. The Code of Ethics emphasizes Western Asset's fiduciary obligation to put client interests first. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of employees will not interfere with the responsibility to make decisions in the best interest of clients. The Code of Ethics places certain restrictions on the personal trading of securities that are also held in client accounts. The Code of Ethics requires Western Asset employees to pre-clear certain transactions that may represent a conflict with Western Asset's management of client accounts, and imposes a minimum holding period on certain types of investments. Western Asset's investment personnel are subject to more restrictive requirements based on their position.

Western Asset's Code of Ethics requires employees to make initial disclosures and certifications upon joining the firm and to acknowledge receipt and review of the Code of Ethics on an annual basis. Western Asset receives copies of all broker confirmations and statements for employees' personal securities transactions in order to monitor compliance with the Code. Western Asset's Legal and Compliance Department is responsible for monitoring compliance with the Code of Ethics. Violations are reported to Western Asset's Chief Compliance Officer and Operations Committee. Successive violations are subject to increasingly serious consequences including termination of employment and other sanctions.

Existing and prospective clients of Western Asset may obtain copies of Western Asset's Code of Ethics by mailing a written request to:

Western Asset Management Company
385 East Colorado Boulevard
Pasadena, CA 91101
Attention: Legal and Compliance Department

D. Discussion of Potential Conflicts of Interest Associated with Employee Personal Trading

LMPPG employees and Subadviser employees may make personal investments in the same securities LMPPG and the Subadvisers invest in for client accounts. Employees may also make personal investments in related securities or financial instruments, such as options, futures and warrants. In some cases, employees may make these investments at or about the same time LMPPG or a Subadviser is making the same investments or related investments for client accounts. This possibility involves a potential conflict between client interests and the personal interests of the employee. For example, if an LMPPG or Subadviser employee learns of a Subadviser investment decision prior to the decision's implementation for client accounts, the employee may have an incentive to seek to benefit himself or herself by making a personal transaction in the security before such implementation takes place, potentially disadvantaging the client accounts. Another example involves an employee's personal investment in a particular security giving the employee an incentive to benefit himself or herself by investing client accounts, or recommending client investment, in the same security or a related security (instead of investing client accounts or recommending investments based solely on what the employee believes is in the best interests of clients).

LMPPG and each Subadviser seek to prevent personal trading-related potential conflicts of interest from affecting their investment advisory services by subjecting their employees' personal trading activity to the requirements and restrictions of

the applicable Code of Ethics described above. Examples of requirements and restrictions that address these potential conflicts of interest include:

- pre-clearance requirements for certain personal securities transactions;
- prohibitions on certain personal securities transactions at or near the time the same or related securities are being purchased or sold (or recommended for purchase or sale) for client accounts;
- minimum holding periods for certain employee personal investments;
- Compliance Department monitoring of employee personal investments and securities transactions.

E. Discussion of Potential Conflicts of Interest Associated with Proprietary Accounts

A Subadviser may have conflicts of interest relating to its management of accounts, including commingled investment vehicles, in which the Subadviser, an affiliate of the Subadviser and/or the Subadviser's employees have a significant proprietary interest. The interest of the Subadviser, an affiliate of the Subadviser and/or the Subadviser's employees in an account may provide an incentive for the Subadviser to favor such account over other client accounts. As noted in Item 6 of this brochure, each of the Subadvisers has adopted policies and procedures that are designed to ensure that investment opportunities are allocated fairly and equitably to client accounts. In addition, each of the Subadvisers monitors the trading activity in, and the performance of, accounts in which the Subadviser, an affiliate of the Subadviser and/or the Subadviser's employees have a significant proprietary interest to ensure that such accounts are not being favored over other client accounts.

F. Other Potential Conflicts of Interest

In addition to their codes of ethics applicable to employee personal securities transactions and their policies and procedures relating to proprietary accounts, LMPPG and each of the Subadvisers have adopted other policies and procedures that are designed to address various potential conflicts of interest that may arise in the course of their business as an investment adviser. Such potential conflicts and related policies and procedures pertain to matters such as political contributions, receipt of gifts and entertainment, outside board service and business activities, personal investment with business contacts, prohibitions on trading while in possession of material non-public information and error resolution.

Item 12

BROKERAGE PRACTICES

For client accounts in LMPPG-Implemented Programs, LMPPG, ClearBridge or Western Asset selects broker-dealers to execute securities transactions as follows:

- **LMPPG Broker-Dealer Selection.** Except as noted below, LMPPG selects broker-dealers to execute securities transactions for client accounts as described below in Section A.
- **ClearBridge Broker-Dealer Selection.** For fixed income allocations ClearBridge manages, ClearBridge selects broker-dealers to execute securities transactions as described below in Section B.
- **Western Asset Broker-Dealer Selection.** For Western Asset portfolios and balanced portfolio fixed income allocations Western Asset manages, Western Asset selects broker-dealers to execute securities transactions as described below in Section C.

In LMPPG-Implemented Programs, each client (or the Sponsor Firm on the client's behalf) generally directs LMPPG, ClearBridge or Western Asset, as applicable, to place securities trades for execution with the client's Sponsor Firm or a designated broker ("Designated Broker"), subject to the obligation to seek best execution. For clients who enter into investment management agreements directly with LMPPG, LMPPG typically requires such a direction. Also, in many Sponsor Firm investment programs, the Sponsor Firm and/or applicable laws prohibit, or make impractical, the execution of fixed income securities trades with the client's Sponsor Firm.

LMPPG generally does not have trade placement responsibility under Discretionary Model Programs and Non-Discretionary Model Programs. However, LMPPG's agreement with the Sponsor of such a program may permit LMPPG or Western, as applicable, to include accounts in a block trade that LMPPG or Western, as applicable, places on behalf of accounts under LMPPG-Implemented Programs. Assuming such inclusion is contractually permitted, it is anticipated that the circumstances in which LMPPG or Western, as applicable, will seek in practice to include accounts from non-LMPPG-Implemented Programs in a block trade will be very limited due to the significant operational, coordination and timing challenges presented by such inclusion.

In addition to describing how LMPPG, ClearBridge and Western Asset select broker-dealers to execute trades for client accounts, Sections A, B and C describe the trade aggregation, allocation and communication (including model change communication) practices of LMPPG, ClearBridge and Western Asset.

A. Legg Mason Private Portfolio Group, LLC

LMPPG seeks best execution when selecting broker-dealers to execute securities transactions. Best execution consists of obtaining the most favorable result for clients within the current parameters of the market. LMPPG does not necessarily measure best execution by the circumstances surrounding a single transaction and may seek best execution over time across multiple transactions. LMPPG selects broker-dealers it believes will provide prompt and reliable execution at favorable security prices with reasonable commission rates and/or other transaction costs. LMPPG considers the best net price, giving effect to any brokerage commissions, commission equivalents, mark-ups, mark-downs, spreads, clearing and settlement-related processing charges and other costs, an important factor in selecting broker-dealers to execute securities transactions. LMPPG may also consider other factors, including: the nature of the security being traded; the size and complexity of the transaction; the desired timing of the trade; the activity existing and expected in the market for the particular securities; confidentiality; execution, clearance and settlement capabilities; counterparty financial condition and reliability; the availability of capital commitment; and other appropriate trade execution services of the broker-dealer.

To the extent practical, LMPPG may select the client's Sponsor Firm, a Designated Broker or any broker-dealer LMPPG has approved as an executing broker to execute securities transactions for client accounts, including alternative execution venues (e.g., electronic communication networks and crossing networks), as executing brokers.

Transactions Driven By Client Account-Specific Activity

For equity securities transactions driven by client account-specific activity, such as account contributions and withdrawals, LMPPG expects to select the client's Sponsor Firm or Designated Broker to execute all or a large percentage of such transactions. Transactions sent to the client's Sponsor Firm or Designated Broker for execution are subject to the Sponsor Firm's or Designated Broker's operational processes. Such processes will impact when and how such transactions are executed and are not within LMPPG's control. Clients with equity investment management portfolios or allocations to such portfolios typically pay their Sponsor Firms or Designated Brokers wrap fees or other asset-based fees for services that include execution of agency trades (equity securities generally trade on an agency basis and fixed income securities generally trade on a principal basis). In such fee arrangements, clients typically will not pay any transaction-specific commissions on equity securities transactions when LMPPG selects their Sponsor Firms or Designated Brokers to execute those securities transactions. Certain clients may have fee arrangements with their Sponsor Firms or Designated Brokers under which they pay transaction-specific commissions on equity securities transactions instead of wrap fees or other asset-based fees. LMPPG has no role in negotiating the transaction-specific fee rate that is agreed to by the client and the Sponsor Firm or Designated Broker.

Transactions Driven by a Model Change

For equity securities transactions driven by a change in a Subadviser's investment model and that need to be simultaneously effected for many clients (i.e., model-change trades), LMPPG typically will aggregate these transactions for execution as an aggregated trade through a single broker-dealer, potentially over time, instead of executing the transactions with each client's Sponsor or Designated Broker. LMPPG believes that handling equity model change trades in this manner enhances its ability to obtain best execution for client accounts. The main alternative to this approach would be to use a trade rotation process for model change trades, in which LMPPG separately and sequentially transmits orders for the transactions to each Sponsor Firm or Designated Broker for execution. LMPPG believes that effecting model-change trades as block trades eliminates the detrimental impact on market prices of placing separate, successive orders into the marketplace as well as the potential for general movements in securities prices over the extended time period needed to complete a trade rotation. Further, block trading helps to reduce the risks of information leakage (i.e., increasing the number of broker-dealers receiving orders increases the chances that those broker-dealers will trade in anticipation of the orders or seek to use information on LMPPG's trading interest to the detriment of LMPPG's clients), which could result in less advantageous trade prices for clients whose accounts LMPPG trades after making the same trade for other clients. Also, LMPPG believes that effecting model-change trades as block trades often may enable LMPPG to benefit all participating client accounts by negotiating volume price discounts and taking advantage of additional sources of liquidity that certain broker-dealers and trading venues can provide.

A client account included in a block trade frequently will be charged commissions, commission equivalents, markups or markdowns or spreads which typically are reflected in the net security price paid or received by the client. Any such commissions, commission equivalents or spreads will be in addition to the asset-based fee or transaction-specific commissions the client pays to the client's Sponsor Firm or Designated Broker. In addition, a client's Sponsor Firm or Designated Broker may charge clearing and settlement-related processing fees on trades executed away from the Sponsor Firm or Designated Broker. Although LMPPG seeks to avoid managing client accounts under such arrangements, any such clearing and settlement-related processing fees or charges will be in addition to the asset-based fee or transaction-specific commissions the client pays to the client's Sponsor Firm or Designated Broker.

In an effort to monitor that the trading method it utilizes is consistent with its obligation to seek best execution for client transactions, LMPPG does a trade cost analysis on significant block trades. This trade cost analysis includes a review of the percentage of the daily volume each trade represents, a comparison of the execution price versus the arrival price (the price of the security at the time the order was initially implemented), and a comparison of the execution price versus the Volume Weighted Average Price ("VWAP") during the time the order is active. The trade cost analysis includes any implied commission paid (as this is reflected in the total security price or proceeds), and such information is retained with a record of the trade. In addition, LMPPG's Brokerage Committee provides oversight of LMPPG's trading activities in an effort to ensure that client transactions are being executed in a cost-effective manner consistent with LMPPG's policies and procedures. The Brokerage Committee meets quarterly. The Committee is provided with trade cost analyses for significant block trades, the average commissions or commission equivalents incurred by client accounts during the quarter and the percentage of trades that incurred such additional costs, as well as a list of the broker-dealers used by LMPPG and their share of volume.

To execute transactions in ADRs for client accounts, LMPPG may select broker-dealers that purchase the ADR issuer's underlying ordinary shares in non-U.S. markets and then package such shares into an ADR (in the case of an ADR purchase) or convert the ADR into underlying ordinary shares of the ADR issuer and then sell such shares in non-U.S. markets (in the case of an ADR sale). These transactions typically involve foreign exchange, ADR conversion and related costs and charges that are reflected in the net price paid or received by the client.

LMPPG expects to execute all or substantially all model-change trades as block trades, as described above. However, LMPPG reserves the ability to follow a trade rotation approach if it decides the block trade approach is not practical or consistent with seeking best execution for a particular model-change trade. If LMPPG makes such a decision, LMPPG will communicate trade orders and instructions to Sponsor Firms and Designated Brokers in a manner and sequence that LMPPG believes is fair and equitable to LMPPG's clients over time. In addition, LMPPG may decide not to include clients of a particular Sponsor Firm in a block trade due to factors such as the imposition of clearing and settlement charges by the client's Sponsor Firm or Designated Broker for trades executed by other broker-dealers, a direction from the Sponsor Firm to place all trades for its clients' accounts with the Sponsor Firm or a Designated Broker without regard for best execution (see below), or temporary operational issues at particular Sponsor Firms or Designated Brokers. In such cases, LMPPG will arrange for execution of the block and non-block trades in a manner that LMPPG believes is fair and equitable to LMPPG's clients over time (although all or some clients may receive a less advantageous price than if the trades had been aggregated and executed as a single block order).

Directed Brokerage

Although LMPPG generally is subject to the obligation to seek best execution, LMPPG in its sole discretion may accept a client or Sponsor Firm direction to use the client's Sponsor Firm or a Designated Broker to execute all or certain securities trades for the client's LMPPG-Implemented Program account without regard for whether best execution may be achieved. In the event LMPPG accepts such a direction:

- (i) LMPPG will not negotiate the Sponsor Firm's or Designated Broker's trade execution services or compensation for such services on behalf of the client account,
- (ii) LMPPG will not be in a position to, and will not, monitor for best price and execution of transactions Sponsor Firm or Designated Broker executes for the client account, and
- (iii) the prices and execution quality achieved for the account may be less favorable, including more costly to the client account, than the prices and execution quality LMPPG achieves for other client accounts.

In addition, LMPPG's business relationship with the applicable Sponsor Firm or Designated Broker may give LMPPG an incentive to recommend that the client or Program Sponsor issue such a direction. A client or Sponsor Firm may terminate such a direction by notifying LMPPG in writing.

LMPPG Aggregation of Trade Orders and Trade Allocation. As noted above, LMPPG generally seeks to aggregate trades that are driven by a change in a Subadviser's investment model and that need to be simultaneously effected for many client accounts in LMPPG-Implemented Programs. LMPPG generally allocates securities purchased or sold as part of an aggregated order to each participating account in an amount equal to its percentage of the aggregated order. Each participating account receives the average price for the transaction and shares any transaction costs pro rata based upon the account's level of participation in the aggregated order. If a client's Sponsor Firm or Designated Broker charges trade away processing, clearing or settlement charges for the trade, the client's account separately bears these charges.

In the case of a partially-filled aggregated order, LMPPG allocates the securities purchased or sold among participating accounts according to one or more methods designed to ensure that the allocation is equitable and fair. These methods include pro rata allocation and random allocation. Under the pro rata method, LMPPG allocates all securities purchased or sold pro rata to all of the accounts included in the order based upon the amount of securities LMPPG intended to purchase or sell for each participating account. Under the random allocation method, LMPPG allocates the partially filled order to accounts included in the aggregated order on a random basis. LMPPG generally uses this method only after seeking direction or agreement from the Subadviser portfolio management team responsible for the underlying investment decision. The random allocation method is intended for situations in which the partial execution quantity is an amount that does not allow for a pro rata allocation of securities to all accounts or does not allow for a meaningful allocation of securities to all accounts.

Where an aggregated order covers clients in multiple Sponsor Firm investment programs, LMPPG first allocates the securities to the investment programs participating in the order following one of the accepted trade allocation methods. LMPPG then allocates the securities to clients within each investment program following one of the accepted trade allocation methods.

Communication and Implementation of Subadviser Model Changes. LMPPG has obtained assurances from ClearBridge that ClearBridge will communicate investment model changes to LMPPG in accordance with procedures designed to be fair and equitable to LMPPG's clients in relation to other clients of ClearBridge. See Sections B and C below for information concerning these Subadviser procedures. Such procedures may include the simultaneous communication of model change information to multiple venues, including LMPPG and a trading desk maintained by the Subadviser to effect transactions for other client accounts, or other procedures. In the case of simultaneous communication, LMPPG anticipates that orders LMPPG places for clients in most cases will end up competing in the marketplace with orders placed by the Subadviser's trading desk for other Subadviser clients. This competition may negatively affect all clients, but LMPPG and the Subadvisers expect that, for securities with significant liquidity and trading volume, this liquidity and volume generally will offset all or a significant portion of any negative effect from such competition. In addition, for transactions in less liquid securities, a Subadviser may seek to reduce the negative effect of such competition by means such as the use of limit orders and specific price targets.

As a general matter, LMPPG seeks to communicate trade orders and Subadviser investment instructions and recommendations for the same security to its own trading desk and to any Sponsor Firm or Designated Broker that is responsible for portfolio implementation, trade placement or trade execution at the same time. In certain cases, however, administrative requirements (e.g. formatting requirements) or implementation practices of a Sponsor Firm or Designated Broker (e.g. accepting instructions or recommendations only once daily or only during particular times of the day) may delay the communication of investment instructions or recommendations. Similarly, required portfolio implementation work may delay LMPPG's communication of trade orders to a Sponsor Firm or Designated Broker for execution. Due to such potential delays, as well as any delays by a Sponsor Firm in acting upon investment instructions or recommendations it receives, LMPPG's trading desk may be able to place certain trade orders with broker-dealers for certain client accounts before LMPPG is able to place trade orders in the same security with a Designated Broker and/or such Sponsor Firm is able to place trade orders in the security for accounts it services. In such cases, accounts serviced by the Program Sponsor or Designated Broker could be negatively impacted by such timing differences.

B. ClearBridge Investments, LLC

ClearBridge Selection of Broker-Dealers to Execute Fixed Income Securities Transactions. As noted above in this Item 12, ClearBridge selects broker-dealers to execute fixed income securities transactions for client account fixed income allocations ClearBridge manages. To select such broker-dealers, ClearBridge generally engages a selected pool of broker-dealer firms in bid/offer negotiations or uses Alternative Trading Systems, which enable ClearBridge to see multiple bids or offers at the same time. ClearBridge seeks best execution and considers any one or more of the following factors, based on the specific circumstances of the transaction: reliability of the broker-dealer; availability of capital commitment; price level; mark-up, mark-down or spread; quality of execution; promptness of execution; ability to execute the full size of the trade; nature and difficulty of the trade; confidentiality; and specialized expertise.

ClearBridge Aggregation of Trade Orders and Trade Allocation. ClearBridge maintains its own trading desk to place securities trades for execution for client accounts for which ClearBridge has trade execution responsibility. If ClearBridge determines that the purchase or sale of a fixed income security is in the best interests of more than one such client account, ClearBridge generally will aggregate the securities to be sold or purchased for such clients if doing so is practical, consistent with any client-imposed restrictions and, in ClearBridge's judgment, the pursuit of best execution. If ClearBridge does not aggregate in such a situation and instead has the trades executed separately, the prices and execution quality achieved for all or some of the client accounts may be less favorable, including more costly to the accounts, than if ClearBridge had aggregated the trades. ClearBridge allocates securities purchased or sold in an aggregated trade order according to one or more methods designed to ensure that such allocation to clients is equitable and fair over time. These methods include pro rata allocation and random allocation.

Communication of ClearBridge Investment Instructions to LMPPG. ClearBridge provides investment instructions to LMPPG in a manner it believes is fair and equitable in relation to non-LMPPG client accounts for which it provides investment advisory services. For ClearBridge equity investment management portfolios in LMPPG-Implemented Programs, LMPPG's trading desk places trades for LMPPG-Implemented Program client accounts based on investment instructions

furnished by ClearBridge, as applicable. For such portfolios in Discretionary Model Programs and Non-Discretionary Programs, a trading desk of the Sponsor Firm or such firm's designee places trades for execution.

The trading desks of LMPPG and Sponsor Firms and their designees operate independently of ClearBridge's trading desk. ClearBridge uses this trading desk to execute trades for its non-LMPPG clients, including mutual funds and certain institutional separately managed accounts. Accordingly, trades executed by LMPPG, Sponsor Firm and designee trading desks are not aggregated with trades in the same security that the ClearBridge trading desk executes. ClearBridge seeks to treat all clients fairly and equitably by generally sending investment instructions to its trading desk and to LMPPG at the same time. Trade orders placed by LMPPG's trading desk and Sponsor Firm and designee trading desks (where LMPPG forwards ClearBridge investment instructions to such firms) in most cases will end up competing in the marketplace with orders placed by the ClearBridge trading desk for non-LMPPG clients. This competition may negatively affect all clients, but ClearBridge expects that, for securities with significant liquidity and trading volume, this liquidity and volume generally will offset all or a significant portion of any negative effect on price from such competition. In addition, for transactions in less liquid securities, ClearBridge may seek to reduce the negative effect of this competition by means such as the use of limit orders and specific price targets.

Given the availability of these approaches to lessening the negative effects on price of competing trade orders, ClearBridge believes that simultaneously communicating investment instructions to LMPPG and to its own trading desk is, as a general rule, preferable to following a rotation process. Issues associated with a rotation process include detrimental market impact (i.e. earlier trades move market causing subsequent trades to receive inferior price), "signaling" concerns (i.e. broker-dealers anticipate additional trades in same security and use this information to the detriment of the manager's client), and timing differences that result in clients obtaining different execution prices and performance dispersion among accounts.

Although ClearBridge expects to send all or substantially all of its investment instructions applicable to LMPPG clients and its non-LMPPG clients to its trading desk and to LMPPG at the same time, it may instead follow a trade rotation approach if it decides the simultaneous communication approach is not practical or consistent with best execution. Any such rotation will be conducted in a manner that is fair and equitable over time to all affected clients.

C. Western Asset Management Company

Western Asset Selection of Broker-Dealers to Execute Securities Transactions. Western Asset maintains an Approved Broker List that includes broker-dealers Western Asset believes demonstrate desk strength, knowledgeable sales coverage, quality research, capital commitment and financial stability. Western Asset may only select broker-dealers on this list to execute securities transactions for client accounts.

Western Asset seeks to obtain best execution of its clients' trades through monitoring and effectively controlling the quality of trade decisions. Because the circumstantial and judgmental aspects involved in obtaining best execution with respect to a particular trade are not always quantifiable, Western Asset does not define a single measurement basis for best execution on a trade-by-trade basis. Instead, Western Asset focuses on establishing processes, disclosures, and documentation, which together form a systematic, repeatable, and demonstrable approach to seeking best execution.

In addition, when selecting a broker-dealer to execute trades, the Western Asset personnel making trades on behalf of clients are obliged to consider the full range and quality of a broker-dealer's services, which may include execution capability, commission rate (including markups and markdowns), price, the value of research provided, financial responsibility and responsiveness. Western Asset is not obligated to merely get the lowest price or commission, but rather should determine whether the transaction represents the best qualitative execution for the account. Broker-dealers typically do not charge commissions on fixed income securities transactions. New issues are the only meaningful exception to this general rule, and they have a set commission rate that is the same for all executing broker-dealers. Secondary issues, by far the largest proportion of fixed income securities transaction volume, trade at net prices with no commissions charged.

Western Asset may receive research or other services (both solicited and unsolicited) from broker-dealers in the ordinary course of trading on behalf of client accounts. These items are not received pursuant to arrangements or agreements to exchange brokerage activity for services or benefits and are not considered to be obtained using "soft dollars." Western Asset is not obliged to direct brokerage in order to receive such information. However, Western Asset may consider such research or services in making best execution decisions when executing trades. As a result, Western Asset may have an incentive to select a broker-dealer based on its interest in receiving the research or services that the broker-dealer provides to

Western Asset in the ordinary course of trading for client accounts rather than its clients' interest in receiving the most favorable execution.

Western Asset Aggregation of Trade Orders and Trade Allocation. The Western Asset investment team responsible for managing a client's account generally will aggregate trade orders for the client's account with one or more accounts of other clients the team services if it determines that the trade is appropriate for such accounts and aggregation is practical and consistent with client requirements and the pursuit of best execution. If the investment team does not aggregate in such a situation and instead has the trades executed separately, the prices and execution quality achieved for all or some of the client accounts for which the trade is appropriate may be less favorable, including more costly to the accounts, than if the team had aggregated the trades. Western Asset completes the allocation of securities purchased or sold in an aggregated order among participating clients no later than the end of the day on which the transaction is completed. In addition, in order to ensure that no client participating in an aggregated order is favored over any other, Western Asset gives each client participating in an aggregated order the average share price for the transaction. Each client shares transaction costs on a pro-rata basis based upon the client's level of participation in the aggregated order.

If the aggregated order is partially filled, each client participating in the transaction receives a pro-rated portion of the securities based upon the client's level of participation in the aggregated order. However, Western Asset may subject its pro-ration of partially-filled aggregated trade orders to individual client factors such as: investment goals and guidelines, available cash, liquidity requirements, odd lot positions, minimum allocations, existing portfolio holdings compared to the target weightings and regulatory restrictions.

Western Asset then weighs allocations by portfolio market value, making adjustments as needed so that final allocations are in round lots. Western Asset periodically reviews all its client accounts to identify situations where a potential conflict of interest may exist. This may include accounts where Western Asset has a proprietary interest or accounts where the investment strategy may conflict with other Western Asset clients. Western Asset follows specific trade allocation procedures to avoid the conflicts inherent in these situations.

Prior to the settlement of a trade, Western Asset may revise its allocation of the trade provided the allocation is suitable, fair and equitable. Documentation of the suitability of the allocation should be maintained and reviewed by senior management.

Western Asset does not serve as a sub-administrator for omnibus accounts. Accordingly, the Firm will not be involved in allocating securities among various accounts within a client omnibus account. For purposes of trade allocation, Western Asset's client is the aggregate omnibus account.

Western Asset Communication of Investment Instructions. Western Asset communicates investment instructions in accordance with a process that is fair and equitable to LMPPG client accounts in relation to other clients of Western Asset. Sponsor Firm investment programs can raise trade communication conflicts issues if the Sponsor Firm or its designee, and not Western, handles all or a portion of the trading for program accounts. To achieve fair and equitable treatment across client accounts, Western Asset considers not only the manner in which it allocates trades to accounts but also the sequence in which it delivers trade orders to the market for execution and any corresponding investment instructions to third parties that handle trading for LMPPG client accounts. The delivery of certain orders and instructions to a large number of market intermediaries and Program Sponsors at the same time could adversely impact the market price of a security, especially for less liquid instruments. Accordingly, Western Asset's policy is to address each Sponsor Firm investment program where it does not handle all trading for its accounts with procedures to address these conflicts. As a potential alternative to Western Asset's standard practice of communicating trade orders and any corresponding investment instructions at approximately the same time, these procedures will normally include a program of trade rotation among Sponsor Firms with trade placement responsibility to prevent any single program's client accounts from consistently being able to trade first or last within the rotation. Western Asset's use of such a rotation approach normally will be on an asset weighting basis with investment programs with more managed assets having a pro rata larger weighting in the rotation. As a result, clients in smaller programs may not receive overall as good execution as clients in larger programs.

D. Error Policies

Each of LMPPG and Western Asset maintains an Error Policy aimed at ensuring the prompt detection, reporting and correction of errors affecting the accounts of LMPPG clients for which they have portfolio implementation and trade placement responsibility. Under the policies, the correction method used for an error must put the client in the same position the client would have been in had the error not occurred (i.e., the client must be made whole for any error-related losses and

costs suffered). If an error involves multiple security positions, LMPPG or Western Asset, as applicable, may calculate the net loss caused by the error (if any) by aggregating such positions (for a client account) and offsetting any gains that resulted from the error against the gross losses that resulted from the error.

LMPPG and Western Asset, like other investment managers, have a conflict of interest in connection with the identification and resolution of trade errors, operational errors and other errors. Specifically, each of LMPPG and Western Asset, as a party who may bear some or all of the financial responsibility to correct an error, has an incentive to determine that an error did not occur or, if one has occurred, to resolve it in a manner that minimizes the financial impact on it. However, each of LMPPG and Western Asset endeavor to make determinations concerning errors in good faith and in accordance with applicable legal standards. In addition, such determinations typically are made in consultation with appropriate compliance personnel.

LMPPG's and Western Asset's Error Policies generally apply only to the extent that LMPPG or Western Asset, as applicable, has control of resolving errors for client accounts. For many investment programs, the Sponsor Firm may have control over the resolution of errors of participating investment managers.

Item 13

REVIEW OF ACCOUNTS

LMPPG and the Subadvisers review client accounts in LMPPG-Implemented Programs as described below. Also, Sections B and C below describe how the Subadvisers review the investment strategies they provide for client accounts. LMPPG and the Subadvisers do not have implementation responsibility in Discretionary Model Programs and Non-Discretionary Model Programs and therefore generally do not review client accounts in these Programs.

Sponsor Firms typically prepare and send regular account statements to clients in Sponsor Firm investment programs. LMPPG and the Subadvisers typically do not send regular account reports to such clients, but may agree to provide certain account information to one or more Custom Portfolios/Private Client Management clients upon request.

A. Legg Mason Private Portfolio Group, LLC

LMPPG maintains an Implementation Team consisting of Portfolio Associates. The Implementation Team's responsibilities include implementing Subadviser investment instructions for client accounts in LMPPG-Implemented Programs. The Implementation Team uses a portfolio modeling application to review client accounts in such Programs each business day against certain parameters designed to detect client account investments that may be significantly at variance from the selected investment management portfolios. The Implementation Team also uses this application to review client accounts in connection with LMPPG's implementation of Subadviser-instructed trading activity (e.g., purchase or sale instructions) and LMPPG's accommodation of client-directed activity (e.g., account withdrawals and contributions).

Client or Sponsor Firm inquiries may cause LMPPG to conduct additional reviews of client accounts in LMPPG-Implemented Programs.

B. ClearBridge Investments, LLC

The ClearBridge portfolio management teams responsible for providing investment management portfolios for client accounts review the portfolios they provide on an ongoing basis as part of their investment management process. This process is grounded in fundamental research and involves close monitoring of all securities that ClearBridge includes in these portfolios, as well as review of prospective investments by ClearBridge's portfolio management teams and research team. In evaluating the portfolios, ClearBridge's portfolio management teams may utilize attribution and sector allocation analysis, and may also review other pertinent investment and portfolio construction characteristics.

ClearBridge's Risk Management group and ClearBridge's Risk Management Committee meet on a quarterly basis to review investment strategies, including the investment strategies represented by the ClearBridge investment management portfolios described in Item 8 of this brochure. These strategy reviews focus on identifying and managing investment risk by evaluating risk factors associated with each strategy. The Risk Management Committee consists of ClearBridge's Chief Executive Officer, co-Chief Investment Officers and Head of Risk Management.

In addition, on a daily basis, ClearBridge portfolio managers review Custom Portfolios/Private Client Management accounts they manage and any other LMPPG client accounts for which ClearBridge has implementation responsibility. These reviews generally focus on accounts' performance relative to applicable benchmarks and the continued investment appropriateness of the account's composition, in light of factors such as the investment management portfolio selected and market conditions.

C. Western Asset Management Company

Investment Reviews. On a daily basis, Western Asset's assigned portfolio manager for each Western Asset account (including account portions) is responsible for overseeing that account. As part of this process, Western Asset's risk management team generates a set of standard reports that focus on account structure and risk relative to the account's benchmark, as well as any updates to the structure of the investment management portfolio that has been selected for the account. Members of Western Asset's investment and risk management teams, including portfolio managers, review these reports and use them to help ensure that client accounts are structured properly in accordance with Western Asset's expectations.

Western Asset's investment teams formally review client accounts they manage at regular investment meetings. In connection with these meetings, the team responsible for each Western Asset investment management portfolio, along with Western Asset portfolio analysts and local senior investment officers, review groups of accounts for which clients have selected that portfolio. The analysts provide a series of reports that list common portfolio and risk characteristics, as well as individual account performance. The purpose of the reviews is to ensure that accounts in each group remain in line with the current strategy for the applicable portfolio and any client-specific guidelines.

Risk Management Reviews. Western Asset has a dedicated Risk Management Department with a separate reporting structure from Western Asset's investment teams. The Risk Management Department conducts daily, biweekly and monthly reviews of portfolios and accounts, and provides analysis and reports that are used by Western Asset to monitor portfolios and accounts.

Portfolio Compliance Reviews. Western Asset maintains a Portfolio Compliance group as part of its Legal and Compliance Department. For accounts Western Asset manages, Western Asset compliance officers who are part of this group monitor compliance with any applicable client-imposed restrictions or guidelines on a daily basis. These compliance officers alert the investment teams to restriction or guideline violations so they can bring the accounts back into compliance.

Item 14**CLIENT REFERRALS AND OTHER COMPENSATION**

LMPPG, the Subadvisers and their affiliates may make payments for marketing, promotional and related expenses to Sponsor Firms that may recommend LMPPG/Subadviser investment management portfolios. They also may provide Sponsor Firm personnel, including Sponsor Firm representatives, with related benefits, including:

- training meetings, including related travel, lodging and meals;
- certain client/prospect meeting materials and expenses; and
- low-value gifts and promotional items.

These payments and benefits could give Sponsor Firms and their personnel, including Sponsor Firm representatives, incentives to favor LMPPG/Subadviser-affiliated investment management portfolios and other LMPPG/Subadviser-affiliated investment products and services over those of firms that do not provide the same payments, items and benefits. If LMPPG, the Subadvisers or any of their affiliates make such payments or provide such benefits, they will do so in compliance with applicable laws and internal policies aimed at preventing the compromising of advice and recommendations given to clients.

Item 15**CUSTODY**

Neither LMPPG nor any of the Subadvisers maintains physical custody of client assets in Sponsor Firm investment programs. Instead, a broker-dealer, bank or other financial firm selected by the client (e.g., the client's Sponsor Firm) typically maintains physical custody of client account assets. In the case of a client account in a Dual-Contract Program, LMPPG may be deemed under SEC rules to have custody of client assets if LMPPG has the ability, pursuant to client authorization, to deduct client fees directly from the client's account by directly invoicing the account's custodian.

Clients typically will receive account statements from the firm that maintains physical custody of their accounts. Clients should carefully review these account statements. In addition, if LMPPG or a Subadviser agrees to provide account information, including any type of account statement, to a Custom Portfolios/Private Client Management client as described in Item 13 of this brochure, the client should compare such account information with the account statement the client receives from the custodian of the account.

Item 16**INVESTMENT DISCRETION**

In Discretionary Model Programs and LMPPG-Implemented Programs, LMPPG and the Subadvisers possess the authority to determine which securities are purchased, held and sold for client accounts, subject to the investment management portfolio the client has selected – i.e., investment discretion. This authority includes the authority to determine the timing and amount of investments and transactions.

In Discretionary Model Programs, LMPPG enters into an agreement with the Sponsor Firm that obligates the Sponsor Firm to implement, or cause its designee to implement, Subadviser investment decisions for client accounts, subject to any client-imposed restrictions or other client directions accepted by the Sponsor Firm or its designee.

In LMPPG-Implemented Programs, LMPPG's discretionary authority over client accounts includes the authority to implement Subadviser investment decisions for client accounts, subject to any client-imposed restrictions or other client directions LMPPG or the Subadviser accepts. This authority typically is derived from a power of attorney contained in the agreement with the Sponsor Firm in the case of a Single-Contract Program or in the agreement with the client in the case of a Dual-Contract Program. As described in Section F of Item 4 of this brochure, clients in LMPPG-Implemented Programs:

1. may impose restrictions on investments in specific securities (e.g., stock of Company ABC) or on investments in certain categories of securities (e.g., tobacco company stocks); and
2. may be able to direct sales of securities and temporary investment in ETFs.

In LMPPG-Implemented Programs, LMPPG or the applicable Subadviser accepts a proposed client account for management in accordance with a selected investment management portfolio before managing the client's account. If the client enters into an investment management agreement directly with LMPPG, LMPPG countersigns the client's signed investment management agreement and typically mails the fully-signed document to the client.

For all Sponsor Firm investment programs, neither LMPPG nor any Subadviser renders any legal advice or has authority to take action on behalf of clients with respect to legal proceedings, including bankruptcies and shareholder litigation, to which any securities or securities issuers become subject. Accordingly, neither LMPPG nor any Subadviser will initiate or pursue legal proceedings, including without limitation shareholder litigation, for clients in such programs.

Item 17

VOTING CLIENT SECURITIES

LMPPG and the Subadvisers generally will accept authority to vote proxies, or issue proxy voting instructions, for securities held in client accounts. Summaries of the proxy voting practices of LMPPG and the Subadvisers appear below in Sections A, B and C.

Although LMPPG and the Subadvisers have no responsibility for the distribution of proxies or related solicitation material, LMPPG expects that clients who do not delegate proxy voting authority generally will receive proxies and other related solicitation materials for securities in their accounts. LMPPG and the Subadvisers generally do not provide advice to such clients on proxy solicitations.

A. Legg Mason Private Portfolio Group, LLC

LMPPG does not exercise discretion in determining how to vote proxies for securities held in client accounts. Where a client or Sponsor Firm authorizes LMPPG to vote proxies or issue proxy voting instructions for securities held in client accounts, LMPPG does so based on proxy voting instructions provided by the applicable Subadviser. However, if a multi-style account in a LMPPG-Implemented Program holds a security based on investment instructions from more than one Subadviser and the proxy voting instructions of the Subadvisers differ for the security, LMPPG will follow the instructions of the Subadviser responsible for the largest portion of the account's entire position in the security (and will disregard the differing instructions of each other Subadviser).

A client may request:

- (i) a copy of LMPPG's Proxy Voting Policies and Procedures; and/or
- (ii) information concerning how LMPPG, as instructed by the applicable Subadviser, voted proxies for securities held in the client's account.

Clients may obtain this information by sending a written request to:

Legg Mason Private Portfolio Group, LLC
620 8th Avenue, 48th Floor
New York, NY 10018
Attention: Head of SMA Operations

B. ClearBridge Investments, LLC

ClearBridge is subject to the Proxy Voting Policies and Procedures it has adopted to seek to ensure that it votes proxies and issues proxy voting instructions in the best interests of client accounts. The following is a brief overview of the policies.

In making proxy voting decisions, ClearBridge is guided by general fiduciary principles and seeks to act prudently and solely in the best interest of client accounts. ClearBridge attempts to consider all factors that could affect the value of the investment and votes proxies in the manner that it believes is consistent with efforts to maximize shareholder value. ClearBridge may utilize an external service provider to provide it with information and/or a recommendation with regard to proxy votes. However, any such recommendations do not relieve ClearBridge of responsibility for the proxy vote.

In the case of a proxy issue for which the policies state a particular position, ClearBridge generally votes in accordance with the stated position. In the case of a proxy issue for which the policies set forth a list of factors to consider, ClearBridge considers those factors and votes on a case-by-case basis in accordance with the general principles set forth above. In the case of a proxy issue for which the policies do not have a stated position or list of factors to consider, ClearBridge votes on a case-by-case basis in accordance with the general principles set forth above. Issues for which the policies state a particular position or a list of factors to consider fall into a variety of categories, including election of directors, ratification of auditors, proxy and tender offer defenses, capital structure issues, executive and director compensation, mergers and corporate restructuring, and social and environmental issues. The ClearBridge investment professionals responsible for a proxy vote, subject to their

duty to act solely in the best interest of the client accounts whose shares are being voted, can always supersede the stated position on an issue set forth in the policies. Different ClearBridge investment teams may vote differently on the same issue. An investment team (e.g., ClearBridge's ESG investment team) may adopt proxy voting policies that supplement ClearBridge's Proxy Voting Policies and Procedures. In addition, in the case of Taft-Hartley clients, ClearBridge will comply with a client direction to vote proxies in accordance with Institutional Shareholder Services' (ISS) PVS Voting guidelines, which ISS represents to be consistent with AFL-CIO guidelines.

In furtherance of ClearBridge's goal to vote proxies in the best interest of clients, ClearBridge follows procedures designed to identify and address material conflicts that may arise between ClearBridge's interests and those of clients before voting proxies on behalf of such clients. To seek to identify conflicts of interest, ClearBridge periodically notifies ClearBridge employees in writing that they must (i) be aware of the potential for conflicts of interest on the part of ClearBridge with respect to voting proxies for client accounts as a result of their personal relationships or ClearBridge's business relationships or the personal or business relationships of other Legg Mason units' employees, and (ii) bring conflicts of interest of which they become aware to the attention of ClearBridge's General Counsel/Chief Compliance Officer. ClearBridge also maintains and considers a list of significant ClearBridge relationships that could present a conflict of interest for ClearBridge in voting proxies.

ClearBridge's Proxy Committee reviews and addresses conflicts of interest. A proxy issue that will be voted in accordance with a stated ClearBridge position on such issue or in accordance with the recommendation of an independent third party is not brought to the Proxy Committee's attention for a conflict of interest review because ClearBridge believes that to the extent a conflict of interest issue exists, voting in accordance with a pre-determined policy or in accordance with the recommendation of an independent third party resolves the issue. With respect to a conflict of interest brought to its attention, the Proxy Committee first determines whether the conflict is material. The Proxy Committee considers a conflict of interest material if it determines that the conflict likely will influence, or appear to influence, ClearBridge's decision-making in voting proxies. If the Proxy Committee determines that a conflict of interest is not material, ClearBridge may vote proxies notwithstanding the existence of the conflict.

If the Proxy Committee determines that a conflict of interest is material, the Proxy Committee is responsible for determining an appropriate method to resolve the conflict before ClearBridge votes the affected proxy. The Proxy Committee makes such materiality determinations based on the particular facts and circumstances, including the importance of the proxy issue and the nature of the conflict of interest.

A client may request:

1. a copy of ClearBridge's Proxy Voting Policies and Procedures; and/or
2. information concerning how ClearBridge voted proxies for securities held in the client's account.

Clients may obtain this information by sending a written request to:

ClearBridge Investments, LLC
620 8th Avenue, 47th Floor
New York, NY 10018
Attention: Client Services

C. Western Asset Management Company

While proxy voting with respect to fixed income securities is rare, Western Asset has adopted a proxy voting policy and procedures to address the few instances where voting is required. Such policy and procedures are designed and implemented in a way that is reasonably expected to ensure that proxy voting matters are handled in the best interest of clients.

Once proxy materials are received, they are processed in the following manner:

- a. Proxies are reviewed to determine accounts impacted.
- b. Impacted accounts are checked to confirm Western Asset voting authority.

c. A review is undertaken to identify any material conflicts of interest.

d. If a material conflict of interest exists, (i) to the extent reasonably practicable and permitted by applicable law, the client is promptly notified, the conflict is disclosed and Western Asset obtains the client's proxy voting instructions, and (ii) to the extent that it is not reasonably practicable or permitted by applicable law to notify the client and obtain such instructions, Western Asset seeks voting instructions from an independent third party.

e. Research analysts and portfolio managers determine votes on a case-by-case basis taking into account the voting guidelines contained in Western Asset's procedures. Depending on the best interest of each individual client, Western Asset may vote the same proxy differently for different clients. The analyst's or portfolio manager's basis for their decision is documented.

f. Proxies are voted in accordance with the determination received from steps (d) or (e).

A full copy of the policy and procedures is available upon request. You may also request information detailing how proxies were voted with respect to securities held in your portfolio(s). Such requests made be made by sending a written request to:

Western Asset Management Company
Attn: Legal and Compliance Dept.
385 E. Colorado Blvd.
Pasadena, CA 91101

Item 18

FINANCIAL INFORMATION

Not Applicable.

APPENDIX A

Your Privacy at ClearBridge Investments, LLC and Legg Mason Private Portfolio Group, LLC

This notice is being provided for each of ClearBridge Investments, LLC and Legg Mason Private Portfolio Group, LLC.

We are concerned about the privacy of the individuals for whom we provide advisory services. We are sending this notice to individuals (“you”) who invest, for personal, family, or household purposes, in accounts that we manage. This is to help you understand how we handle, protect and limit certain nonpublic personal information that we may collect in order to conduct and process your business with us. The provisions of this notice apply to former individual advisory clients as well as current individual advisory clients unless we state otherwise.

We protect any personal information we collect about you by maintaining physical, electronic and procedural safeguards that meet or exceed applicable law. Third parties who have access to such personal information must agree to follow appropriate standards of security and confidentiality. We train people who work for us in how to properly handle such personal information, and we restrict access to it.

The personal information that we may collect about you comes from the following sources:

- Information received from you, such as on applications or other forms.
- Information about your transactions with us, our affiliates and nonaffiliated third parties; and
- Information we may receive about you from other sources, such as your broker.

Our affiliates are the family of companies controlled by Legg Mason, Inc. If you are a customer of other Legg Mason, Inc. affiliates and you receive notices from them, you will need to read those notices separately.

We do not disclose any nonpublic personal information about you except as permitted by law. For example, we are permitted to disclose nonpublic personal information to our affiliates and non-affiliated third parties that perform various services on our behalf, including custodians, broker-dealers and companies that perform marketing services on our behalf or to other financial institutions with whom we have joint marketing agreements. These companies agree to use this information only for the services for which we hired them and are not permitted to use or share this information for any other purpose.

Your Privacy at Western Asset Management Company

Western Asset is committed to keeping nonpublic personal information about you secure and confidential. This notice is intended to help you understand how we fulfill this commitment. This privacy policy applies only to clients and former clients who are individuals.

From time to time, we may collect a variety of personal nonpublic information about you, including:

- Information we receive from you on applications and forms, via the telephone, through our websites, correspondence, e-mail or other communications (including face-to-face meetings), such as your social security number, income, occupation and birth date;
- Information about your transactions with us, our affiliates, or others, such as your purchases, sales, or account balances; and
- Information we receive from consumer reporting agencies, such as your credit worthiness and credit history.

As a matter of policy, we do not disclose your nonpublic personal information, except as permitted by applicable law or regulation or as disclosed below. For example, we may share the information described above with others in order to process your transactions or service your accounts. We may also be obligated to disclose nonpublic personal information if required by the Securities and Exchange Commission or other federal or state regulatory agencies. We may also provide the information described above to companies that perform marketing or administrative services on our behalf, such as printing and mailing, or to other financial institutions with whom we have joint marketing agreements. We will require these companies to protect the confidentiality of this information and to use it only to perform the services for which we hired them. We do not supply your nonpublic personal information to third parties for their marketing purposes.

With respect to our internal security procedures, we maintain physical, electronic, and procedural safeguards that comply with federal standards to help protect your nonpublic personal information, and we restrict access to nonpublic, personal information about you to those employees who need to know that information to provide products or services to you.

If you decide at some point either to close your account(s) or become an inactive customer, we will continue to adhere to the privacy policies and practices discussed above with respect to your nonpublic personal information.

This notice is being provided on behalf of Western Asset.

APPENDIX B: EXPLANATIONS OF CERTAIN INVESTMENT RISKS

This Appendix explains the main risks of loss associated with the investment management portfolios described in Item 8 of the brochure. Please refer to the portfolio descriptions for which of these main risks apply to each portfolio.

As described in Item 8 of the brochure, the portfolios LMPPG and the Subadvisers provide may also involve risks that are not identified or explained in the brochure or this Appendix.

General Investment Risk. Stocks, bonds and other equity and fixed income securities may decline in value for any one or more of several reasons. The potential reasons these securities may decline in value are almost without limit and may not be foreseeable. Some common reasons securities may decline in value include:

- (i) Actual or anticipated negative developments affecting the issuer of the securities or the assets backing the securities, including: losses, earnings, revenues, expenses, profit margins, cash flow, growth rates, component unavailability, dividend levels or other financial or business metrics that do not meet expectations; deterioration in financial position; competition; changes in technology or governmental regulation; loss of or failure to obtain customers, personnel or necessary government approvals; product failures; lawsuits; corruption; government investigations or enforcement actions; loss of intellectual property protection; and loss or reduction of benefits such as exclusive distribution or supplier rights.
- (ii) Actual or anticipated negative developments affecting (a) one or more industries in which the issuer of the securities participates, (b) in the case of governmental issuers, the tax base, economy or other attributes of the country or region where the issuer is located; or (c) in the case of securities backed by specified assets, the type of assets backing the securities, such as mortgages, finance receivables, toll roads, hospitals, etc.
- (iii) Broader declines in security prices, including global, regional, country-specific, asset class-specific (e.g., equity, fixed income) and investment style-specific (e.g., growth, value) price declines. Potential reasons for these declines include changes in investor preferences; actual or anticipated global, regional or country-specific political, economic, regulatory or social developments (e.g., government changes, monetary policy, inflation, demographic changes, recessions), wars, terrorism, civil unrest, labor stoppages, infrastructure problems (e.g., power outages), and disasters such as earthquakes, floods, droughts, epidemics, oil spills, nuclear incidents, tsunamis, volcano activity, hurricanes and tornadoes.

Asset Allocation Risk. Allocation risk is the risk that the manager's judgment about market trends and the relative attractiveness of particular asset classes, investment styles or strategies is incorrect. In addition, a manager's investment models used in making asset allocation decisions may not adequately take into account certain factors or produce intended results over time, which may result in an account realizing a lower return than if the account were managed using another model or strategy.

Below Investment Grade Risk. Below investment grade fixed income securities, which are sometimes referred to as "junk" bonds or high yield securities, are fixed income securities that are rated below Baa or BBB and unrated fixed income securities of comparable quality. These securities have a higher risk of declining in value and defaulting than investment grade (i.e., higher quality) fixed income securities. In particular, below investment grade fixed income securities typically are more volatile and involve greater credit risk than investment grade fixed income securities. See "**High Volatility Risk**" and "**Credit Risk**" below in this Appendix for explanations of these risks. Below investment grade fixed income securities also tend to be less liquid and more susceptible to general investment risk than investment grade fixed income securities. See "**Illiquidity Risk**" and "**General Investment Risk**" in this Appendix for explanations of these risks.

Concentration Risk:

Geographic Concentration Risk. Geographic concentration risk is the risk of loss from concentrating investments in a particular geographic region, such as a single U.S. state or region, and not more broadly diversifying investments across multiple geographic regions. An investment management portfolio that concentrates investments in a particular geographic region will have a greater risk of loss from developments that negatively affect securities issuers with significant business or other financial exposure to the region. Examples of such developments include: regional disasters such as earthquakes, hurricanes and floods; deteriorating finances of regional governmental securities issuers (e.g., states, municipalities); regional infrastructure problems such as power outages or transport facility shutdowns or restrictions; and economic, demographic or regulatory changes that negatively affect the region's business environment.

Industry Concentration Risk. Industry concentration risk is the risk of loss from concentrating investments in a particular industry and not more broadly diversifying investments across multiple industries. An investment management portfolio that concentrates investments in a particular industry will have a greater risk of loss from developments that negatively affect companies in that industry. Examples of such developments include: regulatory or other government policy changes that negatively affect the industry; changes in business methods, technologies or consumer preferences that reduce demand for the industry's products or services; alternative product/service competition from new or pre-existing industries; and shortages of, or increased costs for, industry personnel, raw materials or product components.

Issuer Concentration Risk. Issuer concentration risk is the risk of loss from concentrating investments in individual securities (i.e., making larger investments in individual securities) instead of more broadly diversifying investments across a larger number of securities. An investment management portfolio that concentrates investments in individual securities will have a greater risk of loss from developments that negatively affect the issuers of those securities. See clause (i) of "**General Investment Risk**" above for examples of developments that may negatively affect the value of a particular issuer's securities.

Credit Risk. Credit risk, which is sometimes referred to as "default risk", is the risk that the value of a fixed income security will decline because of:

- (1) investor perception that the security issuer's or guarantor's future payment of the principal and/or interest obligation represented by the security has become less likely, increasing the likelihood of default; or
- (2) actual default by the issuer or guarantor of the security.

Below investment grade fixed income securities generally involve more credit risk than investment grade fixed income securities. See "**Below Investment Grade Risk**" above for a description of below investment grade fixed income securities. Developments that negatively affect the issuer or guarantor of a fixed income security, or the specified assets backing the security, often will increase the security's level of credit risk. See "**General Investment Risk**" above for examples of such developments.

Energy Sector Risk. Energy Sector risk includes the risks of declines in energy and commodity prices; decreases in energy demand; reduced volumes of energy commodities needing transportation, processing or storing; new construction and acquisition, which can limit growth potential; availability of competitively priced alternative energy sources; potential for technological obsolescence; threats of attack by terrorists; adverse weather conditions; natural or other disasters; and changes in government regulation and tax laws affecting the energy industry.

Environmental, Social and Governance (ESG) Investing Risk. ESG investing risk is the risk that an ESG investment strategy may limit the number of investment opportunities available to a client portfolio invested in accordance with the strategy and, as a result, such client portfolio may underperform portfolios that are not subject to such criteria. For example, an ESG investment strategy may cause the portfolio managers to (1) forgo opportunities to purchase certain securities for a client portfolio it might otherwise be advantageous to buy, or (2) sell certain securities for a client portfolio it might otherwise be disadvantageous to sell.

Extension Risk. Extension risk is the risk that issuers of fixed income securities, including mortgage-backed and other asset-backed securities, will repay their obligations more slowly than the market anticipates in the event market interest rates rise. This repayment extension may cause the prices of these securities to fall because their interest rates are lower than market rates and they remain outstanding for longer than originally anticipated.

High Volatility Risk. High volatility risk is the risk of loss associated with investments that tend to fluctuate in value more than other investments. An investment management portfolio with high volatility risk typically involves more speculative investments than a portfolio that does not have such risk. More speculative investments increase the client's risk of loss. In addition, high volatility increases the chance that a client will incur significant investment losses if and when the client or the client's investment manager decides to sell one or more securities held in the client's account.

Illiquidity Risk. Illiquidity risk is the risk that securities held in a client's account may be difficult to sell at prices close to recent valuations because few or no market participants are willing to purchase the securities at such prices. This risk, which generally is greater during times of market turmoil, may result in increased losses (or lesser gains) relative to sales of securities for which more active trading markets exist. Illiquidity risk may also result in client accounts realizing lower

prices from smaller-sized sales of securities, including municipal bonds, that usually trade in larger amounts. For example selling a single \$5,000 lot of a municipal bond for a client's account may result in a lower per-bond price than a contemporaneous sale of a \$100,000 lot of the same bond.

Interest Rate Risk. Interest rate risk is the risk that market interest rates will rise, causing fixed income security prices to fall. This risk stems from the tendency of increases in market interest rates to generally make payment obligations associated with already-outstanding fixed income securities less attractive to investors and therefore the securities themselves less valuable. The risk of securities price declines caused by interest rate increases generally is higher for fixed income securities with longer-term maturities.

Mid Cap Risk. Mid cap risk is the additional risk of loss typically associated with investments in securities of mid cap companies. Negative company-specific developments tend to cause securities of mid cap companies to decline in value more than securities of large cap companies. See clause (i) of "General Investment Risk" above for examples of such developments. Reasons for mid cap companies' increased risk of loss from such developments include the tendency of mid cap companies to have more limited product lines, operating histories, markets and financial resources, and also to be dependent on more limited management groups. Securities of mid cap companies also tend to be more volatile and less liquid than securities of large cap companies. See "**High Volatility Risk**" and "**Illiquidity Risk**" above.

MLP-Related Risk. MLP-related risk includes the following:

- As compared to common stockholders of a corporation, holders of MLP units have more limited control and limited rights to vote on matters affecting the partnership. Additionally, conflicts of interest may exist among common unit holders, subordinated unit holders and the general partner or managing member of an MLP.
- Certain MLPs in which the MLP portfolios may invest depend upon their parent or sponsor entities for the majority of their revenues. If their parent or sponsor entities fail to make such payments or satisfy their obligations, the revenues and cash flows of such MLPs and ability of such MLPs to make distributions to unit holders would be adversely affected.
- The amount and tax characterization of cash available for distribution by an MLP depends upon the amount of cash generated by such entity's operations. Cash available for distribution by MLPs will vary widely from quarter to quarter and is affected by various factors affecting the entity's operations.
- Changes in tax laws could adversely affect the MLPs in which a portfolio invests.

Non-U.S. Investment Risk. Non-U.S. investment risk is the additional risk of loss typically associated with investments in securities of non-U.S. issuers. Investments in securities of non-U.S. issuers tend to involve greater risk than investments in U.S. issuers. This increased risk arises from factors that include: many non-U.S. countries having securities markets that are less liquid and more volatile than U.S. securities markets; political and economic instability in some non-U.S. countries; lesser availability of issuer and market information in some non-U.S. countries; and less rigorous accounting and regulatory standards in some non-U.S. countries. In addition, currency exchange rate fluctuations may have a greater negative effect on the value of investments in securities of non-U.S. issuers.

Non-U.S. investment risk is increased for securities issuers and markets in emerging market countries. Emerging markets tend to have economic, political and legal systems that are less developed and less stable than those of the United States and other developed countries. In addition, securities markets in emerging market countries may be relatively illiquid and subject to extreme price volatility. See "**Illiquidity Risk**" and "**High Volatility Risk**" above.

Prepayment Risk. Issuers of many fixed income securities, including certain mortgage-backed and other asset-backed securities, have the right to pay their payment obligations ahead of schedule. If interest rates fall, an issuer may exercise this right. If this happens, the investor's ability to reinvest the prepayment proceeds and obtain the same yield will be diminished because of the lower market interest rates. In addition, prepayment may cause the investor to lose any premium paid upon purchase of the security.

Small Cap Risk. Small cap risk is the additional risk of loss typically associated with investments in securities of small cap companies. Negative company-specific developments tend to cause securities of small cap companies to decline in value more than securities of large cap and mid cap companies. See clause (i) of "General Investment Risk" above for examples of such developments. Reasons for small cap companies' increased risk of loss from such developments include the tendency of small cap companies to have more limited product lines, operating histories, markets and financial resources, and also to

be dependent on more limited management groups. Securities of small cap companies also tend to be more volatile and less liquid than securities of large cap and mid cap companies. See “**High Volatility Risk**” and “**Illiquidity Risk**” above.