



Form ADV Part 2A Brochure

June 28, 2019

880 Third Avenue
7th Floor
New York, NY 10022
212-886-9200 t
212-886-9201 f
<http://www.qsinvestors.com>

This Brochure provides information about the qualifications and business practices of QS Investors, LLC ("QS Investors" or the "Firm"). QS Investors is registered as an investment adviser with the United States Securities and Exchange Commission ("SEC"). Registration as an investment adviser does not imply any level of skill or training. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

If you have any questions about the contents of this Brochure, please contact us at 212-886-9200. Additional information about QS Investors is also available on the SEC's website at: <http://www.adviserinfo.sec.gov>.

ITEM 2 - Summary of Material Changes

This Brochure, dated June 28, 2019, replaces QS Investors' last Form ADV Part 2A Brochure dated April 17, 2019. While there are no material changes to the Brochure, certain updates have been made, including but not limited to the following: (i) Items 5 and 8: strategy fees and descriptions; and (ii) Item 17: proxy voting practices.

Clients and prospective clients should carefully review this Brochure and address any questions that they may have to an account representative. Account representatives may be reached at the phone number identified on the cover page of this Brochure.

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ITEM 4 - Advisory Business

About QS Investors

QS Investors is a registered investment adviser with the SEC providing investment advisory and sub-advisory services to a diverse array of institutional and retail clients and funds. The Firm, based in New York City, was formed in 2010 via a management buy-out of the Quantitative Strategies Group within a larger global asset manager. The Firm became a wholly-owned, independently-managed affiliate of Legg Mason in 2014.

QS Investors, the operating company and investment adviser, and QS Investors Fund Management LLC, the general partner of certain partnerships managed by QS Investors, are wholly owned subsidiaries of QS Investors Holdings, LLC, a holding company.

As of March 31, 2019, QS Investors had \$19.1 billion of regulatory assets under management ("AUM"). In addition, as of March 31, 2019, QS Investors had approximately \$1.0 billion of assets under advisement ("AUA").

Services Provided by QS Investors

QS Investors provides discretionary and non-discretionary advice to domestic and international clients based on their investment objectives, guidelines, and risk tolerance, each of which may be customized to address specific client needs. Using proprietary tools and methodologies, these strategies combine quantitative, qualitative and behavioral analysis and are systematically applied in order to vary portfolio characteristics over time in response to changing market conditions and opportunities.

The Firm offers a range of investment strategies and solutions within four primary areas:

- U.S. Equities;
- Global Equities;
- Liquid Alternatives; and
- Customized Solutions.

Customized Solutions may include asset allocation and manager or fund selection advisory services and certain risk management strategies. Multi-asset class portfolios are typically structured as "Fund-of-Funds" or as "Manager-of-Manager" arrangements (as defined below). Please see Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss) of this Brochure for detailed information about the investment strategies and solutions the Firm offers.

Investment strategies may be offered to clients as separate accounts (for institutional clients, including pension and profit sharing plans, state, municipal or foreign governmental entities, corporations, charitable organizations, endowments, foundations and other business entities), pooled investment vehicles (including offshore funds, private funds, collective investment funds and Section 529 college savings plans), or open-end investment companies and exchange-traded funds ("ETFs") registered under the Investment Company Act of 1940, as amended (the "Investment Company Act"), for which we serve as sub-adviser. Additionally, certain of QS Investors' strategies may be offered to individual clients and institutional clients through managed account programs – refer to the discussion

on managed account programs below for more information. Please see Item 7 (Types of Clients) of this Brochure for more information about the types of clients to whom we typically provide investment advice.

As described in Item 16 (Investment Discretion) of this Brochure, discretionary clients may impose specific investment guidelines for their accounts, outlined in their advisory contracts, including restrictions on certain securities or types of securities or other matters.

QS Investors also provides both discretionary and non-discretionary investment advice, trade recommendations and/or portfolio research services, in the form of model investment portfolios, to certain accounts of affiliated and non-affiliated clients for which QS Investors has no responsibility or authority relating to trade execution. When QS Investors maintains investment discretion or provides continuous and ongoing non-discretionary investment advice, including in the case of managed account programs (as defined below), assets are included in the Firm's AUM. In the case of other accounts for which we receive fees for performing advisory and/or other related services, associated assets are considered AUA and are not included in AUM.

Managed account programs (including Wrap Fee Program Services)

QS Investors serves as sub-advisor to Legg Mason Private Portfolio Group, LLC ("LMPPG") and participates in managed account programs with LMPPG.

As sub-advisor to LMPPG, QS Investors may participate in various types of managed account programs, including Discretionary Model-Based Programs, Non-Discretionary Model-Based Programs, and LMPPG-Implemented Programs, which are defined as follows:

- Discretionary Model-Based Programs. Programs of sponsors in which QS Investors has security selection discretion and LMPPG forwards investment instructions furnished by QS Investors in the form of model portfolios to sponsors or their designees for implementation, subject to any implementation protocols or rules of the sponsors or their designees;
- Non-Discretionary Model-Based Programs. Programs of sponsors in which LMPPG forwards QS Investors' non-discretionary investment recommendations in the form of model portfolios to sponsors or their designees for implementation, subject to the discretion of sponsors or their designees; and
- LMPPG-Implemented Programs. Programs of sponsors in which QS Investors has security selection discretion and LMPPG implements investment instructions furnished by QS Investors in the form of model portfolios with respect to client accounts, subject to any implementation protocols or rules agreed to by LMPPG and QS Investors.

QS Investors may also participate in certain managed account programs directly rather than through its relationship with LMPPG.

In the case of Non-Discretionary Model-Based Programs, LMPPG's and QS Investors' sole client is the recipient of the model. Neither LMPPG nor QS Investors has an investment advisory relationship with the end clients in such programs whose accounts are managed by the sponsor or its designee utilizing QS Investors' model portfolios.

Participation in managed account programs by QS Investors may include wrap fee programs that may be sponsored by banks, broker-dealers or other investment advisers. When QS Investors serves as sub-adviser to LMPPG, LMPPG may receive a portion of the wrap fee for services provided to such accounts and pass a portion of this fee onto QS Investors.

Not all investment strategies managed by QS Investors are available through managed account programs, and the manner in which QS Investors constructs portfolios for use in managed account programs may differ from how the same strategy is executed for another client such as a pooled fund or institutional mandate. For example, a separate account and a similar managed account program may use different investment vehicles to gain exposure to certain markets or asset classes. As such, performance among managed account programs and pooled funds or separate accounts managed to like strategies may differ.

When delivering services to managed account programs as sub-advisor to LMPPG or directly to a sponsor (or designee), QS Investors is responsible only for supplying a model portfolio that is consistent with the designated QS Investors strategy. Though clients in managed account programs can impose reasonable restrictions, the implementing firm (such as sponsor, overlay manager or LMPPG) is responsible for complying with such restrictions.

Commonly Used Terms Relating to the Firm's Multi-Asset Allocation Services

The following terms are used throughout this Brochure in the description of the Firm's Fund-of-Funds and Manager-of-Managers arrangements:

- "Fund-of-Funds" means an investment fund that invests in a group of Underlying Funds selected by QS Investors. Underlying Funds may include QS-Advised Funds, Affiliated Funds and/or Non-Affiliated Funds.
 - "Underlying Fund" means an investment fund in which a Fund-of-Funds or a Sleeve of a Manager-of-Managers arrangement (as defined below) invests all or a portion of its assets. Underlying Funds may include mutual funds, closed-end investment companies, exchange-traded funds ("ETFs") or other investment funds.
 - "QS-Advised Fund" means an Underlying Fund that is managed or advised by QS Investors.
 - "Affiliated Fund" means an Underlying Fund that is managed or advised by a QS Investors Affiliate.
 - "Non-Affiliated Fund" means an Underlying Fund that is managed or advised by an entity that is not a QS Investors Affiliate.
- "Manager-of-Managers arrangement" means an arrangement in which various Sleeves of a client's account are managed by Underlying Managers selected by QS Investors.
 - "Underlying Manager" means an investment management firm that manages one or more Sleeves of a client's account under a Manager-of-Managers arrangement. Underlying Managers may include QS Investors, Affiliated Managers and Non-Affiliated Managers.
 - "QS-Managed Sleeve" means a Sleeve for which QS Investors serves as the Underlying Manager.

- “Affiliated Manager” means an Underlying Manager that is a QS Investors Affiliate.
- “Non-Affiliated Manager” means an Underlying Manager that is not a QS Investors Affiliate.
- “Sleeve” means the portion of a “Manager-of-Managers” client account allocated to an Underlying Manager. All or a portion of the assets in a Sleeve may be invested in an Underlying Fund by the Sleeve’s Underlying Manager.
- “QS Investors Affiliate” means an entity that is under common ownership with QS Investors (*i.e.*, a subsidiary of Legg Mason).
- “Managed Account Fund Portfolio” means an arrangement in which a client’s account or portfolio under a managed account program is invested in a group of Underlying Funds, which may include QS-Advised Funds, Affiliated Funds and/or Non-Affiliated Funds, as defined above.
- “Multi-Manager Investment” means any of Fund-of Funds, Manager-of-Managers arrangement, or Managed Account Fund Portfolio, as defined above.

ITEM 5 - Fees and Compensation

Fees Charged

QS Investors generally assesses client fees based on its standard fee schedules. Actual fees, minimum fees and minimum account sizes may be negotiated and may vary depending on the client, nature, and/or amount of services provided or as otherwise agreed upon with each client. Fees may be higher or lower than the fees reflected below and those charged by other investment advisers for comparable services.

From time to time, QS Investors may also charge performance or incentive-based fees. Additional information regarding these practices is provided in Item 6 (Performance-Based Fees and Side-by-Side Management) of this Brochure.

How Fees are Charged

Fees are charged to and collected from each client in accordance with the terms of QS Investors' investment management, investment advisory, or other service agreement with the client. The client's agreement with QS Investors may provide that QS Investors is to invoice the client for payment of QS Investors' fees. Alternatively, such agreement may authorize QS Investors to send its invoice to the client's custodian, which then debits the client's account and remits payment to QS Investors. In the case of a client that is an investment fund sub-advised by QS Investors, the fund's manager or adviser may be responsible for calculating and paying QS Investors' fees without being invoiced by QS Investors. QS Investors does not deduct fees directly from client accounts.

Fees are generally charged based on the combined market value of all securities and cash on the accounting date at the end of a specified period (e.g., the last business day of the quarter or an average of AUM during the quarter). Clients with separately managed accounts are generally billed in arrears, payable on a monthly or quarterly basis. Alternatively, clients may arrange to pay fees in advance of services rendered. In such cases, if a contract is terminated before the period has ended, the prorated, unearned portion of any advance payment received will be promptly refunded to the client based on the number of days remaining in the billing period. If QS Investors' advisory services begin after the first day of a billing period or end before the last day of the period, advisory fees will be prorated. Clients may terminate their advisory contracts by notifying QS Investors in writing.¹ Fees are also prorated during billing periods in which clients have added or withdrawn assets (other than immaterial amounts) based on the number of days during the period those assets were managed.

¹ However, service agreements for Section 529 college savings plans typically have multi-year terms and can only be terminated on a "for cause" basis prior to expiration of the term.

Standard Fee Schedules

QS Investors offers the following standard annualized fee schedules for the management of institutional separate account portfolios, with fees based on the market value of AUM. These fees are subject to change.

U.S. Equities

U.S. Equity (Active Factor Investing)

U.S. Large Capitalization (Russell 1000)

	Annual Fee	Minimum Annual Fee
First \$25 million	0.65%	
Next \$75 million	0.35%	\$162,500
Balance	0.25%	

U.S. Large Capitalization (S&P 500)

	Annual Fee	Minimum Annual Fee
First \$25 million	0.65%	
Next \$75 million	0.35%	\$162,500
Balance	0.25%	

U.S. Large Capitalization Enhanced

	Annual Fee	Minimum Annual Fee
On all assets	0.30%	\$75,000

U.S. Mid Capitalization (Russell Midcap)

	Annual Fee	Minimum Annual Fee
First \$25 million	0.65%	
Next \$75 million	0.35%	\$162,500
Balance	0.25%	

U.S. Small Capitalization (Russell 2000)

	Annual Fee	Minimum Annual Fee
First \$25 million	0.85%	
Next \$75 million	0.70%	\$212,500
Balance	0.65%	

Managed Volatility Equity

U.S. Large Capitalization Managed Volatility

	Annual Fee	Minimum Annual Fee
First \$25 million	0.65%	
Next \$75 million	0.35%	\$162,500
Balance	0.25%	

U.S. Small Capitalization Managed Volatility

	Annual Fee	Minimum Annual Fee
First \$25 million	0.85%	
Next \$75 million	0.70%	\$212,500
Balance	0.65%	

Low Volatility High Dividend

U.S. Low Volatility High Dividend

	Annual Fee	Minimum Annual Fee
On all assets	0.30%	\$75,000

Global Equities

Global Equity (Active Factor Investing)

Global Opportunistic

	Annual Fee	Minimum Annual Fee
First \$25 million	0.65%	
Next \$75 million	0.50%	\$162,500
Balance	0.45%	

Global Environmental Social and Governance ("ESG")

	Annual Fee	Minimum Annual Fee
First \$25 million	0.65%	
Next \$75 million	0.50%	\$162,500
Balance	0.45%	

Global Inflation-Sensitive

	Annual Fee	Minimum Annual Fee
First \$25 million	0.65%	
Next \$75 million	0.50%	\$162,500
Balance	0.45%	

Global Small Capitalization (ACWI)

	Annual Fee	Minimum Annual Fee
First \$25 million	0.85%	
Next \$75 million	0.70%	\$212,500
Balance	0.60%	

Global Dynamic Long/Short

	Annual Fee	Minimum Annual Fee
On all assets	0.95%	\$237,500

International Equity (Active Factor Investing)

International

	Annual Fee	Minimum Annual Fee
First \$25 million	0.65%	
Next \$75 million	0.50%	\$162,500
Balance	0.45%	

International Small Capitalization (ACWI ex-U.S.)

	Annual Fee	Minimum Annual Fee
First \$25 million	0.85%	
Next \$75 million	0.70%	\$212,500
Balance	0.60%	

International Small Capitalization (S&P Developed ex-U.S. Small Cap)

	Annual Fee	Minimum Annual Fee
First \$25 million	0.85%	
Next \$75 million	0.70%	\$212,500
Balance	0.60%	

Managed Volatility Equity

Global Managed Volatility

	Annual Fee	Minimum Annual Fee
First \$25 million	0.65%	
Next \$75 million	0.50%	\$162,500
Balance	0.45%	

Global Managed Volatility Enhanced

	Annual Fee	Minimum Annual Fee
First \$25 million	0.65%	
Next \$75 million	0.50%	\$162,500
Balance	0.45%	

International Managed Volatility

	Annual Fee	Minimum Annual Fee
First \$25 million	0.65%	
Next \$75 million	0.45%	\$162,500
Balance	0.35%	

European Managed Volatility

	Annual Fee	Minimum Annual Fee
First \$25 million	0.65%	
Next \$75 million	0.45%	\$162,500
Balance	0.35%	

UK Managed Volatility

	Annual Fee	Minimum Annual Fee
First \$25 million	0.65%	
Next \$75 million	0.35%	\$162,500
Balance	0.25%	

Emerging Markets Managed Volatility

	Annual Fee	Minimum Annual Fee
First \$25 million	0.80%	
Next \$75 million	0.70%	\$200,000
Balance	0.60%	

Asia Pacific ex-Japan Managed Volatility

	Annual Fee	Minimum Annual Fee
First \$25 million	0.80%	
Next \$75 million	0.70%	\$200,000
Balance	0.60%	

DBI

DBI Global

	Annual Fee	Minimum Annual Fee
First \$100 million	0.60%	
Next \$400 million	0.50%	\$300,000
Balance	0.40%	

DBI International (EAFE)

	Annual Fee	Minimum Annual Fee
First \$100 million	0.50%	
Next \$400 million	0.40%	\$250,000
Balance	0.30%	

DBI Emerging Markets

	Annual Fee	Minimum Annual Fee
First \$25 million	0.80%	
Next \$75 million	0.70%	\$200,000
Balance	0.60%	

DBI World ex-Australia

	Annual Fee	Minimum Annual Fee
First \$100 million	0.40%	
Next \$400 million	0.30%	\$200,000
Balance	0.20%	

DBI ACWI Plus ex-Australia		
	Annual Fee	Minimum Annual Fee
First \$100 million	0.70%	
Next \$400 million	0.60%	\$350,000
Balance	0.50%	
Low Volatility High Dividend		
International Low Volatility High Dividend		
	Annual Fee	Minimum Annual Fee
On all assets	0.40%	\$100,000
Emerging Markets Low Volatility High Dividend		
	Annual Fee	Minimum Annual Fee
On all assets	0.50%	\$100,000
Liquid Alternatives		
Global Market Neutral Equity		
	Annual Fee	Minimum Annual Fee
On all assets	0.95%	\$237,500
Global Tactical Asset Allocation		
	Annual Fee	Minimum Annual Fee
On all assets	Customized	Varied
Customized Solutions		
Multi-Asset Allocation (a/k/a Strategic Asset Allocation)/Other Customized Solutions		
	Annual Fee	Minimum Annual Fee
On all assets	Customized	Varied

The Firm also serves as investment manager or sub-adviser for various pooled investment vehicles, mutual funds and ETFs (collectively, “commingled funds”). The fee schedules for some of these strategies or products may be higher or lower than those reflected above.

In certain situations, QS Investors and a client may negotiate a management fee that has different terms or is lower than the standard fees shown above. For example, the Firm may waive or charge lower management fees to investors that seed an investment strategy. QS Investors may also waive or charge lower management fees to current and former employees, their family members, QS Investors Affiliates, and their employees who invest in pooled investment vehicles for which the Firm acts as general partner or managing member.

Neither QS Investors nor its employees accept third-party compensation, including asset-based sales charges or service fees, for the sale of securities or other investment products.

Fees Relating to Managed Account Programs

QS Investors offers the following standard annualized fee schedules for managed account programs, with fees based on the market value of AUM. QS Investors receives or anticipates receiving fees within the ranges provided below. These fees are subject to change. Where QS Investors serves as sub-adviser to LMPPG, LMPPG receives the fees as described below and pays all or a portion of the fees to QS Investors subject to the terms of the contractual arrangement between QS Investors and LMPPG. In certain instances, if the fee paid to LMPPG is zero or near zero, QS Investors will compensate LMPPG for its services out of its general resources.

Managed Account Programs

Investment Strategy	Annual Advisory Fee		Account Minimum
	Discretionary Model Programs	Non-Discretionary Model Program	
QS Low Volatility High Dividend	0.20 – 0.40%	0.20 – 0.40%	\$50,000
Legg Mason Alternative Completion	0.00 – 0.20%	0.00 – 0.20%	\$25,000
Legg Mason Diversified Income	0.00 – 0.20%	0.00 – 0.20%	\$25,000
Legg Mason Strategic Real Return	0.00 – 0.20%	0.00 – 0.20%	\$25,000
Legg Mason ESG Global Equity	0.00 – 0.20%	0.00 – 0.20%	\$25,000
Legg Mason Diversified Risk Portfolios	0.00 – 0.20%	0.00 – 0.20%	\$25,000
Legg Mason Global Growth and Income	0.00 – 0.20%	0.00 – 0.20%	\$5,000
Legg Mason Multi-Manager Diversified Risk Portfolios	0.00 – 0.40%	0.00 – 0.40%	\$750,000
Legg Mason Multi-Manager ESG Global Equity Portfolios	0.00 – 0.40%	0.00 – 0.40%	\$750,000
Legg Mason Diversified Risk ESG Portfolio	0.00 – 0.40%	0.00 – 0.40%	\$25,000
Legg Mason Diversified Risk Trust Portfolios	0.00 – 0.20%	0.00 – 0.20%	\$25,000

In certain situations, QS Investors and a client may negotiate a management fee that has different terms or is lower than the standard fees shown above.

In addition, other types of fees/expenses that may be incurred by the client in connection with QS Investors' services are sponsor fees, LMPPG fees, custody fees, exchange or similar fees (such as for ADRs), fees charged by other service providers (such as consultants), and transaction fees.

Underlying Fund Fees in a Managed Account Fund Portfolio

Some managed account programs are invested in a managed account fund portfolio structure. As such there may be fees in addition to the investment management fees incurred by the managed account program. A managed account fund portfolio structure advised by QS Investors will indirectly bear the fees and expenses charged by the Underlying

Funds in which it invests. Such fees and expenses are in addition to any investment advisory fee that may be paid directly to QS Investors. In the case of an Underlying Fund that is a QS-Advised Fund, the QS-Advised Fund's fees and expenses will include an advisory fee paid to QS Investors. In the case of an Underlying Fund that is an Affiliated Fund, the Affiliate Fund's fees and expenses will include an advisory fee paid to the Affiliate. Separately, subject to an agreement between QS Investors and the affiliate, the affiliate may make a payment to QS Investors out of its general resources in consideration of the Fund being included in the model fund portfolio. Depending on the contractual arrangement agreed to by the sponsor and QS Investors and applicable law, fees paid by a QS-Advised Fund to QS Investors or by an Affiliate to QS Investors by the Affiliate may or may not be credited against the advisory or service fees otherwise charged by QS Investors.

QS Investors may provide asset allocation and fund selection services for no advisory fee to certain Fund-of-Funds managed account programs whose portfolios are wholly or substantially comprised of Underlying Funds that are QS-Advised Funds and/or Affiliated Funds. Under such arrangements, the Underlying Funds will pay QS Investors and/or QS Investors Affiliates separate advisory fees, and the managed account program will indirectly bear the fees and expenses of such Underlying Funds.

Other Types of Fees and Expenses

Brokerage and Other Transaction Costs and Other Fees and Expenses

In addition to QS Investors' advisory fees, clients of QS Investors will incur brokerage and other transaction costs in connection with securities transactions that QS Investors engages in for their accounts. Such costs may include brokerage commissions, commission equivalents, mark-ups and mark-downs, odd-lot differentials, exchange fees, SEC fees, transfer taxes, stamp taxes, and other transaction costs. In addition, other types of fees/expenses that may be incurred by the client in connection with QS Investors' services are sponsor fees, LMPPG fees, custody fees, exchange or similar fees (such as for ADRs), fees charged by other service providers, such as consultants, accountants, and administrators), and transaction fees.

Please see Item 12 (Brokerage Practices) of this Brochure for information concerning QS Investors' brokerage practices.

Clients may also pay other fees and expenses in connection with QS Investors' advisory services, such as custodian fees to their custodians, wire transfer and electronic fund fees, fees for professional services such as audit, tax and legal services, and other charges, taxes or fees mandated by any federal, state or other applicable law.

These other fees and expenses will vary based on the type of account, instruments traded, trading frequency, and other factors that may be unique to a strategy and/or account, and are the sole responsibility of each client. QS Investors does not receive any portion of these other fees and expenses, except as described below with respect to its Multi Manager Investments.

Each commingled fund bears its own expenses. Details regarding fees payable to QS Investors, QS Investors Affiliates, or third parties associated with investments in these funds can be found in each fund's governing documents (prospectus, confidential offering memorandum, or limited partnership agreement). Any information about commingled funds in this Brochure is superseded by the information contained in the specific fund's governing documents.

Underlying Fund Fees in Multi Manager Investments

A Fund-of-Funds client advised by QS Investors will indirectly bear the fees and expenses charged by the Underlying Funds in which it invests. Such fees and expenses are in addition to any investment advisory fee that may be paid directly to QS Investors. In the case of an Underlying Fund that is a QS-Advised Fund, the QS-Advised Fund's fees and expenses will include an advisory fee paid to QS Investors. In the case of an Underlying Fund that is an Affiliated Fund, the Affiliate Fund's fees and expenses will include an advisory fee paid to the Affiliate. Separately, subject to an agreement between QS Investors and the affiliate, the affiliate may make a payment to QS Investors out of its general resources in consideration of the Fund being included in the model fund portfolio. Depending on the contractual arrangement agreed to by the client and QS Investors and applicable law, fees paid by a QS-Advised Fund to QS Investors and by an Affiliated Fund to a QS Investors Affiliate may or may not be credited against the advisory or service fees otherwise charged by QS Investors.

QS Investors may provide asset allocation and fund selection services for no advisory fee to certain Fund-of-Funds clients whose portfolios are wholly or substantially comprised of Underlying Funds that are QS-Advised Funds and/or Affiliated Funds. Under such arrangements, the Underlying Funds will pay QS Investors and/or QS Investors Affiliates separate advisory fees, and the client will indirectly bear the fees and expenses of such Underlying Funds.

If an Underlying Manager in a Manager-of-Managers arrangement invests client assets in Underlying Funds, the client will indirectly bear the fees and expenses charged by such Underlying Funds in addition to paying an investment advisory fee directly to QS Investors and/or the Underlying Manager.

If a Fund-of-Funds client advised by QS Investors is a college savings plan and invests in Underlying Funds that are Non-Affiliated Funds, QS Investors and QS Investors Affiliates may receive and retain fees from such Non-Affiliated Funds or the adviser or distributor of such funds in respect of assets invested in such funds. Fees received from Non-Affiliated Funds are not credited against the investment advisory fees otherwise charged by QS Investors to the college savings plan. Such fee arrangements are designed to help offset QS Investors' expenses associated with maintaining an investment in a Non-Affiliated Fund on behalf of a college savings plan and may be a factor considered by QS Investors in selecting Underlying Funds in which to invest college savings plan assets. Such fee arrangements are disclosed to and consented to by the applicable college savings plan sponsor and are disclosed to college savings plan participants in applicable offering documents.

Please see Item 10 (Other Financial Industry Activities and Affiliations), Item 11 (Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading) and Item 14 (Client Referrals and Other Compensation) of this Brochure for a discussion of conflicts of interest faced by QS Investors related to fees received by QS Investors and QS Investors Affiliates from QS-Advised Funds, Affiliated Funds and Non-Affiliated Funds.

Underlying Manager Fees in Manager-of-Managers Arrangements

In the case of a Manager-of-Managers arrangement, the client typically will pay investment advisory fees to the Underlying Manager of each Sleeve in addition to QS Investors' investment advisory fee.

In the case of a Manager-of-Managers arrangement where the Sleeves are managed by QS Investors Affiliates, the client may pay separate advisory fees to QS Investors and the QS Investors Affiliates. Alternatively, the client may pay a

single fee to QS Investors with the understanding that QS Investors will compensate each QS Investors Affiliate separately for its sub-advisory services.

In the case of a Manager-of-Managers arrangement that has one or more QS Investors Managed Sleeves, QS Investors may or may not receive a separate fee for managing such QS-Managed Sleeves in addition to the advisory fee it receives for providing services to the account as a whole.

Please see Item 10 (Other Financial Industry Activities and Affiliations) of this Brochure for a discussion of conflicts of interest faced by QS Investors related to Underlying Manager fees in a Manager-of-Managers arrangement.

Transition-Related Costs in Fund-of-Funds and Manager-of-Managers Arrangements

In connection with a transition from one Underlying Fund or Underlying Manager to another as a result of a QS Investors' replacement decision, a client may temporarily hold a basket of securities (e.g., due to an Underlying Fund's satisfaction of a redemption out of such fund on an in-kind basis) during the transition period. In such event, QS Investors will seek to liquidate the securities received as soon as practicable unless the successor Underlying Fund or the successor Underlying Manager indicates that it is willing to accept such securities. The transaction costs associated with such liquidation, as well as any market impact on the value of the securities being liquidated, will be borne by the client.

ITEM 6 - Performance-Based Fees and Side-by-Side Management

Performance-Based Fees

QS Investors may, on occasion, manage accounts subject to performance-based fees in addition to or instead of standard asset-based fees. By managing performance fee-based accounts alongside standard fee-based accounts, the Firm and its portfolio managers face certain inherent conflicts. In particular:

- A portfolio manager may be incentivized to allocate more attractive investment opportunities to accounts that generate performance fees versus those that generate standard fees;
- A portfolio manager may take undue risk in accounts that generate performance fees with an aim to inflate performance;
- A portfolio manager whose compensation is heavily correlated to performance may take on excessive risk with an aim to inflate performance; and/or
- The Firm may benefit from assigning higher value to securities in accounts that generate performance fees.

QS Investors' quantitative investment process and operational procedures are reasonably designed and implemented to ensure that all accounts are treated fairly regardless of fee structure and to ensure that performance fee-based arrangements do not influence the allocation of investment opportunities among clients. Please see Item 12 (Brokerage Practices) of this Brochure for a description of QS Investors' trade aggregation and allocation procedures.

In addition, the Firm's investment professionals are not compensated based on the performance of specific accounts, but rather on the performance of their team across applicable products, as well as their individual contributions to research, risk management, client service, and new business development.

To mitigate potential conflicts of interest in regard to pricing of securities, QS Investors has formal pricing policies and procedures for valuing account assets in instances when market prices are either unavailable or deemed to be unreliable.

Side-by-Side Management

Each of QS Investors' investment strategies are managed by a team of portfolio managers. As such, portfolio managers simultaneously manage multiple types of accounts for a number of clients. Accounts within a given investment strategy or across strategies may charge higher or lower fees than other accounts and may present conflicts similar to those previously addressed under "Performance-Based Fees" above. As mentioned above, QS Investors has attempted to lessen this risk by compensating investment professionals based on the performance of their team across the team's products rather than based on the performance of specific accounts, in addition to other factors.

QS Investors provides investment advisory services to a variety of clients using various investment strategies. The Firm may give different advice, take different action or time trades differently for different accounts. Although QS Investors seeks to ensure that client accounts managed using similar investment strategies have similar portfolio characteristics, the Firm does not typically "clone" accounts by constructing multiple accounts with identical holdings. It is important to note that accounts with similar investment objectives may be managed differently at times, which may lead to a

difference in performance. While the same investment practices are generally applied to all accounts within a given strategy, investment decisions are made specifically to meet the unique objectives of each client. Differences in clients' investment objectives, risk tolerance, investment guidelines, available funds, or other restrictions/prohibitions may lead to different investment decisions, and ultimately different performance, even among similar accounts within the same strategy. Please see Item 12 (Brokerage Practices) of this Brochure for more detail on controls reasonably designed to ensure fair and equitable treatment of all client accounts.

For a variety of reasons, QS Investors may simultaneously recommend the sale of a particular security for one account while recommending its purchase for another. For example, if the Firm needs to raise cash for a redemption or withdrawal in a particular account, QS Investors may sell a security that is classified as a buy by the Firm's investment process.

Certain of QS Investors' investment professionals may manage long-only accounts alongside accounts that buy securities both long and short ("side-by-side management arrangements"). When side-by-side management arrangements exist, there may be instances in which QS Investors holds a long position in a security in one account while holding the same security short in another account (or vice versa). Selling a security short may result in a decrease of its value; conversely, purchasing a security may result in an increase in its value.

Occasionally, QS Investors may purchase a security in long-only accounts on the same day the Firm executes an opposite transaction by selling it short in other accounts, or vice versa. The stock selection models, risk controls, and portfolio construction rules used for client accounts in a particular investment strategy may differ from those used for accounts in other strategies, including accounts that hold short positions. As a result, securities may be viewed differently for different investment strategies, and the timing of trades may differ. For example, for risk control purposes, a long-only account may hold an underweight position in a particular security relative to its benchmark despite its sell classification because it is a large benchmark constituent. Underweighting the security in this case is essentially "betting" against it. At the same time, QS Investors may be "betting" against the security in a different account by shorting it. Both positions reflect a negative return expectation for the security. The Firm believes that with its risk controls it is possible for different accounts managed under different investment strategies to both benefit by holding opposite positions in the same security.

Since certain client positions may be conflicted under these arrangements, QS Investors has implemented policies and procedures specifically designed to address side-by-side management arrangements that are reasonably designed to ensure that all of the Firm's clients are treated fairly and equitably. QS Investors' compliance personnel ("Compliance") review opposite transactions and positions in the same securities for validity, obtaining justification from the appropriate investment team, if necessary. They also review opposite transactions to ensure that there are no inadvertent cross transactions. In addition, they periodically review account performance dispersion to ensure that no strategies or accounts, including those paying performance fees, appear to receive preferential treatment or are being systematically disadvantaged.

ITEM 7 - Types of Clients

QS Investors manages separate accounts for both institutional and retail clients.

QS Investors provides (or has provided) institutional investment advisory and sub-advisory services to a variety of client types, including, but not limited to:

- Corporations;
- Pension and profit-sharing plans;
- Taft-Hartley plans;
- Insurance companies;
- Charitable organizations;
- Endowments and foundations;
- State and local governmental entities;
- Foreign government entities, including sovereign funds;
- Registered investment companies, including mutual funds and ETFs;
- Foreign funds, such as Undertakings for Collective Investment in Transferable Securities (“UCITS”) and Specialized Investment Funds (“SIFs”);
- Collective trusts;
- Private investment funds (including so-called “hedge funds”);
- Section 529 college savings plans; and
- Other U.S. and international institutions.

Managed Account Programs

Discretionary model-based and LMPPG-implemented program clients may include individuals as well as various types of institutional clients.

Non-discretionary model-based program clients may include banks, broker-dealers or other investment advisers that may use our services to assist them in managing their own underlying clients. Neither LMPPG nor QS Investors have an advisory relationship with these underlying clients.

Conditions for Opening or Maintaining an Account

Depending on the nature of the services to be provided, QS Investors may require a minimum dollar value of AUM as a condition for opening or maintaining an account. The minimum account size is \$25 million. However, the minimum account size may be waived and/or changed at QS Investors’ sole discretion. Prospective separate-account clients must execute advisory contracts with QS Investors that stipulate the terms of service and fees.

The minimum investment amount that applies to, or in the case of non-discretionary programs, is recommended for, managed account programs is \$25,000. LMPPG and QS Investors, in consultation with the sponsor, may waive the account minimum or establish higher or lower minimums under a particular managed account program.



Multi-asset class portfolios with allocations to separately managed portfolios of individual securities may have significantly higher investment minimums than \$25,000.

The investment minimums and investor qualifications for the commingled funds QS Investors manages or sub-advises are specified in their governing documents. Institutional clients, qualified investors, accredited investors, retail investors, and some QS Investors employees may be eligible to invest in some of these commingled funds. Prospective commingled fund investors must execute subscription or similar agreements binding them to the terms stipulated in the governing documents.

ITEM 8 - Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis and Investment Strategies

QS Investors offers a number of different investment strategies that are managed utilizing its proprietary, quantitative investment models. These models use financial data provided through databases licensed from multiple vendors. QS Investors' portfolio construction process incorporates multiple levels of risk control. The Firm optimizes portfolios using a multifactor risk model. All trades are reviewed by at least two portfolio managers for risk control purposes before they are released for execution.

The following is a brief description of certain of the institutional investment strategies offered by QS Investors:

U.S. Equities

U.S. Equity (Active Factor Investing)

Strategies include: U.S. Large Capitalization, U.S. Large Capitalization Enhanced, U.S. Mid Capitalization and U.S. Small Capitalization

In its active factor investing strategies, QS Investors uses disciplined, systematic techniques based on traditional fundamental analysis to objectively score the relative attractiveness of an investable universe of liquid stocks daily. These strategies are characterized by rigorous, bottom-up stock selection, integrated risk control, and cost-efficient trading, resulting in well diversified and style neutral portfolios, with moderate active positions versus the benchmark.

QS Investors constructs an investable stock universe for these strategies by screening all listed securities within the appropriate asset class according to criteria related to trade volume, analyst coverage, and availability of reliable company data. For each strategy, the Firm scores the relative attractiveness of all stocks in its investable universe every day across certain fundamentally based categories known as "dimensions." These dimensions fall into broader categories based on either valuation or sentiment. Valuation-oriented dimensions assess value and cash flow, while sentiment-oriented dimensions assess earnings, growth, expectations, and behavioral characteristics. Each dimension includes multiple measures of attractiveness called "factors." QS Investors' large factor library includes both traditional and proprietary measures that its research indicates are predictive of excess return. Since not all factors work in all sectors and markets or at all times, QS Investors applies them selectively based on periodic retesting. The objective is to use only those factors that are deemed most predictive at a particular time and are least correlated with other factors.

The Firm scores each stock from multiple viewpoints. These scores represent various investment perspectives and are typically based on several of the following considerations: sector, country, region, investment style (such as growth and value), and market capitalization. By incorporating such diverse perspectives in our scores, QS Investors seeks to develop a more complete picture of each stock's relative attractiveness. The buy and sell ranges within this scoring structure vary by investment strategy. Subject to market environment and risk controls, QS Investors generally purchases stocks scored as "buys" and sell stocks scored as "sells." However, for purposes of risk management, the Firm typically holds positions in securities that are significant benchmark constituents regardless of score. Sector, country, and region allocation decisions are made using proprietary models and the insights of the investment team.

These strategies also seek long-term capital growth by investing in common stocks that the investment team believes are mispriced. Each of these strategies seeks to outperform their respective benchmark index regardless of the market environment. Generally, the strategies seek to add value over a full market cycle of three to five years.

Managed Volatility Equity

Strategies include: U.S. Large Capitalization Managed Volatility, U.S. Small Capitalization Managed Volatility

QS Investors' Managed Volatility strategies are designed to provide a strong yield component while seeking to achieve superior risk-adjusted returns versus the market. Designed to offer downside protection and upside return potential, these strategies use diverse risk perspectives, including a fundamental view, and invest only in stocks that are expected to pay dividends.

Low Volatility High Dividend

Strategies include: U.S. Low Volatility High Dividend

QS Investors' Low Volatility High Dividend strategies use a "passive" or indexing investment approach to achieve its investment objective. The strategy is designed to track the investment results of a particular index. The index seeks to provide more stable income through investments in stocks of profitable U.S. companies with relatively high dividend yields and lower price and earnings volatility. The index is based on a proprietary methodology created and sponsored by QS Investors. Stocks in the index must have demonstrated profitability over the last four fiscal quarters as a whole. Stocks whose yields are not supported by earnings are excluded from the index. The index's components are reconstituted annually and rebalanced quarterly. The index is designed to provide a strong yield component while seeking to achieve superior risk-adjusted returns versus the market. Please see Item 10 (Other Financial Industry Activities and Affiliations) of this Brochure for additional information relating to the Firm's use of self-indexing.

This strategy is offered as a Managed Account Program. Please see additional discussion below in *Managed Account Programs*.

Global Equities

Global Equity (Active Factor Investing)

Strategies include: Global Opportunistic, Global ESG, Global Inflation-Sensitive, Global Small Capitalization, Global Dynamic Long/Short

These strategies use a bottom-up, core investment process, similar to that which is described above under *U.S. Equity (Active Factor Investing)*.

QS Investors' ESG strategy is designed to identify relatively attractive stocks that meet client-specific requirements related to environmental, social and governance issues. This strategy integrates QS Investors' fundamentally-based stock selection model with a proprietary ESG model that uses positive screening methodology incorporating multiple factors pertaining to ESG considerations such as human rights, product safety and environmental strategy.

QS Investors' Global Inflation-Sensitive Equity strategy is designed to identify the sectors and securities that are expected to do best in specific inflationary environments. This strategy combines bottom-up stock selection with top-

down inflationary regime positioning within a broad global equity universe. This product is managed using selection criteria sensitive to Consumer Price Index (CPI) measures.

International Equity (Active Factor Investing)

Strategies include: International, International Small Capitalization

These strategies use a bottom-up, core investment process, similar to that which is described above under *U.S. Equity (Active Factor Investing)*.

Managed Volatility Equity

Strategies include: Global Managed Volatility, Global Managed Volatility Enhanced, International Managed Volatility, European Managed Volatility, UK Managed Volatility, Emerging Markets Managed Volatility, Asia Pacific ex-Japan Managed Volatility

These strategies use an approach similar to that which is described above under *Managed Volatility Equity*.

Diversification-Based Investing ("DBI")

Strategies include: DBI Global, DBI International (EAFE), DBI Emerging Markets, DBI World ex-Australia, DBI ACWI Plus ex-Australia

QS Investors' DBI strategies seek to take advantage of macro and behavioral inefficiencies in various markets by developing a diversified exposure to countries and sectors. DBI focuses purely on top-down allocations rather than bottom-up stock selection and uses analysis of country and sector correlations to determine weights of stocks.

QS Investors utilizes a proprietary rules-based process that initially groups a relevant universe of securities into multiple investment categories based on geography and sector. Within each of these investment categories, securities are weighted by market capitalization. The process then combines those investment categories with more highly correlated historical performance into a smaller number of "clusters." A cluster is a group of investment categories based on geography and sector that have demonstrated a tendency to behave similarly (high correlation). Thereafter, each of these clusters are equally weighted to produce a highly diversified portfolio. These portfolios are reconstituted annually and rebalanced quarterly.

The process and strategy is based on three key beliefs:

- Geography and sectors are the primary drivers of global equity risk and return;
- Market sentiment can lead to momentum effects that cause concentration risk in equity markets that tend to build and collapse; and
- A more diversified portfolio can help avoid concentration risk and lessen downside risk.

DBI is implemented and offered through regional mandates. The investment objective of these strategies is to seek higher risk-adjusted returns over a market cycle with less downside risk and low correlation to other managers.

Low Volatility High Dividend

Strategies include: International Low Volatility High Dividend, Emerging Markets Low Volatility High Dividend

These strategies use an approach similar to that which is described above under *Low Volatility High Dividend*. Please see Item 10 (Other Financial Industry Activities and Affiliations) of this Brochure for additional information relating to the Firm's use of self-indexing.

Liquid Alternatives

The Liquid Alternatives platform is comprised of products that have daily liquidity and exposure to alternative asset classes. These products target absolute returns with low correlation to major traditional asset classes which seek to help investors diversify across multiple asset classes. The platform includes two strategies:

Global Market Neutral Equity

The Global Market Neutral Equity strategy seeks capital appreciation independent of stock market direction. The strategy aims to maintain zero beta exposure (i.e., achieve overall market neutrality thereby limiting the effects of global stock market movements on overall performance) by investing in long and short positions throughout the world in approximately equal dollar amounts and sizes. The strategy seeks to outperform the three-month London InterBank Offered Rate ("LIBOR"). LIBOR is not intended to parallel the risk or investment style of the investment strategy.

Global Tactical Asset Allocation ("GTAA")

GTAA seeks to identify and take advantage of perceived mispricing in global country equity, country debt, currency, and commodity markets. A risk budgeting process balances short-term sentiment, medium-term cyclical, and long-term valuation ideas. The strategy can invest globally in long and short positions in exchange-traded sovereign debt futures, equity index futures, commodity futures, currency forwards, and swaps and can be customized to meet individual client objectives and needs.

Customized Solutions

The Customized Solutions platform employs a range of tools to create investment products that are designed to meet clients' specific needs. Accounting for each client's investment objectives and risk tolerance, QS Investors uses proprietary tools and methodologies that systematically combine quantitative, qualitative, and behavioral analysis to provide dynamic portfolios that respond to changing market conditions and opportunities. The platform can be implemented through either discretionary or non-discretionary arrangements, and the products may invest in mutual funds and ETFs and take both long and short positions in futures and currency forward contracts. Examples of Customized Solutions include:

Multi-Asset Allocation (may also be referred to as Strategic Asset Allocation)

The Multi-Asset Allocation strategy is designed to enhance returns and proactively manage risk through intelligent allocation across a broad spectrum of asset classes. The strategy gains exposure to these asset classes by investing in mutual funds, ETFs, futures, and other instruments. QS Investors' proprietary forecasting module integrates economic outlooks, market equilibrium, and tactical signals to derive return forecasts from investable assets across various time horizons, mapping out an efficient frontier between the probability of meeting objectives and downside risk.

Certain of these strategies are implemented as Fund-of-Funds and Manager-of-Managers arrangements, and may invest in funds or assets managed by QS Investors or QS Investors Affiliates. Please see the sections "Asset Allocation

and Manager/Fund Selection Advisory Services” and “QS-Managed Sleeves and QS-Advised Funds” below and Item 5 (Fees and Compensation), Item 10 (Other Financial Industry Activities and Affiliations), Item 11 (Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading), and Item 14 (Client Referrals and Other Compensation) of this Brochure for a discussion of the conflicts of interest faced by QS Investors related to fees received by QS Investors and QS Investors Affiliates from QS-Advised Funds, Affiliated Funds and Non-Affiliated Funds and from Underlying Managers.

Risk Management Advisory Services

Target Risk strategies seek to offer attractive returns over time matched with the risk preference and tolerance of investors through exposure to a diversified set of asset classes. Exposure to asset classes is varied over time and rebalanced to a target on a regular basis in response to changes in market conditions and returns in the different asset classes.

Target Date strategies seek attractive returns over time but have maturity date objectives typically linked to a life event, such as retirement. The risk level of a Target Date strategy is intended to vary over time and decrease as the maturity date approaches to seek to minimize potential losses as the life event approaches. QS Investors seeks to achieve this decrease in risk target through shifting exposures to different asset classes that generally have lower volatility and/or have historically performed well when other assets underperform.

With respect to certain client accounts, QS Investors may implement a combination of risk management strategies that attempt to reduce downside volatility within the client accounts.

Our risk management strategies typically attempt to limit losses by allocating account assets away from equity and long-term instruments and into short-term defensive instruments that are expected to decline in value less than riskier assets in the event of market declines. In addition, QS Investors may be authorized to invest account assets in index options and futures contracts that are expected to increase in value in the event of market declines. In response to certain levels of negative account performance, QS Investors may deviate from the account’s target allocation by increasing the account’s exposure to short-term defensive instruments (“de-risking”) based on certain proprietary formulas that take into account specific measures such as the account’s value, macro-economic conditions, and the account’s underlying volatility. QS Investors, in its discretion, determines the levels and timing for risk management. If QS Investors determines that de-risking is no longer appropriate, it will reverse the process by selling short-term defensive instruments and purchasing equity funds and long-term fixed income funds in accordance with the account’s target allocation.

In certain accounts we allocate a portion of assets to a portfolio which invests a small portion of account assets in options and futures contracts that are expected to increase in value in the event of declines in the broad equity and bond markets. QS Investors determines the amount of the account’s assets to allocate to this strategy subject to applicable account guidelines. QS Investors typically uses the services of an Affiliated Manager, Western Asset Management Company, to implement the strategy on behalf of a client account.

In response to adverse market, economic or political conditions, or in other similar circumstances, QS Investors may reserve the right to take temporary defensive positions in money market funds, repurchase agreements, or cash.

Managed Account Programs

Certain strategies offered by QS Investors are made available to managed account clients as described below. Each of the programs may achieve their objectives by investing in Legg Mason and third-party mutual funds and ETFs as well as Separately Managed Accounts ("SMAs") managed by QS Investors or its affiliates. For current allocations for each of the programs described below, contact the program sponsor.

INVESTING IN THESE STRATEGIES, LIKE ANY INVESTMENT, INVOLVES THE RISK OF LOSS, INCLUDING THE POTENTIAL LOSS OF THE ENTIRE INVESTMENT. ADDITIONAL INFORMATION ABOUT RISKS SPECIFIC TO TYPES OF SECURITIES, STRATEGIES, AND TECHNIQUES USED BY QS INVESTORS ARE DISCUSSED IN THE *RISK OF LOSS AND OTHER RISKS* SECTION OF THIS BROCHURE. NOT ALL SECURITIES, STRATEGIES AND TECHNIQUES REFERENCED IN THE *RISK OF LOSS AND OTHER RISKS* SECTION OF THIS BROCHURE APPLY TO ALL QS INVESTORS STRATEGIES AND MANAGED ACCOUNT PROGRAMS.

FOR STRATEGIES THAT INVEST IN MUTUAL FUNDS AND/OR ETFs, WHILE QS INVESTORS MAY ACCEPT DELIVERY OF THE PROSPECTUSES FOR THE FUNDS AND ETFs IN WHICH THE STRATEGIES INVEST ON BEHALF OF A CLIENT IN CONNECTION WITH ITS ONGOING PROVISION OF DISCRETIONARY INVESTMENT MANAGEMENT SERVICES, THE CLIENT IS RESPONSIBLE FOR OBTAINING AND REVIEWING THE PROSPECTUS FOR THE FUNDS AND/OR ETFs IN CONNECTION WITH THE SELECTION OF THE MANAGED ACCOUNT PROGRAM. A CLIENT MAY OBTAIN THE PROSPECTUSES FROM THE PROGRAM SPONSOR. PLEASE REFER TO THE FUNDS' PROSPECTUSES FOR INFORMATION CONCERNING THE RISKS APPLICABLE TO THE FUND(s)/ETF(s). FOR STRATEGIES THAT INVEST IN SMAs MANAGED BY QS INVESTORS OR ONE OF OUR AFFILIATES, PLEASE REFER TO THE FORM ADV BROCHURE FOR EACH ADVISER FOR AN SMA STRATEGY INCLUDED IN THE PORTFOLIO FOR INFORMATION CONCERNING THE RISKS APPLICABLE TO THE SMA, WHICH ARE AVAILABLE FROM THE PROGRAM SPONSOR.

MULTI-ASSET CLASS AND MULTI-MANAGER PORTFOLIOS ARE SUBJECT TO CERTAIN RISKS IDENTIFIED IN THE *RISK OF LOSS AND OTHER RISKS* SECTION OF THIS BROCHURE, INCLUDING "RISKS ASSOCIATED WITH QS INVESTORS' ASSET ALLOCATION AND FUND/MANAGER SELECTION ADVISORY SERVICES" AND "RISKS ASSOCIATED WITH INVESTMENT IN FUNDS INSTEAD OF DIRECTLY IN SECURITIES AND OTHER INVESTMENTS. PLEASE REFER TO *RISK OF LOSS AND OTHER RISKS* FOR INFORMATION CONCERNING THESE RISKS.

PLEASE REFER TO ITEM 10 (OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS) OF THIS BROCHURE FOR ADDITIONAL INFORMATION ABOUT CONFLICTS OF INTEREST ASSOCIATED WITH INVESTMENTS IN FUNDS OR OTHER VEHICLES MANAGED BY QS INVESTORS AND OUR AFFILIATES.

Legg Mason Alternative Completion

The Legg Mason Alternative Completion Portfolio is a global allocation strategy that seeks to complement traditional equity and fixed income by investing in alternative mutual funds and ETFs that offer more flexibility than traditional investment constraints. The Portfolio combines non-traditional fixed income and equity strategies that have low correlation to each other into a single strategy that seeks to provide return potential regardless of market direction.

The strategic asset allocation of the strategy is generally reviewed and adjusted on an annual basis.

Legg Mason Diversified Income

The Legg Mason Diversified Income Portfolio is a multi-asset strategy that allocates to mutual funds and ETFs to gain exposure to a variety of income sources. The strategy utilizes a dynamic asset allocation approach to seek to maximize income and maintain diversification within a defined risk range. The Portfolio employs a mix of assets to seek out a sustainable level of income from a variety of asset classes and risk factors.

The Portfolio's asset allocation is generally reevaluated semiannually and adjusted based on the assets' changing risk and yield characteristics.

Legg Mason Strategic Real Return

The Legg Mason Strategic Real Return Portfolio combines tactical asset allocation and a broad range of asset classes to seek to hedge against increases in U.S. inflation and achieve long-term real return. The Portfolio allocates its assets among mutual funds and ETFs that the adviser believes generally complement each other and have various inflation-hedging qualities as determined by QS Investors.

The Portfolio strategic asset allocation is generally reviewed and adjusted on an annual basis.

Legg Mason ESG Global Equity

The Legg Mason ESG Global Equity Portfolio is a diversified equity portfolio which allocates to an optimized combination of actively managed ESG-focused mutual funds and ETFs. The Portfolio provides balanced exposure across growth, high dividend, low volatility, international and emerging market equities. The result is a complementary portfolio of diversified equities emphasizing ESG investment criteria.

The Portfolio's strategic asset allocation is generally reviewed and adjusted on an annual basis.

Legg Mason Diversified Risk Portfolios

Legg Mason Diversified Risk Portfolio – Aggressive
Legg Mason Diversified Risk Portfolio – Growth
Legg Mason Diversified Risk Portfolio – Moderate Growth
Legg Mason Diversified Risk Portfolio – Conservative Growth
Legg Mason Diversified Risk Portfolio – Conservative
Legg Mason Diversified Risk Portfolio – Fixed Income

The Legg Mason Diversified Risk Portfolios are asset allocation models that offer six risk-based Portfolios that seek to produce portfolio returns in line with risk and return objectives by investing in mutual funds and ETFs. The six risk-based models combine actively managed and passive strategies with equity and fixed income levels ranging between 0% and 100%. The Portfolios typically include an allocation to alternative investments. The six risk-based Portfolios include a tactical allocation component that reallocates assets to take advantage of shorter-term opportunities in the market.

The strategy's strategic asset allocation is generally reviewed and adjusted on an annual basis.

<u>Risk Level</u>	<u>Legg Mason Diversified Risk Portfolios</u>
Aggressive	Generally targets 90% equity exposure
Growth	Generally targets 80% equity exposure
Moderate Growth	Generally targets 60% equity exposure
Conservative Growth	Generally targets 40% equity exposure
Conservative	Generally targets 70% fixed income exposure
Fixed Income	Generally targets 90% fixed income exposure

Legg Mason Global Growth and Income

The Legg Mason Global Growth and Income Portfolio is a diversified multi-asset portfolio which allocates to an optimized combination of ETFs in order to meet its objectives of balancing growth, income, and portfolio risk. The Portfolio provides balanced exposure across growth, value, infrastructure, international and emerging market equities and fixed income securities. The result is a diversified portfolio that seeks to pay a higher than benchmark income while seeking growth at a reasonable risk level.

The Portfolio's strategic asset allocation is generally reviewed and adjusted on an annual basis.

Legg Mason Multi-Manager Diversified Risk Portfolios

Legg Mason Multi-Manager Diversified Risk Portfolio – Aggressive
 Legg Mason Multi-Manager Diversified Risk Portfolio – Growth
 Legg Mason Multi-Manager Diversified Risk Portfolio – Moderate Growth
 Legg Mason Multi-Manager Diversified Risk Portfolio – Balanced
 Legg Mason Multi-Manager Diversified Risk Portfolio – Conservative Growth

The Legg Mason Multi-Manager Diversified Risk Portfolios are asset allocation models that offer five risk-based multi-asset Portfolios that seek to produce portfolio returns in-line with their stated risk and return objectives by investing in SMAs, mutual funds, and ETFs. The five risk-based models utilize actively managed strategies with equity and fixed income levels ranging between 0% and 90%. The Portfolios also include a 10% allocation to alternative investments. The portfolios provide investors exposure to a diversified range of assets and factors including equity value, equity growth, low-volatility equity, equity dividends, international equity, emerging markets equity, credit, and interest rate duration.

The strategy's strategic asset allocation is generally reviewed and adjusted on an annual basis.

<u>Risk Level</u>	<u>Legg Mason Multi-Manager Diversified Risk Portfolios</u>
Aggressive	Generally targets 90% equity exposure
Growth	Generally targets 80% equity exposure
Moderate Growth	Generally targets 70% equity exposure
Balanced	Generally targets 60% equity exposure
Conservative Growth	Generally targets 50% equity exposure

Legg Mason Multi-Manager ESG Global Equity Portfolio

The Legg Mason Multi-Manager ESG Global Equity Portfolio is a diversified equity portfolio which allocates to an optimized combination of actively managed ESG-focused SMAs. The Portfolio provides balanced exposure across growth, value, international and emerging market equities. The result is a complementary portfolio of diversified equities emphasizing ESG investment criteria.

The Portfolio's strategic asset allocation is generally reviewed and adjusted on an annual basis.

Legg Mason Diversified Risk ESG Portfolios

The Legg Mason Diversified Risk ESG Portfolios are asset allocation models that offer six risk-based Portfolios that seek to produce portfolio returns in line with risk and return objectives by investing in mutual funds and ETFs that meet specific ESG criteria. The six risk-based models combine actively managed and passive strategies with equity and fixed income levels ranging between 0% and 100%. The Portfolios are able to include an allocation to alternative investments. The six risk-based Portfolios may incorporate a tactical allocation component that reallocates assets to take advantage of shorter-term opportunities in the market.

All underlying strategies in the universe must meet certain ESG criteria. The strategy's strategic asset allocation is generally reviewed and adjusted on an annual basis, while the universe of strategies is reviewed semiannually to ensure ESG standards are met.

<u>Risk Level</u>	<u>Legg Mason Diversified Risk ESG Portfolios</u>
Aggressive	Generally targets 100% equity exposure
Growth	Generally targets 80% equity exposure
Moderate Growth	Generally targets 60% equity exposure
Conservative Growth	Generally targets 60% fixed income exposure
Conservative	Generally targets 80% fixed income exposure
Fixed Income	Generally targets 100% fixed income exposure

Legg Mason Diversified Risk Trust Portfolios

Legg Mason Diversified Risk Trust Portfolio – Aggressive Growth
 Legg Mason Diversified Risk Trust Portfolio – Capital Growth
 Legg Mason Diversified Risk Trust Portfolio – Growth and Income
 Legg Mason Diversified Risk Trust Portfolio – Balanced
 Legg Mason Diversified Risk Trust Portfolio – Conservative Growth
 Legg Mason Diversified Risk Trust Portfolio – Capital Preservation
 Legg Mason Diversified Risk Trust Portfolio – Core Fixed Income
 Legg Mason Diversified Risk Trust Portfolio – Tax-Aware Fixed Income

The Legg Mason Diversified Risk Portfolios are asset allocation models that offer eight risk-based Portfolios that seek to produce portfolio returns in line with their stated risk and return objectives by investing in mutual funds and ETFs. The eight risk-based models combine actively managed and passive strategies with equity and fixed income levels ranging between 0% and 100%. The Portfolios typically include an allocation to alternative investments and a dedicated allocation to income generating active holdings. The eight risk-based Portfolios include a tactical allocation component that tilts assets to take advantage of shorter-term opportunities in the market.

The strategy's strategic asset allocation is generally reviewed and adjusted on an annual basis.

<u>Risk Level</u>	<u>Legg Mason Diversified Risk Trust Portfolios</u>
Aggressive Growth	Generally targets 97% equity exposure
Capital Growth	Generally targets 75% equity exposure
Growth and Income	Generally targets 60% equity exposure
Balanced	Generally targets 50% equity exposure
Conservative Growth	Generally targets 55% fixed income exposure
Capital Preservation	Generally targets 72% fixed income exposure
Core Fixed Income	Generally targets 100% fixed income exposure
Tax-Aware Fixed Income	Generally targets 100% fixed income exposure

Asset Allocation and Manager/Fund Selection Advisory Services

QS Investors provides asset allocation and manager or fund selection advisory services to a variety of clients with multi-asset class portfolios. As an adviser to Multi Manager Investments, QS Investors determines or recommends allocations to various Underlying Funds or Managers and provides investment advice with respect to the acquisition, holding and disposition of such Underlying Funds' shares or in the case of managers, selection, retention, and termination of Underlying Managers. The investment analysis method adopted by QS Investors with respect to its provision of asset allocation and manager or fund selection advisory services generally involves quantitative analysis with an awareness of market behavior. This analysis also includes a proprietary analysis of macroeconomic factors and their relationships with equity earnings, equity valuations, interest rates, fixed income valuations, monetary policy and economic growth. Such analysis is viewed within a context of current market conditions (*i.e.*, price movement, fund flows and overall market sentiment).

The investment analysis performed by QS Investors is based on a broad range of macroeconomic, financial and economic data, research, the performance of investment funds and related managers, political developments, monetary policy, forecasting and statistical information, risk measurement analysis, other types of performance analysis, and other information which may affect the economy and/or security prices. Such information may be obtained from a variety of sources, including research materials prepared by other firms, regulatory filings with the SEC (including prospectuses and annual reports), and corporate rating services. QS Investors also may use its own proprietary research and information from visits or communications with investment advisers to Underlying Funds and Underlying Managers. QS Investors also may utilize analytical and statistical software to analyze and compare potential strategic asset allocations and potential combinations of funds or managers.

QS Investors' advisory services with respect to the selection and retention of Underlying Funds and Underlying Managers are based on both quantitative and qualitative assessments. Quantitative assessments typically include a performance attribution analysis for the applicable sources of investment return, a statistical analysis of historical returns and portfolio characteristics, and additional financial and economic analyses. Qualitative assessments typically include a review of the background and qualifications of key investment personnel, investment processes, organizational stability and business changes, client service resources, compliance procedures and risk controls, regulatory filings, due diligence discussions, and periodic on-site visits. QS Investors may invest in Underlying Funds, including QS-Advised Funds and Affiliated Funds, that have a limited operating and performance history where QS Investors determines that such investment is consistent with the Fund-of-Fund's investment objectives.

In response to adverse market, economic or political conditions, or in other similar circumstances, QS Investors reserves the right to take temporary defensive positions in money market funds, repurchase agreements, or cash.

QS-Managed Sleeves and QS-Advised Funds

In multi-asset class portfolios, QS Investors also may serve as an Underlying Manager for a Sleeve of a client account structured as a Manager-of-Managers arrangement or as a manager or adviser to an Underlying Fund.

Where QS Investors serves as an Underlying Manager with respect to a QS-Managed Sleeve or as manager or adviser to a QS-Advised Fund, QS Investors may use a variety of quantitative and fundamental asset allocation, analytical, and investment techniques to select portfolio investments, consistent with the client's investment objectives, guidelines and risk tolerance. Such techniques may take into account various macroeconomic factors including QS Investors' expectations for monetary policy and for economic growth, as well as analysis of valuation trends in equity and fixed income markets, may be designed to take advantage of macro and behavioral inefficiencies in markets by focusing on top-down asset allocations and by using analysis of country and sector correlations, or may be designed to take advantage of pricing inefficiencies in individual stocks by employing bottom-up stock selection and the scoring of the relative attractiveness of all stocks in an investable universe every day. The investment techniques used may also involve a blend of the techniques described above or involve other customized methods designed to meet clients' specific needs.

The investment analysis performed by QS Investors as Underlying Manager of a QS-Managed Sleeve or as manager or adviser to a QS-Advised Fund will differ based on the investment mandate. For certain investment strategies, the investment analysis may be based on a broad range of macroeconomic, financial and economic data, research, news and related commentary, including information on global and regional economies, the performance of investment funds and related managers, political developments, monetary policy, forecasting and statistical information, risk measurement analysis, other types of performance analysis, and other information which may affect the economy and/or security prices. Such information may be obtained from a variety of sources, including databases licensed through multiple vendors, QS Investors' own proprietary research, research materials prepared by other firms, regulatory filings with the SEC (including prospectuses and annual reports), and corporate rating services. QS Investors also may utilize analytical and statistical software to analyze and compare potential investments in QS-Managed Sleeves.

Where QS Investors serves as an Underlying Manager with respect to a QS-Managed Sleeve or as manager or adviser to a QS-Advised Fund, QS Investors may invest client assets in equity and fixed income securities, ETFs, other investment companies, exchange-traded notes, master limited partnerships, structured notes, and derivative instruments, such as swaps, forwards, futures and options.

ETFs and other investment companies in which QS Investors may invest assets in a QS-Managed Sleeve or QS-Advised Fund may include, without limitation, ETFs and investment companies that hold commodity-linked investments, hold equity securities issued by real estate investment trusts ("REITs"), pursue "short" investment strategies such as seeking a return similar to the inverse, or a multiple of the inverse, of a reference index, and pursue a futures-based momentum methodology in an attempt to track prices of commodity and financial futures contracts.

For some client accounts that are structured as Manager-of-Managers arrangements, QS Investors may invest client assets in a QS-Managed Sleeve in a manner designed to produce returns comparable to those of a particular

benchmark index. In this process, QS Investors considers the index constituent securities as its investment universe and, using risk models and optimization software, determines the appropriate subset of securities in which to invest to minimize the tracking error to the relevant index. QS Investors generally will not engage in fundamental, company-specific security analysis with respect to securities purchased and sold as part of this process.

Transition Management

In connection with a transition from one Underlying Fund or Underlying Manager to another, a client may temporarily hold a basket of securities (e.g., due to an Underlying Fund's satisfaction of a redemption out of such fund on an in-kind basis) during the transition period. In such event, QS Investors will seek to liquidate the securities received as soon as practicable unless the successor Underlying Fund or the successor Underlying Manager indicates that it is willing to accept such securities. The transaction costs associated with such liquidation, as well as any market impact on the value of the securities being liquidated, will be borne by the client.

If a Fund-of-Funds or Manager-of-Managers client account holds, or is expected to hold, a substantial cash position during the transition from one Underlying Fund to another or from one Underlying Manager to another, QS Investors may reserve the right to invest directly for the interim period in investments which are intended to track a market index or model basket of securities, including but not limited to index funds, ETFs, futures contracts, options on futures contracts, or other similar index-related derivatives.

Risk of Loss and Other Risks

Risk in General

In managing client accounts, QS Investors utilizes various investment strategies and methods of analysis. This section contains a discussion of the primary risks associated with the Firm's various investment strategies. However, it is not possible to identify all of the risks associated with investing. The particular investment risks to which clients are subject will differ depending on the particular investment strategies or products in which they invest and the types of securities held.

While QS Investors seeks to manage accounts so that the risks are appropriate to the strategy, it is often not possible or desirable to fully mitigate risks. Any investment includes the risk of loss and there can be no guarantee that a particular level of return will be achieved. An investment is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Past performance or any prediction or forecast is not a guarantee or indicative of future results. QS Investors cannot guarantee that the Firm will meet the investment objectives associated with any strategy or client account. Clients should understand that they could lose some or all of their investment and should be prepared to bear the risk of such potential losses.

Current and prospective clients should be aware of the common risks associated with QS Investors' investment strategies. The following explanations are not, and are not intended to be, a complete list of the risks associated with an investment. Commingled fund investors should also refer to appropriate governing documents and consult with their own advisors before deciding whether to invest.

General Investment and Portfolio Risks and Risks Related to Equity Investments

Market Risk. The securities markets are volatile and market prices may decline generally. Securities fluctuate in price, sometimes rapidly or unpredictably, based on changes in a company's financial condition and overall market and economic conditions, such as real or perceived adverse economic or political conditions, inflation, changes in interest or currency rates, lack of liquidity in the markets or adverse investor sentiment.

Long-only strategies do not use short selling and may not use other hedging techniques that could reduce the risks associated with a market downturn. Therefore long-only accounts are typically at greater risk of losing value during market declines than those accounts that are able to short stocks.

Equity Risk. Investments in common stock, which represents an equity interest in a company, may increase or decrease in value. The value of common stocks fluctuate over time based on the activities of an individual company, an industry or sector, the broader market, the economy, or any number of other factors. Values of the shares of common and preferred stock are based on the market's perceived value and may not reflect the actual earnings or book value of a company. The value of a company's stock may not always reflect the performance of the company. Even when a company performs well, the value of its stock may decrease.

Issuer/Security Risk. The value of a security can go up or down more than the market as a whole and can perform differently from the value of the market as a whole, often due to disappointing earnings reports by an issuer, unsuccessful products or services, loss of major customers, major litigation against the issuer, changes in government regulations affecting the issuer or the competitive environment, or investor sentiment. Accounts may experience substantial or complete losses on individual securities.

Liquidity Risk. Some securities may be difficult to sell, or be illiquid, particularly during times of market turmoil. Illiquid securities may also be difficult to value. While the investable universe for most of QS Investors' primary investment strategies includes only securities that meet certain liquidity requirements, illiquid securities may be purchased from time to time in client account. Furthermore, market liquidity may deteriorate, resulting in a holding that was previously liquid becoming illiquid. If a client account is forced to sell an illiquid asset to meet redemption requests or other cash needs, the client account may be forced to sell at a loss or at a price lower than QS Investors believes is appropriate. If a deteriorating security is unable to be sold because the market is illiquid, losses may be magnified.

On rare occasions, QS Investors may invest in restricted securities for some client accounts. QS Investors may not be able to sell these securities for a period of time (e.g., during a "lock-up period") or may only be able to sell the securities in privately negotiated transactions, pursuant to a registration statement filed under the Securities Act of 1933, as amended ("1933 Act"), or pursuant to an exemption from registration, such as Rule 144 or Rule 144A under the 1933 Act. SEC regulations permit the sale of certain restricted securities only to investors that meet certain thresholds defined in the 1933 Act.

Investments in restricted and illiquid securities may restrict QS Investors ability to dispose of investments in a timely fashion and for a fair price as well as to take advantage of other market opportunities.

Concentration Risk. Some investment strategies may be less diversified than others in terms of region, country, sector, industry or issuer, which makes these strategies inherently riskier. Strategies investing solely in one country or region may have greater exposure than more diversified strategies to specific economic cycles, stock market fluctuations,

currency exchange rates, government actions and other country- or region-specific issues. Furthermore, a client account that concentrates investments in a smaller number of issuers will have a greater risk of loss from developments that negatively affect those issuers than a client account that invests in a greater number of issuers.

Style (Growth and Value Investing) Risk. Growth or value securities as a group may be out of favor and underperform the overall equity market while the market concentrates on other types of securities. Growth securities typically are very sensitive to market movements because their market prices tend to reflect future expectations. When it appears those expectations will not be met, the prices of growth securities typically fall. Growth securities may also be more volatile than other investments because they often do not pay dividends. The value approach to investing involves the risk that stocks may remain undervalued. At any point in time, an investment style (i.e., growth or value) may be out of favor with investors which could result in the strategy underperforming other investment styles.

Market Capitalization Risk. Risks may vary depending upon an issuer's market capitalization. Strategies that invest primarily in one capitalization range (i.e., either large, mid or small cap stocks) take on the risk that one category may be out of favor in comparison to others.

Small Capitalization Stock Risk. Small cap companies may be more vulnerable to adverse business or economic developments than larger, better-established companies and may have limited product lines, markets or financial resources. Their stocks may be less liquid and more volatile than larger stocks or market averages in general and therefore may involve greater risk than investing in the securities of larger companies.

Foreign Investment Risk. Foreign countries may have markets that are less liquid, less regulated and more volatile than in the United States. These countries may have economic, political or social instability and may experience negative government actions, such as currency controls or seizures of private businesses or property. Such events could significantly disrupt the financial markets in these countries and the ability of issuers there to repay their obligations. These events could also have a harmful impact on the securities of issuers located elsewhere who have significant exposure to issuers in the disrupted financial markets, and this could negatively affect the value and liquidity of an account's investments. In addition, less information about issuers and markets is available in some foreign countries because of less rigorous accounting and regulatory standards than in the United States. As a result, investments in securities of foreign issuers may involve greater risk than investments in securities of U.S. issuers. Currency fluctuations could also erase investment gains or add to investment losses.

Emerging and Frontier Markets Investment Risk. Emerging markets, including frontier markets in particular, typically have economic and political systems that are less developed, and can be expected to be less stable, than those of more advanced countries. Legal systems in some emerging markets countries may be less developed than in developed markets. Laws regulating securities transactions and investor protection, and enforcement of these laws, may be inadequate, especially compared to the legal and regulatory framework in more developed markets.

Investing in emerging countries involves the risk of expropriation, nationalization, confiscation of assets and property or the imposition of restrictions on foreign investments and on repatriation of capital invested. Should such an event occur, investors could lose all or a portion of their investments in that country.

Certain emerging market countries restrict or control foreign investment in their securities markets to varying degrees. These restrictions may limit QS Investors' investment opportunities in those markets.

Several emerging countries have experienced substantial, and in some cases extremely high, rates of inflation. Inflation and rapid fluctuations in inflation rates may have very negative effects on the economies and securities markets of certain emerging countries.

Lower trading volumes in emerging markets may result in a lack of liquidity and increased price volatility. These markets may experience dramatic swings in the value of their currencies. There can be no assurance that currency instability or fluctuations will not occur and, if they do occur, that they will not have a material adverse effect on account performance.

Economies in emerging countries generally depend heavily upon international trade and, accordingly, may be affected adversely by the economic conditions of the countries with which they trade as well as trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by those countries.

Custodial and/or settlement systems may not be fully developed in certain emerging markets. Further, the assets of a client account that are traded in such markets and entrusted to sub-custodians may be exposed to risk under certain circumstances whereby the applicable client custodian will have limited or no liability.

The risks associated with investing in emerging markets could adversely affect account performance and result in substantial losses.

Foreign Currency Risk. The value of investments in securities denominated in foreign currencies increases or decreases as the exchange rates between those currencies and the U.S. dollar (or other base currency) change. Foreign currency exchange rates can be volatile and are affected by factors such as general economic conditions, the actions of the U.S. and foreign governments or central banks, the imposition of currency controls and speculation. Client accounts that hold foreign securities that do not hedge against changes in currency exchange rates may incur significant exchange rate risk. Client accounts that transact in foreign securities will incur currency conversion costs, including transaction costs related to repatriating foreign currencies to the account's base currency.

If permitted by clients, QS Investors may use forward currency exchange contracts to hedge against fluctuations in certain currencies, with the objective of protecting the value of client accounts against adverse changes in currency exchange rates. However, there is no guarantee that QS Investors will employ a hedging strategy or, when it does, that it will successfully hedge currency exposures. QS Investors' hedging actions may be unsuccessful, resulting in lower returns or even losses to client accounts. QS Investors does not use currency forwards for purposes other than hedging in the Firm's traditional investment strategies.

Income Trusts, including Real Estate Investment Trusts ("REITs") Risk. Income trusts are investment trusts whose interests are traded on securities exchanges similar to corporate stock. An income trust is an investment that may hold equities, debt instruments, royalty interests or real properties. The trust can receive interest, royalty or lease payments from an operating entity carrying on a business, as well as dividends and a return of capital. Income trusts include: (a) REITs, which invest in real estate; (b) business income trusts, where individual companies have converted some or all of their stock equity into an income trust capital structure; and (c) royalty/energy trusts, which invest in natural resources, such as oil and gas ventures. In a typical income trust structure, the income paid to an income trust by the operating entity is passed through to investors. This has the effect of reducing the trust's taxable income, but results in such payments being taxed at the unitholder level.

REITs are subject to the risks associated with owning real estate, including its potential decline in value and the difficulties associated with its valuation and sale. REITs are also subject to the risk of income fluctuation from underlying real estate assets, inability to effectively manage cash flows from those assets, borrower prepayments and defaults and failure to qualify for special tax treatment. REITs are generally exempt from taxation at the trust level as long as they distribute at least 90% of their income to their unitholders.

Investments in income trusts (including REITs) may have tax implications for certain types of investors (see further discussion below under *Tax Risk*).

Master Limited Partnerships (“MLPs”) Risk. MLPs are limited partnerships that are publicly traded on a securities exchange. Because MLPs are classified as partnerships, they avoid corporate income tax. Investors in MLPs also are allocated their proportionate share of all tax items.

Investments in MLPs may have tax implications for certain types of investors (see further discussion below under *Tax Risk*).

Tracking Stocks Risk. Tracking stocks, which are traded separately from traditional common stocks, depend on the financial performance of specific business units or operating divisions within companies. As a result, the value of tracking stocks may decrease even if the common stock of their companies performs well. Because shareholders in tracking stocks have limited or no voting rights, they have no legal claim to company assets in the event of liquidation.

Investment Companies Risk. Certain accounts may invest in shares of investment companies as part of their core investment strategy or as a means to gain exposure to certain asset classes (when permitted by clients). These may include shares of open-end investment companies, closed-end investment companies, unit investment trusts and ETFs. Investment companies are generally actively managed portfolios that invest in a particular strategy, index, asset class or other objective defined by each company for a management fee. Investing in investment companies generally carry the same risks as investing directly in the underlying assets, but carry additional expenses in the form of management fees, distribution fees, shareholder service fees and/or other fees and expenses imposed or incurred by the investment companies, with a proportionate share borne by investors. Performance will be reduced by these costs and other expenses, which clients typically pay in addition to QS Investors' advisory fees. Performance of client accounts investing in investment companies could be lower than if the accounts invested directly in the securities held in the investment companies. In addition, client accounts holding investment companies are indirectly exposed to the risks of the underlying securities. Please refer to the underlying funds' Prospectuses, Statements of Additional Information, or other offering documents for a more complete discussion of risks specific to each fund. Additionally, note that ETFs trade on a securities exchange, which means their shares may trade at a premium or discount to their actual net asset value.

Derivatives Risk. If permitted by clients, QS Investors may use equity index futures to equitize the cash or cash equivalents in client accounts. QS Investors may also use derivatives or synthetic instruments to gain equity exposure not otherwise obtainable in certain non-U.S. markets due to limitations imposed by certain countries (such as a ban on short selling or limits on foreign institutional investors), because a client's custodian does not have a local agent bank that will allow QS Investors to invest directly in such market, or because such instruments may be more tax efficient or cost effective than direct investment.

Moreover, QS Investors may use derivatives to employ defensive strategies designed to protect a client account from an expected decline in the market value of an asset or group of assets that the account owns or to protect the account from an expected rise in the market value of an asset or group of assets which the account intends to acquire in the future (an “anticipatory” hedge).

Derivatives are financial instruments whose value is based on the performance of an underlying financial asset(s), index or other investment.

A swap is an agreement in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, which includes both the income it generates and any capital gains. The underlying asset can be a security, basket of securities or an equity index.

Equity-linked notes (“ELNs”) are debt instruments that differ from a standard fixed income security in that the final payout is based on the return of an underlying asset, which can also be a single security, basket of securities or an equity index.

A participation certificate is an investment representing an interest in a security or pool of securities that allows participation in the rise or fall of the price of that security or pool.

Warrants and stock purchase rights are securities permitting, but not obligating, their holder to purchase other securities, typically the issuer’s common stock. Stock purchase rights are frequently issued as a dividend to a company’s stockholders, while warrants are generally sold by a company or issuer.

Most synthetic securities are not actively traded on a secondary market and are designed to be kept to maturity. Holders of such securities typically do not have voting or other rights typically afforded to shareholders of common stock. For example, holders of warrants and stock purchase rights are not entitled to receive dividends or to vote. They also do not have the rights to share in the assets of the company in the event of liquidation.

While the issuer of a synthetic security may register the instrument with a listed exchange, these instruments may not be readily traded in the secondary markets and, therefore, in addition to other risks, they often have increased counterparty risk.

Risks associated with derivatives include the following:

- A derivative may not be well correlated with the security, index or currency to which it relates;
- Derivatives used for risk management may not have the intended effects and may result in missed opportunities or losses;
- An account may be unable to sell a derivative due to an illiquid secondary market;
- A counterparty may be unwilling or unable to meet its obligations;
- Contractual terms related to default may be interpreted differently by various parties;
- Returns may be dramatically impacted by interest rate movements; and
- Derivatives transactions could expose investors to the effects of leverage, which could increase their market exposure and magnify any losses when compared to directly buying or selling the asset, index, or investment upon which the derivative is based.

There is no guarantee that QS Investors will employ, or will successfully employ, derivatives, for hedging or other purposes, and their use could result in lower returns or even losses to a client account.

Using derivatives, especially for non-hedging purposes, may involve greater risks to a client account than investing directly in securities, particularly as these instruments may be very complex and may not behave in the manner anticipated.

Buying and selling derivatives involves the use of financial leverage, which could lead to increased gains or losses when compared to directly buying or selling the asset, index or investment upon which the derivative is based. As a result, an account may lose more than the amount committed to the derivatives transaction. Additionally, it should be noted that, under certain market conditions, it may be difficult or impossible to liquidate or value a derivatives position.

Over-the-Counter ("OTC") Risk. Certain instruments, particularly certain types of derivatives, are traded OTC, which means that they are traded privately between two parties off of an exchange. OTC transactions are not regulated by a U.S. government agency and are not guaranteed by an exchange or clearinghouse. When trading instruments OTC, a client account faces the risk that the other party to the transaction (the "counterparty") may not be able to fully "perform" under the terms of the contract. A client account could face substantial losses if the counterparty is unable to meet their financial obligations due to insolvency, bankruptcy or other causes.

Many OTC stocks trade less frequently and in smaller volume than exchange-listed stocks. The values of these stocks may be more volatile than with exchange-listed stocks, and investors may experience difficulty in purchasing or selling these securities at a fair price.

Counterparty and Settlement Risk. If the issuer of a security held in a client account or counterparty to a financial contract defaults, is downgraded or is perceived to be less creditworthy, or if the value of the assets underlying a security declines, the value of an investment will typically decline. Client accounts are subject to the credit risk of parties with whom they trade and may bear the risk of settlement default. Trading in certain security types may result in increased counterparty and settlement risk, as further described above under *Issuer/Security Risk*. In addition, market practices in relation to the settlement of transactions and the custody of assets could result in increased risks.

Client accounts may be adversely impacted should counterparties (e.g., broker-dealers and prime brokers) selected by QS Investors become insolvent. QS Investors typically trades securities with broker-dealers on a delivery-versus-payment basis, thereby greatly reducing counterparty risk. Certain client account and fund assets are held by prime brokers, and those accounts may be significantly impacted in the event of the prime broker's bankruptcy. Rehypothesized securities² could be frozen if a prime broker files for bankruptcy and those assets could be claimed by a prime broker's creditors. Certain other trading activities, such as swaps and derivatives transactions under the International Swaps and Derivatives Association ("ISDA") regime or principal transactions with broker-dealers, also have increased counterparty risk.

² Prime brokers "rehypothesize" customer's assets as collateral for loans in the prime broker's name, to raise cash and make loans to clients for leveraging of purchases and the support of stock borrowings that prime brokers lend to funds that sell securities short. Asset protection laws vary by country.

Leverage Risk. Leveraged accounts have greater investment exposure, may incur additional costs and may be subject to greater losses if the value of the leveraged investments decline. Accounts managed using a market neutral or limited shorting strategy are inherently leveraged, holding positions in excess of the amount invested.

Asset Segregation Risk. In connection with certain transactions that may give rise to future payment obligations, including many types of derivatives, a client account may be required to maintain a segregated amount of cash or liquid securities to cover the position. Segregated securities cannot be sold while the position they are covering is outstanding, unless they are replaced with other securities of equal value. As a result, there is the possibility that segregation of a large percentage of a client account's assets may, in some circumstances, limit the portfolio manager's flexibility.

Short Selling Risk. For accounts and investment strategies that allow it, QS Investors may use short selling as a way to gain exposure to securities that the investment team believes are overvalued. Short selling involves borrowing and simultaneously selling a security, with an obligation to replace the borrowed security in the future. Such transactions create leverage. Short selling allows a client account to profit from the decline of the price of a security. If, however, the borrowed security increases in value during the time it was borrowed and when it is replaced, the account will decrease in value, since it must pay the higher price to repurchase the security. While the possible loss on a security that is purchased long is limited to the price paid for the security, the loss to a client account engaged in short selling is theoretically unlimited, since the price of the security borrowed could continue to rise, causing an account to pay the higher price to replace it. Additionally, purchasing the security to replace it may cause the price to rise further, magnifying any potential losses to an account.

The amount of any gain on a short sale will be decreased, and the amount of any loss increased, by the amount of the premium, dividends, interest or expenses a client account may be required to pay in connection with the short sale or short position. Short sellers may be subject to margin calls, requiring them to provide more cash or liquidate a position. Client accounts with both long and short positions run the risk that the value of the short positions will rise as the value of the long positions decline, magnifying losses.

Some of the assets in client accounts that engage in short sales are held as collateral by prime brokers rather than custodian banks. Due to these short positions, some assets are held in one or more margin accounts, which may provide less segregation of client assets than in a more conventional custody arrangement. If a prime broker's business is liquidated, the account assets could be frozen and inaccessible for an extended period of time, resulting in a potential loss to an account due to adverse market movements during the period the positions cannot be traded.

Initial Public Offerings ("IPOs") Risk. The key criterion for determining eligibility of an account to participate in an IPO is the suitability of the investment for the investment mandate as determined by the appropriate investment team. Most of QS Investors' investment strategies do not invest in IPOs. IPOs are frequently less liquid than securities traded on the secondary markets, and may include trading restrictions, such as lock-up periods, and their prices are typically more volatile than those of securities traded on the secondary markets.

Management/Model Risk. QS Investors' investment models, used to evaluate securities or markets, are based on certain assumptions concerning the interplay of market factors and do not assure successful investment. The models may not behave as expected. Unanticipated market movements or extraneous events may decrease the predictive success of the models. While these periods are typically short lived, there can be no assurance that a client's specific investment objectives will be achieved.

QS Investors' quantitative investment process is supported by extensive proprietary computer code. Despite multiple development, review, testing and change controls for the models, coding errors may occur, as with any complex software or data-driven model. No guarantee or warranty can be made that any quantitative investment model will be completely free of errors. Coding errors may be difficult to detect and could have a negative impact on investment results. Somewhat mitigating this risk is the structure of QS Investors' models, which have a wide range of inputs, ensuring that model results are generally not reliant on any one calculation or piece of data. Furthermore, QS Investors has control systems and processes in place that are intended to identify and escalate in a timely manner any errors that could have a material impact on the Firm's investment processes.

QS Investors receives investment data and other information about investment securities from outside vendors and reserves the right to rely on this data. The data includes, but is not limited to, market price quotations, earnings reports, balance sheets and other indicators of financial performance or expectations. QS Investors also receives information from vendors concerning companies that may have ESG issues, such as involvement in weapons, alcohol or tobacco production and distribution. Depending upon the investment strategy or an account's investment guidelines, QS Investors may incorporate ESG issues into its investment analysis and decision-making process using third-party data feeds. QS Investors may not be able to ensure that the data is complete or error-free.

Objective-Based Performance Risk. There is a risk that QS Investors may not be able to achieve its investment or performance objectives under each of its investment strategies, including but not limited to solutions-based strategies (see also *Management/Model Risk* above).

Compliance Risk. While there is a risk that QS Investors may violate client investment guidelines and limitations, the Firm has established control procedures to mitigate this risk. Each client account has specific guidelines and restrictions embedded into its portfolio construction process that is reviewed by the account's investment team. Compliance also independently monitors client accounts on an ongoing basis for adherence to client-specific guidelines and restrictions. Please see Item 13 (Review of Accounts) of this Brochure for further information about the Firm's account review procedures.

Trade Error Risk. Despite various controls and best intentions, trade errors may occasionally occur in client accounts. These errors may include the following:

- Breach of investment guidelines and/or investment restrictions;
- Trading the wrong security or more shares of a security than intended;
- Trading a security for the wrong account or fund; and
- Purchasing a security that a portfolio manager intended to sell, or vice versa.

Please see Item 12 (Brokerage Practices) of this Brochure for information about QS Investors' trade error correction policy.

Regulatory Risk. The financial services industry is highly regulated and constantly evolving. Changes to regulations may impede the Firm's ability to offer certain products and services, invest in certain products, asset classes or markets, and/or may require the Firm to alter its strategies or practices in order to comply with new rules and directives. QS Investors cannot predict the impact or effect, if any, of future regulatory reform on the investment strategies the Firm currently manages or products and services the Firm currently provides.

Allocation Risk. If a portfolio manager identifies a limited investment opportunity that may be suitable for multiple accounts, the opportunity may be allocated among several accounts, which due to liquidity constraints or other factors may limit a client's ability to take full advantage of it. QS Investors has adopted trade allocation procedures designed to ensure that allocations of limited investment opportunities are conducted in a fair and equitable manner among client accounts. Nevertheless, investment opportunities may be allocated differently among client accounts due to the particular characteristics of an account, such as the size of the account, its cash position, investment guidelines and restrictions, sector, country, region or market capitalization exposure, other risk controls, market restrictions or for other reasons. These trade allocation procedures can result in partial-fills of trade orders and, as a consequence, it may take multiple days to complete certain trades. Clients might experience higher transaction costs or obtain less favorable pricing when it takes multiple days to complete a trade order. Please see Item 12 (Brokerage Practices) of this Brochure for a description of QS Investors' trade aggregation and allocation procedures.

Timing of Trading Risk. At times, certain accounts may trade a particular security in advance of other accounts. In such situations, a purchase may increase the price of a security intended to be purchased by another account, or a sale or short sale in one account may lower the sale price received in a sale by a second account.

Redemption Risk. If client accounts with substantial assets terminate their advisory agreements with QS Investors or redeem significant levels of assets in a strategy with limited liquidity, it may be difficult for the Firm to provide sufficient funds to meet the redemption requests without liquidating positions prematurely, at inappropriate times or on unfavorable terms. These sales may cause market impact, reducing the prices of some securities with limited liquidity or trading volumes, and diminish the value of remaining client account portfolios. Significant redemptions in commingled funds may also disrupt their operations.

Portfolio Turnover and Trading Cost Risk. Some of QS Investors' investment strategies may generate relatively high turnover, which will result in higher transaction costs than would be the case with a buy-and-hold strategy. The transaction costs associated with active trading strategies reduce portfolio returns. Trading costs vary by market. Trading costs in less developed markets, especially in emerging markets, are typically higher, and may be much higher, than those in the U.S. and other developed markets.

Tax Risk. QS Investors' investment strategies and processes generally do not consider clients' tax status or the tax consequences of trades in their accounts, including commingled funds. Investment strategies may generate significant short-term capital gains, which may disadvantage investors in separate accounts or pooled vehicles in terms of taxes. Taxable earnings received from investments in certain security types may generate unrelated business taxable income ("UBTI"), which can be taxable to certain otherwise tax-exempt investors. Clients should consult their tax advisors about the tax consequences of establishing separate accounts with QS Investors or investing in a QS Investors-managed or sub-advised commingled fund.

Business Disruption Risk. QS Investors has prepared a business continuity/disaster recovery plan and has successfully performed disaster recovery testing relating to its investment process, systems and applications. These procedures are regularly reviewed and enhanced. In the event of a catastrophic event, resulting in the death or disability of a group of key QS Investors' employees, QS Investors may not be able to adhere to the recovery timeline that it has outlined for business recovery, including the provision of investment management services. In the event of a material business disruption, QS Investors intends to notify its clients as soon as is reasonably practicable.

Key Person Risk. The success of an investment strategy or account is largely dependent on the skill and expertise of the Firm's investment professionals and research staff. Although each of the Firm's strategies are managed by a team of professionals, the loss of key personnel could have an adverse impact on the performance of a given strategy or account.

Cybersecurity Risk. With the increased use of technologies such as mobile devices and Web-based or "cloud" applications, and the dependence on the Internet and computer systems to conduct business, QS Investors and client accounts are susceptible to operational, information security and related risks. In general, cybersecurity incidents can result from deliberate attacks or unintentional events (arising from external or internal sources) that may cause the Firm to lose proprietary information, suffer data corruption, physical damage to a computer or network system or lose operational capacity. Cybersecurity attacks include, but are not limited to, infection by malicious software, such as malware or computer viruses or gaining unauthorized access to digital systems, networks or devices that are used to service the Firm's operations (e.g., through "hacking," "phishing" or malicious software coding) or other means for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cybersecurity attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on the Firm's servers (i.e., efforts to make network services unavailable to intended users). In addition, authorized persons could inadvertently or intentionally release confidential or proprietary information stored on the Firm's systems.

Cybersecurity incidents affecting the Firm, the Firm's service providers, or a client account's service providers (e.g., custodian), have the ability to cause disruptions and impact business operations, potentially resulting in financial losses to a client account portfolio, interference with a fund's ability to calculate its NAV, impediments to trading, the inability of fund shareholders to transact business and the fund to process transactions (including fulfillment of fund share purchases and redemptions), violations of applicable privacy and other laws (including the release of private shareholder information) and attendant breach notification and credit monitoring costs, regulatory fines, penalties, litigation costs, reputational damage, reimbursement or other compensation costs, forensic investigation and remediation costs, and/or additional compliance costs. Similar adverse consequences could result from cybersecurity incidents affecting issuers of securities in which a portfolio invests, counterparties with which the Firm engages in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions (including financial intermediaries and other service providers) and other parties. In addition to administrative, technological and procedural safeguards, QS Investors has established business continuity plans in the event of, and risk management systems to prevent or reduce the impact of, such cybersecurity incidents. However, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified, as well as the rapid development of new threats. Furthermore, QS Investors cannot control the cybersecurity plans and systems put in place by its service providers or any other third parties whose operations may affect a client account. Client accounts could be negatively impacted as a result.

Tracking Error Risk. Client accounts that seek to track an index are subject to tracking error and may not be able to replicate the performance of the index. Certain factors may increase tracking error, including, among other things:

- The composition of an account and an index may not be identical at all times due to size or liquidity constraints;
- Transaction costs or other fees and expenses associated with trading and holding stocks or other securities; and

- Client inflows or outflows that result in or create the need for uninvested cash.

Valuation Risk. In extremely limited circumstances, when holdings in client accounts are difficult to value given market conditions, QS Investors may internally assign a value to an asset(s) using the best available information available at the time of valuation. This value may be different than the value received when the investment is sold.

Additional Risks that Relate to Other Types of Investments and Investment Techniques

Certain investment types and investment techniques involve certain additional risks:

Managed Volatility Investing Risk. While low volatility products may have the potential for favorable relative returns in down markets, they have a tendency to lag in up markets.

Dividend Paying Stocks. A client account's strategy of investing in dividend-paying stocks involves the risk that such stocks may fall out of favor with investors and underperform the market. Companies that issue dividend-paying stocks are not required to continue to pay dividends on such stocks. Therefore, there is the possibility that such companies could reduce or eliminate the payment of dividends in the future or the anticipated acceleration of dividends could not occur. Depending upon market conditions, dividend-paying stocks that meet a client account's investment criteria may not be widely available and/or may be highly concentrated in only a few market sectors. This may limit the ability of the client account to produce current income while remaining fully diversified.

ESG Investing Risk. An account or strategy subject to ESG policy guidelines and restrictions could underperform accounts invested in a similar strategy without the same restrictions because the ESG guidelines may require QS Investors to avoid or liquidate a well-performing security because it does not meet the ESG criteria.

Commodities Risk. A client account's investment in commodity-linked instruments may subject the account to greater volatility than investments in traditional securities. The value of commodity-linked instruments may be affected by changes in overall market movements, commodity index volatility, prolonged or intense speculation by investors, changes in interest rates or factors affecting a particular industry or commodity, such as drought, floods, other weather phenomena, livestock disease, embargoes, tariffs and international economic, political and regulatory developments.

Inflation-Indexed Securities Risk. The values of inflation-indexed fixed income securities generally fluctuate in response to changes in real interest rates (approximately nominal interest rates minus the inflation rate). Therefore, if inflation rates were to rise faster than nominal interest rates, the value of inflation-indexed securities would likely increase. In contrast, if nominal interest rates increased faster than the inflation rates, the value of inflation-indexed securities would likely decrease. Although the principal value of inflation-indexed securities declines in periods of deflation, holders at maturity receive no less than the par value of the security. However, if a client account purchases inflation-indexed securities in the secondary market whose principal values have been adjusted upward due to inflation since issuance, it may experience a loss if there is a subsequent period of deflation or lower level of inflation. If inflation is lower than expected during the period a client account holds an inflation-indexed security, the account may earn less on the security than on a conventional bond.

If real interest rates rise (i.e., if interest rates rise for reasons other than inflation, for example, due to changes in currency exchange rates), the value of inflation-indexed securities held by a client account will decline. Moreover,

because the principal amount of inflation-indexed securities would be adjusted downward during a period of deflation, a client account will be subject to deflation risk with respect to its investments in these securities. Inflation-indexed securities are tied to indices that are calculated based on rates of inflation for prior periods.

Cash Management and Defensive Investing Risk. The value of the investments held by a client account for cash management or defensive investing purposes may be affected by changing interest rates and by changes in credit ratings of the investments. If client account holds cash uninvested, it will be subject to the credit risk of the depository institution holding the cash. If a significant amount of a client account's assets are used for cash management or defensive investing purposes, it may be more difficult for the client account to achieve its investment objective.

Interest Rate Risk. To the extent that a client account is exposed to fixed income securities, the account may be subject to interest rate risk. Generally, rising interest rates will lead to a decrease in the value of fixed income securities. A change in interest rates will not have the same impact on all fixed income securities. Fixed income securities with longer maturities are generally more sensitive to changing interest rates than shorter term securities. In addition, different interest rate measures (such as short- and long-term interest rates and U.S. and foreign interest rates), or interest rates on different types of securities or securities of different issuers, may not necessarily change in the same amount or in the same direction.

Certain fixed income securities pay interest at variable or floating rates. Variable rate securities tend to reset at specified intervals, while floating rate securities may reset whenever there is a change in a specified index rate. In most cases, these reset provisions reduce the impact of changes in market interest rates on the value of the security. However, some securities do not track the underlying index directly, but reset based on formulas that may produce a leveraging effect; others may also provide for interest payments that vary inversely with market rates. The market prices of these securities may fluctuate significantly when interest rates change.

Credit Risk. The value of a fixed income investment may be negatively impacted by adverse changes to an issuer's financial condition. These may include insolvency or bankruptcy, payment default, inability to meet a financial obligation, or a downgrade of a security or issuer's rating, a measure used to help evaluate a borrower's credit worthiness.

If a client account enters into financial contracts (such as certain derivatives, repurchase agreements, reverse repurchase agreements, and when-issued, delayed delivery and forward commitment transactions), it will be subject to the credit risk presented by the counterparty. In addition, a client account may incur expenses to protect its interest in securities experiencing these events. Credit risk is broadly gauged by the credit ratings of the securities in which an account invests. However, ratings are only the opinions of the companies issuing them and are not guarantees as to quality. Securities rated in the lowest category of investment grade (Baa/BBB) may possess certain speculative characteristics.

Risks Associated with Investment in Funds Instead of Directly in Securities and Other Investments

A client account that invests in Underlying Funds instead of directly in securities and other investments may be exposed to the following additional types of risks (i.e., in addition to all of the risks stated above):

Fund-of-Funds Cost Risk. A client's cost of investing may be higher than the cost of investing directly in individual securities. An Underlying Fund may change its investment objective or policies without the client's approval, which

could force a client to withdraw its investment from such Underlying Fund at a time that is unfavorable to the client. In addition, one Underlying Fund may buy the same securities that another Underlying Fund sells. Therefore, the client account would indirectly bear the costs of these trades without accomplishing any investment purpose.

Risk of Increase in Expenses. A client's cost of investing may increase if an Underlying Fund's fee limitation is changed or terminated or if average net assets decrease. Net assets are more likely to decrease and Underlying Fund expense ratios are more likely to increase when markets are volatile.

Affiliated Funds Risk. Assets in a client's account may be invested in in QS-Advised Funds and Affiliated Funds. This may present QS Investors with a conflict of interest. For example, QS Investors may have an incentive to allocate a client's assets to QS-Advised Funds and Affiliated Funds. Please see Item 10 (Other Financial Industry Activities and Affiliations), Item 11 (Code of Ethics, Participation or Interest in Client Transactions) and Item 14 (Client Referrals and Other Compensation) of this Brochure for a discussion of such conflicts of interest.

Client Portfolio Rebalancing Risk. An Underlying Fund may experience relatively large redemptions or investments due to a rebalancing of a QS Investors' client account with an investment in such Underlying Fund. In such event, the Underlying Fund may be required to sell securities or to invest cash at a time when it is not advantageous to do so. Rebalancing may increase brokerage and/or other transaction costs of the Underlying Fund, increase the Underlying Fund's expenses or result in the Underlying Fund becoming too small to be economically viable. Rebalancing may also adversely affect an Underlying Fund's performance and thus the client account's performance. The impact of rebalancing is likely to be greater when a client account has a significant investment in such Underlying Fund.

Fund-of-Funds Investment Risk. An Underlying Fund in which a client invests also may be an underlying investment for other accounts that are managed by QS Investors or by other entities as "funds-of-funds." As a result, from time to time, such Underlying Fund may experience relatively large redemptions or investments and could be required to sell securities or to invest cash at a time when it is not advantageous to do so. Such investment activity may increase brokerage and/or other transaction costs of the Underlying Fund, increase the Underlying Fund's expenses or result in the Underlying Fund becoming too small to be economically viable. Such activity also may adversely affect an Underlying Fund's performance and thus the client account's performance.

Valuation Risk. The sales price an Underlying Fund could receive for any particular portfolio investment may differ from the Underlying Fund's valuation of the investment, particularly for securities that trade in thin or volatile markets or that are valued using a fair value methodology (for example, when a security is illiquid or its price is not readily available, or when events after the close of a foreign market affect the value of a security traded in or currency of that market).

Risks Associated with QS Investors' Asset Allocation and Fund/Manager Selection Advisory Services

QS Investors' asset allocation and fund/manager selection advisory services involve the following additional risks:

Allocation and Fund/Manager Selection Risk. A client account's ability to achieve its investment objective depends upon QS Investors' skill in determining the account's asset allocation and in selecting the account's Underlying Funds or Underlying Managers. The value of a client account may decrease or underperform if QS Investors' judgment about market trends or the attractiveness of asset classes, investment styles, Underlying Funds or Underlying Managers is incorrect.

Asset Class Variation Risk. A client account's Underlying Funds or Sleeves will invest principally in the securities constituting their asset class (i.e., equity or fixed income). However, under normal market conditions, an Underlying Fund or Sleeve may vary the percentage of its assets in these securities (subject to any applicable investment guidelines or regulatory requirements). Depending upon the percentage of securities in a particular asset class held by an account's Underlying Funds or Sleeves at any given time and the percentage of the account's assets invested in various Underlying Funds or Sleeves, the client account's actual exposure to the securities in a particular asset class may vary substantially from its intended allocation for that asset class.

Portfolio Selection Risk. The value of a client account may decrease if the judgment of an Underlying Fund's portfolio managers or the judgment of an Underlying Manager about the attractiveness of, value of or market trends affecting a particular security, industry or sector, country or region, or about market movements, is incorrect. In addition, the investment models used by an Underlying Fund's portfolio managers or by Underlying Managers to evaluate securities or securities markets are based on certain assumptions concerning the interplay of market factors and do not assure successful investment. The interplay of these factors may change from their historical patterns due to prolonged adverse market conditions or financial crises. Although an Underlying Fund's portfolio managers or an Underlying Manager may attempt to hedge or protect against investment losses, there is no assurance that their judgment about whether and when to do so will be correct, or that hedges will succeed. Hedging strategies may not always work as intended, and in specific cases, an Underlying Fund or a Sleeve of a client account may be worse off than if it had not used such strategies.

Multi-Manager Risk. While QS Investors monitors each Underlying Manager in a Manager-of-Managers arrangement and monitors the overall management of client accounts, QS Investors and each Underlying Manager make investment decisions for client accounts independently from one another. It is possible that the investment styles used by an Underlying Manager for a Sleeve will not always be complementary to those used by other Underlying Managers, which could adversely affect the performance of a client's account. In addition, one Underlying Manager may buy the same securities that another Underlying Manager sells. Therefore, the client account would bear the cost of these trades without accomplishing any investment purpose.

Fund-of-Funds Cost Risk. A client account that invests in Underlying Funds may have higher investment costs than a client account that only invests directly in individual securities. An Underlying Fund may change its investment objective or policies without the client account's approval, which could force the client account to withdraw its investment from such Underlying Fund at a time that is unfavorable to the client account. In addition, one Underlying Fund may buy the same securities that another Underlying Fund sells. Therefore, the client account would indirectly bear the costs of these trades without accomplishing any investment purpose.

Affiliated Funds and Affiliated Managers Risk. Assets in a Fund-of-Funds client account may be invested in QS-Advised Funds and Affiliated Funds. Assets in a Manager-of-Managers client account may be allocated to QS-Managed Sleeves and to Sleeves managed by Affiliated Managers. This may present QS Investors with a conflict of interest. Please see Item 10 (Other Financial Industry Activities and Affiliations), Item 11 (Code of Ethics, Participation or Interest in Client Transactions) and Item 14 (Client Referrals and Other Compensation) of this Brochure for a discussion of such conflicts of interest.

Non-Diversification Risk. To the extent that a client account invests in a smaller number of Underlying Funds or allocates its assets to a smaller number of Underlying Managers, the client account will be more susceptible to negative events affecting such Underlying Funds or the securities in Sleeves managed by such Underlying Managers.

Additional Risks that Relate Primarily to Fixed Income Investments in Underlying Funds or Sleeves

Interest Rate Risk. To the extent that an Underlying Fund or Sleeve of a client account is exposed to fixed income securities, the Underlying Fund or Sleeve may be subject to interest rate risk. Generally, rising interest rates will lead to a decrease in the value of fixed income securities. A change in interest rates will not have the same impact on all fixed income securities. Fixed income securities with longer maturities are generally more sensitive to changing interest rates than shorter term securities. In addition, different interest rate measures (such as short- and long-term interest rates and U.S. and foreign interest rates), or interest rates on different types of securities or securities of different issuers, may not necessarily change in the same amount or in the same direction.

Certain fixed income securities pay interest at variable or floating rates. Variable rate securities tend to reset at specified intervals, while floating rate securities may reset whenever there is a change in a specified index rate. In most cases, these reset provisions reduce the impact of changes in market interest rates on the value of the security. However, some securities do not track the underlying index directly, but reset based on formulas that may produce a leveraging effect; others may also provide for interest payments that vary inversely with market rates. The market prices of these securities may fluctuate significantly when interest rates change.

Credit Risk. The value of a fixed income investment may be negatively impacted by adverse changes to an issuer's financial condition. These may include insolvency or bankruptcy, payment default, inability to meet a financial obligation, or a downgrade of a security or issuer's rating, a measure used to help evaluate a borrower's credit worthiness.

If an Underlying Fund or a Sleeve enters into financial contracts (such as certain derivatives, repurchase agreements, reverse repurchase agreements, and when-issued, delayed delivery and forward commitment transactions), it will be subject to the credit risk presented by the counterparty. In addition, an Underlying Fund or a Sleeve may incur expenses to protect its interest in securities experiencing these events. Credit risk is broadly gauged by the credit ratings of the securities in which an Underlying Fund or a Sleeve invests. However, ratings are only the opinions of the companies issuing them and are not guarantees as to quality. Securities rated in the lowest category of investment grade (Baa/BBB) may possess certain speculative characteristics.

High Yield or "Junk Bond" Risk. Debt securities that are below investment grade, or "junk bonds," are speculative, have a higher risk of issuer default, tend to be less liquid and are more difficult to value than higher grade securities. Junk bonds tend to be volatile and more susceptible to adverse events and negative sentiments. Investing in these securities subjects an Underlying Fund or a Sleeve of a client account to increased price sensitivity to changing interest rates, greater risk of loss because of default or declining credit quality, or an issuer's inability to make interest and/or principal payments due to adverse company specific events or changes in economic conditions. Junk bonds are also subject to the risk of negative perceptions of the high yield market depressing the price and liquidity of high yield securities. These negative perceptions could last for a significant period of time.

Prepayment or Call Risk. Many fixed income securities give the issuer the option to repay or call the security prior to its maturity date. Issuers often exercise this right when interest rates fall. Accordingly, if an Underlying Fund or a Sleeve of a client account holds a fixed income security subject to prepayment or call risk, it may not benefit fully from the increase in value that other fixed income securities generally experience when interest rates fall. Upon prepayment of the security, the Underlying Fund or Sleeve would also be forced to reinvest the proceeds at then current yields, which would be lower than the yield of the security that was paid off. In addition, if the Underlying Fund or Sleeve

purchases a fixed income security at a premium (at a price that exceeds its stated par or principal value), the Underlying Fund or Sleeve may lose the amount of the premium paid in the event of prepayment.

Extension Risk. When interest rates rise, repayments of fixed income securities, particularly asset- and mortgage-backed securities, may occur more slowly than anticipated, extending the effective duration of these fixed income securities and locking in below market interest rates. This may cause the investments in an Underlying Fund or in the Sleeve of a client account to be more volatile.

Sovereign Debt Risk. Sovereign government and supranational debt involves many of the risks of foreign and emerging market investments as well as the risk of debt moratorium, repudiation or renegotiation, and an Underlying Fund or Sleeve may be unable to enforce its rights against the issuers.

Additional Risks that Relate Primarily to Other Types of Investments and Investment Techniques in Underlying Funds or Sleeves

Closed-End Fund Risk. Shares of closed-end funds in which an Underlying Fund or Sleeve invests may trade at either a premium or discount to the fund's net asset value. An Underlying Fund or Sleeve that invests in closed-end funds will pay brokerage commissions in connection with the purchase and sale of shares of closed-end funds.

Hedge Funds Risk. An Underlying Fund or Sleeve may invest in investment companies that are not registered and whose portfolio managers may not be registered as an investment adviser. As a result, the client account as an investor in the Underlying Funds would not have the benefit of certain protections afforded to investors in registered investment companies.

Mortgage-Backed and Asset-Backed Securities Risk. The value of investments in mortgage-backed and asset-backed securities is subject to interest rate risk and credit risk. These securities are also subject to the risk that borrowers will prepay the principal on their loans more quickly than expected (prepayment risk) or more slowly than expected (extension risk), which will affect the yield, average life and price of the securities. In addition, faster than expected prepayments may cause the Underlying Fund or Sleeve of a client account to invest the prepaid principal in lower yielding securities and slower than expected prepayments may reduce the potential for such Underlying Fund or Sleeve to invest in higher yielding securities.

Mortgage-Backed Security Risk (Government-Sponsored Enterprises or "GSEs"). Debt and mortgage-backed securities issued by GSEs such as FNMA and FHLMC are neither insured nor guaranteed by the U.S. Treasury and are not backed by the full faith and credit of the U.S. government. Such securities are only supported by the credit of the GSE. The U.S. government has provided financial support to FNMA and FHLMC, but there can be no assurance that it will support these or other GSEs in the future.

Non-Publicly Traded Securities. Non-publicly traded securities may involve a high degree of business and financial risk and may result in substantial losses. These securities may be less liquid than publicly traded securities, and an Underlying Fund or a Sleeve of a client account may take longer to liquidate these positions than would be the case for publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realized from these sales could be less than those originally paid by an Underlying Fund or Sleeve of a client account. Further, companies whose securities are not publicly traded may not be subject to the disclosure and other investor protection requirements that would be applicable if their securities were publicly traded.

Convertible Securities Risk. Convertible securities are subject both to the stock market risk associated with equity securities and to the credit and interest rate risks associated with fixed income securities. When the market price of the equity security underlying a convertible security decreases, the convertible security tends to trade on the basis of its yield and other fixed income characteristics. As the market price of the equity security underlying a convertible security rises, the convertible security tends to trade on the basis of its equity conversion features.

Repurchase Agreements Risk. Repurchase agreements could involve certain risks in the event of default or insolvency of the seller, including losses and possible delays or restrictions upon an Underlying Fund's or Sleeve's ability to dispose of the underlying securities. To the extent that, in the meantime, the value of the securities that the Underlying Fund or Sleeve has purchased has decreased, the Underlying Fund or Sleeve could experience a loss.

Leveraging Risk and Reverse Repurchase Agreements. An Underlying Fund or Sleeve may take on leveraging risk by, among other things, engaging in derivative transactions or reverse repurchase agreements. When an Underlying Fund or Sleeve engages in transactions that have a leveraging effect on its portfolio, the value of the Underlying Fund or Sleeve will be more volatile and all other risks tend to be compounded. This is because leverage generally magnifies the effect of any increase or decrease in the value of the Underlying Fund's or Sleeve's underlying assets or creates investment risk with respect to a larger pool of assets than the Underlying Fund or Sleeve would otherwise have. Engaging in such transactions may cause the Underlying Fund or Sleeve to liquidate positions when it may not be advantageous to do so to satisfy its obligations or meet segregation requirements.

Securities Lending Risk. Lending securities involves the risk of possible delay in receiving additional collateral, delay in recovery of the securities when the loan is called or possible loss of collateral should the borrower fail financially. An Underlying Fund or Sleeve could also lose money if its short-term investment of the cash collateral declines in value over the period of the loan.

Risks Associated with Index Tracking Investing. The assumptions built into the risk models and optimization software utilized by QS Investors to invest certain client account assets in a manner designed to produce returns comparable to those of a particular benchmark index may cause such models and software to produce investment recommendations that may result in an index tracking error that is greater than expected and, therefore, returns that are not closely correlated to the returns of the index with respect to a client account. In addition, because QS Investors does not conduct any fundamental, company-specific security analysis with respect to securities purchased and sold as part of the index tracking investing process, the value of a client account may decrease if account assets are invested in securities that are less attractive than other securities in the index from a fundamental investment perspective.

Additional Risks Associated with QS Investors' Risk Management Advisory Services

QS Investors' risk management advisory services involve the following additional risks:

Allocation Risk. An account's ability to achieve its investment objectives depends upon QS Investors' skill in determining the account's asset allocation, creating and applying formulas for de-risking or ending de-risking, and determining when to engage in risk management strategies. In implementing the Dynamic Risk Management or Event Risk Management strategies, a client account will be subject to heightened allocation risk, as QS Investors will have discretion in determining the account's asset allocation. If an account's exposure to short-term defensive instruments is increased at inopportune times or for extended periods of time, the account may experience lower performance or

greater losses. There is no guarantee that the Dynamic Risk Management or the Event Risk Management strategies will work as intended or prevent an account from incurring losses.

Defensive Investing Risk. A client account may have significant exposure to short-term defensive instruments as a result of implementation of the Dynamic Risk Management strategy. If a client account has significant exposure to short-term defensive instruments or engages in options and futures transactions for hedging purposes, it may be more difficult for the account to achieve high total returns.

Dynamic Risk Management Strategy Risk. A client account may sell underlying fund holdings, including shares of ETFs, in implementing the Dynamic Risk Management strategy. During periods of market volatility, the share prices of ETFs may deviate significantly from their net asset values. Therefore, selling shares of ETFs during periods of market volatility may result in greater losses than redeeming mutual fund holdings. A client account may incur additional trading costs due to implementation of the Dynamic Risk Management strategy, which may reduce the account's performance. If derivatives are used to implement the Dynamic Risk Management strategy, the account will be subject to additional risks.

Event Risk Management Strategy Risk. The Event Risk Management strategy may involve entering into transactions involving options and futures that are expected to increase in value during the occurrence of certain market events. An instrument used to hedge market risk could lose all or a portion of its value even in a period of severe market stress. Implementation of the strategy may result in a client account holding options and futures positions that take contradictory views on market movements. The costs of purchasing and selling these instruments may reduce an account's return. An account may not be able to close out a position at the desired time or price. Options and futures are derivatives and thus a client account that employs an Event Risk Management strategy is subject to the additional risks associated with holding derivatives.

ITEM 9 - Disciplinary Information

There are no legal or disciplinary events to report that would be material to a client's or prospective client's evaluation of QS Investors' business or the integrity of the Firm's management.

ITEM 10 - Other Financial Industry Activities and Affiliations

On May 30, 2014, Legg Mason completed its acquisition of QS Investors Holdings, LLC, and as a result QS Investors became a wholly owned, independently operated subsidiary of Legg Mason. Legg Mason's common stock is traded on the New York Stock Exchange (ticker symbol: LM).

As a wholly owned subsidiary of Legg Mason, QS Investors has direct business relationships with other Legg Mason-affiliated companies. Some of these relationships may be characterized as material because they allow the Firm to gain access to investors who might otherwise not be accessible to the Firm. Although these relationships could create a conflict of interest between QS Investors, QS Investors Affiliates and QS Investors' clients, the Firm's policies and procedures are designed to ensure that all clients are treated fairly.

To eliminate a potential conflict of interest, QS Investors does not trade with any affiliated broker-dealers.

The following is a description of the material advisory relationships QS investors has with affiliated companies:

Advisory Services

- Investment manager of QS Investors DBI Global Emerging Markets Equity Fund LP. QS Investors Fund Management, LLC, a wholly owned subsidiary of QS Investors Holdings, LLC along with QS Investors, and under common management with QS Investors, is the general partner of this limited partnership. As general partner, QS Investors Fund Management, LLC has full and complete charge of all affairs of the fund, subject to the provisions of the fund's limited partnership agreement. QS Investors could face a conflict of interest between acting in the best interest of fund investors and in QS Investors' best interest;
- Investment manager of the Scholars Choice College Savings Program, a Section 529 college savings plan. Legg Mason Investor Services, LLC also serves as the manager of, and the distributor of interests in, this plan, and provides certain marketing, administrative and recordkeeping services with respect to such plan. The Scholars Choice College Savings Program is a Fund-of-Funds client of QS Investors;
- QS Investors has entered into a relationship with LMPPG through which QS Investors will participate in managed account programs as a sub-adviser to LMPPG. QS Investors will provide to LMPPG investment advisory services for one or more investment management strategies; and
- QS Investors may also provide managed account programs to sponsors directly which are separate from the LMPPG relationship.

Sub-advisory Services

- Investment adviser to offshore, *i.e.*, non-U.S.-domiciled, funds, in the Legg Mason Funds ICVC family of funds (England/Wales). Legg Mason Investment Funds Limited is the Authorised Corporate Director, Administrator and Registrar for these funds;
- Investment adviser to offshore funds for Legg Mason Global Funds Plc. Legg Mason Investments (Ireland) Limited is the manager and promoter of this family of funds. Legg Mason Investor Services, LLC, Legg Mason Investments (Europe) Limited, Legg Mason Asset Management Hong Kong Limited, Legg Mason Asset

Management Singapore Pte Limited and Legg Mason Investments (Taiwan) Limited serve as distributors and shareholder servicing agents for these funds;

- Investment adviser to offshore funds for Legg Mason Global Solutions plc (Ireland). Legg Mason Investments (Ireland) Limited is the manager and promoter of this family of funds. Legg Mason Investor Services, LLC, Legg Mason Investments (Europe) Limited and Legg Mason Asset Management Singapore Pte Limited serve as distributors and shareholder servicing agents for these funds;
- Investment sub-adviser of Legg Mason Global Equity Trust (Australia). Legg Mason Asset Management Australia Limited is the Responsible Entity of this trust company;
- Investment sub-adviser to mutual funds offered by Legg Mason Global Asset Management Trust and Legg Mason Partners Equity Trust. Legg Mason Partners Fund Advisor, LLC is the investment manager and Legg Mason Investor Services, LLC is the distributor for these funds; and
- Investment sub-adviser to ETFs offered by Legg Mason ETF Equity Trust that are considered self-indexing funds. Legg Mason Partners Fund Advisor, LLC is the investment manager and Legg Mason Investor Services, LLC is the distributor for these ETFs. For further discussion of this relationship, see below under “Self-Indexing Funds and Affiliated Persons.”

Other Investment Services

QS Investors provides non-discretionary investment advice, trade recommendations and/or portfolio research services, in the form of model investment portfolios, stock scores and monthly strategic and tactical weights, to Legg Mason Asset Management (Japan) Co., Ltd. (“LM Japan”) as inputs in making investment decisions and/or asset allocation determinations for certain Japan-domiciled trusts of which LM Japan is the investment trust management company. QS Investors does not have the authority to make investment decisions or execute trades for these accounts.

Fund-of-Funds and Managed Account Fund Portfolios: QS-Advised Funds and Affiliated Funds

The Underlying Funds in a Fund-of-Funds client account or a Managed Account Fund Portfolio that invests or recommends investments in funds may be comprised of QS-Advised Funds, Affiliated Funds, Non-Affiliated Funds, or a combination of such funds.³ A Fund-of-Funds’ prospectus or other offering document typically will identify the Underlying Funds in which the Fund-of-Funds invests, including QS-Advised Funds, Affiliated Funds and Non-Affiliated Funds.

If the interests of a Fund-of-Funds or discretionary Managed Account Fund Portfolio and any QS-Advised Fund or Affiliated Fund were ever to become divergent, it is possible that a conflict of interest could arise and affect how QS Investors’ investment professionals fulfill their fiduciary duties to such Fund-of-Funds, discretionary Managed Account Fund Portfolio, QS-Advised Fund or Affiliated Fund. If such a possibility arises, QS Investors, the applicable QS Investors Affiliate and other interested parties, including the board of directors and officers of the applicable funds, would carefully analyze the situation and take all steps they believe reasonable to minimize, and where possible eliminate, the potential conflict.

³ See Item 4 (Advisory Business) for definitions of terms that are commonly used in this Brochure to describe the Firm’s Fund-of-Funds and Manager-of-Managers arrangements.

For additional information concerning the conflicts of interest associated with Fund-of-Funds relationships and the mitigation of these conflicts of interest, see below under “Conflicts of Interest Associated with Fund-of-Funds and Managed Account Fund Portfolio” and “Mitigation of Conflicts of Interest Associated with Multi Manager Investments.”

Manager-of-Managers Arrangements: QS-Managed Sleeves and Affiliated Managers

The Underlying Managers of Sleeves for a client account structured as a Manager-of-Managers arrangement may be comprised of QS Investors, Affiliated Managers, Non-Affiliated Managers, or some combination. Affiliates that may serve as an Underlying Manager in a Manager-of-Managers arrangement include the following entities:

- Brandywine Global Investment Management, LLC;
- ClearBridge Investments, LLC;
- Legg Mason Investments (Europe) Limited;
- Martin Currie Inc.;
- Martin Currie Investment Management Limited;
- Royce & Associates, LP;
- Western Asset Management Company;
- Western Asset Management Company Limited; and
- Western Asset Management Company Pte Ltd.

Certain QS Investors Affiliates serving as Underlying Managers for client accounts may provide advice on commodity interests (e.g., futures and options on futures) as part of their management of such client accounts. Such QS Investors Affiliates may be registered as commodity trading advisors depending on the nature and extent of the commodity advice they provide.

For additional information concerning the conflicts of interest associated with Manager-of-Managers arrangements and the mitigation of these conflicts of interest, see below under “Conflicts of Interest Associated with Manager-of-Managers Arrangements” and “Mitigation of Conflicts of Interest Associated with Fund-of-Funds and Manager-of-Managers Arrangements.”

Conflicts of Interest Associated with Fund-of-Funds and Managed Account Fund Portfolios

As described in Item 5 (Fees and Compensation), Item 11 (Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading) and Item 14 (Client Referrals and Other Compensation) of this Brochure, a Fund-of-Funds or Managed Account Fund Portfolio client advised by QS Investors will indirectly bear the fees and expenses charged by the Underlying Funds in which it invests. Such fees and expenses are in addition to any investment advisory fee that may be paid directly to QS Investors. In the case of an Underlying Fund that is a QS-Advised Fund, the QS-Advised Fund’s fees and expenses will include an advisory fee paid to QS Investors. In the case of an Underlying Fund that is an Affiliated Fund, the Affiliate Fund’s fees and expenses will include an advisory fee paid to the Affiliate. Separately, subject to an agreement between QS Investors and the affiliate, the affiliate may make a payment to QS Investors out of its general resources in consideration of the Fund being included in the model fund portfolio. Depending on the contractual arrangement agreed to by the client and QS Investors, fees paid by a QS-Advised Fund to QS Investors and an Affiliated Fund to a QS Investors Affiliate may or may not be credited against the advisory or service fees otherwise charged by QS Investors. As a result, QS Investors may receive more than one fee relating to the assets that are invested in QS-Advised Funds.

If a Fund-of-Funds client advised by QS Investors is a Section 529 college savings plan and invests in Underlying Funds that are Non-Affiliated Funds, QS Investors and QS Investors Affiliates may receive and retain fees from such funds or the adviser or distributor of such funds in respect of such invested assets. Fees received from Non-Affiliated Funds are not credited against the investment advisory fees otherwise charged by QS Investors to the college savings plan. Such fee arrangements are designed to help offset QS Investors' expenses associated with maintaining an investment in a Non-Affiliated Fund on behalf of a college savings plan and may be a factor considered by QS Investors in selecting funds in which to invest college savings plan assets. Such fee arrangements are disclosed to and consented to by the applicable Section 529 college savings plan sponsors and are disclosed to college savings plan participants in applicable offering documents.

QS Investors' advice to a Fund-of-Funds or Managed Account Fund Portfolio client to invest in QS-Advised Funds, Affiliated Funds and Non-Affiliated Funds may cause fees to be paid to QS Investors and QS Investors Affiliates. The amount of fees received by QS Investors and QS Investors Affiliates from such funds will vary. In light of such fee arrangements, QS Investors may be viewed as having the following conflicts of interest in providing asset allocation and fund selection advisory services:

- QS Investors may have an incentive to advise that client assets be invested in QS-Advised Funds instead of in Affiliated Funds or Non-Affiliated Funds;
- QS Investors may have an incentive to advise that client assets be invested in Affiliated Funds instead of in Non-Affiliated Funds;
- QS Investors may have an incentive to advise that client assets be invested in certain QS-Advised Funds that have higher advisory fees than other QS-Advised Funds;
- QS Investors may have an incentive to advise that client assets be invested in certain Affiliated Funds that have higher advisory fees than other Affiliated Funds;
- QS Investors may have an incentive to advise that client assets be invested in Non-Affiliated Funds that are willing to pay QS Investors and QS Investors Affiliates service-related fees;
- QS Investors may have an incentive to advise that client assets be invested in certain Non-Affiliated Funds that pay QS Investors and QS Investors Affiliates higher service-related fees than other Non-Affiliated Funds; and
- QS Investors may have an incentive to vary its asset allocation advice to increase the compensation paid to QS Investors and QS Investors Affiliates in light of the differential in fees paid to QS Investors and QS Investors Affiliates by QS-Advised Funds, Affiliated Funds and Non-Affiliated Funds.

However, QS Investors believes that such conflicts are mitigated in several ways, as described below under "Mitigation of Conflicts of Interest Associated with Fund-of-Funds and Manager-of-Managers Arrangements."

Conflicts of Interest Associated with Manager-of-Managers Arrangements

As described in Item 5 (Fees and Compensation) of this Brochure, a Manager-of-Managers arrangement client typically will pay investment advisory fees to the Underlying Manager of each Sleeve in addition to QS Investors' investment advisory fee. However, in the case of a Manager-of-Managers arrangement where all of the Sleeves are managed by QS Investors or QS Investors Affiliates, the client may pay a single fee to QS Investors with the understanding that QS Investors will compensate each QS Investors Affiliate separately for its sub-advisory services.

In certain Manager-of-Managers arrangements which include a select group of Affiliated Managers only, QS Investors may use a portion of its advisory fee to compensate each Affiliated Manager. QS Investors' fee is generally based on a percentage of total account portfolio AUM under such arrangements. Under such arrangements, each Affiliated Manager's compensation is generally based on a percentage of the portfolio assets allocable to such Affiliated Manager, and the rates of such fees among the Affiliated Managers may vary. Accordingly, when QS Investors increases allocations to Affiliated Managers receiving less compensation than other Affiliated Managers, the aggregate amount payable from QS Investors to all Affiliated Managers participating in the arrangement will decrease, thereby increasing QS Investors' net compensation. Conversely, when QS Investors decreases allocations to Affiliated Managers receiving less compensation than other Affiliated Managers, QS Investors' net compensation will decrease. When QS Investors increases allocations to QS-Managed Sleeves, it will retain a greater portion of the overall fee.

In light of such fee arrangements, QS Investors may be viewed as having the following conflicts of interest in providing asset allocation and manager selection advisory services:

- QS Investors may have an incentive to advise that client assets be invested with QS Investors instead of with Affiliated Managers;
- QS Investors may have an incentive to advise that client assets be invested with Affiliated Managers that charge lower advisory fees than other Affiliated Managers; and
- QS Investors may have an incentive to vary its asset allocation advice in order to increase QS Investors' net compensation in light of the differential in fees to be paid to Affiliated Managers by QS Investors.

In other Manager-of-Managers arrangements which may include QS-Managed Sleeves, Sleeves managed by Affiliated Managers and Sleeves managed by Unaffiliated Managers, QS Investors receives an advisory fee based on a percentage of total portfolio AUM in such arrangements, and no portion of such fee is used to compensate the Underlying Managers. The client pays a separate advisory fee to each Underlying Manager for the advisory services it provides with respect to its respective Sleeve. When QS Investors manages one or more QS-Managed Sleeves under such arrangements, QS Investors may or may not receive a fee for managing such Sleeves in addition to the fee it receives for providing services to the account as a whole that is based on a percentage of total portfolio AUM. Under such arrangements, QS Investors' advice to allocate assets in a client's portfolio to a QS-Managed Sleeve or a Sleeve managed by an Affiliated Manager will cause fees to be paid to QS Investors or such Affiliated Manager. The rate of fees earned by QS Investors or an Affiliated Manager may be greater than the rate of fees earned by another Affiliated Manager managing a different Sleeve. If QS Investors receives a fee for managing one or more QS-Managed Sleeves in addition to the fee it receives for providing services to the account as a whole, QS Investors' advice to allocate assets in a client's portfolio to a QS-Managed Sleeve will cause additional fees to be paid to QS Investors. In light of such fee arrangements, QS Investors may be viewed as having the following conflicts of interest in providing asset allocation and manager selection advisory services:

- QS Investors may have an incentive to advise that client assets be invested in QS-Managed Sleeves instead of in Sleeves managed by Affiliated Managers or Non-Affiliated Managers;
- QS Investors may have an incentive to advise that client assets be invested in Sleeves managed by Affiliated Managers instead of in Sleeves managed by Non-Affiliated Managers;
- QS Investors may have an incentive to recommend that client assets be invested in Sleeves managed by certain Affiliated Managers that charge higher fees than other Affiliated Managers; and

- QS Investors may have an incentive to vary its asset allocation advice in order to increase the compensation paid to QS Investors and Affiliated Managers in light of the fees paid by client accounts to QS Investors and Affiliated Managers with respect to QS-Managed Sleeves and Sleeves managed by Affiliated Managers.

However, QS Investors believes that these conflicts of interest are mitigated in several ways, as described directly below.

Mitigation of Conflicts of Interest Associated with Multi-Manager Investments

QS Investors believes that the conflicts of interest described above in its Multi Manager Investments are mitigated in several ways.

- First, QS Investors is operated as a separate business unit which is subject to its own set of compliance policies and procedures and which is operationally independent of any Affiliated Manager or QS Investors Affiliate that serves as an adviser to an Affiliated Fund.
- Second, the asset allocation and fund/manager selection and retention advice provided by QS Investors with respect to a Multi-Manager Investment is based on a combination of quantitative and fundamental and market-related investment analyses, as described in Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss) of this Brochure.
- Third, QS Investors' asset allocation advice may be subject to guidelines that establish target asset allocations and/or establish allocation bands that limit QS Investors' ability to vary an account's asset allocation. Such guidelines generally are set forth in the applicable management, advisory or services agreement, or otherwise agreed to in writing by QS Investors and the client. In the case of a client account that is an investment fund, such guidelines typically are disclosed to shareholders of, or participants in, such investment fund in accordance with applicable law. In addition, Compliance regularly monitors QS Investors' adherence to such guidelines.
- Fourth, certain Multi-Manager Investments may have established limitations on the aggregate investments that may be made in QS-Advised Funds or Affiliated Funds or in QS-Managed Sleeves or Sleeves managed by Affiliated Managers or have specific quantitative and qualitative criteria (which may be set forth in the applicable management, advisory or services agreement) that are to be used by QS Investors in evaluating Underlying Funds, including QS-Advised Funds and Affiliated Funds, and Underlying Managers, including QS Investors and Affiliated Managers.
- Fifth, the fee arrangements applicable to Multi Manager Investments, as well as any affiliation (or the potential for affiliation) between QS Investors and certain Underlying Funds or Underlying Managers, generally are set forth in the applicable management, advisory or services agreement or otherwise disclosed by QS Investors to the client. In the case of a client account that is an investment fund, the applicable fee arrangements and any affiliation (or the potential for affiliation) between QS Investors and certain Underlying Funds and Underlying Managers generally are disclosed, to the extent practicable, to shareholders of, or participants in, such investment fund in accordance with applicable law.
- Sixth, depending on the specific nature of a client relationship, QS Investors' asset allocation and fund/manager selection advisory services may be subject to the prior approval of the client (in the case of a non-discretionary client relationship) or subject to review and oversight by the client or its board of directors or trustees.

- Seventh, QS Investors is subject to, and intends to comply with, fiduciary standards when investing or making recommendations with respect to client assets. QS Investors has adopted certain procedures to mitigate the conflicts of interest associated with Multi Manager Investments, including oversight by the Firm's Governance Oversight Committee (whose members consist of certain senior management and Compliance personnel, including the Firm's Chief Compliance Officer) of any new, or substantial increases to, allocations to QS-Advised Funds or Affiliated Funds, or allocations to QS-Managed Sleeves or Sleeves managed by Affiliated Managers.

Self-Indexing Funds and Affiliated Persons

QS Investors provides investment sub-advisory services to certain Legg Mason ETFs operating as index-based ETFs (each a "Self-Indexing Fund") for which an "affiliated person," as defined in Section 2(a)(3) of the Investment Company Act, or a third party, serves as the Index Provider (as defined below). QS Investors utilizes a "passive" or indexing investment strategy designed to invest in a sample of securities that collectively has an investment profile matching that of the underlying index of each ETF.

For certain of the Self-Indexing Funds, QS Investors, an "affiliated person" as defined in Section 2(a)(3) of the Investment Company Act, has created a proprietary, rules-based methodology to create underlying indices that will be used in the management of the Self-Indexing Funds. The construction (*i.e.*, determination of index constituents and their weights) of the underlying indices is performed by either QS Investors or a third party (the "Third Party Index Calculation Agent"), or to some degree by both entities (each an "Index Provider"). For those Self-Indexing Funds in which a third party serves as the Index Provider, the Third Party Index Calculation Agent has been hired to calculate, compile, maintain and disseminate the customized indices based on methodologies provided by QS Investors. QS Investors owns the underlying indices, their parameters (*i.e.*, weightings, capping factors and other similar data) and the respective methodologies for their construction, compilation and calculation.

As an "affiliated person" to the Self-Indexing Funds, QS Investors recognizes that its activities relating to the construction of the underlying indices could raise concerns regarding the potential ability of QS Investors to manipulate the underlying indices to the benefit or detriment of the Self-Indexing Funds. QS Investors further recognizes the potential for conflicts of interest that may arise for the Firm and its personnel who may have access to or knowledge of changes to an underlying index's composition methodology or the constituent securities in an underlying index prior to the time that the holdings of the Self-Indexing Funds are publicly disseminated. This information could be deemed to be material, non-public information. QS Investors believes that protections under the Investment Company Act and the Firm's various policies and procedures help to mitigate these potential conflicts of interest, including implementation of "firewalling" procedures on the data and research used to generate the indices and personal trading restrictions on employees with knowledge of the constituents of an underlying index prior to the information being made public, and that maintaining full portfolio transparency of the Self-Indexing Funds also provides an additional mechanism for addressing certain potential conflicts of interest. The QS Investors Index Committee, as part of the Firm's overall governance structure, is responsible for overseeing the suite of QS-owned underlying indices used in the management of the Self-Indexing Funds, with a focus on monitoring its ongoing functioning, ensuring regulatory compliance (*e.g.*, Self-Indexing Funds exemptive relief or exchange listing requirements), approval of underlying index methodology changes, and oversight of proper notification of those changes.

In the future, QS Investors may provide similar services for ETFs offered by third parties.

Commodity Trading Advisor

As part of its regular advisory and management business, QS Investors may provide investment advice or recommendations to certain of its advisory clients relating to or involving commodity interests subject to the jurisdiction of the Commodity Futures Trading Commission (“CFTC”). Accordingly, QS Investors is registered with the CFTC as a Commodity Trading Advisor (“CTA”) and is a member of the National Futures Association (“NFA”). In addition, certain employees of QS Investors are registered with the NFA as Associated Persons and Principals of QS Investors. An Associated Person is an individual permitted to solicit funds on behalf of a CTA, which allows such individual to discuss investment strategies involving commodity interests with clients and prospects.

Sponsorship and Management of Collective Investment Vehicles

QS Investors (and its affiliates) may serve as general partner, sponsor and/or manage private placements offered to accredited investors in reliance on Rule 506 of the 1933 Act. Additional information about these vehicles is provided in Part 1 of QS Investors’ Form ADV.

ITEM 11 - Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading

Code of Ethics and Personal Trading

As part of an overall internal compliance program, and pursuant to Rule 204A-1 of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), QS Investors has adopted a code of ethics (“Code of Ethics”) and other associated policies and procedures. The Code of Ethics and associated policies are based on the principle that QS Investors owes a fiduciary duty to its clients. The Code of Ethics emphasizes that QS Investors’ employees must avoid activities, interests and relationships that might: (1) present a conflict of interest or the appearance of a conflict of interest with QS Investors’ clients; or (2) otherwise interfere with QS Investors’ ability to make decisions in the best interests of the Firm’s clients. The Code of Ethics and associated policies impose standards of business conduct, including requirements to put client interests first and not to take inappropriate advantage of employment-related information. The Code of Ethics also imposes restrictions, described below, on employee personal securities transactions and accounts.

Investing and Trading in Securities Recommended to Clients

QS Investors’ employees are permitted to trade for their personal accounts in securities which are recommended, purchased or sold for the Firm’s clients. To help manage this inherent conflict of interest, the Code of Ethics limits employee trading activity to ensure that clients’ interests are placed ahead of the Firm’s or employees’ personal interests. The Code of Ethics requires QS Investors’ employees, among other things, to:

- Disclose personal brokerage accounts and holdings to Compliance, including any accounts in which they have joint or beneficial interest or control (“employee-related accounts”);
- Instruct their brokers to provide Compliance with duplicate trade confirmations and account statements;
- Obtain approval for securities transactions from Compliance prior to executing trades in employee-related accounts (certain exclusions apply);
- File a quarterly transaction report containing information about reportable trades in employee-related accounts during the prior calendar quarter;
- File an annual holdings report containing information about all holdings in employee-related accounts as of calendar year-end;
- Confirm annually that they have read, understand and will comply with the Code of Ethics; and
- Report any violation or potential violation of the Code of Ethics to Compliance.

The Code of Ethics also contains further restrictions regarding personal trading activity, such as the following:

- Employees are subject to the following specific blackout period restrictions (certain exclusions apply):
 - Employees may not knowingly buy or sell a security on a day during which any client account has a “buy” or “sell” order for the same security, until that order is executed or withdrawn; and
 - Investment personnel may not buy or sell a security seven (7) days before or after the same security is traded (or contemplated to be traded) for a client account with which the individual is associated;

- Employees must hold a security for at least thirty (30) days;
- Employees must hold proprietary funds, defined as open-ended investment company sponsored by Legg Mason or its affiliates (including QS-Advised Funds and Affiliated Funds), for at least sixty (60) days;
- Employees may not purchase a security while a client order is pending (certain exclusions apply);
- Employees may not participate in IPOs or other new issues; and
- Employees are prohibited from buying, selling or recommending the purchase or sale of a security while they are in possession of material, non-public information.

In addition to restrictions and requirements regarding personal trading, the Code of Ethics and associated policies also include provisions that address other areas where the potential for conflicts of interest exist. These include:

- Reporting of all gifts and entertainment exchanged between employees and external business partners, including clients, consultants, brokers and vendors;
- Limits on the type, frequency and value of business gifts and entertainment given to or received by employees;
- Pre-clearance and reporting of all political contributions or gifts made by employees and any other “covered associate” as defined under Rule 206(4)-5 promulgated under the Advisers Act; and
- Reporting of all outside business activities that may be in conflict with an employee’s job responsibilities and/or duty to the Firm’s clients.

The Code of Ethics also places restrictions on employees serving on the board of directors of a publicly held company, engaging in certain transactions in Legg Mason stock, including a ban on purchases for client accounts other than index funds, and knowingly participating in or facilitating late trading, market timing or any other activity in violation of applicable law or the provisions of a fund’s governing documents.

As noted above, employees or family members may purchase, hold or sell securities at or around the same time that QS Investors purchases, holds or sells the same securities for client accounts. The personal actions by these individuals could also be different in nature or timing from the advice and actions taken by QS Investors for client accounts.

Employees may hold a beneficial interest in QS Investors-managed (or sub-advised) investment products, including mutual funds, ETFs and other commingled funds (including QS-Advised Funds). In these cases, employees may have direct knowledge of current fund holdings, which is non-public information. QS Investors and QS Investors Affiliates maintain informational barrier policies and procedures that restrict QS Investors’ access to material non-public information relating to the investment intentions, activities, transactions and portfolio holdings of Affiliated Funds and in Sleeves managed by Affiliated Managers. In addition, the Affiliated Funds are subject to portfolio holdings disclosure policies that allow QS Investors and employee access only to portfolio holdings information that has been publicly disclosed.

While these activities may create potential conflicts of interest between QS Investors, its employees and clients, QS Investors believes that its Code of Ethics, combined with the Firm’s other policies and procedures, are reasonably designed to address these matters.

Despite the measures outlined above, clients should be aware that no set of policies and procedures can anticipate or relieve all potential conflicts of interest. If an unanticipated conflict of interest should arise, QS Investors will seek to resolve the situation in the best interests of the Firm's clients.

How to Request a Copy of QS Investors' Code of Ethics

QS Investors' clients or prospective clients may request a copy of QS Investors' Code of Ethics by contacting Compliance or an account representative at 212-886-9200.

Securities in which QS Investors or a QS Investors Affiliate has a Material Financial Interest

As described in Item 5 (Fees and Compensation), Item 10 (Other Financial Industry Activities and Affiliations) and Item 14 (Client Referrals and Other Compensation) of this Brochure, a Fund-of-Funds client advised by QS Investors will indirectly bear the fees and expenses charged by the Underlying Funds in which it invests. Such fees and expenses are in addition to any investment advisory fee that may be paid directly to QS Investors. In the case of an Underlying Fund that is a QS-Advised Fund, the QS-Advised Fund's fees and expenses will include an advisory fee paid to QS Investors. In the case of an Underlying Fund that is an Affiliated Fund, the Affiliate Fund's fees and expenses will include an advisory fee paid to the Affiliate. Separately, subject to an agreement between QS Investors and the affiliate, the affiliate may make a payment to QS Investors out of its general resources in consideration of the Fund being included in the model fund portfolio. Depending on the contractual arrangement agreed to by the client and QS Investors, fees paid by a QS-Advised Fund to QS Investors and by an Affiliated Fund to a QS Investors Affiliate may or may not be credited against the advisory or service fees otherwise charged by QS Investors.

If a Fund-of-Funds client advised by QS Investors is a Section 529 college savings plan and invests in Underlying Funds that are Non-Affiliated Funds, QS Investors and QS Investors Affiliates may receive and retain fees from such funds or the adviser or distributor of such funds in respect of such invested assets. Fees received from Non-Affiliated Funds are not credited against the investment advisory fees otherwise charged by QS Investors to the college savings plan. Such fee arrangements are designed to help offset QS Investors' expenses associated with maintaining an investment in a Non-Affiliated Fund on behalf of a college savings plan and may be a factor considered by QS Investors in selecting funds in which to invest college savings plan assets. Such fee arrangements are disclosed to and consented to by the applicable Section 529 college savings plan sponsors and are disclosed to college savings plan participants in applicable offering documents.

QS Investors' advice to a Fund-of-Funds client to invest in QS-Advised Funds, Affiliated Funds and Non-Affiliated Funds may cause fees to be paid to QS Investors and other QS Investors Affiliates. The amount of fees received by QS Investors and other QS Investors Affiliates from such funds will vary. In light of such fee arrangements, QS Investors may be viewed as having certain conflicts of interest in providing asset allocation and fund selection advisory services. These conflicts of interest, and the manner in which QS Investors mitigates those conflicts of interest, are described in Item 10 (Other Financial Industry Activities and Affiliations) of this Brochure.

Participation or Interest in Other Client Transactions

QS Investors may, in limited circumstances, invest and manage proprietary capital of the Firm, the Firm's affiliates, or the Firm's parent company, Legg Mason, for the purposes of seeding new investment vehicles or strategies. In these

scenarios, proprietary capital will typically be withdrawn from the vehicles upon client investment in the vehicles. Aside from the limited scenarios in which QS Investors provides seed capital for new investment vehicles or strategies, QS Investors does not manage or invest the Firm's proprietary capital. As such, opportunities for the Firm's participation or interest in client transactions are limited.

It should be noted that in the Firm's role as sub-adviser for various registered investment companies, situations may arise in which trades are executed with brokers that may distribute the funds that the Firm manages. These trades, like all other trades executed for the Firm's clients, are executed solely with the belief that the broker can provide best execution. "Quid pro quo" arrangements that would direct trades to brokers in exchange for distribution or other services are expressly forbidden by Firm policy.

ITEM 12 - Brokerage Practices

Best Execution

Unless otherwise directed by clients, QS Investors has the discretion to choose broker-dealers to execute trades for client accounts and to determine the commissions paid to them. Broker-dealers are selected for trading in client accounts based on their ability to achieve the best possible result reasonably available for each client for each transaction, or “best execution.” Best execution is not necessarily measured by the circumstances surrounding a single transaction but may be measured over time through multiple transactions.

QS Investors uses a range of strategies designed to manage transaction costs, which consist of explicit costs, such as commissions, fees, and taxes, as well as implicit costs, also known as market impact. To best preserve investment returns, QS Investors seeks to minimize the total transaction costs of trading.

QS Investors manages explicit costs of trading by negotiating competitive commission rates. Implicit costs are managed through careful choice of execution strategies, real-time trade management and detailed post-trade analysis.

Factors Considered in the Selection of Broker-Dealers

While execution price and commission rates are often important factors in selecting a broker-dealer, QS Investors may also consider a number of other qualitative factors when evaluating a broker-dealer’s ability to deliver best execution. These other factors may include:

- Reliability and accuracy of the broker-dealer;
- Execution capability, taking into account the promptness of execution, the ability to execute the full size of the trade and the nature and difficulty of the trade in view of the order’s characteristics (*i.e.*, the size, difficulty of execution, etc.), and current or prevailing market conditions;
- Specialized expertise, taking into account the security or asset class (*i.e.*, complexity, familiarity, etc.);
- Operational capabilities and technology infrastructure;
- Confidentiality; and
- Any other factor permitted/required that is deemed important in evaluating execution quality.

QS Investors does not receive client referrals from any broker-dealers, thus client referrals do not influence QS Investors when selecting broker-dealers for trade execution.

Approved Broker List

Broker-dealers are selected from the Firm’s approved broker list. Relationships with each broker-dealer are evaluated on an ongoing basis to ensure that the Firm only partners with broker-dealers that meet the standards that QS Investors has established through its broker approval process. Brokers are evaluated based on their:

- Creditworthiness;
- Experience and familiarity with instruments within the investment universe;

- Stability and continuity of coverage;
- Regulatory standing; and
- Ability to meet specific client requirements.

Before QS Investors begins trading with a broker-dealer, they are evaluated by the Firm's Governance Oversight Committee to verify that they meet the requirements of our broker approval procedures. Once a broker-dealer is added to the list, they are subject to ongoing review to confirm that they maintain the requirements of our procedures. Broker-dealers can be removed from our approved list at any time for failure to meet our firm standards.

As a matter of policy, QS Investors does not trade with any broker-dealer affiliated with QS Investors or Legg Mason.

Counterparties for OTC Derivatives Transactions

To the extent permitted by the investment policies and guidelines applicable to a client account, QS Investors may enter into various types of OTC derivatives transactions, including swaps, options, and foreign currency forwards, on behalf of such client account. Such transactions involve potential counterparty credit risk for QS Investors' clients beyond that associated with normal exchange securities transactions that settle shortly after trade date and with exchange-traded derivative transactions (e.g., futures and options). QS Investors has adopted certain risk management policies and procedures relating to OTC derivatives transactions to seek to mitigate the exposure of QS Investors' client accounts to counterparty credit risk in connection with such transactions. Such policies and procedures include reviewing and monitoring the financial condition and credit rating of counterparties, engaging in such transactions only with approved counterparties, implementing counterparty credit risk exposure limits, and engaging in such transactions for limited time periods (i.e., short maturities).

Evaluation of Broker-Dealers

Broker performance is reviewed on a continuous basis. The lead portfolio manager of each strategy reviews execution on a post-trade basis to verify the integrity of the overall best execution process. The Firm's Governance Oversight Committee provides additional oversight by reviewing best execution with each lead portfolio manager no less frequently than quarterly.

No Participation in Soft Dollars Arrangements

QS Investors does not receive soft dollar benefits from client transactions or enter into commission sharing arrangements; however, QS Investors may receive research from broker-dealers through which securities transactions are executed during the normal course of business. QS Investors does not consider this research as a factor under the Firm's policy to seek best execution for its clients or during its broker selection process.

Directed Brokerage

Clients may retain discretion over the broker-dealers the Firm uses to execute trades in their account by: (1) limiting the broker-dealers that may be used to execute transactions in their account; and/or (2) requiring a portion or all trading be conducted with one or more broker-dealers, including brokers that may not be on the Firm's approved

broker list. QS Investors has an obligation to seek best execution for all client trades, but the Firm's inability to choose the broker-dealer(s) that it believes offer best execution may impede the Firm's ability to do so. Clients that direct brokerage may not be able to participate in aggregated orders and may receive execution that is not as favorable as, and potentially more costly than, trades executed for other clients.

In an effort to achieve best execution for clients that have retained discretion over all or a portion of broker selection, QS Investors may use "step-out" trading to meet the directed brokerage obligation. In these cases, the broker-dealer that QS Investors selects must agree to transfer the portion of an aggregated order that pertains to a directed-brokerage client to the specified broker-dealer. This action is known as a "step-out" or "give-up" transaction. In these transactions, the first broker-dealer executes the trade, while the second one clears and settles all, or part, of the trade in return for all, or part, of the commission.

Step-out transactions allow QS Investors' traders to satisfy client-directed brokerage commitments while matching trades to broker-dealers' expertise or order flows, which can reduce market impact. If the executing broker-dealer QS Investors selects for trade execution does not agree to participate in a step-out transaction, the trade for a directed-brokerage client will be executed separately by their specified broker-dealer and not aggregated with like orders for other clients. Transaction costs for these trades may differ from those obtained from an executing broker-dealer chosen by QS Investors.

Clients with directed brokerage may pay higher commissions than others in aggregated orders. For example, commission costs in an aggregated transaction may vary if QS Investors steps out a portion of the trade to a designated broker-dealer. Because of certain predetermined liquidity constraints imposed by QS Investors with respect to the Firm's securities trading, the Firm may not execute the same number of shares (or fill percentage) in trades for clients with directed brokerage versus those executed on behalf of clients without such arrangements. If QS Investors does not include clients with directed brokerage in an aggregated order, the Firm strives to generate its separate orders in an equitable manner.

Directed brokerage arrangements and their conditions must be specified in investment management agreements or other contractual arrangements at the beginning of each client relationship. Before entering into an agreement with QS Investors, clients should be fully aware of the potential impact of directed brokerage on trade execution.

Trade Aggregation and Allocation

Although each client account is individually managed, QS Investors will often buy or sell the same securities on the same day for multiple client accounts. When possible, QS Investors generally aggregates these transactions as a single transaction order, which may reduce transaction costs. With limited exceptions, each client will be allocated the average execution price and the average commission paid in the aggregated order. If QS Investors cannot completely fill an aggregated order, the Firm will typically allocate the partially filled transactions to clients on a pro-rata basis.

QS Investors generally bases the pro-rata allocation on each client's order size relative to the aggregated order. Occasional exceptions may be based on factors including the following:

- Available cash in client accounts;
- Compliance with client-specific guidelines and restrictions;
- QS Investors' risk controls; and

- Rules and regulations established by an exchange, market or others.

In some situations, QS investors may not be able to or may choose not to aggregate orders for client accounts. These situations could result from the following:

- Countries with market restrictions, as is the case in some emerging markets;
- Trades in the same security that are released to a broker-dealer at different times of the day;
- Trades in the same security that are released to the same broker-dealer at the same time but with different trading instructions;
- Short sales of securities where QS investors may choose to trade with an account's designated prime broker in order to seek "best execution" or maintain a specific long-short ratio; and
- Participation in client-directed brokerage arrangements.

When trades are not aggregated, they do not typically receive the same average execution price. In these situations, QS Investors seeks to have broker-dealers generate separate orders equitably. When QS Investors is unable to aggregate trades, accounts may have higher market impact costs. QS Investors seeks to reduce these costs by monitoring security liquidity and limiting trade volumes.

As more fully described above under "Directed Brokerage," whenever possible, QS Investors includes transactions for directed-brokerage clients in aggregated orders.

QS Investors confirms that broker-dealers follow the Firm's trade instructions properly. In addition, Compliance periodically reviews partially-filled trade allocations among client accounts to ensure that they have been conducted in accordance with the Firm's trade allocation policy.

Delays in executing trade orders and deviations from QS Investors' trade allocation policy may occur from time to time due to various circumstances and are generally not considered trade errors.

Managed Account Programs

In addition to the policies stated above to promote fair and equitable treatment of all client accounts, QS Investors maintains a Trade Communication Policy which requires that all model portfolios be disseminated simultaneously (subject to system limitations or unanticipated events). With respect to QS Investors institutional client accounts managed pursuant to the same investment model, updates to model portfolios will be communicated to QS Investors investment personnel for implementation at the same time as communicated to other model recipients (including LMPPG and program sponsors).

Depending on the program type, upon receipt of a model portfolio, LMPPG will implement the model portfolio or disseminate the model portfolio to program sponsors or their designees in accordance with LMPPG's Trade Communication Policy, which is described in LMPPG's ADV Brochure (Item 12). Communication of model portfolios and instructions from LMPPG to sponsor firms (or their designees) is subject to LMPPG's Trade Communication Policy.

When QS Investors serves as sub-adviser to LMPPG, QS Investors does not have trade placement responsibility. For a discussion of trading practices applicable to these arrangements, please refer to Item 12 of LMPPG's ADV Brochure for a description of their trading practices.

Model portfolio clients may experience account performance that is different from the results obtained for accounts that are managed and traded by QS Investors outside of managed account programs due to the timing and implementation of QS Investors model portfolio by a sponsor, overlay manager, or LMPPG.

Cross Trading

Except under very rare circumstances, QS Investors does not engage in cross trades, which are generally defined as the matching of buy and sell orders for the same security in different client accounts, either internally or externally through a broker. The reason for a cross trade would be to benefit client accounts by reducing trade execution costs. Each cross trade must be approved by Compliance, achieve best execution, and meet all regulatory requirements.

New Issues

For most investment strategies (and then only rarely), QS Investors does not directly participate in IPOs or other new issues offerings. However, Affiliated Funds and Non-Affiliated Funds in Fund-of-Funds, and Sleeves of client accounts managed by Underlying Managers selected by QS Investors in Manager-of-Managers arrangements, may invest in IPOs and other new issues offerings.

Side-by-Side Management Arrangements

As noted in Item 6 (Performance-Based Fees and Side-by-Side Management) of this Brochure, certain of the Firm's portfolio managers may manage long-only accounts alongside accounts that buy securities both long and short ("side-by-side management arrangements"). When side-by-side management arrangements exist, there may be instances in which QS Investors holds a long position in a security in one account while holding the same security short in another account (or vice versa). Selling a security short may result in a decrease of its value; conversely, purchasing a security may result in an increase in its value. Since certain client positions may be conflicted under these arrangements, QS Investors has implemented policies and procedures specifically to address side-by-side management arrangements that are reasonably designed to ensure that all of the Firm's clients are treated fairly and equitably. Compliance reviews opposite transactions and positions in the same securities for validity, obtaining justification from the appropriate investment team, if necessary. They also review opposite transactions to ensure that there are no inadvertent cross trades. In addition, they periodically review account performance dispersion to ensure that no strategies or accounts appear to receive preferential treatment or are being systematically disadvantaged.

Errors That Affect Client Accounts

In accordance with firm policy, any error affecting a client account must be resolved fairly, promptly, and in accordance with applicable regulations. Any losses incurred as a result of a QS Investors error are reimbursed, regardless of the amount; gains, where permitted, are retained for the benefit of the client in the client account.

Corrective action to resolve errors must be approved by Compliance and management.

ITEM 13 - Review of Accounts

Portfolio Manager Reviews

Accounts are reviewed by the Firm's portfolio managers on a continuous basis to ensure that investments are appropriate for each account in accordance with the client's established guidelines and investment objectives. Compliance also reviews each account with the use of automated tools to confirm adherence to investment guidelines, restrictions, and applicable regulatory requirements.

Portfolio managers, in their role as traders, also review transactions on a post-trade basis to verify that orders have been executed in accordance with trading instructions.

Performance is formally reviewed monthly by portfolio managers and quarterly by the Firm's Investment Oversight Committee. The Investment Oversight Committee reviews performance by investment strategy, attribution, and the consistency of the performance with respect to strategy objectives. In addition, performance dispersion within each strategy, among other things, is reviewed on a monthly basis by the Firm's Governance Oversight Committee. Accounts that do not fall within a reasonable deviation of the overall strategy performance are reviewed in more detail by the Governance Oversight Committee to better understand causes for appreciable differences in performance.

Triggers for Review

More frequent reviews may be triggered by other events unrelated to performance or trading activity. Examples of such triggers may include: significant market events, changes in account guidelines, regulatory reform or new interpretive guidance from regulators, client requests for review, and changes in the Firm's internal processes and/or strategies.

Compliance Reviews

Compliance monitors most client investment guidelines and restrictions for client accounts on both a pre- and post-trade basis through a software application integrated with the Firm's order management system. The compliance application tests the rules coded for each portfolio at order entry. Compliance also reviews post-trade exception reporting to ensure that market fluctuations or other actions have not resulted in any breach of investment guidelines.

Investment guidelines and restrictions that cannot be monitored automatically are typically reviewed manually each month on a post-trade basis. In addition, Compliance periodically monitors trading activity to confirm the absence of manipulative trading practices and that no strategies or accounts appear to receive preferential treatment.

Client Reporting

Clients generally receive reports about their account(s) on a monthly or quarterly basis. The standard reporting package provided to the Firm's clients may include:

- Securities held, including quantities;

- Cost and reported or estimated market value of each position held;
- Total market value of the account;
- Summaries of transactions;
- Performance returns;
- Performance attribution relative to benchmark returns; and
- Discussion of portfolio performance and/or market commentary.

The nature and frequency of reports each client receives may vary dependent on their requirements. Customized or specialized packages or more frequent delivery may be arranged in order to better meet a client's reporting needs. Typically, a client's reporting requirements are documented during the client on-boarding process and may be modified at any time during the life of the relationship.

The information on these reports should not be considered the official record of a client account. QS Investors considers the client's custodian the official record keeper for each account. As described in Item 15 (Custody) of this Brochure, clients should receive account statements from their custodians on a regular basis.

Upon request, QS Investors also provides annual (or more frequent) proxy voting summary reports to clients for whom the Firm exercises voting responsibility.

Frequency and Nature of Account Reviews for QS Investors' Asset Allocation and Fund/Manager Selection Advisory Services

In the case of a Fund-of-Funds arrangement, the review process includes analyses of the applicable Fund-of-Funds as well as the Underlying Funds and their investment advisers. In the case of a Manager-of-Managers arrangement, the review process includes analyses of the overall portfolio as well as the various portfolio Sleeves and Underlying Managers.

The review process includes both quantitative and qualitative elements. The quantitative elements of the client account review include:

- A performance attribution analysis for the applicable sources of investment return;
- A statistical analysis of historical returns and portfolio characteristics; and
- Additional financial and economic analyses.

The qualitative aspects of the client account review are primarily focused on the Underlying Managers or the investment advisers to Underlying Funds, as applicable. Qualitative reviews typically include a review and assessment of:

- The background and qualifications of key investment personnel;
- Investment processes;
- Organizational stability and business changes;
- Client service resources;
- Compliance procedures and risk controls; and
- Regulatory filings.

Such reviews also may include due diligence discussions and periodic on-site visits.

QS Investors may invest in Underlying Funds, including QS-Advised Funds and Affiliated Funds, that have a limited operating and performance history where QS Investors determines that such investment is consistent with a Fund-of-Fund's investment objectives.

In the case of QS-Managed Sleeves, QS Investors' portfolio managers review such Sleeves and the securities and other instruments held within such Sleeves on a daily basis. Such reviews generally focus on the continued investment appropriateness of the Sleeve's composition, in light of factors such as the investment objective and strategy applicable to the Sleeve and market conditions. To the extent applicable, such reviews may include consideration of the Sleeve's performance relative to benchmark performance. As part of such reviews, portfolio managers may utilize performance attribution analysis to help assess portfolio diversification and understand differences in portfolio composition relative to that of the applicable benchmark.

Managed Account Programs

Sponsor Firms typically prepare and send regular account statements to clients in Sponsor Firm investment programs. QS Investors does not send regular account reports to such clients, but may agree to provide certain account information upon request.

ITEM 14 - Client Referrals and Other Compensation

Client Referrals

QS Investors and its affiliates directly market the firm's services. From time-to-time, unaffiliated individuals and entities provide QS Investors with client referrals. Solicitors that refer QS Investors to new clients may be paid fees that are generally based on a percentage of the investment advisory fees paid to QS Investors by those clients but may also include a flat fee, in accordance with written solicitation agreements. These fees are paid directly by QS Investors and not by our clients, who are not assessed any additional charges. Any solicitation arrangement QS Investors enters into will comply with the requirements of Rule 206(4)-3 under the Advisers Act.

If the solicitors are unaffiliated with QS Investors, they must provide clients with a disclosure describing the terms and conditions of the solicitation arrangement, including their compensation from QS Investors, and a copy of QS Investors' Brochure (Form ADV, Part 2). Upon entering into an advisory contract with QS Investors, clients referred by unaffiliated solicitors are required to provide signed and dated acknowledgement that they received the disclosure statement and Brochure. Solicitors that are affiliated with QS Investors are only required to disclose the nature of the relationship.

While consultants may refer QS Investors to their clients, it is not QS Investors' practice to pay referral fees to consultants. However, some consultants charge investment advisers a fee to obtain or respond to requests for proposals or participate in manager searches. Some consultants may also charge a fee to an investment adviser when they award business to that adviser. This fee is typically based on a percentage of the investment advisory fee for the awarded mandate. While QS Investors has not participated in these types of arrangements in the past, there could be instances in the future where the Firm makes these types of payments to consultants to obtain business.

QS Investors may purchase products or services from certain consultants, such as portfolio analytics, benchmark index data, and database access. Additionally, QS Investors may pay to attend consultant-sponsored conferences. The Firm may also contribute to charitable events sponsored by clients and consultants as well as provide them with limited gifts and entertainment (subject to QS Investors' gifts and entertainment policy). Consultants and clients could face possible conflicts of interest as a result of these purchases and contributions.

Fees Received by QS Investors and QS Investors Affiliates from Someone Other than a Client

As described in Item 5 (Fees and Compensation), Item 10 (Other Financial Industry Activities and Affiliations) and Item 11 (Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading) of this Brochure, a Fund-of-Funds client advised by QS Investors will indirectly bear the fees and expenses charged by the Underlying Funds in which it invests. Such fees and expenses are in addition to any investment advisory fee that may be paid directly to QS Investors. In the case of an Underlying Fund that is a QS-Advised Fund, the QS-Advised Fund's fees and expenses will include an advisory fee paid to QS Investors. In the case of an Underlying Fund that is an Affiliated Fund, the Affiliate Fund's fees and expenses will include an advisory fee paid to the Affiliate. Separately, subject to an agreement between QS Investors and the affiliate, the affiliate may make a payment to QS Investors out of its general resources in consideration of the Fund being included in the model fund portfolio. Depending on the contractual arrangement agreed to by the client and QS Investors, fees paid by a QS-Advised Fund to QS Investors and by an Affiliated Fund to

a QS Investors Affiliate may or may not be credited against the advisory or service fees otherwise charged by QS Investors.

If a Fund-of-Funds client advised by QS Investors is a Section 529 college savings plan and invests in Underlying Funds that are Non-Affiliated Funds, QS Investors and QS Investors Affiliates may receive and retain fees from such funds or the adviser or distributor of such funds in respect of such invested assets. Fees received from Non-Affiliated Funds are not credited against the investment advisory fees otherwise charged by QS Investors to the college savings plan. Such fee arrangements are designed to help offset QS Investors' expenses associated with maintaining an investment in a Non-Affiliated Fund on behalf of a college savings plan and may be a factor considered by QS Investors in selecting funds in which to invest college savings plan assets. Such fee arrangements are disclosed to and consented to by the applicable Section 529 college savings plan sponsors and are disclosed to college savings plan participants in applicable offering documents.

QS Investors' advice to a Fund-of-Funds client to invest in QS-Advised Funds, Affiliated Funds and Non-Affiliated Funds may cause fees to be paid to QS Investors and other QS Investors Affiliates. The amount of fees received by QS Investors and other QS Investors Affiliates from such funds will vary. In light of such fee arrangements, QS Investors may be viewed as having certain conflicts of interest in providing asset allocation and fund selection advisory services. These conflicts of interest, and the manner in which QS Investors mitigates those conflicts of interest, are described in Item 10 (Other Financial Industry Activities and Affiliations) of this Brochure.

ITEM 15 - Custody

QS Investors does not have physical custody of funds or securities in client accounts. Instead, each client contracts with a qualified custodian of their choice to take possession of the assets in their account. The custodian is also responsible for settling transactions, accepting instructions from QS Investors regarding the account assets and informing QS Investors of additions and withdrawals from the client account. QS Investors is not responsible for the acts of a client's custodian or for direct account expenses, such as custodial fees and brokerage expenses.

However, QS Investors may be deemed to have constructive custody of client assets if QS Investors has the authority pursuant to an agreement with a client to instruct the client's custodian to deduct and pay QS Investors' advisory fees from the client's account. QS Investors also may be deemed to have constructive custody of the assets in a particular client account if, under rare circumstances, QS Investors is responsible for establishing and maintaining custody arrangements to hold and maintain such client's funds and securities and has the authority to instruct the custodian with respect to the transfer or withdrawal of funds and securities from the client's account in order to provide contracted for services and to collect fees owed to QS Investors and its affiliates for such services.

As noted in Item 10 (Other Financial Industry Activities and Affiliations) of this Brochure, QS Investors (or QS Investors Fund Management, LLC) acts as the general partner or managing member of certain commingled funds. The authority granted to managing members of limited liability companies, general partners of limited partnerships, or comparable positions held for other types of commingled funds may provide such persons or entities access to client funds or securities. As a result, QS Investors is deemed to have constructive custody of the assets of those commingled funds. Such assets are maintained with a "qualified custodian" and are audited annually by an independent public accountant registered with the Public Company Accounting Oversight Board ("PCAOB"). Audited financial statements are delivered to investors of the commingled funds in accordance with Rule 206(4)-2 of the Advisers Act.⁴

Where QS Investors may be deemed to have constructive custody of the assets in a client's account, QS Investors will confirm that the broker-dealer, bank or other qualified custodian of the client's account will send directly to the client quarterly or more frequent account statements reflecting the securities and other assets held, and all transactions occurring, in the client account during the period. A client should carefully review any account statements it receives directly from its qualified custodian. In addition, QS Investors urges clients to compare account statements they receive directly from their qualified custodians to account statements and reports they receive from QS Investors. Statements and reports received from QS Investors may differ from statements received from the qualified custodian due to differences in accounting procedures, reporting dates or valuation methodologies with respect to certain securities. Clients should contact their account representative if they are not receiving accounts statements from their custodian.

⁴ The client funds and securities of which QS Investors is deemed to have custody must be subject to an annual surprise examination by an independent public accountant unless the commingled funds that hold such funds and securities are audited at least annually and the audited financial statements are distributed to the investors of the commingled funds as required under Rule 206(4)-2 of the Advisers Act.

ITEM 16 - Investment Discretion

QS Investors may provide investment advisory services on either a discretionary or non-discretionary basis. Before assuming discretionary authority over a client account, QS Investors enters into a written investment management or similar agreement with the client that sets forth the nature and extent of QS Investors' discretionary authority over the client's account.

Most clients grant QS Investors discretionary authority over their accounts, including the following decisions:

- Type and amount of securities purchased and sold;
- Prices at which to transact;
- Broker-dealers selected for trade executions; and
- Commissions paid to broker-dealers.

Clients may elect to set limitations on this discretionary authority by placing guidelines, including restrictions and limitations, on activity within their account. Guidelines may be set forth in the investment management or advisory agreement between QS Investors and the client. In the case of a client that is a commingled fund, guidelines may be set forth in the fund's prospectus or other offering document. Guidelines are generally established at the beginning of a client relationship but may be changed throughout the life of the relationship at a time of the client's choosing. Examples of such guidelines may include:

- Restrictions or prohibitions on the types of securities, issuers, asset classes, industries/sectors, or countries that may be held in an account;
- Restrictions on the amount of securities, issuers, asset classes, industries/sectors, or countries that may be held in an account;
- Restrictions or prohibitions on the investment practices that may be used in an account; and
- Restrictions on brokers that can be used to execute transactions in an account.

Despite such restrictions, QS Investors typically considers these accounts to be discretionary.

Client guidelines may impede QS Investors' ability to manage accounts similarly to others within an investment strategy and may lead to performance dispersion among a group of like accounts. Prior to entering into agreements with clients, QS Investors discusses with clients the potential impact that certain client-mandated guidelines or restrictions may have on their accounts.

However, some client accounts may be considered non-discretionary, generally when clients are responsible for executing trades in their accounts or when they have the discretion to reject QS Investors' trade recommendations. In addition, QS Investors may provide investment advice, trade recommendations and/or portfolio research services to some clients. In these circumstances, clients retain full investment and trading discretion over their accounts.

Managed Account Programs

In addition to full-discretionary management services, QS Investors may enter into agreements to provide model portfolios for use in managed account programs directly through sponsors or through its relationship with LMPPG as a sub-advisor.

As sub-advisor to LMPPG, QS Investors anticipates participating in various types of managed account programs, which shall include Discretionary Model-Based Programs and Non-Discretionary Model-Based Programs, which are defined as follows:

- Discretionary Model-Based Programs. Programs of sponsors in which QS Investors has security selection discretion and LMPPG forwards investment instructions furnished by QS Investors in the form of model portfolios to sponsors or their designees for implementation, subject to any implementation protocols or rules of the sponsors or their designees; and
- Non-Discretionary Model-Based Programs. Programs of sponsors in which LMPPG forwards QS Investors' non-discretionary investment recommendations in the form of model portfolios to sponsors or their designees for implementation, subject to the discretion of sponsors or their designees.
- LMPPG-Implemented Programs. Programs of sponsors in which QS Investors has security selection discretion and LMPPG implements investment instructions furnished by QS Investors in the form of model portfolios with respect to client accounts, subject to any implementation protocols or rules agreed by LMPPG and

QS Investors has discretionary authority to determine the securities to be bought, held and sold for client accounts (security selection discretion) in accordance with the strategy selected by the client in Discretionary Model-Based Programs as derived from the sub-advisory agreement entered into by QS Investors with LMPPG. QS Investors does not have securities selection discretion with respect to client accounts under Non-Discretionary Model-Based Programs. QS Investors does not have trading discretion under any type of program described above.

ITEM 17 - Voting Client Securities

General

In the case of certain client accounts, QS Investors has proxy voting authority with respect to the securities held in such accounts. In the case of other client accounts, proxy voting authority is reserved to the client or assigned to a party other than QS Investors, such as an Underlying Manager in a Manager-of-Managers arrangement. Whether QS Investors has proxy voting responsibility with respect to a particular client account typically is determined by the terms of QS Investors' investment management, advisory or other service agreement with the client.

Unless otherwise specified in client agreements, QS Investors makes proxy voting decisions on behalf of clients for securities held in client accounts. To ensure that all votes are cast equitably and in what the Firm believes, in good faith, to be the best interest of all clients, and in accordance with Rule 206(4)-6 of the Advisers Act, QS Investors has adopted a Proxy Voting Policy and has retained Institutional Shareholder Services, Inc. ("ISS"), a third-party proxy advisory firm, as its proxy voting agent. ISS obtains proxy ballots, provides vote recommendations, votes proxies, and provides recordkeeping and reporting services on behalf of QS Investors' clients that have provided QS Investors with the authority to vote proxies. QS Investors has a fiduciary responsibility to vote proxies in its clients' best interests (*i.e.*, generally speaking, to maximize shareholder value). Compliance is responsible for managing the relationship with ISS and for ensuring that the Firm is meeting its proxy voting obligations.

QS Investors incorporates environmental, social, and governance ("ESG") issues into proxy voting decisions and typically votes in accordance with the recommendations of ISS's Sustainability Policy, which promotes sustainable business practices advocating for stewardship of the environment, fair labor practices, non-discrimination, and the protection of human rights. When such recommendations are not made available to the Firm, QS Investors typically votes in accordance with ISS's standard proxy voting guidelines. QS Investors has adopted ISS's Sustainability Policy proxy voting guidelines as its own.

Some clients have asked QS Investors to vote in accordance with custom proxy voting guidelines, such as ISS's Taft-Hartley Advisory Services' guidelines. QS Investors manages assets for a wide variety of clients that may have divergent goals regarding the outcome of a shareholders' meeting. Due to differences in proxy voting guidelines, QS Investors may vote proxies for the same security differently for different clients.

Under extremely rare circumstances, QS Investors' investment personnel may believe that it will be in the best interests of clients to vote against ISS's vote recommendations or in contradiction with ISS's proxy voting guidelines. In these cases, if there is no material conflict of interest, QS Investors will override the vote recommendation from ISS or vote in contradiction with ISS's standard voting guidelines. Such votes require pre-approval by Compliance.

Unless the cost of voting would appear to outweigh the benefits, QS Investors generally casts votes for all shares for which the Firm has voting authority.

Due to restrictions on trading during the proxy solicitation period imposed by some non-U.S. issuers (known as "share blocking"), QS Investors typically does not vote shares of some issuers in some markets. During a share blocking period, a blocked security cannot be sold without a formal recall, which can take time and may not be successful. Share blocking periods can last one day to several weeks. If QS Investors is unable to sell a blocked security, this could

result in substantial costs to clients. If QS Investors does not vote a proxy for a particular security, the Firm is not subject to these share blocking restrictions. QS Investors may decide in some instances to vote a proxy despite share blocking if the Firm believes that a certain proposal or series of proposals is likely to result in a substantial change to shareholder value and/or rights.

Some clients may participate in client-directed security lending programs, which also require a recall of the loaned securities to properly assign voting rights to the lender. Because of these administrative considerations, QS Investors often does not receive adequate notice of a proxy voting solicitation to arrange a recall of shares through the client's custodian or other intermediary in time to vote the proxies. Therefore, QS Investors generally does not vote proxies for securities on loan.

Proxies for the shares of certain ETFs held within client accounts may be voted in accordance with an "echo voting" procedure to the extent required by procedures QS Investors has adopted to comply with applicable legal and/or regulatory requirements. Please see "Fund-of-Funds" below for further information concerning echo voting.

Managed Account Programs

QS Investors will accept proxy voting responsibility for client accounts under Discretionary Model-Based Programs but not under Non-Discretionary Model-Based Programs.

Funds-of-Funds

For any Fund-of-Funds that is a U.S. registered investment company, QS Investors generally will vote the proxies for the shares of any Underlying Funds that are QS-Advised Funds or Affiliated Funds in accordance with an "echo voting" procedure. Under echo voting, proxies for shares of the Underlying Fund are voted in the same proportion as shares held by other shareholders of such Underlying Fund are voted. However, QS Investors may vote proxies for shares of QS-Advised Funds or Affiliated Funds in accordance with other approved procedures in accordance with applicable legal and/or regulatory requirements. Proxies for shares of Non-Affiliated Funds held by a Fund-of-Funds will also be voted in accordance with an echo voting procedure to the extent required in order to comply with applicable legal and/or regulatory requirements.

Manager-of-Managers Arrangements

In the case of a Manager-of-Managers arrangement, each Underlying Manager typically exercises proxy voting authority over the securities in the Sleeve managed by such Underlying Manager. QS Investors will exercise proxy voting authority over the securities in a QS-Managed Sleeve.

Conflicts of Interest

QS Investors may have a potential conflict of interest when a company that is soliciting a proxy is one of the Firm's advisory clients or when QS Investors' employees have an interest in a proxy voting proposal that conflicts with the interests of the Firm's clients. QS Investors believes that it minimizes such potential conflicts of interest by following predetermined proxy voting guidelines and by voting in accordance with ISS's vote recommendations.

The echo voting protocol described above also eliminates potential conflicts of interest associated with QS Investors' acquisition of QS-Advised Funds and Affiliated Funds in Fund-of-Funds that are U.S. registered investment companies.

How to Request a Copy of QS Investors' Proxy Voting Policy or ISS's Proxy Voting Policies and Guidelines or Proxy Voting Information

ISS maintains complete records of all votes cast on behalf of each of the Firm's client accounts and provides QS Investors with periodic, customized reports for each client account for which the Firm votes proxies.

A client may request: (1) a copy of QS Investors' Proxy Voting Policy; (2) a copy of ISS's proxy voting policies and guidelines; and/or (3) information concerning how QS Investors voted proxies with respect to securities held in the client's account by contacting their account representative at 212-886-9200. Information about ISS's proxy voting policies and guidelines is also available on their website: <http://www.issgovernance.com/policy>.

Class Action Lawsuits and Other Legal Proceedings

From time to time, securities or other investments held in clients' accounts may be the subject of legal proceedings, including but not limited to bankruptcies, class action lawsuits, and other shareholder litigation. Except as expressly agreed to in writing or as otherwise required under applicable law, QS Investors does not advise clients or take any action on their behalf with respect to any legal proceedings involving assets or securities held for or traded in client accounts.

ITEM 18 - Financial Information

QS Investors is not aware of any events affecting its financial condition that would impair its ability to meet its contractual commitments to clients and has not been the subject of a bankruptcy petition at any time.

Privacy

Regulation S-P

As required by the U.S. Gramm-Leach Bliley Act of 1999, each of the federal financial regulators has adopted privacy rules governing the use of consumer personal information. The privacy notice requirements of Regulation S-P only apply to customers/consumers of a U.S. registered investment adviser that are natural persons. It does not apply to customers/consumers that are legal entities. Such requirements, therefore, do not apply to the clients of QS Investors, which are limited to institutional clients and do not include natural persons.

Nevertheless, QS Investors limits its use and disclosure of clients' non-public information, as described below.

General

QS Investors collects information about clients from forms, agreements and other written and verbal information they provide. In order to service client accounts and process transactions, QS Investors may provide client information (e.g., name, address, tax identification number) to firms that assist QS Investors in servicing the accounts, including third-party administrators, transfer agents, custodians, broker-dealers, the Firm's proxy voting agent and other service providers. QS Investors may also provide the client's name and address to one of its agents for the purpose of mailing account statements and other information about the Firm's products and services to the client. QS Investors requires these firms, organizations and individuals to protect the confidentiality of client non-public information and to use the information solely for the purpose for which it is intended.

QS Investors does not provide customer names, addresses or other information to outside firms, organizations or individuals except in furtherance of the client relationship, or as otherwise required or permitted by law. For example, QS Investors may be required or may provide information to government entities or regulatory bodies in response to requests for information or subpoenas, to private litigants in certain circumstances, to law enforcement authorities, or any time QS Investors believes is necessary to protect the Firm.

QS Investors will only share non-public information about clients with employees who will be working to provide QS Investors' products and services to the Firm's clients, which may include those of QS Investors' affiliates and parent company. QS Investors maintains physical, electronic and procedural safeguards that comply with federal and state standards to protect clients' non-public information.

QS Investors never sells customer lists or individual client information.

QS Investors considers privacy fundamental to its client relationships and adheres to policies and practices and maintains physical, electronic and procedural safeguards to protect both current and former clients' non-public information.